



QUARTERLY REPORT 2009 Q3

PHOTON ENERGY A.S.

for the period from 1 January 2009 to 30 September 2009

Prague, 13 November 2009

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1. Selected financial results for the period 1 January 2009 to 30 September 2009

The table below provides selected key data from the **unconsolidated** and **unaudited** financial statements of Photon Energy a.s. in accordance with **Czech Accounting Standards** for the nine-month period ended 30 September 2009 and the corresponding period in 2008.

<i>in Thousands</i>	CZK		EUR		PLN	
	2008Q1-3	2009Q1-3	2008Q1-3	2009Q1-3	2008Q1-3	2009Q1-3
Revenues	13	32	0.5	1.2	1.8	5.3
Operating profit	-3,683	-8,897	-148.4	-334.2	-508.6	-1,463.1
EBIT	-3,659	-8,866	-147.5	-333.1	-505.3	-1,458.0
Pre-tax profit	-3,704	-8,942	-149.3	-335.9	-511.5	-1,470.5
Net profit	-3,704	-8,942	-149.3	-335.9	-511.5	-1,470.5
Fixed assets	375	7,151	15.2	284.2	53.5	1,242.8
Current assets	375	374	15.2	14.9	53.5	65.0
Cash and cash equivalents	13,293	351	538.9	13.9	1,896.0	61.0
TOTAL ASSETS	13,478	11,354	546.4	451.2	1,922.4	1,973.2
Total equity	13,297	1,214	539.1	48.2	1,896.6	211.0
Short-term liabilities	556	10,732	22.5	426.5	79.3	1,865.1
Long-term liabilities	0	0	0.0	0.0	0.0	0.0
<i>CZK exchange rate - low</i>	-	-	22.970	25.085	7.011	5.754
<i>CZK exchange rate - average</i>	-	-	24.815	26.619	7.241	6.081
<i>CZK exchange rate - end of period</i>	-	-	24.665	25.165	7.261	5.950
<i>CZK exchange rate - high</i>	-	-	26.360	29.470	7.471	6.572

Note: Exchange rates provided by the Czech National Bank

2. Selected financial results for the period 1 July 2009 to 30 September 2009

The table below provides selected key data from the **unconsolidated** and **unaudited** financial statements of Photon Energy a.s. in accordance with **Czech Accounting Standards** for the quarterly period ended 30 September 2009 and the corresponding period in 2008.

<i>in Thousands</i>	CZK		EUR		PLN	
	2008Q3	2009Q3	2008Q3	2009Q3	2008Q3	2009Q3
Revenues	13	0	0.5	0.0	1.8	0.0
Operating profit	-1,775	-3,900	-73.7	-152.4	-243.7	-638.8
EBIT	-1,759	-3,892	-73.0	-152.0	-241.5	-637.5
Pre-tax profit	-1,779	-3,904	-73.8	-152.5	-244.2	-639.5
Net profit	-1,779	-3,904	-73.8	-152.5	-244.2	-639.5
Fixed assets	375	2,084	15.2	82.8	51.6	350.3
Current assets	13,478	39,585	546.4	1,573.0	1,856.2	6,652.9
Cash and cash equivalents	13,293	12,598	538.9	500.6	1,830.7	2,117.3
TOTAL ASSETS	13,478	41,669	546.4	1,655.8	1,856.2	7,003.2
Total equity	13,297	12,344	539.1	490.5	1,831.3	2,074.6
Short-term liabilities	556	29,325	22.5	1,165.3	76.6	4,928.6
Long-term liabilities	0	0	0.0	0.0	0.0	0.0
<i>CZK exchange rate - low</i>	-	-	22.970	25.085	7.082	5.871
<i>CZK exchange rate - average</i>	-	-	24.092	25.598	7.284	6.105
<i>CZK exchange rate - end of period</i>	-	-	24.665	25.165	7.261	5.950
<i>CZK exchange rate - high</i>	-	-	24.940	26.045	7.471	6.327

Note: Exchange rates provided by the Czech National Bank

3. The Management Board's comments on factors and events that affect the achieved financial results

During the first three quarters of 2009 Photon Energy recorded CZK 117.1 million in consolidated revenues and generated a net profit of CZK 2.9 million. In 2009Q3 the company generated a consolidated net profit of CZK 5.2 million, a 208% increase over the previous quarter. As virtually all revenues are booked by Photon Energy's operating subsidiaries they are not recorded in the company's entity accounts in this report.

Photon Energy concluded a very successful third quarter of 2009 with the completion of the PV plant in Milčice (911 KWp installed capacity), close to 500 KWp of PV modules sold by Photon Trading, the completion of the development process for its project in Mostkovice (795 KWp planned installed capacity) and the acquisition of a 1 MWp project in Sychrov.

While the completion of the PV plant in Milčice was a major milestone for Photon Engineering the third quarter was equally marked by the rapid development of Photon Trading, which we only started in June. This subsidiary not only keeps our finger on the pulse of the fast-changing market in PV modules, but has quickly become the second profit centre of our group. Photon Trading's reseller agreement with SMA for the Czech and Slovak markets has further boosted its business.

Going forward we see extraordinary growth opportunities in both areas and the point when our other operating subsidiaries turn profitable is coming closer. We are confident that the foundation for strong revenue and profit growth in 2009Q4 and 2010 has been laid.

4. Basic information about the Issuer

Company name: Photon Energy a.s.
Registered office: Uruguayská 17, 120 00 Praha 2, Czech Republic
Registration: Municipal Court in Prague, section B, file 13779
Company number: 28223250
Tax-ID: CZ28223250
Ticker: PHO

5. Share capital of the Issuer

The Issuer's share capital is CZK 2,300,000 divided into 23,000,000 shares with a nominal value of CZK 0.10 each. The share capital is fully paid-up. All shares represent one vote at the General Meeting of Shareholders.

6. Shareholder structure

As of 30 September 2009 the Issuer's shareholder structure was as follows:

Shareholder	No. of shares	Shareholding
Michal Gartner	8,528,641	37.08%
Georg Hotar	7,978,641	34.69%
Vénceslava Čacka	2,000,000	8.70%
Ing. Jaroslav Bažant	1,000,000	4.35%
Petra Bednářova	500,688	2.18%
Marco Sipione	200,000	0.87%
Other shareholders	2,792,030	12.14%
TOTAL	23,000,000	100.00%

7. Statutory Bodies of the Issuer

Board of Directors

Position	Name	Date of Birth	Position held since
Chairman	Michal Gärtner	29 June 1968	10 January 2008
Vice-chairman	Georg Hotar	21 April 1975	10 January 2008
Member	Marco Sipione	11 January 1964	20 May 2008

Supervisory Board

Position	Name	Date of Birth	Position held since
Chairman	Bogusława Skowrońska	28 April 1956	20 May 2008
Member	Petra Bednářová	17 December 1972	10 January 2008
Member	Radek Jalůvka	19 September 1967	30 June 2009

8. Description of the Issuer's activities

Photon Energy's business model is designed to extract the most value from the downstream segment of the solar industry supply chain. Photon Energy is an integrated solar power development company developing and building greenfield and rooftop photovoltaic solar power plants and offering a full range of specialised services for PV projects including project engineering, power plant construction, arranging financing and insurance, technology supply and power plant management.

Photon Energy was created with the vision that solar power will become one of our greatest allies in a world of increasing need for clean and affordable electricity, energy independence and intolerance towards fossil fuels and air pollution. Photon Energy is building its business by co-operating with municipalities and communities, partnering with installation, construction and real estate services companies and dealing with like-minded investors and financial institutions.

Photon Energy is becoming a leading player in solar energy in the Czech Republic and as more and more countries embrace solar energy with national support programs, the company is positioned to enter other markets in Europe. The company is currently developing new business in Slovakia, Italy, Germany and Poland.

9. Subsidiaries of the Issuer

With the exception of project development Photon Energy a.s. conducts all its operating and investment activities through its wholly-owned subsidiaries.

Photon Engineering s.r.o.

is in charge of complex engineering, procurement and construction services building turn-key photovoltaic systems for external clients and Photon Energy. The company number is 28482077 and its base capital is CZK 1,000,000.

Photon Trading s.r.o.

is involved in the wholesale of photovoltaic modules, inverters, mounting systems, cables and other balance of systems components. The company number is 28539699 and its base capital is CZK 200,000.

Photon Finance s.r.o.

is involved in providing external clients and Photon Energy with complex photovoltaic project financing and insurance solutions. The company number is 28481828 and its base capital is CZK 500,000.

Photon Management s.r.o.

is involved in providing complex operations and maintenance solutions for photovoltaic systems. The company number is 28481810 and its base capital is CZK 200,000.

Photon Electricity s.r.o.

will in due course apply for an electricity trading license. The company number is 28481879 and its base capital is CZK 200,000.

Střešní burza s.r.o.

operates a solar roof exchange connecting owners of real estate, investors and photovoltaic installation companies in the Czech Republic. The company number is 28309863 and its base capital is CZK 1,000,000.

Solární věcná břemena s.r.o.

fulfils the role of a de-facto warehouse of grid connection capacity and easement agreements for the solar roof exchange until these are transferred to the final investor of a mediated PV project. The company number is 28539265 and its base capital is CZK 200,000.

Project Companies

Photon Energy a.s. currently fully owns nine project SPVs (special purpose vehicles) through which the Company plans the realisation of photovoltaic projects. These are Photon SPV 1 s.r.o., Photon SPV 2 s.r.o., Photon SPV 3 s.r.o., Photon SPV 4 s.r.o., Photon SPV 5 s.r.o., Photon SPV 6 s.r.o., Photon SPV 7 s.r.o., Photon SPV 8 s.r.o. and Exit 90 SPV s.r.o. All these SPVs have a base capital of CZK 200,000.

10. Report on the Issuer's activities in 2009Q1-3

These are the key events for the Issuer's operations since 1 January 2009:

6 February 2009

Photon Engineering s.r.o. signed a binding contract for the engineering, procurement and construction (EPC) of a turnkey greenfield photovoltaic (PV) plant with an installed capacity of 899 KWp. The PV plant will be based in Milčice in Central Bohemia some 35 km east of Prague and commissioning is expected for the beginning of May 2009. Photon Engineering's client is HEREDAD s.r.o. and the net contract value is CZK 95.1 million (PLN 15.6 million, EUR 3.36 million).

15 April 2009

Photon Energy's wholly-owned project subsidiary Exit 90 SPV s.r.o. signed a contract for the future purchase contract with HKT s.r.o. for two land plots with a total area of 17,534 m² in the municipality of Komorovice in the Vysočina region of the Czech Republic. The total contract value is EUR 184,107. Photon Energy a.s. has confirmed grid upload capacity of 2.35 MWp in this location and is working on acquiring additional plots of land in this site and plans to complete this project before year-end 2009.

19 May 2009

Photon Engineering s.r.o. signed an overdraft facility for CZK 4,000,000 (EUR 150,000, PLN 656,000) for working capital purposes with Česká spořitelna a.s. The facility is valid for 12 months and bears interest at 1-month PRIBOR + 4% per annum.

30 June 2009

Photon Energy's wholly owned project subsidiary Exit 90 SPV s.r.o. on 30 June 2009 signed a contract for the future purchase contract with the unrelated third-party private owners of eight land plots with a total area of 53,372 m² in the municipality of Komorovice in the Vysočina region of the Czech Republic. The total contract value is CZK 12,809,280 (EUR 497,000, PLN 2,282,000). After this signing Exit 90 SPV s.r.o. has secured a total area of 70,906 m² in said location where Photon Energy a.s. has confirmed grid upload capacity of 2.35 MWp. Photon Energy expects to complete this project in 2009Q4.

1 July 2009

Photon Energy a.s. has secured the Word Community Trade Mark for its company name „Photon Energy" as well as the Figurative Community Trade Mark for its logo. These Community Trade Marks have been secured for the classes 4, 9, 11, 32, 35, 36, 37, 39, 40 and 42 according to the Nice classification and have been granted by the Office for the Harmonization of the Internal Market (OHIM). The Community Trade Mark is valid in all 27 European Union member states that jointly have a total population of over 500 million. The registration of both Community Trade Marks will allow the exclusive use of both its company name and logo for all current and expected future business activities throughout the entire European Union. All future marketing activities are therefore expected to support the development of the Photon Energy brand and thus add to its long-term brand value.

22 July 2009

The 911 KWp photovoltaic power plant in Milčice received final statutory building approval and was handed over to the investor HEREDAD s.r.o. Trial operations commenced on 10 July 2009 since when the plant has been generating electricity. The plant was originally designed for 898.56 KWp but the use of higher-rated monocrystalline panels led to a higher final installed capacity of 911 KWp.

27 August 2009

Photon Energy acquired 100% of Aspira Energy s.r.o. for a consideration of CZK 1,354,700 (EUR 53,429 or PLN 217,973). Aspira Energy s.r.o. holds the grid connection reservation for 1 MWp and a valid construction permit for the erection of a 1 MWp photovoltaic plant in Sychrov, a municipality near Mnichovo Hradiště in Central Bohemia. Photon Energy has also agreed to acquire approximately 2.5 ha of land in Sychrov on which the photovoltaic plant will be built from JELINEK s.r.o. through its fully owned subsidiary Photon SPV 7 s.r.o. for a consideration of CZK 8,645,300 (EUR 340,970 or PLN 1.391 million).

12 October 2009

Photon Energy's fully-owned subsidiary Photon Trading s.r.o. commenced its activity as value-added reseller of SMA products, covering the Czech and Slovak markets. SMA Solar Technology AG is the world's leading manufacturer of inverters and monitoring equipment for photovoltaic power plants.

3 November 2009

Photon Energy announced the sale of its 100% stake in Photon SPV 7 s.r.o. for a consideration of CZK 1.36 million (EUR 51,900, PLN 222,455) to a private investor and the signing of an EPC contract between Photon Energy's fully-owned subsidiary Photon Engineering s.r.o. and Photon SPV 7 s.r.o. for the turn-key construction of a 1.026 MWp photovoltaic power plant . The net contract

value is CZK 93.6 million (EUR 3.56 million, PLN 15.26 million). Completion and grid connection of this project is planned for December 2009.

10 November 2009

Photon Energy's fully-owned subsidiary Photon Trading s.r.o. signed an agreement for the sale of First Solar modules with Raabvill Kft., a Hungarian electro-engineering company. The contract value is EUR 4.266 million (CZK 109.12 million, PLN 18.02 million).

11. Detailed financial results for the period 1 January 2009 to 30 September 2009

The tables below provide the **unconsolidated** and **unaudited** financial statements of Photon Energy a.s. in accordance with **Czech Accounting Standards** for the nine-month period ended 30 September 2009 and the corresponding period in 2008.

Income Statement

<i>in Thousands (except EPS)</i>	CZK		EUR		PLN	
	2008Q1-3	2009Q1-3	2008Q1-3	2009Q1-3	2008Q1-3	2009Q1-3
Revenues	13	32	0.5	1.2	1.8	5.3
Cost of goods sold	-13	-32	-0.5	-1.2	-1.8	-5.3
Administrative expenses	-3,683	-8,897	-148.4	-334.2	-508.6	-1,463.1
Depreciation	0	0	0.0	0.0	0.0	0.0
Operating profit	-3,683	-8,897	-148.4	-334.2	-508.6	-1,463.1
Financial income	24	31	1.0	1.2	3.3	5.1
EBIT	-3,659	-8,866	-147.5	-333.1	-505.3	-1,458.0
Financial Cost	-45	-76	-1.8	-2.9	-6.2	-12.5
Pre-tax profit	-3,704	-8,942	-149.3	-335.9	-511.5	-1,470.5
Income taxes	0	0	0.0	0.0	0.0	0.0
Net profit	-3,704	-8,942	-149.3	-335.9	-511.5	-1,470.5
<i>Average no. of shares in million</i>	20.220	23.000	20.220	23.000	20.220	23.000
<i>Earnings per share</i>	-0.183	-0.389	-0.007	-0.015	-0.025	-0.064
<i>CZK exchange rate - low</i>	-	-	22.970	25.085	7.011	5.754
<i>CZK exchange rate - average</i>	-	-	24.815	26.619	7.241	6.081
<i>CZK exchange rate - high</i>	-	-	26.360	29.470	7.471	6.572

Note: Exchange rates provided by the Czech National Bank

Balance Sheet

<i>in Thousands (except BVPS)</i>	CZK		EUR		PLN	
	30/9/08	30/9/09	30/9/08	30/9/09	30/9/08	30/9/09
Fixed assets	375	7,151	15.2	284.2	51.6	1,201.8
Goodwill & investments in assoc.	0	6,677	0.0	265.3	0.0	1,122.2
Structures, lands and equipment	375	374	15.2	14.9	51.6	62.9
Current assets	13,478	4,677	546.4	185.9	1,856.2	786.1
Trade and other receivables	185	4,012	7.5	159.4	25.5	674.3
Cash and cash equivalents	13,293	351	538.9	13.9	1,830.7	59.0
Long-term receivables	0	0	0.0	0.0	0.0	0.0
TOTAL ASSETS	13,478	11,354	546.4	451.2	1,856.2	1,908.2
Issued share capital	2,300	2,300	93.2	105.1	316.8	386.6
Subscribed share capital	14,700	14,700	596.0	584.1	2,024.5	2,470.6
<i>Profit/loss - current year</i>	-3,703	-15,786	-150.1	-627.3	-510.0	-2,653.1
Total equity	13,297	1,214	539.1	48.2	1,831.3	204.0
Short-term liabilities	556	10,732	22.5	426.5	76.6	1,803.7
Trade and other payables	556	486	22.5	19.3	76.6	81.7
Long-term liabilities	0	0	0.0	0.0	0.0	0.0
TOTAL EQUITY AND LIABILITIES	13,478	11,354	546.4	451.2	1,856.2	1,908.2
<i>No. of shares in million</i>	23.000	23.000	23.000	23.000	23.000	23.000
<i>Book value per share</i>	0.578	0.053	0.023	0.002	0.080	0.009
<i>CZK exchange rate - low</i>	-	-	22.970	25.085	7.082	5.871
<i>CZK exchange rate - end of period</i>	-	-	24.665	25.165	7.261	5.950
<i>CZK exchange rate - high</i>	-	-	24.940	26.045	7.471	6.327

Note: Exchange rates provided by the Czech National Bank

12. Detailed financial results for the period 1 July 2009 to 30 September 2009

The tables below provide the **unconsolidated** and **unaudited** financial statements of Photon Energy a.s. in accordance with **Czech Accounting Standards** for the quarterly period ended 30 September 2009 and the corresponding period in 2008.

Income Statement

<i>in Thousands (except EPS)</i>	CZK		EUR		PLN	
	2008Q3	2009Q3	2008Q3	2009Q3	2008Q3	2009Q3
Revenues	13	0	0.5	0.0	1.8	0.0
Cost of goods sold	-13	0	-0.5	0.0	-1.8	0.0
Administrative expenses	-1,775	-3,900	-73.7	-152.4	-243.7	-638.8
Depreciation	0	0	0.0	0.0	0.0	0.0
Operating profit	-1,775	-3,900	-73.7	-152.4	-243.7	-638.8
Financial income	16	8	0.7	0.3	2.2	1.3
EBIT	-1,759	-3,892	-73.0	-152.0	-241.5	-637.5
Financial Cost	-20	-12	-0.8	-0.5	-2.7	-2.0
Pre-tax profit	-1,779	-3,904	-73.8	-152.5	-244.2	-639.5
Income taxes	0	0	0.0	0.0	0.0	0.0
Net profit	-1,779	-3,904	-73.8	-152.5	-244.2	-639.5
<i>Average no. of shares in million</i>	20.652	23.000	20.652	23.000	20.652	23.000
<i>Earnings per share</i>	-0.086	-0.170	-0.004	-0.007	-0.012	-0.028
<i>CZK exchange rate - low</i>	-	-	22.970	25.085	7.082	5.871
<i>CZK exchange rate - average</i>	-	-	24.092	25.598	7.284	6.105
<i>CZK exchange rate - high</i>	-	-	24.940	26.045	7.471	6.327

Note: Exchange rates provided by the Czech National Bank

Balance Sheet

<i>in Thousands (except BVPS)</i>	CZK		EUR		PLN	
	30/9/08	30/9/09	30/9/08	30/9/09	30/9/08	30/9/09
Fixed assets	375	2,084	15.2	82.8	51.6	350.3
Goodwill & investments in assoc.	0	1,620	0.0	64.4	0.0	272.3
Structures, lands and equipment	375	464	15.2	18.4	51.6	78.0
Current assets	13,478	39,585	546.4	1,573.0	1,856.2	6,652.9
Trade and other receivables	185	22,766	7.5	904.7	25.5	3,826.2
Cash and cash equivalents	13,293	12,598	538.9	500.6	1,830.7	2,117.3
Long-term receivables	0	0	0.0	0.0	0.0	0.0
TOTAL ASSETS	13,478	41,669	546.4	1,655.8	1,856.2	7,003.2
Issued share capital	2,300	2,300	93.2	91.4	316.8	386.6
Subscribed share capital	14,700	14,700	596.0	584.1	2,024.5	2,470.6
<i>Accrued profit/loss</i>	-3,703	-4,656	-150.1	-185.0	-510.0	-782.5
Total equity	13,297	12,344	539.1	490.5	1,831.3	2,074.6
Short-term liabilities	556	29,325	22.5	1,165.3	76.6	4,928.6
Trade and other payables	556	29,325	22.5	1,165.3	76.6	4,928.6
Long-term liabilities	0	0	0.0	0.0	0.0	0.0
TOTAL EQUITY AND LIABILITIES	13,478	41,669	546.4	1,655.8	1,856.2	7,003.2
<i>No. of shares in million</i>	23.000	23.000	23.000	23.000	23.000	23.000
<i>Book value per share</i>	0.578	0.537	0.023	0.021	0.080	0.090
<i>CZK exchange rate - low</i>	-	-	22.970	25.085	7.082	5.871
<i>CZK exchange rate - end of period</i>	-	-	24.665	25.165	7.261	5.950
<i>CZK exchange rate - high</i>	-	-	24.940	26.045	7.471	6.327

Note: Exchange rates provided by the Czech National Bank

13. Description of uncertainties and risks

12.1. Business operational risks

Legislative, regulatory and market risks: The economic viability of energy production using PV installations depends on Feed-in-Tariff (FiT) systems. The FiT system can be negatively affected by a number of factors including, but not limited to, a reduction or elimination in the FiT or green bonus per KWh produced, an elimination or reduction of the indexation of the FiT and a shortening of the period for which the FiT applies to PV installations. On the investment side the Company faces uncertainty in relation to the approval process for the construction of PV installations, grid connection and the investment cost per KWh of installed capacity.

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

The company must secure various licenses and permits to operate PV plants and while electricity distribution companies in the Czech Republic are compelled to connect renewable energy sources by law, the Company cannot exclude any delays in any of the described areas, which may have a material negative effect on the Company's operating results and financial position.

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

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

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

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

Competitive situation: The development of power plants using PV technology is highly competitive. The Company competes with other companies with an equal or larger resource base. There can be no assurance that the Company will be able to respond to existing and new sources of competition.

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

Dependence on key personnel: The Company's development and prospects are dependent upon the continued services and performance of its senior management and other key personnel. Financial difficulties or other factors could also adversely affect the Company's ability to retain key employees. The loss of the services of any key personnel may have negative effects on the Company's operating results and financial condition. In addition, the Company's business is subject to continued expansion, and thus dependent upon further employment of personnel.

Environmental risk: The Company's operations are subject to numerous national and supra-national, environmental, health and safety laws, regulations, treaties and conventions. The amendment or modification of existing Regulations or the adoption of new Regulations curtailing or further regulating the operation of PV installations could have a material adverse effect on the Company's operating results and financial condition. During the lifespan of a PV plant certain environmental changes, in particular in sun irradiation and the local level of dust particles per cubic meter of air, can have a negative impact on performance and thus the financial performance and position of the Company.

12.2. Financial risks

The Company has invested significant efforts and amounts into acquiring land, negotiating rental agreements, legal costs, license fees and building a professional team. If there is a material adverse change in the general prospects for energy production using PV installations, the value of the company's tangible and intangible assets would be impaired and the Company would be required to take a charge against its earnings. In general, the Company's future sales and investment returns are uncertain.

12.3. Political, economical and other uncertainties

Changes in the regulatory, legislative and fiscal framework (including tax rules) governing the production of energy using PV installations could have a material impact on the Company's operations. Companies operating internationally are also subject to various risks including risks of war, terrorist activities, political, civil or labor disturbances and embargoes. The Company currently operates in the Czech Republic but may decide to operate in other new European Union member countries including Slovakia, Slovenia, Hungary, Bulgaria and Romania as well as other emerging European countries such as Croatia and former Yugoslav countries. Operations in emerging European countries may present risks that are not encountered in countries with well-established economic and political systems. In addition, the legal and regulatory systems of the emerging European markets identified above may be less developed and less well enforced than in more developed countries. The Company's ability to protect contractual and other legal rights in those regions may thus be limited compared to regions with more well established markets.

14. Management Board declaration

We hereby confirm that according to our best knowledge the information about Photon Energy a.s. contained in this report is correct as of the publication of this document and that it fairly reflects the Company's financial situation and business activities.

Prague, 13 November 2009

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