Photon Energy Group to See Only Modest Revenues Impact Amid Recent Regulatory Changes Across Markets

- Based on the status quo of price caps and windfall taxes adopted by the governments in the Group's core markets in the CEE region the management board expects a modest negative impact in the Czech Republic and Hungary.
- No negative impact in Slovakia and Romania, with a potential slowdown in roll-out plans in Poland.
- New capacity additions in Romania and Hungary in 2023 are expected to drive material revenue and EBITDA growth in 2023 and beyond.

Amsterdam – 13 December 2022 – Photon Energy N.V. (WSE&PSE: PEN, FSX: A1T9KW) (the 'Group' or the 'Company') today provided a status quo overview of the regulatory situation and the expected impact of price caps and windfall taxation on the Company's operating (and future) solar PV generation assets in the Czech Republic, Slovakia, Hungary, Romania and Poland in 2023.

Czech Republic

The Company is not subject to the windfall tax as the company has not exceeded the threshold of electricity generation revenues of CZK 2 billion (EUR 82.2 million) in the financial year 2021. A price cap of EUR 180 per MWh (calculated on a monthly basis) has been introduced from 1 December 2022 to 31 December 2023 for PV installations with an installed capacity exceeding 1 MWp. Above the cap price a 90% tax applies. Three power plants in the Company's portfolio with a total installed capacity of 1.273 MWp are not subject to the tax while the remaining eight power plants with a total installed capacity of 13.723 MWp are subject to the price cap.

The Company's management board has decided to remain in the Green Bonus Scheme for the Company's entire portfolio and will continue selling all generated electricity in the day-ahead market through its subsidiary Lerta. The green bonus represents the subsidy element of the Czech support scheme and is subject to a 21% levy, which is the same rate applicable in 2022. One power plant with an installed capacity of 0.795 MWp will be eligible for a green bonus of CZK 13,022 (EUR 535) per MWh while the remaining ten power plants with an installed capacity of 14.201 MWp will be eligible for a green bonus of CZK 11,853 (EUR 487) per MWh.

The current 2023 futures price for Czech base load is EUR 375 per MWh and for Czech peak load it is EUR 475.

Compared to 2022 the overall impact on the revenues and EBITDA generated by the Company's power plant portfolio in the Czech Republic is expected to be moderate.

Slovakia

The Company's Slovak portfolio comprised of eleven power plants with a total installed capacity of 10.429 MWp is selling its generated electricity on the basis of feed-in-tariffs ranging from EUR 257 to EUR 273 per MWh and is not impacted by any of the measures adopted by the Slovak government.

Hungary

The Company owns and operates 63 power plants with a total installed capacity of 51.814 MWp in Hungary. The portfolio is split into five different types of power plants:

- 51 power plants with a total installed capacity of 34.98 MWp which exited their KÁT and METÁR-KÁT support schemes (receiving a feed-in-tariff of EUR 85 per MWh) on 1 April 2022 with the possibility to return once to the support scheme anytime during the validity of the support licence after staying outside for a minimum of twelve months. Since 1 April 2022 all generated electricity has been sold on the day-ahead market via Lerta. ("Type 1")
- One power plant with an installed capacity of 1.358 MWp which has never applied for nor been awarded any support scheme and has been selling its generated electricity in the day-ahead market via Lerta since its commissioning in May 2022. ("Type 2")
- Four power plants with a total installed capacity of 5.612 MWp selling all generated electricity through a contract-for-difference scheme based on their METÁR licenses for EUR 85 per MWh. All generated electricity is sold in the day-ahead market via Lerta with the balance transferred to a designated Hungarian state entity. ("Type 3")
- Six power plants with a total installed capacity of 8.506 MWp exited their METÁR licensed contract-for-difference schemes (without having the possibility to return to the support scheme) on 1 April 2022 and have been selling their generated electricity in the day-ahead market via Lerta. ("Type 4")
- One power plant with an installed capacity of 1.358 MWp was awarded a METÁR license in auction but did not execute the contract-for-difference with the designated Hungarian state entity (which is still optional to be concluded during the validity period of the licence) and has been selling its generated electricity in the day-ahead market via Lerta since its commissioning in December 2021. ("Type 5")

In June 2022 the Hungarian government issued a decree introducing a 65% tax on the excess revenues (that is above the feed-in-tariff/contract-for-difference price of EUR 85 per MWh) generated by licensed PV power plants (required for installations with a grid connection capacity exceeding 500 KW AC) which had either exited one of the support schemes or had been awarded a METÁR license in auction but did not execute the contract-for-difference with the designated Hungarian state entity, for the financial years 2022 and 2023. To date no further measures have been adopted by the Hungarian government in relation to the revenues of PV power plants.

On that basis, Type 1 power plants are exempt from the excess revenue tax as they do not have generation licenses as their grid connection capacities are below 500 KW AC. The Type 2 power plant is exempt as it is a pure merchant power plant. The Type 3 power plants are still in the support scheme receiving the contract-for-difference price of EUR 85 per MWh and thus exempt. Only Type 4 and Type 5 i. e. seven power plants with a total installed capacity of 9.86 MWp (representing 19.3% of the Company's total in Hungary) have been and will continue being affected by the excess revenue tax.

All power plants planned to be added to the Company's portfolio in 2023 will be merchant power plants (Type 2) selling their electricity in the day-ahead market via Lerta and are therefore expected not to be subject to the excess revenue tax.

The government decree No. 197/2022 on extra profit taxes (Robin Hood Tax) has been updated, so that the extra tax rate is increased for the year 2023 from 31 to 41 %. This extra profit taxes are valid for all power plants Type 2, 4 and 5 with a total installed capacity of 11.22 MWp (representing 21.58 % of the Company's total in Hungary).

The current 2023 futures price for Hungarian base load is EUR 394.50 per MWh and for Hungarian peak load it is EUR 499.50. For 2023 Q1 the futures price for Hungarian base load it is EUR 399.99 per MWh and for Hungarian peak load is EUR 514.68.

Before the above detailed exits from the various support schemes on 1 April 2022, that is in Q1 2022, the Company's entire Hungarian portfolio was receiving EUR 85 per MWh, excluding power plant Type 5. Based on the status quo the Company's Hungarian portfolio is expected to contribute materially higher revenues and EBITDA in Q1 2023 on a year-on-year basis while for the remainder of 2023 the existing portfolio is likely to match its financial performance in the last three quarters of 2022. The planned additions to the Hungarian portfolio in 2023 will drive further growth in the financial performance of the Hungarian portfolio.

Romania

The Company is in the process of commissioning seven power plants with a total installed capacity of 28 MWp. Projected to generate 50 GWh of green electricity annually, the power plants are planned to get grid-connected in Q1 2023. The facilities will be selling produced electricity in the day-ahead market via Lerta.

The Romanian government has introduced a price cap of RON 450 (EUR 91) per MWh of solar PV generated electricity from 1 September 2022 until 31 August 2023, which has been recently extended until 31 March 2025. Above the price cap an 80% solidarity tax applies. However, in March 2022 Law 27/2022 has been passed which explicitly exempts all new electricity generation capacity commissioned after 1 September 2022 from any price caps. Based on the status quo the Company's power plants in Romania will not be subject to the price cap.

The current 2023 futures price for Romanian base load is EUR 383.50 per MWh and for Romanian peak load it is EUR 488.50.

Based on the current regulatory environment the Company's newly added power plants in Romania are expected to contribute significant revenues and EBITDA in 2023. The planned additions (on top of the 28 MWp) to the Romanian portfolio in 2023 will provide a further boost to the Group's financial performance in 2023.

Poland

The Company currently does not operate any power plants in Poland. The development pipeline with projects at various stages of development stands at 280.8 MWp and the company plans to bring projects with an installed capacity of approx. 30 MWp to the ready-to-build stage in 2023, some of which could be commissioned still in 2023.

The Polish government has introduced a price cap of PLN 355 (EUR 75.50) per MWh for solar PV power plants with an installed capacity exceeding 1 MWp, valid until year-end 2023. Power plants with an installed capacity below 1 MWp are exempt from the price cap, if the aggregated capacity owned by one company (generator) is below 3 MWp. The price cap regulations are not final yet and may be subject to further changes before the year end. The Company is in the process of reviewing the details of this new legislation and all connected regulations and intends to adjust its roll-out strategy in the Polish market with the goal of optimal value created from capital deployment given the status quo.

The current 2023 futures price for Polish base load is EUR 243.31 per MWh and for Polish peak load it is EUR 304.35.

The regulatory impact on the Group's financial performance in 2023 is expected to be minimal. However, as a result of the status quo, the contribution from a future Polish power plant portfolio in 2024 and beyond may be smaller than anticipated in the Group's strategic planning.

Australia

No measures were taken nor are they expected in Australia.

Summary

Based on the status quo of price caps and windfall taxes adopted by the governments in the Group's core markets in the CEE region the management board of the Company expects a modest negative impact in the Czech Republic and Hungary and no negative impact in Slovakia and Romania, with a potential slowdown in roll-out plans in Poland. New capacity additions in Romania and Hungary in 2023 are expected to drive material revenue and EBITDA growth in 2023 and beyond.

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 120 MWp and has power plants with a combined capacity of 91.9 MWp in its proprietary portfolio. It is currently developing projects with a combined capacity of 900 MWp in Australia, Hungary, Poland and Romania and provides operations and maintenance services for 380 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 Exchanges. The company is headquartered in Amsterdam, with offices in Australia and across Europe.

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