Consolidated financial statements

of

SOLEK HOLDING SE

as of

31st of December, 2019

Prepared on 7th of August, 2020

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Zdeněk Sobotka
Chairman of the Board of Directors

Foreword

Dear shareholders, dear business partners,

I would like to submit to you this annual report of the SOLEK group for 2019. In this report I would like to inform you about events in the previous year, 2019, and about significant developments in the business of the SOLEK group. In conclusion, I would like to present a brief outlook for the future. I would like to draw your attention to the fact that since 2018 SOLEK HOLDING SE has been the consolidating accounting unit of the SOLEK group and the consolidated accounting statements as at 31st December 2019 are prepared in accordance with the IFRS.

In the middle of 2019, SOLEK HOLDING SE purchased Energy Holding SA, which therefore became a member of the group and this was one of the basic conditions for the entry of a minority partner to the shareholder structure. On the same date, a monetary contribution to the Parent's equity (outside the registered capital) totalling CZK 500 million was made.

2019 was a significant milestone in the development of projects, in particular in the territory of Chile, where the group made a significant move forward and, at the end of the year, had 55 projects in advanced stages of development with a total capacity approaching 500 MWp. Through its subsidiaries, as a part of projects in Chile SOLEK HOLDING SE significantly increased local capacities, in particular in the fields of personnel and material.

Fundamental milestones were reached in Chile in 2019 in the realisation and transfer of three photovoltaic power plant projects—specifically the Santa Laura, VillaSeca and Los Paltos projects with a total installed peak capacity of 8.97 MWp—i.e. 2.99 MWp per individual project.

As at the end of 2019 the group had two projects—specifically Santa Fe (10.336 MWp) and Villa Alegre (10.66 MWp)—at a significant stage of completion so that in the first quarter or first half of 2020 significant milestones were reached in terms of realisation and handover to the business partner—the CarbonFree group.

SOLEK HOLDING SE is constantly working on ensuring its future and towards the end of 2019 it commenced negotiations with the French bank Natixis concerning the structure of the future financing of projects for the construction of photovoltaic power plants. During the preparation of these financial statements a document was signed with Natixis on its intention to secure the financing of the Chile projects in the form of a loan that Natixis would provide to an entity in Chile, which would then distribute the loan to the individual projects—the entities owning the various photovoltaic power plants. Negotiations and bilateral preparation of documents are taking place intensively with the aim of preparing the appropriate documentation, harmonising detailed conditions of financing and signing binding contracts by the end of the third quarter of 2020.

The group's main task in the following period remains not only traditional investment in the construction of other photovoltaic power plant projects in the target markets, but also diversification of the business focus of the whole SOLEK group. In addition to photovoltaic projects, we see interesting potential in other related segments, in particular:

- Holding and management of photovoltaic power plants in our own portfolio;
- Provision of EPC services (arranging of turnkey projects) for customers outside the group;
- A focus on other renewable technology—hybrid systems with batteries and wind parks.

As far as concerns the territorial focus, in addition to Chile, which is our strategic market for the next period, we would like to focus also on other regions in Latin America, in particular Columbia and Peru. During the year we took significant steps to establish the company on the strategic market of Cyprus, where we established a subsidiary and also signed an agreement on future contract for a pilot project for the construction of a photovoltaic power plant.

In 2020 and 2021, the group is assuming the construction and sale of the portfolio of solar power plants in Chile, Cyprus and Columbia with a total capacity of 429 MWp, which corresponds to the current state of work on the projects and the capacities available. The SOLEK group has the strategic aim of holding such photovoltaic projects in its portfolio in co-operation with the strategic partner arranging financing. Any sales will then be realised to partners, whose demand at this time materially exceeds the set aims of the SOLEK group.

As of today’s date, SOLEK HOLDING SE also owns subsidiaries producing energy from renewable sources with a total volume of 8.59 MWp in the territory of Romania and the Czech Republic.

At the end of 2019, the SOLEK group successfully concluded a new ten-year power purchase agreement (PPA) with EON Romania, which is a leading player on the Romanian power market. The total value of the transaction is estimated to be approx. EUR 19 m. The subject of the agreement is the purchase of electricity produced from renewable sources in four photovoltaic parks that are owned and operated by the SOLEK group in Romania. The parks have a total installed capacity of 8.5 MW and were built with modern technology in 2012–2013 in the south of Romania, in an area with high solar radiation and easy access to Bucharest. In 2020, the SOLEK group successfully re-financed its four Romanian photovoltaic parks so far financed partially via loan facility and partially via leases. Currently all the activities in Romania are financed via loan facility provided by ProCredit Bank.

I would like to thank you for your trust and I assure you that we are working with maximum effort on joint success in an attempt to appreciate our partners’ investments as much as possible.

7th of August, 2020

Prague

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Zdeněk Sobotka

Member of the Board of Directors

Content

Consolidated Statement of Comprehensive Income for the period ended 31st of December, 2019

in CZK thousand	note	as at 31st of December 2019	2018
Sales from projects sold and development activities	7	654 846	73 435
Revenues from electricity sales	7	48 536	35 882
Other revenues	7	5 281	25 076
Cost of sales	7	-488 973	-100 743
Gross profit		**219 689**	**33 650**
General & administrative expenses		-77 446	-19 293
Personnel expenses		-46 792	-19 136
Depreciation	15	-29 672	-34 479
Other operating income		13 326	10 831
Other operating expenses	25	-79 342	-26 523
Operating profit		**-237**	**-54 949**
Interest income	26	4 172	659
Interest expenses	26	-63 455	-31 623
Other financial income (expenses), net		-2 257	-352
Profit before income tax		**-61 778**	**-86 265**
Income tax expenses		20 285	-1 150
Profit for the year from continuing operations		**-41 493**	**-87 415**
Profit for the year		**-41 493**	**-87 415**
Currency translation differences		4 663	4 207
Other comprehensive income/loss		**4 663**	**4 207**
Total comprehensive income for the period		**-36 830**	**-83 208**
Attributable to:			
Owners of the parent		-36 830	-83 208

7th of August, 2020

Zdeněk Sobotka
Chairman of the Board of Directors

Consolidated Statement of Financial Position as at 31st of December, 2019

		as at 31st of December	
in CZK thousand	**note**	**2019**	**2018**
Assets			
Cash and cash equivalents	7, 14	60 318	415 330
Trade and other receivables	7, 21	561 135	6 192
Other current financial assets	7, 23	7 653	19 455
Projects developed/in progress	7, 17	111 915	139 902
Inventories	7, 17	10 010	4 772
Receivables from related parties	7, 29	14 251	52 694
Other current assets	7, 23	49 550	15 915
Total current assets	7, 14	**814 831**	**654 259**
Property, plant and equipment	7, 15	147 467	171 338
Goodwill	7, 18	840 228	0
Other intangible fixed assets	7, 23	3 900	2 035
Deferred tax assets	5, 7, 20	22 902	0
Other non-current assets	7, 23	6 166	71
Investments in non-consolidated subsidiaries	1	11 569	0
Total non-current assets		**1 032 231**	**173 444**
Total assets		**1 847 062**	**827 703**

7th of August, 2020

Zdeněk Sobotka
Chairman of the Board of Directors

in CZK thousand	note	as at 31th of December 2019	2018
Liabilities and equity			
Short-term debt and current maturities of long-term debt	7, 11	24 702	14 679
Trade payables	7, 22	43 171	34 374
Liabilities to related parties	7, 29	376 309	189
Bonds	7, 10	55 871	7 550
Current tax liabilities	7, 20, 24	2 016	1 258
Other current liabilities	7, 24	222 113	107 996
Finance lease liabilities	7, 9, 16, 24	15 187	5 625
Provisions	7, 19	2 442	0
Total current liabilities		**741 811**	**171 673**
Long-term debt	7, 11	15 573	42 343
Provisions	7, 19	6 072	2 937
Deferred tax liabilities	7, 20	0	0
Bonds	7, 10	365 241	400 808
Other liabilities	7, 11, 24	395 007	334 692
Finance lease liabilities	7, 9, 16, 24	19 801	35 278
Total non-current liabilities		**801 693**	**816 058**
Total liabilities		**1 543 505**	**987 731**
Equity			
Issued capital, no par value	27	3 176	*3 176*
Paid - in capital	18	504 597	4 597
Paid-in capital			0
Profit/Loss for the period		-41 493	-87 415
Retained earnings		-166 416	-79 416
Other components of equity		0	0
Translation reserve		3 694	-969
Total equity attributable to owners of the parent		**303 558**	**-160 028**
Non-controlling interests		0	0
Total equity		**303 558**	**-160 028**
Total equity and liabilities		**1 847 062**	**827 703**

7th of August, 2020

Zdeněk Sobotka
Chairman of the Board of Directors

Consolidated Statement of Changes in Equity

in CZK thousand	Attributable to owners of the parent							
	Issued capital	Paid-in capital	Revaluation reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interest	**Total equity**
Balance as at 1 January 2017	**3 176**	**4 597**	**0**	**-1 376**	**-16 351**	**-9 954**	0	**-9 954**
Net income	0	0	0	0	-63 065	**-63 065**	0	**-63 065**
Other comprehensive income, net of income taxes	0	0	0	-3 801	0	**-3 801**	0	**-3 801**
Other changes in equity	0	0	0	0	0	**0**	0	**0**
Balance as at 31 December 2017	**3 176**	**4 597**	**0**	**-5 177**	**-79 416**	**-76 820**	**0**	**-76 820**
Balance as at 1 January 2018	**3 176**	**4 597**	**0**	**-5 177**	**-79 416**	**-76 820**	0	**-76 820**
Net income	0	0	0	0	-87 415	**-87 415**	0	**-87 415**
Other comprehensive income, net of income taxes	0	0	0	4 207	0	**4 207**	0	**4 207**
Other changes in equity	0	0	0	0	0	**0**	0	**0**
Balance as at 31 December 2018	**3 176**	**4 597**	**0**	**-969**	**-166 831**	**-160 028**	**0**	**-160 028**
Balance as at 1 January 2019	**3 176**	**4 597**	**0**	**-969**	**-166 831**	**-160 028**	0	**-160 028**
Net income	0	0	0	0	-41 493	**-41 493**	0	**-41 493**
Other comprehensive income, net of income taxes	0	0	0	4 663	0	**4 663**	0	**4 663**
Shareholder's contribution	0	500 000	0	0	0	**500 000**	0	**500 000**
Other changes in equity	0	0	0	0	415	**415**	0	**415**
Balance as at 31 December 2019	**3 176**	**504 597**	**0**	**3 694**	**-207 909**	**303 558**	**0**	**303 558**

7th of August, 2020

Zdeněk Sobotka
Chairman of the Board of Directors

Consolidated Statement of Cash Flows
for the period ended 31st of December, 2019

in CZK thousand	as at 31st of December	
	2019	2018
Cash flows from operating activities		
Net income	**-41 493**	**-87 415**
Income taxes	-20 285	1 150
Adjustments to reconcile net income to cash flows from operating activities - continuing operations		
Amortization, depreciation and impairments	29 672	34 479
Net finance costs (interests)	59 283	39 684
(-Gain) / +Loss on disposal of PP&E and intangible assets	370	-124
Change in provisions	5 332	2 437
Other non-cash income and expenses	1 562	3 931
(-Increase) / Decrease in projects developed/in progress	15 274	-2 082
(-Increase) / Decrease in inventories	-5 052	-5
(-Increase) / Decrease in trade and other receivables	-571 552	60 082
Increase / (-Decrease) in trade and other payables	-4 837	21 369
Change in net working capital	-566 167	79 363
Cash flows from operating activities - continuing operations	**-531 726**	**73 504**
Income tax paid	-1 563	-430
Net cash flow from operating activities - continuing operations	**-533 289**	**73 074**
Cash flows from investing activities		
Acquisition of PP&E and intangible assets	-13 095	-10 998
Proceeds from sale of PP&E and intangible assets	7 138	3 250
Net cash flow from investing activities	**-5 957**	**-7 748**
Cash flows from financing activities		
(-Increase) / decrease in receivables from loans to related parties	67 612	-47 408
Increase / (-Decrease) in bank loans	-18 133	-77 661
Increase / (-Decrease) in finance lease liabilities	-5 916	-4 545
Increase / (-Decrease) in liabilities to related parties	-21 362	-79 700
Increase / (-Decrease) in liabilities - bonds and other	159 203	518 680
Net interests paid (incl. interests capitalised)	-59 283	-39 684
Proceeds from capital increase	0	0
Dividends paid	0	0
Net cash flow from financing activities	**122 120**	**269 682**
Effects on currency translation on cash and cash equivalents	-1 124	-512
Net increase in cash and cash equivalents	**-418 249**	**334 496**
Cash acquired in a business combination	63 237	3 565
Cash and cash equivalents at the beginning of the period	**415 330**	**77 268**
Cash and cash equivalents at the end of the period	**60 317**	**415 330**
Cash and cash equivalents at the end of the period	60 318	415 330

7th August, 2020

Zdeněk Sobotka
Chairman of the Board of Directors

Notes to the Financial Statements for the period ended 31st December, 2019

Note 1 Corporate information

SOLEK HOLDING SE was founded in 2010 and is incorporated and domiciled in the Czech Republic. The address of its registered office is Voctářova 2449/5, 180 00 Praha 8. It is entered in in the commercial register of the Czech Republic under the identification number 292 02 701.

SOLEK HOLDING SE group ("the Group" or "SOLEK") comprises of SOLEK HOLDING SE ("the Company" or "the Parent") and its subsidiaries.

The following subsidiaries are included in the consolidated financial statements as of 31st December 2019:

<u>Czech subsidiaries</u>
SOLEK Renewables s.r.o. v likvidaci (the liquidation of the company was completed on August 1st, 2019)
SOLEK Chile Holding, s.r.o.
PV Power CZ s.r.o.

<u>Luxembourg subsidiary</u>
ENERGY HOLDING S.A.

<u>Chilean subsidiaries</u>
SOLEK Chile Holding SPA
SOLEK Santa Laura SPA
PV Power Chile SPA
Solek Construccion SPA
Solek Desarrollos SPA
Parque Solar El Paso SPA
Parque Solar Meco Chillan SPA
Parque Solar Santa Fe SPA
Parque Solar Villa Allegre SPA

<u>Romanian subsidiaries</u>
S.C. SOLEK PROJECT ALPHA S.R.L.
S.C. SOLEK PROJECT GAMMA SA
S.C. SOLEK PROJECT TAU SA
S.C. SOLEK PROJECT TXI SA
S.C. PV Power Services S.R.L.

The following subsidiaries are NOT included in the consolidated financial statements as of 31st December 2019:

Czech subsidiaries
Solek I s.r.o.
Solek II s.r.o.
SOLEK IV s.r.o.
Solek Holding Chile II s.r.o.

UK subsidiaries
Green Power Finance Ltd.

Cyprian subsidiaries
Solek Cyprus Ltd

Colombian subsidiaries
Solek Colombia SAS

Peru subsidiaries
Solek Peru SAC

Chilean subsidiaries
Parque Solar Alcaldesa SPA
Parque Solar Alianza SPA
Parque Solar Altos Lao SPA
Parque Solar Aurora SPA
Parque Solar Benavente SPA
Parque Solar Colimavilla SPA
Parque Solar Convento SPA
Parque Solar Don Flavio SPA
Parque Solar Conquistador SPA
Parque Solar El Gultro SPA
Parque Solar El Sauce SPA
Fotovoltaica Laurel SPA
Fotovoltaica Avellano SPA
Parque Solar La Muralla SPA
Parque Solar La Rosa SPA
Parque Solar Los Paltos SPA
Parque Solar Los Peumos SPA
Parque Solar Mina Dorada SPA
Parque Solar Ovalle Norte SPA
Parque Solar Panguilemo SPA
Parque Solar Porvenier SPA
Parque Solar Retiro SPA
Parque Solar Salamanca SPA
Parque Solar Santa Cruz SPA
Parque Solar Tabolango SPA
Parque Solar Tangua SPA

Parque Solar Villa Seca SPA
Parque Solar Viveros SPA

Management of the group is of the opinion that the non-inclusion of these companies in the consolidation will not cause significant omissions, will not have material effect and that the costs of including them would exceed the added value of the information.

The change in the definition of the consolidation group is recorded prospectively. Comparative figures and information have not been restated.

The following subsidiaries were included in the consolidated financial statements as of 31st December 2018:

Czech subsidiaries
SOLEK Renewables s.r.o.
SOLEK I s.r.o.
SOLEK II s.r.o.
SOLEK IV s.r.o.
SOLEK Chile Holding, s.r.o.
SOLEK Holding Chile II s.r.o.
PV Power CZ s.r.o.

Chilean subsidiaries
SOLEK Chile Holding SPA
SOLEK Santa Laura SPA
PV Power Chile SPA
Parque Solar Alcaldesa SPA
Parque Solar Alianza SPA
Parque Solar Altos Lao SPA
Parque Solar Aurora SPA
Parque Solar Benavente SPA
Parque Solar Colimavilla SPA
Parque Solar Convento SPA
Parque Solar Don Flavio SPA
Parque Solar Conquistador SPA
Parque Solar El Gultro SPA
Parque Solar El Paso SPA
Parque Solar El Sauce SPA
Parque Solar La Muralla SPA
Parque Solar La Rosa SPA
Parque Solar Los Paltos SPA
Parque Solar Los Peumos SPA
Parque Solar Meco Chillan SPA
Parque Solar Mira Dorada SPA
Parque Solar Panguilemo SPA
Parque Solar Retiro SPA
Parque Solar Santa Cruz SPA

Parque Solar Santa SPA
Parque Solar Tabolango SPA
Parque Solar Tangua Fe SPA
Parque Solar Villa Alegre SPA
Parque Solar Villa Seca SPA
Parque Solar Viveros SPA

Romanian subsidiaries
S.C. SOLEK PROJECT ALPHA S.L.R.
S.C. SOLEK PROJECT GAMMA S.L.R.
S.C. SOLEK PROJECT TAU S.L.R.
S.C. SOLEK PROJECT TXI S.L.R.
S.C. PV Power Services S.L.R.

Consolidated economic interest in all above subsidiaries is 100% interest and corresponds to the voting interests if not otherwise stated.

SOLEK SICAV a.s.

As of 2nd May, 2019 the SOLEK Group set up a SOLEK SICAV, a.s. fund for the purpose to allow private individuals to invest solely into power plants developed by the SOLEK Group in total capacity of 100 MWp. As SOLEK SICAV, a.s. is administered and managed by an independent specialized investment company registered with the Czech National Bank outside SOLEK Group, it is considered not to be controlled by the group. As such, SOLEK SICAV, a.s. is not included in the consolidation of the SOLEK Group. The amount provided by SOLEK SICAV, a.s. to the SOLEK Group as of 31 December 2019 was CZK 10.5 million.

Founder's (common) shares of SOLEK SICAV, a.s. fund were transferred outside the SOLEK Group on 20th of April 2020.

99% shareholder of SOLEK HOLDING SE group is Zdeněk Sobotka, the Czech citizen. Permanent address: Ke Hvězdárně 1032, Hlubočinka, 251 68 Sulice.

1% shareholder of SOLEK HOLDING SE group is Pavel Kocián, the Czech citizen, Permanent address: V Uličce 921, 253 01 Hostivice.

Note 2 Basis of preparation

The consolidated financial statements for the financial year ending on December 31, 2019, were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as applicable in the European Union (EU). The Group therefore applies all IFRS published by the IASB and interpretations issued by the IFRS Interpretations Committee (IFRIC), which were effective as of December 31, 2019, adopted by the EU and applicable to the Group. The term IFRS also refers to all valid International Accounting Standards (IAS) and all interpretations and amendments of the International Financial Reporting Standards.

The Group's financial year comprises twelve months and ends on December 31 each year.

The consolidated financial statements are prepared in Czech crowns (CZK). All amounts are rounded up or down to thousand CZK (kCZK) in accordance with commercial rounding unless specified otherwise. Totals in tables are calculated on the basis of exact figures and rounded to kCZK. The Group's consolidated financial statements were prepared in accordance with uniform accounting policies and principles of consolidation for all the reporting periods shown. The consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments at fair value through profit or loss, financial instruments that are recognised at fair value, and loans, receivables and other financial liabilities recognised at amortised cost.

The Group classifies assets and liabilities as current if they are expected to be realized or settled within twelve months after the end of the reporting period. If assets and liabilities have both current and non-current components, they are broken down into these different components and recognized as current and non-current assets or liabilities according to the structure of the statement of financial position. The consolidated income statement is prepared in line with the nature of expense method.

Note 3 Fair value measurement in accordance with IFRS 13

The fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction on a principal market at the measurement date under current market conditions (e.g. an exit price) regardless of whether the price is directly observable or estimated using another measurement process.

In accordance with IFRS 13 "Fair Value Measurement", a fair value hierarchy was specified. The fair value hierarchy divides the input factors used in the measurement techniques to measure the fair value into three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
Level 2: Inputs other than quoted prices from Level 1 that are directly observable or can be indirectly derived for the asset or liability.
Level 3: Unobservable inputs for the asset or liability.

In this connection, the Group determines whether transfers took place between the hierarchy levels at the end of the respective reporting period. Share-based payment components are measured at fair value but do not fall within the scope of IFRS 13.

Note 4 Principles of consolidation

All subsidiaries with significant impact, which SOLEK HOLDING SE controls according to the provisions of IFRS 10 "Consolidated Financial Statements", are included in the consolidated financial statements and fully consolidated. The Group obtains control when it can exert power over the investee, is exposed to variable returns from the investment and has the ability to use its power over the investee to affect the amount of the returns. SOLEK HOLDING SE reviews control again if facts and circumstances indicate that one or more of the above control criteria have changed.

The results of a subsidiary acquired or sold during the year are recognized in the consolidated income statement and consolidated statement of comprehensive income with effect from the actual acquisition date or up to the actual disposal date.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests

The non-controlling interests include the non-controlling interest's share of subsidiaries' carrying amounts. Non-controlling interests are calculated on the respective subsidiaries' stand-alone reporting, adjusted for intercompany transactions - i.e. unrealised profits and losses for the Group are not taken into account even if they are realised for the subsidiary on a stand-alone basis.

However, the Group does not hold any non-controlling interests as of December 31st, 2020.

Foreign currencies

The Group's consolidated financial statements are presented in CZK. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

On consolidation, assets and liabilities of foreign entities with functional currencies other than CZK are translated into CZK at the rate of exchange prevailing at the reporting date and their income statements are translated at average yearly exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

The IFRIC Interpretation 22 Foreign Currency Transaction and Advance Consideration clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration.

Note 5 Going concern and key sources of estimation uncertainty, judgements and assumptions

In connection with the preparation of the Company's consolidated financial statements, management has made assumptions and estimates about future events and applied judgements that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the consolidated financial statements are prepared.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the financial statements when the changes in assumptions occur.

Going Concern Assumption

The Group incurred a net loss of CZK 41,493 thousand during the year ended December 31st, 2019.

The Group decided to change the strategy to keep the project portfolio under its ownership from 2020 onwards.

In order to meet increasing financing requirements under new strategy, the Group is strengthening its financing competences by focusing on two major sources. As a first step, the Group established SOLEK SICAV, a.s. fund (please refer to Note 1 for further details). Further, there are serious negotiations under way to finance projects by a third party and there are various third parties available in the pipeline. Finalization of the ongoing negotiations is vital for the SOLEK Group as the funds, that the Group has currently available may not be sufficient to fund entirely the further development of all currently active solar power plant projects as well as the future ones. Thus, the going concern assumption depends on the constant cash in-flow that is to be generated by (a) successful development of projects and their sale (b) finalization of the ongoing negotiations with third parties.

As of the date of the preparation of this consolidated financial statements, the SOLEK Group is following its approved mid-term plan while completing the projects in Chile. Their successful completion, sale and settlement are absolutely vital for further financing of the development of future projects and for the Group's ability to perpetually settle its liabilities when they are due.

The Group's management is preparing and reviewing future cash flow forecasts on an ongoing basis covering next 24 months. These forecasts already reflect the management's expectations in terms of completion and realisation of projects, their sales and any and all generated funds. The management's estimates are based on the construction and sale contracts that have been already made with the investors in respect of the construction and sale of solar power plants. In addition, they are based on the negotiations that are currently held about other contracts that are yet to be made.

Cash flow forecast also reflects the current knowledge about the level of expenses that is to be incurred on each project and the management of the Group believes that the Group will be able to complete and realize the projects in-line with the planned budgets.

The management of the Group assessed relevant inputs and cash flow forecasts as mentioned above and trusts that the Group will be able to obtain all the funds in time and in the sufficient amount that is required to continue as a going concern.

Judgements

In the process of applying the Group's accounting policies, management has made the following key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Valuation of project under development and impairment

The Group has made significant investments in solar power plant projects. The projects are developed primarily for sale, during 2019 the Group changed the strategy and decided to build projects under own portfolio beginning from 2020 and hold the assets for consequent operating power production. Vast majority of costs of the Group are incurred directly or indirectly in connection with the development and construction of the projects in Chile. As such, they are capitalized and recognized at the specific position Projects developed/in progress. Some of those projects are developed for a client that has the contractual right to approve and accept project after the completion. In case the project is not accepted by the client, the Group would start the process of active searching for another potential buyer.

Taking into account the above described factors and conditions, the Group classifies the developed projects as follows:

- The projects where SOLEK is responsible for the total scope of a Turn-key installation of a solar power plant through a contract covering Engineering, Procurement and Construction (EPC) and selling price is based on fixed price contracts, revenue is recognised using the percentage of completion method. The stage of completion of a contract is determined by actual cost incurred over total estimated costs to complete.
- All other projects are considered to be within the scope of IAS 2 Inventories and are measured in accordance with this standard.

These assets, as well as the Group's assets recognised as Property, plant and equipment under IAS 16, are tested for impairment to the extent that indicators of impairment exist. Factors which trigger impairment testing include but are not limited to political changes, macroeconomic fluctuations, changes to the Group's strategy, project delays, spending beyond budget, the power plant underperformance in terms of production, changes to tariffs and similar. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from comparable transactions for similar assets or bids received by the Group.

The value in used calculation is based on a DCF model. The cash flows are derived from the financial model covering the lifetime of the project (i.e. normally 20 to 25 years) and do not include terminal value. The recoverable amount is highly sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows. Especially for Romanian subsidies, the valuation expects sale of all available green certificates provided for energy generation, Romanian subsidies are receiving. Current system with green certificates is used in DCF calculation provided by external supplier, in case of legislation changes there would be no impact on presented profitability of Romanian subsidies, but can have significant impact on asset valuation due to uncertainty of deferred certificates value, which directly influences sales prices of energy attainable on the energy markets, and its liquidity as well as the market price of the solar plants as such.

No impairment indicators related to the Group's remaining property, plant and equipment and developed projects, which in all material respect consists of solar power plants in operation or under construction, have been identified. The impairment risk related to property plant and equipment assets is in general considered to be limited due to the long-term power purchase agreements securing future revenues in line with the investment case for the project companies. The profitability of the project companies, compared to the investment case, are monitored on a regular basis.

Impairments, if recognised, would be reversed to the extent that conditions for impairment are no longer present.

Estimated useful life of solar power plants

Depreciation of the Group's solar power plants commences when the plant is available for use, i.e. normally when it is grid connected and producing electricity. When determining the useful life of a plant, the following factors are considered:

a. expected usage of the plant. Usage is assessed by reference to the asset's expected capacity, physical output as well as market regulations and maturity;

b. expected physical wear and tear, which depends on operational factors and the repair and maintenance programme;

c. technical or commercial obsolescence;

d. legal or similar limits on the use of the plants, such as the expiry dates of related leases.

The power plants currently in operation have 5 to 10 year Power Purchase Agreements (PPA) with the off takers.

Whether or not these agreements will be extended is not currently known. Based on the markets in which SOLEK is currently operating solar power plants, it is management's assessment that, combination of the four factors described above, are taken into account when setting the useful life of the plants. The technical life of the plants is not deemed to be a limiting factor and there is access to quality services and personnel to secure the required level of maintenance and repair. Consequently, the Group depreciates the solar power plants as follows:

- Chile: 20 years
- Romania: 12 years

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

As at 31st December 2019, the Group has in total tax losses carried forward exceeding CZK 196 million (translated to CZK at year-end 2019 exchange rates). When assessing the probability of utilising these losses several factors are considered. These factors include, if the entity in question has a history of losses, if there is an expiration date on the entity's ability to carry the losses forward, if the losses may be used to offset taxable income elsewhere in the Group and if there are any tax planning opportunities available. As the Group is at an early stage of its solar plant development activities in Chile and the utilization of losses carried forward in Chilean entities is in the vast majority connected with the future performance in Chile, the management decided selectively not to recognise deferred tax assets as at 31st December 2019 related to Chilean entities. All other amounts of deferred tax were recognised which resulted in reported deferred tax asset of the Group as at 31st December 2019 in the amount of CZK 22,902 million representing mainly deferred tax asset of the Parent company and deferred tax asset related to the SPVs with advanced stage of development.

Note 6 New standards and Interpretations

The Group applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1st January 2019. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New standards and amendments adopted by the Group

IFRS 15, Revenue from contracts with customers: This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaced IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after January 1st, 2019 and earlier application is permitted.

IFRS 15 assessment and transition: The Group has completed the assessment and full impact of IFRS 15 and has adopted this standard in the accounting period beginning January 1st, 2019. SOLEK's solar power plants produce electricity, which is measured based on kWh. The selling price of electricity is also calculated with reference to kWh and the single performance obligation is to deliver kWh of electricity produced in the measuring point of the electricity grid. Therefore, revenue is recognised when the performance obligation is satisfied. This occurs when electricity produced is measured by the meters and therefore the Company will use the right to invoice practical expedient as per IFRS 15. The IFRS 15 right to invoice practical expedient method is not different from the Group's accounting policies previously in place. The Group has elected to use the modified retrospective method to all contracts with customers. In practice, the IFRS 15 revenue recognition requirements have no effect on timing or amount of revenue and cash flows arising from contracts with customers, because of the fixed-price long-term contracts with the power utilities.

IFRS 9, Financial Instruments: IFRS 9 introduces a new model for classifying financial assets. The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial assets. The classification and measurement of financial liabilities under IFRS 9 remains the same as in IAS 39 except where an entity has chosen to measure a financial liability at fair value with changes through profit and loss. SOLEK identified its financial assets under the scope of IFRS 9 and have run them through the classification principles of the standard in order to assess the contractual cash flow characteristics (SPPI test) and to identify the applicable business model. As a result of this assessment the financial assets of the Company will be classified under amortised costs and fair value through profits and losses of the Group.

Impairment of financial assets: IFRS 9 establishes a new model for recognition and measurement of impairments in loans and receivables that are measured at Amortised Cost or FVOCI – the so-called 'expected credit losses' model. Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it – from the moment of its origination or acquisition. SOLEK's accounts receivables arising from the sale of electricity in 2018 and 2019 have up to 30 days payment terms and none of the operating entities have experienced any payment delays since the first invoice was issued. Based on the conclusions of the assessment performed and particularly based on past experience, future expectations and credit rating of the counterparties (Czech and Romanian utilities) applying the expected credit losses model did not result in a material provision for impairment losses.

Amendments to IFRS 2, concerning the Share-based payments: These amendments were effective for annual periods beginning on or after 1st January 2019 and have not resulted in any significant impact on the financial statements of the Group.

IFRS 16 Leases

In January 2016 the IASB issued IFRS 16 Leases. The standard is effective from 1st January 2019 and replaces the previous standard IAS 17. Contrary to IFRS 17, IFRS 16 does not distinguish between operational and financial leases for lessees.

At the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessee is required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessee is also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognises the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group applied IFRS 16 from its mandatory adoption date of January 1st, 2019 using the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. Right-of-use assets was measured on transition as if the new rules had always been applied.

The Group has made an analysis based on the contracts in place. The new standard mainly impacts the Group's recognition of long-term land lease agreements for the solar power plants and office leases. The accounting effect for land leases varies across the solar plants due to differences in contract terms impacting whether there is a lease or not. The analysis indicates that vast majority of lease contracts are considered to be leases of low-value assets and the total effects on the financial statements for 2019 would have been limited with no material impact on profit/loss.

Note 7 Operating segments and Revenues

Operating segments align with internal management reporting to the Group's chief operating decision maker. The operating segments are determined based on differences in the nature of their operations, products and services. SOLEK manages its operations in 3 segments: Development & Construction (D&C); Power Production (PP) and Operation & Maintenance (O&M).

Development and Construction

Sale of project rights (Development & Construction segment)

Where SOLEK develops projects or acquire project rights and sell these assets to external parties; revenues from transfer of development rights are recognised upon the transfer of title.

Sale of construction services (Development & Construction segment)

Where SOLEK is responsible for the total scope of a Turn-key installation of a solar power plant through a contract covering Engineering, Procurement and Construction (EPC); revenues from construction services are based on fixed price contracts and are measured and recognised using the percentage of completion method. The stage of completion of a contract is determined by actual cost incurred over total estimated costs to complete. The company completed the construction of total capacity of 6 MW in Chile in 2019 (2018: 6 MW).

Projects under construction currently stands at 35 MW per reporting date. The backlog of projects under PMG & PMGD programme with secured offtake of future power production is currently at 490 MW, while the project pipeline consists of several projects with a combined capacity of 3 to 10 MWp.

SOLEK periodically revises contract profit estimates and immediately recognises any losses on contracts. Incurred costs include all direct materials, costs for solar modules, labour, subcontractor costs, and other direct costs related to contract performance. SOLEK recognises direct material costs as incurred costs when the direct materials have been installed. When contracts specify that title to direct materials transfer to the customer before installation has been performed, revenue and associated costs are deferred and recognised once those materials are installed and have met any other revenue recognition requirements. SOLEK considers direct materials to be installed when they are permanently attached or fitted to the solar power systems as required by engineering designs.

Some construction contracts include product warranties. The expected warranty amounts are recognised at Profit and Loss Account at the time of sale and are adjusted for subsequent changes in estimates or actual outcomes.

Power Production

The Group's power producing assets derives its revenue from the production and sale of solar generated electricity based on long-term Power Purchase Agreements or Feed-in-Tariffs. Revenue is recognised upon delivery of electricity produced to the local operator of the electricity grid. Delivery is deemed complete when all the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of electricity are recognised at the time the electricity is supplied on the basis of periodic meter readings. For all sales contracts the Group had per the end of year, indexation of tariffs is recognised when they come into force.

Operation and Maintenance

SOLEK delivers services to ensure optimized operations of solar power producing assets through a complete and comprehensive range of services for technical and operational management. Revenues are based on service agreements with a periodic base fee. These revenues are recognised as the service is provided. The potential performance revenues are considered as variable consideration under IFRS 15 and are recognised when it is highly probable that the recognition will not be reversed in future periods. The group has currently no significant external operation and maintenance service contracts. So far in 2018 and 2017 this segment was not significant.

The segment financials are reported on a proportionate basis. A reconciliation between proportionate financials and consolidated financials are provided in the tables below.

Geographical areas

Data based on the geographical areas for the years ended 31 December 2019 and 2018 are presented below:

CZK MILLION	**2019**				
	Czech Republic	LUX	Chile	Romania	**Total**
Assets					
Cash and cash equivalents	39.4	0.6	8.9	11.4	**60.3**
Trade receivables	0.7	8.0	552.2	0.2	**561.1**
Receivables from related parties	4.5	0.0	9.8	0.0	**14.3**
Projects developed/in progress	0.0	0.0	111.9	0.0	**111.9**
Inventories	0.0	0.0	10.0	0.0	**10.0**
Goodwill	840.2	0.0	0.0	0.0	**840.2**
Other intangible fixed assets	2.9	0.0	0.3	0.7	**3.9**
Property, plant and equipment	4.8	0.3	16.5	125.9	**147.5**
Deferred tax assets	17.7	0.1	5.1	0.0	**22.9**
Investments in non-consolidated subsidiaries	2.4	0.0	9.2	0.0	**11.6**
Other assets	3.2	0.3	57.2	2.7	**63.4**
Total Assets	**915.8**	**9.3**	**781.1**	**140.8**	**1 847.0**
Liabilities					
Short-term debt	0.0	0.0	0.0	24.7	**24.7**
Long-term debt	0.0	0.0	0.0	15.6	**15.6**
Trade payables	4.4	4.1	33.5	1.2	**43.2**
Liabilities to related parties	376.3	0.0	0.0	0.0	**376.3**
Bonds	421.1	0.0	0.0	0.0	**421.1**
Bills of exchange	591.8	0.0	0.0	0.0	**591.8**
Finance lease liabilities	0.0	0.0	0.0	35.0	**35.0**

Current tax liabilities	0.1	0.8	0.5	0.6	**2.0**
Provisions	0.8	0.0	7.7	0.0	**8.5**
Other current liabilities	16.7	0.8	7.5	0.3	**25.3**
Total Liabilities	**1 411.2**	**5.7**	**49.2**	**77.4**	**1 543.5**
Net assets	**-495.4**	**3.6**	**731.9**	**63.4**	**303.6**

CZK MILLION	**2018**				
	Czech Republic	UK	Chile	Romania	**Total**
Assets					
Cash and cash equivalents	392.3	0.0	8.7	14.3	**415.3**
Trade receivables	2.7	0.0	1.5	2.0	**6.2**
Projects developed/in progress	0.0	0.0	139.9	0.0	**139.9**
Inventories	0.0	0.0	4.8	0.0	**4.8**
Property, plant and equipment	13.4	0.0	7.2	150.7	**171.3**
Other assets	58.9	0.0	29.0	2.3	**90.2**
Total Assets	**467.3**	**0.0**	**191.1**	**169.3**	**827.7**
Liabilities					
Trade payables	15.7	0.0	17.6	1.1	**34.4**
Bonds	408.4	0.0	0.0	0.0	**408.4**
Bills of exchange	437.8	0.0	0.0	0.0	**437.8**
Finance lease liabilities	0.0	0.0	0.0	40.9	**40.9**
Financial debt	6.4	0	0	50.6	**57**
Other liabilities	4.2	0.0	4	1	**9.2**
Total Liabilities	**872.5**	**0.0**	**21.6**	**93.6**	**987.7**
Net assets	**-405.2**	**0.0**	**169.5**	**75.7**	**-160.0**

CZK MILLION	**2019**				
	Czech Republic	LUX	Chile	Romania	**Total**
P&L Account					
Sales from projects sold and development activities	0.0	0.0	654.8	0.0	**654.8**
Revenues from electricity sales	0.0	0.0	9.9	38.6	**48.5**
Other revenues (incl. O&M)	0.1	0.0	4.7	0.5	**5.3**
Cost of sales	0.0	0.0	-483.5	-5.5	**-489.0**
Gross profit	**0.1**	**0.0**	**185.9**	**33.6**	**219.7**

CZK MILLION	2018				
	Czech Republic	UK	Chile	Romania	**Total**
P&L Account					
Sales from projects sold and development activities	0.0	0.0	66.8	6.6	**73.4**
Revenues from electricity sales	0.8	0.0	3.0	32.0	**35.9**
Other revenues (incl. O&M)	25.1	0.0	0.0	0.0	**25.1**
Cost of sales	-22.6	0.0	-70.6	-7.5	**-100.7**
Gross profit	**3.3**	**0.0**	**-0.7**	**31.1**	**33.7**

Note 8 Financial risk management

Through its business activities SOLEK is exposed to the following financial risks:

- Market risk (including commodity price risk, currency risk and interest rate risk)
- Liquidity risk
- Credit risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk

SOLEK is exposed to various market risks, including fluctuations in commodity prices, foreign currency rates and interest rates that can affect the revenues and costs of operating, investing and financing.

Commodity price risk

SOLEK's sales of electricity and sales of completed solar plant projects constitute a material share of its revenues. As a result, the Group's business, financial position, results of operation and cash flow are affected by changes in the electricity prices and, in general, by changes in overall environment on relevant energy and utilities markets. The Group seeks to reduce the effect of price fluctuation by entering into long-term, fixed price contracts. Currently, the Group has no exposure to price risk related to electricity sold at market spot rate as all contracts are based on Feed-in-Tariffs (FiTs) or Power Purchase Agreements (PPAs). Some of the off-take agreements that have been entered into for the projects in the Group's portfolio do not contain inflation-based price increase provisions or provisions that only partially allows for inflation-based increases. Some of the countries in which the Group operates, or into which the Group may expand in the future, have in the past experienced high inflation. While this is further influenced by government support schemes, the future development of the PV industry in general, and the Group in particular, will to a significant degree depend on the development in electricity market prices over time. Electricity prices depend on a number of factors including, but not limited to, availability and costs of primary energy sources (including oil, coal, natural gas and uranium), and the development in cost, efficiency and equipment investment need for other electricity producing technologies, including other renewable energy sources. A decline in the costs of other sources of electricity, such as fossil fuels or nuclear power, could reduce the wholesale price of electricity. A significant amount of new electricity generation capacity becoming available could also reduce the wholesale price of electricity. Broader regulatory changes to the electricity market (such as changes to integration of transmission allocation and changes to energy trading and transmission charging) could have an impact on electricity prices. A decline in the market price of electricity could materially adversely affect the financial attractiveness of new projects.

Currency risk

SOLEK operates internationally and is subject to currency risks arising from foreign currency transactions and exposures. As the Group reports its consolidated results in CZK, any change in exchange rates between CZK and its subsidiaries' functional currencies, primarily with respect to changes in USD, EUR, CLP and RON, affects its other comprehensive income and consolidated statement of financial position when the results of those subsidiaries are translated into CZK for reporting purposes. There is also an accounting exposure related to translation effects for intercompany balances. As the Group expands its operations with projects in new markets, the currency risk exposure increases. Exchange rate risk also arises when subsidiaries enter into transactions denominated in currencies other than their own functional currency and through assets and liabilities related to working capital and monetary items being denominated in various currencies. The Group is on an overall level managed as a CZK company for currency management purposes, which reflects the Group's funding currency. The general policy of the Group is not to hedge foreign currency exposure based on long term cash flows from the power plant companies operating the solar power plants. Subsidiaries with functional currency other than CZK do not hedge CZK positions versus their own functional currency. The Group may in the future evaluate to transfer to a USD company for currency management purposes, as the Group's portfolio of projects under construction and in operation grows with the majority of agreements being USD based or USD indexed. The Company's segment revenues, cost of sales and gross profit may be subject to significant currency fluctuations, inter alia with respect to construction contracts.

For currency risk sensitivities, refer to Note 13 - Financial instruments: measurement and market risk sensitivities.

Interest rate risk

SOLEK's exposure to interest rate fluctuation risks through funding and cash management activities is limited. Free available cash is primarily invested into term deposits and the funding primarily consist of issued bonds and bills of exchange that bear fix interest rate. The interest rate risk management objective is to minimise borrowing costs and to keep the volatility of future interest payments within acceptable limits. Based on various scenarios, the Group manages its cash flows interest rate risk by using long-term financing at fixed rates.

For more information on the Group's financial liabilities, refer to Note 10 - Bonds and Note 11 - Loans and borrowings.

For interest-risk sensitivities refer to Note 13 - Financial instruments, market risk sensitivities.

Liquidity risk

Liquidity risk is the risk that SOLEK will not be able to meet obligations associated with financial liabilities when due. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cashflow forecasts are prepared and adequate utilised financing facilities are monitored. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining availability under committed credit facilities and other sources of funding.

The Group secured funding through issuance of Bonds and Bills of Exchange. The Group considers arranging a Credit Facility with local and foreign banks in order to have a financial cushion in case of potential short-term liquidity issues.

For information on, and the maturity of the Group's financial liabilities refer to Note 10 - Bonds and Note 11 - Loans and borrowings.

A break-down of free and restricted cash is provided in Note 14 - Cash and cash equivalents.

Credit risk

Credit risk is the risk that SOLEK's customers or counterparties will cause the Group financial loss by failing to honour their obligations. The Group is exposed to third party credit risk in several instances, including, without limitation, with respect to off-take partners who have committed to buy electricity produced.

All of the electric power generated by the Group's current portfolio of projects in operation or under construction is, or will be, sold under long-term off-take agreements with public utilities or other partners, or under Feed-in Tariff ("FiT") arrangements, Power Purchase Agreements (PPAs) or similar support mechanisms governed by law. If, for any reason, any of the counterparties to these contracts are unable or unwilling to fulfil their related contractual obligations or if they refuse to accept delivery of power delivered thereunder or if they otherwise terminate such agreements prior to the expiration thereof, the Group's assets, liabilities, business, financial condition, results of operations and cash flows could be materially and adversely affected. Similarly, there is still a risk of legislative or other political action that may impair their contractual performance.

Further, from similar reasons, credit risk may result from the contracts signed and transactions realized within the Development and Construction segment of the Group's operation.

Theoretically, the Group's maximum credit exposure for financial assets is the aggregated statement of financial position carrying amounts of receivables before provisions for bad debt, as well as cash and cash equivalents and other current assets, equalling CZK 692,9 million at 31 December 2019 (31 December 2018: CZK 509.6 million).

Refer to Note 21 - Trade receivables for information on the provision for bad debt related to trade receivables.

Note 9 Finance lease liabilities

Romanian solar plants, project Alpha and project TXI, and operation and maintenance services of the company PV Power Services S.R.L. are financed through the finance lease contracts. The analyses of finance lease liabilities is as follows:

CZK MILLION	2019
Finance lease liabilities (short-term)	15.2
Finance lease liabilities (long-term)	19.8
Total	**35.0**

CZK MILLION	2018
Finance lease liabilities (short-term)	5.6
Finance lease liabilities (long-term)	35.3
Total	**40.9**

Note 10 Bonds

The Group carried out following private placements and public issues of bonds:

SOLEK HOLDING SE - private placements of bonds

ISIN	Nominal value/pc. (CZK)	Number of pcs	Revenue p.a. (%)	Maturity
CZ0003505125	1	200,000,000	12.50	15 years (31.12.2027)
CZ0003505133	1	150,000,000	10.00	12 years (31.12.2024)
CZ0003505141	1	150,000,000	9.00	10 years (31.12.2022)
CZ0003505158	1	150,000,000	8.00	8 years (31.12.2020)
CZ0003523680	100,000	105	6.50	1 year (20.11.2020)

SOLEK CHILE HOLDING s.r.o. - private placements of bonds

ISIN	Nominal value/pc. (CZK)	Number of pcs	Revenue p.a. (%)	Maturity
CZ0003514465	100,000	500	6.50	5 years (31.12.2021)

SOLEK HOLDING SE - public issues of bonds

ISIN	Nominal value/pc. (CZK)	Number of pcs	Revenue p.a. (%)	Maturity
CZ0003516353	1,000	608,290	6.20	5 years (19.9.2022)

Bond issuer	Amount of issue (CZK)	Liabilities as at 31 Dec 2019	Liabilities as at 31 Dec 2018
SOLEK HOLDING SE - private placements	650,000,000	110,079,299	105,040,431
SOLEK CHILE HOLDING s.r.o. - private placements	50,000,000	10,300,000	10,300,000
SOLEK HOLDING SE – private placements	10,500,000	10,500,000	0
SOLEK HOLDING CHILE II s.r.o. - private placements	30,000,000	0	7,550,000
SOLEK HOLDING SE - public issue	608,290,000	290,232,000	285,468,000
Total		**421,111,299**	**408,358,431**

The bond term and conditions do not specify any covenants to comply with. For the year 2019, the bonds bore interest amounted to CZK 31,065 thousand (2018: CZK 21,057 thousand).

Note 11 Loans and borrowings, Bills of Exchange

Bank loans and borrowings can be analysed as follows:

CZK MILLION	2019	2018
Short-term debt and current maturities of long-term debt	24.7	14.7
Long-term debt	15.6	42.3
Total	**40.3**	**57.0**

As of 31 December 2019, the Group had the following loans taken:

CZK MILLION	2019	2018
Česka spořitelna, a.s. (SOLEK HOLDING SE)	0	3.9
Bank loan - UniCredit Leasing, a.s. (PV POWER CZ s.r.o.)	0	1.1
Bank loan - Sberbank CZ, a.s. (Solek I)	0	0.9
Bank loan - Sberbank CZ, a.s. (Solek II)	0	0.5
OTP Bank - Romania – projects Gamma and Tau	40.3	50.6
Total	**40.3**	**57.0**

Project Gamma

Bank loan agreement (non-revolving investment loan) concluded with OTP Bank Romania, for the initial amount of 1,685,000 EUR (balance as of 31.12.2019: 699,275 EUR).

Bank loan agreement (non-revolving investment loan) concluded with OTP Bank Romania, for the initial amount of 150,000 EUR (balance as of 31.12.2019: 79,875 EUR).

Project Tau

Bank loan agreement (non-revolving investment loan) concluded with OTP Bank Romania, for the initial amount of 1,707,000 EUR (balance as of 31.12.2019: 701,788 EUR).

Bank loan agreement (non-revolving investment loan) concluded with OTP Bank Romania, for the initial amount of 200,000 EUR (balance as of 31.12.2019: 105,200 EUR).

Bills of Exchange and other financing liabilities

Other financing liabilities can be analysed as follows:

CZK MILLION	2019	2018
Bills of Exchange	591.8	437,8
Accrued interests	15.1	0.0
Total Other financing liabilities	**606.9**	**437.8**
Current maturities of Bills of Exchange and accrued interests	-211.9	-103.1
Total Other long-term liabilities	**395.0**	**334.7**

In 2017 the Group started to issue Bills of Exchange bearing interest 5% p.a. with 3 and 5-year maturity. The total amount of unpaid Bills of Exchange amounted to CZK 591,786,892 as of 31 December 2019 (31st of December 2018: CZK 437,787,000).

Below we provide the summary of maturity of borrowings from individuals:

Maturity	31st of December 2019 (CZK)	31st of December 2018 (CZK)
2019	0	103,095,000
2020	196,780,280	54,937,000
2021	285,945,572	272,105,000
2022	103,211,040	2,300,000
2023	5,850,000	5,350,000
Total	**591,786,892**	**437,787,000**

During 2019, an interest amounting to CZK 27,138 thousand was expensed.

Note 12 Guarantees and commitments

SOLEK is often required to provide advance payment, performance and warranty guarantees in connection with construction activities, as well as bid bonds in connection with tender processes. Advance payment, performance and warranty guarantees are mainly issued in relation to construction contracts entered into with project companies where SOLEK has a controlling interest. Advance payment guarantees typically represent 15-25% of construction contract value and performance guarantees typically represents 10-15% of the construction contract value. After the power plant is completed and grid connected the performance guarantee is replaced by a warranty guarantee of typically 5-10% of the contract value and is in force for the duration of the warranty period typically two years from grid connection.

The Group has provided the following guarantees at 31st of December 2019

The capital interest of SOLEK HOLDING SE in Solek project Alpha SRL was pledged by a security for the benefit of MOTORACTIVE IFN S.A. to the extent of its claims in the total amount of EUR 625k with accessories. SOLEK HOLDING SE acts as the guarantor for the foregoing claims of SOLEK PROJECT ALPHA SRL.

The capital interest of SOLEK HOLDING SE in SOLEK PROJECT TXI A.S. was pledged by a security for the benefit of MOTORACTIVE IFN S.A. to the extent of its claims in the total amount of EUR 1,351k with accessories. SOLEK HOLDING SE acts as the guarantor for the foregoing claims of SOLEK PROJECT TXI S.A.

The capital interest of SOLEK HOLDING SE in SOLEK PROJECT GAMMA S.A. was pledged by a security for the benefit of OTP BANK ROMANIA S.A. to the extent of its claims in the total amount of EUR 1,340k with accessories and to the extent of its claims in the total amount of EUR 118k with accessories. SOLEK HOLDING SE acts as the guarantor for the foregoing claims of SOLEK PROJECT GAMMA S.A.

The capital interest of SOLEK HOLDING SE in SOLEK PROJECT TAU S.A. was pledged by a security for the benefit of OTP BA NK ROMANIA S.A to the extent of its claims in the total amount of EUR 1,388k tis. EUR with accessories and to the extent of its claims in the total amount of EUR 121k with accessories. SOLEK HOLDING SE acts as the guarantor for the foregoing claims of SOLEK PROJECT TAU S.A.

On 20 June 2016 SOLEK CHILE HOLDING, s.r.o. issued debentures for the amount of CZK 50,000k and on 5 September 2016 SOLEK HOLDING CHILE II, s.r.o. issued debentures for the amount of CZK 30,000. The position of debenture holders has been secured by the financial guaranty issued by the sole owner of the debenture issuer SOLEK HOLDING SE.

Note 13 Financial instruments, market risk sensitivities

Derivative financial instruments

Currently there are no derivative instruments in place.

Market risk sensitivities

In the following overview, a sensitivity analysis showing how profit and loss, or equity would have been affected by changes in the different types of market risk that the Group is exposed to at 31st of December 2019, is presented.

For further information related to market risks and how the Group manages these risks, see Note 8 - Financial risk management.

The sensitivities have been calculated based on what SOLEK views to be reasonably possible changes in the foreign exchange rates and interest rates for the coming year.

Currency risk

At the end of 2019 and 2018, currency risk sensitivities for financial instruments were calculated by assuming a +5/-5% change in the foreign exchange rates that the Group was mainly exposed to; a 5% change refers to a weakening of the transactional currency against the functional currency and a -5% change refers to a strengthening of the transactional currency against the functional currency.

Should the Czech crown strengthen (weaken) against transactional currencies (CLP, USD, EUR and RON) by 5% as of 31 December 2019, net assets would decrease (increase) by CZK 42 million (31 December 2018: CZK 13 million), whereas the structure of currency risk sensitivity per currencies can be analysed approximately as follows:

Currency	**Impact on net assets in millions of CZK**
USD	-29
EUR	3
CLP	-10
RON	-7
Total	**-42**

Interest rate risk

The Group has a limited exposure related to interest rate risk through liquid assets and interest-bearing financial liabilities as most of the Group's interest- bearing liabilities carry fixed rates and free available cash is deposited on current or deposit accounts. For further information refer to Note 8 - Financial risk management.

Note 14 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

CZK MILLION	2019	2018
Cash in power plant companies in operation	5.6	0.2
Cash in power plant companies under development / construction	8.9	0.6
Other restricted cash	5.6	13.2
Free cash	40.2	401.3
Total cash and cash equivalents	**60.3**	**415.3**

Note 15 Property, plant and equipment

The Group operates solar power plants in Romania (8.6 MW).

The power plant entities' assets in Romania, including solar power plants, are pledged as security for OTP Bank and GE Garanti Bank.

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of a decommissioning obligation, if any, and, for qualifying assets, borrowing costs incurred in the construction period. Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately on a straight-line basis over the estimated useful life of the component. Maintenance expenses are recognised in the statement of profit or loss as incurred. Replacement of damaged components is accounted for as an impairment of the replaced components with capitalization of the replacement cost as a new item of PPE.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is de-recognised.

General and specific borrowing costs directly attributable to the acquisition or construction of solar power plant are capitalised within property plant and equipment. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use are undertaken and continue to be capitalised until the date in which development of the relevant asset is complete. All other borrowing costs are recognised in the profit or loss in the period in which they incur.

Depreciation of a solar power plant commences when the plant is ready for management's intended use, normally at the date of grid connection and commissioning. The residual value of the plant is taken into consideration when calculating the annual depreciation.

Estimated useful life of solar power plants and Impairments

See Note 5 Going concern and key sources of estimation uncertainty, judgements and assumptions for further comments on determining the useful life of a plant and impairments.

Below is the analyses of property, plant and equipment as of 31st December 2019 and 2018:

CZK MILION	SOLAR POWERPLANTS	MACHINERY, EQUIPMENT, OTHER	TOTAL
Accumulated cost at 1st of January 2019	260,25	18,14	278,39
Additions	0,65	14,74	15,39
Additions from acquisitions	0,00	0,33	0,33
Cost of disposed assets	-5,181	-8,19	-13,37
Accumulated cost at 31st of December 2019	**255,72**	**25,02**	**280,74**
Accumulated depreciation and impairment losses at 1st of January 2019	-105,85	-1,21	-107,06
Depreciation for the year	-20,55	-3,97	-24,52
Accumulated depreciation and impairment losses - disposed assets	2,17	0,53	2,70
Accumulated depreciation and impairment losses at 31st of December 2019	**-124,23**	**-4,72**	**-128,88**
FX rate translation effect			-4,39
Carrying amount at 31st of December 2019	**131,49**	**20,31**	**147,47**
Accumulated cost at 1st of January 2018	265,33	9,41	274,74
Additions	0,08	8,37	8,45
Additions from acquisitions		4,25	4,25
Cost of disposed assets	-5,17	-3,89	-9,06
Accumulated cost at 31st of December 2018	**260,25**	**18,14**	**278,39**
Accumulated depreciation and impairment losses at 1st of January 2018	-87,75	-2,13	-89,88
Depreciation for the year	-20,16	-0,87	-21,03
Additions from acquisitions		-0,24	-0,24
Accumulated depreciation and impairment losses - disposed assets	2,06	2,02	4,09
Accumulated depreciation and impairment losses at 31st of December 2018	**-105,85**	**-1,21**	**-107,06**
Carrying amount at 31st of December 2018	**154,4**	**16,94**	**171,33**

Note 16 Leases

Lease arrangements in which the Group is a lessee

Leases for which the Group assumes substantially all the risks and rewards of ownership are reflected as finance leases within property, plant and equipment and financial liabilities, respectively. All other leases are classified as operating leases and the costs are charged to the statement of profit or loss on a straight-line basis over the lease term, unless another basis is more representative of the benefits of the lease to the Group.

Finance lease assets and liabilities are reflected at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease. The finance lease assets are subsequently reduced by accumulated depreciation and impairment losses, if any. The assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases for which most of the risk and return associated with the ownership of the asset have not been transferred to the Group are classified as operating leases. During the contract period, lease payments are classified as operating costs and are recognised in the statement of comprehensive income in a straight-line.

Vast majority of lease contracts representing the leases of land in connection with solar plant project development and construction are considered to be leases of low-value assets and the total effects on the financial statements for 2019 would have been limited with no material impact on profit/loss.

Lease arrangements in which the Group is a lessor

SOLEK has not entered into arrangements in which the Group is a lessor.

Note 17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Projects (Solar plants) under development

Expenses relating to research activities (project opportunities) are recognised in the statement of profit or loss as they incur. Expenses relating to development activities (project pipeline and backlog) are capitalised to the extent that the project is technically and commercially viable and the Group has sufficient resources to complete the development work.

Expenses that are capitalised include the costs of materials, direct wage costs and other directly attributable expenses. Capitalised development costs are presented as part of Property, plant and equipment to the extent that the Group has the intention to complete the development and construction as well as operating the solar power plant. In the case where the Group's intention is to sell the solar power plant, capitalised development costs are presented as part of Inventory – Projects developed/in progress.

Historically, the Group developed solar plants in Chile primarily for sale (Development & Construction) and not for consequent power production, however the Group decided to change the strategy to keep the significant part of project portfolio under its ownership recently.

Taking into account the above, the Group classifies the developed projects as assets under IAS 2 Inventories and values them based on this standard.

Inventories are broken down as follows:

CZK MILLION	SOLAR POWER PLANTS CONSTRUCTED OR UNDER DEVELOPMENT AND CONSTRUCTION	SPARE PARTS AND OTHER MATERIAL	TOTAL
2019	111.91	10.01	121.92
2018	139.91	4.77	144.68

The carrying value of projects under development was CZK 111,9 million at 31st December 2019 (31 December 2018: 78,9 million).

Note 18 Goodwill and other intangible assets with infinite useful life

The Group tests goodwill and other intangible assets with infinite useful life annually or more frequently if there are impairment indicators. As of 31st December 2019, and 2018, the Group had no other intangible assets with infinite useful life. Property, plant and equipment and other intangible assets with finite useful life are tested if there are indicators that assets may be impaired.

Goodwill

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Acquisition of ENERGY HOLDING S.A.

On 26th June 2019, the shareholder of the Parent agreed to make a monetary contribution to the Parent's equity in the amount of CZK 500,000 thousand. On the same date the shareholder sold to the Parent his share in the company ENERGY HOLDING S.A. for the purchase price of CZK 897,482 thousand. The purchase price was set based on the valuation of the independent valuer. As the value of net assets at the date of acquisition was CZK 57,254 thousand, the resulting goodwill in the amount of CZK 840,227 thousand was recognised.

The resulting payable to the shareholder from the transaction was partially (in the amount of CZK 500,000 thousand) offset against the receivable from the contribution to the equity and other receivables due to the shareholder. As of 31st December 2019, the amount of CZK 366,309 thousand remains unpaid and is shown as a liability to the shareholder. The respective amendment to the agreement to offset mutual receivables specifies that the liability is to be settled by 31.12.2021, provided that the payment of the liability will not threaten the Group as a going concern.

Note 19 Provisions and contingent assets and liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance expenses in the consolidated statement of profit or loss.

A provision for a guarantee is recognised when the underlying products or services are sold. The provision is based on historical information on guarantees and a weighting of possible outcomes according to the likelihood of their occurrence. The management of the Group is of the opinion that provision in the amount of CZK 6,1 million is adequate to the circumstances of the Group's products and services deliveries until the end of 2019.

Provision for asset retirement costs is recognized when the Group has a legal or constructive obligation to dismantle and remove a solar power plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The provisions are estimated per plant based on specific characteristics of each plant also in addition to applicable macroeconomic conditions. When a liability for asset retirement costs is recognized, a corresponding amount is recorded to increase the related property, plant and equipment. This is subsequently depreciated as part of the cost of the plant. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment. The management of the Group is of the opinion that such a provision is not relevant for SOLEK.

Contingent liabilities arising from past events and for which it is not probable that an outflow of resources will be required to settle the obligation, if any, are not recognised but disclosed with indication of uncertainties relating to amounts and timing involved. Disclosures are not given if the possibility of an outflow in settlement is remote.

Contingent assets arising from past events that will only be confirmed by future uncertain events and are not wholly within the Group's control, are not recognised, but are disclosed when an inflow of economic benefits is probable.

CZK MILLION	2019	2018
Warranty provisions	6.1	1.2
Other (audit, vacation)	2.4	1.7
Total Provisions	**8.5**	**2.9**

Note 20 Taxes

Income tax

Income tax expense comprises current tax and change in deferred tax.

Current income tax

Current income tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. Uncertain tax positions and potential tax exposures are analysed individually and, the best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and virtually certain amount for assets to be received (disputed tax positions for which payment has already been made), are recognised within current tax or deferred tax as appropriate. Interest income and interest expenses relating to tax issues, if any, are estimated and recorded in the period in which they are earned or incurred and, are presented in net financial expenses in the statement of profit or loss.

Deferred tax

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the consolidated statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In order for a deferred tax asset to be recognised based on future taxable profits, convincing evidence is required.

For further information refer to Note 5 Key sources of estimation uncertainty, judgements and assumptions.

Current and deferred tax for the period

Current and deferred tax are recognised as expense or income in the consolidated statement of profit or loss, except where they relate to items recognised in other comprehensive income or directly to equity, in which case the tax is also recognised as other comprehensive income or directly to equity.

Note 21 Trade receivables

CZK MILLION	2019	2018
PoC* based receivables	436.8	0
Invoiced receivables	124.3	6.2
TOTAL Trade receivables	**561.1**	**6.2**

* PoC = Percentage of Completion

Invoiced (trade) receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

PoC based receivable represents the value of 2 solar plant projects of total capacity 21 MWp at the very advanced stage of completion.

Information on credit risk and foreign exchange risk regarding accounts receivables is further provided in Note 8 - Financial risk management.

The collection risk is considered low even though payment regularly occurs after due date.

The management of the Group is of the opinion that potential impairment to trade receivables as of 31st December 2019 is immaterial, no provision has been recognised.

Note 22 Trade payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

CZK MILLION	2019	2018
Trade payables	43.2	34.4

Trade payables mainly consist of construction related supplier credits. Consequently, the actual year-end balance is affected by the activity level in the Development & Construction segment.

Note 23 Other non-current and current assets

Other non-current assets comprise the following:

CZK MILLION	2019	2018
Other intangible fixed assets	3.9	2.0
Other non-current assets	6.2	0.1
Total	**10.1**	2.1

Other current financial assets:

CZK MILLION	2019	2018
Other current financial assets	7.7	19.5

Other current financial assets include mainly the guarantee payments deposited in connection with the development and construction of solar power plant projects in Chile.

Other current assets:

CZK MILLION	2019	2018
Other current assets	49.6	15.9

Other current assets represent mainly VAT and similar tax related assets unsettled at year-end of the respective year.

Note 24 Other non-current and current liabilities

Other non-current liabilities comprise the following:

CZK MILLION	2019	2018
Bills of Exchange (Note 11)	395.0	334.7
Finance lease liabilities (Romania – projects Alpha, TXI and PV Power Services)	19.8	35.3
Total	**414.8**	370.0

Finance lease liabilities represent:

- Lease Contract concluded on 17.12.2013 with Motoractive IFN SA (supplier) for financing of the project Alpha in Romania
- Leasing agreement concluded on 07.02.2014 with Motoractive IFN SA and addendum concluded on 20.02.2017 regarding financing the acquisition of fixed assets in the project TXI in Romania.

Other current liabilities comprise the following:

CZK MILLION	2019	2018
Current tax liabilities	2.0	1.3
Other current liabilities	222.2	108.0
Finance lease liabilities (current maturities)	15.2	5.6
Total	**239.3**	114.9

Other current liabilities represent mainly current maturities of Bills of Exchange (refer to Note 11) and accrued interests.

Note 25 Other operating expenses

CZK MILLION	2019	2018
Other operating expenses	79.3	26.5

Other operating expenses for the years ended 31stDecember 2019 and 31st December 2018 comprise predominantly exchange rate differences. In addition, the other operation expenses for the year 2019 include book value of fixed asset sold (CZK 7,5 million).

Remuneration to the auditors:

CZK MILLION	2019	2018
Group audit services	1.0	1.3
Audit related, assurance and other services	0.3	1.2
Total Remuneration to the auditors	**1.3**	**2.5**

Note 26 Financial income and expenses

Financial income and expenses for the years ended 31 December 2019 and 2018 comprise:

CZK MILLION	2019	2018
Interest income	-4.2	-0.7
Interest expenses	63.5	31.6
Other financial income (expenses), net	2.3	0.4
Total financial expenses - net	**61.6**	**31.3**

Note 27 Share capital, shareholder information and dividend

Shareholders as at 31.12.2019:

Zdeněk Sobotka – 99%

Pavel Kocián – 1%

The total number of outstanding shares is 100,000 at par value CZK 31.76 per share as of 31st December 2019.

All shares rank in parity with one another and carry one vote per share.

Dividend

No dividends were declared or paid during 2019 and 2018.

Note 28 Employee benefits

Long term incentive programs

No severance package agreements have been established with management.

Pensions schemes

No pension plans have been established in the Group.

Note 29 Transactions with related parties

All related party transactions have been carried out as part of the normal course of business and at arm's length.

Note 30 Government grants

Government grants are recognised when it is reasonably certain that the company will meet the conditions stipulated for the grants and that the grants will be received. Grants are recognised systematically during the grant period. Grants are deducted from the cost which the grant is meant to cover. Grants are recognised either as cost reduction or as a deduction of the asset's carrying amount. Grants received for projects being capitalised are recognised systematically over the asset's useful life. As of 31st December 2019 and 2018, the Group was provided with no government grants (other than green power certificates in Romania).

Note 31 Statement of cash flows

The statement of cash flows is prepared under the indirect method.

Note 32 Subsequent events

Coronavirus desease (COVID-19)

SOLEK is closely monitoring developments and is following the respective national authorities' advise and recommendations regarding COVID-19. The Group is continuously assessing any potential implications the outbreak might have for personnel and assets and is taking adequate precautionary measures at all locations to limit the spread of the virus, keep people safe, and ensure continued safe development of the projects and operations of the power plants.

SOLEK has to date not experienced serious impact of COVID-19 on development and operating assets or on delivery of power to customers.

The risk of such impact is assessed to be low as power supply is generally defined as critical infrastructure in all countries where SOLEK operates and also as the projects are developed in areas and locations with generally low population density.

Travel constraints and local regulations exist, nevertheless they have not significantly impacted construction, commissioning and testing of new solar plants.

In any case, SOLEK focuses on sustaining reasonable progress to keep sufficiently strong financial capacity to be well prepared in a rapidly changing environment. The Group continues to monitor the situation closely and will continuously implement any further measures required to maintain the health and safety of people and continued stable operations.

7th of August, 2020

Zdeněk Sobotka
Chairman of the Board of Directors

Independent Auditor's Report

to the shareholders of
SOLEK HOLDING SE
Voctářova 2449/5, Libeň, 180 00 Praha 8
Reg.No.: 292 02 701

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of SOLEK HOLDING SE and its subsidiaries (hereinafter also "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 January 2019 to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes ("the consolidated financial statements"). The basic disclosures about SOLEK HOLDING SE are presented in Note 1 of the notes to the financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of SOLEK HOLDING SE as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the period from 1 January 2019 to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and Supervisory Board for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Prague, on 7th of August, 2020

Rödl & Partner Audit, s.r.o.
Platnéřská 2, 110 00 Praha 1
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represented by the managing director

Andreas Höfinghoff

Ing. Ivan Brož, registered auditor, license number 2077

Rödl & Partner Audit, s.r.o. • Oprávnění č. 354 • člen Komory auditorů ČR