PHOTON ENERGY

PHOTON ENERGY N.V. CONSOLIDATED FINANCIAL REPORT

for the year ended 31 December 2013

Photon Energy N.V.

ANNUAL REPORT 2013

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1. Letter from the Management

CONSOLIDATED FINANCIAL REPORT

Letter from the Management

Dear shareholders,

We are pleased to present you with our annual report for the year 2013 following the listing of our Company's shares on the NewConnect market of the Warsaw Stock Exchange in June 2013.

Within three years of the formation of Photon Energy in the Czech Republic in 2008 the Company grew from a start-up to a EUR 100 million sales and balance sheet company on the back of the PV boom in the Czech Republic and Slovakia. Our international expansion to Italy, Germany and Australia as well as the introduction of retroactive measures by governments in one of our core markets made it necessary for us to undergo an extensive restructuring process to ensure the most effective operations of our Company. On 4 June 2013 our Company completed the restructuring process by listing our shares on the NewConnect market.

The year 2013 was an exciting period for us and included a bond placement by our fully owned subsidiary Photon Energy Investments in Central Europe, new contracts for our Operations and Maintenance division, a flying start for our Australian subsidiary PEGA and the announcement of our new global strategy.

To be able to further expand our business, as extensive resources were dedicated to the completion of the restructuring process, we were continuously evaluating multiple options for raising equity via private placement and corporate debt. In February 2013 – our fully-owned subsidiary Photon Energy Investments placed a 5-year corporate bond with an 8% annual coupon paid quarterly in Germany, Austria, the Czech Republic, Slovakia and Poland with a maximum volume of up to EUR 40 million. The bond with a EUR 1,000 face value maturing on 12 March 2018 was listed on the Open Market segment of Deutsche Börse AG (Quotation Board of the Frankfurt Stock Exchange) and further in December listed in the premium Corporate Prime Segment of the Vienna Stock Exchange, which only lists bonds that fulfil strict criteria, including high transparency standards. Reacting to the changes in the global – and most of all the European – PV market we announced our new "Strategy for the Solar Age" in November. Our main aim is to increase independence from state-run-subsidy systems and to offer PV solutions to power consumers on a competitive basis. Our company successfully rode out the storm in the industry and with a track record of 50 MWp of grid-connected PV plants across 5 countries we are one of the most experienced PV companies and among the leading public downstream PV companies in the world. The strategy is further based on geographic diversification and on securing several recurring revenue sources in multiple sweet spots along the solar value chain. Our new strategy is tailor made for the Solar Age with the goal to generate recurring revenue streams while maximising customer value. Our revised focus will be now on Customised Energy Solutions, Decentralised Energy Production, Standardised Financing, Operations & Maintenance and Asset Management. All our current services and products will be realigned in order to best serve these five business lines, in which we implemented NPV^{max} (maximum Net Present Value) concept.

In the Czech Republic – one of our core markets as far as our portfolio is concerned – politicians and the media continued their negative campaign against Renewable Energy and Solar Investors. In Q2 2013 the Czech Environment Ministry passed a directive under which owners of power plants had to register with a recycling system and pay a fee of CZK 8.50 (EUR 0.30) per kilogram of installed PV modules. With the introduction of a fee far above market prices and comparable fees in other countries, the government's decision had aroused suspicion as to what the government's true intentions were. In reaction to the introduction of the recycling fee our fully-owned subsidiary Photon Energy Operations CZ and other leading players from the Czech PV Industry as well as the PV industry association CZEPHO joined forces and established REsolar, where we became a founding 10% shareholder. As a collective system of PV module recycling REsolar will look after the interests of owners of PV power plants, something the Czech state has failed to do in the past years. All our power plants in our Czech proprietary portfolio were registered with REsolar by the 30 June 2013 deadline. Moreover, the

formation of REsolar was a strong sign that the PV industry in the Czech Republic had progressed to a point where its leading industry association and its major players were capable of pooling their resources and efforts to establish a transparent platform for the fulfilment of an ever increasing load of legal and regulatory obligations for PV plant owners in a transparent and professional manner.

As if introducing a controversial recycling fee under suspicious circumstances had not been bad enough to tarnish the reputation of the Czech Republic, the government set out to damage investor confidence even further. In September the Czech president signed a Bill limiting the support for Renewable Energy starting 1 January 2014 and simultaneously - in yet another retroactive measure - extending the Solar Levy for the remainder of the applicable Feed-in-Tariff period for PV plants connected in 2010 at the level of 10% of revenues (down from 26% for the years 2011 to 2013). The continuation of the Solar Levy at 10% triggered an impairment of our Czech PV portfolio by EUR 4.5 million in 2013.

The steep reductions and termination of support schemes for PV-generated electricity are currently behind the Group's expansion into markets outside the European Union for the development and construction of new PV plants. Our expansion to Australia in 2011 is starting to pay off as the market develops dynamically. Australia has been identified as one of the leading grid parity markets and will be our focus for the expansion of PV generation capacity in 2014 and beyond. In April 2013 our fully-owned subsidiary Photon Energy Investments N.V. acquired and added our first Australian power plant with an installed capacity of 144kWp located in Symonston to its portfolio. Furthermore, in September our fully-owned subsidiary Photon Energy Engineering Australia was selected to build and operate a 283 kWp roof mounted PV system on a large office building in Sydney.

As a part of our new strategy in December we launched innovative standardised financing models through our fully-owned subsidiary Photon Energy Generation Australia (PEGA). Through PEGA, we want to offer all commercial energy users two attractive alternatives to the outright acquisition of a PV system: either in the form of a Commercial Hire Purchase (CHP) agreement (signed for an average of 10 years) or in the form of Power Purchase Agreements (PPA) (signed for an average of up to 30 years) with the possibility to acquire the PV system. On 12 December PEGA already signed its first three PV projects with 535 kWp to be delivered on the basis of CHP agreements with the project investment volume amounting to AUD 1.6 million (EUR 1.06 million; PLN 4.43 million). Shortly after the reporting period, in January 2014 Photon Energy was recognised as one of the leading players in Australia in the report published by Deutsche Bank titled "2014 Outlook: Let the Second Gold Rush Begin".

At the same time the traditional PV markets with large installed bases in the European Union still remain very attractive for our Operations and Maintenance (O&M) business unit Photon Energy Operations (PEO) given that the installed base across the European Union currently exceeds 80 GWp. In the European and other developed PV markets, with many underperforming PV plants and rapid consolidation, we still see substantial potential to increase our business from 50 MWp under management. Furthermore, Photon Energy Operations is expanding its O&M portfolio by signing service contracts for Satcon-built inverters. With the first contract signed in September 2013 the company is currently providing preventive maintenance on the basis of multi-year contracts for Satcon central inverters at power plants with a total installed capacity of 40.45 MWp (9 MWp in 2013) in France, Belgium, Italy, Germany and the Czech Republic. The company is fortifying its position as a leading force in the service of Satcon-built inverters thanks to taking on former key Satcon staff with in-depth know-how and access to spare parts.

While navigating uncertainty and volatility we remained focused on returning to the capital market as soon as possible, however, only after bringing on board the minority shareholders in the NewConnect listed Czech predecessor. We enabled our original investors to swap their shares on a 1:1 basis in order to fully participate in our future growth. On 4 June 2013 the Company's 23 million shares commenced trading on the NewConnect market and with this step we concluded the restructuring process started in 2010. Furthermore, at the end of June Photon Energy executed a capital increase substantially strengthening its balance sheet. The Company resolved to issue to its controlling shareholder Solar Age Investments B.V. (SAI BV) 27 million ordinary shares, with an issue price of EUR 0.89 per share (par value EUR 0.01 each) representing a total investment of EUR 24.03 million, introduced to trading on NewConnect in October 2013. The capital increase raised the total number of common shares outstanding to 50 million, while the subscriber Solar Age Investments B.V. became the Company's majority shareholder with a 56.53% stake.

Furthermore, in November 2013 the Company issued to SAI BV further 10 million shares in the share capital of the Company with a nominal value of EUR 0.01 each for a total subscription value of EUR 100,000. The subscription consideration was settled by offsetting SAI BV's existing receivable against the Issuer. Subsequently, SAI BV transferred to Photon Energy N.V. 10 million existing shares (the "Treasury Shares"), free of payment, out of its total shareholding. The net result of this transaction was that the Company's share capital increased by EUR 100,000 to EUR 600,000. The number of issued shares of the Company increased from 50 million to 60 million, while the number of outstanding shares remained unchanged at 50 million.

Our share price remained stable during the year. After an increase from PLN 2.00 from 4 June 2013 to its peak level of PLN 2.50 it retracted to PLN 1.80 by the year-end.

All in all, we believe to be well prepared for a successful 2014. In combination with the expected growth in our Operations and Maintenance business in Europe and our Energy Solutions business in Australia, our stated goal for 2014 is to become profitable at the bottom line for the first time since 2010.

Finally, investment protection is currently becoming the Number One concern for the financing of PV assets in the EU and globally. Therefore, shortly after the reporting period, we launched European Solar Holdings N.V. (ESH), a Pan-European Solar Asset Aggregation Yield-Co with the strongest possible investment protection currently available. ESH intends to establish itself as the preferred vehicle for yield-seeking investors into renewable energy asset in the European Union by combining effective investment protection and efficient asset management with a liquid public listing and an attractive dividend yield. Investors operating PV power plants in the EU will be able to swap their investments for shares in ESH, which aims to IPO on a major European exchange in 2015.

We would like to thank all our shareholders and other stakeholders for the trust you have bestowed upon our Company. We consider a transparent group structure in a stable jurisdiction such as the Netherlands, good corporate governance and proactive investor relations to be important elements in our quest to raise capital and to attract the talent required to develop our business globally. Photon Energy N.V. is an attractive opportunity for investors with a long-term view towards one of the fastest growing industries over the next few decades and we truly believe to be well placed for a successful 2014. On behalf of the Board of Directors of Photon Energy N.V. we would like to express our strong commitment to position Photon Energy N.V. as the leading Experts for the Solar Age globally and create more sustainable value for all our stakeholders.

Amsterdam, 27 May 2014

Board of Directors

Michael Gartner
Director

Georg Hotar
Director

2. Selected financial information

CONSOLIDATED FINANCIAL REPORT

Selected financial information

in thousands	EUR		PLN	
	2012	2013	2012	2013
Revenues	**16,169**	**13,876**	**67,667**	**58,243**
Gross profit	5,787	9,311	24,219	39,082
EBITDA	**-309**	**3,314**	**-1,293**	**13,910**
EBIT	-5,012	-1,524	-20,975	-6,397
Profit / loss before taxation	-12,428	-4,719	-52,011	-19,808
Net profit	-12,634	-4,995	-52,873	-20,966
Other comprehensive income	9,653	-6,894	40,398	-28,937
Total comprehensive income	**-2,981**	**-11,889**	**-12,475**	**-49,903**
Fixed assets	95,957	80,837	392,291	335,247
Current assets	19,181	9,823	78,416	40,738
Cash and cash equivalents	6,953	4,682	28,425	19,417
Total assets	**115,138**	**90,660**	**470,707**	**375,985**
Total equity	**14,478**	**26,719**	**59,189**	**110,809**
Short-term liabilities	24,561	13,431	100,410	55,701
Long-term liabilities	76,099	50,510	311,108	209,475
Operating cash flow	-911	-25,377	-3,813	-106,517
Investment cash flow	-2,532	-42	-10,596	-176
Financial cash flow	5,642	23,426	23,612	98,328
Net change in cash	2,199	-1,993	9,203	-8,365
EUR exchange rate – low	-	-	4.0465	4.0671
EUR exchange rate – average	-	-	4.1850	4.1974
EUR exchange rate – end of period	-	-	4.0882	4.1472
EUR exchange rate – high	-	-	4.5135	4.3432

Note: Exchange rates provided by the Polish National Bank

Selected Multiples	As of 31.12.2013
EV/Revenues (1)	5.29
EV/EBIT (1)	-22.16
P/E	-4.34
P/Total Comprehensive Income	-1.83

Note: (1) Enterprise value is calculated as market capitalisation minus cash and plus interest bearing debt

Selected Share information	PLN
Opening price (04.06.2013)	2.00
52-week max (10.07.2013)	2.50
52-week min (12.06.2013)	1.20
Closing price (30.12.2013)	1.80

Note:

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

3. Company introduction

CONSOLIDATED FINANCIAL REPORT

3.1. Company profile

The company **Photon Energy N.V.** ("Photon Energy", "PENV", "Issuer" or "Company") is the holding company of the Photon Energy Group and was incorporated under the laws of the Netherlands on 9 December 2010. The Photon Energy Group ("Group" or "PE Group") globally offers comprehensive solutions and maintenance services for photovoltaic systems that cover their entire lifecycle.

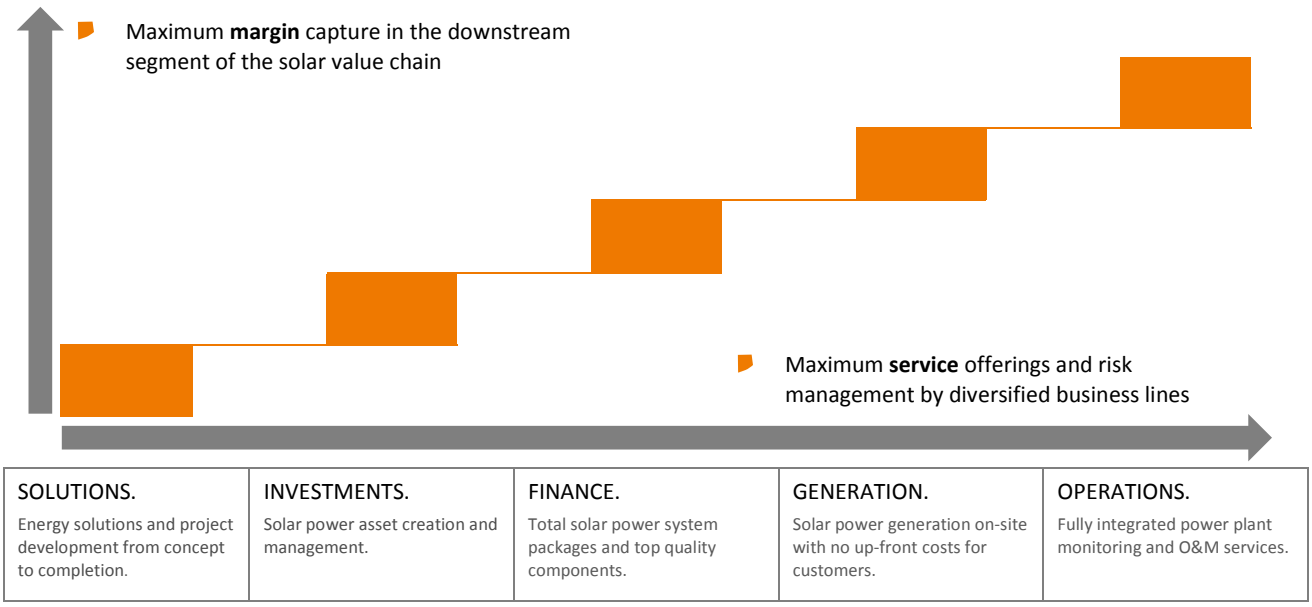
The Group is vertically integrated in the downstream segment of the photovoltaic industry. Through its **five divisions** of expertise the Company serves the needs of clients with extensive know-how in:

- Project development, EPC services and technology solutions – Photon Energy **Solutions**
- Asset management – Photon Energy **Investments**
- Project finance and insurance – Photon Energy **Finance**
- Energy production on site – Photon Energy **Generation**
- Operations and Maintenance (O&M) – Photon Energy **Operations**

The Company has extensive experience and a proven track record of building and commissioning photovoltaic projects for its own portfolio as well as for third parties. Photon Energy develops, builds and operates brownfield, greenfield and rooftop installations. The Company's power solutions provide solar and solar-hybrid power for a wide-range of **customers and applications**:

- Commercial and residential buildings
- Municipalities and public buildings
- Remote communities
- Agricultural and industrial processes
- Remote mining operations
- Airports
- Telecom infrastructure
- Utility power grids
- Institutional and individual solar investors

Image 1. The Company's business model



Photon Energy's **business model** is designed to extract the most value from the downstream segment of the solar industry supply chain and diversify risks across synergistic business lines.

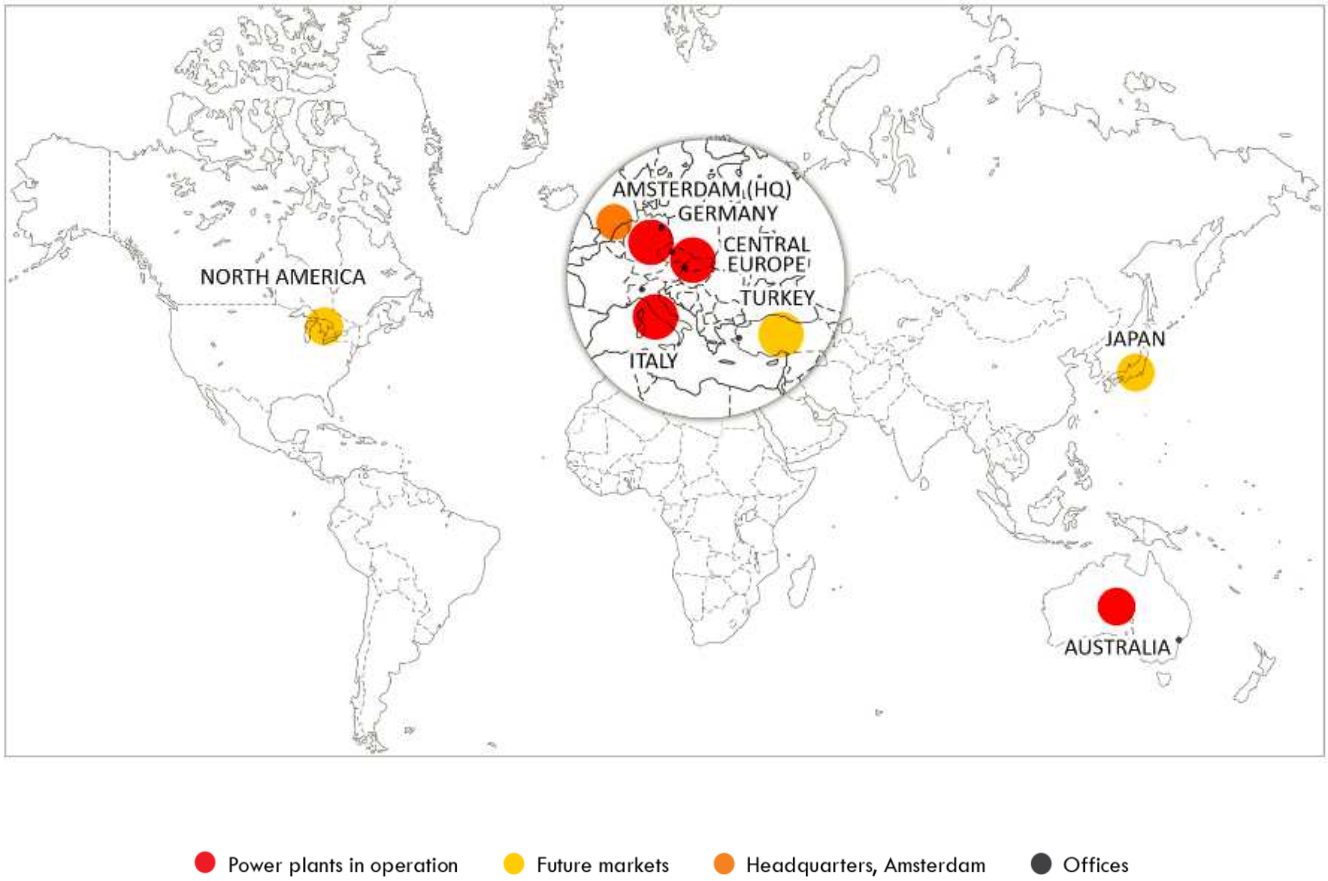
Applying its business model the Group commissioned nearly 50 MWp of PV power plants across 5 countries, approx. 60 MWp of PV power plants under full O&M management and more than 40 MWp of partial O&M across two continents.

Currently the total O&M portfolio can be broken down geographically into 31.2 MWp operated in the Czech Republic, 10.8 MWp in Slovakia, 6.7 MWp in Germany, 1.3 MWp in Italy, 0.3 MWp in Australia and 3 MWp in Belgium. The O&M portfolio includes 27.1 MWp of PV capacities from the proprietary portfolio and 26.2 MWp for external clients. The traditional PV markets with large installed bases in the European Union remain very attractive for our operations and maintenance business unit Photon Energy Operations given that the installed base across the European Union currently amounts to 80 GWp.

Photon Energy Operations also provides preventive maintenance for Satcon central inverters at power plants worth 40.45 MWp in France (19.5 MWp), Italy (11 MWp), Belgium (7.95 MWp), Germany (1.75MWp) and the Czech Republic (0.25 MWp).

Currently Photon Energy Group is active in eight countries across three continents (headquartered in Amsterdam) with 70+ professionals.

Image 2. Country-specific references

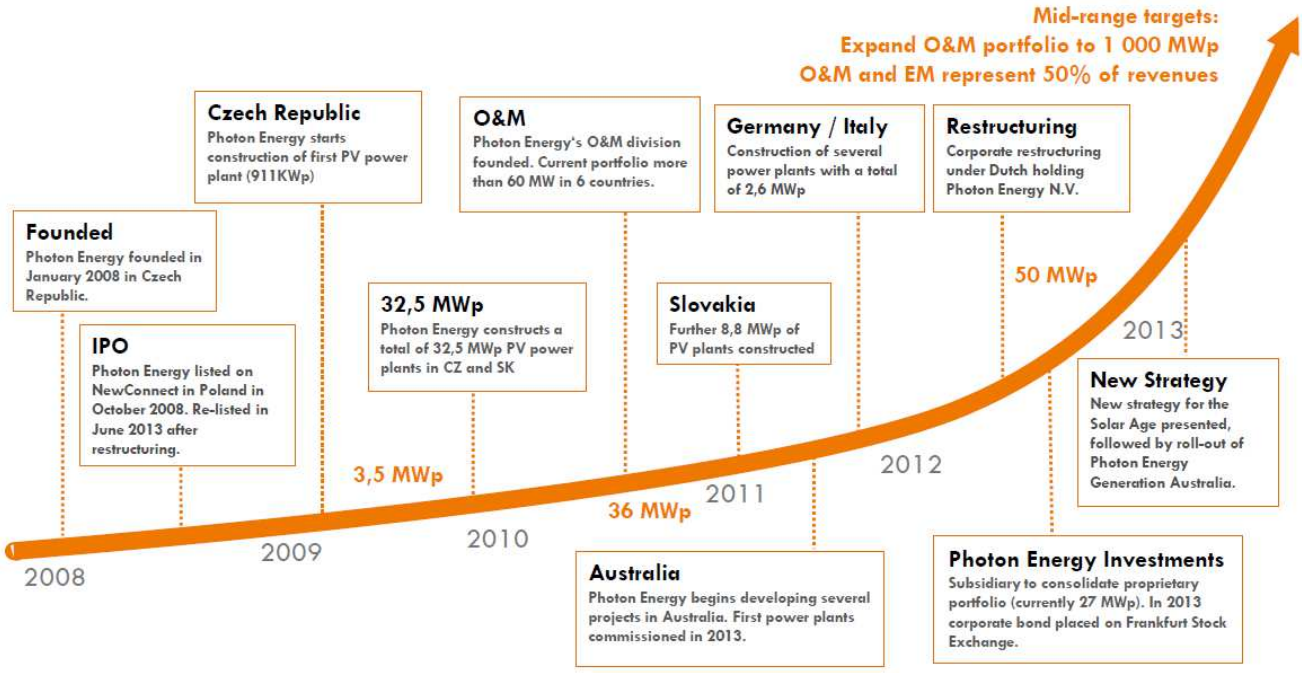


3.2. Identification & Contact Details

Name:	**Photon Energy N.V.**
Legal form:	Dutch public company with limited liability (*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

3.3. History

Image 3. The Company 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 20MWp.

- 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. Mr. Hotar contributed 7,976,159 shares and Mr. Gartner contributed 8,526,150 shares of Photon Energy a.s. to the capital of the Issuer, which thus became a 71.75% shareholder of Photon Energy a.s. Subsequently, the shares of the Issuer were contributed by the two founding shareholders to Solar Power to the People Cooperatief U.A. and Solar Future Cooperatief U.A.

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 six legally separated business lines and transferred all activities and assets under its Dutch holding structure. The increasingly deteriorating situation on the Czech PV market led to the discontinuation of the Company's local operating activities by disposal. The Company established Photon Energy Investments N.V., in which it concentrated its proprietary portfolio of PV plants. Photon Energy connected a 1 MWp rooftop PV plant in Italy in June.

2013:

- Photon Energy Investments placed a 5-year corporate bond with an 8% coupon and quarterly payments, which trades on the Frankfurt, Berlin, Hamburg, Hannover and Vienna Stock Exchanges. After a share exchange with the minority shareholders in Phoenix Energy a.s. (formerly Photon Energy a.s.), its Czech predecessor, in June 2013 Photon Energy N.V. was listed on the NewConnect segment of the Warsaw Stock Exchange, followed by a capital increase by EUR 24 million by issuing 27 million shares at PLN 3.85 in June. These shares were admitted to trading on NewConnect in October 2013. Furthermore, PENV executed a share issuance and contribution transaction, which increased the number of shares by 10 million to a total of 60 million. These 10 million newly issued shares are held in treasury by Photon Energy N.V. Subsequently, the Group announced its new global strategy and launched Photon Energy Generation Australia (PEGA). In December PEGA signed its first three PV projects in the ACT, Australia.

3.4. 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 2013.

	Name	% of share capital held by the holding company	% of votes held by the holding company	Country of registration	Consolid. method	Legal Owner
1	Photon Energy N.V.	Holding Company		NL	Full Cons.	
2	Photon Energy Technology CEE s.r.o.	100%	100%	CZ	Full Cons.	PET BV
3	Photon SPV 5 s.r.o.	100%	100%	CZ	Full Cons.	PEI CZ NV
4	Photon SPV 1 s.r.o.	100%	100%	CZ	Full Cons.	PEI NV
5	Photon SK SPV 1 s.r.o.	50%	50%	SK	Equity	PEI NV
6	Photon SK SPV 2 s.r.o.	100%	100%	SK	Full Cons.	PEI NV
7	Photon SK SPV 3 s.r.o.	100%	100%	SK	Full Cons.	PEI NV
8	EcoPlan 2 s.r.o.	100%	100%	SK	Full Cons.	PEI NV
9	EcoPlan 3 s.r.o.	100%	100%	SK	Full Cons.	PEI NV
10	SUN4ENERGY ZVB, s.r.o.	100%	100%	SK	Full Cons.	PEI NV
11	SUN4ENERGY ZVC, s.r.o.	100%	100%	SK	Full Cons.	PEI NV
12	Fotonika, s.r.o.	60%	50%	SK	Equity	PEI NV
13	ATS Energy, s.r.o.	70%	70%	SK	Full Cons.	PEI NV
14	Solarpark Myjava s.r.o.	50%	50%	SK	Equity	PEI NV
15	Solarpark Polianka s.r.o.	50%	50%	SK	Equity	PEI NV
16	Photon Energy Investments CZ N.V.	100%	100%	NL	Full Cons.	Photon Energy
17	Photon Energy Polska Sp. z o.o.	100%	100%	PL	Full Cons.	Photon Energy
18	Photon Energy Australia Pty Ltd.	100%	100%	AUS	Full Cons.	Photon Energy
19	Photon Energy Operations IT s.r.l.	100%	100%	IT	Full Cons.	PEO NV
20	IPVIC GbR	18.5%	18.5%	DE	Not Cons	PEI CZ
21	Photon Energy Operations SK s.r.o.	100%	100%	SK	Full Cons.	PEO NV
22	Photon Energy Operations CZ s.r.o.	100%	100%	CZ	Full Cons.	PEO NV
23	Photon Energy Operations DE GmbH	100%	100%	DE	Full Cons.	PEO NV
24	Photon Energy Operations Australia Pty.Ltd.	100%	100%	AUS	Full Cons.	PEO NV
25	Photon Energy Engineering Australia Pty Ltd	100%	100%	AUS	Full Cons.	PEE BV
26	Photon Energy Engineering Europe GmbH	100%	100%	DE	Full Cons.	PEE BV
27	Photon DE SPV 1 GmbH	100%	100%	DE	Full Cons.	Photon Energy
28	Photon DE SPV 3 GmbH	100%	100%	DE	Full Cons.	PEI DE
29	Photon IT SPV 1 s.r.l.	100%	100%	IT	Full Cons.	PEI NV

	Name	% of share capital held by the holding company	% of votes held by the holding company	Country of registration	Consolid. method	Legal Owner
30	Photon IT SPV 2 s.r.l.	100%	100%	IT	Full Cons.	PEI NV
31	Photon Energy Projects s.r.l.	100%	100%	IT	Full Cons.	PEP NV
32	Photon Energy Investments IT N.V.	100%	100%	NL	Full Cons.	Photon Energy
33	Photon Energy Investments DE N.V.	100%	100%	NL	Full Cons.	Photon Energy
34	Photon Directors B.V.	100%	100%	NL	Full Cons.	Photon Energy
35	Photon Energy Operations N.V.	100%	100%	NL	Full Cons.	Photon Energy
36	Photon Energy Finance Europe GmbH	100%	100%	NL	Full Cons.	Photon Energy
37	Photon Energy Projects B.V.	100%	100%	NL	Full Cons.	Photon Energy
38	Photon Energy AUS SPV 1 Pty. Ltd.	100%	100%	NL	Full Cons.	PEI NV
39	Photon Energy AUS SPV 2 Pty. Ltd.	100%	100%	NL	Full Cons.	PEP BV
40	Photon Energy Generation Australia Pty. Ltd.	100%	100%	NL	Full Cons.	PEI NV
41	Photon Energy Investments N.V.	100%	100%	NL	Full Cons.	Photon Energy
42	Photon Energy Engineering B.V.	100%	100%	NL	Full Cons.	Photon Energy
43	Photon Energy Technology B.V.	100%	100%	NL	Full Cons.	Photon Energy
44	European Solar Holdings B.V.	100%	100%	NL	Full Cons.	Photon Energy
45	Photon Energy Technology Europe Ltd	100%	100%	IR	Full Cons.	PET BV
46	Photon Energy Corporate Services DE GmbH	100%	100%	DE	Full Cons.	Photon Energy
47	Photon Energy Corporate Services CZ s.r.o.	100%	100%	CZ	Full Cons.	Photon Energy

Notes:

Photon Energy – Photon Energy N.V.
PEI CZ NV – Photon Energy Investments CZ N.V.
PEI NV – Photon Energy Investments N.V.
PEO NV – Photon Energy Operations N.V.
PEE BV – Photon Energy Engineering B.V.
PEI DE – Photon Energy Investments DE N.V.
PEP BV – Photon Energy Projects B.V.
PEI IT NV – Photon Energy Investments IT N.V.

Country of registration
NL - the Netherlands
CZ - the Czech Republic
SK - Slovakia
PL - Poland
DE – Germany
AUS – Australia
IT – Italy
IR – Ireland

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

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

List of incorporated subsidiaries

In the reporting period, Photon Energy N.V. (directly or via its subsidiaries) incorporated the following subsidiary:

- Photon Energy Technology Europe Limited (Ireland)

It was incorporated with the aim of performing trading activities with solar technology within the Group, but also for external customers.

List of acquired subsidiaries

In 2013, no subsidiaries were acquired from third parties. The only acquisitions were performed as a part of the internal Group restructuring – usually by renaming of the entities or by merger. However, since these are not considered common control transactions, it is not considered as an acquisition of subsidiaries.

Mergers:

- Merger of Photon Energy Operations DE SW with Photon Energy Operations DE

Renaming:

- Photon SPV 2 s.r.o. was renamed to Photon Energy Technology CEE s.r.o.
- Photon Management s.r.o. was renamed to Photon Energy Operations IT s.r.l.
- Photon Energy AUS SPV 3 Pty Ltd. was renamed to Photon Energy Generation Australia Pty. Ltd.
- Photon Energy FinCo B.V. was renamed to European Solar Holdings B.V.

List of disposed subsidiaries

During 2013 the following subsidiaries were disposed out of the Group:

- Solar Mikulov I s.r.o. and Solar Mikulov II s.r.o.
- Photon Management s.r.o.

In comparison to the previous year, disposals of assets were not significant.

The total loss from the sale of the above mentioned subsidiaries amounted to EUR 539 thousand based on a comparison of the net asset values of the disposed subsidiaries and their respective sales prices.

List of liquidated subsidiaries

During 2013 the following subsidiaries were liquidated:

- Photon RO SPV 1 s.r.l. and Photon RO SPV 2 s.r.l.
- Photon IT SPV 4 s.r.l., Photon IT SPV 5 s.r.l., Photon IT SPV 6 s.r.l. and Photon IT SPV 7 s.r.l.

After the reporting period the following events occurred from the beginning of the year 2014:

- Merger of Photon DE SPV 1 GmbH with Photon Energy Engineering GmbH

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.	100%	0	CZ	Full Cons.	RLRE
2	Photon SPV 8 s.r.o.	100%	0	CZ	Full Cons.	RLRE
3	Exit 90 SPV s.r.o.	100%	0	CZ	Full Cons.	RLRE
4	Photon SPV 4 s.r.o.	100%	0	CZ	Full Cons.	RLRE
5	Photon SPV 6 s.r.o.	100%	0	CZ	Full Cons.	RLRE
6	Onyx Energy s.r.o.	100%	0	CZ	Full Cons.	RLRE
7	Onyx Energy projekt II s.r.o.	100%	0	CZ	Full Cons.	RLRE
8	Photon SPV 10 s.r.o.	100%	0	CZ	Full Cons.	RLRE
9	Photon SPV 11 s.r.o.	100%	0	CZ	Full Cons.	RLRE

Notes:

RLRE - Raiffeisen - Leasing Real Estate, s.r.o.

Raiffeisen - Leasing Real Estate, s.r.o. ("RLRE") fully owns the above entities. However, the Group consolidates them under

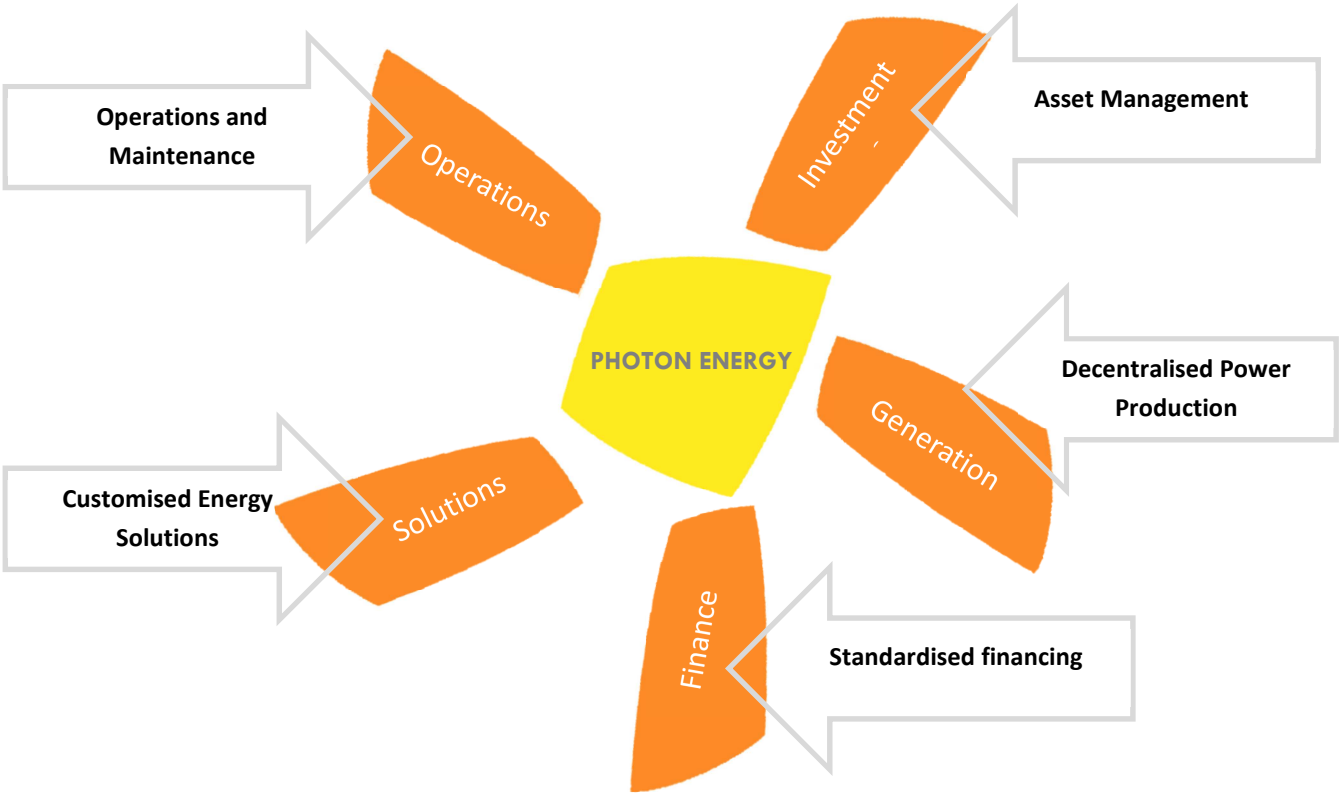
IFRS rules. Photon Energy N.V. is considered the beneficial owner as it enjoys the economic benefits, but is also exposed to the economic risks from these companies.

3.5. Our Activities

Photon Energy N.V. is the holding company of the Photon Energy Group. The Photon Energy Group through its five divisions of expertise offers global comprehensive solutions and maintenance services relating to photovoltaic systems that cover their entire lifecycle.

The Company's business lines provide multiple recurring revenue streams and stable earnings. Built on the notion that the maximisation of the **Net Present Value of each PV plant** is the ultimate goal, the business activities of the Photon Energy Group comprise the following business areas:

Image 4. The five business areas of the Photon Energy Group with Photon Energy N.V., the mother company of the Group



Photon Energy Solutions (PES)

Photon Energy believes that while solar energy will become one of the main energy sources in the long-term, it will only be possible to introduce PV generation capacity for final energy users as a part of a comprehensive energy savings, supply and management concept, requiring considerably more sophisticated energy solutions. The goal is to cover 100% of an end user's energy needs with the optimal balance between the lowest cost per MWh and the maximisation of the use of renewable energy sources. Project permitting and development as well as engineering, procurement and construction become crucial support activities.

Photon Energy Investments (PEI)

PEI currently owns a portfolio of feed-in-tariff-based (or regulated) PV assets in the Czech Republic, Slovakia, Italy and Australia. As Photon Energy does not intend to expand its portfolio of power plants based on government subsidies, this business line intends to leverage its expertise and capacity by providing asset management services in the future. Asset

management for external investors will provide Photon Energy with economies of scale and recurring revenue streams.

Photon Energy Finance (PEF)

PEF focuses on developing standardised financing solutions for PV plants and PV-centered energy solutions. Photon Energy Operations provides the key competitive advantages against financial institutions by providing performance guarantees and maximising recovery values. Arranging project financing and capital markets based financing and the provision of M&A services for investors in renewably energy assets are also under preparation.

Photon Energy Generation (PEG)

PEG will focus on the supply of PV-generated electricity to final users based on commercial Power Purchase Agreements, mainly in building-integrated, infrastructure-integrated, local grid and off-grid settings. Electricity sales to final energy users provides stable recurring cash. Simultaneously, high quality design & construction as well as world-class O&M provide NPV (Net Present Value) ^{max}. The first target market will be Australia, where Photon Energy Generation Australia also intends to provide long-term financing options for customers.

Photon Energy Operations (PEO)

Photon Energy Operations currently services approx. 100 MWp of PV plants in the Czech Republic, Slovakia, Italy, Germany, Belgium, France and Australia, providing system monitoring, operations as well as preventive maintenance and repairs based on long-term contracts. Photon Energy is expanding PEO's scope of activities by providing customers with system uptime and performance guarantees as well as the integration of insurance solutions in order to de-risk the PV plants it services. PEO also provides PV plant audits, performance enhancement measures and plants leveraging its growing expertise into advisory services during the PV project development and construction phases. All in all, Operations & Maintenance generates stable multiple recurring revenue streams and enjoys a high operating leverage, while representing the key to large-scale standardised financing.

3.6. Statutory bodies

In accordance with legal requirements, the Company uses a one-tier board structure consisting of the Board of Directors. A Supervisory Board has not been established.

3.6.1. Board of Directors

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

Board of Directors as of 31 December 2013

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

Georg Hotar – Director

Georg Hotar co-founded Photon Energy in 2008 and was the company's CFO until 2011. In that year he was appointed CEO and has since spearheaded the group's expansion in Europe and overseas. Georg Hotar has extensive knowledge of the solar energy industry as well as in international finance. In 2000 Georg Hotar established Central European Capital, a regional finance and strategy advisory boutique. He has also held various positions in financial services in London, Zurich and Prague. Georg Hotar is an Austrian national and holds a BSc Accounting and Finance degree from the London School of Economics and a Masters in Finance degree from the London Business School.

Michael Gartner – Director

Michael Gartner developed one of the first large PV installations in the Czech Republic before co-founding Photon Energy in 2008. Michael Gartner was CEO of Photon Energy until relocating to Australia to start Photon Energy Australia in 2011. Apart from growing the Australian business, Gartner is instrumental in driving Photon Energy's off-grid and solar-hybrid power solutions. Before Photon Energy, Michael Gartner ran an investment boutique arranging Eurobond issues and offering sell-side M&A advisory. Between 1994 and 2004, he was an analyst and head of fixed income sales at ING and Commerzbank Securities in Prague. Michael Gartner is an Australian and Czech national and holds an MBA from the US Business School in Prague.

3.6.2. Supervisory Board

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

- the issued share capital of the company plus reserves according to the balance 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 has been established. However, the Issuer has the intention to appoint an independent Supervisory Board in the future.

3.6.3. Employees

As of 31 December 2013 the Photon Energy Group had 79 full-time employees (compared to 71 employees in 2012).

The management of the Company recognises the significant contribution of the team members to the future development of the Group. Therefore, it deploys an Employee Share Purchase Programme as a part of its motivation system. Under the terms of the programme, the Group periodically purchases shares for each employee equal to 10% of their gross wage. The disposition rights to these shares are limited and employees can dispose of these shares only after their job contract is terminated.

3.6.4. Shares & shareholder structure

Market: **NewConnect, Poland**

Ticker: **PEN**

Web address: **www.newconnect.pl**

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 2013

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						

Authorized Advisor

Company Name:	**Capital Solutions ProAlfa Sp. z o.o.**
Legal form:	Polish Limited Liability Company
Registered office:	ul. Nowy Świat 51/3, 00-042 Warsaw, Poland
Telephone:	+48 22 892 00 75
Fax:	+48 22 892 00 76
Email:	info@cs-proalfa.pl
Internet:	www.cs-proalfa.pl
Registration number:	0000150260

Market Maker Details

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

Shareholder Structure

The number of issued shares by the Company amounts to 60,000,000, which 50,000,000 shares admitted to trading on NewConnect. As of 27 May 2014, to the knowledge of the Management, the shareholder structure was as follows:

Shareholder	No. of shares	% of capital	No. of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Solar Age Investments B.V.	28,263,274	47.10%	28,263,274	56.53%
Solar Future Cooperatief U.A.	8,590,739	14.32%	8,590,739	17.18%
Solar Power to the People Cooperatief U.A.	8,036,573	13.39%	8,036,573	16.07%
Photon Energy N.V.	10,000,025	16.67%	0	0%
Free float	5,109,389	8.52%	5,109,414	10.22%
Total	**60,000,000**	**100.00%**	**50,000,000**	**100.00%**

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.

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.

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.

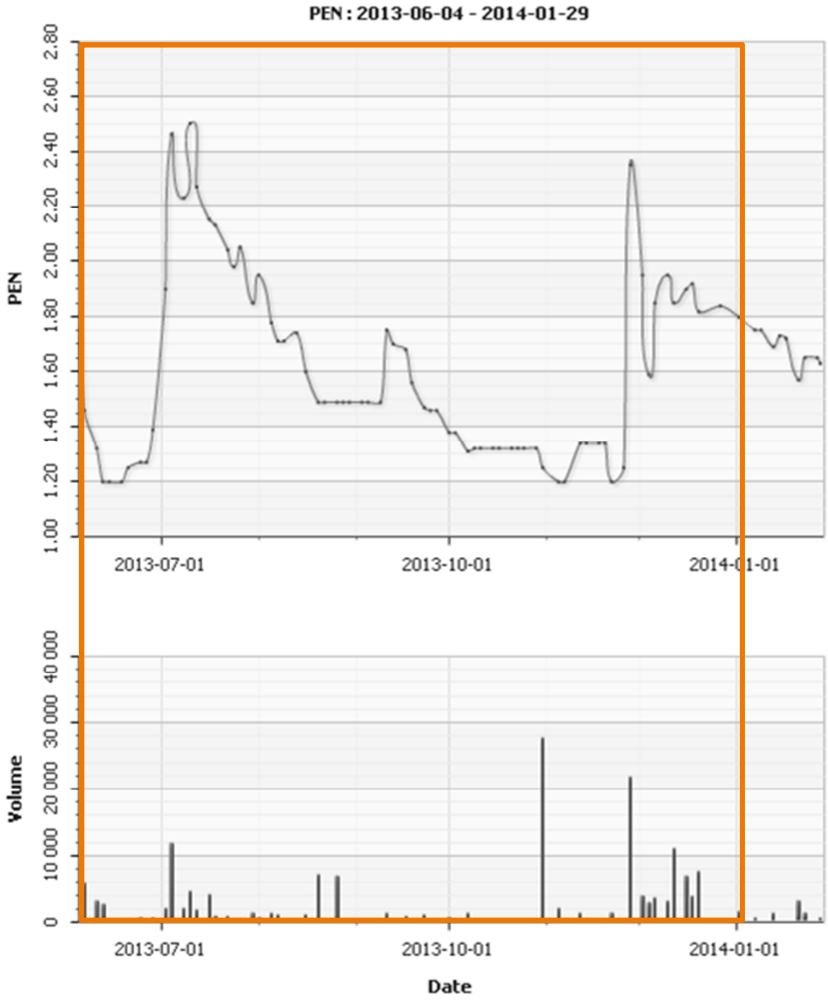
Photon Energy N.V. is a company established under the laws of the Netherlands, with its statutory seat in Amsterdam and its place of business at Barbara Strozzilaan 201, 1083 HN, Amsterdam, the Netherlands. The Board of Directors has two members: Mr. Georg Hotar and Mr. Michael Gartner.

Share performance in 2013

Selected share information	PLN
Opening price (04.06.2013)	2.00
52-week max (10.07.2013)	2.50
52-week min (12.06.2013)	1.19
Closing price (30.12.2013)	1.80

The average trading volume in the year 2013 amounted to 2,287 shares per trading session. The Company has been listed on NewConnect since 4 June 2013.

Image 5. Performance of Photon Energy shares in 2013



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

3.6.5. 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.

4. Report of the Management

CONSOLIDATED FINANCIAL REPORT

4.1. Basic exposures and risks

4.1.1. Operating & financial risks

Legislative, regulatory and market risks: The economic viability of energy production using PV installations (unless when selling directly to the consumer) depends on the incentive schemes introduced which include: Feed-in-Tariff (FiT) or green certificates, an obligation to purchase the total amount of energy originated from renewable sources, preferential loans, tax holidays or even non-repayable grants. However as those measure serve the purpose of meeting the goals set by politicians in terms of national targets of energy generation mix, as such they are a subject to changes resulting from shifts in political interests.

In 2010 the Company experienced the introduction of such an adverse law in the Czech Republic, where the Group still holds the majority of its operations. In November 2010 the Renewable Energy Act imposed a levy of 26% on PV plants' revenues for PV plants connected in 2009 and 2010 (ca. 1,800 MWp affected) for the years 2011-2013, which significantly impacted the profitability of the business. In September 2013 the Czech president signed a Bill extending the controversial retroactive Levy for the remainder of the applicable Feed-in-Tariff period for PV plants connected in 2010 (about 1,400 MWp affected in the entire country) at the level of 10% of revenues.

On the investment side the Company faces uncertainty in relation to the approval process for the construction of PV installations, grid connection and necessary permits. In particular, the Company must secure various licenses and permits to operate PV plants and, while electricity distribution companies in the Czech Republic are compelled to connect renewable energy sources by law, the Company cannot exclude any delays in any of the described areas, which may have a material negative impact on the Company's operating results and financial position.

Risks related to the Group's structure: Because the Company conducts its business through its subsidiaries, its ability to pay dividends to shareholders depends on the earnings and cash flow of its subsidiaries and their ability to pay the Company dividends and to advance funds to it. Other contractual and legal restrictions applicable to the Company's subsidiaries could also limit its ability to obtain cash from them. The Company's right to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including lenders and trade creditors.

Risk related to personnel and property: There will always be risks involved in the operation and installation of PV plants and the installation of PV systems for third parties. The build-up of these business areas is occurring simultaneously, thus posing high demands on management resources.

The operating risks relating to the development of PV projects and the installation and operation of PV systems include among others unexpected failure or damage to the PV panels and other technical equipment, theft or sabotage, or adverse weather conditions causing production interruptions and damage. The installation of PV systems on roofs involves specific risks such as damage to the roofs and higher wind-related stress.

Risks related to key personnel: The successful realisation of the business strategy and the Group's goals is significantly dependent on the knowledge, experience and contacts of the current management, especially that of the shareholders and members of the Board of Directors, Georg Hotar and Michael Gartner, who are responsible for the successful development of the Group on the basis of their knowledge of the industry and their expertise, as well as their customer contacts and strategic abilities. There is a risk that the dynamism of the commercial development will fall and/or that important know-how will be lost in the case of the resignation of either of the members of the Board of Directors. The loss of one or more managers could have a significantly adverse effect on the commercial activities and also on the asset value,

financial standing and earning position of the Group.

Environmental risk: The business activity of the Group, particularly in the area of photovoltaic power plant construction, must comply with laws, regulations and directives valid in the location of the installation. These laws regulate e.g. emissions in the air, sewages, protection of soil and groundwater as well as health and security of people. Transgressions against these environmental provisions can be pursued according to civil, criminal and public law. Especially temporary provisions could encourage a third party to open a process or - given the circumstances - to demand costly measures to control and remove environmental pollution or to upgrade technical facilities. The properties necessary for photovoltaic power plants are partially owned by the respective SPV. It cannot be ruled out that these are contaminated sites. For removing these, the respective SPV may be responsible, regardless of the cause. This could result in liability risks and material costs in the context of administrative orders or requirements.

All the mentioned circumstances can have a negative impact on the financial situation, status and results of the individual SPVs and the Group.

Risks related to simultaneous application of Dutch and Polish law: Two legal systems - Dutch and Polish - may, from time to time, apply to the various legal processes related to the activities of the Company and/or to its Shares. Additional legal and/or operational risks may be connected to this situation. Because of the novelty and legal complexity and uncertainty involved, the Company's management may be currently unaware of certain legal and/or operational risks.

Construction and performance risk: A PV installation is based on several technical components, namely the solar panels converting sunlight into electricity, cabling, converters converting DC into AC, transformers and grid connection devices. There is always risk associated with the construction and installation of PV installations. Despite efforts made to reduce such risks, there can be no assurances that delays and cost overruns will not occur. Furthermore, the Company is partly dependent upon the ability of sub-contractors to install PV systems that meet specifications, performance parameters, quality standards and delivery schedules of the Company.

Risk related to the technology: The technology involved in the production of electricity using PV is characterized by rapid fundamental developments. Currently the Company does not own any patents for the technology used in relation to PV technologies. However, the development of new technology may fundamentally change the economics of electricity production plants using PV technology. For various reasons the Company may not gain access to this new technology, which may put it at a significant disadvantage to its competitors.

Contractual risks: The Company's business depends on contracts with multiple parties including, but not limited to, land owners, banks, investors, suppliers, contractors, energy utilities and electricity customers. Each contract normally involves a substantial value or consideration to the Company. Furthermore, some of the contracts are governed by foreign law, which may create both legal and practical difficulties in case of a dispute or conflict.

Risk related to the expansion: The Group focuses currently on the market in Australia. However, there is a risk that the market entry in new countries will fail or that it will not happen in the intended time period or not in the intended intensity. It is also not ensured, whether in each case new markets will be open to the building of photovoltaic power plants as assumed in the strategy as the development of the photovoltaic business can be influenced unfavourably by plenty of factors, for example by general political, economic, infrastructural, legal and fiscal framework conditions, by unexpected changes of political and regulatory conditions and tariffs, recession, limited protection of intellectual property, problems with staffing and managing of positions in foreign affiliated companies or state subsidies to rival companies. Start-up losses can also be one of the results of entering a new market. All of the aforementioned factors could have a negative impact on the development of the business activity and also on the asset value, financial standing and earnings position of the Group.

Uninsured losses: The development and the operation of PV installations are subject to a number of risks and hazards,

including adverse environmental conditions, theft, technical failure, changes in the regulatory environment and natural phenomena such as inclement weather conditions. Although Photon Energy maintains some insurance to protect against certain of these risks, the Company's insurance will not cover all the potential risks associated with the development and operation of PV installations.

Liquidity risks: The Company is dependent upon having access to short- and long term funding mainly in the form of project financing. There is a risk that the Group will not be able to arrange such project financing and/or that the credit market tightens or completely dries out for the PV industry, which would have an adverse effect on the liquidity of the Group and costs of debt financing in the short term as well as growth prospects in the long term. There can be no assurance that the Group may not experience net cash flow shortfalls exceeding the Group's available funding sources. Furthermore, there can be no assurance that the Company or its subsidiaries will be able to raise new equity, or arrange new borrowing facilities, on favourable terms and in amounts necessary to conduct its ongoing and future operations, should this be required.

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.

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 and AUD. Although mainly the CZK/EUR exchange rate experienced wide fluctuations in 2013, the Group is, typically, able to collect prepayments from its customers at the time of committing itself to purchases from third parties and thus to a large extent to mitigate currency risk. There is no financial hedging used by the company against the currency risk. Company's management does not formally monitor the FX positions.

Interest rate risks: The Company's results are highly dependent on interest rates as a high proportion of project capital expenditure is debt financed. A substantial increase in interest rates may have a material negative impact on the project equity returns and thus profitability of the Company and returns to shareholders.

Indebtness risk: The Group is burdened by high level of leverage as the business model assumes financing of individual projects in the model of 80/20 debt-to-equity ratio. A significant amount of debt outstanding, results in growing financial costs which expose the Group to a risk of insufficient cash flow to service the debt payments and hence the liquidity risk.

4.1.2. Political, economic and other uncertainties

Changes in the regulatory, legislative and fiscal framework (including tax rules) governing the production of energy using PV installations could have a material impact on the Group's operations.

The largest uncertainty factor in the photovoltaic industry is still the regulatory framework, especially in the Eurozone states, where a large number of photovoltaic power plants have so far been built on the basis of state managed support systems (feed-in-tariffs or green certificates). The rapid growth in those markets in recent years has been largely based on regulatory framework conditions and subsidies. Without state managed subsidy programmes photovoltaic would not yet be competitive, especially in comparison with the use of conventional energy sources. Therefore, the commercial operations of the Group are influenced by the continuation of the state managed subsidy programmes for photovoltaics.

Risks especially arise from new legal regulations, which can exercise a significant influence on the demand for electricity generated from photovoltaics in the individual countries. For example, the state managed subsidy programme concerning the buyback price (feed-in-tariff) is guaranteed for a fixed period in the countries which follow this concept. The rate of remuneration depends on the country or on the valid buyback price as of the moment of the grid connection or according

to the permit. The starting dates for the application of any new legal regulations are therefore of special significance. If new projects are subject to extraordinary delays, which make the grid connection possible only after such a starting date, whereby the facility's profitability was originally calculated on the basis of the previously valid buyback price, this can adversely affect the profitability of the facility in question and could result in the revenues being lower than planned or even non-existent. Moreover, it cannot be ruled out that the low income from electricity production will no longer suffice to cover the ongoing costs, in particular the financing costs, so that the Group could be forced to cover the resulting difference or to sell off the photovoltaic facility at a price below the acquisition price.

The buyback price and the subsidies for facilities which are already connected to the grid are fundamentally unaffected by new regulations. However, changes can come into effect at very short notice without any ongoing protection for investments which have already been made. It is possible that the state managed subsidies for renewable energy in general or for photovoltaics specifically in all markets will be reviewed in the courts and as such will be regarded as being against the law or reduced or abolished for some other reason. Issued consent could be revoked or the realisation of planned legislation aimed at supporting photovoltaic power may not be implemented. In addition, the introduction of changes to the state managed subsidy programmes with retroactive effect cannot be fully ruled out.

Therefore, the given regulatory framework cannot be taken for granted and temporary adjustments in the incentives schemes and national targets can be introduced ad-hoc, reflecting short-term fiscal needs of changes in the economic situation of the country. Such changes in the regulatory framework may have a material, adverse effect on the profitability of existing projects and future growth opportunities hence should be taken into consideration while assessing the risk of PV business.

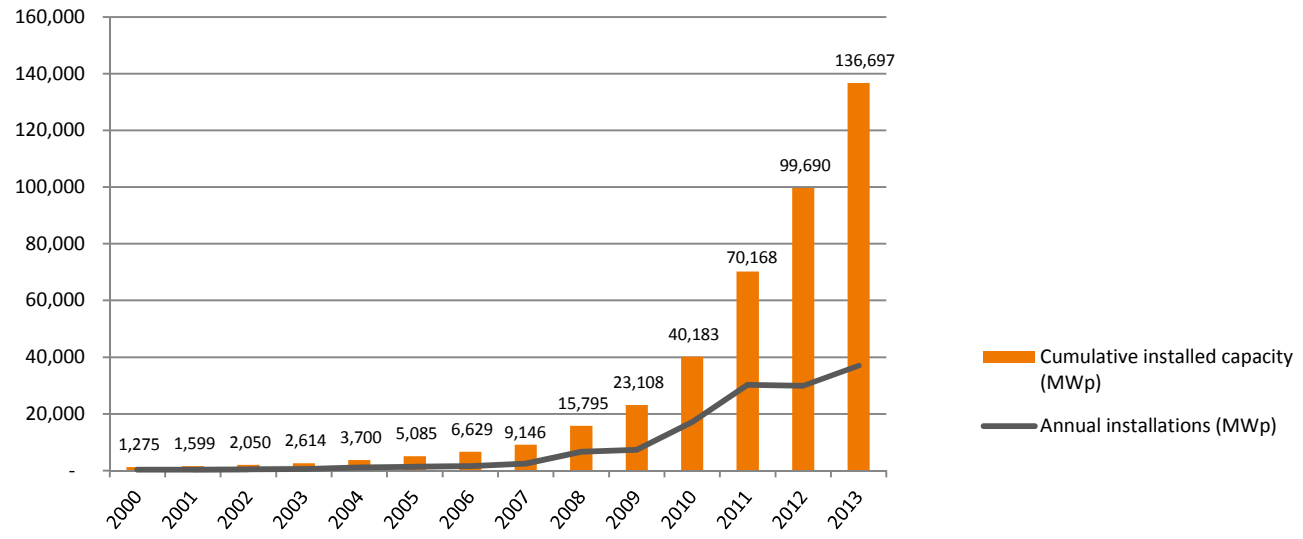
Moreover, companies operating internationally are also subject to various risks including risks of war, terrorist activities, political, civil or labour disturbances and embargoes. The Company currently operates in several European Union member countries including: Czech Republic, Slovakia, Germany and Italy as well as one non-EU country – Australia. Among those we can distinguish between developed economies such as Germany, Italy and Australia with relatively stable political systems economic policies. However, most of the Group's operations are still held in Central and Eastern European countries which are still perceived as emerging economies and hence may represent risks that are not encountered in countries with well-established economic and political systems. In addition, the legal and regulatory systems of the emerging European markets identified above may be less developed and less well enforced than in more developed countries. The Company's ability to protect contractual and other legal rights in those regions may thus be limited compared to regions with more well established markets.

4.2. Market description and market share in 2013

4.2.1. Global market and regional trends in 2013[1]

2013 was another record year for photovoltaic installations. At least 37 GWp of PV systems were installed globally (up from 29.9 GWp in 2012 and 30.2 GWp in 2011). The global PV cumulative installed capacity reached an impressive 136.7 GWp at the end of the year, which represents a 35% increase compared to the year 2012.

Image 6. Evolution of global annual and cumulative installed capacity 2000-2013 (MWp)



Source: www.epia.org

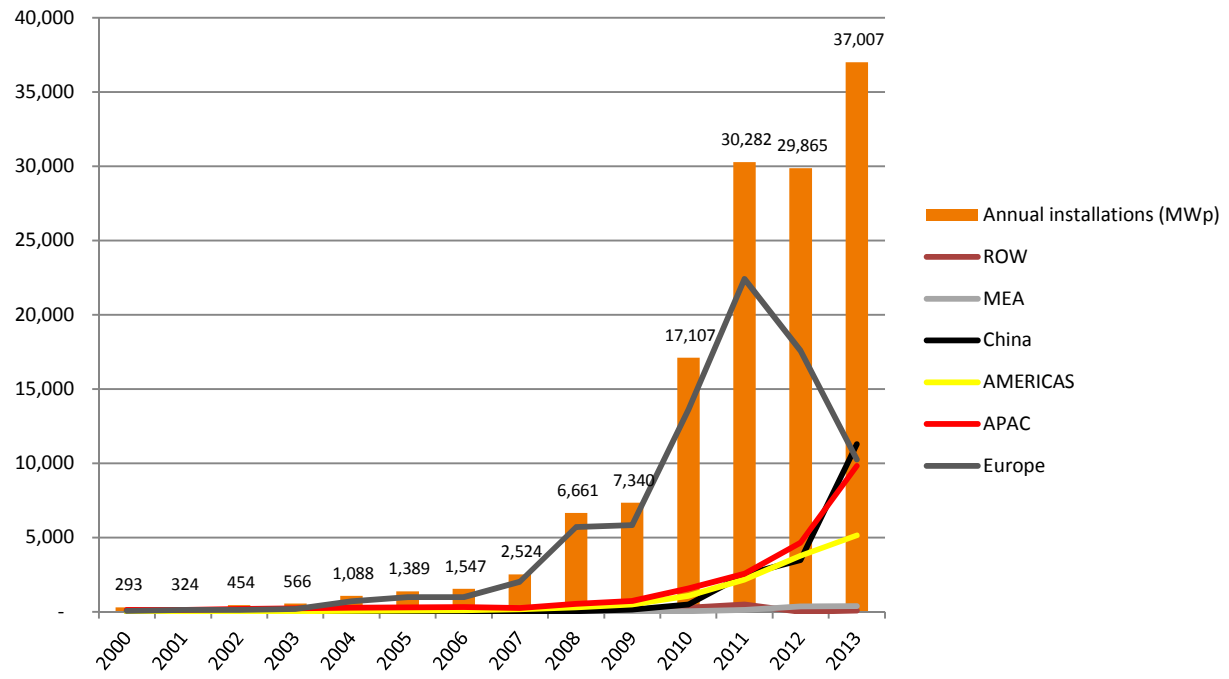
Top 3 global countries in 2013

- **China** was the number one global market with around 11.3 GWp connected to the grid
- **Japan** was the second largest global market with around 6.9 GWp
- **The USA** ranked the number 3 with 4.8 GWp

After 10 years of continuous European leadership in new installations, in 2013 Asia took over the lead. The Asia-Pacific region, led by China and Japan, represented 57% of last year's global market. With more than 10 GWp of new capacity installed in 2013, Europe only accounted for 28% of the world's market, while it concentrated more than 70% of the world's new PV installations in 2011 and still around 59% a year later. The relative slowdown of European PV markets originated from intentional regulatory changes. In a number of European countries, harsh support reduction, retrospective measures and unplanned changes to regulatory frameworks that badly affect investors' confidence and PV investments viability have led to a significant market decrease. This is a particularly the case for Italy – the third global market in 2012 – which experienced a 70% market decrease compared to the year before. Germany – formerly the top global market – also experienced in 2013 a steep PV market decrease (57% decrease compared to 2012), originating from intentional regulatory changes.

[1] After European Photovoltaic Industry Association "Market Report 2013" March 2013, www.epia.org

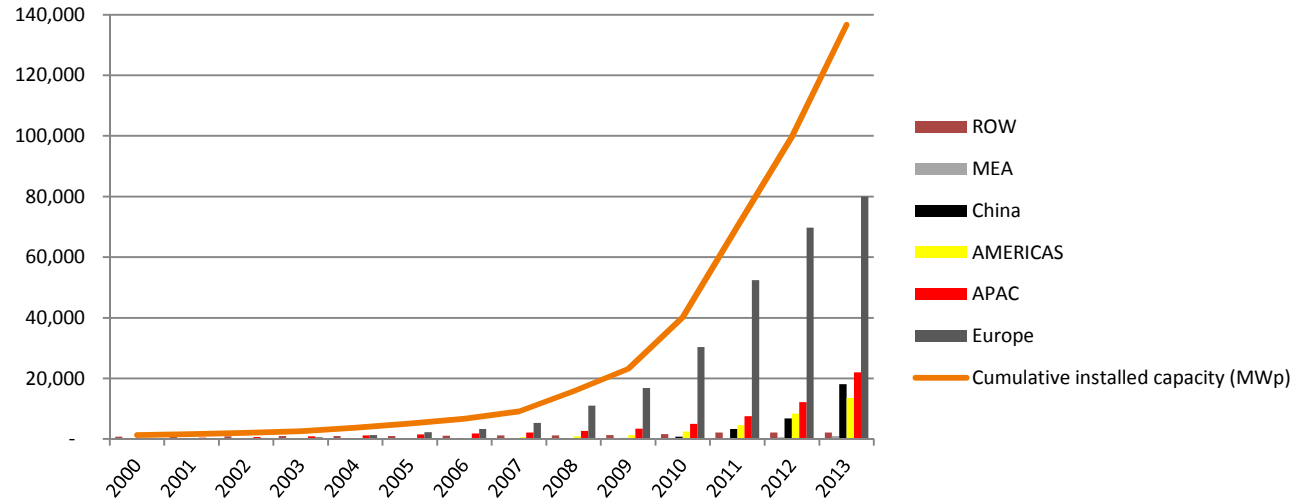
Image 7. Evolution of global annual installed capacity 2000-2013 (MWp)



Source: www.epia.org

Looking at the geographical breakdown of the PV industry in terms of global cumulative installed capacity, Europe still remains the world's leading region with approx. 80 GWp as of 2013, which represents 58% of the world's cumulative PV capacity (compared to 70% of the world's capacity in 2012 and 75% in 2011). Next in the ranking is the Asia-Pacific (APAC) region (which in addition to Japan and China includes Korea, Australia, Taiwan and Thailand) with more than 40 GWp representing 29% of the world's cumulative PV capacity. The third leading region is North America, with Canada developing steadily alongside and the USA.

Image 8. Evolution of global cumulative installed capacity 2000-2013 (MWp)



Source: www.epia.org

Evolution of European markets in 2013

- Germany – the top European market with 3.3 GWp (down from 7.6 GWp in 2012)
- Several European markets were close to the gigawatt mark: Italy (between 1.1 GWp and 1.4 GWp), UK (between 1 GWp and 1.2 GWp), Romania (1.1 GWp) and Greece (1.04 GWp)

- Other European markets that performed well in the past went significantly down in 2013 resulting from political decisions aimed at reducing the level of support to PV: Belgium (from 600 MWp in 2012 to 215 MWp in 2013), France (from 1.1 GWp 613 MWp9, Denmark (from 300 MWp to around 200 MWp).
- Some markets in Europe have almost untapped PV potential like Hungary, Poland and Turkey for instance. The PV potential in countries like France and Spain is still largely unexploited.

Image 9. Overview of measures against PV industry in Europe at the end of 2013

Source: www.epia.org

Declining political support to PV has led to slowing PV markets in several European countries: Germany, Italy, Belgium, France and Spain for instance. PV covers now 3% of the electricity demand in Europe and 6% of the peak electricity demand. Furthermore, for the third year in row, PV is in the top-2-newly-added generation capacity in Europe. As the share of renewables in the energy mix increases, grid and market/system integration challenges are becoming more and more important for the future PV development.

Evolution of Australian market in 2013[2]

- Australia reached approx. 800 MWp in 2013 (22% decrease compared to 2012 (the seventh largest market in the world, accounting for 3.5% of global installed capacity in 2012))

In Australia more than 1.1 million solar PV systems have been installed. This means that 13 per cent of homes have a solar PV system and 3 million Australians live in house with solar PV systems installed on their roofs. However, the level of solar installations is falling as government support for solar has been progressively unwound. The level of employment in the solar PV industry is expected to decline by 3,400 people as the level of installed capacity reduces. The future of the residential solar market in Australia lies in finding new ways of refinancing the cost to customers, tax changes to make solar leasing more attractive and finding new markets, such as renters and low income earners. The Government's Million

[2] "Household Solar in Australia: State of the Small-scale Renewable Energy Scheme" – report for the REC Agents Association prepared by Green Energy Markets Pty Ltd, November 2013, page 3-4

Solar Roofs programme was implemented, which has the potential to help low income earners reduce their power bills by installing solar, as well as potentially helping renters access solar. The Million Solar Roofs programme, if successfully implemented, may stabilise demand for residential solar through 2020. At the same time the Australian market is in the Issuer's opinion suited to innovative financing models and such as Power Purchase Agreements and Solar Leasing.

4.2.2. Photon Energy's market share and description

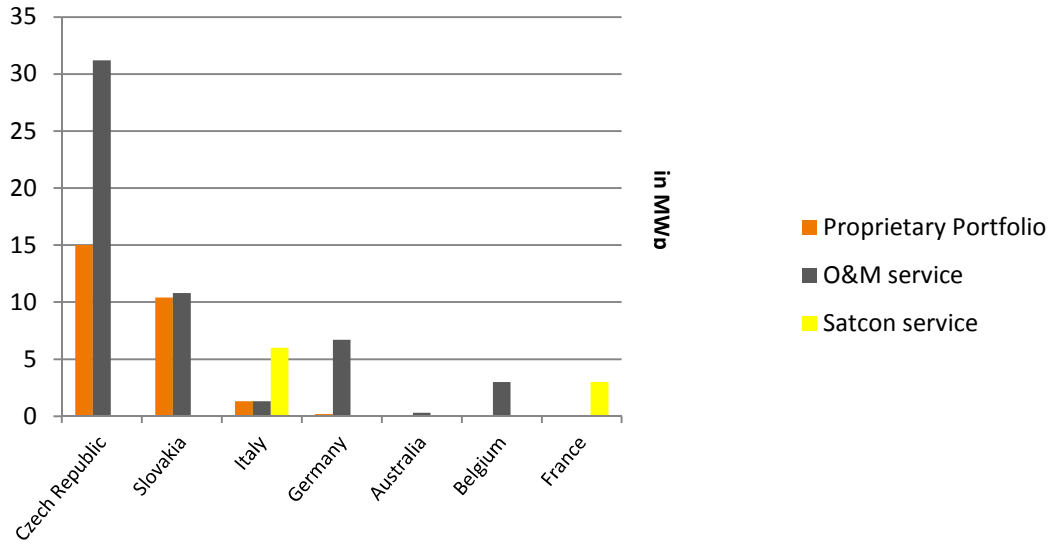
All in all, the Group commissioned nearly 50 MWp of PV power plants across 5 countries and more than 50 MWp of PV power plants under O&M management across two continents.

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 2013, consisted of 28 power plants in the Czech Republic (15 MWp), Slovakia (10.4 MWp), Italy (1.3 MWp), Australia (0.1 MWp) and Germany (0.2 MWp) with a total installed capacity of **27 MWp**.

Moreover, at the end of December 2013 the total **O&M** portfolio could be broken down geographically into 31.2 MWp operated in the Czech Republic, 10.8 MWp in Slovakia, 6.7 MWp in Germany, 1.3 MWp in Italy, 0.3 MWp in Australia and 3 MWp in Belgium with a total capacity of **53.3 MWp**.

In 2013 Photon Energy Operations provided preventive maintenance on the base of contracts for **Satcon central inverters** at power plants worth **9 MWp** in France (3 MWp) and Italy (6 MWp).

Image 10. Overview of Photon Energy's markets at the end of 2013



Due to the general volatility of the Romanian market Photon Energy decided to discontinue its activities there (no sufficiently attractive risk-return profile). Considering high project costs and low rentability on the North American market the management decided to focus mainly on the lucrative Australian market. The Company's expansion to Australia is starting to pay off as the market develops strongly.

The year 2013 was characterised by the launch of our new strategy with focus on Australian market and expansion to new markets (for more details about our strategy, please refer to chapter 4.5 Future plans). In 2013 only one power plant was acquired, in Symonston, Australia. Due to the phase-out of support schemes of PV and retroactive measures against investors in Europe - the Company intends in Europe to focus only on the expansion its O&M portfolio.

Czech Republic

The **Czech Republic** had a cumulative installed PV capacity of **2,132 MWp**[3] at the end of December 2013, according to the latest data from the Czech Energy Regulatory Office (ERU). The Czech Republic added about 88 MWp last year (down from 116 MW in 2012). The PV systems installed in the country produced a total of 2,070.2 GWh of electricity in 2013. This accounted for approximately 2.9% of the country's electricity production during the year. The current levy equals 10% (down from 26% for the years 2011-13) on revenues from the sale of electricity in solar power plants located in the Czech Republic and is, based on the current legislation, applicable for the year 2014. Given the negative image of PV today in the Czech Republic among politicians, grid operators and a majority of citizens, the future of PV is very uncertain. The key to restarting this market lies in residential and small rooftop installations, which are socially more "acceptable" for electricity consumers and which can minimise transmission network congestion on very sunny days and during low-consumption periods.

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 MWp**. All projects (with one exception) were connected to the network/grid in November/December 2010. Photon Energy did not commission new capacities in 2013.
The total **O&M** portfolio operated in the Czech Republic included **31.2 MWp** of PV capacities managed for the proprietary portfolio and external clients. At the end of 2013 the cumulative installed PV capacity in the Czech Republic amounted to 2,132 MWp. Many PV power plant owners have service contracts that expire and want to change service providers.

Slovak Republic

At the end of December 2013 **Slovakia** had **537 MWp**[4] of cumulative installed PV capacity, according to the latest data from the Slovak energy regulator URSO. The non-transparent FiT calculations and adjustments for three years have created a largely unattractive environment for PV investors in Slovakia. PV is no longer highly profitable as the return on investment can currently take more than 15 years. Moreover discussions took place at government level about the possibility to introduce a solar tax based on the "Czech model".[5] However, no further information is available at this stage. Furthermore, as of January 2014, a new fee for grid capacity reservation will be applied to PV producers. According to the Slovak Photovoltaic Association's (SAPI) calculations, this fee would represent almost EUR 20,000 per year for a 1 MWp plant.

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 2013.

The total **O&M** portfolio operated in Slovakia included **10.8 MWp** of PV capacities managed for the proprietary portfolio and external clients.

Germany

Germany – formerly the top global market – experienced a steep PV market decrease in 2013 (57% decrease compared to 2012), originating from regulatory changes. At least 3.3 GWp were connected in Germany at the end of 2013 (down from 7.6 GWp in 2012), which resulted in a cumulative installed PV capacity of at least **35.7 GWp** (the top European market).

The Company's proprietary portfolio in Germany is comprised of two photovoltaic power plants which are owned by the Group through one subsidiary Photon DE SPV 3. The total installed capacity of projects currently owned in Germany amounts to **231 kWp**. Both projects (Brandenburg and Altentreptow) were connected to the grid in Q1 2012. In 2013 the

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[3] The World of information in the World of Solar Electricity, Markets - Czech Republic, www.photon.info
[4] The World of information in the World of Solar Electricity, Markets - Slovakia, www.photon.info
[5] After European Photovoltaic Industry Association "Retroactive Measures at National Level" 10 December 2013, www.epia.org

Photon Energy Group sold 1 PV plant (Ückermünde Kindergarten) with a total capacity of 24.7 kWp out of the Group.

The total **O&M** portfolio operated in Germany included **6.7 MWp** of PV capacities managed for the proprietary portfolio and external clients and is growing each year. Germany has seen four consecutive years with stable growth in connections, leading to a total installed capacity of a record 35.7 GW. There are many already constructed PV power plants that need to be maintained and monitored. In the wake of PV service providers going insolvent there is a large addressable market of PV power plants that need O&M services. An example for this opportunity is the case of German PV company SunConcept Service GmbH (O&M service taken over in 2012 by our Company). At the same time the large number of solar power plants creates demand for external consultancy services for power plant operators dealing with insurance companies, banks and other institutions. Photon Energy Operations intends to strengthen its position as an external consultant for PV investors in Germany and provide independent expertise and analysis.

Italy

In **Italy**, between 1.1 GWp and 1.4 GWp[6] were connected to the grid in 2013 (down from 3.4 GWp in 2012 and 9.45 GWp in 2011), which resulted in a cumulative installed PV capacity of **at least 17.5 GWp** (compared to 16.4 GWp at the end of 2012). After a rush in 2011 the Italian market returned to a level that nevertheless remains high. However, due to the continuous adopting of unplanned FiT reduction and cancellations, and of other harmful measures against PV, many companies were driven out of business in Italy. Such an unpredictable environment and the expiration of the 5th Conto Energia[7] in July 2013 are inevitably leading to a dramatic decrease in the number of investments and as a consequence the Italian market is shrinking.[8]

In 2013 the proprietary portfolio comprised two rooftop photovoltaic power plants in Italy with the total capacity of **1,255 kWp**. The plants were connected to the grid in November 2011 and June 2012, respectively.

The total **O&M** portfolio operated in Italy comprised **1.3 MWp** of PV plants managed for the proprietary portfolio. Moreover, Photon Energy Operations provided in 2013 preventive maintenance on the base of contracts for **Satcon central inverters** at power plants **6 MWp**. The Company seeks to develop its O&M activity on the Italian market as Italy is currently the second largest European PV market in terms of installed PV capacity with at least 17.5 GWp at the end of 2013.

Australia

Australia is one of the sunniest continents in the world. The majority of photovoltaic power plants are connected to the electricity network. However, there are numerous “off-grid” solar power plants, meaning that they are independent from the electricity network – particularly in remote Australian villages. It is estimated that the solar irradiation in Australia is approximately 10,000 times higher than the annual energy consumption.[9] Solar irradiation is especially high in Central/North-Western Australia. However, these regions are not connected to the national electricity network.

In 2013 at least 800 MWp[10] were connected to the grid in Australia (compared to 1,000 MWp in 2012 and 837 MWp in 2011) with a cumulated capacity of **3,212 MWp** (compared to 2,412 MWp in 2012), which represents a 33% increase compared to the previous year. The number of photovoltaic installations increased tenfold in the period from 2009 -

[6] After European Photovoltaic Industry Association “Market Report 2013” March 2013, www.epia.org

[7] After www.wikipedia.org: **Conto Energia** is the European “feed-in” incentive programme for the electricity production by solar energy source, through PV plants permanently connected to electricity net, introduced in Italy in 2005.

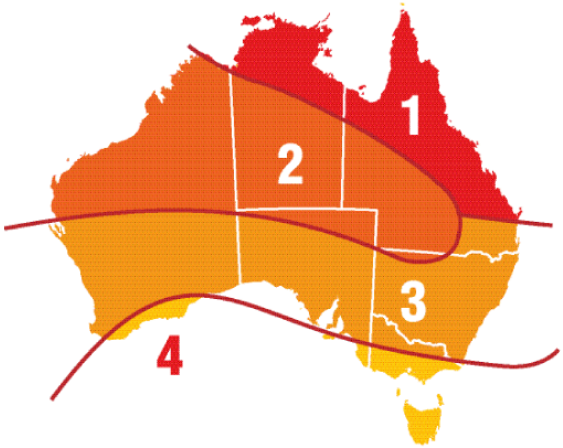
[8] After European Photovoltaic Industry Association “Retroactive Measures at National Level” 10 December 2013, www.epia.org

[9] Australian Government – Geoscience; Australian Energy Resources Assessment 2012, Chapter 10

[10] “Household Solar in Australia: State of the Small-scale Renewable Energy Scheme” – report for the REC Agents Association prepared by Green Energy Markets Pty Ltd, November 2013, page 3

2011[11]. This increase was mainly caused by the remunerations for electricity supplied to the public network and goals in the area of renewable energy. Australia introduced a two-tier programme using so-called Renewable Energy Certificates (RECs). The number of RECs issued depends on the location of power plant (four zones, see image below). One REC is equivalent to one megawatt hour of electricity generation.

Image 11. Zones for distribution of RECs in Australia



By 2016, prognoses predict a cumulated capacity of 4,900 MWp (moderate scenario) or 11,300 MWp (incentive-based scenario)[12].

In 2013 the Company's proprietary portfolio comprised one rooftop photovoltaic power plant in Symonston with a total capacity of **144 kWp** acquired in April 2013. The Company intends to focus on the Australian market in 2014 and beyond.

The total **O&M** portfolio operated in Australia comprised **0.28 MWp** of PV plants managed for the proprietary portfolio and external client.

Belgium

The total **O&M** portfolio operated in Belgium comprised **3 MWp** of PV plants managed for the third party. The Company seeks to develop its O&M activity on the Belgian market as Belgium is currently one of largest European PV markets in terms of installed PV capacity.

France

In 2013 Photon Energy Operations provided preventive maintenance in France on the base of contracts for **Satcon central inverters** at power plants worth **3 MWp**.

[11] Clean Energy Council; Clean Energy Australia Report 2011, pp. 32-42
[12] EPIA: Chapter 3.3.c. "Australia"

4.3. Summary of the major achievements in 2013

The year 2013 was characterised by the continuing restructuring of the Group finished by the **listing of Photon Energy N.V.'s shares** in June **on the NewConnect** market segment of the Warsaw Stock Exchange and the announcement of our **new global strategy** tailor made for the Solar Age and announced in November.

The goal of the new strategy is to generate recurring revenue streams while maximising customer value. Photon Energy's revised focus is now on:

- Customised Energy Solutions – Photon Energy **Solutions**,
- Decentralised Energy Production – Photon Energy **Generation**,
- Standardised Financing – Photon Energy **Finance**,
- Operations & Maintenance – Photon Energy **Operations**,
- Asset Management – Photon Energy **Investments**.

As a large part of our resources was dedicated to facilitating the restructuring and expanding to new markets i.e. Australia, the number of power plants commissioned and the revenue for 2013 were lower than in 2011 and 2012. On the other hand, the revenues from the sale of electricity increased.

Generation results of the Company's proprietary portfolio in 2013

The entire 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 2013, consisted of 28 power plants in the Czech Republic, Slovakia, Italy, Australia and Germany with a total installed capacity of 27 MWp. Photon Energy N.V. has undergone a restructuring process which included concentrating the entire photovoltaic power portfolios in the Czech Republic, Slovakia, Italy and Australia with one of its five subsidiaries, Photon Energy Investments N.V.

The total volume of electricity generation from proprietary power plants in 2013 amounted to **26.9 GWh**. Additionally in July the major part of the Company's proprietary even recorded the best generation results in their history (for more information, please refer to the monthly report for July 2013, which can be downloaded from our website).

Photon Energy Investments

Corporate bond placement

In February 2013 Photon Energy Investments issued a 5-year corporate bond with an 8% annual coupon and quarterly coupon payments in Austria, Germany, the Czech Republic, Slovakia and Poland. The issuer targeted both retail investors, for whom the nominal value of a bond was set at EUR 1,000, as well as institutional investors across the EU. On 12 March 2013 the bond was listed on the **Open Market of the Deutsche Börse AG** (the exchange-regulated market on the Frankfurt Stock Exchange) and traded on the stock exchanges in Frankfurt, Berlin, Hamburg and Hannover. The bond can still be subscribed to by qualified investor directly through the company.

Furthermore, in December PEINV's bond was introduced to trading on the **Prime Segment of the Vienna Stock Exchange**. The "Corporates Prime" Segment of the Vienna Stock Exchange only lists bonds that fulfill strict criteria, including high transparency standards.

Acquisition of the first power plant in Australia

In April 2013 there was one major event, which resulted in the material changes of the proprietary portfolio of Photon Energy N.V. and included the acquisition of the first power plant with an installed of 144kWp located in Symonston in Australia by Photon Energy Investments N.V. (one of five divisions of the Company). The rooftop plant is the largest rooftop installation in the region and was already ready to be connected in March 2013.

Photon Energy Generation Australia

In December Photon Energy Investments N.V. launched **innovative standardised financing models** through its fully-owned subsidiary Photon Energy Generation Australia (PEGA). As financing is currently the main bottleneck for the accelerated growth of the industry globally, through PEGA the company offers all commercial energy users two attractive alternatives to the outright acquisition of a PV system, either in the form of a Commercial Hire Purchase (CHP) agreement (signed for an average of 10 years) or in the form of Power Purchase Agreements (PPA) (signed for an average of up to 30 years) with the possibility to acquire the PV system later. The company's target customers are mainly companies with a large number of rooftop properties, who can rely on our already extensive pipeline of projects worth more than 60 MWp and growing.

Subsequently, PEGA signed its **first three PV projects with 535 kWp** to be delivered on the basis of CHP agreements. All three projects located in the Australian Capital Territory (ACT), will be ground-mounted and are projected to annually supply 820 MWh of clean electricity to the grid based on a feed-in-tariff with a self-consumption option. The project investment volume is AUD 1.6 million (EUR 1.06 million; PLN 4.43 million) and all three plants are planned to be completed and grid connected by the end of 2014 Q1.

Photon Energy Operations

O&M services

In 2013 Photon Energy Operations provided O&M services on the basis of new contracts to:

- intra-group companies with a total installed capacity of 0.14 MWp,
- third parties with a total installed capacity of 4.87 MWp.

Currently the total O&M portfolio can be broken down geographically into 31.2 MWp operated in the Czech Republic, 10.8 MWp in Slovakia, 6.7 MWp in Germany, 1.3 MWp in Italy, 0.3 MWp in Australia and 3 MWp in Belgium. The O&M portfolio includes 27.1 MWp of PV capacities from the proprietary portfolio and 26.2 MWp for external clients. The traditional PV markets with large installed bases in the European Union remain very attractive for our operations and maintenance business unit Photon Energy Operations given that the installed base across the European Union currently amounts to approx. 80 GWp.

In 2013 Photon Energy Operations also provided preventive maintenance on the base of contracts for **Satcon central inverters** at power plants worth 9 MWp in France (3 MWp) and Italy (6 MWp).

Photon Energy Solutions

283 KWp roof mounted PV system for a major Sydney office building

In September Photon Energy Engineering Australia Pty. Ltd., a fully-owned subsidiary in Australia, was selected to build and operate a 283 kWp roof mounted PV system on a large office building in Sydney in Australia. As one of the largest ever installed in an Australian inner city environment the solar PV system will be used to cover daytime loads with the possibility to export surpluses to the grid, thus generating additional revenue. Moreover, the PV system will assist in achieving a 5-Star Greenstar and 5 Star-NABERS rating, two rating systems evaluating the environmental design and

construction of buildings. The system is designed to cover a certain amount of electricity to the building per annum in order to meet the NABERS rating and utilise the available roof surface to maximise the output per square meter at the lowest cost per kWh.

4.4. Important events in 2013, which had material impact on the Group's business

As Photon Energy N.V. grew from a Czech-based start-up to an international group stretching over three continents, it became necessary to restructure the group into its current corporate form of a Netherlands-based holding company. During restructuring the management committed itself to perform a swap of shares in Phoenix Energy a.s., the former Czech holding company of the Group later disposed off, listed on NewConnect since 2008. The intention of the share swap was to exchange the minority shareholders who owned shares in Phoenix Energy a.s. for shares in Photon Energy N.V. After executing the share swap in May 2013, the Group restructuring was finished and in June Photon Energy was introduced to trading in the NewConnect market segment of the Warsaw Stock Exchange, followed by a capital increase by EUR 24 million by issuing 27 million shares at PLN 3.85.

In order to finance future growth, the Company's fully-owned subsidiary Photon Energy Investments N.V. (PEINV) placed a 5-year corporate bond with an 8% coupon and quarterly payments, which trades on the Frankfurt, Berlin, Hamburg/Hannover and Vienna) Stock Exchanges.

Furthermore, we continued our expansion in Australia, which is starting to pay off as the market develops strongly. In April 2013 PEINV completed the acquisition of its first power plant in Australia with an installed capacity of 144kWp and located in Symonston, in the Australian Capital Territory.

In the Czech Republic – one of our core markets as far as our portfolio is concerned – politicians and the media continued their negative campaign against Renewable Energy and Solar Investors. In Q2 2013 the Czech Environment Ministry passed a directive under which owners of power plants had to register with a recycling system and pay a fee of CZK 8.50 (EUR 0.30) per kilogram of installed PV modules. With the introduction of a fee far above market prices and comparable fees in other countries, the government's decision had aroused suspicion as to what the government's true intentions were. In reaction to the introduction of the recycling fee our fully-owned subsidiary Photon Energy Operations CZ and other leading players from the Czech PV Industry as well as the PV industry association CZEPHO joined forces and established REsolar, where we became a founding 10% shareholder. As a collective system of PV module recycling REsolar will look after the interests of owners of PV power plants, something the Czech state has failed to do in the past years. All our power plants in our Czech proprietary portfolio were registered with REsolar by the 30 June 2013 deadline.

In September the Czech president signed a Bill limiting the support for Renewable Energy starting 1 January 2014 and simultaneously – in yet another retroactive measure – extending the Solar Levy for the reminder of the applicable Feed-In-tariff period for PV plants connected in 2010 at the level of 10% of revenues (down from 26% for the years 2011 to 2013). The continuation of the Solar Levy at 10% triggered an impairment of our Czech PV portfolio by EUR 4.5 million in 2013.

In the meantime, in September Photon Energy signed also its first contracts for a wide range of maintenance services for 9 MWp of Satcon central inverters in Italy and France, fortifying its position as a leading force in the service of Satcon-built inverters in Europe, established by taking on key personnel from the failed manufacturer.

In November 2013 PENV executed a share issuance and contribution transaction increasing the number of issued shares from 50 million to 60 million. Subsequently, the Group announced its new global strategy and launched Photon Energy Generation Australia (PEGA), which in December signed its first three PV projects in the ACT, Australia.

4.5. Future plans

In 2013 we initiated a fundamental review and re-think of our strategy in order to position Photon Energy as the leading ***Experts for the Solar Age*** globally and create higher value for all the Company's stakeholders.

Over the past six years the Company's experience provided several valuable lessons:

- No more bets on any support schemes for PV electricity
- PV plants are no longer merely financial assets but will be mostly built to cover on-site consumption
- Customers require sophisticated energy solutions with a PV system being ideally the main supply source
- Financing is by far the largest bottleneck for the global roll-out of PV – the solutions are standardised financing solutions similar to mortgages or car leasing
- Operations & Maintenance including performance guarantees in combination with insurance solutions are the key to standardised financing
- Diversification along the value chain and by geography are crucial for risk mitigation
- Sustainable shareholder value is only created by activities generating recurring revenue streams

In November we announced our new global strategy tailor-made for the Solar Age aimed at generating recurring revenue streams, while maximising customer value. Photon Energy's revised focus is now on customised energy solutions, decentralised energy production, standardised financing, Operations & Maintenance and asset management.

Our next steps for the year 2014 are**:**

- Our current services & products will be realigned in order to best serve the five business lines: Photon Energy Operations, Photon Energy Solutions, Photon Energy Generation, Photon Energy Finance and Photon Energy Investments
- The NPV^{max} (Net Present Value) concept will be implemented into all our services & products
- The Photon Energy Operations offering will be expended by advisory and other new services
- A service offering for energy savings and management will be introduced in early 2014
- The Australian market will be focus for the expansion of PV generation capacity in 2014 and beyond
- The financial services team within Photon Energy will be expanded and standardised financing solutions are being developed
- An investment platform for the aggregation of PV assets in the EU under an optimally protected legal structure as the Groups first step into asset management for external investors

Moreover, in order to reduce the dependence on government subsidies in the future, the Group's strategy mainly focuses on the expansion to markets which have already reached Grid Parity, i.e. the cost of PV-generated electricity is competitive with grid-supplied electricity.

The Group also intends to specialize in energy generation solutions providing hybrid-system and diesel-replacement solutions for energy-intensive industries. In this area Photon Energy intends to focus on industries such as mining, retail, agriculture, telecommunications and others. In the case of remote off-grid locations, where usually irradiation levels are constantly high throughout the year, such energy solutions allow customers to reduce fuel consumption by up to 100%. In on-grid locations, energy efficiency solutions can materially lower monthly electricity bills. Photon Energy wants to position itself at the cutting edge of the industry, creating PV-based power solutions with the integration of energy storage and/or diesel generators. The Group has developed different accurate models for off-grid and on-grid systems with sufficient flexibility to adapt to a wide range of situations. In order to facilitate market penetration, the Group will selectively cooperate with local partners, if necessary or value-adding.

4.6. Financial Ratios

Selected financial ratios for consolidated performance are presented below.

Financial Ratios - Consolidated	2012	2013
Profitability		
Net Profit / Revenues	-78.1%	-36.0%
Return on Equity (Net profit / Total equity)	-87.3%	-18.7%
Return on Assets (Net profit / Total assets)	-11.0%	-5.5%
Liquidity		
Quick ratio ((Cash + Account receivables)/ Current liabilities)	0.55	0.63
Current ratio (Current Assets / Current liabilities)	0.78	0.73
Working Capital		
Net Working Capital (Current assets - Current liabilities)	-5,380	-3,608
Net Working Capital / Total Assets	-0.05	-0.04
Indebtness		
Debt ratio (Total Debt / Total Assets)	0.73	0.62
Debt / Equity Ratio (Total liabilities / Stockholders' Equity)	7.01	2.41

4.7. Authorised Advisors Remuneration

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

4.8. Statutory Auditor Remuneration

Total remuneration of the Company's auditor Grant Thornton Accountants en Adviseurs B.V. in the year 2013 amounted to EUR 42 thousand and included fees for a full-year review of 2013 financial statements.

4.9. Total Board of Directors Remuneration

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

4.10. NewConnect's Best Practices applied and not applied in 2013

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 2013 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

No.	Rule	Comments
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 very early 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 investment decisions;	Applied
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

No.	Rule	Comments
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;	Applied (not applied in 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.	Not applied - The Company intends to provide investors, analysts and the media with current access to information about the Company. Nevertheless, the Company does not rule out the organisation of public meetings with stakeholders, in cooperation with the Authorised Adviser.
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

No.	Rule	Comments
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 fulfillment 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: - 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.	Applied

No.	Rule	Comments
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
17	Deleted	

**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 Practises of Companies Listed on NewConnect"*

4.11. 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 2013 and which were reported in the EBI system:

EBI 1/2013 published on 29 May 2013: Obtaining access to the EBI system

EBI 2/2013 published on 31 May 2013: Approval of Application for Introduction to trading

EBI 3/2013 published on 31 May 2013: Application submission to determine the date of first trading on NewConnect

EBI 4/2013 published on 3 June 2013: Designation of First Trading Day on NewConnect

EBI 5/2013 published on 7 June 2013: Dates of publishing periodic reports in 2013

EBI 6/2013 published on 11 June 2013: Statement on the use of the Company's corporate governance rules

EBI 7/2013 published on 14 June 2013: Correction of notes to the consolidated financial statements for the year 2012

EBI 8/2013 published on 14 June 2013: Monthly report for May 2013

EBI 9/2013 published on 1 July 2013: Annual report for the year 2012

EBI 10/2013 published on 2 July 2013: Capital increase and debt restructuring of Photon Energy N.V.

EBI 11/2013 published on 12 July 2013: Monthly report for June 2013

EBI 12/2013 published on 14 August 2013: Monthly report for July 2013

EBI 13/2013 published on 14 August 2013: Quarterly report for Q2 2013

EBI 14/2013 published on 19 August 2013: The Parliament of the Czech Republic passes Bill extending the Solar Levy

EBI 15/2013 published on 6 September 2013: Application submission to introduce 27,000,000 shares to trading on NewConnect

EBI 16/2013 published on 13 September 2013: Monthly report for August 2013

EBI 17/2013 published on 16 September 2013: The Czech Senate voted to pass the Bill extending a 10% Solar Levy

EBI 18/2013 published on 14 October 2013: Monthly report for September 2013

EBI 19/2013 published on 17 October 2013: Approval of Application for Introduction to Trading

EBI 20/2013 published on 24 October 2013: Application submission to register 27,000,000 ordinary shares to KDPW

EBI 21/2013 published on 30 October 2013: Signing of a contract for the installation of a 290 kWp rooftop PV system in Australia

EBI 22/2013 published on 5 November 2013: Resolution of the Management Board of KDPW to register 27,000,000 ordinary shares

EBI 23/2013 published on 6 November 2013: Application submission to set the date of first trading on NewConnect

EBI 24/2013 published on 13 November 2013: Designation of First Trading Day on NewConnect

EBI 25/2013 published on 15 November 2013: Monthly report for October 2013

EBI 26/2013 published on 15 November 2013: Quarterly report for Q3 2013

EBI 27/2013 published on 21 November 2013: Photon Energy N.V. with new global strategy

EBI 28/2013 published on 21 November 2013: Photon Energy N.V. executed share issuance and contribution transaction

EBI 29/2013 published on 27 November 2013: Renowned German research house gives "Buy" rating for Photon Energy shares

EBI 30/2013 published on 9 December 2013: Photon Energy launches Photon Energy Generation Australia

EBI 31/2013 published on 12 December 2013: Photon Energy Generation Australia signs up its first three PV projects in the ACT

EBI 32/2013 published on 12 December 2013: Dates of publishing periodic reports in 2014

EBI 33/2013 published on 13 December 2013: Monthly report for November 2013

EBI 34/2013 published on 19 December 2013: Photon Energy Investments-bond in premium segment of Vienna Stock Exchange

Below is a summary of the key events which were important for the Issuer's business after 31 December 2013 until the date of this report:

EBI 1/2014 published on 9 January 2014: Loan maturity extension

EBI 2/2014 published on 14 January 2014: Monthly report for December 2013

EBI 3/2014 published on 14 February 2014: Monthly report for January 2014

EBI 4/2014 published on 14 February 2014: Quarterly report for Q4 2013

EBI 5/2014 published on 20 February 2014: Photon Energy launches a Pan-European Solar Asset Aggregation Yield-Co to IPO in 2015

EBI 6/2014 published on 14 March 2014: Monthly report for February 2014

EBI 7/2014 published on 14 April 2014: Monthly report for March 2014

EBI 8/2014 published on 14 May 2014: Monthly report for April 2014

EBI 9/2014 published on 15 May 2014: Quarterly report for Q1 2014

EBI 10/2014 published on 23 May 2014: Change of the reporting date of the annual report

EBI 11/2014 published on 29 May 2014: Change in the application of Good Practices

4.12. 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

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:

No Supervisory Board was established.

Shareholder Structure as of the 27 May 2014

Shareholder	No. of shares	% of capital	No. of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Solar Age Investments B.V.	28,263,274	47.10%	28,263,274	56.53%
Solar Future Cooperatief U.A.	8,590,739	14.32%	8,590,739	17.18%
Solar Power to the People Cooperatief U.A.	8,036,573	13.39%	8,036,573	16.07%
Photon Energy N.V.	10,000,025	16.67%	0	0%
Free float	5,109,389	8.52%	5,109,414	10.22%
Total	**60,000,000**	**100.00%**	**50,000,000**	**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 41.77% of votes at the Shareholders Meeting, via co-operative Solar Future Coöperatief U.A., Mr. Georg Hotar indirectly owns 39.04% of votes at the Shareholders Meeting, via co-operative Solar Power to the People Coöperatief U.A and Mr. Ctibor Plachy indirectly owns 8.98% of votes at the Shareholders Meeting via both co-operatives.

Solar Age Investments B.V., which owns 28,263,074 shares representing 56.53% of votes at the Shareholders Meeting and 47.10% 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.

4.13. Activities in R&D

The Group did not undertake any research and development activities in the year 2013.

4.14. Material off-balance sheet items

The Group did not have any material off-balance sheet items in the year 2013.

4.15. 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 5 Financial section and the Company's audit.

4.16. Board of Directors' statements

Board of Directors' statement concerning reliability of prepared financial statement for the year 2013 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.

Michal Gärtner
Director

Georg Hotar
Director

Board of Directors' statement concerning the entity entitled to audit the annual financial statement for the year 2013

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.

Michal Gärtner
Director

Georg Hotar
Director

PHOTON ENERGY

5. Financial Section

Financial Statements

For the year ended 31 December 2013

Content Page

5.1. 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 2013.

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 2013 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 Power to the People Cooperatief U.A.	8,036,573	13.4%
Solar Future Cooperatief U.A.	8,590,739	14.3%
Solar Age Investments B. V.	28,263,074	47.1%
Free float	5,109,614	8.5%
PENV (non-voting)	10,000,000	16.7%
Total	60,000,000	100.00%

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

Developments in 2013

Result

The total equity attributable to the owners of the Company as at 31 December 2013 amounts to EUR 26,580 thousand (2012: EUR 14,354 thousand). The total result for the year 2013 amounts to a loss of EUR 4,995 thousand (2012: loss EUR 12,634 thousand).

Revenues and cost of sales

Revenues in 2013 decreased to EUR 13,876 thousand compared to 2012, when the revenues amounted to EUR 16,169 thousand. In 2013, cost of sales decreased to 2,647 thousand from EUR 8,169 thousand in the financial year 2012.

The decrease in revenues is result of lower revenues in all segments of the Group's business. It is connected with the stagnation of the European market, weather conditions and also the fact that more significant growth in the Australian market has started only at the end of the year.
The gross margin equaled 67% in 2013 and 36% in 2012. The higher margin in 2013 is a consequence of significantly lower cost of sales, mainly in the energy solutions segment, as well as in the production of electricity segment.

Financial income and expenses

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

Other comprehensive income

In 2013, the whole Czech portfolio was negatively revalued. The reason was the prolongation of the tax levy by the Czech government from the original 26% for the period of 2011-2013 to 10% until the end of the economic useful life of the powerplants. The total impact of this negative revaluation amounted to EUR 5,576 thousand, including deferred tax of EUR 1,059 thousand. Details can be found in note 23 to the financial statements.

In 2012, the whole Czech and Slovak portfolio was revalued. The total impact of this revaluation amounted to EUR 10,158 thousand.

Non-current assets

The decrease in fixed assets compared to 2012, is mainly influenced by the negative revaluation of the projects as described in the "Other comprehensive income" section.

Current assets

Current assets decreased in 2013 compared to 2012, mainly due to a significant decrease of Other receivables (from EUR 5,116 thousand in 2012 to EUR 2,923 thousand), in Loans (EUR 4,253 thousand in 2012 to zero in 2013) and in Cash and cash equivalents (from EUR 6,953 thousand to EUR 4,682 thousand).

Total liabilities

The total liabilities include primarily:

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

Long-term liabilities decreased by EUR 25,589 thousand. The main drivers of this decrease were a partial repayment of other loans (EUR 6,000 thousand in 2013 comparing to EUR 8,000 thousand in 2012) and a decrease of other long-term liabilities resulting from a restructuring by almost EUR 24 million compensated by the issuance of bond in the value of EUR 4.2 million.

The Group also managed to decrease its trade and other payables compared to the previous year (from EUR 11,652 thousand to EUR 4,142 thousand). The Company also repaid a proportion of its bank loans, and their closing balance has been also influenced by the change of CZK/EUR exchange rate as the biggest part of them is denominated in CZK.

Financial instruments and risk management

In 2013, 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,
- Liquidity risk,
- Market risk.

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

Selected indicators

Debt to assets ratio (total liabilities/total assets)

2013: 0.71

2012: 0.87

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

2013: 2.41

2012: 6.95

Current ratio (current assets/current liabilities)

2013: 0.73

2012: 0.78

Debt to equity ratio improved in 2013 compared to 2012 due to a significant increase of the equity balance comparing to 2012. The current ratio has slightly decreased, as well as the debt to assets ratio.

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 79 (2012: 71). Management expects that the number of employees in 2014 will be similar to the previous year.

On 1 January 2013, 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 2014

Photon Energy Group has been successful in riding out the storm in the photovoltaic industry and is now on the right track towards becoming a leading force in the upcoming solar age where competitive solar energy will rapidly become a key energy source globally. Until now PV plants under Feed-in-Tariffs or similar government support systems before were mere financial investments. In the solar age the motivation to build PV plants will be to serve the needs of real-world energy users ranging from industrial and commercial clients to households.

This fundamental paradigm shift requires a comprehensively holistic approach, starting with each customer's energy demand profile. For that reason we have initiated a fundamental review and re-think of our strategy in order to position Photon Energy as the leading *Experts for the Solar Age* globally and create higher value for all the Company's stakeholders.

The Photon Energy Group's new global strategy is focused on investments and services in multiple sweet spots in the solar value chain. The new strategy is tailor made for the Solar Age, now that the world's most abundant energy source is available for on-site electricity generation globally at an ever more competitive cost.

Over the past 6 years the Company's experience provided several valuable lessons:

- No more bets on any support schemes for PV electricity
- PV plants are no longer merely financial assets but will be mostly built to cover on-site consumption
- Customers require sophisticated energy solutions with a PV system being ideally the main supply source
- Financing is by far the largest bottleneck for the global roll-out of PV – the solutions are standardised financing solutions similar to mortgages or car leasing
- Operations & Maintenance including performance guarantees in combination with insurance solutions are the key to standardised financing
- Diversification along the value chain and by geography are crucial for risk mitigation
- Sustainable shareholder value is only created by activities generating recurring revenue streams

The goal of the new strategy is to generate recurring revenue streams while maximising customer value. Photon Energy's revised focus is now on:

- Customised Energy Solutions – Photon Energy **Solutions**,
- Decentralised Energy Production – Photon Energy **Generation**,
- Standardised Financing – Photon Energy **Finance**,
- Operations & Maintenance – Photon Energy **Operations**,
- Asset Management – Photon Energy **Investments**.

Our next steps are**:**

- Our current services & products will be realigned in order to best serve the five business lines: Photon Energy Operations, Photon Energy Solutions, Photon Energy Generation, Photon Energy Finance and Photon Energy Investments
- The **NPV^{max}** (Net Present Value) will be implemented into all our services & products

NPV^{max}

Long-term investment projects like PV plants are typically evaluated on the basis of Discounted-Cash-Flow (DCF) models, where the expected future revenues, costs and cash flows to the debt and equity capital providers are modelled and then discounted to the present based on the real cost of the debt capital and the return expected by the equity capital investors. The sum of the present values of the cash flows in the future is referred to as the Present Value (PV) of the project. When deducting the investment cost from the PV we arrive at the NPV of the project.

NPV is calculated when a project is planned. Projects with an NPV=0 just about cover their cost of capital. Needless to say, the higher the excess return the better, therefore investors are interested in maximising NPV. NPVmax requires the highest possible cash flows to be effectively delivered throughout the lifetime of the project. Moreover, competently deployed capital always seeks the highest possible return given a certain level of risk. Achieving NPVmax requires an uncompromising plant life cycle approach combined with an ongoing transfer of O&M experience into the design, engineering and construction of the new PV plants.

- The Photon Energy Operations offering will be expended by advisory and other new services
- A service offering for energy savings and management will be introduced in early 2014
- The Australian market will be focus for the expansion of PV generation capacity in 2014 and beyond

- The financial services team within Photon Energy will be expanded and standardised financing solutions are being developed

Moreover, in order to reduce the dependence on government subsidies in the future, the Group's strategy mainly focuses on the expansion to markets which have already reached Grid Parity, i.e. the cost of PV-generated electricity is competitive with grid-supplied electricity.

The Group also intends to specialize in energy generation solutions providing hybrid-system and diesel-replacement solutions for energy-intensive industries. In this area Photon Energy intends to focus on industries such as mining, retail, agriculture, telecommunications and others. In the case of remote off-grid locations, where usually irradiation levels are constantly high throughout the year, such energy solutions allow customers to reduce fuel consumption by up to 100%. In on-grid locations, energy efficiency solutions can materially lower monthly electricity bills. There is no one single solution since every customer has different needs, where the finance and the engineering world need to blend perfectly to deliver the solution our customers need. Photon Energy wants to position itself at the cutting edge of the industry, creating PV-based power solutions with the integration of energy storage and/or diesel generators. The Group has developed different accurate models for off-grid and on-grid systems with sufficient flexibility to adapt to a wide range of situations.

Going concern

In 2014, the Company will be facing mainly the following challenges:

1 The company is dependent on external financing

2 Penetration of new markets and securing new projects

External financing

In June 2012, Photon Energy N.V. agreed an amendment to the existing loan contract for the increase of the loan provided to Photon Energy N.V. by a private financing company from the original principal amount EUR 6 million to EUR 8 million. The interest rate remained the same as agreed with the borrower and the loan was originally due on 31 January 2013.

On 29 January 2013, Company signed an amendment on the prolongation of the due date until 30 June 2013.

As of 31 March 2013, the Company repaid EUR 2 million from the outstanding amount, so the outstanding balance as at 31 December 2013 equals EUR 6 million.

28 June 2013, another amendment on the prolongation of the due date until 31 December 2013 was signed.

On 30 December 2013, the Company signed an amendment on prolongation of the due date until 30 April 2014. As of this date, the loan has not been repaid and the Company has agreed on a further prolongation of the due date until 30 September 2014 to finalize the refinancing activities in the Czech Republic, Slovakia and Italy.

The outstanding banking financing is paid in regular quarterly repayments. Both Czech and Slovak SPVs are able to repay in accordance with the scheduled repayments from the cash flow generated from the electricity production.

Current development of the projects

Photon Energy Operations (PEO), one of the five divisions of Photon Energy Group, is currently significantly expanding its Operations & Maintenance portfolio by signing service contracts for Satcon central inverters in several European countries.

During the first quarter of 2014, PEO managed to gain several new powerplants under its servicing- all together 25 MWp, signature of contract for another 5-10 MWp is expected shortly.

On 12 December 2013 Photon Energy Generation Australia (PEGA), only a few days after its launch, signed its first three PV projects with 535 KWp to be delivered on the basis of Commercial Hire Purchase Agreements. All three PV plants, located in the Australian Capital Territory (ACT), will be ground-mounted and are projected to annually supply 820 MWh of clean electricity to the grid based on a feed-in-tariff with self-consumption option. The projected investment volume is AUD 1.6 million (EUR 1.06 million, PLN 4.43 million) and all three plants are scheduled to be completed and grid connected within the following months.

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

Cession of receivable

On 20 March 2014, PEINV assigned against payment part of its loan receivable (towards IT SPV 2) to the private financing company in the total principal amount of EUR 550 thousand. This nominal amount was sold for the price of EUR 500 thousand. For both parts of the loans (towards the new creditor and PEINV), interest is calculated in line with the original loan agreement.

European Solar Holdings

The management board of Photon Energy NV announced in February 2014 the launch of ESH, a Pan-European Solar Asset Aggregation Yield-Co with the strongest possible investment protection currently available. ESH intends to establish itself as the preferred vehicle for yield-seeking investors into renewable energy assets in the European Union by combining effective investment protection and efficient asset management with a liquid public listing and an attractive dividend yield. Investors operating PV power plants in the EU will be able to swap their investments for shares in ESH, which aims to IPO on a major European exchange in 2015. The target portfolio size for the IPO is 250 MWp and the long-term objective is to aggregate a 1 GWp portfolio by 2017.

Merger of Photon DE SPV 1 GmbH and Photon Energy Engineering Europe GmbH

As of 1 January 2014, Photon DE SPV 1 GmbH and Photon Energy Engineering Europe GmbH were merged. All assets and liabilities as included in the financial statements of Photon DE SPV 1 GmbH were transferred to Photon Energy Engineering Europe GmbH (PEEE shall adopt and continue to use the book values of the assets and liabilities).

Other loan prolongation

Original due date of the loan with an outstanding amount of EUR 6 million was 30 April 2014. As of this date, the loan has not been repaid and the Company has agreed on a further prolongation of the due date until 30 September 2014 to finalize the refinancing activities in the Czech Republic, Slovakia and Italy. Refer also to Going concern chapter.

New power plant connected in Australia

Photon Energy Australia has connected one of the biggest rooftop solar power plants in Sydney, Australia on 31 March 2014. The 284 kWp power plant is located on top of major office building in Sydney's Commercial Business District. Annual production should equal to 371 500 kWh.

Amsterdam, 21 May 2014

The Board of Directors:

Michael Gartner, Director

Georg Hotar, Director

Consolidated Financial Statements

For the year ended 31 December 2013

Consolidated statement of comprehensive income

for the year ended 31 December

In thousand of EUR	***Note***	**2013**	**2012**
Revenue	10	13,876	16,169
Cost of sales	11	-2,647	-8,169
Energy tax		-1,918	-2,213
Gross profit		9,311	5,787
Other income	12	-	939
Administrative expenses	14	-2,373	-3,676
Personnel expenses	14	-3,258	-3,012
Other expenses	13	-366	-347
Depreciation		-4,838	-4,703
Results from operating activities		-1,524	-5,012
Finance income	15	2,285	656
Interest income	15	140	-
Finance costs	15	-2,628	-497
Interest costs	15	-3,655	-4,706
Net finance costs		-3,858	-4,547
Share of profit equity-accounted investments (net of tax)	24	154	164
Disposal of investment	9	509	-3,033
Loss before income tax		-4,719	-12,428
Income tax expense	16	-276	-206
Loss for the year		-4,995	-12,634
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	23	-4,517	9,521
Share of revaluation of property, plant and equipment of associates/joint ventures	23	0	637
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation difference - foreign operations	23	-2,713	289
Effective portion of hedging instruments	23	308	-599
Share on derivatives (hedging) of associates, joint ventures	23	28	-195
Share of currency translation difference of associates, joint ventures	23	-	-
Other comprehensive income for the year, net of tax		-6,894	9,653
Total comprehensive loss for the year		**-11,889**	**-2,981**
Loss attributable to:			
Attributable to the owners of the company		-5,011	-10,799
Attributable to non controlling interest		16	-1,835
Loss for the year		-4,995	-12,634
Total comprehensive loss attributable to:			
Attributable to the owners of the company		-11,905	-3,635
Attributable to non controlling interest		16	654
Total comprehensive loss for the year		**-11,889**	**-2,981**
Earnings per share			
Earnings per share (basic and diluted) (in EUR)	24	(0.133)	(0.469)
Total comprehensive income per share (in EUR)	24	(0.316)	(0.158)

The notes on pages 22 to 88 are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December

In thousand of EUR	***Note***	**31 December 2013**	**31 December 2012**
Assets			
Property, plant and equipment	17	78,320	93,525
Investments in equity-accounted investees	9.3	2,500	2,426
Other investments	18	17	6
Long-term receivables	21	0	0
Non-current assets		**80,837**	**95,957**
Inventories	20	389	153
Trade receivables	21	873	1,502
Other receivables	21	2,882	5,116
Current tax receivable	27	41	0
Other loans	21	0	4,253
Prepaid expenses	21	956	458
Cash and cash equivalents	22	4,682	6,953
Assets classified as held for sale	8	0	746
Current assets		**9,823**	**19,181**
Total assets		**90,660**	**115,138**
Equity & Liabilities			
Equity			
Share capital	23	600	230
Share premium	23	23,760	0
Revaluation reserve	23	22,835	28,818
Legal reserve	23	10	18
Hedging reserve	23	-457	-794
Translation reserve	23	-2,390	323
Retained earnings	23	-17,778	-14,241
Equity attributable to owners of the Company		26,580	14,354
Non-controlling interests	23	139	124
Total equity		**26,719**	**14,478**
Liabilities			
Loans and borrowings	25	42,500	46,426
Deferred tax liabilities	19	3,367	4,742
Other long-term liabilities	28	4,643	24,931
Long-term liability from income tax	27	0	0
Non-current liabilities		**50,510**	**76,099**
Loans and borrowings	25	3,115	4,863
Trade payables	26	2,079	6,264
Other payables	26	2,063	5,388
Other Loans	25	6,000	8,000
Other short-term liabilities	27	174	0
Current tax liabilities	27	0	44
Provisions	27	0	2
Current liabilities		**13,431**	**24,561**
Total liabilities		**63,941**	**100,660**
Total equity and liabilities		**90,660**	**115,138**

The notes on pages 22 to 88 are an integral part of these financial statements.

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

in thousand EUR	Combined equity	Share capital	Share premium	Legal reserve Fund	Revaluation reserve	Currency translation reserve	Hedging reserve	Retained earnings	**TOTAL**	Non-controlling interests	**TOTAL EQUITY**
BALANCE at 1.1.2011	**-**	**46**	**-**	**9**	**15,156**	**187**		**-920**	**14,478**	**5,702**	**20,180**
Profit	-	-	-	-		-	-	-5,303	**-5,303**	-1,751	**-7,054**
Revaluation of PPE	-	-	-	-	2,590	-	-	-	**2,590**	1,116	**3,706**
Share on revaluation of PPE of associates, JV	-	-	-	-	492	-	-	-	**492**	194	**686**
Foreign currency translation differences	-	-	-	-	-	-358	-	-	**-358**	60	**-298**
Share on currency translation diff. of associates, JV	-	-	-	-	-	37	-	-	**37**	15	**52**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**3,082**	**-321**		**-5,303**	**-2,542**	**-366**	**-2,908**
Deferred tax related to FA revaluation decrease	-	-	-	-	159	-	-	-	**159**	63	**222**
Move from revaluation reserve to retained earnings	-	-	-	-	-839	-	-	839	**-**	-	**-**
BALANCE at 31.12.2011	**-**	**46**	**-**	**9**	**17,558**	**-134**		**-5,384**	**12,095**	**5,399**	**17,494**
BALANCE at 1.1.2012	**-**	**46**	**-**	**9**	**17,558**	**-134**		**-5,384**	**12,095**	**5,399**	**17,494**
Loss for the period 1.1.2012 - 04.12.2012	-	-	-	-	-	-	-	-7,003	**-7,003**	-1,960	**-8,963**
Loss for the period 5.12.2012 - 31.12.2012	-	-	-	-	-	-	-	-3,671	**-3,671**	-	**-3,671**
Revaluation of PPE					6,820	-	-	-	**6,820**	2,701	**9,521**
Share on revaluation of PPE of associates, JV	-	-	-	-	457	-	-	-	**457**	180	**637**
Foreign currency translation differences	-	-	-	-	-	457	-	-	**457**	-168	**289**
Derivatives		-	-	-	-	-	-430		**-430**	-169	**-599**
Share on derivatives JV		-	-	-	-	-	-140		**-140**	-55	**-195**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**7,277**	**457**	**-570**	**-10,674**	**-3,510**	**529**	**-2,981**
share capital increase	**-**	184	-184	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**
Move from revaluation reserve to retained earnings	-	-	-	-	-885	-	-	885	**-**	-	**-**
Legal reserve fund	-	-	-	9	-	-	-	-9	**-**	-	**-**
Dividends	-	-	-	-	-	-	-	-	**-**	-35	**-35**
Disposal of NCI - move to other components of equity	-	-	184	-	4,868		-224	941	**5,769**	-5,769	**-**
BALANCE at 31.12.2012	**-**	**230**	**-**	**18**	**28,818**	**323**	**-794**	**-14,241**	**14,354**	**124**	**14,478**
Loss for the period 1.1.2013 – 31.12.2013	-	-	-	-	-	-	-	-5,011	**-5,011**	16	**-4,995**

in thousand EUR	Combined equity	Share capital	Share premium	Legal reserve Fund	Revaluation reserve	Currency translation reserve	Hedging reserve	Retained earnings	**TOTAL**	Non-controlling interests	**TOTAL EQUITY**
Revaluation of PPE	-	-	-	-	-4,517	-	-	-	**-4,517**	-	**-4,517**
Foreign currency translation differences	-	-	-	-	-	-2,713	-	-	**-2,713**	-	**-2,713**
Derivatives	-	-	-	-	-	-	309	-	**309**	-1	**308**
Share on derivatives JV	-	-	-	-	-	-	28	-	**28**	-	**28**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-4,517**	**-2,713**	**337**	**-5,011**	**-11,904**	**15**	**-11,889**
new shares	**-**	370	23,760	**-**	**-**	**-**	**-**	**-**	**24,130**	-	**24,130**
Move from revaluation reserve to retained earnings	-	-	-	-	-1,466	-	-	1,466	**-**	-	**-**
Legal reserve fund – move to RE on entity disposal	-	-	-	-8	-	-	-	8	**-**	-	**-**
	-	-	-	-	-	-	-	-	**-**	-	**-**
BALANCE at 31.12.2013	**-**	**600**	**23,760**	**10**	**22,835**	**-2,390**	**-457**	**-17,778**	**26,580**	**139**	**26,719**

The notes on pages 22 to 88 are an integral part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 December

In thousand of EUR	*Note*	For the year ended 31 December 2013	2012
Cash flows from operating activities			
Profit for the year		-4,995	-12,634
Adjustments for:			
Depreciation	17	4,838	4,703
Net finance costs	15	3,858	8,236
Share of profit of equity-accounted investments	24	-154	-164
Gain on sale of property, plant and equipment	17	0	22
Income tax expense	16	276	206
Other non-cash items	13	0	101
Changes in:			
Trade and other receivables	21	2,822	-466
Gross amount due from customers for contract work		0	0
Prepaid expenses	21	-498	-347
Inventories	20	-236	1,726
Trade and other payables	26	-7,510	-180
Other liabilities	27	-20,827	-89
Interest paid	15	-2,585	-1,886
Income tax paid	16	-366	-139
Net cash from operating activities		**-25,377**	**-911**
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	0	-2,020
Acquisition of subsidiaries, associates, JV	9	0	0
Acquisition of other investments	9	0	0
Proceeds from sale of investments	9	0	25
Sale of investments- cash sold	9	-42	-537
Interest received	15	0	0
Net cash used in investing activities		**-42**	**-2,532**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		24,130	0
Proceeds from borrowings	25	0	7,711
Repayment of borrowings	25	-4,677	-2,069
Proceeds from issuing bonds	25	4,213	0
Payment of bond coupons	25	-240	0
Net cash from (used in) financing activities		**23,426**	**5,642**
Net increase /decrease in cash and cash equivalents		**-1,993**	**2,199**
Cash and cash equivalents at 1 January		**6,953**	**4,88**
Effect of exchange rate fluctuations on cash held		-278	-126
Cash and cash equivalents at 31 December		**4,682**	**6,953**

The notes on pages 22 to 88 are an integral part of these consolidated financial statements.

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 2013 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 21 May 2014.

Going concern

In 2014, the Company will be facing mainly the following challenges:

1. The company is dependent on external financing
2. Penetration on new markets and securing the new projects

External financing

In June 2012, Photon Energy N.V. agreed an amendment to the existing loan contract for the increase of the loan provided to Photon Energy N.V. by a private financing company from the original principal amount EUR 6 million to EUR 8 million. The interest rate remained the same as agreed with the borrower and the loan was originally due on 31 January 2013.

On 29 January 2013, Company signed an amendment on the prolongation of the due date until 30 June 2013.

As of 31 March 2013, the Company repaid EUR 2,000,000 from the outstanding amount, so the outstanding balance as at 31 December 2013 equals EUR 6,000,000.

On 28 June 2013 another amendment on the prolongation of the due date until 31 December 2013 was signed.

On 30 December 2013 the Company signed an amendment on prolongation of the due date until 30 April 2014. As of this date, the loan has not been repaid and the Company has agreed on a further prolongation of the due date until 30 September 2014 to finalize the refinancing activities in the Czech Republic, Slovakia and Italy.

The outstanding banking financing is paid in regular quarterly repayments. Both Czech and Slovak SPVs are able to repay in accordance with the scheduled repayments from the cash flow generated from the electricity production.

Current development of the projects

Photon Energy Operations (PEO), one of the five divisions of Photon Energy Group, is currently significantly expanding its

Operations & Maintenance portfolio by signing service contracts for Satcon central inverters in several European countries.

During the first quarter of 2014, PEO managed to gain several new powerplants under its servicing- all together 25 MWp, signature of contract for another 5-10 MWp is expected shortly.

On 12 December 2013 Photon Energy Generation Australia (PEGA), only a few days after its launch, signed its first three PV projects with 535 KWp to be delivered on the basis of Commercial Hire Purchase Agreements. All three PV plants, located in the Australian Capital Territory (ACT), will be ground-mounted and are projected to annually supply 820 MWh of clean electricity to the grid based on a feed-in-tariff with self-consumption option. The projected investment volume is AUD 1.6 million (EUR 1.06 million) and all three plants are scheduled to be completed and grid connected within the following months.

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 are measured at fair value

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, Italian, German and Slovak companies 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.

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

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

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

3. Application of new and revised EU IFRSs

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

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

IFRS 10 Consolidated Financial Statements

- Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.
- The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint arrangements

Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognize their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly)
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance withIAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new.

The objective of the new disclosure requirements is to help the users of financial statements understand the following:

• The effects of an entity's interests in other entities on its financial position, financial performance and cash flows

• The nature of, and the risks associated with, the entity's interest in other entities

No significant impact of this revised standard is expected.

IFRS 13 Fair value measurement

IFRS 13 does not change when fair value is used, but rather describes how to measure fair value when fair value is required or permitted by IFRS.

Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e., an 'exit price'). 'Fair value' as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

The standard provides clarification on a number of areas, including the following:

• Concepts of 'highest and best use' and 'valuation premise' are relevant only for non-financial assets
• Adjustments for blockage factors (block discounts) are prohibited in all fair value measurements
• A description of how to measure fair value when a market becomes less active

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

IAS 28 Investments in Associates and Joint Ventures

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

No significant impact of this revised standard is expected.

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 IAS 32 - Offsetting Financial Assets and Financial Liabilities (1 January 2014);
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

The Group does not plan to adopt these standards early and the extent of the impact has not been determined as management believes is will not have a significant impact.

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.

Transactions under common control are defined those operations arising from transfer of interests among the Company and all other entities that are under the control of the shareholder(s). The assets and liabilities acquired through a contribution in kind from the shareholder, are considered as an under common control transaction and therefore their values in the Company financial statements of 2012 have been performed in continuity to their values included in the last Parent Company PEAS consolidated financial statements. Consequently, the differences needed to align the value of the subsidiary, as recorded in the Company financial statements, to the value as recorded in the last Parent Company consolidated financial statements, have been recognized as differences in the retained earnings. Further reference is made to note 1 and note 23.

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 Real Estate, s.r.o. ("RLRE"). All these SPEs are financed by RLRE.
Based on new contractual agreements, the Company has the right to apply a call option for purchase of a 100% share in the RLRE SPVs in case of full repayment of external loans, security loans, and all the other financial liabilities of PEI NV (Photon Energy Investments NV), RLRE SPEs and parent company PENV towards RLRE 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 and Australia as of 31 December 2013) 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 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 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 labour 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 2013, 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 is based on an internally generated discounted cash flow model, discounted at weighted average cost of capital. Cash flows are 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 reviews 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 reviews 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 are prepared for 20 years in Czech Republic and 15 years in Slovak Republic, equal to the duration of the projects.

- The valuation for Czech SPVs (represented by option rights) was approximated by the current Project Value. Moreover the valuation is based on Unlevered Free Cash Flow to Firm (FCFF) basis of the SPVs. The FCFF calculation used in the

valuation is consistent with the overall known definition and approaches.

FCFF was calculated on the basis what cash flow is available to the company's suppliers of capital, after deduction of all operating expenses, taxes and necessary investments in working capital and fixed assets (in our case the best estimate of the replacement of broken inverters). In our models FCFF was calculated based on EBITDA minus Tax minus Other Cash Flow Items mainly the replacement reserve for Inverters. The FCFF was adjusted for tax effects, due to the fact that the tax effect is taken into account in the WACC formula.

The adjusted FCFF is discounted by a discount rate which is based on the Weighted Average Cost of Capital (WACC) of 7%, which is post-tax.

The DCF models in Czech Republic already include the tax levy of 26% for the period of 2011-2013 and also 10% for the remaining useful economic life (based on the law adopted in 3rd quarter of 2013), so the impact of this tax is included in the revaluation of the Czech portfolio.

- The valuation of the Slovak SPVs is based on the Unlevered Free Cash Flow to Firm (FCFF) basis of the SPVs. The discount rate is 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.

  Due to the lack of data for the determination of the Beta, the discount rate was determined as the sum of risk premium surcharges: The risk free rate is based on an average of 15 YR Slovak Government Bonds issued in 2004 and 2010; the market risk premium represents the specific market risks. Due to the retroactive changes in the Czech Republic, a political risk premium has been included in the WACC. As the valuation is based on the discounted FCFF, the discount rate used is based on the Weighted Average Cost of Capital (WACC). The total discount rate is 5%. There is no tax levy applicable in the Slovak republic.

  The valuation of Italian powerplants is based on the support scheme of Italy and has various specifics, mainly in number of components of feed-in-tariff, i.e. FIT (quatro Conto Energia) that reflects also removal of asbestos from roof and Sales of electricity to the electricity grid. Duration of support scheme in Italy is 20 years. The main three taxes applicable for income of Italian company are IRES, IRAP, ICI (the principle adds up national and local tax). The tax base for particular taxes is different. The remaining valuation principles remained the same compared with Slovak model. Free Cash Flow to Firm is equal to EBITDA* - Tax. Since no debt financing is in place, the Free Cash Flow to Equity is equal to Free Cash Flow to Firm. This value was therefore discounted by the WACC, in order to achieve the total value of the project based on Entity approach valuation.
  Main inputs used in the models are the following: overall project budget, taxes, interest rates, reserve funds, feed in tariff, OPEX.

In 2013, the Company revaluated the Czech portfolio as of 30 September 2013 because of a change in the tax levy applicable (decreased from 26% to 10% and prolonged until the end of the useful economic life of power plants), no independent valuer has been involved. Revaluation was done based on the DCF models used and only the relevant input (tax levy) has been changed.

Any changes in the above described used assumptions could have a significant impact on the recognized fair values.

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

*EBITDA is not a measure used in EU IFRS. EBITDA relates to earnings before interest, taxes, depreciation and amortization

Sensitivity analysis of change in discount rate used for FV calculation of Czech portfolio

The Company currently uses a 7% discount rate for DCF models for the Czech powerplants. In order to estimate the potential impact of the increase of this discount rate, a sensitivity analysis has been prepared, the results are visible below:

Discount Rate	Value of CZ portfolio in EUR thousand	Total CZ Portfolio impact in %
7.00%	63,399	0,00%
7.05%	63,139	-0.41%
7.10%	62,881	-0.82%
7.15%	62,624	-1.22%
7.20%	62,369	-1.62%
7.25%	62,116	-2.02%
7.30%	61,864	-2.42%
7.35%	61,614	-2.82%
7.40%	61,365	-3.21%
7.45%	61,118	-3.60%
7.50%	60,872	-3.99%

From the table above can be seen, that in the case of an increase of the discount rate by 0.5% (maximum case), it would have a 3.99% impact (negative) on the whole value of the CZ portfolio.

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 Companie'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 tax 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 tax levy was approved. The percentage was decreased to 10% and applicability of this tax prolonged till end of the useful economic life of the powerplants. 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.

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 and AUD. Although mainly the CZK/EUR exchange rate

experienced wide fluctuations in 2013, the Group is, typically, able to collect prepayments from its customers at the time of committing itself to purchases from third parties and thus to a large extent to mitigate currency risk. 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 4,682 thousand at 31 December 2013 (2012: EUR 6,953 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 RLRE is restricted only for certain transactions, e.g. loan and related interest provided to those SPV's by Photon Energy Investments N.V. (originally by Phoenix Energy a.s.) is subordinated to the loan from RLRE and will be paid only after the repayment of the RLRE loan. Total amount of the cash owned by these SPVs is EUR 3,068 thousand as at 31 December 2013 (2012: EUR 2,246 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. For a description of liquidity risk, refer also to Going concern chapter.

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	**2013**	**2012**
Total liabilities	63,941	100,660
Less: cash and cash equivalents	4,682	6,953
Net debt	59,259	93,707
Total equity	26,719	14,478
Net debt to adjusted equity ratio at 31 December	2.22	6.47

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 per segments from 1 January 2010.

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

- Energy Solutions (wholesale and import of FVE components, engineering and construction services -turn-key photovoltaic systems' installations for external clients and Photon Energy),
- Production of electricity (includes SPE that finished building of photovoltaic power plants and those are connected to the distribution network and produce the electricity)
- FVE Investment – This segment represents OCI of the Group flowing from the revaluation of the FVE producing the electricity and it is related to project companies that generate the revenues as shown in segment Production of electricity.
- Operations, maintenance and PVPP supervision
- Other, not related to any of the above mentioned segments.

Other operations include the financing and insurance solutions for PV investors, intermediating investments in rooftop photovoltaic projects and other less significant activities. None of these operations meets any of the quantitative thresholds for determining reportable segments in 2013 or 2012.

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 2013 to 31 December 2013

in Thousand EUR	Energy solutions	Production of electricity	Operations, maintenance and PVPP supervision	PV Invest.	Other	Total for segments	Elimination	Consolidated financial information
External revenues from the sale of products, goods and services	1,033	11,149	1,547	0	147	13,876	0	13,876
Revenues within segments from the sale of products, goods and services	369	4	611	0	2,151	3,135	-3,135	0
Cost of sale	-1,177	-977	-348	0	-272	-2,774	127	-2,647
Energy tax	0	-1,913	-2	0	-3	-1,918	0	-1,918
Gross profit	**225**	**8,263**	**1,808**	**0**	**2,023**	**12,319**	**-3,008**	**9,311**
Other external income	11	7	24	0	23	65	-65	0
Administrative and other expenses	-495	-1,622	-2,464	0	-4,499	-9,080	3,083	-5,997
Depreciation	-1	-4,815	-12	0	-10	-4,838	0	-4,838
Operating income	**-260**	**1,768**	**-644**	**0**	**-2,463**	**-1,599**	**75**	**-1,524**
Interest income	55	224	23	0	200	**502**	-362	**140**
Interest expenses	-33	-2,856	-50	0	-1,078	**-4,017**	362	**-3,655**
Other financial revenues	0	2,285	0	0	0	**2,285**	0	**2,285**
Other financial expenses	0	-2,176		0	-452	**-2,628**	0	**-2,628**
Disposal of investments	0	-1	546	0	-36	**509**	0	**509**
Profit/loss share in entities in equivalency	0	0	0	154	0	**154**	0	**154**
Income tax	0	-263	-12	0	-1	**-276**	0	**-276**
Profit/loss after taxation	**-238**	**-1019**	**-137**	**154**	**-3830**	**-5,070**	**75**	**-4,995**
Other comprehensive income	0	-4,517	0	0	0	-4,517	0	-4,517
Foreign currency translation diff. - foreign operations	0	0	0	0	-2,713	-2,713	0	-2,713
Derivatives (hedging)	0	308	0	28	0	336	0	336
Total comprehensive income	**-236**	**-5,228**	**-139**	**182**	**-6,543**	**-11,964**	**75**	**-11,889**
Assets, of which	**1,417**	**93,301**	**2,165**	**2,500**	**8,425**	**107,808**	**-17,148**	**90,660**
PPE – Lands	0	2,822	0	0	0	2,822	,	2,822
PPE – Photovoltaic power plants	0	75,042	0	0	0	75,042	,	75,042
PPE - Equipment	3	5	109	0	84	201	-65	136
PPE – Assets in progress	47	0	0	0	273	320	,	320
Intangibles	0	0	0	0	0	0	0	0

in Thousand EUR	Energy solutions	Production of electricity	Operations, maintenance and PVPP supervision	PV Invest.	Other	Total for segments	Elimination	Consolidated financial information
Trade and other receivables	1,076	9,875	1,957	0	7,971	**20,879**	-17,083	**3,796**
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	207	58	58	0	66	389	0	389
Investments in associates, JV, other	0	0	11	2,500	6	2,517	0	2,517
Deferred tax receivables	0	0	0	0	0	0	0	0
Long term receivables	0	0	0	0	0	0	0	0
Prepaid expenses	1	916	23	0	16	956	0	956
Assets held for sale	0	0	0	0	0	0	0	0
Cash and cash equivalents	83	4,583	7	0	9	4,682	0	4,682
Liabilities, of which	**1,916**	**61,448**	**3,401**	**0**	**14,399**	**81,164**	**-17,223**	**63,941**
Trade and other payables	1,898	7,464	3,282	0	8,249	20,893	-16,751	4,142
Bank Loans and other loans	0	45,615	0	0	6,000	51,615	0	51,615
Other long term liabilities	0	5,002	83	0	30	5,115	-472	4,643
Other short term liabilities	18	0	36	0	120	174	0	174
Current tax liabilities (income tax)	0	0	0	0	0	0	0	0
Provisions	0	0	0	0	0	0	0	0
Deferred tax liabilities	0	3,367	0	0	0	3,367	0	3,367

Operating segments for the period from 1 January 2012 to 31 December 2012

in Thousand eur	Wholesale and import of PVPP components	Engineering and construction services	Production of electricity	Operations, maintenance and PVPP supervision	PV Invest.	Corporate operations	Total for segments	Elimination	Consolidated financial information
External revenues from the sale of products, goods and services	956	403	11,541	2,990	0	279	16,169	0	16,169
Revenues within segments from the sale of products, goods and services	288	2,755	26	634	0	2,550	6,253	-6,253	0
Cost of sale	-2,059	-3,835	-1,619	-2,905	0	-4,085	-14,503	6,334	-8,169
Energy tax	0	0	-2,213	0	0	0	-2,213	0	-2,213
Gross profit	**-815**	**-677**	**7735**	**719**	**0**	**-1256**	**5,706**	**81**	**5,787**
Other external income	55	396	126	19	0	362	958	-19	939
Administrative and other expenses	-850	-254	-213	-593	0	-5,106	-7,016	-19	-7,035
Depreciation	0	-13	-4565	-44	0	-81	-4,703	0	-4,703
Operating income	**-1,610**	**-548**	**3,083**	**101**	**0**	**-6,081**	**-5,055**	**43**	**-5,012**
Interest income	64	589	306	5	0	1,560	2,524	-2,524	0
Interest expenses	-1,195	-210	-2,609	-7	0	-3,209	-7,230	2,524	-4,706
Other financial revenues	39	279	89	13	0	255	675	-19	656
Other financial expenses	-3	-5	-211	-4	0	-274	-497	0	-497
Disposal of investments	0	0	0	0	0	-3,033	-3,033	0	-3,033
Profit/loss share in entities in equivalency	0	0	0	0	164	0	164	0	164
Income tax	10	-55	-152	-3	0	-6	-206	0	-206
Profit/loss after taxation	**-2,696**	**51**	**505**	**105**	**164**	**-10,787**	**-12,658**	**24**	**-12,634**
Other comprehensive income	0	0	9,521	0	637	0	10,158	0	10,158
Foreign currency translation diff. - foreign operations	0	0	0	0	0	289	289	0	289
Derivatives (hedging)	0	0	-599	0	-195	0	-794	0	-794
Total comprehensive income	**-2,696**	**51**	**9,427**	**105**	**606**	**-10,498**	**-3,005**	**24**	**-2,981**
Assets, of which	**275**	**3,548**	**103,556**	**1,646**	**2,426**	**15,374**	**126,825**	**-11,687**	**115,138**
PPE – Lands	0	0	3,047	0	0	0	3,047	0	3,047
PPE – Photovoltaic power plants	0	0	90,121	0	0	0	90,121	0	90,121
PPE - Equipment	0	5	0	75	0	23	103	0	103
PPE – Assets in progress	0	254	0	0	0	0	254	0	254
Intangibles	0	0	0	0	0	0	0	0	0
Trade and other receivables	122	2,104	4,549	1,107	0	10,399	18,281	-11,663	6,618
Loans	0	0	0	0	0	4,253	4,253	0	4,253
Gross amount due from customers for contract work	0	0	0	0	0	0	0	0	0

in Thousand eur	Wholesale and import of PVPP components	Engineering and construction services	Production of electricity	Operations, maintenance and PVPP supervision	PV Invest.	Corporate operations	Total for segments	Elimination	Consolidated financial information
Inventories – Goods	153	0	0	0	0	0	153	0	153
Investments in associates, JV, other	0	0	0	0	2,426	6	2,432	0	2,432
Deferred tax receivables	0	0	0	0	0	0	0	0	0
Long term receivables	0	0	0	0	0	0	0	0	0
Prepaid expenses	0	1	29	115	0	337	482	-24	458
Assets held for sale	0	746	0	0	0	0	746	0	746
Cash and cash equivalents	0	438	5,810	349	0	356	6,953	0	6,953
Liabilities, of which	**99**	**3,180**	**66,231**	**2,142**	**0**	**40,776**	**112,428**	**-11,768**	**100,660**
Trade and other payables	99	3,180	9,690	2,136	0	7,834	22,939	-11,287	11,652
Bank Loans and other loans	0	0	51,289	0	0	8,000	59,289	0	59,289
Other long term liabilities	0	0	473	0	0	24,939	25,412	-481	24,931
Other short term liabilities	0	0	0	0	0	0	0	0	0
Current tax liabilities (income tax)	0	0	37	4	0	3	44	0	44
Provisions	0	0	0	2	0	0	2	0	2
Deferred tax liabilities	0	0	4,742	0	0	0	4,742	0	4,742

7. Operating segments (continued)

All the operational segments are managed on an international basis (not on a country level). In 2013 the Group operated in the Czech Republic, Slovak Republic, Italy, Germany, Australia and Netherlands with headquarters in Netherlands.

In 2013, revenues were generated in all above mentioned markets. Non-current assets are located in all countries, where the Group operated, except The Netherlands. However, Dutch subsidiaries own some of the SPVs, so they are operating the power plant, even when these are not physically located in the Netherlands. There is an inactive branch in Poland as well that does not generate any revenue and has no non-current assets.
For the booking of transactions between the segments, the same rules for the recognition are applied as for the third parties.
In 2013, revenues declined in all segments. The highest decrease was in case of the O&M segment due to lower charges and lower volume of ad hoc invoicing comparing to prior year. Production of electricity decreased due to worse weather conditions in 2013 comparing to 2012. Lower revenues in the Energy solutions segment is influenced by low development and trading activities in 2013.

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	**2013**	**2012**
The Czech Republic	8,734	11,451
Australia	1,157	0
Italy	561	278
Germany	257	1,196
Netherlands	0	16
The Slovak Republic	3,167	3,228
Consolidated revenues	13,876	16,169

Non-current assets [(i)]

In thousand of EUR	**2013**	**2012**
The Czech Republic	53,068	67,170
The Slovak Republic	20,577	21,511
Italy	4,051	4,266
Germany	284	324
Australia	340	254
total	78,320	93,525

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

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 and can be also exchanged for different distributor operating on the market. The Group as such is not dependent on any individual customer.

8. Current assets held for sale

Assets classified as held for sale

In thousand of EUR	**2013**	**2012**
Shares in AUS SPV 1 (project Symonston)	0	364
Shares in AUD SPV 2 (project Fyshwick)	0	382
total	0	746

No assets held for sale were booked as of 31 December 2013.

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

9.1 Establishment of new subsidiaries

During 2013, Photon Energy N.V. (directly or via its subsidiaries) incorporated several new subsidiaries:

- Photon Energy Technology Europe Limited

It was incorporated with the aim to perform trading activities with solar technology within the Group, but also for third-party customers.

During 2012 Photon Energy Group incorporated several new subsidiaries:

- Photon Energy AUS SPV 1 Pty Ltd (Australia)
- Photon Energy AUS SPV 2 Pty Ltd (Australia)
- Photon Energy AUS SPV 3 Pty Ltd (Australia)
- Photon Energy Engineering Australia Pty Ltd (Australia)
- Photon Energy Operations Australia Pty Ltd (Australia)
- Photon Directors B.V. (Netherlands)
- Photon Energy Investments N.V. (Netherlands)
- Photon Energy Engineerging B.V. (Netherlands)
- Photon Energy Operations N.V. (Netherlands)
- Photon Energy Projects B.V. (Netherlands)
- Photon Energy Technology B.V. (Netherlands)
- Photon Energy FinCo B.V. (Netherlands)
- Minority Shareholders Photon Energy B.V. (Netherlands)

Australian SPVs were incorporated as project companies for projects to be developed during the year. Photon Energy Engineering Australia Pty Ltd and Photon Energy Operations Australia Pty Ltd are going to provide engineering and operations and maintenance services. All Dutch entities have been incorporated in order to implement the proper Group structure in line with the restructuring strategy executed during 2012.

9.2 Acquisitions of subsidiaries

In 2013, no subsidiaries were acquired from third parties. The only acquisitions were performed as part of the internal Group restructuring-usually by renaming of the entity or by way of legal merger.

Mergers:

- Merger of Photon Energy Operations DE SW with Photon Energy Operations DE

Rename:

- Photon Energy AUS SPV 3 Pty Ltd. was renamed to Photon Energy Generation Australia Pty ltd

- Photon Energy FinCo B.V. was renamed to European Solar Holdings B.V.

In 2012, no subsidiaries were acquired from third parties. The only acquisitions were performed as part of the internal Group restructuring, however based since these are considered on common control transactions these are is not considered as acquisitions of subsidiaries.

The following entities were transferred against the carrying value within the Group during the year 2012 as a result of the restructuring process:

Subsidiary
Photon SK SPV 1 s.r.o.
Photon SK SPV 2 s.r.o.
Photon SK SPV 3 s.r.o.
EcoPlan 2 s.r.o.
EcoPlan 3 s.r.o.
SUN4ENERGY ZVB, s.r.o.
SUN4ENERGY ZVC, s.r.o.
Fotonika, s.r.o.
ATS Energy, s.r.o.
Solarpark Myjava s.r.o.
Solarpark Polianka s.r.o.
Photon Energy Polska Sp. z o.o.
Photon Energy Australia Pty Ltd.
Photon Management s.r.l.
Photon SPV 1 s.r.o.
Photon SPV 2 s.r.o.
Photon SPV 5 s.r.o.
Solarpark Mikulov I s.r.o.
Solarpark Mikulov II s.r.o.
Solarpark Mikulov I s.r.o.
Solarpark Mikulov II s.r.o.
Photon Energy Investments CZ N.V.
IPVIC GbR
Photon Energy Deutschland GMBh
Photon Engineering Deutschland GMBh
Photon Management Deutschland GMBh

9.3 Financial information for the joint ventures and associates

Joint ventures and associates

Investments in equity-accounted investees amounting to EUR 2,500 thousand (2012: EUR 2,426 thousand) represent the nominal share in the joint ventures and associates owned by the Group. The share of joint ventures on the revaluation of property, plant and equipment owned was in 2012 EUR 637 thousand. No revaluation of joint ventures was performed in the financial year 2013.

2013

In thousand of EUR	**Photon SK SPV 1**	**Solarpark Myjava**	**Solarpark Polianka**	**Fotonika**	**Total**
definition	joint venture	joint venture	joint venture	joint venture	
share	50%	50%	50%	60%	
share on equity	-766	-354	-620	-760	-2,500
revaluation performed in 2013	0	0	0	0	0
share of profit	25	39	14	52	130
Other comprehensive income	8	10	9	23	50
Total comprehensive income	58	87	36	111	292
Cash and cash equivalents	291	319	269	340	1,219
current assets	326	360	314	355	1,355
long-term assets	3,157	2,626	3,187	3,160	12,130
current liabilities	-84	-101	-99	-106	-390
long-term liabilities	-1,868	-2,178	-2,145	-2,168	-8,359
expenses	312	316	324	365	1,317
revenues	-362	-394	-351	-452	-1,559

2012

In thousand of EUR	**Solarpark Mikulov I**	**Solarpark Mikulov II**	**Photon SK SPV 1**	**Solarpark Myjava**	**Solarpark Polianka**	**Fotonika**	**Total**
definition	associate	associate	joint venture	joint venture	joint venture	joint venture	
share	49%	30%	50%	50%	50%	60%	
share on equity	82	-664	-721	-355	-583	-789	-3,030
revaluation performed in 2012	0	0	-361	54	-204	-127	-638
share of profit	2	696	-49	-57	-37	-49	506
current assets	169	1,416	399	401	366	374	3,125
long-term assets	0	0	3,336	2,776	3,368	3,339	12,819
current liabilities	-2	-3,627	-121	-142	-141	-155	-4,188
long-term liabilities	0	0	-2,172	-2,325	-2,426	-2,243	-9,166
expenses	3	2,425	313	333	331	427	3,832
revenues	0	-105	-410	-447	-404	-508	-1,874

All of the entities included in the above table are accounted for using the equity method of consolidation as at 31. December 2013 and have been accounted using the equity method also in the financial year 2012.

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).

Disposals in 2013

List of disposed subsidiaries:

1) Sale of Solarpark Mikulov I a Solapark Mikulov II sr.o.

2) Sale of Photon Management s.r.o.

Comparing to the prior year, disposals of assets were not significant.

The total loss from sale of these subsidiaries amounted to EUR 509 thousand by comparing the net assets of the disposed subsidiaries and sales price.

Disposals in 2012

During 2012, Photon Energy Group disposed of several subsidiaries (see the list below) to third parties. The Company decided to dispose these companies, because of the uncertain legislative future development of the solar industry in the Czech Republic and consequently, insufficient potential for further development of the activities of those companies the finalization of the complete restructuring of the Group, the relocation of the Headquarter and holding companies to the Netherlands and also the plan of the Group to expand to world markets (other than Czech and Slovak).

Following the disposal of those companies that were mainly active in Wholesale and Engineering segments, new entities were founded within the new structure of the Group, which overtook the activities of the original Czech companies. Therefore, the Segment analysis still includes both Wholesale and Engineering segments (refer to Chapter 7).

The total loss resulting from the sale of these subsidiaries amounted to EUR 3,033 thousand. The loss has been calculated as the comparison of the net assets of disposed subsidiaries (EUR 3,058 thousand) and their sales price (EUR 25 thousand).

In connection with the sale of PEAS Group**,** the originally created non-controlling interest has been distributed in the individual components of equity in line with the substance of source of which it has been historically created from.

All companies listed below have been sold to third parties.

For an overview of individual positions of the disposed subsidiaries, we refer to the table below:

In thousand EUR	**Liabilities**	**Assets**	**Local costs of FI**	**Sales price**	**Result (loss) of companies**	**Receivables from PENV Group**	**Payables to PENV Group**
PEAS Group	-98,308	101,356	-345	0	-7,413	758	9,161
PEI SK	-26,896	26,656	-17	0	-206	25,321	0
PE DE SPV2	-2,163	2,041	-10	25	-48	0	45

List of disposed subsidiaries

Photon Energy Investment SK NV
Photon Energy DE SPV 2
Phoenix Energy a.s. (former Photon Energy a.s.)
Photon Electricity s.r.o.
Photon Finance s.r.o.
Solarni vecna bremena s.r.o.
Stresni burza s.r.o.
Photon FinCo s.r.o.
Photon Energy Italia srl
Photon Engineering Italia srl
Golf Club Grygov s.r.o.
Photon Engineering Slovensko s.r.o.
Photon Engineering s.r.o.
Photon Import s.r.o.
Photon Trading s.r.o.

In December 2012, the following steps related to the sale of PEAS Group have been performed:

1. all shares of PEAS held by PENV were transferred to Minority Shareholders Photon Energy BV (MSBV, the Bidder in below), owned by Solar Power and Solar Future (see point 3 below) and were contributed as additional contribution in - kind. No new shares of MSBV were issued and the value of contributed shares is regarded as a non-stipulated share premium.

2. PENV has issued new shares with a nominal value of EUR 0.01 (one cent) to its current shareholders, Solar Power and Solar Future (the share capital has thus been increased to EUR 230 000 and this increase has been charged to the share premium reserve of the Company)

3. PENV transferred all shares it held in MSBV to SP and SF.

These steps mean that PEAS is not anymore part of the PENV Group. Photon Energy a.s. (PEAS) has been renamed with effective date as of 19. December 2012 to Phoenix Energy a.s. (PEAS).

All the above mentioned receivables and payables were previously eliminated as they represented intercompany balances before the sale out of the Group. Following the sale of these entities, this changed and such balances are now presented as receivables from/payables to third parties.

Except for the parent company Photon Energy N.V, the sold entity PEAS also had minority shareholders. During the process of restructuring, where significant assets were transferred from PEAS Group to PENV group, management committed to perform a share exchange in order not to harm the rights of the minority shareholders. Following the sale of this entity out of the Group, the minority share of PEAS (non-controlling interest) has been transferred to the Company in line with the common control principle (non-controlling interest was transferred a level up, to the NV level).
The Bidder (MSBV) intends to acquire all shares currently owned by the Minority Shareholders in PEAS. and in return provides them with an opportunity to buy shares in the Company in such a way that for each share sold within the public tender offer Minority Shareholders are entitled to buy one share in the Company Alternatively, shareholders who accept the tender offer and do not use their right to acquire shares in the Company will be compensated in cash.

For details, refer to the Subsequent events chapter (description of share swap) and the Statement of changes in equity (distribution of non-controlling interest to other equity components-this transaction is visible in the Statement of changes in equity and shows the split of original non-controlling interest as gradually created within the history of the Group. After the disposal of PEAS, this non-controlling interest has been distributed within the adequate components of equity where it is attributable by its substance).

10. Revenue

In thousand of EUR	**2013**	**2012**
Sales of goods	1,033	956
Rendering of services	1,694	3,672
Sale of electricity	11,149	11,541
	13,876	16,169

In 2013, revenues declined in all categories. The highest decrease was in the O&M segment (rendering of services) due to lower charges and lower volume of ad hoc invoicing comparing to prior year. Production of electricity decreased due to worse weather conditions in 2013 comparing to 2012. Lower revenues in the Energy solutions segment (sale of goods) is influenced by low development and trading activities in 2013.

11. Cost of sales

Main expenses' 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	**2013**	**2012**
Material consumed	-1,375	-1,082
Goods (invertors, etc)	-78	-2512
Services (3rd party services received)	-221	-2,927
Other (representation, travelling, NBV of assets sold, etc)	-978	-200
Change of allowances for receivables	5	-1,448
	-2,647	-8,169

Cost of sales consists mainly of material and goods necessary for construction of photovoltaic power plants and related services. Its decrease is caused by a decrease in the Company's operations as already described in the Revenues section (note 10).

In 2012, the balance of change of allowances for receivables related to the allowances created at the level of companies that were sold out of the Group during the financial year 2012.

11.1 Tax levy

In thousand of EUR	**2013**	**2012**
26% tax levy	-1,918	-2,213
	-1,918	-2,213

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

12. Other income

In thousand of EUR	**2013**	**2012**
Government grants	0	0
Other income	0	939
	0	939

Other income included revenues of companies providing O&M services to customers, as well as services provided by operating companies that do not represent their day-to-day business (e.g. insurance & sale arrangements).

13. Other expenses

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

In thousand of EUR	**2013**	**2012**
Other taxes and fees	-2	-13
Penalties and fines	-4	-19
Receivables write-off	-139	-177
Other expenses	-221	-138
	-366	-347

14. Administrative and personnel expenses

In thousand of EUR	**2013**	**2012**
Wages and salaries	-2,619	-2,259
Social and health insurance *	-639	-753
Fuel consumption	-32	-51
Consulting, legal and other administrative services	-2,341	-3,625
	-5,631	-6,688

*Pension costs are integral part of social security expenses

As of 31 December 2013 the Group employs 79 employees. 3 are employed in Slovakia by Slovak entities; 12 in Germany, 3 in Italy, 5 in Australia and 1 in the Netherlands, and the remaining 55 employees are employed in the Czech Republic.
As of 31 December 2012 the Group employed 71 employees. 3 were employed in Slovakia by Slovak entities; 14 in Germany, 3 in Italy, 3 in Australia and 2 in the Netherlands, and the remaining 46 employees were employed in the Czech Republic.
Rental expenses of the Group amount to EUR 154 thousand annually. The Company is not involved in long-term lease contracts.

15. Finance income and finance costs

In thousand of EUR	**2013**	**2012**
Interest income on loans and receivables	140	0
Fx gains (netto)	0	656
Net disposal of associates	509	0
Other (revaluation of derivatives)	2,285	0
Finance income	2,934	656
Interest expense on loans and receivables	-3,655	-3,376
Net bank account fees	-37	-268
Fx Losses	-703	0
Loss from derivatives	-1,888	-229
VAT related interest costs	0	-1,330
Finance costs	-6,283	-5,203
Net finance income /costs	-3,349	-4,547

16. Income tax expense

16.1 Income tax recognized in profit or loss

In thousand of EUR	**2013**	**2012**
Current tax expense		
Current year	-229	-249
	-229	-249
Deferred tax expense		
Temporary differences (margin on PPV)	-47	43
Total tax expense	-276	-206

16.2 Income tax recognized in other comprehensive income

	For the year ended 31 December 2013			**For the year ended 31 December 2012**		
In thousand of EUR	**Before tax**	**Tax expense**	**Net of tax**	**Before tax**	**Tax expense**	**Net of tax**
Revaluation of property, plant and equipment	5,576	-1,059	-4,517	11,754	-2,233	9,521
Total deferred tax for the revaluation		-1,059			-2,233	

Deferred tax related to the release of revaluation of EUR 384 thousand is recorded in Profit and Loss.

Notes to the consolidated financial statements

16.3 Reconciliation of effective tax rate

In thousand of EUR	**%**	**2013**
Loss before income tax		-4,719
Tax using the Company's domestic tax rate	25%	-1,180
Effect of tax rates difference in foreign jurisdictions	-6%	283
Non-deductible expenses		
- Interest expenses	0%	0
- other	0%	0
Recognition of tax effect previously unrecognized tax losses	5%	-232
Current year losses for which no deferred tax asset was recognized	-18%	853
Total tax expenses		-276

In thousand of EUR	**%**	**2012**
Loss before income tax		-12,428
Tax using the Company's domestic tax rate	25%	-3,107
Effect of tax rates difference in foreign jurisdictions	-6%	746
Non-deductible expenses		
- Interest expenses	-2%	233
- other	-3%	360
Recognition of tax effect previously unrecognized tax losses	1%	-185
Current year losses for which no deferred tax asset was recognized	-17%	2,159
Total tax expenses		206

Notes to the consolidated financial statements

17. Property, plant and equipment

In thousand of EUR	Land	Photovoltaic power plant	Other equipment	In progress	Total
Carrying amounts					
At 31 December 2012	3,047	90,121	103	254	93,525
At 31 December 2013	2,822	75,042	137	320	78,320
Gross revalued amount					
Balance at 1 January 2012	2,772	80,491	399	5,48	89,142
Other Additions		2,020	-		2,020
Transfer from assets in progress	-	5,226	-	-5226	0
Disposals	-	-2,052	-	-	-2 052
Revaluation increase	-	11,754	-	-	11,754
Effect of movements in exchange rates	275	1312	-6	-	1,581
Balance at 31 December 2012	**3,047**	**98,751**	**393**	**254**	**102,445**
Balance at 1 January 2013	3,047	98,751	393	254	102,445
Other Additions	-	-	74	66	140
Transfer from assets in progress	-	-	-	-	0
Disposals	-225	-	-	-	-225
Revaluation decrease	-	-5,576	-	-	-5,576
Effect of movements in exchange rates	-	-4,705	-	-	-4,705
Balance at 31 December 2013	2,822	88,47	467	320	92,079
Depreciation and impairment losses					
Balance at 1 January 2012	-	3,759	152	-	3,911
Depreciation for the year	-	4,565	138	-	4,703
Impairment loss	-	306	-	-	306
Effect of movements in exchange rates	-	-	-	-	-
Balance at 31 December 2012	0	8,630	290	0	8,920
Balance at 1 January 2013	-	8,630	290	0	8,920
Depreciation for the year	-	4,798	40	-	4,838
Impairment loss	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Balance at 31 December 2013	0	13,428	330	0	13,758
Carrying amounts					
At 31 December 2012	3,047	90,121	103	254	93,525
At 31 December 2013	2,822	75,042	137	320	78,320

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 January 2013	Net book value at FV as at 31 January 2013	Net book value at costs as at 31 January 2012	Net book value at FV as at 31 January 2012
Breclav - ZS	137	736	1,028	363	469
Cukrovar Slavkov	1,159	2,341	4,183	3,266	5,332
Dolni Dvoriste	1,64	3,089	5,509	4,297	7,078
Komorovice	2,354	4,220	7,646	6,006	9,798
Mostkovice, Mostkovice plocha	1,135	1,877	3,357	3,084	4,763
Prerov Radvanice	2,305	4,462	7,850	5,913	9,970
Svatoslav pozemek	1,231	2,054	4,373	2,924	5,578
Zdice I	1,498	2,726	4,843	3,879	6,186
Zdice II	1,498	2,792	5,040	3,899	6,414
Zvikov	2,031	3,576	6,651	5,120	8,535
Mokrá Lúka II	990	2,086	3,087	2,415	3,263
Mokrá Lúka III	990	2,090	3,086	2,382	3,263
Jovice V	990	1,913	2,991	2,188	3,162
Jovice VI	990	1,809	3,007	2,185	3,179
Babina II	999	2,734	2,945	3,246	3,116
Babina III	999	2,686	2,968	3,192	3,140
Blatná	700	1,757	2,159	2,029	2,285
Verderio	261	811	863	905	914
Biella	993	2,694	3,187	2,892	3,352
Kita Haffring	25	0	0	50	34
Feuerwehr Brandenburg	75	78	78	186	83
Halle Altentreptow	156	196	191	393	207
		46,727	**75,042**	**60,814**	**90,121**

In the Consolidated statement of comprehensive income, the (negative) revaluation of property, plant and equipment of EUR 5,576 is shown net decreased by the value of deferred tax liability equal to EUR 1,059 thousand as shown in Note 16.2.

In 2013, the Group did not capitalize into assets any borrowing costs (2012: EUR 0 thousand).

The Group has purchased several intangible assets, however these cannot be classified as intangibles. These assets, that include mainly rights to build the power plant or rights to use land for power plant building, are classified as property, plant and equipment. They are represented as an inseparable part of photovoltaic power plants. The total amount of these rights amounted to EUR 1,031 thousand (2012: EUR 1,076 thousand).

Security

At 31 December 2013 properties with a carrying amount of EUR 76,366 thousand (2012: EUR 87,248 thousand) are subject to a registered debenture to secure bank loans (see note 25), including as at 31 December 2013:

- Property, plant and equipment - Lands in an amount of EUR 2,489 thousand pledged to RLRE and EUR 333 thousand pledged to UniCredit Bank Slovakia, a.s.,
- Property, plant and equipment - Photovoltaic power plants in an amount of EUR 52,967 thousand pledged to RLRE
- Property, plant and equipment - Photovoltaic power plants in an amount of EUR 20,577 thousand pledged to UniCredit Bank Slovakia, a.s.

Property, plant and equipment under construction

Property, plant and equipment in the total amount of EUR 320 thousand (2012: EUR 254 thousand) represent mainly unfinished photovoltaic power plants.

Sale of property, plant and equipment

In 2013, proceeds from sales of property, plant and equipment (2012: EUR 22 thousand) amounted to EUR 37 thousand.

18. Other investments

In thousand of EUR	**2013**	**2012**
Non-current investments		
Other investments measured at cost [1]	17	6
	17	6

Notes: (1) The equity investments represent 18.5% 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:

2013:

In thousand of EUR	**Assets**			**Liabilities**			**Net**		
	2013	**y-y change**	**2012**	**2013**	**y-y change**	**2012**	**2013**	**y-y change**	**2012**
Property, plant and equipment	4,594	2,481	2,113	-8,434	-1,106	-7,328	-3,840	1,375	-5,215
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)	5,067	2,481	2,586	-8,434	-1,106	-7,328	-3,367	1,375	-4,742
Net tax assets (liabilities)	5,067	2,481	2,586	-8,434	-1,106	-7,328	-3,367	1,375	-4,742

2012:

In thousand of EUR	**Assets**			**Liabilities**			**Net**		
	2012	**y-y change**	**2011**	**2012**	**y-y change**	**2011**	**2012**	**y-y change**	**2011**
Property, plant and equipment	2,113	19	2,094	-7,328	-2,895	-4,433	-5,215	-2,876	-2,339
Inventories (allowance)	0	-106	106	0	0	0	0	-106	106
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	473	473	0
Tax assets (liabilities)	2,586	386	2,200	-7,328	-2,895	-4,433	-4,742	-2,509	-2,233
Net tax assets (liabilities)	2,586	386	2,200	-7,328	-2,895	-4,433	-4,742	-2,509	-2,233

19. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

In thousand of EUR	Balance as at 31 December 2011	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 2012	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 2013
Property, plant and equipment	-2,339	-324	-319	-2,233	-5,215	-47	2,481	-1,059	-3,840
Inventories	106	-106	0	0	0	0	0	0	0
Construction contracts	0	0	0	0	0	0	0	0	0
Receivables	0	0	0	0	0	0	0	0	0
Employee benefits	0	0	0	0	0	0	0	0	0
Tax loss carry-forwards	0	473	0	0	473	0	0	0	473
total	**-2,233**	**43**	**-319**	**-2,233**	**-4,742**	**-47**	**2,481**	**-1,059**	**-3,367**

20. Inventories

In thousand of EUR	**2013**	**2012**
Goods	389	153
	389	153

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 78 thousand (31 December 2012: EUR 2,512 thousand).

21. Trade and other receivables

Trade receivables

In thousand of EUR	***Note***	**2012**	**2012**
Trade receivables	28.2	874	1,503
Allowance for doubtful debts	28.2	-1	-1
		873	1,502

The average credit period on sales of goods is 23 days. No interest is charged. The Group has recognized 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.

During 2013, receivables in the total amount of EUR 146 thousand were written-off (2012: EUR 177 thousand).

Other receivables

In thousand of EUR	***Note***	**2013**	**2012**
Paid advances		146	46
Loans to directors	29.1	105	34
Loans to associates, joint ventures	29.1	0	0
Other receivables		2,631	5,036
Other loans		0	4,253
		2,882	9,369

In 2012, other loans represented cash provided to companies sold within 2012 out of the Group, incl. Phoenix Energy a.s. and Photon Engineering SK s.r.o. (in the previous year eliminated as an intercompany transaction). An interest charge of 3% was calculated on this amount.
Advances paid represent advances paid to suppliers mainly for photovoltaic panels.
Prepaid expenses amounted to EUR 956 thousand in 2013 (2012: EUR 458 thousand) and include mainly bond-related costs (EUR 813 thousand). Other receivables includes a VAT receivable (EUR 401 thousand); advances paid (EUR 146 thousand) and loans provided to companies originally included in the Group (EUR 1,243 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	**2013**	**2012**
Bank balances	4,679	6,950
Cash on hand	3	3
Cash and cash equivalents	4,682	6,953

Cash held by the SPVs under legal ownership of the RLRE is restricted only for certain transactions, e.g. loan and related interest provided to those SPV's by Photon Energy Investments N.V. (originally by Photon Energy, a.s.) is subordinated to the loan from RLRE and will be paid only after the repayment of the RLRE loan. Total amount of the cash owned by these SPVs is EUR 3,068 thousand at 31 December 2013 (2012: EUR 2,246 thousand).

23. Capital and reserves

During 2013, the following transactions related to capital were performed:

On 12 April 2013, in relation to the announcement of a tender offer to buy 5,895,408 shares of Phoenix Energy a.s. ("PEAS"), a company incorporated under Czech law ("Tender Offer"). Solar Age Investments BV ("SAI BV"; originally Minority Shareholders Photon Energy B.V.), a Dutch company, owned by two Dutch cooperatives: Solar Future Coöperatief U.A. controlled by Michael Gartner and Solar Power to the People Coöperatief U.A. controlled by Georg Hotar, initiated a public offering of 5,895,408 ordinary registered shares of the nominal value of EUR 0.01 each, issued by Photon Energy N.V. and representing in total 25.63% of the share capital of the Company, for the price of EUR 0.01 per share, and the total value of the offer calculated on the basis of the selling price that amounted to EUR 58,954.08 ("Public Offering").

The intention of the share swap was to enable the minority shareholders who had owned shares in PEAS for shares in Photon Energy N.V. and to introduce the Company's shares to trading on the NewConnect market of the Warsaw Stock Exchange.

On 30 June 2013 the Company executed a capital increase, which raised the total number of common shares outstanding to 50,000,000. SAI BV, subscribed for 27,000,000 newly-issued shares (par value EUR 0.01 each) at an issue price of EUR 0.89 (PLN 3.85) per share, for a total investment of EUR 24.03 million (PLN 104.031 million). SAI BV realised its investment by offsetting its corresponding receivable against Photon Energy N.V. This receivable relates to the Group restructuring completed in 2012 and thus Photon Energy N.V. has no further liabilities related to the restructuring. Part of the transaction has been transferred into share capital (EUR 370 thousand) and part to the share premium (EUR 23,760 thousand).

With a total holding of 28,263,074 shares, SAI BV became the Company's majority shareholder with a 56.53% stake. Through Solar Future Coöperatief U.A., Solar Power to the People Coöperatief U.A. and SAI BV, Michael Gartner and Georg Hotar own 44,890,386 shares, representing a combined 89.78% equity stake in Photon Energy N.V. Correspondingly the Company's free float post-transaction is 10.22%.

On 21 November 2013 the management board of Photon Energy N.V. resolved to issue to the SAI BV 10,000,000 shares in the share capital of the Company with a nominal value of EUR 0.01 each for a total subscription value of EUR 100,000. SAI

BV settled the subscription consideration by offsetting its existing receivable against the Issuer. Subsequently, SAI BV transferred to PENV 10,000,000 existing shares (the "Treasury shares"), free of payment, out of its total shareholding of 38,263,074 shares. The net result of this transaction is that the Company's equity increased by 100,000 EUR. The number of issued shares of the Company increased from 50,000,000 to 60,000,000, while the number of outstanding shares remained unchanged at 50,000,000.

Share capital and share premium

Ordinary shares

In thousand of shares	**2013**
On issue at 1 January 2013	4,600,000
Newly issued	18,400,000
On issue at 31 December – fully paid	23,000,000
Newly issued	37,000,000
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. 50,000,000 shares represent one vote at the General Meeting of Shareholders.

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.

23. Capital and reserves (continued)

As of 31 December 2013, the shareholder structure was as follows.

Shareholder	No. of shares	% of capital	No. of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Solar Age Investments B.V.	28,263,074	47.10%	28,263,074	56.53%
Solar Future Cooperatief U.A.	8,590,739	14.32%	8,590,739	17.18%
Solar Power to the People Cooperatief U.A.	8,036,573	13.39%	8,036,573	16.07%
Photon Energy N.V.	10,000,000	16,67%	0	0%
Free float	5,109,614	8.52%	5,109,614	10.22%
Total	**60,000,000**	**100%**	**50,000,000**	**100%**

As of 31 December 2012, the shareholder structure was as follows.

In thousand of shares	**No. of shares**	**% of capital**
Georg Hotar	11,109,000	48.3%
Michael Gartner	11,891,000	51.7%
Total	**23,000,000**	**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	**2013**	**2012**
Legal reserve	10	18
Revaluation reserve	22,835	28,818
Foreign currency translation reserve	-2,390	323
Hedging derivatives	-457	-794
	19,998	28,365

Legal reserve

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 10 thousand at 31 December 2013 (2012: EUR 18 thousand).

23. Capital and reserves (continued)

Revaluation reserve

In thousand of EUR	**2013**	**2012**
Balance at beginning of year	28,818	17,558
Increase arising on revaluation of properties net of deferred tax	0	9,521
Share of non-controlling interest	0	-2,701
Increase arising on revaluation of properties-associates, JV	0	637
Share on non-controlling interest	0	-180
Impairment losses	-4,517	0
Reversals of impairment losses	0	0
Move from revaluation reserve to retained earnings	-1,466	-885
NCI release	0	4,868
Balance at end of year	22,835	28,818

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 2013 is equal to EUR 1,466 thousand (2012: EUR 1,186 thousand). The revaluation for the year amounts to negative EUR 4,517 thousand net of tax (2012: EUR 9,521 thousand). See note 16 and 17; 2013: EUR 5,576 thousand gross, 2012: EUR 11,754 thousand gross.
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	**2013**	**2012**
Balance at beginning of year	323	-134
Foreign currency translation differences for foreign operations	-2,713	457
Balance at end of year	-2,390	323

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 and Australia.

Derivatives hedging reserve

In thousand of EUR	**2013**	**2012**
Balance at beginning of year	-794	0
Derivatives	310	-599
Share on non-controlling interest	-1	169
Share on derivatives joint ventures	28	-195
Share on non-controlling interest	0	55
Release of non-controlling interest	0	-224
Balance at end of year	-457	-794

Dividends

There were no dividends declared and paid by the Company in 2013 and 2012.

24. Earnings per share

In EUR	**2013**	**2012**
Basic and diluted earnings per share	(0.133)	(0.469)
Total comprehensive income per share	(0.316)	(0.158)

Basic earnings per share

The calculation of basic earnings per share (the calculation is the same for the diluted EPS) at 31 December 2013 was based on the loss attributable to ordinary shareholders of EUR 5,011 thousand (2012: loss EUR 10,799 thousand), and a weighted average number of ordinary shares outstanding of 37,707 thousand (2012: 23,000 thousand), calculated as follows:
(Note: Basic and diluted earnings per share do not differ for the periods ended 31 December 2013 and 2012 respectively).

Profit (loss) attributable to ordinary shareholders

	Profit (loss) attributable to ordinary shareholders	
In thousand of EUR	**2013**	**2012**
Profit (loss) for the year	-4,995	-12,634
Profit (loss) attributable to ordinary shareholders	-5,011	-10,799

Weighted average number of ordinary shares

There were 37,000,000 new shares issued in 2013. Weighted average number of shares was 37,707,000.
There were new shares issued in 2012. The number of shares at the year-end 2013 was 60,000,000 and at the year-end 2012 23,000,000.
Share on profit of equity-accounted investees amounted to EUR 154 thousand (2012: EUR 164 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 2013 and 2012 was based on the total comprehensive income (loss) attributable to ordinary shareholders of EUR (11,905) thousand (2012: EUR (3,635) thousand), and a weighted average number of ordinary shares outstanding of 37,707 thousand (2012: 23,000 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	**2013**	**2012**
Non-current liabilities		
Long-term secured bank loans	42,500	46,426
	42,500	46,426
Current liabilities		
Current portion of long-term secured bank loans	3,115	4,863
Short-term secured bank loans	0	0
Other loans	6,000	8,000
Total	9,115	12,863
Total loans & borrowings	51,615	59,289

25. Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31.12.2013		31.12.2012	
In thousand of EUR	**Currency**	**Nominal interest rate**	**Year of maturity**	**Credit limit**	**Credit limit**	**Credit limit**	**Carrying amount**
Secured bank loan*	CZK	3M PRIBOR+5.45%	31.5.2025	-	-	-	-
Secured bank loan*	CZK	3M PRIBOR+4.8%	1.1.2016	-	-	-	-
Secured bank loan*	CZK	3M PRIBOR+5.45%	1.1.2016	-	-	-	-
Secured bank loan*	CZK	5,19%	5.1.2021	32,646	32,646	36,963	36,963
Secured bank loan	EUR	3M EURIBOR+2.9%	31.12.2023	3,889	3,889	8,650	8,650
Secured bank loan	EUR	3M EURIBOR+2.9%	30.6.2023	-	-	1,423	1,423
Secured bank loan	EUR	3M EURIBOR+3%	30.6.2024	9,080	9,080	4,253	4,253
Other long-term liability	EUR	3%	27.6.2017	-	-	24,929	24,929
Other loan	EUR	9%	30.4.2014	6,000	6,000	8,000	8,000
Total interest bearing liabilities				**51,615**	**51,615**	**84,218**	**84,218**

- In 2012, new conditions were agreed-fixed interest rate of 5,19% and due date in 2021.

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.
Other long-term liability presented in 2012 has been capitalized during the year 2013.

25. Loans and borrowings (continued)

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 2013.

26. Trade and other payables

Trade payables

In thousand of EUR	**2013**	**2012**
Payables to suppliers	2,079	6,264
	2,079	6,264

Other payables

In thousand of EUR	**2013**	**2012**
Advances received	17	0
Accrued expenses	1,073	473
Deferred revenues	0	0
Payables to employees	180	158
Payables to health and social authorities	280	62
Derivatives	135	954
Other payables-loans	343	3,174
Other	35	567
	2,063	5,388

Accrued expenses include mainly uninvoiced deliveries of goods (technology) and services provided.

Other payables-loans represented loans provided by originally intercompany companies that were sold out of the group during 2012 and have been eliminated in the prior period. 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 bank, but former subsidiaries.

Remaining other payables include e.g. payables to company's partners, and accrued expenses.

At 31 December 2013, retentions held by customers for contract work amounted to EUR 0 thousand (31 December 2012: EUR 26 thousand). Advances received from customers for contract work amounted to EUR 17 thousand (31 December 2012: EUR 0 thousand).

27. Other long-term and short-term liabilities

27.1 Other long term liabilities

In thousand of EUR	**2013**	**2012**
VAT payables	0	0
Long term liability from income tax	0	0
Other long-term loans	0	24,929
Other long-term liabilities	430	2
Bond	4,213	0
	4,643	24,931

In 2012, other long-term loans were due to a former subsidiary Photon Energy Investments SK NV (sold in December 2012) coming from the acquisition of the Slovak and Czech portfolio. The loan was capitalized into capital of the Company (see Capital and reserves chapter).

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, Berlin, Hamburg and Bremen.

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, are regularly released in the P&L and the outstanding balance as of 31 December 2013 (EUR 813 thousand) is included in Prepaid expenses.

27.2 Other short term liabilities

In thousand of EUR	**2013**	**2012**
VAT liability	174	0
Other liabilities	0	0
	174	0

In 2012, the Group has VAT receivable and it is presented under Other receivables in the financial statements.

27.3 Current tax liability

The current tax liability in 2012 of EUR 44 thousand represented the amount of income tax payable in respect of current and prior periods. In 2013, there is a receivable of EUR 41 thousand resulting from advances paid.

27.4 Provisions

The amount of EUR 2 thousand related to Photon Management Italia srl and represents the amount of a loan originally provided to this company and then waived based on a contract signed in May 2012.

28. Financial instruments

The major financial risks faced by the Company are those related to credit exposures, exchange change risk, interest rate risk and tax 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:

31 December 2013

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 and other loans	45,615	57,433	5,541	5,303	15,130	31,459
Other loans	6,000	6,540	6,540	0	0	0
Trade payables	2,079	2,079	2,079	0	0	0
Tax payables	0	0	0	0	0	0
	53,694	66,052	14,160	5,303	15,130	31,459

31 December 2012

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 and other loans	51,289	63,809	6,183	6,017	17,775	33,834
Other loans	8,000	8,359	8,359	0	0	0
Trade payables	6,264	6,264	6,264	0	0	0
Tax payables	44	44	44	0	0	0
	65,597	78,476	20,850	6,017	17,775	33,834

In 2012, other loans consisted of loan provided by the non-bank financial institution, therefore it is classified as other loan. The interest rate charged was 9%.

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 repricing 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 reprice. 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 2013, 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).

			2013			
In thousand of EUR	**Effective interest rate**	**Total**	**6 months or less**	**6-12 months**	**1-5 years**	**Fixed interest rate**
Bank loans	3.12%	-12,969	-12,969	0	0	0
Total		**-12,969**	**-12,969**	**0**	**0**	**0**

			2012			
In thousand of EUR	**Effective interest rate**	**Total**	**6 months or less**	**6-12 months**	**1-5 years**	**Fixed interest rate**
Bank loans	4.33%	-14,326	-14,326	0	0	0
Total		**-14,326**	**-14,326**	**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:

In thousand of EUR

Trade and other receivables

In thousand of EUR		
Financial assets	**2013**	**2012**
Not due yet	3,475	5,798
Overdue 180 days or less	252	608
Overdue over 180 days	69	213
Total	3,796	6,619
Out of which		
Overdue 180 days or less	0	0
Overdue over 180 days	1	1
Impairment loss to trade receivables overdue 360 days	-1	-1
Total overdue impaired	1	1

Financial assets	**2013**	**2012**
Total overdue not impaired	320	820
Total financial assets after impairment	3,796	6,618

In thousand of EUR	**2013**
Allowance for receivables as at 31. 12. 2012	1
Creation of allowance in 2013	0
Allowance for receivables as at 31. 12. 2013	1

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

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

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:

	Carrying amount	
In thousand of EUR	**2013**	**2012**
Interest rate instruments		
Financial assets	0	0
Financial liabilities	-51,615	-59,289
	-51,615	-59,289

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

28. Financial instruments (continued)

28.3 Interest rate risk (continued)

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 2013

In thousand of EUR	Effective interest rate	total	less than 1 year	2-5 years	more than 5 years
Bank loans	5,25%	51,615	9,320	10,836	31,459
Total		51,615	9,320	10,836	31,459

31 December 2012

In thousand of EUR	Effective interest rate	total	less than 1 year	2-5 years	more than 5 years
Bank loans	5,62%	59,289	12,863	14,156	32,270
Total		59,289	12,863	14,156	32,270

Loans and borrowings with variable rate

Below analysis includes only loans with a variable interest rate.

For 2013, any 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).

			2013			
In thousand of EUR	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	Fixed interest rate
Bank loans	3.12%	-12,969	-12,969	0	0	0
Total		**-12,969**	**-12,969**	**0**	**0**	**0**

			2012			
In thousand of EUR	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	Fixed interest rate
Bank loans	4.33%	-14,326	-14,326	0	0	0
Total		**-14,326**	**-14,326**	**0**	**0**	**0**

Loans and borrowings with variable rate –Slovak portfolio

Slovak loans interest rate is hedged by the interest derivatives.

Total amount of derivatives reserve amounted to EUR 457 thousand as of 31 December 2013 (2012: EUR 794 thousand).

28. Financial instruments (continued)

In thousand of EUR

Loans and borrowings with variable rate

2013:

Derivatives financial liabilities		Contractual cash flow					
in EUR thousand	**Carrying amount**	**Total**	**1 year**	**2 years**	**3 year**	**4 years**	**5 years**
Interest rate swaps used for hedging	645	817	226	197	164	130	100

2012:

Derivatives financial liabilities		Contractual cash flow					
in EUR thousand	**Carrying amount**	**Total**	**1 year**	**2 years**	**3 year**	**4 years**	**5 years**
Interest rate swaps used for hedging	954	966	249	226	197	164	130

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 2014 will be rolled over in that period.
Actual interest expenses related to bank loans and borrowings incurred by the Company in 2013 were EUR 3,655 thousand (2012: EUR 3,376 thousand) coming from the carrying value of loans drawn in the amount of EUR 51,615 thousand as at 31 December 2013 (2012: EUR 59,289 thousand).

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 141 thousand (EUR 172 thousand, respectively) as shown in the following table. This analysis assumes that all other variables remain constant.

2013

	31 December 2013	**+ 10%**	**- 10%**
exchange rate CZK/EUR	27,427	30,1697	24,6843

31.12.2013	**Currency**	**in Currency**	**teur**	**Teur +10%**	**change**	**teur -10%**	**change**
Trade receivables	tczk	8 941	326	296	-30	362	36
Total TCZK					**-30**		**36**

31.12.2013	**Currency**	**in Currency**	**teur**	**Teur +10%**	**change**	**teur -10%**	**change**
Trade payables, loans	tczk	-51 422	-1 875	-1 704	170	-2 083	-208
Total TCZK					**170**		**-208**

2012

	31 December 2012	+ 10%	- 10%
exchange rate CZK/EUR	25,14	27,654	22,626

31.12.2013	**Currency**	**in Currency**	**teur**	**Teur +10%**	**change**	**teur -10%**	**change**
Trade receivables	tczk	24 350	969	881	-88	1 076	108
Total TCZK					**-88**		**108**

31.12.2013	**Currency**	**in Currency**	**teur**	**Teur +10%**	**change**	**teur -10%**	**change**
Trade payables, loans	tczk	-16 307	-649	-590	59	-721	-72
Total TCZK					**59**		**-72**

28.6 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.

2013

in thousand of EUR

31 December 2013	Note	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and Cash equivalents	23	0	4,682	0	4,682	4,682
Loans and receivables	21	0	3,796	0	3,796	3,796
Secured bank loans	26	0	0	45,615	45,615	45,615
Other loans	26	0	0	6,000	6,000	6,000
Trade payables	27	0	0	4,142	4,142	4,142
Interest rate derivatives	4.3.2	645	0	0	0	645

2012

in thousand of EUR

31 December 2012	Note	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and Cash equivalents	23	0	6,953	0	6,953	6,953
Loans and receivables	21	0	10,871	0	10,871	10,871
Secured bank loans	26	0	0	51,289	51,289	50,448
Other loans	26	0	0	8,000	8,000	8,000
Trade payables	27	0	0	6,264	6,264	6,264
Interest rate derivatives	4.3.2	954	0	0	0	954

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 5,52% for 2012.

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).

2013

in thousand of EUR

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Bonds	4,213	0	0	4,213
Interest rate derivatives	0	645	0	645

2012

in thousand of EUR

31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate derivatives	0	954	0	954

Interest rate derivatives (refer to Note 4.3.4) have been defined to Level 2.

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 (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	**2013**	**2012**
Balance at beginning of year	34	121
Transferred due to the sale	0	-121
Loan provided to Mr. Hotar	18	34
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	0	0
Carrying amount at 31 December	52	34

Members of the board of directors received for their board of directors related duties for the Group entities zero compensation in 2013 and EUR 136 thousand in 2012 (for the previous parent company Phoenix Energy a.s.). There were no trade relations between the Group and members of the board of directors of the Company.

Other related party transactions

In thousand of EUR	**transaction value for the year-ended**		**balance outstanding at the year-end**	
	2013	**212**	**2013**	**2012**
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, Fotonika)	0	0	0	0
Purchase of goods and services				
Joint ventures – purchase of services	60	83	0	0
Current assets				
Loans	0	0	0	3,627

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.
In 2012, a major part of the loans included in the table related to Phoenix Energy a.s.

30. Group entities

Subsidiaries

The following subsidiaries are consolidated as at 31 December 2013.

	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 Energy Technology CEE s.r.o.	100%	100%	CZ	PET BV
3	Photon SPV 5 s.r.o.	100%	100%	CZ	PEI CZ NV
4	Photon SPV 1 s.r.o.	100%	100%	CZ	PEI NV
5	Photon SK SPV 1 s.r.o.	50%	50%	SK	PEI NV
6	Photon SK SPV 2 s.r.o.	100%	100%	SK	PEI NV
7	Photon SK SPV 3 s.r.o.	100%	100%	SK	PEI NV
8	EcoPlan 2 s.r.o.	100%	100%	SK	PEI NV
9	EcoPlan 3 s.r.o.	100%	100%	SK	PEI NV
10	SUN4ENERGY ZVB, s.r.o.	100%	100%	SK	PEI NV
11	SUN4ENERGY ZVC, s.r.o.	100%	100%	SK	PEI NV
12	Fotonika, s.r.o.	60%	50%	SK	PEI NV
13	ATS Energy, s.r.o.	70%	70%	SK	PEI NV
14	Solarpark Myjava s.r.o.	50%	50%	SK	PEI NV
15	Solarpark Polianka s.r.o.	50%	50%	SK	PEI NV
16	Photon Energy Investments CZ N.V.	100%	100%	NL	Photon Energy
17	Photon Energy Polska Sp. z o.o.	100%	100%	PL	Photon Energy
18	Photon Energy Australia Pty Ltd.	100%	100%	AUS	Photon Energy
19	Photon Energy Operations IT	100%	100%	IT	PEO NV
20	IPVIC GbR	18.5%	18.5%	DE	PEI CZ
21	Photon Energy Operations SK s.r.o.	100%	100%	SK	PEO NV
22	Photon Energy Operations CZ s.r.o.	100%	100%	CZ	PEO NV
23	Photon Energy Operations DE GmbH	100%	100%	DE	PEO NV
24	Photon Energy Operations Australia Pty.Ltd.	100%	100%	AUS	PEO NV
25	Photon Energy Engineering Australia Pty Ltd	100%	100%	AUS	PEE BV
26	Photon Energy Engineering Europe GmbH	100%	100%	DE	PEE BV
27	Photon DE SPV 1 GmbH	100%	100%	DE	Photon Energy
28	Photon DE SPV 3 GmbH	100%	100%	DE	PEI DE
29	Photon IT SPV 1 s.r.l.	100%	100%	IT	PEI NV
30	Photon IT SPV 2 s.r.l.	100%	100%	IT	PEI NV
31	Photon Energy Projects s.r.l.	100%	100%	IT	PEP NV
32	Photon Energy Investments IT N.V.	100%	100%	NL	Photon Energy
33	Photon Energy Investments DE N.V.	100%	100%	NL	Photon Energy
34	Photon Directors B.V.	100%	100%	NL	Photon Energy
35	Photon Energy Operations N.V.	100%	100%	NL	Photon Energy
36	Photon Energy Finance Europe GmbH	100%	100%	NL	Photon Energy
37	Photon Energy Projects B.V.	100%	100%	NL	Photon Energy
38	Photon Energy AUS SPV 1 Pty. Ltd.	100%	100%	NL	PEI NV
39	Photon Energy AUS SPV 2 Pty. Ltd.	100%	100%	NL	PEP BV
40	Photon Energy Generation Australia Pty. Ltd.	100%	100%	NL	PEI NV
41	Photon Energy Investments N.V.	100%	100%	NL	Photon Energy
42	Photon Energy Engineering B.V.	100%	100%	NL	Photon Energy
43	Photon Energy Technology B.V.	100%	100%	NL	Photon Energy
44	European Solar Holdings B.V.	100%	100%	NL	Photon Energy
45	Photon Energy Technology Europe Ltd	100%	100%	IR	PET BV
46	Photon Energy Corporate Services DE GmbH	100%	100%	DE	Photon Energy
47	Photon Energy Corporate Services CZ s.r.o.	100%	100%	CZ	Photon Energy

Notes to the consolidated financial statements

The following subsidiaries are consolidated as at 31 December 2012.

	Name	% of share capital held by holding company	% of votes held by the holding company	Country of registration	Legal Owner
1	Photon Energy N.V.	Holding Company		NL	
2	Photon SPV 2 s.r.o.	100%	100%	CZ	PEI CZ NV
3	Photon SPV 5 s.r.o.	100%	100%	CZ	PEI CZ NV
4	Solarpark Mikulov I s.r.o.	49%	49%	CZ	PEI CZ NV
5	Solarpark Mikulov II s.r.o.	30%	30%	CZ	PEI CZ NV
6	Photon SPV 1 s.r.o.	100%	100%	CZ	PEI NV
7	Photon SK SPV 1 s.r.o.	50%	50%	SK	PEI NV
8	Photon SK SPV 2 s.r.o.	100%	100%	SK	PEI NV
9	Photon SK SPV 3 s.r.o.	100%	100%	SK	PEI NV
10	EcoPlan 2 s.r.o.	100%	100%	SK	PEI NV
11	EcoPlan 3 s.r.o.	100%	100%	SK	PEI NV
12	SUN4ENERGY ZVB, s.r.o.	100%	100%	SK	PEI NV
13	SUN4ENERGY ZVC, s.r.o.	100%	100%	SK	PEI NV
14	Fotonika, s.r.o.	60%	50%	SK	PEI NV
15	ATS Energy, s.r.o.	70%	70%	SK	PEI NV
16	Solarpark Myjava s.r.o.	50%	50%	SK	PEI NV
17	Solarpark Polianka s.r.o.	50%	50%	SK	PEI NV
18	Photon Energy Investments CZ N.V.	100%	100%	NL	Photon Energy
19	Photon Energy Polska Sp. z o.o.	100%	100%	PL	Photon Energy
20	Photon Energy Australia Pty Ltd.	100%	100%	AUS	Photon Energy
21	Photon Management s.r.l.	100%	100%	IT	PEO NV
22	IPVIC GbR	18.5%	18.5%	DE	PEI CZ
23	Photon Energy Operations SK s.r.o.	100%	100%	SK	PEO NV
24	Photon Energy Operations CZ s.r.o.	100%	100%	CZ	PEO NV
25	Photon Energy Operations DE GmbH	100%	100%	DE	PEO NV
26	Photon Energy Operations Australia Pty.Ltd.	100%	100%	Aus	PEO NV
27	Photon Management s.r.o.	100%	100%	CZ	PEO NV
28	Photon Energy Engineering Australia Pty Ltd	100%	100%	Aus	PEE BV
29	Photon Energy Engineering Europe GmbH	100%	100%	DE	PEE BV
30	Photon DE SPV 1 GmbH	100%	100%	DE	PEI DE
31	Photon DE SPV 3 GmbH	100%	100%	DE	PEI DE
32	Photon Energy Operations DE SW GmbH	100%	100%	DE	PEO NV
33	Photon IT SPV 1 s.r.l.	100%	100%	IT	PEI NV
34	Photon IT SPV 2 s.r.l.	100%	100%	IT	PEI NV
35	Photon Energy Projects s.r.l. (Photon IT SPV 3 s.r.l.)	100%	100%	IT	PEP BV
36	Photon IT SPV 4 s.r.l.	100%	100%	IT	PEI IT
37	Photon IT SPV 5 s.r.l.	100%	100%	IT	PEI IT
38	Photon IT SPV 6 s.r.l.	100%	100%	IT	PEI IT
39	Photon IT SPV 7 s.r.l.	100%	100%	IT	PEI IT
40	Photon Energy Investments IT N.V.	100%	100%	NL	Photon Energy
41	Photon Energy Investments DE N.V.	100%	100%	NL	Photon Energy
42	Photon RO SPV 1 srl	5%	5%	RO	PEI CZ
43	Photon RO SPV2 srl	5%	5%	RO	PEI CZ
44	Photon Directors B.V.	100%	100%	NL	Photon Energy
45	Photon Energy Operations N.V.	100%	100%	NL	Photon Energy
46	Photon Energy Finance Europe GmbH	100%	100%	NL	Photon Energy
47	Photon Energy Projects B.V.	100%	100%	NL	Photon Energy
48	Photon Energy AUS SPV 1 Pty. Ltd.	100%	100%	NL	PEP BV.
49	Photon Energy AUS SPV 2 Pty. Ltd.	100%	100%	NL	PEP BV
50	Photon Energy AUS SPV 3 Pty. Ltd.	100%	100%	NL	PEP BV
51	Photon Energy Investments N.V.	100%	100%	NL	Photon Energy
52	Photon Energy Engineering B.V.	100%	100%	NL	Photon Energy
53	Photon Energy Technology B.V.	100%	100%	NL	Photon Energy
54	Photon Energy FinCo B.V.	100%	100%	NL	Photon Energy
55	Photon Energy Corporate Services DE GmbH	100%	100%	DE	Photon Energy
56	Photon Energy Corporate Services CZ s.r.o.	100%	100%	CZ	Photon Energy

Other consolidated subsidiaries (special purpose entities) exist as at 31 December 2013, 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	RLRE
Photon SPV 8 s.r.o.	100%	0%	CZ	RLRE
Exit 90 SPV s.r.o.	100%	0%	CZ	RLRE
Photon SPV 4 s.r.o.	100%	0%	CZ	RLRE
Photon SPV 6 s.r.o.	100%	0%	CZ	RLRE
Onyx Energy s.r.o.	100%	0%	CZ	RLRE
Onyx Energy projekt II s.r.o.	100%	0%	CZ	RLRE
Photon SPV 10 s.r.o.	100%	0%	CZ	RLRE
Photon SPV 11 s.r.o.	100%	0%	CZ	RLRE

CZ = Czech Republic, SK = Slovak Republic, NL = Netherlands, PL = Poland

100% share in the above entities is owned by Raiffeisen – Leasing Real Estate, s.r.o. ("RLRE"). Although those companies are legally owned by RLRE , 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.

2012 transactions

On 12 November 2012, the subsidiary PEINV signed contracts with RLRE on the releveraging of the CZ portfolio-based on these contracts; RLRE has refinanced and released an additional 149 MCZK (EUR 5,927 thousand) to the financing of the current structure with an 8 years tenor. The whole exposure will be hedged with IRS in value of 5.19 % p.a. for 8 years. The increase is related to six CZ SPVs (SPV 4, SPV 6, SPV 10, SPV 11, Onyx I, Onyx II). In connection with the increase of the loans on those SPVs, an additional capitalization of subordinated loans was performed on the same day in the total amount CZK 35,700 thousand (EUR 1,420 thousand) in order to meet the thin capitalization criteria. The first capitalization of part of the subordinated loans was performed on 18 July 2012. The total amount capitalized equaled to CZK 221,951 thousand (EUR 8,829 thousand).

Based on the new contractual agreements, PEINV has the right to apply a call option for the purchase of 100% of the shares in the RLRE SPVs in case of full repayment of the external loans, security loans, and all the other financial liabilities of PEINV, RLRE SPVs and parent company PENV towards RLRE and the Financing bank, plus payment of future purchase price for the transfer of shares in the SPVs. When all the above conditions are met, PEINV can apply a call option for the purchase of 100% of the shares in the RLRE subsidiaries.

31. Subsequent events

Cession of receivable

On 20 March 2014, PEINV assigned against payment part of its loan receivable (towards IT SPV 2) to a private financing company in the total principal amount of EUR 550 thousand. This nominal amount was sold for the price of EUR 500 thousand. For both parts of the loans (towards the new creditor and PEINV), interest is calculated in line with the original loan agreement.

European Solar Holdings

The management board of Photon Energy NV announced in February 2014 the launch of ESH, a Pan-European Solar Asset Aggregation Yield-Co with the strongest possible investment protection currently available. ESH intends to establish itself as the preferred vehicle for yield-seeking investors into renewable energy assets in the European Union by combining effective investment protection and efficient asset management with a liquid public listing and an attractive dividend yield. Investors operating PV power plants in the EU will be able to swap their investments for shares in ESH, which aims to IPO on a major European exchange in 2015. The target portfolio size for the IPO is 250 MWp and the long-term objective is to aggregate a 1 GWp portfolio by 2017.

Merger of Photon DE SPV 1 GmbH and Photon Energy Engineering Europe GmbH

As of 1 January 2014, Photon DE SPV 1 GmbH and Photon Energy Engineering Europe GmbH were merged. All assets and liabilities as included in the financial statements of Photon DE SPV 1 GmbH were transferred to Photon Energy Engineering Europe GmbH (PEEE shall adopt and continue to use the book values of the assets and liabilities).

Other loan prolongation

Original due date of the loan with an outstanding amount of EUR 6 million was 30 April 2014. As of this date, the loan has not been repaid and the Company has agreed on a further prolongation of the due date until 30 September 2014 to finalize the refinancing activities in the Czech Republic, Slovakia and Italy. Refer also to Going concern chapter.

New power plant connected in Australia

Photon Energy Australia has connected one of the biggest rooftop solar power plants in Sydney, Australia on 31 March 2014. The 284 kWp power plant is located on top of major office building in Sydney's Commercial Business District. Annual production should equal to 371 500 kWh.

32. Contingent assets and liabilities

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

Stand alone Financial Statements

For the year ended 31 December 2013

Company balance sheet as at 31 December 2013
(before profit appropriation)

in thousand of EUR	**Note**	**31 December 2013**	**31 December 2012**
Fixed assets			
Financial fixed assets	*36*	34,792	42,266
Intangible assets	*36*	31	0
Loans	*37*	0	5,272
Total fixed assets		**34,823**	**47,538**
Current assets			
Trade and other receivables	*38*	197	6,481
Loans	*37*	5,414	0
Inventory	*38*	2	2
Cash and cash equivalents	*38*	2	239
Total current assets		**5,615**	**6,722**
Total assets		**40,438**	**54,260**
Shareholders' equity	*39*		
Issued share capital		600	230
Share premium		36,871	13,111
Revaluation reserve		10,869	15,386
Derivatives reserve		-457	-794
Currency translation reserve		-2,577	136
Unappropriated result		-5,011	-10,799
Retained Earnings		-13,715	-2,916
Total equity		**26,580**	**14,354**
Non-current liabilities	*40*	**0**	**24,929**
Other loans		0	0
Other long-term liability		0	24,929
Current liabilities	*41*	**13,857**	**14,977**
Trade and other liabilities		1,147	6,977
Other loans		12,711	8
Total equity and liabilities		**40,438**	**54,26**

The notes on pages 80 to 88 are an integral part of these financial statements

Company income statement for the financial year ended 31 December 2013

in thousand of EUR	**1 January 2013 - 31 December 2013**	**1 January 2012 - 31 December 2012**
Share in results from participating interests, after taxation	-1,985	-9,029
Other result after taxation	-3,026	-1,77
Net result	**-5,011**	**-10,799**

The notes on pages 80 to 88 are an integral part of these financial statements.

Notes to the company financial statements for the financial year ended 31 December 2013

34. General

The company financial statements are part of the 2013 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 2013**	**31 December 2012**
Participating interests in group companies	34,792	42,266
	34,792	**42,266**

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

in thousand of EUR	**Participating interests in group companies**	**Total**
Balance at 1 January 2012	42,266	12,797
Capital contribution existing subsidiaries (note 36)	-	22,601
Incorporation of new subsidiaries (note 36)	-	3,693
Sale of PEAS Group (note 36)	-	-1,783
Share in result of participating interests (note 43)	-1,930	-9,029
Share in revaluation of assets in participating interest (note 36)	-4,517	12,145
Share in foreign currency translation differences in participating interest (note 36)	-3,035	457
Derivatives (note 36)	337	-794
Acquisition of subsidiaries	1	-
Balance at 31 December	**33,122**	**40,087**
Provision for negative equity subsidiaries (note 36)	1,67	2,179
Final balance at 31 December	**34,792**	**42,266**

2013

A participating legal Company is under Dutch law a participation which exercises significant influence over the operating and financial policies (hereinafter: participation), valued using the equity method. This method means that the carrying amount of the investment is increased or decreased by the share in the results and changes in equity of the associate, less the dividend from the participation. The carrying amount, the share in the results and changes in equity are determined according to the principles of the holding.

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

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

1. Revaluation of assets valued at fair value in the participations (decrease of value of assets)

2. Foreign currency translation differences in the participations

3. Effective portion of hedging derivatives in the participations

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

	Name	% of share capital held by the holding company	Country of registration
1	Photon Energy N.V.	NL	Full Cons.
2	Photon Energy Technology CEE s.r.o.	100%	CZ
3	Photon SPV 5 s.r.o.	100%	CZ
4	Photon SPV 1 s.r.o.	100%	CZ
5	Photon SK SPV 1 s.r.o.	50%	SK
6	Photon SK SPV 2 s.r.o.	100%	SK
7	Photon SK SPV 3 s.r.o.	100%	SK
8	EcoPlan 2 s.r.o.	100%	SK
9	EcoPlan 3 s.r.o.	100%	SK
10	SUN4ENERGY ZVB, s.r.o.	100%	SK
11	SUN4ENERGY ZVC, s.r.o.	100%	SK
12	Fotonika, s.r.o.	60%	SK
13	ATS Energy, s.r.o.	70%	SK
14	Solarpark Myjava s.r.o.	50%	SK
15	Solarpark Polianka s.r.o.	50%	SK
16	Photon Energy Investments CZ N.V.	100%	NL
17	Photon Energy Polska Sp. z o.o.	100%	PL
18	Photon Energy Australia Pty Ltd.	100%	AUS
19	Photon Energy Operations IT	100%	IT
20	IPVIC GbR	18.5%	DE
21	Photon Energy Operations SK s.r.o.	100%	SK
22	Photon Energy Operations CZ s.r.o.	100%	CZ
23	Photon Energy Operations DE GmbH	100%	DE
24	Photon Energy Operations Australia Pty.Ltd.	100%	AUS
25	Photon Energy Engineering Australia Pty Ltd	100%	AUS
26	Photon Energy Engineering Europe GmbH	100%	DE
27	Photon DE SPV 1 GmbH	100%	DE
28	Photon DE SPV 3 GmbH	100%	DE
29	Photon IT SPV 1 s.r.l.	100%	IT
30	Photon IT SPV 2 s.r.l.	100%	IT
31	Photon Energy Projects s.r.l.	100%	IT
32	Photon Energy Investments IT N.V.	100%	NL
33	Photon Energy Investments DE N.V.	100%	NL
34	Photon Directors B.V.	100%	NL
35	Photon Energy Operations N.V.	100%	NL
36	Photon Energy Finance Europe GmbH	100%	NL
37	Photon Energy Projects B.V.	100%	NL
38	Photon Energy AUS SPV 1 Pty. Ltd.	100%	NL
39	Photon Energy AUS SPV 2 Pty. Ltd.	100%	NL
40	Photon Energy Generation Australia Pty. Ltd.	100%	NL
41	Photon Energy Investments N.V.	100%	NL
42	Photon Energy Engineering B.V.	100%	NL
43	Photon Energy Technology B.V.	100%	NL
44	European Solar Holdings B.V.	100%	NL
45	Photon Energy Technology Europe Ltd	100%	IR
46	Photon Energy Corporate Services DE GmbH	100%	DE
47	Photon Energy Corporate Services CZ s.r.o.	100%	CZ

In 2013, the Company has founded Photon India SPV1 with a share capital of EUR 1 thousand.

As of 30 September 2013, the revaluation of the fair value of the Czech power plants has been performed with a total negative impact of EUR 4,517 thousand due to prolongation of tax levy.

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 loss of EUR 337 thousand (2012: EUR 794 thousand).

The impact of foreign currency translation differences in participating interest resulted in a loss of EUR 3,035 thousand (2012: EUR 457 thousand).

Share on result from participation equaled to EUR 1,930 thousand.

The company booked a provision for negative equity in subsidiaries in the amount of EUR 1,670 thousand (2012: EUR 2,179 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.

Intangible assets include the value of trademark originally owned by Photon Energy a.s. in the value of EUR 31 thousand.

During 2012, the Company founded the following subsidiaries:

Date of foundation	Name of subsidiary	Basic capital contributed in EUR at the foundation
22.6.2012	Photon Energy Technology B.V.	18,000
22.6.2012	Photon Energy Projects B.V.	18,000
22.6.2012	Photon Energy Finco B.V.	18,000
21.6.2012	Photon Energy Operations N.V.	46,000
4.6.2012	Photon Energy Engineerging B.V.	18,000
22.11.2012	Minority shareholders PE B.V.	3,033,000
1.6.2012	Photon Energy Investments N.V.	45,000
2.5.2012	Photon Directors B.V.	18,000
total		3,214,000

The following acquisitions were performed during 2012:

Date of acquisition	Name of acquired Company	Purchase price in EUR
5.7.2012	Photon Energy Australia Pty Ltd	86,507
19.6.2012	Photon Energy Investments CZ N.V.	39,223
6.7.2012	Photon Energy Polska Sp.z o .o.	540
5.7.2012	Photon Energy Deutschland GmbH	278,119
11.7.2012	Photon Energy Finance Europe GmbH	1
8.6.2012	Photon Energy Corporate Services CZ s.r.o.	74,752
total		479,142

The total amount invested into foundation or acquisition of subsidiaries in 2012 amounted to EUR 3,693 thousand (refer to Movement schedule above).

On 27 June 2012, the Company capitalized its receivables towards Photon Energy Investment N.V. amounting to EUR 21,713 thousand, so its share in PEINV has increased by this amount.

On 1 August 2012, the Company capitalized its receivables towards Photon Energy Engineering B.V. amounting to EUR 270 thousand, so its share in PEINV has increased by this amount.

On 1 August 2012, the Company capitalized its receivables towards Photon Energy Operations N.V. amounting to EUR 619 thousand, so its share in PEINV has increased by this amount.

All amounts capitalized equaled to EUR 22,601 thousand (refer also to Movement schedule above).

In December 2012, the following steps related to the sale of PEAS Group have been performed:

1 all shares of PEAS held by PENV were transferred to Minority Shareholders Photon Energy B.V. (MSBV), owned by the shareholders through their holding entities: Solar Power and Solar Future (SP and SF) and were contributed as additional contribution in kind. No new shares of MSBV were issued and the value of contributed shares is regarded as a non-stipulated share premium.

2 PENV issued new shares with a nominal value of EUR 0.01 to its current shareholders, Solar Power and Solar Future (the share capital has thus been increased to EUR 230,000)

3 PENV transferred all shares it held in MSBV to SP and SF 4 December 2012

21 December 2012 PE NV sold its share in PE I SK NV to Ctibor Plachy for 1 EUR.

37. Loans

in thousand of EUR	31 December 2013	31 December 2012
Loans provided	5,414	5,272
	5,414	**5,272**

The balance of loans provided consists of the loans provided primarily to the companies within the Group. Interest charge is 3% and the loans have a short-term character.

38. Current assets

in thousand of EUR	31 December 2013	31 December 2012
Trade and other receivables	197	6,481
Inventory	2	2
Cash	2	239
	201	**6,722**

39 Shareholders' equity

39.1 Reconciliation of movement in capital and reserves

in thousand of EUR	Issued share capital	Share premium	Currency translation reserve	Derivatives	Revaluation reserve	Retained earnings	Unappropriated result	Total equity
Balance at 1 January 2012	**46**	**13,295**	**-321**	**-**	**3,241**	**1,137**	**-5,303**	**12,095**
Transfer from share premium	184	-184	-	-	-	-	-	-
Revaluation of assets in participating interest	-	-	-	-	12,145	-	-	12,145
Foreign currency translation differences in participating interest	-	-	457	-	-	-	-	457
Transfer to retained earnings	-	-	-	-	-	-5,303	5,303	-
Total recognized income and expense	-	-	-	-	-	-	-10,799	- 10,799
Acquisition of result of minority interest	-	-	-	-	-	1,250	-	1,250
Derivatives	-	-	-	-794	-	-	-	-794
Balance at 31 December 2012	**230**	**13,111**	**136**	**-794**	**15,386**	**-2,916**	**-10,799**	**14,354**
Balance at 1 January 2013	**230**	**13111**	**136**	**-794**	**15,386**	**-2,916**	**-10,799**	**14,354**
Revaluation of assets in participating interest	-	-	-	-	-4,517	-	-	-4,517
Foreign currency translation differences in participating interest	-	-2,713	-	-	-	-	-2,713	-
Transfer to retained earnings	-	-	-	-	-	-10,799	10,799	-
Derivatives	-	-	-	337		-	-	337
Capitalization of payable	370	23,76	-	-	-	-	-	24,130
Actual result	-	-	-	-	-	-	-5,011	-5,011
Balance at 31 December 2013	**600**	**36,871**	**-2,577**	**-457**	**10,869**	**-13,715**	**-5,011**	**26,580**

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 50,000,000 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 derivatives reserve.

The revaluation reserve arises on the revaluation of photovoltaic power plant owned by the participation(s) and it amounted to EUR 10,869 thousand as of 31 December 2013 (31 December 2012: EUR 15,386 thousand).

Currency translation reserve includes all foreign translation exchange differences in the participations and amounted to a loss EUR 2,577 thousand as of 31 December 2013 (31 December 2012: EUR 136 thousand).

The derivatives reserve includes results from hedging derivatives in the participations and amounted to a loss of EUR 457 thousand in 2013 (2012: EUR 794 thousand).

39.2.2 Unappropriated result

To the General Meeting of Shareholders the following appropriation of the result 2013 will be proposed: the loss of EUR 5,011 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 2013**	**31 December 2012**
Group equity	**26,719**	**14,478**
Minority interest of third parties in subsidiary:		
· Non-controlling interest	-139	-124
Shareholders' equity (company)	**26,580**	**14,354**
Group result	**-4,995**	**-12,634**
Minority interest of third parties in result:		
· Non-controlling interest	-16	-1,835
Net result (company)	**-5,011**	**-10,799**

40. Long-term liabilities

in thousand of EUR	**31 December 2013**	**31 December 2012**
Loans	0	0
Other long-term liabilities	0	24,929
	0	**24,929**

For a description of the payable capitalization, refer to chapter 23 of the Consolidated financial statements.

In 2012, other long term liabilities represented a liability based on Agreement and transfer of receivables between Company and Photon Energy Investments SK N.V. signed 27 June 2012. Based on the amendment signed 21 December 2012, the due date of the receivables has been prolonged to 27 June 2017. However, during 2013, the liability was settled (as described in Chapter 25 of the Consolidated financial statements) and there is zero outstanding balance as of 31 December 2013.

41. Current liabilities

in thousand of EUR	31 December 2013	31 December 2012
Loans	8,861	8
Trade payables	1,111	236
Accruals and deferred income	36	370
Other payables	0	4,192
Provision for 2012 negative equity subsidiaries	3,849	2,179
	13,857	**14,977**

In June 2012, Photon Energy N.V. agreed an amendment to the existing loan contract for the increase of the loan provided to Photon Energy N.V. by a private financing company from the original EUR 6 million to EUR 8 million. The interest rate remained the same as agreed with the borrower's representatives and the loan was originally due on 31 January 2013.

As of 31 March 2013, the Company repaid EUR 2,000,000 from the outstanding amount, so the outstanding balance as of 31 December 2013 equals to EUR 6,000,000. 30 December 2013, Company signed an amendment on prolongation of the due date until 30 April 2014 (fee charged for this prolongation is equal to EUR 150 thousand).

Other payables consisted of Company's liabilities from VAT, towards employees, or resulting from the cash transfers within the Group.

The company booked a provision for negative equity in subsidiaries in the amount of EUR 3,849 thousand (2012: EUR 2,179 thousand) as the Company's management has the intention to maintain and support the related subsidiaries within the structure and support them by providing the required cash-flow and settle their liabilities.

42. Financial instruments

42.1 General

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

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

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

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

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

42.2 Fair value

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

43. Share in results from participating interests

An amount of EUR 5,011 thousand (loss) of share in results from participating interests relates to group companies (2012: loss of EUR 9,029 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 2013:

2013:

In thousand of EUR	**Grant Thornton Accountants en Adviseurs B.V.**	**Other Grant Thornton member firms and affiliates**	**Total**
Statutory audit of annual accounts	42	-	42
	42	-	42

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year 2012 have been charged by KPMG Accountants N.V. to the Company:

2012:

In thousand of EUR	**KPMG Accountants N.V.**	**Other KPMG Accountants N.V. member firms and affiliates**	**Total**
Statutory audit of annual accounts	53	-	53
	53	-	53

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 2013.

45.1.2 Key management personnel and director

The directors of the Company control 89.78% 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, 21 May 2014

The Board of Directors:

Michael Gartner, Director

Georg Hotar, Director

5.4. Other information

Other information

I. 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.

II. 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.

III. Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2013 loss: an amount of EUR 5,011 thousand to be added to the retained earnings.

IV. Subsequent events

Please refer to note 31 of the consolidated financial statements.

For Photon Energy N.V. there were no other subsequent events affecting the situation at balance sheet date.

V. Subsidiaries

The Company has subsidiaries in Czech Republic, Slovak Republic, Italy, Germany, Poland, Ireland, Cyprus and Australia. For the list of all subsidiaries refer to the Note 30 of the Consolidated financial statements.

VI. Independent auditor's report

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

5.5. Auditor's report

Grant Thornton

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

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INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements 2013 of Photon Energy N.V. , Amsterdam. The financial statements include the consolidated financial statements and the stand alone financial statements. The consolidated financial statements comprise the consolidated statements of financial position as at 31 December 2013, the consolidated statement of comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The standalone financial statements comprise the company balance sheet as per 31 December 2013, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the director's report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, Management is responsible for such internal control as it determines necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

FOR IDENTIFICATION PURPOSES
Grant Thornton
21-5-14
Date
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Accountants en Adviseurs B.V.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Photon Energy N.V. as at December 31, 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the financial statements

In our opinion, the stand alone financial statements give a true and fair view of the financial position of Photon Energy N.V. as at December 31, 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to note 2.1 going concern. This note describes matters regarding external financing, which indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 21 May 2014

Grant Thornton Accountants en Adviseurs B.V.

M.J.J. Welsink
Registeraccountant

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