SOLEK

Annual Report 2018

of

SOLEK HOLDING SE

Obchodní jméno: SOLEK HOLDING SE
Právní forma: Evropská společnost • Sídlo: Voctářova 2449/5, 180 00, Praha 8
IČ: 292 02 701 • Spisová značka: H 218 vedená u Městského soudu v Praze

Foreword

Dear shareholders and business partners,

allow me to present the Annual Report of SOLEK HOLDING SE for 2018. I would also like to point out that Solek Holding SE has been part of the Solek Group since 2018. The Group's consolidated financial statements as of 31 December 2018 were prepared and published in accordance with IFRS methodology.

In 2018, we sold the Parque Solar Amparo Del Sol photovoltaic power plant project in Chile with a total installed peak power of 2.99 MWp.

To date, SOLEK HOLDING SE owns subsidiaries producing energy from renewable sources with a total capacity of 11,580 kWp.

Portfolio of subsidiaries producing green electricity

Company name	Country	Nom. power (kWp)	Year commissioned
SOLEK I s.r.o.	Czech Republic	29	2010
SOLEK II s.r.o.	Czech Republic	15	2010
SOLEK IV s.r.o.	Czech Republic	16	2010
Solek Project Alpha	Romania	1,231	2012
Solek Project TXI	Romania	2,350	2013
Solek Project GAMMA	Romania	2,500	2013
Solek Project TAU	Romania	2,449	2013
Parque Solar Santa Laura	Chile	2,990	2018

The company's main task in the coming period remains not only traditional investments in the construction of new photovoltaic power plant projects on target markets, but also diversification of the entire Solek Group's business activities. In addition to photovoltaic projects, we see exciting potential in other related segments, in particular:

- the provision of turnkey EPC services to customers outside the Group
- a future focus on other renewable technologies

In terms of territorial orientation, aside from Chile, which is our strategic market in the near future, we would also like to focus on other regions in Latin America, especially Colombia. Another promising market at the moment is Cyprus, where we are currently directing significant capacities.

Comments on financial results

The Group made significant progress in its development activities in Chile in 2018, with the allocation of resources to this target destination.

Due to the preparation of construction work on projects, it was necessary to increase local capacities, especially in the area of personnel and material.

These costs could not be allocated to specific projects at the moment, and for this reason they are captured in the financial results for 2018.

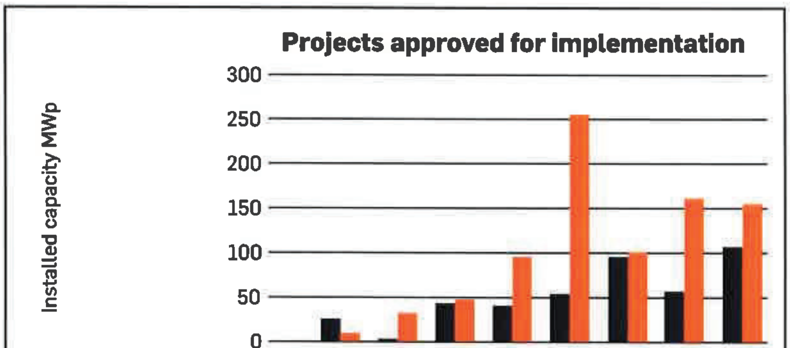
At the time of compiling these consolidated statements, 6 projects with a total capacity of 41 MWp were in the construction phase, with estimated completion and sale at the turn of 2019/2020. In addition, we anticipate the sale of the Santa Laura energy-producing solar park with a capacity of 3 MWp, which is currently in our portfolio. This sale will take place by the end of 2019.

During the compilation of these consolidated statements, the Solek Group successfully concluded a new ten-year purchase agreement (PPA) with EON Romania, a leading player on the Romanian energy market. The total transaction value is estimated at approx. EUR 19 million. The subject of the contract is the purchase of electricity produced from renewable sources at four PV parks owned and operated by the Solek Group in Romania. These parks have a total installed capacity of 8.5 MW and were built with modern technology in 2012-2013 in an area with the highest solar radiation in the south of Romania and easy access from Bucharest. These projects are also being refinanced by a more advantageous bank loan obtained under a new contract.

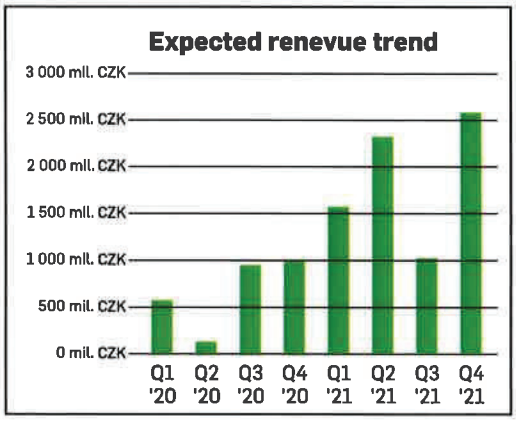
In September 2019, the Villa Seca solar park with a capacity of 3 MWp was sold to an important partner. This park is a pilot project for a total planned portfolio of 77 MWp in 2020.

The structure of liabilities changed in 2019 in the form of a monetary contribution outside registered capital in the amount of CZK 500 million.

In 2020 and 2021, the Group expects to build and sell a portfolio of solar power plants in Chile with a total capacity of 250 MWp, which corresponds to the current state of projects underway and available capacity. Sales will be realised to partners whose demand significantly exceeds the Group's set goals at this time.



	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
■ Approved projects to start implementation	24 MW	3 MW	41 MW	39 MW	52 MW	95 MW	60 MW	110 MW
■ Newly prepared projects for implementation	14 MW	30 MW	48 MW	92 MW	256 MW	102 MW	167 MW	157 MW



Prague,
5th of October 2019

Zdeněk Sobotka
Member of the Board of Directors

SOLEK

Consolidated financial statements

of

SOLEK HOLDING SE

as of

31 December, 2018

Prepared on 30 December, 2019

Zdeněk Sobotka
Member of the Board of Directors

Content

SOLEK

Consolidated Statement of Comprehensive Income for the period ended 31 December, 2018

in CZK thousand	note	as at 31 December 2018	2017
Sales from projects sold and development activities	7	73 435	47 122
Revenues from electricity sales	7	35 882	36 689
Other revenues	7	25 076	36 380
Cost of sales	7	-100 743	-103 320
Gross profit		**33 650**	**16 871**
General & administrative expenses		-19 293	-22 425
Personnel expenses		-19 136	-2 782
Depreciation		-34 479	-22 591
Other operating income		10 831	14 931
Other operating expenses	25	-26 523	-16 646
Operating profit		**-54 949**	**-32 642**
Interest income	26	659	305
Interest expenses	26	-31 623	-26 648
Other financial income (expenses), net		-352	-4 063
Profit before income tax		**-86 265**	**-63 047**
Income tax expenses		-1 150	-18
Profit for the year from continuing operations		**-87 415**	**-63 065**
Profit for the year		**-87 415**	**-63 065**
Currency translation differences		4 207	-3 801
Other comprehensive income/loss		**4 207**	**-3 801**
Total comprehensive income for the period		**-83 208**	**-66 866**
Attributable to:			
Owners of the parent		-83 208	-66 866
Non-controlling interests		0	0

30 December, 2019

Zdeněk Sobotka
Member of the Board of Directors

Consolidated Statement of Financial Position as at 31 December, 2018

in CZK thousand	note	as at 31 December 2018	2017
Assets			
Cash and cash equivalents	7, 14	415 330	77 268
Trade and other receivables	7, 21	6 192	48 767
Other current financial assets		19 455	1 066
Projects developed/in progress	7, 17	139 902	112 926
Inventories	7, 17	4 772	0
Receivables from related parties	29	52 694	5 286
Other current assets	21	15 915	25 490
Total current assets		**654 259**	**270 804**
Property, plant and equipment	7, 15	171 338	177 279
Other intangible fixed assets	23	2 035	6 351
Deferred tax assets	5, 20	0	0
Other assets	23	71	192
Total non-current assets		**173 444**	**183 822**
Total assets		**827 703**	**454 626**

30 December, 2019

Zdeněk Sobotka
Member of the Board of Directors

Consolidated Statement of Financial Position as at 31 December, 2018

in CZK thousand	note	as at 31 December 2018	2017
Liabilities and equity			
Short-term debt and current maturities of long-term debt	11	14 679	73 162
Trade payables	22	34 374	59 087
Liabilities from related parties	29	189	18 506
Bonds	10	7 550	0
Current tax liabilities	24	1 258	538
Other current liabilities	24	107 996	52 314
Finance lease liabilities	9, 16, 24	5 625	5 196
Total current liabilities		**171 673**	**208 803**
Long-term debt	11	42 343	57 521
Provisions	19	2 937	500
Deferred tax liabilities	20	0	0
Bonds	10	400 808	188 779
Other liabilities	11, 24	334 692	35 591
Finance lease liabilities	9, 16, 24	35 278	40 252
Total non-current liabilities		**816 058**	**322 643**
Total liabilities		**987 731**	**531 446**
Equity			
Issued capital, no par value	27	3 176	3 176
Paid - in capital		4 597	4 597
Profit/Loss for the period		-87 415	-63 065
Retained earnings		-79 416	-16 351
Other components of equity		0	0
Translation reserve		-969	-5 177
Total equity attributable to owners of the parent		**-160 028**	**-76 820**
Non-controlling interests		**0**	**0**
Total equity		**-160 028**	**-76 820**
Total equity and liabilities		**827 703**	**454 626**

30 December, 2019

Zdeněk Sobotka
Member of the Board of Directors

Consolidated Statement of Changes in Equity as at 31 December, 2018

in CZK thousand	Attributable to owners of the parent						Non-controlling interest	Total equity
	Issued capital	Paid-in capital	Revaluation reserve	Currency translation reserve	Retained earnings	Total		
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**

30 December, 2019

Zdeněk Sobotka
Member of the Board of Directors

Consolidated Statement of Cash Flows
for the period ended 31 December, 2018

in CZK thousand	as at 31 December 2018
Cash flows from operating activities	
Net income	**-87 415**
Income taxes	1 150
Adjustments to reconcile net income to cash flows from operating activities - continuing operations	
Amortization, depreciation and impairments	34 479
Net finance costs (interests)	39 684
(-Gain) / +Loss on disposal of PP&E and intangible assets	-124
Change in provisions	2 437
Other non-cash income and expenses	3 931
(-Increase) / Decrease in projects developed/in progress	-2 082
(-Increase) / Decrease in inventories	-5
(-Increase) / Decrease in trade and other receivables	60 082
Increase / (-Decrease) in trade and other payables	21 369
Change in net working capital	79 363
Cash flows from operating activities - continuing operations	**73 504**
Income tax paid	-430
Net cash flow from operating activities - continuing operations	**73 074**
Cash flows from investing activities	
Acquisition of PP&E and intangible assets	-10 998
Proceeds from sale of PP&E and intangible assets	3 250
Net cash flow from investing activities	**-7 748**
Cash flows from financing activities	
(-Increase) / decrease in receivables from loans to related parties	-47 408
Increase / (-Decrease) in bank loans	-77 661
Increase / (-Decrease) in finance lease liabilities	-4 545
Increase / (-Decrease) in liabilities to related part es	-79 700
Increase / (-Decrease) in liabilities - bonds	518 680
Net interests paid (incl. interests capitalised)	-39 684
Proceeds from capital increase	0
Dividends paid	0
Net cash flow from financing activities	**269 682**
Effects on currency translation on cash and cash equivalents	-512
Net increase in cash and cash equivalents	**334 496**
Cash acquired in a business combination	3 565
Cash and cash equivalents at the beginning of the period	**77 268**
Cash and cash equivalents at the and of the period	**415 330**

30 December, 2019

Zdeněk Sobotka
Member of the Board of Directors

Notes to the Financial Statements for the period ended 31 December, 2018

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 31 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.

The following subsidiaries are included in the consolidated financial statements as of 31 December 2017:

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.

UK subsidiary
Green Power Finance Limited

Chilean subsidiaries
SOLEK Chile Holding SPA
SOLEK Santa Laura SPA
Parque Solar Amaro del Sol 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.

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

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

Note 2 Basis of preparation

The consolidated financial statements for the financial year ending on December 31, 2018, 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, 2018, 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.

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, 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.

Foreign currencies
The Group's consolidated financial statements are presented in CZK, which is also the parent Company's functional currency. 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, the 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.

Entities can choose to apply the interpretation retrospectively for each period presented, prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or prospectively from the beginning of a prior reporting period presented as comparative information.
This interpretation has not resulted in any significant impact on the financial statements of the Group.

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 87,415 thousand during the year ended December 31, 2018 and, as of the date, the Group's total liabilities exceeded its total assets by CZK 160,028 thousand.

The funds that the SOLEK 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 in-flow of cash flow that is to be generated by successful development of projects and their sale. In addition, it may be possible that some external financing will be required to supplement operating cash flow. As of the date of the preparation of this consolidated financial statements, the SOLEK Group is realising and completing the first projects in Chile. Their successful completion, sale and settlement are absolutely vital for further financing of the development of other projects and for the Group's ability to perpetually settle its liabilities when they are due. However, the Group's activities are subject to a number of risk factors that are often beyond its control – in particular, these include political changes, macroeconomic fluctuations, technical and technological changes and challenges, any operational responses and others.

The Group's management prepared future cash flow forecasts on a weekly basis for the next 12 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. These funds that are reflected in these forecasts amount to about USD 160 million, i.e. the cash flow that are to be generated by the Group in connection with the gradually completed stages of each project and gradually completed milestones set for the payments to be made during 2020.

This amount also reflects the current knowledge about the level of expenses that is to be incurred on each project and the Group's management believes that the Group will be able to complete and realize the projects in compliance with the planned budgets.

The Group's management assessed the given circumstances and cash flow development 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.

In addition, please see Note 32 Subsequent Events. Following the subsequent event mentioned below, SOLEK HOLDING SE reports its liability to the shareholder of CZK 387,459 thousand. This liability is shown as of the date of the preparation of this consolidated financial statements and it is to be settled by 31.12.2021, provided that the payment of the liability will not threaten the Group 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 and not for consequent operating power production. Vast majority of costs of the Group are incurred directly or indirectly in connection with the development of the projects in Chile. As such, they are capitalized and recognized at the specific position Projects developed/in progress. In most cases, the project is 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. Eventually, the Group would keep the project temporarily in its portfolio and operate power production until suitable conditions for sale are found.

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

These assets are tested for impairment to the extent that indicators of impairment exist. Factors which trigger impairment testing include but is not limited to political changes, macroeconomic fluctuations, changes to the Group's strategy, project delays, spending beyond budget, the power plant underperforming 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 use 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.

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:

- Czech Republic: 20 years
- 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 31 December 2018, the Group has in total tax losses carried forward exceeding CZK 155 million (translated to CZK at year-end 2018 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 is in the vast majority connected with the future performance in Chile, the management decided not to recognise deferred tax assets as at 31 December 2018 at all. All the amounts of deferred tax liabilities were offset against unrecognized deferred tax asset and, as a consequence, reported deferred tax of the Group as at 31 December 2018 is zero. The same approach was applied as at 31 December 2017.

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 1 January 2018. 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 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 15 assessment: The Group has completed the assessment and full impact of IFRS 15 and has adopted this standard in the accounting period beginning January 1, 2018. 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.

IFRS 15 transition: 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. The IFRS 15 adoption has no quantitative impact in the Group's financial statements and therefore there is no impact on the accumulated deficit balance.

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 2017 and 2018 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 1 January 2018 and have not resulted in any significant impact on the financial statements of the Group.

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued. The adoption of these standards and interpretations are not expected to have material effect on the consolidated financial statements.

IFRS 16 Leases

In January 2016 the IASB issued IFRS 16 Leases. The standard is effective from 1 January 2019.

At the commencement date of a lease, a lessee will recognise 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). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure 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 will generally recognise 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 has made an analysis based on the contracts in place in 2018. The new standard is expected to mainly impact 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 the total effects on the financial statements for 2018 would have been limited with no material impact on profit/loss.

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

There are no other IFRS or interpretations that are not yet effective and that would be expected to have a material impact on the Group.

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 accounted for 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 2018 (2017: 3 MW).

Projects under construction currently stands at 40 MW per reporting date. The backlog of projects under PMGD programme with secured offtake of future power production is currently at 230 MW, while the project pipeline consists of several projects with a combined capacity of 3 to 10 MWp.

SOLEK periodically revise 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.

The group has no ongoing external construction contracts as of 31 December 2018 (2017: nil).

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 as well as a potential performance bonus. 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 2018 and 2017 are presented below:

2018 in CZK thousand	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**

2017 in CZK thousand	Czech Republic	UK	Chile	Romania	Total
Assets					
Cash and cash equivalents	9.4	0.4	54.9	12.5	**77.3**
Trade receivables	18.5	0.0	28.4	1.9	**48.8**
Projects developed/in progress					
Inventories	0.0	0.0	112.9	0.0	**112.9**
Property, plant and equipment	13.0	0.0	0.0	164.3	**177.3**
Other assets	9.0	0.0	22	7.4	**38.4**
Total Assets	**49.9**	**0.4**	**218.2**	**186.1**	**454.6**
Liabilities					
Trade payables	7.8	1.3	45.8	4.2	**59.1**
Bonds	188.8	0.0	0.0	0.0	**188.8**
Bills of Exchange	70	0.0	17.9	0.0	**87.9**
Finance lease liabilities	0.0	0.0	0.0	45.4	**45.4**
Financial debt	7.8	0	81.4	60	**149.2**
Other liabilities	0.5	0	0.5	0	**1**
Total Liabilities	**274.9**	**1.3**	**145.6**	**-109.6**	**531.4**
Net assets	**-225.0**	**-0.9**	**72.6**	**76.5**	**-76.8**

2018 in CZK thousand	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**

2017 in CZK thousand	Czech Republic	UK	Chile	Romania	Total
P&L Account					
Sales from projects sold and development activities	0.0	0.0	47.6	-0.5	**47.1**
Revenues from electricity sales	0.8	0.0	0.0	35.9	**36.7**
Other revenues (incl. O&M)	36.4	0.0	0.0	0.0	**36.4**
Cost of sales	-24.4	0.0	-72.2	-6.7	**-103.3**
Gross profit	**12.8**	**0.0**	**-24.6**	**28.7**	**16.9**

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, with primary focus on CZK cash flow. 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 power purchasing agreements being USD based, USD indexed, or inflation adjusted in local currency. 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.

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, our assets, liabilities, business, financial condition, results of operations and cash flows could be materially and adversely affected. However, there is still a risk of legislative or other political action that may impair their contractual performance.

Similarly, 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, equalling CZK 509.6 million at 31 December 2018 (31 December 2017: 157.9).

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, are financed through the finance lease contracts. The analyses of finance lease liabilities is as follows:

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

CZK MILLION	2017
Finance lease liabilities (short-term)	5.2
Finance lease liabilities (long-term)	40.3
Total	**45.5**

Note 10 Bonds and Bills of Exchange

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)

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 CHILE II s.r.o. - private placements of bonds

ISIN	Nominal value/pc. (CZK)	Number of pcs	Revenue p.a. (%)	Maturity
CZ0003514960	50,000	600	5.50	3 years (31.12.2019)
This bonds were fully paid off in 2019.				

SOLEK HOLDING SE - public issues of bonds

ISIN	Nominal value/pc. (CZK)	Number of pcs	Revenue p.a. (%)	Maturity
CZ0003516353	1,000	500,000	6.20	5 years (31.12.2022)
It´s optionally possible to increase the issue up to 1 000 000 pcs. of bonds				
Public offer was terminated on 1.2.2019.				

Bond issuer	Amount of issue (CZK)	Liabilities as at 31 Dec 2018	Liabilities as at 31 Dec 2017
SOLEK HOLDING SE - private placements	650,000,000	105,040,431	115,948,956
SOLEK CHILE HOLDING s.r.o. - private placements	50,000,000	10,300,000	10,000,000
SOLEK HOLDING CHILE II s.r.o. - private placements	30,000,000	7,550,000	7,550,000
SOLEK HOLDING SE - public issue	500,000,000	285,468,000	55,480,000
		408,358,431	**188,978,956**

The bond term and conditions do not specify any covenants to comply with. For the year 2018, the bonds bore interest amounting to CZK 21,057 thousand (2017: CZK 17,378 thousand).

Note 11 Loans and borrowings, other long-term liabilities

Bank loans and borrowings can be analysed as follows:

CZK MILLION	2018	2017
Short-term debt and current maturities of long-term debt	14.7	73.2
Long-term debt	42.3	57.5
Total cash and cash equivalents	**57.0**	**130.7**

As of 31 December 2018, the Group had the following loans taken:

CZK MILLION	2018	2017
Česka spořitelna, a.s. (SOLEK HOLDING SE)	3.9	4.7
Bank loan - UniCredit Leasing, a.s. (PV POWER CZ s.r.o.)	1.1	1.5
Bank loan - Sberbank CZ, a.s. (Solek I)	0.9	1.1
Bank loan - Sberbank CZ, a.s. (Solek II)	0.5	0.6
OTP Bank - Romania – projects Gamma and Tau	50.6	60.0
Banco Security (Project Santa Laura)	0	10.2
Banco Security (Project Amparo del Sol)	0	10.2
Loan from investor (Project Amparo del Sol)	0	42.4
Total	**57.0**	**130.7**

Project Gamma

Bank loan agreement (investment loan non revolving) concluded with OTP Bank Romania, for the initial amount of 1,685,000 EUR (balance as of 31.12.2018: 867,775 EUR).

Bank loan agreement (investment loan non revolving) concluded with OTP Bank Romania, for the initial amount of 150,000 EUR (balance as of 31.12.2018: 98,250 EUR).

Project Tau

Bank loan agreement (investment loan non revolving) concluded with OTP Bank Romania, for the initial amount of 1,707,000 EUR (balance as of 31.12.2018: 870,866 EUR).

Bank loan agreement (investment loan non revolving) concluded with OTP Bank Romania, for the initial amount of 200,000 EUR (balance as of 31.12.2018: 129,800 EUR).

Other long-term liabilities

Other financing liabilities can be analysed as follows:

CZK MILLION	2018	2017
Bills of Exchange	437.8	36.1
Borrowings from individuals	0.0	33.5
Other borrowings	0.0	17.3
Total Other financing liabilities	**437.8**	**86.9**
Current maturities of other financing liabilities	-103.1	-51.3
Total Other long-term liabilities	**334.7**	**35.6**

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 CZK 437,787,000 as of 31 December 2018 (31 December 2017: CZK 36,091,000).

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

Maturity	31December 2018 /CZK/	31December 2017 /CZK/
2018	-	33,983,007
2019	103,095,000	2,000,000
2020	54,937,000	33,591,480
2021	272,105,000	-
2022	2,300,000	-
2023	5,350,000	-
Total	**437,787,000**	**69,574,487**

As of 31 December 2017, the Group had liabilities in total amount of CZK 33,5 million representing the borrowings from individuals. The borrowings were fully repaid in 2018.

During 2018, an interest amounting to CZK 10,664 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 31 December 2018

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 BANK 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 31 December 2018, 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 2018 and 2017, 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 functional currency (CZK) strengthen against functional currencies (CLP, RON, USD and EUR) by 5% as of 31 December 2018, equity would decrease by CZK 12,608,000 (31 December 2017: CZK 7,493,000).

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	2018	2017
Cash in power plant companies in operation	0.2	0.2
Cash in power plant companies under development / construction	0.6	11.3
Other restricted cash	13.2	12.6
Free cash	401.3	53.1
Total cash and cash equivalents	**415.3**	**77.3**

Note 15 Property, plant and equipment

The Group operates solar power plants in Europe – the Czech Republic (0.06 MW), Romania (8.6 MW) and Chile (3.0 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

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.

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

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.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively.

Impairments

At each reporting date, the Group evaluates if there are indicators that property, plant and equipment may be impaired. If indicators exist, the recoverable amount of assets or cash generating units is estimated and compared with the carrying amount. The recoverable amount is the higher of the fair value less cost to sell and value in use.

SOLEK has made significant investments in projects under development/construction and operating solar power plants. These assets are tested for impairment to the extent that indicators of impairment exist. Factors which trigger impairment testing include but is not limited to political changes, macroeconomic fluctuations, changes to the Group's strategy, project delays, spending beyond budget, the power plant underperforming 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 use 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 sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows. The key assumptions used to determine the recoverable amount for the assets subject to impairment testing are disclosed and further explained in Note 15. 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 is no impact on profitability of companies, but can have significant impact on asset valuation due to uncertainty of deferred certificates value and its liquidity.

All impairment losses on development projects are recognised in the Development & Construction segment whereas impairments related to power plants are recognised in the Power Production segment.

No impairment indicators related to the Group's remaining property, plant and equipment have been identified, which in all material respect consists of solar power plants in operation or under construction. The impairment risk related to these assets is 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 are reversed to the extent that conditions for impairment are no longer present.

Asset retirement obligations (ARO)

Below is the analyses of property, plant and equipment as of 31 December 2018 and 2017:

CZK MILION	Solar powerplants	Machinery Equipment, other	Total
Accumulated cost at 1 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 31 December 2018	**260.25**	**18.14**	**278.39**
Accumulated depreciation and impairment losses at 1 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 31 December 2018	-105.85	-1.21	-107.06
Carrying amount at 31 December 2018	**154.40**	**16.94**	**171.33**
Accumulated cost at 31 December 2017	265.33	9.41	274.74
Accumulated depreciation and impairment losses at 1 January 2017	-66.13	-1.15	-112.47
Depreciation for the year	-21.62	-0.97	-22.59
Accumulated depreciation and impairment losses at 31 December 2017	-87.75	-2.13	-89.88
Carrying amount at 31 December 2017	**167.52**	**9.76**	**177.28**

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.

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.

The Group develops solar plants primarily for sale (Development & Construction) and not for consequent power production. The Group develops solar plants projects in Chile with the planned capacity up to 200 MW. On 26 July 2018 the Group signed MSPA agreement with company Carbon Free (for details see Note 32 Subsequent Events). Approximately 50 % (100 MW) of projects is developed for this client that has the contractual right to approve and accept projects after the completion. In case the project is not accepted by the client, the Group would start the process of active seeking of another potential purchaser. Eventually the Group would keep the project temporarily in its portfolio until suitable terms and conditions for further sale are found.

Taking into account the above, the Group classifies the developed projects as assets under IAS 2 Inventories and values them based on this standard. During 2018 the Group capitalised borrowing costs amounting to CZK 8,721,000 (2017: CZK 2,306,000).

Inventories are broken down as follows:

CZK MILION	Solar power plants under developlent and contruction	Spare parts and other material	Total
2018	139.91	4.77	144.68
2017	112.93	0.00	112.93

The carrying value of development projects that have not yet reached the construction phase was CZK 78.9 million at 31 December 2018 (31 December 2017: 113 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 31 December 2018, and 2017, 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.

When acquired the company PV Power s.r.o and its subsidiaries as of 31 May 2018, the goodwill in the amount of CZK 12,329,000 was recognised. The management decided to fully impair the amount and wrote it off into profit and loss.

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 1,2 mil is adequate to the circumstances of the Group's products and services deliveries until the end of 2018.

Provision for asset retirement costs are 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 MILION	2018	2017
Warranty provisions	1.2	0
Other (audit, tax)	1.7	0.5
Total Provisions	**2.9**	**0.5**

Note 20 Provisions and contingent assets and liabilities

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.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred tax recognised as at 31 December 2018 is zero (2017: 0). 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 MILION	2018	2017
Trade receivables	6.2	48.8

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.

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 31 December 2018 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 MILION	2018	2017
Trade payables	34.4	59.1

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 MILION	2018	2017
Other intangible fixed assets	2.0	6.3
Other non-current assets	0.1	0.2
Total	**2.1**	**6.5**

Other non-current assets comprise the following:

CZK MILION	2018	2017
Other current financial assets	19.5	1.1

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 MILION	2018	2017
Other current assets	15.9	25.5

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 MILION	2018	2017
Other liabilities (Note 11)	334.7	35.6
Finance lease liabilities (Romania – projects Alpha and TXI)	35.3	40.2
Total	**370.0**	**75.8**

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 MILION	2018	2017
Current tax liabilities	1.3	0.5
Other current liabilities	108.0	52.3
Finance lease liabilities (current maturities)	5.6	5.2
Total	**114.9**	**58.0**

Other current liabilities represent mainly current maturities of borrowings from individuals (refer to Note 11).

Note 25 Other operating expenses

Other operating expenses for the years ended 31 December 2018 and 2017 comprise predominantly exchange rate differences.

Remuneration to the auditors:

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

Note 26 Financial income and expenses

Financial income and expenses for the years ended 31 December 2018 and 2017 comprise:

CZK MILION	2018	2017
Interest income	-0.7	-0.3
Interest expenses	31.6	26.6
Other financial income (expenses), net	0.4	4.1
Total interest expenses - net	**31.3**	**30.4**

Note 27 Share capital, shareholder information and dividend

At year-end 2018 and 2017 the only shareholder in SOLEK was Zdeněk Sobotka. The total number of outstanding shares is 100,000 at par value CZK 31.758 per share as of December 31, 2018.

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

Dividend

No dividends were declared or paid during 2018 and 2017.

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. The SOLEK Group had during 2018 and 2017 the following significant transactions:

CZK MILION	2018	2017
Receivables		
GID Vision, s.r.o.	3.0	2.6
Loans granted		
Energy Holding SA	49.7	2.7
Payables		
GID Vision, s.r.o.	0.2	0.4
Loans received		
Energy Holding SA	0	18.1

Profit & Loss transactions in 2018

In 2018 interest income from loan provided to Energy Holding SA achieved CZK 606,000.

Profit & Loss transactions in 2017

In 2017 interest income from loan provided to Energy Holding SA achieved CZK 71,000 and from loan provided to GID Vision, s.r.o achieved CZK 104,000.

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 31 December 2018 and 2017, 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

On 26 June 2019, the shareholder of the Company agreed to make a monetary contribution to the Company's equity in the amount of CZK 500,000 thousand. On the same date the shareholder sold to the Company his share in the company Energy Holding SA for the purchase price of CZK 897,482 thousand. The purchase price was set based on the valuation of the independent valuer (KPMG). 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 the date of the preparation of this consolidated financial statements, the amount of CZK 387,459 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.

As of 26 July, 2018 the Group signed the agreement with CARBON FREE and amended as of 13 August, 2019 declaring sold capacity of 78 MWp.

As of 2 May, 2019 the Group set up a SICAV fund with target to invest into performing power plants in total capacity of 100 MWp.

30 December, 2019

Zdeněk Sobotka
Member of the Board of Directors

www.solek.com

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 2018, 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 2018 to 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the period from 1 January 2018 to 31 December 2018 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.

Other Matter

The prior year consolidated financial statements of the Group were not audited, therefore, corresponding comparative figures presented in the consolidated financial statements are unaudited.

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.

Rödl & Partner

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 30 December, 2019

Rödl & Partner Audit, s.r.o.
Platnéřská 2, 110 00 Praha 1
Licence Number 354
represented by the managing director

Andreas Höfinghoff

Ing. Ivan Brož, registered auditor, license number 2077