Effect of Regulatory Changes on Photon Energy's Power Plant Portfolio from 2022

Amsterdam – 29 September 2021 – Photon Energy N.V. (WSE&PSE: PEN, FSX: A1T9KW) ('Photon Energy Group', the 'Group' or the 'Company') announces that recently enacted regulatory changes in the Czech Republic and Slovakia will have an impact on the Group's proprietary portfolio of photovoltaic power plants in both countries starting on 1 January 2022.

Czech Republic

The Czech government has a long tradition of introducing retroactive regulatory changes for PV power plants commissioned during the solar boom between 2008 and 2010. In late 2010 the Czech government introduced a 26% levy on the feed-in-tariffs received by PV power plants commissioned in 2009 and 2010 for a period of three years, i.e. 2011-2013. Since 2014 a solar levy of 10% on feed-in-tariffs received by PV power plants commissioned in 2010 has been applied.

In September 2021, the Lower Chamber of Parliament of the Czech Republic passed a new law regarding the support of renewable energy sources (RES) which will empower future governments to set maximum project internal rates of returns (IRR) for the various supported RES of between 8.4% and 10.6% for the respective support periods. For PV power plants commissioned in the years 2009 and 2010, an additional 10% solar levy has been approved. As such, 2009 power plants will pay 10% and 2010 power plants will pay a total of 20% (increased from the previously applied rate of 10%). Pending the final signature by the Czech president, the new law will come into effect on 1 January 2022.

Slovakia

The Slovak parliament approved an amendment to the energy law introducing an extension of the feed-in-tariffs for PV power plants commissioned in 2009 to 2011 from 15 years to 20 years. This measure is accompanied by a reduction in the applicable feed-in tariffs, which are assessed for each individual PV power plant, taking into account additional investment costs and higher operations and maintenance costs related to the extended technical life. The new feed-in-tariffs are set with the objective of being neutral to the present value of the assets. The Company expects the adjusted feed-in-tariffs for its PV power plants in Slovakia in due course.

Operating Impact

Consolidated revenues from the Czech PV portfolio will not be impacted by the increased solar levy while (at constant production) EBITDA would be lower by up to EUR 1 million in 2022. The feed-in-tariffs received by the Group's Czech PV power plants are subject to a minimum annual indexation of 2%, so that the impact will be gradually reduced in the following years. Furthermore, the Company intends to switch the Czech portfolio power plants into the alternative green bonus scheme for 2022. Based on current market electricity prices, this should allow for a material share of the solar levy increase impact to be compensated for through the sale of electricity at market prices. For the Slovak PV power portfolio, the adjusted feed-in-tariffs may lead to reduced consolidated revenues and EBITDA of up to EUR 1 million in 2022. The repayment schedule of the financing of the Czech portfolio will not be affected, for the Slovak portfolio a potential increase and extension of the repayment schedule of the debt financing is possible due to the prolongation of the feed-in tarrif by five years.

Valuation Impact

The Company expects a negative impact on the valuation of the Czech and Slovak PV power plants according to IAS 16 of up to EUR 4.0 million, which will lead to a similar impact on consolidated equity in 2021. The Company still expects the equity ratio to remain sound in the target range of 25% to 30%.

In this context, the Company would like to point out that the valuation of the its Czech and Slovak PV portfolios (according to IAS 16) is conservatively based solely on free cash flows generated during the feed-in-tariff periods (now 20 years for both countries), and owned land is accounted for at cost. As such, zero value has been attached to free cash flows generated after the feed-in-tariff period from existing installations for the remaining lifespans of the power plants. The option to repower the installations with new technology after the feed-in-tariff periods for electricity generation and sales into the energy market has also not been reflected. Based on current land market prices, the Company is convinced that material value is hidden in the land bank occupied by said PV power plants.

About Photon Energy Group – photonenergy.com

Photon Energy Group delivers solar energy and clean water solutions around the world. Its solar power services are provided by Photon Energy; since its foundation in 2008, Photon Energy has built and commissioned solar power plants with a combined capacity of over 110 MWp and has power plants with a combined capacity of over 89 MWp in its proprietary portfolio. It is currently developing projects with a combined capacity of over 590 MWp in Australia, Hungary, Poland and Romania and provides operations and maintenance services for over 300 MWp worldwide. The group's second major business line, Photon Water, provides clean water solutions including treatment and remediation services, as well as the development and management of wells and other water resources. Photon Energy N.V., the holding company for Photon Energy Group, is listed on the Warsaw, Prague and Frankfurt Stock (Quotation Board) Exchanges. The company is headquartered in Amsterdam, with offices in Australia and across Europe.

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