Together we power the future

Annual report 2022

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Letter to stakeholders

2022 will be written in history books as the year when the Covid-19 pandemic and the war in Ukraine brought indescribable changes to the world. Rapid economic rebound following the pandemic, fuel shortages, record high prices of natural gas, oil and electricity – all these keywords describe adequately the past year.

We at Sunly have always believed that clean energy sources and technologies are a way to protect the climate but also to create energy security and affordable energy prices for consumers. So, the ongoing global energy crisis has shown that every MW of renewables matters.

According to the International Energy Agency (IEA), renewable energy development is speeding up as countries look to boost their energy security in the face of the current crisis. IEA predicts that the world will add as much renewable power in the next 5 years as it has in the previous 20. Sunly was created in 2019 and has dedicated its first four years to building the pipeline in the Baltics and Poland to be ready for the massive growth of renewables.

We believe that we can only succeed if we have a social licence to operate from the communities where we carry out our activities. This means that climate, environment, social responsibility and circular economy are the key areas receiving our full attention.

We only build wind farms where they are welcomed by the local community: 94% of Sunly's wind developments are joint ventures with the landowners. When developing solar parks, we offer direct electricity consumption opportunities for local businesses. We work together with energy cooperatives to attract communities to invest in renewable projects. Additionally, we invest heavily into early-stage electrification startups.

History has shown that crises also create ample opportunities, and we see that realizing these opportunities will turn the Baltics and Poland into a cleaner and safer place. We are up to the challenge and thank our cooperation partners, people and investors for joining this ride with us.

Martin Kruus
Chairman of the Supervisory Board

As an independent power producer, Sunly is committed to supplying the Baltics & Poland with renewable energy security and creating value for all its stakeholders. We take our mission – together we power the future in the Baltics and Poland – very seriously.

Although 2022 was a challenging year for so many, it was a remarkable year for Sunly - we multiplied our pipeline from 4.7 to 23.4 GW, raised more capital and expanded our team. The first phase of the EUR 200m capital raise was completed to sustain our growth and we welcomed a new investor – Mirova – an affiliate of Natixis Investment Managers and a leading French asset manager dedicated to sustainable investing.

In 2021, we started negotiations with our partner Alseva - the Polish solar development and construction company. In 2022, the process was concluded by Sunly acquiring Alseva. This means that Sunly now has the capability to deliver a complete package when building solar park projects. This also means that Sunly's team skyrocketed from 24 to 153 people in 2022.

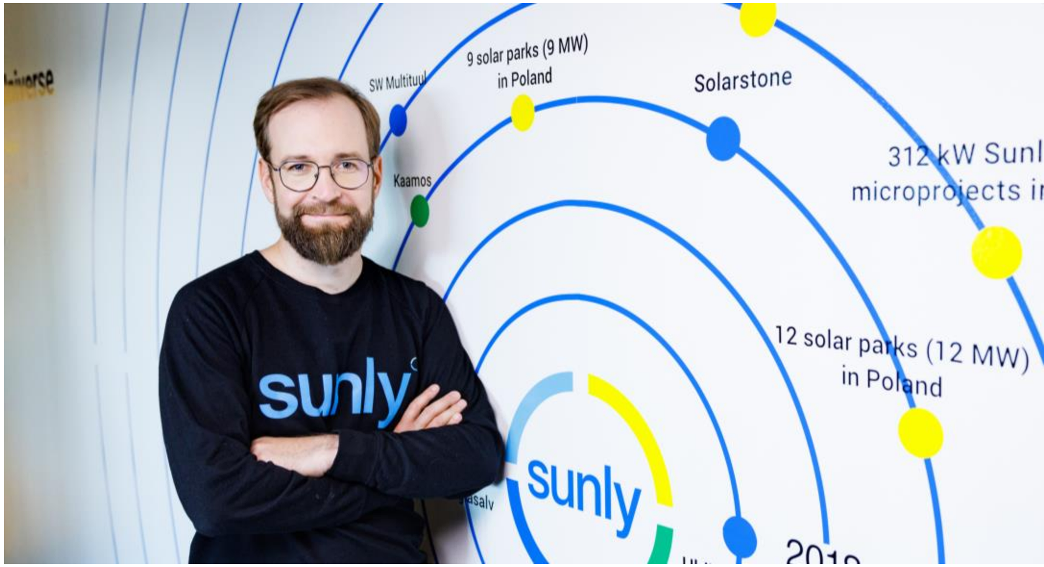
Investments in innovation have been one of Sunly's core values since the beginning. We see this as an option for future performance with unlimited upside. So, we invest 5% of our funds in early-stage start-ups in the field we know well – electrification. In 2022, five additional investments were made in innovation, including the first investments outside Estonia.

We take great pride in our people and our projects as they are our biggest assets. It's important that we build a shared success everyone can take ownership of. Therefore, in 2022 we introduced a share option program for all Sunly's employees.

Sunly thrives from the principle of creating an ecosystem – we are connected to many communities, and we support our stakeholders' sustainable lifestyles. This has given us a good start as a young energy company, and we will continue working according to our values also in 2023.

Having a deep knowledge of the field of energy and applying it for the benefit of different communities – this is what keeps us going.

Priit Lepasepp
Chairman of the Board



Our vision

Together we power the future

Our mission is to

provide renewable energy security of supply in our countries of operation.

To align with the mission, Sunly develops renewable energy projects, large-scale energy storage projects and invests directly in electrification startups. Sunly's core activity – renewable energy production – is at the forefront of reaching societies' climate, energy security & energy affordability goals.

Main business areas

Sunly is an independent power producer mainly engaged in the development, construction, and operation of renewable energy projects in the Baltics and Poland. By the end of 2022, investments have been made primarily in the solar energy segment.

Solar

- Early stage solar development
- Arranging solar parks' construction & financing
- Arranging rooftop solar construction & rental
- Asset management and arranging Operation & Maintenance of solar parks

Wind

- Early stage on-shore & off-shore wind development
- Stakeholder engagement
- Active participation in policy-making

Engineering, Procurement, and Construction (EPC)

(new business area acquired in 2022)

- Turnkey solar park EPC services
- Covering the whole value chain: feasibility studies - design - construction - power system assembly - testing & commissioning

Innovation

- Investing 5% of capital raised in electrification start-ups either directly or via majority-owned Sunly Innovation 2 fund
- Managing the portfolios of electrification start-ups for Sunly Innovation fund (outside Sunly group), Sunly Innovation 2 fund and Sunly's direct investments

Storage

- Co-developing a 500 MW / 12 hours pumped hydro storage project in Estonia (building permits received in 2022)
- Exploring hybrid solar-wind-battery projects: first solar-battery investment decision made in 2022

Results for 2022

Operation

Pipeline

23.4 GW

2021: 4.7 GW

Electricity produced

47 GWh

2021: 24 GWh

Solar parks constructed

88 MW

New business area

CO_2 emissions avoided

36k Mt

2021: 17k Mt

Financial

Revenues

EUR 29.2m

2021: EUR 2.1m

Investments

EUR 34.7m

2021: EUR 19.9m

Bank financing signed

EUR 18.4m

2021: EUR 39.8m

New equity injected

EUR 172m

2021: EUR 28m

Innovation

Cumulative investments in start-ups (including under management)

EUR 7.4m

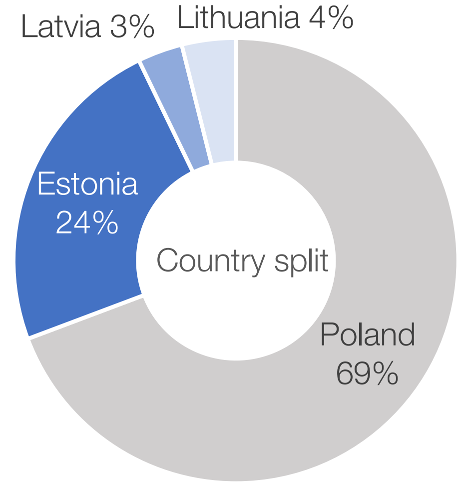
2021: EUR 6.0m

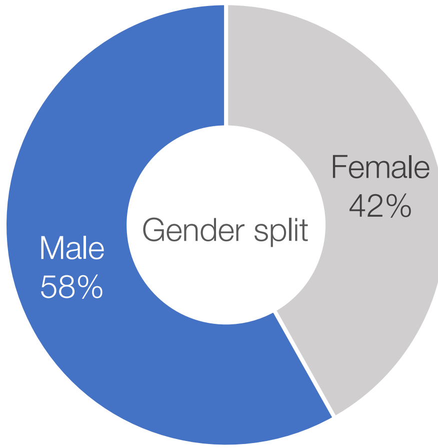
Number of start-ups (including under management)

19

2021: 14

People: 153 at the end of 2022



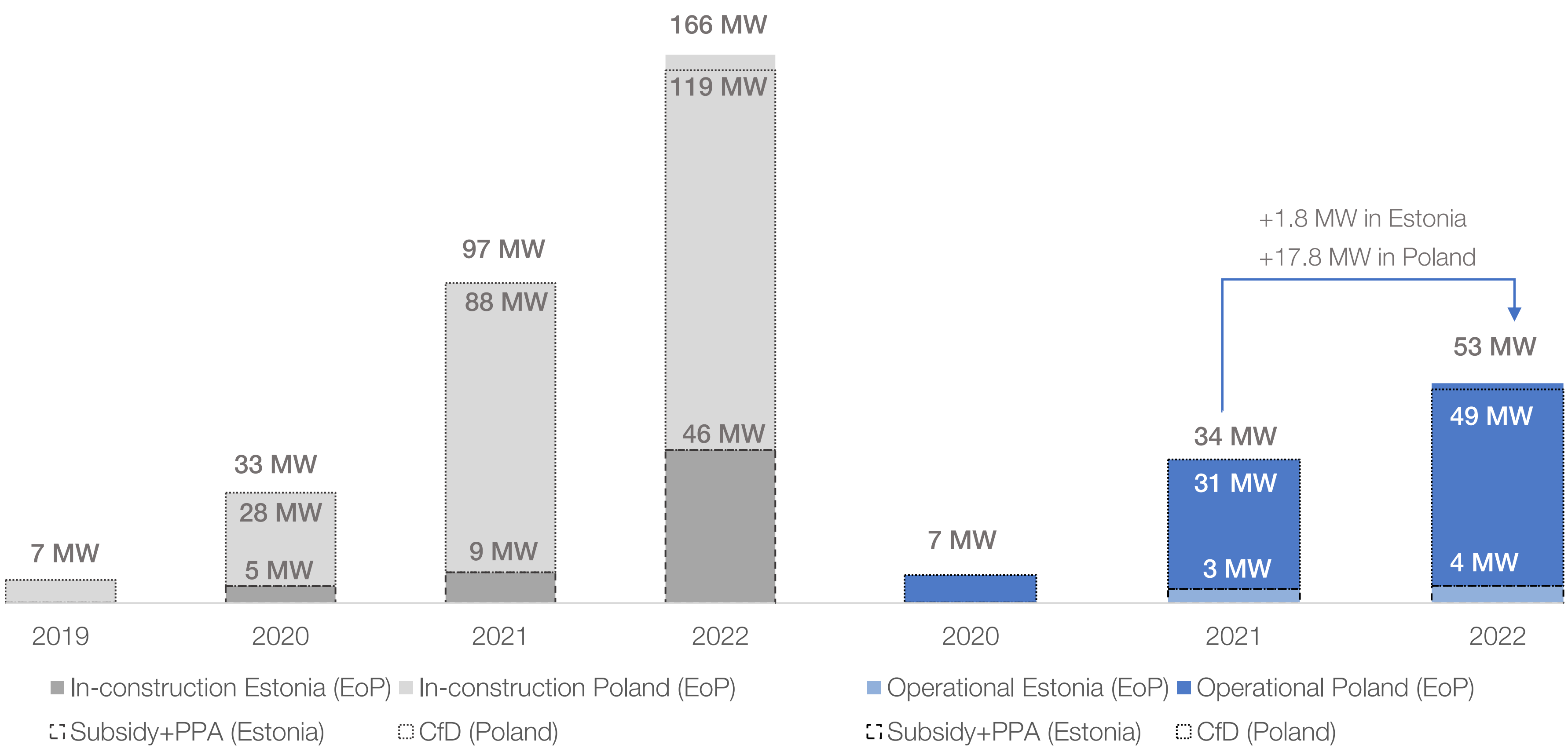


Mt– megatonne; Investments – acquisition of property, plant and equipment, intangible assets and investment property; Bank financing signed – total amount of new bank loans signed during the year; Newequity injected – proceeds from issue of share capital.

Highlights of the financial year

During 2022, Sunly secured additionally **16 MW** in renewable energy subsidy auctions in Poland and **19.2 MW** in Estonia.

97.1% of Sunly's operational portfolio has revenue secured under a CfD, FiP or PPA scheme.

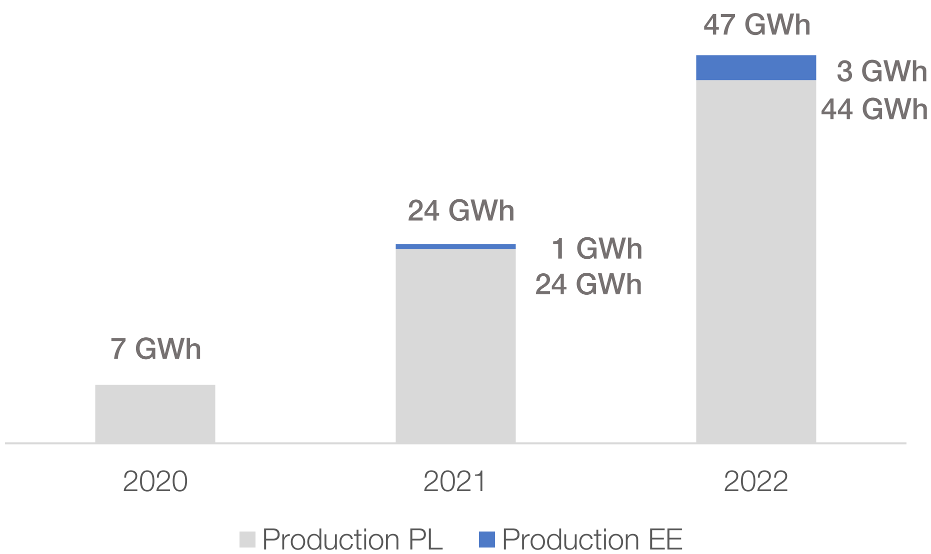


EoP – end of period; CfD – Contract for differences; PPA – Power Purchase Agreement; FiP – Feed-in-Premium

Production of solar energy (GWh)

As is typical for solar energy, most of the production is generated from April to September.

Overall, 2022 was sunnier than the long-term average, especially in March, having a positive impact on production volumes and financial results.



PL – Poland; EE – Estonia

Significant events during 2022

In 2022, we **multiplied our pipeline,** raised more capital and **expanded our team:**

EUR 200m capital raise first phase was completed, Mirova was welcomed as a new investor.

Polish solar development and construction company **Alseva** was acquired.

Solar parks in operation or under construction grew **from 131 to 218 MW.**

Pipeline increased **from 4.7 to 23.4 GW.**

Sunly's team grew **from 24 to 153 people.**

EUR 18.4m new financing secured with **Eiffel** and **ING** in Poland, and **Luminor** in Estonia.

Energiasalv 500 MW storage project licensed.

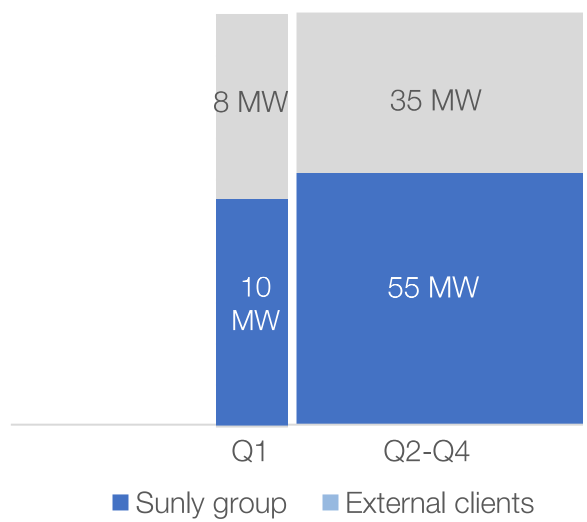
5 additional investments made in **innovation.**

EPC – engineering, procurement and construction; Qx – Quarter of the financial year

Becoming an EPC company

As a result of finalizing the acquisition of 100% of **Alseva** and 50% of **Rova** in Poland on 1 April 2022, Sunly can offer a full range of solar energy services in Poland, both internally and externally.

Alseva covers project development and EPC services while Rova provides Operations and Maintenance (O&M) services for solar parks.



MW completed by EPC, before (Q1) and after (Q2-Q4) acquisition

EUR 200m capital raise

In October 2022 Sunly welcomed a new investor – **Mirova** – by completing the first phase of a EUR 200m capital raise from new and existing investors.

Mirova is a dark green French asset management company dedicated to sustainable investments. Mirova is an affiliate of Natixis Investment Managers – one of the world's largest investment managers.

Acquisition of Alseva

In April 2022, Sunly finalized the acquisition of 100% of the Alseva group. Alseva is of one of the largest Polish solar power developers and constructors. During the transaction, Alseva's owners also acquired a minority shareholding in Sunly. Sunly and Alseva have been successfully cooperating since 2019 – almost all of Sunly's solar parks in Poland have been developed and constructed by Alseva.

Financing

In March 2022, Sunly concluded an **EUR 11m** grid connection, auction deposits and SPV acquisition financing facility with **Eiffel** Energy Transition fund.

In October 2022, Alseva EPC concluded a PLN 30m (ca. **EUR 6.5m**) net working capital and guarantee facility with **ING** bank in Poland.

In November 2022, Sunly concluded a **EUR 0.9m** project financing agreement with **Luminor** bank in Estonia for 1.8 MW solar parks.

Becoming an Independent Power Producer

In the beginning of 2022, Sunly completed the merger between Sunly Land AS and Sunly OÜ groups, which was initiated in 2021. As a result, Sunly Land AS was renamed Sunly AS and the whole group became a developer and Independent Power Producer (IPP), which includes both people and projects.

EPC – engineering, procurement and construction; SPV – special purpose vehicle (project company); ca. – circa

Storage

Energiasalv obtained building permits in December 2022

Energiasalv – a 500 MW / 12-hour pumped hydro storage on the Northern coast of Estonia – has now obtained the relevant building permits. This is a major milestone for a large-scale energy infrastructure project, which will enable future renewable energy projects in the Baltic and Nordic region.

Sunly's investments in Energiasalv have been matched by our business partner Alexela, which is an Estonian energy and metal industry group.

At the end of 2022, Sunly held EUR 500k convertible notes and a 6.5% direct shareholding in Energiasalv, and also managed Sunly Innovation OÜ's 29% investments in Energiasalv.

Innovation

In 2022, Sunly's start-up investment arm – Sunly Innovation 2 (SI2) continued making investments in electrification start-ups in the early stage. During 2022, **5 additional investments** were made.

Leading an investment round into a DeepTech storage material technology company **UP Catalyst.** UP Catalyst uses industrial CO_2 to make nanocarbon materials and graphite that is used to make electric vehicle (EV) batteries (Li-on batteries) significantly more sustainable. Their ambitious journey of reaching 300,000 tonnes/year sustainable carbon production capacity will avoid 115 million tonnes of CO_2 a year deeply resonates with what Sunly believes in.

Co-invested in one of the leading e-cargo bike makers, **Vok Bikes**, early in Q1'22 and made a follow-on investment in Q4'22 after Vok Bikes had shown significant growth during the year. Vok Bikes provides e-cargo bikes to large companies like Omniva, Mathem, Foodora, Tuul & Wolt among others. In addition, they provide Vok Bikes as a service in Berlin, London, Stockholm, Tallinn & Vilnius.

Co-invested in **Amperio** – a Polish green energy solution's platform operating in Poland & Spain. Led by serial founders with a successful exit behind them, they specialize in helping customers install solar panels & heat pumps in a cost-effective manner.

Co-invested in **Switch EV** – a UK one-stop solution for EV charging networks. An android-like operating system powering existing and new EV chargers. This enables new opportunities behind EV charging like turning your EV into an earning asset through Vehicle-to-Home (V2H) / Vehicle-to-Building (V2B) / Vehicle-to-Grid (V2G) - capabilities uniquely native to the Switch platform. The investment was driven by the track record of the founder, who co-authored the current EV charging protocol in global use (OCPP 1.6).

Invested as a limited partner in an early-stage accelerator batch #3 – **Beamline Accelerator.** SI2 has secured diversified access to a portfolio of 10 start-ups via this platform. The batch included 4 start-ups in the electrification field. This investment allows SI2 to make follow-on investments in target start-ups as well as provides early information on their progress. Furthermore, some solutions are being tested by Sunly AS to potentially become a customer to further Sunly's core businesses (renewable energy development and production).

History & timeline

2018 - 2019

Sunly's predecessors – **Sunly OÜ** (management company) and **Sunly Land AS** (asset company) – were established in December 2018 and April 2019, respectively, by the investors and core team who had previously created and sold Nelja Energia (the largest wind power producer in the Baltic States). Together with **Sunly Innovation OÜ** fund (SI1, non-group entity), the companies work under the Sunly brand umbrella.

In the first year of operation, Sunly started solar development in the Baltics and established a cooperation with Alseva group in Poland. Sunly acquired from Alseva the **first ready-to-build solar portfolio** as well as EPC services and had its first solar parks constructed in Poland.

Sunly opening its first solar park in Poland

Sunly sets up a mandate to invest 5-10% of capital raised in electrification startups

themo
Gridio
SOLARSTONE
Rexplorer

In 2019, the Sunly OÜ group signed a management agreement with **SI1 fund** – a holdco for the start-up investments made by Nelja Energia.

SI1 made four investments in 2019: Solarstone (integrated solar panel roofs), Rexplorer (renewables datahub), Themo and GridIO (both energy demand response). SI1's portfolio already included Energiasalv (500 MW Estonian pumped hydro energy storage) and Ubik (microinverter for AC-DC).

In order to support Sunly's mission in innovation, Sunly created a **Port of Power** office space environment in Tallinn for cleantech start-up companies to work together.

EPC – engineering, procurement and construction; SI1 – Sunly Innovation OÜ fund; AC-DC – Alternating Current to Direct Current

2020

- First joint ventures with landowners established
- First offshore wind development started
- First large-scale solar project (60 MW) launched

Year 2020 marks the first substantial expansion of Sunly's wind and solar pipeline, as Sunly established the first **joint ventures with a large Estonian landowner.**

Additionally, Sunly submitted its first seabed rights applications for a ca **1.9 GW offshore wind** development in Estonia.

In **Poland,** Sunly continued the cooperation with Alseva where the operational / UC / RtB solar portfolio (all secured with a CfD subsidy) had grown to almost 130 MW, including the **Rzezawa 60 MW solar** project. The operational and UC portfolios were financed by **mBank.**

Sunly also started its first **solar projects**' (all with subsidy) construction in **Estonia** and financed them with **SEB bank.**

Meanwhile, SI1 invested in Startup Wiseguys Ventures Fund 1 (LP fund investing into startups).

To finance the substantial expansion and development of the pipeline, Sunly issued a EUR 13m bond to LHV pension funds in Estonia.

2020 was the starting year of the Covid-19 pandemic but it did not have a significant impact on Sunly's operations.

2021

- EUR 28m of equity capital raised, new investors joined
- Joined the first Energy Community
- First PPA project signed

Sunly raised **EUR 28m of equity capital** both from existing and new investors. New joiners included also **Vardar,** a Norwegian energy company.

Joined the first Energy Community in Estonia (Energiaühistu) to invite **local activists** to become shareholders of RES projects.

During 2021, Sunly signed its **first PPA (1.8 MW)** for new Estonian solar parks with Alexela, an Estonian energy company.

In Dec'21, Sunly made its first direct investment in **Energiasalv**, matched by its development partner Alexela.

Sunly launched **Sunly Innovation 2 OÜ** (SI2) to invest EUR 4m in early-stage electrification startups. Sunly provides management services to SI2 ja maintains majority ownership in SI2, investing alongside other Estonian investors.

SI2 made its first investments in 2021:

- **Rexplorer** (datahub for estimating renewables potential in selected areas; Sunly had been using Rexplorer services for several years)
- **Beast** (P2P Tesla renting platform)

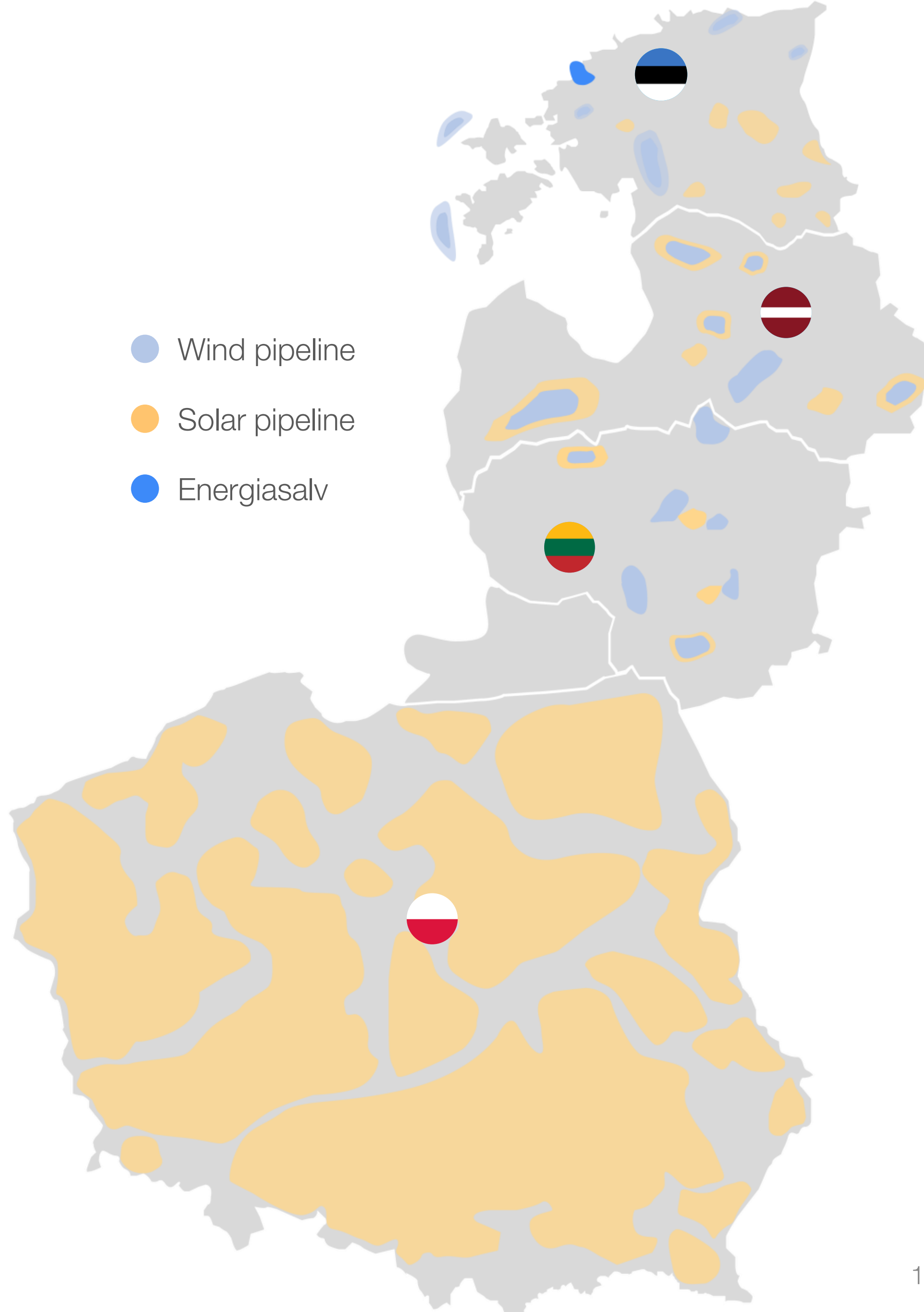
UC – Under Construction; RtB – Ready to Build; CfD – contract for differences; SI1 – Sunly Innovation OÜ fund; PPA – power purchase agreement; RES – renewable energy source; P2P – peer to peer

Future outlook

Pipeline

At the end of 2022, Sunly had **23.4 GW** of secured and prospective pipeline in the Baltics and Poland. The pipeline included 15 GW solar, 6.6 GW onshore wind and 1.7 GW offshore wind projects.

The nearest term pipeline is in solar development while onshore wind is estimated to become ready-to-build in short and medium term, and offshore wind in longer term.



The way Sunly operates

Our goal is building a sustainable future through responsible business practices

We incorporate ESG – environmental, social, and governance – considerations into our core business model and strategic decision-making processes. This is how we develop renewable energy, large-scale energy storage projects and invest in electrification start-ups.

Sunly has chosen two United Nations Sustainable Development Goals as its priorities:

- Industry, Innovation and Infrastructure
- Affordable and Clean Energy

Approach to social impacts

Sunly acts with its stakeholders according to its core values:

Power of Togetherness
Everyone & every action matters when moving towards a more sustainable community.

Energetic
We move with the strength & speed of natural forces when it comes to our goals.

Innovative
Always striving towards new technologies & new ways of doing things.

Trustworthy
A team of experts & changemakers
driven by a sense of mission

Caring
Helping communities to reach energy security & zero-carbon living by providing clean technologies.

Dynamic
Visionaries in cleantech energy yet business-minded with two feet firmly on the ground.

Approach to social impacts

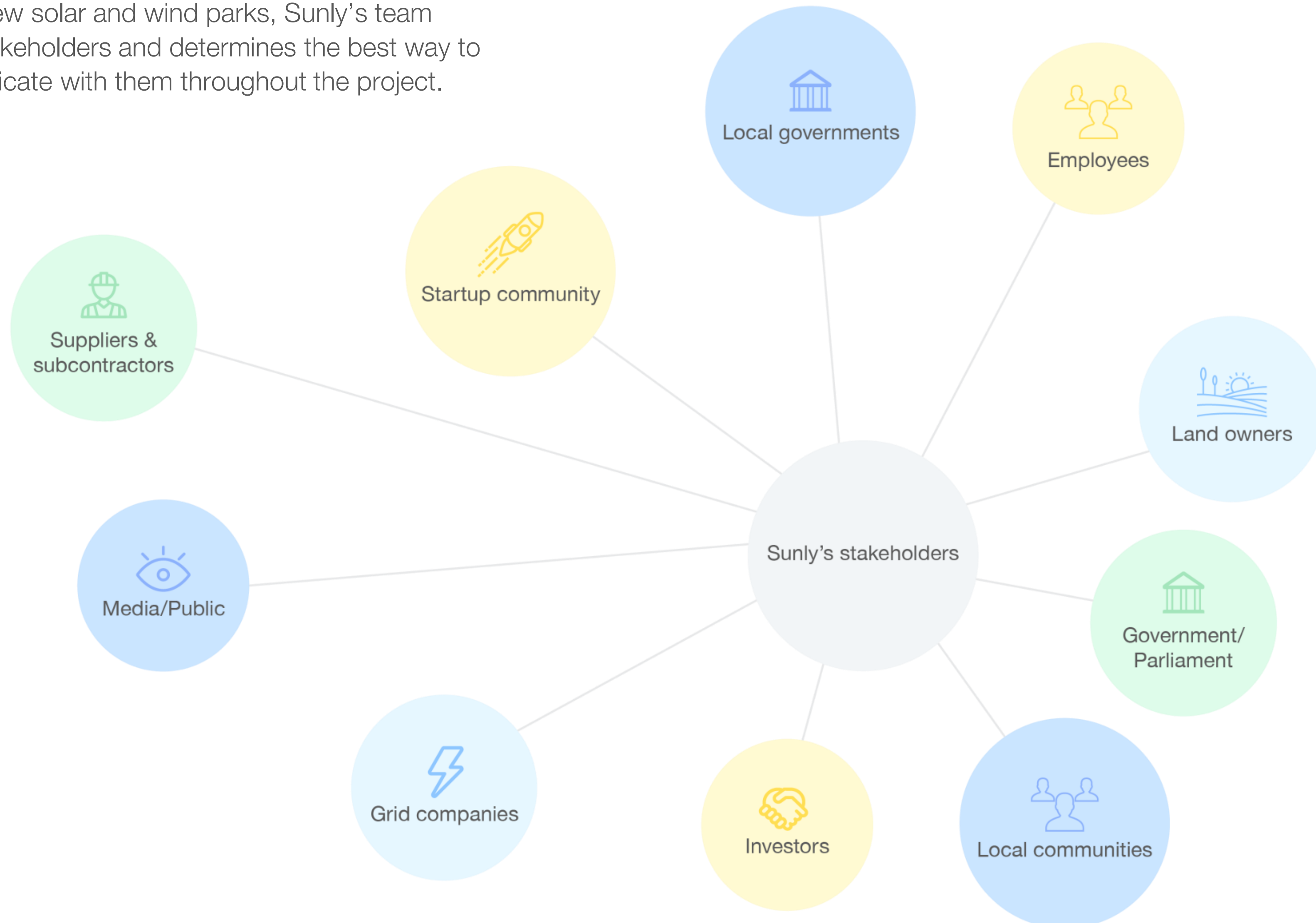
The **power of togetherness** as a value reflects how Sunly believes that the key to achieving our mission is transparent communication and close cooperation with our stakeholders and communities. Sunly believes that developing and building solar and wind parks can only be done in **cooperation with local communities.** This allows us to align mutual values, so that we may address the needs and concerns of the local communities.

Sunly encourages **landowners to become investors** in exchange for providing their land for project development – 94% of Sunly's wind farm projects are joint ventures developed together with landowners. It is also possible for **local enthusiasts** to become shareholders of Sunly's projects **via the Energiaühistu** cooperative in Estonia.

We additionally contribute to technology development by investing in **electrification start-ups**, supporting international **cleantech accelerators** and being the main anchor of the **GreenTech** community led by Cleantech Estonia.

Stakeholder management

Before developing new solar and wind parks, Sunly's team identifies relevant stakeholders and determines the best way to involve and communicate with them throughout the project.



Sunly's main stakeholder groups

Stakeholder engagement involves:

- **Communication** – informing about the solar/wind project
- **Consultation** – asking information, feedback and views which may influence the development of the project.
- **Providing feedback** to stakeholders, detailing the results of consultation.

Typical activities taken during the stakeholder engagement include consulting airport authorities, the defence ministry, environmental groups and grid companies, as well as visiting and talking directly to neighbours and nearby residents, attending public meetings, negotiating with landowners, informing local media and organizing study visits for local governments.

Supporting education and policymaking, we are active in working groups, shaping the renewable and electricity markets in the Baltics. We participate in various **stakeholder groups**, contributing to he development of renewable energy, including Green Policy Expert Group of the Estonian Government; Renewable Energy Council of the Ministry of Economic Affairs and Communications in Estonia; Electricity Market Council of the Estonian Transmission System Operator; Latvian, Lithuanian and Polish Wind Energy Associations, etc.

Sunly supports activities, social groups and events, which align with our mission statement and vision. Several **food sharing stations** with solar panels donated by Sunly were opened in 2022, promoting circular economy.

Inviting local communities to invest

Sunly is a founding member of the first Estonian energy cooperative **Energiaühistu**, which promotes community energy model. At the end of 2022, the cooperative had 88 members, had performed technical modelling for over 40 renewables production sites and has currently 15 projects in the pipeline. They are currently actively searching and training renewable energy ambassadors who can promote projects in local communities.

ENERGIA ÜHISTU

Putting innovators on stage

Sunly has developed a **greentech community** onits premises in Tallinn, offering office space, joint events and networking opportunities.

The Estonian **Cleantech Demo Centre** was created in 2021 together with Cleantech Estonia. The centreprovides facilities to showcase 40 solutions invented in Estonia with a mission to minimize the environmental footprint and pollution. In 2022, the Estonian President Alar Karis visited the centre.

Since 2019, Sunly together with Cleantech Estonia has been supporting **Äripäev radio show** called **Cleantech**, where experts of the energy industry discuss business opportunities in the field of green technologies.

The same partnership led also to launching an international cleantech start-ups accelerator **Beamline**. Beamline has provided EUR 2m of investments in 70 cleantech startups that have in turn attracted more than EUR 80.6m of capital.

In 2022, Sunly started a partnership with **Solaride –** an interdisciplinary education and cooperation project with the main focus on the development of future talents and the popularization of technology education. A joint hackathon was one of the key events in the first year which turned out to be also an important recruitment channel for Sunly.

Responsible sourcing and supply chain management

Sunly holds social responsibility & human rights issues as a priority topic within the supply chain management system.

In 2022, Sunly set the goal to be aligned with OECD guidelines, UN Global Compact, UN Guiding Principles on Business and Human Rights, and the core conventions of the International Labour Organization (ILO). This is to be addressed via the Supply Chain Management System and Supply Chain Code of Conduct to our supply chain partners.

We are in frequent contact with selected suppliers and subcontractors regarding human rights protection, technological updates and price developments.

OECD – Organizationfor Economic Co-operationand Development; UN – United Nations

Sunly people

Sunly's highly skilled team is expanding year by year and every employee has a crucial role in achieving our goals.

At the end of the financial year, Sunly had 153 experts (2021: 24) in 4 countries – 36 in Estonia, 5 in Latvia, 6 in Lithuania and 108 in Poland – of which 41% were women and 59% men.

Sunly continues to actively hire top experts in green tech, finance, law, marketing, HR and project management, offering them an opportunity to contribute to the development of renewable energy and the green transition.

Shared success

At the end of the year, Sunly substantially expanded its share option program for employees. By offering people the opportunity to share the ownership and success of the company, the organization is fostering a sense of unity and shared purpose. The share option program aligns the interests of employees with those of the company and encourages everyone to work together towards a common goal. Offering share options is also a way of rewarding and recognizing the contributions of employees.

ESG – social license to operate

In 2022, Sunly took a more structured approach to incorporating ESG (environmental, social, governance) considerations by hiring an ESG Lead.

Sunly is committed to promoting and adhering to ESG principles in all aspects of our operations. By prioritizing these values, Sunly not only contributes to a more sustainable and responsible business environment, but also creates an inclusive, safe and inspiring working environment, and supports the well-being of our employees.

HR – human resource

Perks that come with the job

As it is important that Sunly people could thrive in their work activities, we offer various health and sports benefits, and arrange various events throughout the year. Flexibility and teamwork are encouraged in a way that remote work and smooth teamwork can be combined.

Sunly encourages lifelong learning and personal development, is constantly carrying out team training and offers personal training budgets to employees. At the beginning of 2022, peer-to-peer learning workshops were launched. The development of employees is also encouraged by offering a transfer within the company to new tasks and responsibilities.

Working culture

One of Sunly's primary concerns is the wellbeing and engagement of our employees. When choosing and training our employees, we make sure they are well supported in implementing Sunly’s values in their daily work and put considerable efforts into creating a highly supportive working environment for physical and mental health as well as constant personal development.

Sunly’s support to Ukraine

Within days from Russia’s invasion to Ukraine, Sunly mapped and offered support to Ukrainians involved in Sunly’s supply chain. In March 2022 we also donated EUR 10 000 to:

- Ukraine’s largest children’s hospital Ohmatdyt (НДСЛ Охматдит)
- A charity campaign of Krakow Technology Park to send protection equipment to people defending Ukraine.

Rebuilding Ukraine with energy security

As a next step, Sunly is looking to contribute to rebuilding Ukraine. Sunly has partnered up with the Estonian Centre for International Development (ESTDE) for the Ovruch kindergarten - Estonia's first reconstruction project in Ukraine.

Sunly together with its start-up Solarstone will provide the kindergarten with a 20 kW solar energy system, including batteries. The sustainable and environmentally friendly solution enables the kindergarten to save on electricity costs and ensure that the school will have energy access even in the event of a power outage.
The building is set to open its doors on 1 June 2023.

Estonia is the first country to begin physically contributing to the rebuilding of Ukraine and seeks to set an example for other countries through its initiative and successful projects.

Approach to environmental impacts

Sunly is developing a 23.4 GW portfolio of solar and wind parks in the Baltics and Poland, as well as a 500 MW pumped-hydro energy storage in Estonia. Even partial realization of this pipeline will significantly improve energy security and affordability in our region.

During 2022, the total capacity of Sunly's operational solar parks increased from 34.3 MW to 52.5 MW. The parks generated 47 GWh of fossil-free energy, which contributed to avoiding more than 36 thousand Mt of CO_2 equivalent emissions from being emitted. Sunly is currently in the process of assessing its own total carbon footprint.

Sustainable planning

Sunly manages the environmental impacts of its projects in close cooperation with environmental specialists. Environmental protection and responsible land management, including biodiversity, are considered already from the land selection phase. In Estonia and Latvia, Sunly uses a proprietary mapping tool to highlight possible issues.

Environmental impact assessments ("EIA"s) are carried out for wind parks and, if necessary, also for solar farms. The aim is to prevent and be proactive in eliminating and mitigating a possible negative impact on the environment, such as noise, and the disturbance of natural habitats of flora and fauna. EIA is always carried out by independent environmental experts following national and EU legislation.

EIA is conducted as a clear and transparent process, where all potentially affected groups (local communities, all related authorities and associations, environmental organizations etc.) are engaged, in order to find a suitable and acceptable solution for all the involved parties. EIA is also a tool to evaluate the impact of Sunly's projects on local communities.

When planning a wind farm, we conduct and share visualizations of the potential wind farm with people living nearby.

Sustainable construction

When building solar parks on land that could be used for agriculture in the future, we do not use permanent installation methods but a system that can easily be removed in the future. In Estonia, such systems have been modified to suit the local limestone soils.

Contributing to developing circular economy practices in our field of operation is one of our priorities. Sunly is taking active steps towards solar panel recycling by cooperating with Biosystem Elektro recykling in Poland. Since 2022, Sunly is also a member of the organization EES-Ringlus, where the aim is to contribute to establishing a recycling system for solar panels in Estonia.

Sustainable transport

Sunly's employees can use an electric car for their work-related rides. In 2021, a prototype of a smart EV charger made by one of Sunly's cleantech startups (Gridio) was installed. It can be used to charge the car when electricity is the cheapest.

EV – electric vehicle

Approach to governance

ESG roadmap

In 2022 Sunly committed to implementing an ESG roadmap, which includes the objective of mapping Sunly's priority ESG KPIs during 2023. This goal helps us take more focused action when measuring and managing the impacts of our operations on the environment and the people we cooperate with.

Our ESG roadmap includes for example the following topics: climate change and environmental management system, corruption prevention, supply chain management system, health and safety of our employees, and active community engagement. Our goal is to minimize the negative impacts and continuously increase the positive impacts of our operations.

Governance

At Sunly we value the transparency of governance, especially as we have many small shareholders.

The Supervisory Board (SB) has 7 members, including 2 who represent the pooled votes of minority shareholders.

ESG Committee, formed in 2022 on the level of the SB, is responsible for overseeing constant improvements in ESG governance matters, as well as fulfillment of the ESG roadmap.

Ethics

Sunly has zero tolerance for corruption, including bribery, giving or receiving improper advantages, tax evasion, and other unfair business activities.

Investor reporting

In order to maintain regular contact with investors and banks, Sunly prepares **quarterly updates** with the latest highlights, financial and non-financial KPIs, pipeline developments, investment status and financial results.

Once a year Sunly's **Investor Day** is held where management provides a review of Sunly's strategic direction and operations as well as a dive into megatrends, that create opportunities ahead.

ESG – environmental, social and governance; KPIs – key performance indicators; SB – Supervisory board

Market highlights

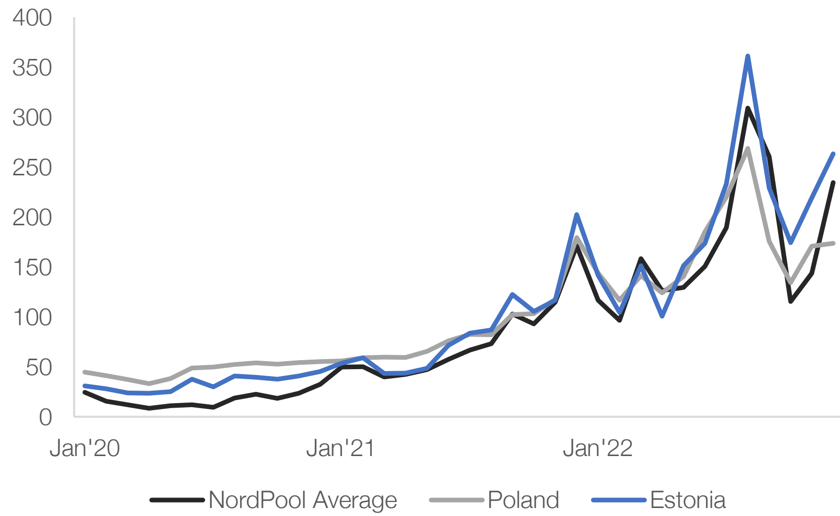
Electricity prices

After the rapid increase in power prices in mid-2021, growth continued in a volatile manner in 2022, with the highest peaks during the summer. The European average power price in August 2022 was more than 4 times higher than in August 2021. This was mainly due to high gas prices, impacted by the war-in Ukraine and economic sanctions against Russia.

Electricity prices in the Baltics and in Poland have been higher than in the Nordics, given the higher share of renewables in the Nordics energy mix.

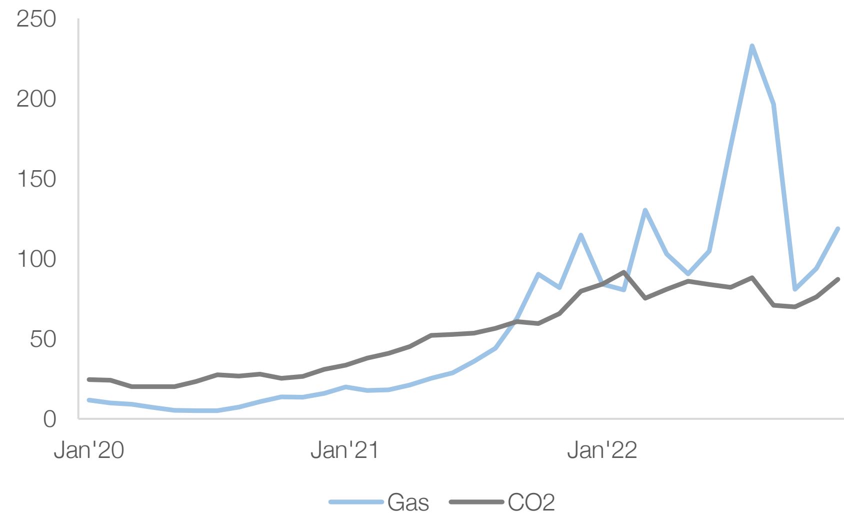
The increase in electricity prices has had a positive impact on Sunly's business.

Electricity prices at NordPool, EUR/MWh



Source: NordPool

Gas and CO_2 (EU ETS) prices, EUR/MWh



Sources: BNEF and NordPool

Inflation

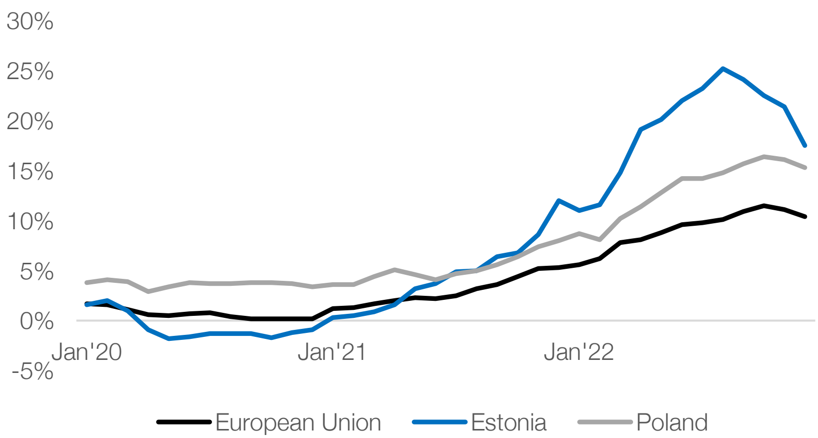
The geopolitical situation in Europe in 2022 led to the highest inflation for the past decades. The main driver for inflation was energy prices, according to Eurostat.

Inflation has both positive and negative impacts on Sunly's current and future operations. Although operating costs in renewable energy are generally small and, therefore, not very vulnerable to general inflation, renewable energy capex is still impacted by construction price inflation. On the other hand, the CfD subsidy in Poland is linked to inflation and this has a substantial positive impact on Sunly's business.

Interest rates

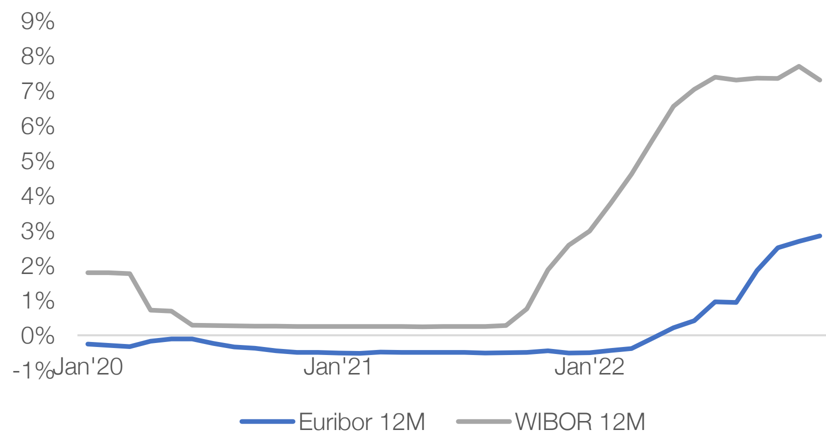
Sunly's financing in Estonia is linked to EURIBOR, and in Poland, Sunly's financing is linked to WIBOR. This has a negative impact on Sunly's operations, although it is partially compensated by the increase in inflation, which is driving up Polish CfD subsidy rates.

Consumer price index monthly change



Source: Eurostat

Interest rates monthly change



Sources: Euribor-rates.eu, bankier.pl

CfD – contract for differences; capex – capital expenditure

EU price cap in Poland

The EU has temporarily allowed countries to set price caps during 2023 for certain energy producers, in order for the countries to raise funds to compensate high power prices to most vulnerable consumers.

While measures taken by the Baltic countries do not have a significant impact on Sunly, Poland has introduced a price cap for renewable energy producers at 405-425 PLN/MWh (86-90* EUR/MWh).

This will have a significant negative impact on Sunly's operating solar parks in Poland in 2023, given that the market prices are expected to be higher than the price cap.

However, Sunly is able to partially mitigate this, given that almost all of Sunly's operational parks in Poland have secured a CfD subsidy (including all parks that have raised project financing), which gives an exemption from the price cap.

* EUR/PLN exchange rate 4.7

CfD – contract for differences

Key financials

(in EURk)	2022	*Change*	2021
Total revenue	**29 248**	***27 162***	**2 086**
EBITDA	-2 254	*-1 241*	-1 013
Adjusted EBITDA	3 610	*3 763*	-153
EBIT	-5 766	*-3 694*	-2 072
Net profit	-15 027	*-11 170*	-3 857
Cash and cash equivalents	95 741	*82 931*	12 810
Equity	228 902	*182 576*	46 326
Loans and borrowings	59 350	*27 408*	31 870
Total assets	363 120	*282 108*	81 012
CAPEX	34 675	*14 795*	19 880
EBITDA margin	-7.7%	*40.9%*	-46.8%
ROIC (Return on invested capital)	-3.0%	*0.2%*	-3.2%

Total revenue = Revenue + Other income

Adjusted EBITDA = EBITDA adjusted for: Employee option scheme expenses, capital raise advisory fees, Alseva acquisition advisory fees and taxes, other non-regular income and expenses

EBITDA margin = EBITDA / Total revenue

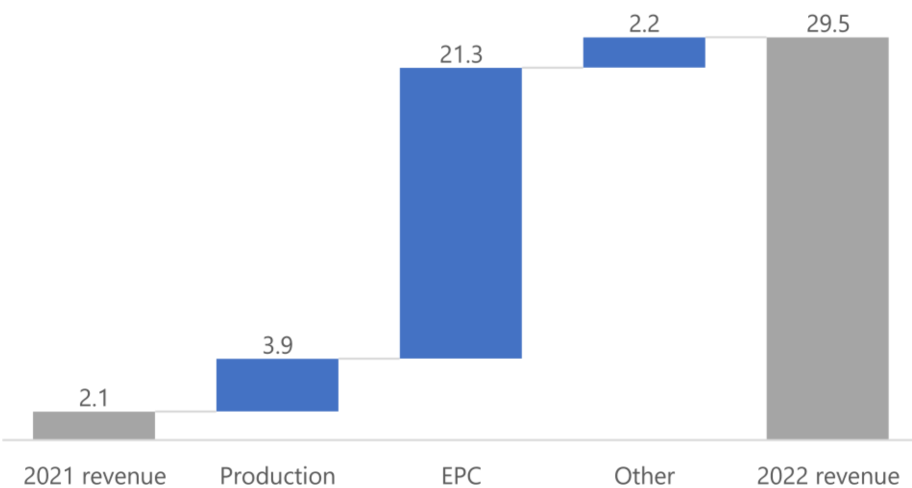
ROIC = EBIT / (Equity + Loans and borrowings - Cash and cash equivalents)

EBITDA – Earnings before interest, tax, depreciation and amortization

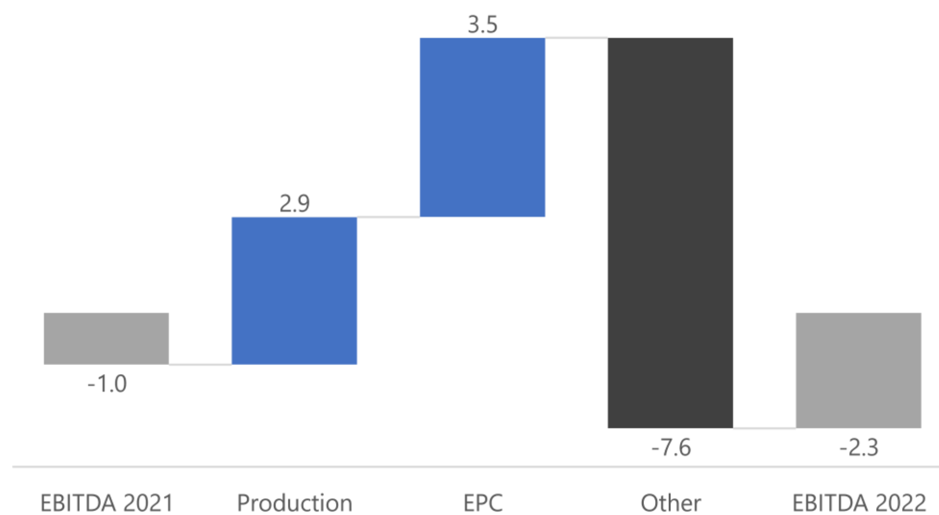
2022 revenues and EBITDA were mainly driven by an increase in electricity production and electricity prices, and by the newly added EPC business. EPC revenues and EBITDA include 9 months' results of external projects of Alseva Komandytowa, which Sunly acquired on 1 April 2022.

The positive impact was offset by other costs, which mainly include EUR 3.4m of employee option pool related non-cash expenses, as well as EUR 2.6m of advisory fees related to the Alseva acquisition and capital raise (see the next page).

Revenue bridge, EURm



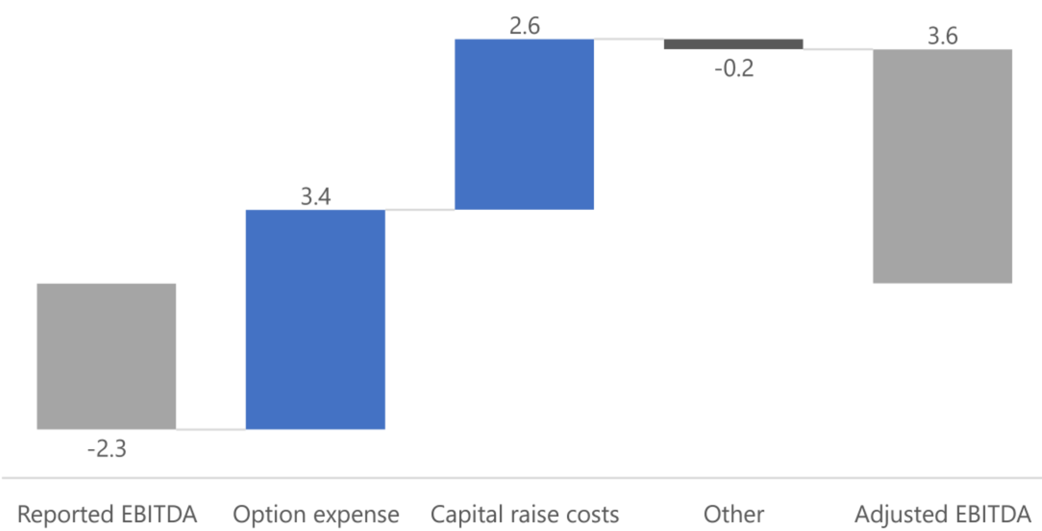
EBITDA bridge, EURm



EBITDA – earnings before interest, tax, depreciation and amortization; EPC – engineering, procurement and construction

EBITDA for 2022 is adjusted for employee option expenses (non-cash), capital raise related advisory fees, Alseva acquisition related advisory fees and transaction tax, and other non-regular income and expenses.

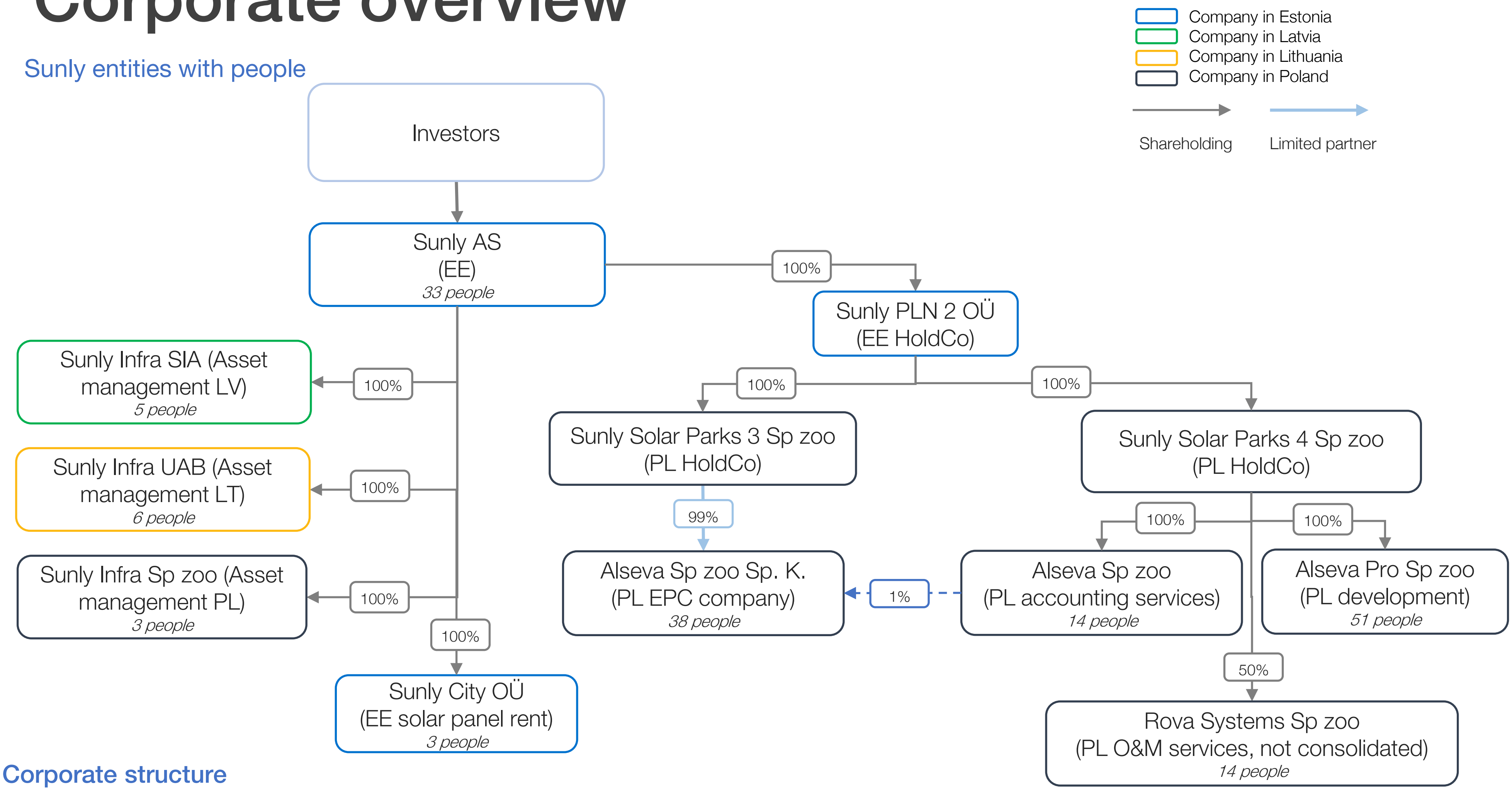
Adjusted EBITDA bridge, EURm



EBITDA – earnings before interest, tax, depreciation and amortization

Corporate overview

Sunly entities with people



Corporate structure

In February 2022, the merger of Sunly AS (previous business name Sunly Land AS), Sunly OÜ and Sunly Infra OÜ was completed. As a result, the people and projects of Sunly are now in the same group and Sunly is an Independent Power Producer.

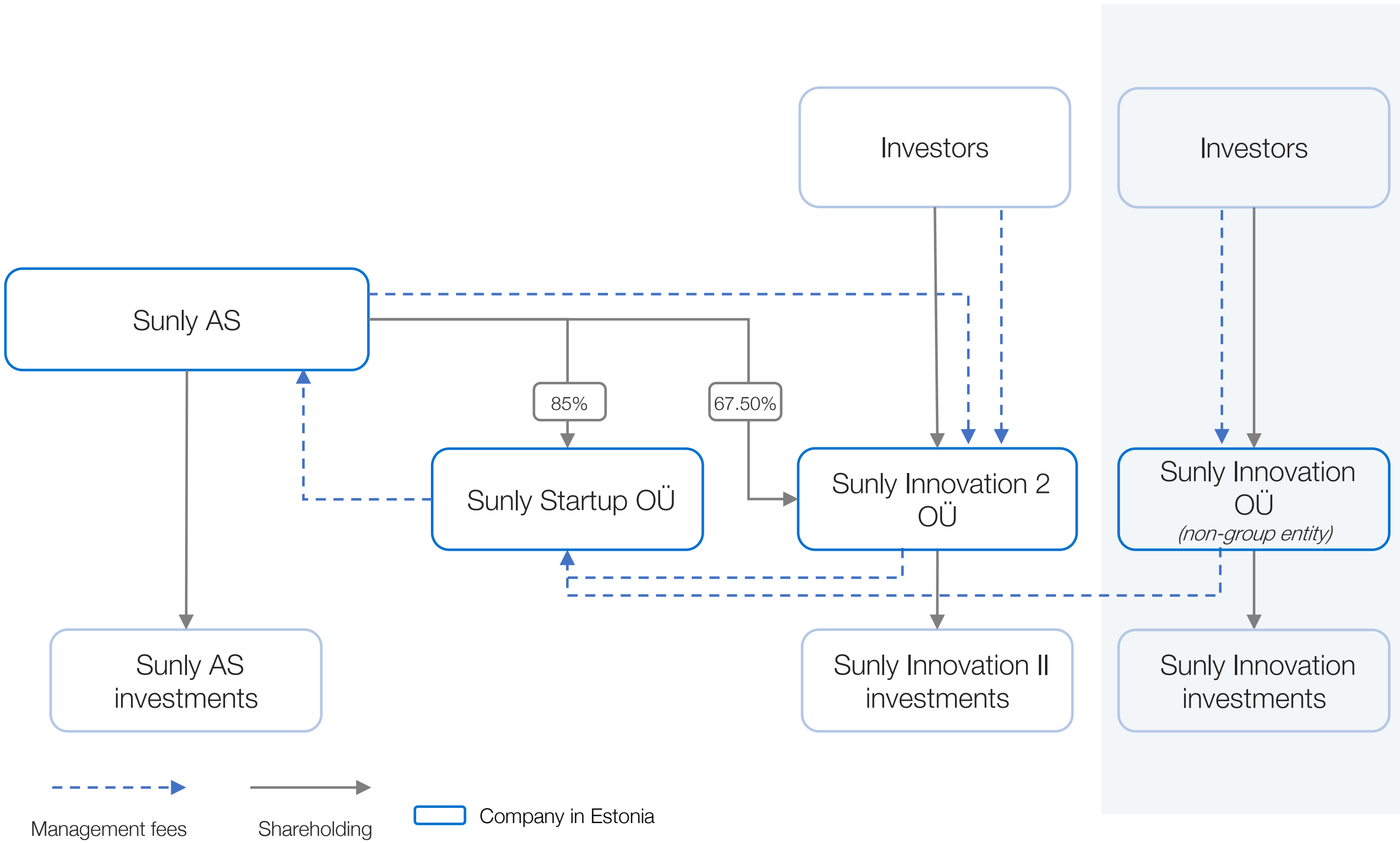
On 1 April 2022, Sunly acquired Alseva –a Polish solar development and construction company.

EPC – engineering, procurement and construction; O&M – operations and maintenance, EE- Estonia, LV – Latvia, LT – Lithuania, PL – Poland, HoldCo – holding company

Sunly innovation

Sunly's innovation arm includes:

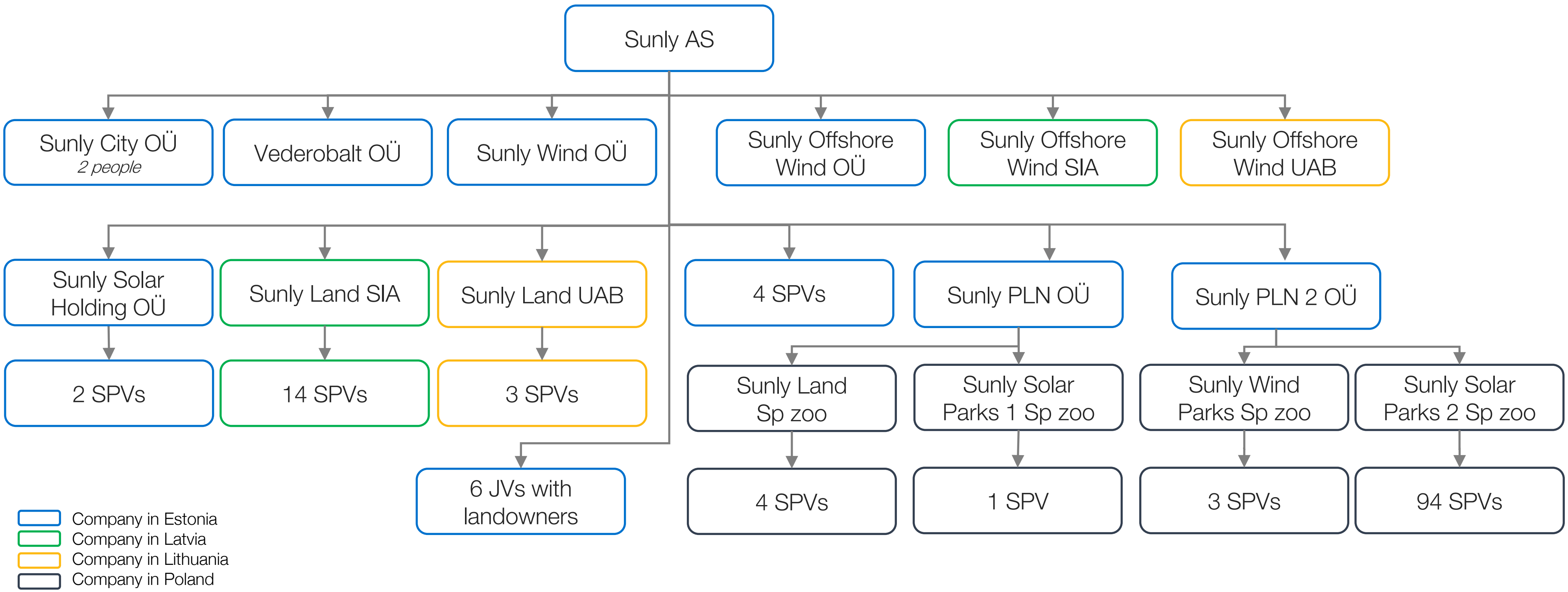
- 85% of Sunly Startup OÜ, which provides management services to Sunly Innovation OÜ and Sunly Innovation 2 OÜ. Sunly Startup OÜ does not have any employees but has a management contract with Sunly AS. A minority shareholding is held by Vardar, as the founding investor, and by the previous investment manager.
- 67.5% of Sunly Innovation 2 OÜ, which has a mandate to invest in electrification start-ups.



Sunly's project SPVs and JVs

Sunly's renewable energy projects, land and rights to land are held in separate asset holding subsidiaries (SPVs), in order to be able to secure project financing senior debt to the projects.

The current portfolio of operational and in-construction assets is 100% owned by Sunly, except for the 51% shareholding in Metsapäike OÜ (for Estonian 45 MW solar park construction), whereas the pipeline is both in 100% and majority-owned SPVs.



SPV – special purpose vehicle (project company); JV – joint venture

Ownership structure

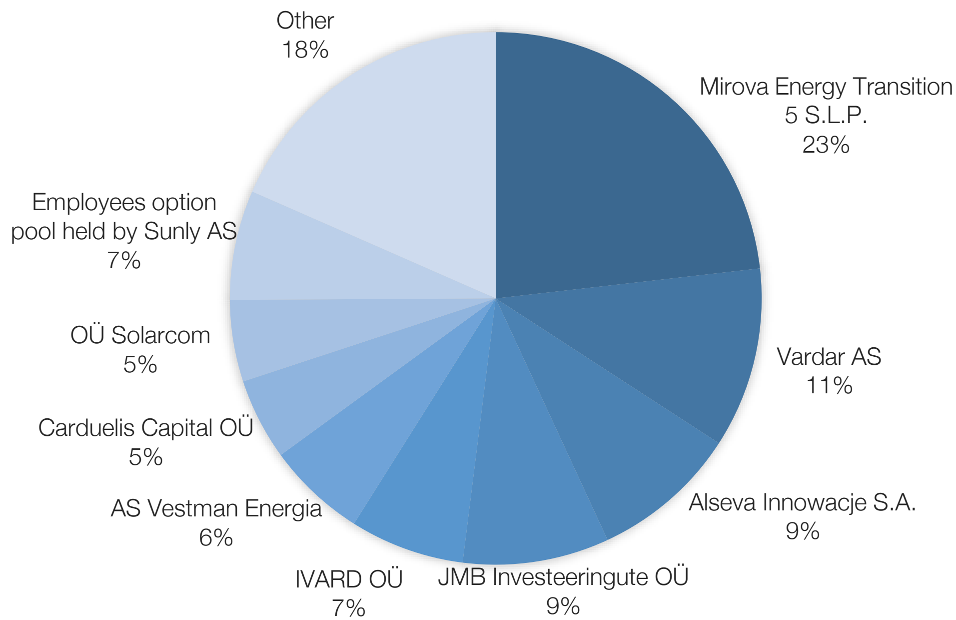
The shareholder structure changed in 2022 as a result of the first phase of the EUR 200m capital raise, conversion of some minority shareholdings in subsidiaries to the parent company level, acquisition of Alseva group companies, vesting of first employee stock options, and creation of a new employee stock option pool.

New investor – French investment fund Mirova Energy Transition 5 S.L.P. – became the largest shareholder holding 23.2% of the share capital.

In the beginning of 2022, Sunly completed the acquisition of Alseva group companies, a Polish solar power developer and construction company, which also resulted in Alseva Innowacje S.A. (new business name AZCEOS S.A. registered in 2023) becoming a shareholder of Sunly. As at the end of 2022, Sunly has 23 shareholders.

The largest investors are:

- Mirova Energy Transition 5 S.L.P., which is owned by cooperative shareholders of (i) Banques Populaires and (ii) Caisses d'Epargne, both 50%.
- Vardar AS, a Norwegian utility company, which is owned by Norwegian municipalities around Oslo.
- Alseva Innowacje S.A, which is owned by Anna Malgorzata Zagrajek.
- JMB Investeeringute OÜ, which is owned by Jüri Mõis.
- IVARD OÜ, which is owned by the family of Peeter Mänd.
- Aktsiaselts Vestman Energia, which is owned by Aivar Berzin.



The management and employees of Sunly – CEO Priit Lepasepp (OÜ InMyOpinion), CFO Lili Kirikal (Perleal OÜ), Lithuania-Poland country manager Tadas Navickas, Latvia country manager Toms Naburgs, General Counsel Kerstin Kütt (Susurrus OÜ) – had a combined 5.35% stake in Sunly as at the end of 2022.

Additionally, Chairman of the Supervisory Board and co-founder, Martin Kruus (OÜ Solarcom), and Vice-Chairman of the Supervisory Board and co-founder, Kalle Kiigske (Carduelis Capital OÜ), owned a combined 9.92% stake in Sunly as at the end of 2022. Both are engaged by Sunly also in an advisory capacity and, therefore, receive remuneration as members of the Supervisory Board. Other members of the Supervisory Board do not receive compensation.

CEO – Chief Executing Officer; CFO – Chief Financial Officer

Corporate governance

Sunly AS ("the Company") is the parent company of the Sunly AS group (the "Group"), which has subsidiaries in Estonia, Latvia, Lithuania and Poland. The Group's management is carried out on a country basis.

The corporate governance of Sunly AS is based on the Commercial Code and the articles of association ("AoA") of the Company. Sunly AS is a limited liability company, the governing bodies of which are the General Meeting, the Supervisory Board and the Management Board.

General meeting

The General Meeting is the Company's highest decision-making body through which the shareholders exercise their voting rights. The Company convenes both annual and extraordinary General Meetings of the shareholders. An ordinary (annual) General Meeting of the shareholders is held at least once a year within six months after the end of the Group's financial year at the time determined by the Management Board. In accordance with the Commercial Code, any matter within the competence of the General Meeting may also be decided without calling a General Meeting.

The authorities of the General Meeting are regulated by the Estonian legislation and the AoA of the Company. As per the AoA, the General Meeting may adopt resolutions if at least 2/3 of the votes (including votes represented by the shares of Mirova Energy Transition 5 S.L.P.) are present at the meeting. Each share carries one vote at the General Meeting.

The shareholders with a shareholding of at least 5%, and founders OÜ Solarcom (Martin Kruus), Carduelis Capital OÜ (Kalle Kiigske) and OÜ InMyOpinion (Priit Lepasepp), have entered into a Shareholders' Agreement ("SHA") on the principles of transferring and encumbering the Company's shares, the principles of managing, conducting and financing the Company's business, and other mutual rights and obligations of the parties to the SHA.

The shareholders with a shareholding of less than 5% (except for OÜ Solarcom, Carduelis Capital OÜ and OÜ InMyOpinion) have entered into Share Restriction Agreement ("SRA") with the Company, which regulates inter alia the principles of transferring and encumbering the Company's shares.

Share capital & dividends

Equity. By the end of 2022, Sunly had issued one class of shares.

Dividend policy. Unless at least 2/3 of shareholders participating in the Company's General Meeting decide to distribute a given year's profit otherwise, 30% of the Company's net profit will be distributed as dividends each year. The rest of the Company's profit will be used mainly for future investments and for developing the Company in accordance with the decisions of the shareholders and the Supervisory Board.

Capital increase. In order to adopt the decision to increase the share capital of the Company, it is required that at least 2/3 of all the votes are in favour of it, unless a larger majority vote is required by the law.

Supervisory Board

According to the Estonian laws, the Supervisory Board is responsible for planning the activities and organizing the management of the Group.

- The Supervisory Board determines the principles for the Group's strategy, organization, annual operating plans, budgets, financing and accounting.
- The Supervisory Board elects the members of the Management Board and determines their remuneration.
- The Supervisory Board acts independently in the interests of the Group and the Company's shareholders.

According to the AoA, the authority of the Supervisory Board of the Company includes certain matters in addition to that provided by law.

In addition to the above, the members of the Supervisory Board actively support the activities of the Management Board.

The term of office of the members of the Supervisory Board is 5 years.

The meetings of Supervisory Board are held at least four times a year and not less frequently than once every three months.

- A meeting of the Supervisory Board has a quorum if more than half of the members of the Supervisory Board and at least one member of the Supervisory Board appointed by Mirova are present.
- According to the Commercial Code, the Supervisory Board may adopt decisions without convening a meeting.

At the end of 2022, the Supervisory Board had one committee – **ESG committee** – consisting of three members:

- Céline Alexandrine Jeanne Lauverjat
- Kalle Kiigkse
- Robert Olsen

CEO – Chief Executing Officer; CFO – Chief Financial Officer; ESG – environmental, social and governance; AoA – Articles of association

Supervisory board

At the end of 2022, the Supervisory Board consisted of eight members:

Martin Kruus, member from 9 March 2021

- 20 years of energy sector experience;
- prior to founding Sunly in 2019 he was:
  - founder, CEO & shareholder in Nelja Energia (from 2005), the largest renewable energy developer in the Baltics (acquired by the state-owned utility Eesti Energia in 2018);
  - Vice-Chairman of the Estonian Innovation Policy Commission;
  - Board Member of Estonian Wind Power Association and Renewable Energy Association (between 2009-2018); and several NGO's of wind farm communities;
- holds a MSc degree in Thermal Engineering.

Kalle Kiigske, member from 9 March 2021

- 20 years of energy sector experience;
- Prior to founding Sunly in 2019 he was:
  - founder, CFO & shareholder in Nelja Energia (from 2005);
  - Partner at United Partners, a Baltic investment banking firm, for 2 years;
  - Head of Baltics Asset Management and member of Management Board in Hansapank, the largest corporate bank in the Baltics (acquired by Swedbank in 2005), for 7 years.
- holds a bachelor degree in Business Administration and Banking from Estonian Business School.

Sander Rebane, member from 21 March 2019

- member of the supervisory board in Nelja Energia for 7 years;
- member of the supervisory board in Sunly Innovation OÜ from 2011;
- former CEO of AS Betoonimeister for almost 8 years (production of concrete mixes), currently holding a position in the supervisory board;
- member of supervisory board in Eften Real Estate Fund III AS, Eften Kinnisvarafond AS and Eften Kinnisvarafond II AS (public and private real estate funds) (for 14 years in total);
- Chief Investment Officer at IVARD OÜ (shareholder of Sunly; asset management company of the Mänd family), from 2005.

CEO – chief executing officer; CFO – chief financial officer; NGO – non-governmental organization

Supervisory board

Robert Olsen, member from 20 June 2021

- 25+ years of experience in Norwegian power and utility industry with strategic work and various board positions in hydropower, grid, power sales, district heating, biogas, fibre infrastructure, onshore wind and solar;
- CEO of Vardar AS as of 2018;
- experience from listing of power retailer Fjordkraft at Oslo stock exchange in 2018 and the merger of Glitre Energi AS and Agder Energi AS in 2022 (market cap EUR 5bn);
- former Chair of Skagerak Energi Pension Fund between 2000-2019;
- holds master’s degree in Business Administration from BI Norwegian School of Management;
- certified Financial Analyst and MBA in Finance from NHH Norwegian School of Economics.

Zbigniew Zagrajek, member from 22 August 2022

- 20 years of energy sector experience;
- General Director and co-founder of Alseva from 2015 (one of the largest solar developers and EPC contractors in Poland, acquired by Sunly in 2022);
- Prior to founding Alseva he worked in the renewable energy segment (development and EPC) at Solartech Invest as well as in the electrical and installation industry

Peeter-Jass Pikk, member from 28 September 2022

- 20 years of energy sector experience;
- founder and member of the board in Baltic Energy Partners (energy trader) since 2006;
- Peeter began his career in the state-owned utility Eesti Energia and started in energy and emissions trading in 2001;
- holds a MSc degree in Electrical Engineering;
- has been certified by Baltic Institute of Corporate Governance in corporate governance.

Supervisory board

Céline Lauverjat, member from 28 September 2022

- Deputy Head of Energy Transition funds at Mirova; structures and leads the Asset Management process of the funds;
- Previously she has:
- Spent 13 years with the Caisse des Dépôts (CDC), a French public institution, including 6 years as Investment Director in the Energy & Environment division. She was involved in the development and construction of 600 MW of renewable energy projects in France, and held board member positions of French small cap companies;
- Between 2004 and 2008 she developed the strategy and the investment activities of the CDC in the climate and environment sectors;
- Céline participated in the creation of the FIDEME fund (2002) first fund dedicated to renewables energy in France, as well as the European Carbon Fund (2004), first fund dedicated to Carbon Assets in Europe;
- Céline began her career in consulting firms, including Andersen, and carried out missions in the areas of water, waste and energy.
- She holds a postgraduate degree in Economics, specialized in Environmental Management, and has been certified by Sciences Po in corporate governance.

Jocelyn Dioux, member from 28 September 2022

- Investment director in Mirova from 2019, in charge for energy transition investments;
- Started his career at KPMG in Transaction Service in 2007 before joining 123 IM / Rive Private investment in 2011 as a director;
- Holds a master's degree in finance from Edhec Business school and a master's degree in Corporate Law, from Paris II – Panthéon-Assa.

During 2022, the following Supervisory Board members were recalled:

- Mart Mänd (member until 28 September 2022) – advisor and shareholder at IVARD
- Markus Jonathan Mõis (member until 28 September 2022) – representative of JMB Investeeringute

Management board

The Management Board is an executive body, which runs the day-to-day management of the Company in accordance with the legislation and the Company's AoA. The Management Board also represents the Group and is responsible for relations established with third parties and external partners. The Management Board is obligated to manage the Company with due diligence, give a thorough overview of the financial situation of the Company when presenting annual accounts to shareholders, and perform other duties prescribed by regulations.

At the end of 2022, the Management Board consisted of three members:

Priit Lepasepp, Chief Executing Officer, from 21 March 2019, co-founder of Sunly OÜ

- Previous experience: General Counsel at Nelja Energia; associate at Sorainen (a leading law firm in the Baltics)
- Founder and board member of Tuleva (asset manager of the first index pension funds in Estonia)
- BA in Law from the University of Tartu
- MA in Law from Tallinn University of Technology

Lili Kirikal, Chief Financial Officer, from 26 March 2021

- Previous experience: transaction advisory consultant at EY Finland, EY Estonia and PwC Estonia, focusing on Energy and Infrastructure
- Chartered Financial Analyst (CFA) charter holder
- BSc in Economics and Business Administration from Stockholm School of Economics in Riga, Latvia

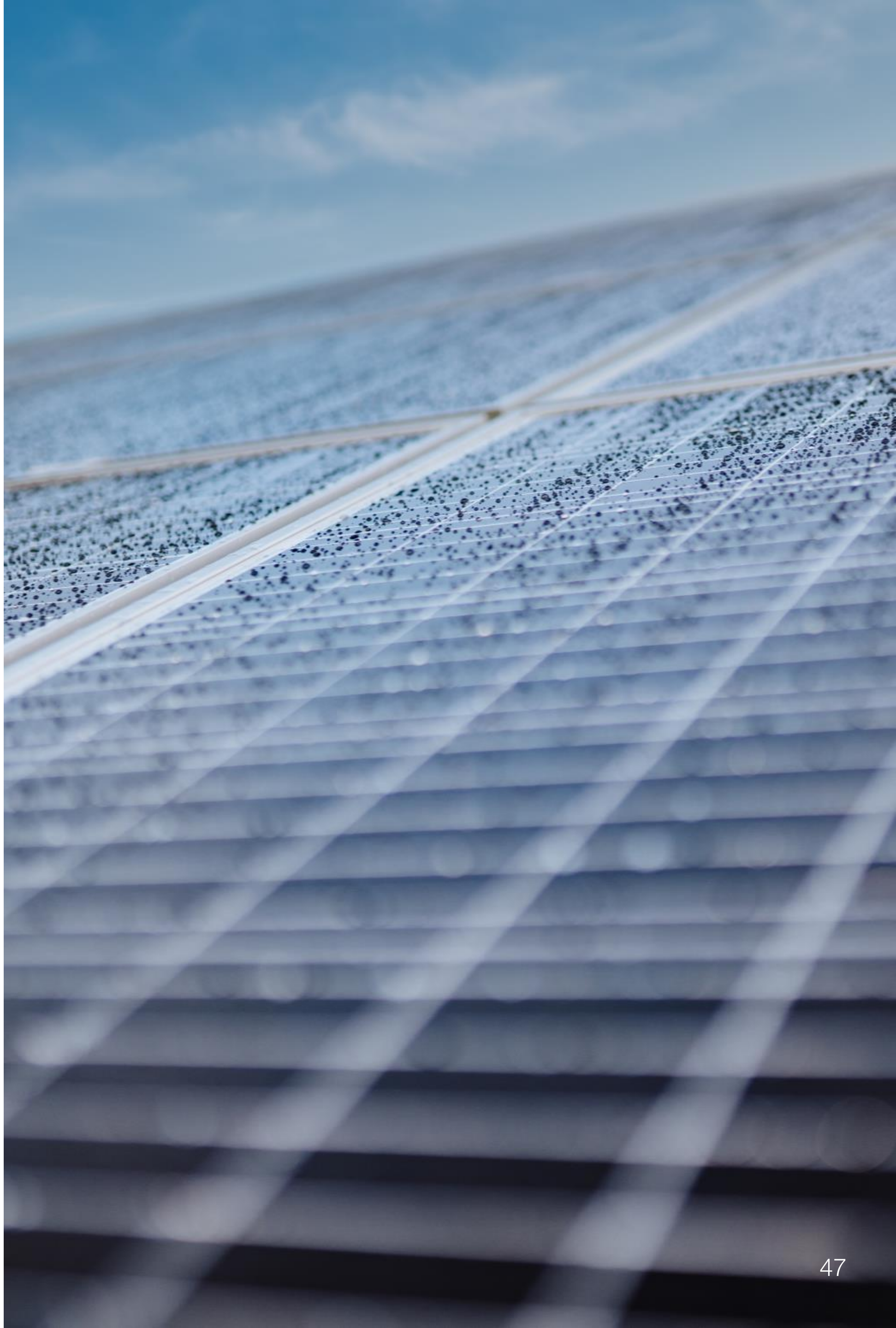
Erkki Kallas, Chief Technical Officer, from 1 October 2021

- Previous experience: production manager at Nelja Energia; Field Operations Manager and Customer Service Leader at GE Renewable Energy (Poland, Romania, Kosovo)
- BSc, MSc in Electric Power Engineering from Tallinn University of Technology

AoA – Articles of association

The members of the Management Board are elected by the Supervisory Board. Every member of the Management Board has the right to represent the Company alone in any legal and business matter.

The Company's Management Board and Supervisory Board work in close cooperation to develop and pursue the Group's strategy. The Management Board also reports to the Supervisory Board outside of the meetings if deemed necessary to exchange material information regarding the Company's business activities.



Risk management

The management (including identifying, measuring and control) of different risks Sunly encounters in its everyday activities is a significant and integral part of Sunly's business activities. Sunly has identified a list of financial and strategic risks and carries out activities to minimise the impact of the risks.

Political and regulatory impacts

Political and regulatory changes in renewable energy subsidy schemes or planning and building requirements will impact Sunly's investments and activities. Sunly mitigates these risks by monitoring legal discussions relating to the areas of the Group's interests, and participating as an active and transparent stakeholder, where possible.

Electricity price

Changes in the market price of electricity will affect Sunly's revenues. The risks arising from the exposure of Sunly's production to electricity price volatility are mitigated by renewable energy subsidy schemes or power purchase agreements.

Impact of market interest rates

Cash flow interest rate risk arises from the floating rate debt and involves the risk that financial expenses will increase as interest rates rise. Sunly strives to achieve a balance between cost-effective borrowing and risk exposure on the one hand, and a negative impact on earnings in the event of a sudden major change in interest rates on the other hand.

Supply chain and technological development

Supply chain risks could disrupt Sunly's operations, increase investments, and cause a loss of income. Sunly manages the risks by selecting modern but well proven technologies from top-tier equipment manufacturers. Sunly is preparing internal regulations and guidelines regarding the supply chain guidelines, including thorough ESG considerations.

List of abbreviations

Abbreviation	Explanation
AC-DC	Alternating Current to Direct Current
AoA	Articles of association
CAPEX	Capital Expenditure
CEO	Chief execution officer
CfD	Contract for differences
CFO	Chief financial officer
CGU	Cash generating unit
CPI	Consumer price index
DSRA	Debt service reserve account
EBITDA	Earnings before interest, tax, depreciation and amortization
EE	Estonia
EIA	Environmental Impact Assessment
EoP	End of period
EPC	Engineering, Procurement, and Construction
ESG	Environmental, Social, Governance
EU	European Union
EV	Electric vehicle
FIFO	First in, first out
FiP	Feed-in-premium
FV	Fair value
GW	Gigawatt
GWh	Gigawatt-hours
HoldCo	Holding company
HR	Human Resource
IAS	International Accounting Standards
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
ILO	International Labor Organization
IPP	Independent Power Producer
IRE	Initial recognition exemption
JV	Joint venture
KPIs	Key performance indicators

Abbreviation	Explanation
LT	Lithuania
LV	Latvia
MT	Megatonne
MW	Megawatt
MWh	Megawatt-hours
NGO	Non-governmental organization
O&M	Operations and Maintenance
OECD	Organization for economic co-operation and development
P2P	Peer-to-peer
PL	Poland
POC	Percentage of completion
PPA	Power Purchase Agreement
PV	Photovoltaic
Qx	Quarter of the year
Qx'yy	quarter 20yy
RES	Renewable energy sources
ROIC	Return on invested capital
RtB	Ready to build
SB	Supervisory board
SHA	Shareholders' agreement
SI	Sunly Innovation OÜ fund
SI2	Sunly Innovation 2 OÜ fund
SHL	Shareholder loan
SPV	Special Purpose Vehicle
SRA	Share restriction agreement
UC	Under construction
UN	United Nations
V2B	Vehicle-to-Building
V2G	Vehicle-to-Grid
V2H	Vehicle-to-Home
VAT	Value added tax
YTD	Year to date

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The notes on pages 54 to 101 are an integral part of the consolidated financial statements.

(in EURk)	Note	31 December 2022	31 December 2021
Non-current assets			
Property, plant and equipment	8	76 969	44 713
Intangible assets and goodwill	9	132 443	14 445
Investment property	10	1 542	817
Investments in equity-accounted investees		76	42
Other non-current financial assets	12	2 900	370
Other investments	13	1 780	630
Prepayments	14	183	126
Deferred tax assets	20	1 216	122
Total non-current assets		**217 109**	**61 265**
Current assets			
Inventories		3 480	375
Trade and other receivables	15	10 160	2 028
Prepayments	14	36 139	4 533
Other current financial assets	12	491	0
Cash and cash equivalents		95 741	12 810
Total current assets		**146 011**	**19 746**
Total assets		**363 120**	**81 011**
Equity			
Share capital	16	62 856	32 423
Own shares	16	-4 178	0
Share premium	16	28 135	20 039
Share option reserve	16, 26	3 910	707
Reserves	16	174 251	127
Foreign currency translation reserve		176	-496
Retained earnings		-37 039	-6 543
Equity attributable to owners of the Company		**228 111**	**46 257**
Non-controlling interests		791	69
Total equity		**228 902**	**46 326**
Liabilities			
Borrowings	17	55 107	31 397
Trade and other payables	19	49 664	1
Provisions	21	1 815	385
Deferred tax liabilities	20	793	32
Total non-current liabilities		**107 379**	**31 815**
Current tax liabilities	20	3 106	117
Borrowings	17	4 243	473
Trade and other payables	19	17 404	2 280
Provisions	21	1 884	0
Deferred revenue		202	0
Total current liabilities		**26 839**	**2 870**
Total liabilities		**134 218**	**34 685**
Total equity and liabilities		**363 120**	**81 011**

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28. 03. 2023
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KPMG, Tallinn

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The notes on pages 54 to 101 are an integral part of the consolidated financial statements.

(in EURk)	Note	2022	2021
Revenue	22	29 248	2 086
Other income		314	79
Goods, raw materials and services	23	-19 028	-226
Other operating expenses	24	-4 769	-1 665
Staff costs	25	-8 020	-1 286
Depreciation on property, plant and equipment	8	-1 312	-798
Amortisation and impairment on intangible assets	9	-2 200	-261
Other expenses		0	-1
Operating loss		**-5 767**	**-2 072**
Interest income		162	1
Interest expenses	27	-4 627	-1 529
Other financial expenses		-808	-35
Net finance costs	**27**	**-5 273**	**-1 563**
Share of loss of equity-accounted investees, net of tax	11.1	-3 282	-226
Loss before tax		**-14 322**	**-3 861**
Income tax	20	-741	4
Loss for the period		**-15 063**	**-3 857**
Loss attributable to owners of the Company		-15 027	-3 870
Loss attributable to non-controlling interests		-36	13
Other comprehensive income			
Items that are or maybe reclassified to profit or loss			
Foreign currency translation differences of foreign operations		671	-37
Total comprehensive expense for the period		**-14 392**	**-3 894**
Comprehensive expense attributable to owners of the Company		**-14 356**	**-3 907**
Comprehensive expense/income attributable to non-controlling interests		**-36**	**13**

CONSOLIDATED STATEMENT OF CASH FLOWS

The notes on pages 54 to 101 are an integral part of the consolidated financial statements.

(in EURk)	Note	2022	2021
Cash flows from operating activities			
Loss before tax		**-14 321**	**-3 860**
Adjustments for:			
Depreciation, amortisation and impairment on property, plant and equipment and intangible assets	8, 9	3 512	1 060
Share of profit of equity-accounted investees, net of tax	11.1	3 282	226
Share option reserve expense	26	3 388	707
Change in provisions	21	3 050	64
Net finance costs	27	5 273	1 563
Other adjustments		0	2
Total adjustments		**18 505**	**3 622**
Changes in trade and other receivables and prepayments made		-39 794	31
Changes in inventories		-3 106	-240
Changes in trade and other payables		7 060	-2 577
Interest received		162	1
Income taxes paid		-1 075	-86
Net cash used in operating activities		**-32 569**	**-3 109**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	8, 9	-33 950	-19 815
Acquisition of investment property		-725	-65
Acquisition of subsidiaries, net of cash acquired	11	-38 779	-4 065
Acquisition of associates	11	-21	-68
Other investing activities	11	-5 342	-1 000
Net cash used in investing activities		**-78 817**	**-25 013**
Cash flows from financing activities			
Proceeds from borrowings		45 750	15 357
Repayments of borrowings		-17 607	-2 204
Interest paid		-4 568	-1 529
Proceeds from issue of share capital		171 999	28 077
Net cash from financing activities		**195 574**	**39 701**
Total cash flow		**84 188**	**11 579**
Cash and cash equivalents at 1 January		12 810	2 000
Effect of movements in exchange rates on cash held		-137	-697
Restricted cash*		-1 120	-72
Cash and cash equivalents at 31 December		**95 741**	**12 810**

* Restricted cash includes Debt Service Reserve Accounts in Estonia and the disbursement of the last part of the mBank loan in Poland, which will be released from restricted cash once the project is completed.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The notes on pages 54 to 101 are an integral part of the consolidated financial statements.

	Attributable to owners of the Company									
(in EURk)	Share capital	Own shares	Share premium	Share option reserve	Other reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 31 December 2020	**16 000**	**0**	**0**	**0**	**4**	**-458**	**-2 524**	**13 022**	**8**	**13 030**
Loss for the period	0	0	0	0	0	0	-3 869	-3 869	13	-3 856
Other comprehensive expense	**0**	**0**	**0**	**0**	**0**	**-38**	**0**	**-38**	**0**	**-38**
Comprehensive expense for the period	**0**	**0**	**0**	**0**	**0**	**-38**	**-3 869**	**-3 907**	**13**	**-3 895**
Transactions with owners of the Company										
Issue of ordinary shares	16 423	0	20 039	0	0	0	0	36 462	0	36 462
Changes in share option reserve	0	0	0	707	0	0	0	707	0	707
Changes in reserves	0	0	0	0	123	0	-123	0	0	0
Other changes in equity	0	0	0	0	0	0	-27	-27	48	-18
Total transactions with owners of the Company	**16 423**	**0**	**20 039**	**0**	**123**	**0**	**-150**	**37 143**	**48**	**37 192**
Balance at 31 December 2021	**32 423**	**0**	**20 039**	**707**	**127**	**-496**	**-6 543**	**46 257**	**69**	**46 326**
Loss for the period	0	0	0	0	0	0	-15 027	-15 027	-36	-15 063
Other comprehensive income	**0**	**0**	**0**	**0**	**0**	671	**0**	671	**0**	671
Comprehensive expense for the period	**0**	**0**	**0**	**0**	**0**	**671**	**-15 027**	**-14 356**	**-36**	**-14 392**
Transactions with owners of the Company										
Issue of ordinary shares	30 432	0	8 096	0	174 124	0	0	212 652	0	212 652
Purchase of own shares	0	-4 178	0	0	0	0	0	-4 178	0	-4 178
Changes in share option reserve	0	0	0	3 203	0	0	0	3 203	0	3 203
Dividends paid to a third party*	0	0	0	0	0	0	-2 291	-2 291	0	-2 291
Contribution of Sunly Infra shares	0	0	0	0	0	0	-9 842	-9 842	0	-9 842
Founder options	0	0	0	0	0	0	-3 124	-3 124	0	-3 124
Other changes in equity	0	0	0	0	0	1	-212	-211	759	548
Total transactions with owners of the Company	**30 432**	**-4 178**	**8 096**	**3 203**	**174 124**	**1**	**-15 469**	**196 209**	**759**	**196 968**
Balance as at 31 December 2022	**62 856**	**-4 178**	**28 135**	**3 910**	**174 251**	**176**	**-37 039**	**228 111**	**791**	**228 902**

More detailed information on the Group's equity items is provided in Note 16. * Please see Note 11.1 on the components of Alseva entities' acquisition.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. REPORTING ENTITY

Sunly AS (also referred to as the 'Parent' or the 'Company') is a company incorporated and registered in the Republic of Estonia on 2 April 2019. The Company's registered office is at Masti 17, Tallinn, 11911, Republic of Estonia. The consolidated financial statements of Sunly AS as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in developing, constructing and operating renewable energy projects in the Baltics and Poland.

The Group does not have an immediate parent company or one ultimate controlling party. The names of entities with joint control of, or significant influence over, Sunly AS are disclosed in the Note 28 Related Party Disclosures.

Group's parent entity's internal merger

In December 2021, the shareholders of the Group approved the merger of Sunly Land AS with its subsidiary Sunly OÜ and the latter's subsidiary Sunly Infra OÜ. The merger was completed in February 2022 and the surviving entity (Sunly Land AS) was renamed to Sunly AS.

This had an impact on the Group's consolidated financials as the minority shareholding on Sunly Infra OÜ level moved to Sunly AS level. Sunly AS stand-alone financials are also impacted by the merger.

Acquisition of Alseva

In April 2022, Sunly finalized the acquisition of entities constituting the Alseva group. Alseva is one of the largest Polish solar power developers and constructors.

This had an impact on the Group's consolidated financials as (i) 97 Alseva entities were purchased and (ii) Engineering, Procurement, and Construction (EPC) became a new business area for the Group.

NOTE 2. BASIS OF ACCOUNTING

The Group's consolidated financial statements as at and for the year ended 31 December 2022 have been prepared in accordance with the Estonian Accounting Act and International Financial Reporting Standards as adopted by the European Union (IFRS).

The accounting and reporting principles described have been applied consistently to all periods presented.

The Management Board authorised these consolidated financial statements for issue on 28 March 2023. Under the Estonian Commercial Code, the annual report must also be approved by the Supervisory Board and the shareholders. The shareholders may decide to not approve the annual report prepared by the Management Board and approved by the Supervisory Board and to demand the preparation of a new annual report.

NOTE 3. FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Group companies operating in Estonia, Latvia and Lithuania is the euro (EUR). The functional currency of the Group companies operating in Poland is the Polish złoty (PLN).

The presentation currency of these consolidated financial statements is the euro (EUR).

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The following PLN exchange rates have been applied:

	2022	2021
Average exchange rate	4.68387	4.56503
Spot exchange rate as at the reporting date	4.68068	4.59690

NOTE 4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are the following:

- In 2021, the Group's subsidiary Sunly PLN OÜ acquired several subsidiaries (special purpose vehicles) in Poland for the purpose of developing solar parks. The solar projects in the acquired subsidiaries were in a "ready to build" phase, meaning that there were no physical solar parks at the time of acquisition. The acquisition included: (i) rights to the land relating to the solar parks, (ii) relevant permits relating to the solar parks, and (iii) an EPC (engineering, procurement and construction) contract, under which a third party undertook to build the solar parks. The Group assessed that these acquisitions did not constitute acquisitions of businesses and were therefore outside the scope of accounting for business combinations. The Group has accounted for such transactions as intangible asset acquisitions.
- In 2022, the Group's subsidiary Sunly Solar Parks 2 Sp. z o.o. acquired the Alseva subsidiaries (special purpose vehicles) in Poland for the purpose of developing solar parks. The solar projects in the acquired subsidiaries were in early stage development or "ready to build" phase, meaning that there were no physical solar parks at the time of acquisition. The acquisition included: (i) rights to the land relating to the solar parks, (ii) relevant permits relating to the solar parks, and (iii) an EPC (engineering, procurement and construction) contract, under which a third party undertook to build some of the acquired solar parks. The Group has assessed that these acquisitions did not constitute acquisitions of businesses and were therefore outside the scope of accounting for business combinations. The Group has accounted for such transactions as intangible asset acquisitions.
- As at 31 December 2022 the Company had a 51% interest in a jointly founded company SW Metsatuul OÜ. In order to direct the relevant activities of SW Metsatuul OÜ, the votes of all shareholders are required. Management has determined that the Company controls SW Metsatuul OÜ and has consolidated SW Metsatuul OÜ into its consolidated financial statements. Control exists because the nature of the relationship that the Company has with SW Metsatuul OÜ indicates that the Company has power to exercise control over the most relevant decisions of SW Metsatuul OÜ. The Group has determined that control exists over SW Metsatuul OÜ, because:
    - the key management personnel of SW Metsatuul OÜ is the same as for the Company;
    - SW Metsatuul OÜ's operations are funded mainly by the Company; and
    - the Company provides services to SW Metsatuul OÜ, which are essential for the completion of the development projects and have a significant impact on the returns of SW Metsatuul OÜ.

  In addition to SW Metsatuul OÜ, the Company owns:

    - a 51% interest in the following jointly founded companies: SW Tuulekohin OÜ, SW Multituul OÜ, SW Tuulerii OÜ, SW Eretuul OÜ, SW Tuulepõld OÜ, Metsapäike OÜ, Vejai LT UAB;

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  - a 50% interest in the following jointly founded companies: SPV Kurzeme SIA, Sunly Land Solar 1 SIA, Sunly Land Solar 2 SIA, SLD 2 SIA, SLD 5 SIA, EPLANT 61 Sp. z o.o.

Management has determined that the Company controls all of these companies and has consolidated these entities into its consolidated financial statements.

- On 1 April 2022 the Group acquired the Alseva group. Please refer to Note 11.1 for details of this acquisition.
- The useful lives of fixed assets are determined in accordance with the Group's accounting policy. Please refer to Note 6 for details of accounting policies in relation to useful lives of fixed assets.

Judgements about assumptions and estimation uncertainties at the reporting date that have a risk of resulting in an adjustment to the carrying amounts of assets and liabilities within the next financial year are the following:

- Management prepared an impairment test for goodwill. For the impairment test management applied assumptions underlying recoverable amounts. Please refer to Note 11.1 for details of this impairment test.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In measuring fair value, a transaction to sell an asset or transfer a liability is assumed to occur either:

- in the principal market for the asset or liability; or
- if there is no principal market, in the most advantageous market.

The Group must have access to the main or most advantageous market on the measurement date.

The measurement of the fair value of an asset or liability uses assumptions that market participants would use in determining the price of the asset or liability, assuming that market participants act in their best economic interests. The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by making the highest and best use of the asset or by selling it to the market participant that would make the best use of the asset.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 Financial instruments
- Note 11.1 Acquisition of Alseva entities

NOTE 5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The following new standards, interpretations and amendments were not yet effective for the annual reporting period ended 31 December 2022 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Amendments to IAS 1 Presentation of Financial Statements

(*Effective for annual periods beginning on or after 1 January 2023; to be applied retrospectively. Early application is permitted*)

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Group does not expect the amendments to have a material impact on its consolidated financial statements when initially applied.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

(*Effective for annual periods beginning on or after 1 January 2023. Early application is permitted*)

The amendments to IAS 1 aim to help entities provide accounting policy disclosures that are more useful by:
• Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
• Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
• Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.
The amendments are consistent with the refined definition of material:
"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The amendments may impact the accounting policy disclosures of the Group. Determining whether accounting policies are material or not requires use of judgement.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

(*Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively. Early application is permitted*)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are not expected to have a material impact on the Group as these amendments provide guidance in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

Amendments to IAS 12 Income Taxes

(*Effective for annual periods beginning on or after 1 January 2023. Early application is permitted*)

The amendments clarify the accounting for deferred tax on transactions that involve recognising both an asset and a liability with a single tax treatment related to both. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The Group expects that the amendments, when initially applied, will have impact on its consolidated financial statements as the Group has calculated decommissioning provision.

Other changes

Other new standards, amendments to standards and interpretations that are not yet effective are not expected to have a significant impact on the Group's financial statements.

NOTE 6. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies described have been applied consistently, unless otherwise stated in the following text.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Sunly AS and its subsidiaries, consolidated line by line.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Business combinations

A business combination is a transaction or other event in which the Group obtains control of one or more businesses. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or generating other income from ordinary activities. If the assets acquired are not a business, the Group accounts for the transaction or other event as an asset acquisition.

As of the acquisition date, the acquirer recognises its interest in the acquiree's assets, liabilities and contingent liabilities and any goodwill arising in its consolidated statement of financial position and its share of the acquiree's income and expenses in the consolidated statement of profit and loss and other comprehensive income. Consolidation of a subsidiary ceases when the parent loses control of the subsidiary.

Business combinations are accounted for in the consolidated financial statements using the acquisition method.

Non-controlling interests

A non-controlling interest is a present ownership interest that entitles the Group to a proportionate share of an entity’s net assets upon the entity’s liquidation.

If less than 100% of a subsidiary is acquired in a business combination, then the Group can elect on a transaction-by-transaction basis to measure non-controlling interest either at:

- fair value at the date of acquisition; or
- the holder’s proportionate interest in the recognised amount of the identifiable net assets of the acquiree.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are recognised as equity transactions.

Loss of control

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and the related non-controlling interests and other equity components. Gains or losses arising from the loss of control are recognised in profit or loss. The retained interest in the former subsidiary is measured at fair value.

Transactions eliminated on consolidation

All intragroup transactions, balances and any unrealised profits and losses resulting from intragroup transactions are eliminated in full in preparing consolidated financial statements. Unrealised losses are not eliminated if they indicate impairment.

Property, plant and equipment

Initial recognition

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

If an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are accounted for separately and assigned depreciation rates that correspond to their useful lives. The total cost of an asset is allocated to its parts based on their significance.

Cost

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, agreement and commitment fees and other directly attributable expenditure. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Land is measured at cost.

Subsequent costs

Subsequent expenditure on an item of property, plant and equipment is recognised as part of its carrying amount only if it is probable that future economic benefits associated with the item will flow to the entity and the expenditure can be measured reliably. Costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as they are incurred.

Depreciation

When an item of property, plant and equipment is recognised, it is assigned a useful life which serves as a basis for determining its depreciation rate. Exceptions include assets with an unlimited useful life, which are not depreciated. Depreciation of an asset begins when it is available for use in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when it is fully depreciated or derecognised. If a fully depreciated asset is still in use, it is carried in the statement of financial position at nil value until it is permanently withdrawn from use.

Items of property, plant and equipment are depreciated using the straight-line method. Depreciation is calculated once a month. Depreciation of an asset does not cease when it becomes idle or is temporarily retired from active use. Useful lives of property, plant and equipment are reviewed at least at each financial year-end.

Asset classes are assigned the following annual depreciation rates:

– buildings	4-10%
– machinery and equipment	20-30%
– computers and computer systems	20-30%
– other property, plant and equipment	20-30%

In the case of individually significant or non-standard items, the depreciation rate is determined for each asset separately, based on the expected useful life of the specific item.

If the estimated useful life of an asset differs significantly from the previous estimate, the remaining useful life of the asset is adjusted prospectively, resulting in a change in the asset's depreciation charge for subsequent periods.

The assessment of impairment of assets is described in more detail in the accounting policy *Impairment of assets*.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when the item becomes permanently unfit for use, when it is sold or otherwise disposed of, when it is leased out under a finance lease, when its loss is detected during a physical inspection, or when no future economic benefits are expected from its use or disposal.

A gain or loss arising on the derecognition of an item of property, plant and equipment is recognised in profit or loss within other expenses when the item is derecognised.

Intangible assets and goodwill

Initial recognition

Other intangible assets	Intangible assets include trademarks, patents, licences, rights of use, software, and other non-physical assets that the Group uses in the production of products or services or for administrative purposes.

Intangible assets acquired are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any provision for impairment.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised using the straight–line method over the useful economic life.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets, less their estimated residual values, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Goodwill is not amortised. All other categories of intangible assets are amortised over a 10-year period, except intangible assets that result from purchasing entities in the development phase. These intangible assets are amortised over a 25-year period as the amortisation period of assets to be built is 25 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The assessment of impairment of assets is described in more detail in the accounting policy *Impairment of assets*.

Impairment of assets

Impairment of non-financial assets

The carrying amount of non-financial assets is reviewed at least annually at the end of the reporting period. The purpose of the review is to determine whether there is any indication that would require the asset to be written down. If there is reason to believe that the recoverable amount of a non-financial asset may have fallen below its carrying amount, an impairment test is performed and, if necessary, the asset is written down.

The recoverable amount of an asset or its cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the period they are identified. An impairment loss for a cash-generating unit is recognised first to reduce the carrying amount of goodwill allocated to the unit and then to reduce the carrying amount of the unit's other assets proportionately.

If the reason for an impairment loss recognised in prior periods disappears, the previously recognised impairment loss is reversed. Changes in circumstances are analysed at least once a year at the end of the reporting period. Impairment losses are reversed and the value of the asset is increased to the carrying amount that would have been determined (net of amortisation or depreciation), had the asset not been written down in prior years. Reversals of impairment losses are recognised in profit or loss within the same line item where the impairment losses were recognised.

Impairment of financial assets

The assessment of impairment of financial assets is described in more detail in the accounting policies for financial assets and liabilities.

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control and use an identified asset for a period of time, in exchange for a consideration.

The Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, at an amount equal to the initial measurement of the lease liability. The amount of the initial measurement of the lease liability is adjusted for any advance lease payments, any direct costs incurred and any restoration costs to be incurred (in dismantling the asset and restoring the site or the asset). Any lease incentives received are deducted from this amount.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the expiry of the lease term unless the ownership of the underlying asset transfers to the Group at the end of the lease term or the carrying amount of the right-of-use assets indicates that the Group plans to exercise the purchase option. In that case, the underlying asset is depreciated over its entire estimated useful life, which is determined using the same approach that is used for similar items of property, plant and equipment that are owned. Right-of-use assets are also adjusted for impairment losses, if any. In addition, right-of-use assets are adjusted to reflect certain remeasurements of the lease liabilities.

The lease liability is initially measured at the present value of the lease payments not paid by the commencement date of the lease, using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The Group generally applies the incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined by reference to different sources of financing. The inputs received are adjusted to reflect the terms of the lease and the type of underlying asset, to find the incremental borrowing rate appropriate for the asset.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- penalties for terminating the lease (if termination is reasonably certain);
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise the option);
- amounts expected to be payable by the lessee under residual value guarantees;
- lease payments that depend on an index or a rate.

The lease liability is measured at amortised cost. It is remeasured if (a) there is a change in future lease payments, reflecting a change in the index or rate used to determine the payments, (b) the amounts expected to be payable under a residual value guarantee are reassessed or (c) the Group changes its assessment of whether it intends to exercise the option to (i) purchase the underlying asset or (ii) extend or terminate the lease. The lease liability is also remeasured to reflect changes in fixed payments (including in-substance fixed payments).

If the lease liability is remeasured due to the above reasons, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The effect of the change in the lease liability is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases for which the underlying asset is of low value. The Group recognises these lease payments as an expense on a straight-line basis over the lease term.

When entering into or modifying a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their stand-alone price.

The Group as a lessor

For contracts under which the Group is the lessor, the Group determines at the commencement date whether the lease is an operating lease or a finance lease.

The Group assesses in each case whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If yes, the lease is classified as a finance lease. If not, the lease is classified as an operating lease. As part of this assessment, the Group also considers certain other indicators (e.g. whether the lease term is for the major part of the economic life of the underlying asset).

If the contract contains both lease and non-lease components, the Group applies the accounting policies of IFRS 15 to allocate the consideration in the contract to the components.

The Group applies the derecognition and impairment requirements of IFRS 9 to the lessor's net investment in the lease. The Group reviews regularly estimated unguaranteed residual values used in computing the lessor's gross investment in the lease.

For operating leases, the Group recognises lease payments as income in profit or loss on a straight-line basis over the lease term.

Investment property

Investment property is property (land or a building, or part of a building, or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes.

An investment property is measured initially at its cost. The cost of a purchased investment property comprises its purchase price and any expenditure directly attributable to its purchase.

After initial recognition, investment property is measured at its cost.

When applying the cost method, investment property is measured in the same way as property, plant and equipment, i.e. at cost less accumulated depreciation and any accumulated impairment losses. Land is an asset with an indefinite useful life and is not depreciated.

Costs associated with subsequent repairs are included in the carrying amount of an investment property only if they meet the definition of an investment property and the criteria for recognising an asset in the statement of financial position (including the criterion of expected future economic benefits). Expenses related to the current maintenance and repair of investment properties are recognised as an expense for the period. When an investment property component (such as a partition) is replaced, the cost of the new component is added to the carrying amount of the asset and the carrying amount of the component being replaced is written off.

Other investments

Current and non-current investments in shares and other equity instruments (except for investments in subsidiaries and associates) are stated at fair value through profit or loss. However, on initial recognition it is allowed to make an irrevocable election to present in other comprehensive income the changes in the fair value of an investment in an equity instrument that is not held for trading (this election can be made on an instrument-by-instrument basis). Gains and losses arising from changes in value are recognised in profit or loss for the period.

Investments in equity-accounted investees

An associate is an entity over which the Group has significant influence but not control. In general, significant influence is presumed to exist when the Group holds 20-50% of the voting power of an entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an investment is initially recognised at cost and adjusted in the following periods for the investor's interest in the changes in equity of the investee.

Investments in subsidiaries and associates in the parent company's unconsolidated statement of financial position

Investments in subsidiaries and associates are stated at cost in the parent company's unconsolidated statement of financial position. Under the cost method, the initial acquisition cost is adjusted in subsequent periods for any impairment losses on the investment. An assessment is made at each reporting date as to whether there is any indication that the recoverable amount of an investment may have fallen below its carrying amount. If such indication exists, an impairment test is performed. Dividends paid by the investee are recognised as income when the investor becomes entitled to the dividends.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle (FIFO).

The main inventory items are solar panels, which are stored in Poland and Estonia.

Financial assets and liabilities

Recognition and initial measurement

Trade receivables are recognised at origination. All other financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not contain a significant financing component are measured at initial recognition at the transaction price.

Classification, subsequent measurement and gains and losses

Financial assets

After initial recognition, the Group measures a financial asset at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

Financial assets are not reclassified subsequent to initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies cash and cash equivalents, trade receivables and other receivables as financial assets measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met and it has not been designated as a financial asset at fair value through profit or loss:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that have not been classified as financial assets measured at amortised cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss.

At initial recognition, the Group may designate a financial asset that meets the conditions for financial assets measured at amortised cost or fair value through other comprehensive income as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The following table provides an overview of the Group's financial assets and their measurement and recognition of gains and losses.

Amortised cost	Assets designated to this category are measured at amortised cost using the effective interest method. In determining amortised cost, impairment losses are deducted from the carrying amount. Interest income, foreign exchange gains and losses and impairment losses on the assets are recognised in profit or loss. A gain or loss arising on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost or fair value through profit or loss. A financial liability is classified as measured at fair value through profit or loss when it is held for trading, is a derivative, or designated as such upon initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and any gain or loss on them, as well as any interest expense, is recognised in profit or loss.

Other financial liabilities are measured at amortised cost, using the effective interest method. Interest expense and foreign exchange gains and losses on them are recognised in profit or loss. Gains and losses arising on derecognition are recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when, and only when, its contractual rights to the cash flows from the financial asset expire or when the Group transfers the financial asset and the transfer qualifies for derecognition. The Group transfers the contractual rights to receive the cash flows of a financial asset in a transaction by which it transfers all the risks and rewards of ownership of the financial asset or by which it does not transfer the risks and rewards of ownership of the financial asset but loses (does not retain) control of the financial asset.

If the Group transfers a financial asset recognised in its financial statements but retains all, or substantially all, the risks and rewards of ownership of the financial asset, the asset is not derecognised.

Financial liabilities

The Group removes a financial liability from its statement of financial position when, and only when, it is extinguished. That is, when the obligation specified in the contract is discharged or cancelled or expires. A financial liability is derecognised when its terms are substantially modified so that its cash flows become significantly different from the originally agreed ones. In that case the Group recognises a new financial liability based on the modified terms and measures it at fair value.

The difference between (i) the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and (ii) the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting

A financial asset and a financial liability are offset, and the net amount is presented in the statement of financial position, when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost.

The Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses, except for financial assets whose loss allowance is measured at an amount equal to a 12-month expected credit losses, such as:

- other receivables;
- cash and cash equivalents whose credit risk has not increased significantly since initial recognition.

The Group accounts for expected credit losses on all trade receivables using the simplified approach provided in IFRS 9 that allows recognising the loss allowance at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are calculated using a provision matrix, which is based on the Group's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions and, where appropriate, the time value of money.

Expected credit losses are a probability-weighted estimate of credit losses. A credit loss is a difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the financial asset's effective interest rate.

At each reporting date, the Group assesses whether a financial asset measured at amortised cost might be credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor,
- a breach of contract (such as a default or past due event),
- the Group, for reasons relating to the debtor's financial difficulty, has granted the debtor concessions in restructuring the amount due that it would otherwise not have been considered,
- it is becoming probable that the debtor will encounter financial difficulty.

The carrying amount of a financial asset measured at amortised cost is reduced by the amount of its loss allowance.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts and short-term (with a maturity of up to three months) highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value such as term deposits with a maturity of up to three months and units in money market funds.

The statement of cash flows is prepared using the indirect method whereby the net cash flow from operating activities is determined by adjusting profit before tax for the effects of gains and losses associated with investing or financing activities, transactions of a non-cash nature and changes during the period in current assets and current liabilities related to operating activities.

Cash flows from investing and financing activities are reported by disclosing gross cash receipts and gross cash payments. Non-cash transactions are excluded.

Restricted cash is presented generally as other financial assets in the statement of financial position. Classification between current and non-current depends on the general current vs non-current classification principles. As restricted cash is not presented as cash in the statement of financial position, it is not presented as cash in the statement of cash flows. Instead, restricted cash is presented either in investing activities, operating activities or financing activities, depending on the substance of the restricted cash.

Foreign currency

The functional currency of each consolidated Group entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Group's Estonian, Latvian and

Lithuanian subsidiaries is the euro and the functional currency of the Polish subsidiaries is the Polish zloty. The Group's presentation currency is the official currency of the Republic of Estonia, the euro (EUR).

Foreign currency translations

Transactions in foreign currencies are translated into the respective functional currencies of the Group companies at the exchange rates at the dates of the transactions. A transaction in a foreign currency is translated to euros using the exchange rate of the European Central Bank quoted at the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign exchange differences are generally recognised in profit or loss and presented within finance costs.

Foreign operations

The assets and liabilities of foreign operations are translated into euros at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euros at the exchange rates at the dates of the transactions.

If the functional currency of a subsidiary does not coincide with the functional currency of the parent, the following exchange rates are used in translating the financial statements of the subsidiary:

(a) all assets and liabilities of the subsidiary are translated at the exchange rate at the reporting date;

(b) income, expenses and other changes in equity of the subsidiary are translated at the average exchange rate for the period.

Foreign exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. Borrowing costs that are directly attributable are those borrowing costs that would have been avoided if expenditure on the qualifying asset had not been made. If funds are borrowed specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on the loan during the period, less any investment income on the temporary investment of the borrowed amounts. Other borrowing costs are recognised in profit or loss in the period in which they are incurred, using the effective interest method.

Provisions

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 the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions are measured based on the estimates of management and, if necessary, the estimates of independent experts. Provisions are recognised in the statement of financial position in the amounts necessary to settle the obligations related to the provisions at the reporting date.

Own shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction in the own (treasury) shares reserve. Repurchased shares are classified as own shares and are presented in the own shares reserve. When own shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Employee benefits

Current employee benefits

Employee benefits comprise wages, salaries, social security contributions, and short-term compensated absences, such as paid annual leave and similar temporary suspensions of the employment contract where the absences occur within twelve months after the end of the period in which the employees render the related service and the compensation for the absences is due to be settled within twelve months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during the reporting period, the Group recognises the amount of the employee benefits expected to be paid in exchange for the service as a liability (accrued expense) after deducting any amount already paid.

Share-based payments

Group has concluded share option agreements with several employees. Since the Group receives services from its employees and assumes an obligation to settle the transactions with equity instruments, this is recognised as share-based payment. The fair value of the services that entitle the employees to an allotment of equity instruments is expensed at the time the services are rendered and, at the same time, a corresponding increase in equity is recognised as a share option reserve.

The fair value of the equity instruments is calculated as per the grant date for accounting purposes i.e. the measurement date. The measurement date refers to the date when a contract was entered into and the parties agreed on the terms of the share-based payment. On the grant date, the employees are granted rights to share-based payment. Since the granted equity instruments are not vested until the employees have fulfilled a period of service, it is assumed that the services are rendered during the vesting period. This means that the cost and corresponding increase in equity are recognised over the entire vesting period.

Revenue

Revenue is measured based on the consideration agreed in the contract signed with the customer. The Group recognises revenue when (or as) it satisfies the performance obligation by transferring the goods or service to the customer. The table below provides information about the nature and timing of performance obligations arising from contracts with customers and related revenue accounting policies.

Type of product/service	Nature and timing of the satisfaction of the performance obligation, and significant payment terms	Revenue recognition
Sale of produced electricity	The Group produces and sells electricity to customers. Revenue is recognised on the basis of actual units produced and sold. Invoices are generated at the beginning of the next month and are usually payable within 14-30 days. The Group receives government support for electricity produced from renewable energy sources. This support forms one part of the revenue from the sale of electricity produced by the Group. In Estonia, the Group receives both feed-in-premium (FiP) and	Revenue from the sale of electricity units is recognised in the period in which the units are delivered. Revenue is recognised based on actual units delivered.

	downside protection subsidies. To units under 50kW (inverter capacity) a feed-in premium is applied, to larger units a downside protection applies. The term for renewable energy subsidies in Estonia is 12 years from commissioning, subsidies are not indexed to the CPI. In Poland, the contract for differences (CfD) scheme is applied. The term of the subsidy scheme is 15 years and the auction price is CPI indexed. The Polish CfD subsidy can turn negative when actual market prices exceed the bid made at the subsidy auction.	In Estonia, subsidy is received and recognised in profit or loss monthly. In Poland, when the CfD result is positive, subsidy is received and recognised in profit or loss monthly. When the CfD result is negative, provisions are made on the statement of financial position and in profit or loss the subsidy is recognised in the negative amount. The expected realization time for the CfD provisions is 12-15 years.
Development services	The Group provides development services to customers. Development services include all activities until the solar park is ready for construction. Revenue is recognised on the basis of completed services. Invoices are generated at the beginning of the next month and are usually payable within 7-30 days.	Revenue from development services is recognised in the period in which the services are delivered. Revenue is recognised based on actual services delivered.
Construction services	The Group provides solar park construction services. Revenue is recognised on the basis of percentage of completion (POC) Invoices are generated at the beginning of the next month and are usually payable within 14-30 days.	Revenue from solar park construction services is recognised over time based on POC.

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss, except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the amount of tax expected to be paid or received that also reflects the uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Corporate income tax in Estonia

In accordance with the laws of the Republic of Estonia, Estonian entities do not pay income tax on profits earned. Instead, Estonian entities pay income tax on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenditures and transfer price adjustments. The income tax rate is 20% from the gross amount, i.e. 20/80 (2021: 20/80) of the net dividend distribution. Starting from 2019, it is possible to apply a more favourable tax rate to dividend payments (14%, i.e. 14/86 of the net distribution). The more favourable tax rate can be applied to a dividend distribution that amounts to up to three preceding years' average dividend distribution. In calculating the average dividend distribution of the three preceding financial years, 2018 is first year that is taken into account.

Corporate income tax in Latvia

In accordance with the laws of the Republic of Latvia, Latvian entities do not pay income tax on profits earned. Instead, Latvian entities pay income tax on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenditures and transfer price adjustments. The income tax rate is 20% from the gross amount, i.e. 20/80 (2021: 20/80) of the net dividend distribution.

Corporate income tax in Lithuania

In Lithuania, corporate profits are subject to income tax. The corporate income tax rate is 15% of taxable income. Taxable income is calculated by adjusting profit before tax for permanent and temporary differences as permitted by local tax laws.

Corporate income tax in Poland

In Poland, corporate profits are subject to income tax. The corporate income tax rate is 19% of taxable income. Companies with revenues of up to EUR 1.2m in the given tax year and companies starting business activity from 2019 may, under certain conditions, apply a 9% income tax rate. Taxable income is calculated by adjusting profit before tax for permanent and temporary differences as permitted by local tax laws.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for the reversals of existing temporary differences, are considered, based on the business plans of the Group's subsidiaries. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and it reflects the uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Related parties

For the purposes of these consolidated financial statements, parties are related if one controls the other or can exert significant influence on the other's operating decisions. In general, related parties include:

- owners of the parent company;
- other companies belonging to the same Group; and
- members of the Group's Management and Supervisory Boards and shareholders with a significant ownership interest unless those persons cannot exert significant influence on the Group's operating decisions.

In addition, related parties include close family members of the above persons and companies related to them.

Events after the reporting period

The consolidated financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the reporting date and the date on which the financial statements were authorised for issue but are related to the reporting or prior periods.

Subsequent events that are indicative of conditions that arose after the reporting date but which will have a significant effect on the result of the next financial year are disclosed in the notes to the consolidated financial statements.

NOTE 7. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Classification and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Management of the Group has assessed that the fair value of loans is equal to their carrying amount, as the contractual interest rates correspond to market interest rates.

	Carrying amount		Fair value	
(in EURk)	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Financial assets measured at amortised cost				
Trade and other receivables (Note 15)	10 160	2 028	10 160	2 028
Other financial assets (Note 12)	3 391	370	3 391	370
Cash and cash equivalents	95 741	12 810	95 741	12 810
Total financial assets	**109 292**	**15 208**	**109 292**	**15 208**
Financial liabilities measured at amortised cost				
Loans (Note 17)	53 510	26 898	53 510	26 898
Trade payables (Note 19)	3 743	1 216	3 743	1 216

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Other payables (Note 19)	63 325	1 066	63 325	1 066
Lease liabilities (Note 17)	5 840	4 972	5 840	4 972
Total financial liabilities	**126 418**	**34 152**	**126 418**	**34 152**

Credit risk

Credit risk is the risk that a customer or a party to a financial instrument will cause a financial loss for the Group by failing to meet a contractual obligation and arises primarily from the Group's trade receivables.

The carrying amount of financial assets reflects the maximum exposure to credit risk.
No impairment losses on financial assets were recognised in profit or loss in the reporting period.
Customers' payment behaviour is monitored regularly and at least once a month.

Expected credit losses

The Group always recognises an allowance for trade receivables equal to the credit loss expected to arise during their lifetime. The expected credit loss of these assets is estimated using a provision matrix, which is based on the Group's historical credit loss experience, adjusted for specific factors related to debtors, general economic conditions and, if necessary, the time value of money. Expected credit losses are probability-weighted estimated credit losses. A credit loss is the difference between the contractual cash flows and the expected cash flows of the Group, which is discounted at the internal rate of return on the financial asset.

No significant credit risk related to customers exists in the electricity sales segment as electricity produced by the Group is paid for by the Estonian and Polish electricity trading companies. Hence there are no agreements with individual energy users and the credit risk of customers is insignificant.

Credit risk in the EPC and development service segments is mitigated by cooperation with state-owned companies (e.g., PGE, ENEA, KGHM), selection of other contractors based on a report from a business intelligence agency (Coaface, DNB), and cooperation with proven, long-term contractors.

Therefore, no credit loss allowances were booked during the period from 1 January 2021 to 31 December 2022.

Cash and cash equivalents

As at 31 December 2022, the Group had EUR 96 849k cash and cash equivalents (31 December 2021: EUR 12 810k). Cash and cash equivalents are held with the following financial institutions:

- SEB in Estonia, Latvia and Lithuania, with a Fitch rating of AA-.
- Luminor Bank AS in Estonia, with Moody's rating Baa1 (no Fitch rating available)
- Citadele banka, Eesti filiaal AS in Estonia, with a Moody's rating of Baa2 (no Fitch rating available).
- Coop Pank in Estonia, with a Moody's rating of Baa2 (no Fitch rating available).
- ING BSK S.A. in Poland, with a Fitch rating of A+.
- BNP Paribas Bank in Poland, with a Fitch rating of A+.
- mBank S.A. in Poland, with a Fitch rating of BBB-.

The Group estimates that the credit risk of cash and cash equivalents is low based on the credit ratings issued to the financial institutions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with the transfer of cash or another financial asset. Long-term liquidity risk is the risk that the Group will not have sufficient free cash or other sources of liquidity to cover future liquidity needs to implement its business plan and meet its obligations, or that the Group will therefore have to raise available funds within a limited time period.

To minimize liquidity risks, Sunly's project financing agreements take into account the duration and value of subsidies, if any, and the relevant project's production estimate.

Exposure to liquidity risk

The remaining contractual maturities of financial liabilities as at the reporting date are as follows. The amounts are gross and undiscounted and include contractual interest payments.

		Contractual cash flows					
31 December 2022 (in EURk)	**Gross carrying amount**	**1-3 months**	**4-6 months**	**7-12 months**	**1-5 years**	**Over 5 years**	**Total**
Loans (Note 17)	53 236	1 034	1 526	3 790	46 126	12 158	64 633
Lease liabilities (Note 17)	6 114	129	129	221	1 641	3 994	6 114
Trade payables (Note 19)	3 743	3 743	0	0	0	0	3 743
Other payables (Note 19)	63 325	13 661	0	0	49 664	0	63 325
Total	**126 418**	**18 567**	**1 655**	**4 011**	**97 431**	**16 152**	**137 815**

		Contractual cash flows					
31 December 2021 (in EURk)	**Gross carrying amount**	**1-3 months**	**4-6 months**	**7-12 months**	**1-5 years**	**Over 5 years**	**Total**
Loans (Note 17)	26 898	59	654	1 907	34 534	4 023	41 177
Lease liabilities (Note 17)	4 972	47	47	94	750	4 035	4 973
Trade payables (Note 19)	1 216	1 216	0	0	0	0	1 216
Other payables (Note 19)	1 066	1 064	0	0	1	0	1 065
Total	**34 152**	**2 386**	**701**	**2 001**	**35 285**	**8 058**	**48 431**

Market risk

Market risk is the risk that changes in market prices, such as the prices of commodities, exchange rates, interest rates and cost of capital, will affect the Group's income or the value of investments made in financial instruments. The purpose of market risk management is to manage and keep positions exposed to market risk within acceptable limits while optimizing returns.

To manage the risks arising from the exposure of Sunly's production to electricity price volatility, Sunly may fix the electricity prices to a certain extent. Projects which have secured a renewable energy subsidy are already mitigated against electricity price volatility. All hedging activities are subject to the approval of the Supervisory Board.

Risks related to changes in the subsidy schemes are monitored through participation in industry associations, and by being an active and responsible stakeholder in the legislative process.

The Group's EPC segment is exposed to market risk related to changes in raw materials prices (PV panels, cables, steel). Mitigation measures include using the same PV module model in different projects to be able to store materials, signing an EPC contract with a variable price in case of changes in input prices, requesting prepayments from customers to fix the price of inputs, purchasing materials in advance, using performance bonds by panel manufacturers and signing framework contracts with suppliers.

Currency risk

The Group is exposed to foreign currency risk as Polish zloty exchange rate is not fixed against euro and the currencies in which the Group's transactions are primarily denominated are the euro and the Polish zloty.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk is mitigated by reinvesting the revenue from Poland in the medium term. Mitigation measures include also concluding EPC contcts so that panel sales prices are fixed in the purchase currency (EUR) and receiving advance payments from customers according to the actual panel purchase price.

Management has assessed the currency risk and finds the mitigation measures sufficient.

Interest rate risk

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk arises from the Group's floating rate debt and involves the risk that financial expenses will increase as interest rates rise. The Group's financing in Estonia is linked to EURIBOR, and in Poland, the Group's financing is linked to WIBOR.

A significant factor affecting interest rate risk is fixed-rate periods. The management of interest rate risk is aimed at reducing the negative effects of changes in market interest rates. The Group strives to achieve a balance between cost-effective borrowing and risk exposure on the one hand, and a negative impact on earnings in the event of a sudden major change in interest rates on the other.

Capital management

The Group's policy is to maintain a strong capital base, so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The Group monitors capital using the ratio of net debt to equity. Net debt is calculated as total liabilities less cash and cash equivalents. Equity comprises all components of equity.

The Group's net debt to equity ratio was as follows:

(in EURk)	31 December 2022	31 December 2021
Total liabilities	134 218	34 685
Less: cash and cash equivalents	-95 741	-12 810
Total net debt	**38 477**	**21 875**
Total equity	228 902	46 326
Net debt to equity ratio	**0.17**	**0.47**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

(in EURk)	Land	Buildings	Machinery and equipment	Other property, plant and equipment	Right-of-use assets	Assets under construc-tion	Total
Cost at 31 December 2020	632	9 030	187	9	2 431	10 461	22 750
Accumulated depreciation at 31 December 2020	0	-113	-15	0	-61	0	-189
Carrying amount at 31 December 2020	**632**	**8 917**	**172**	**9**	**2 370**	**10 461**	**22 561**
Additions	0	251	31	203	2 764	19 660	22 909
Reclassifications	0	10 461	0	0	0	-10 461	0
Depreciation	0	-640	-29	-7	-122	**0**	-798
Other changes	0	-8	-2	0	0	**0**	-10
Additions from merger	0	0	96	0	0	**0**	96
Accumulated depreciation from merger	0	0	-45	0	0	**0**	-45
Cost at 31 December 2021	632	19 742	314	212	5 195	19 660	45 755
Accumulated depreciation at 31 December 2021	0	-761	-91	-7	-183	0	-1 042
Carrying amount at 31 December 2021	**632**	**18 981**	**223**	**205**	**5 012**	**19 660**	**44 713**
Additions	560	175	152	91	1 652	30 782	33 412
Reclassifications	0	7 893	0	0	0	-7 893	0
Depreciation	0	-866	-69	-10	-367	0	-1 312
Additions from purchase of Alseva entities	0	0	164	0	0	48	212
Accumulated depreciation from purchase of Alseva entities	0	0	-56	0	0	0	-56
Cost at 31 December 2022	1 192	27 810	630	303	6 847	42 597	79 379
Accumulated depreciation at 31 December 2022	0	-1 627	-216	-17	-550	0	-2 410
Carrying amount at 31 December 2022	**1 192**	**26 183**	**414**	**286**	**6 296**	**42 597**	**76 969**

Right-of-use assets consist of land and other equipment. See Note 18 for more information on right-of-use assets, lease liabilities and amounts recognised in profit or loss.

More information about items pledged as securities is provided in Note 17.

NOTE 9. INTANGIBLE ASSETS

(in EURk)	Concessions, patents, licences, trademarks	Other*	Goodwill	Total
Cost at 31 December 2020	2	2 561	0	**2 563**
Accumulated amortisation at 31 December 2020	0	-307	0	**-307**
Carrying amount at 31 December 2019	**2**	**2 254**	**0**	**2 256**
Acquisitions through business combinations**	0	4 172	8 273	**12 445**
Amortisation	0	-261	0	**-261**
Other changes	0	5	0	**5**
Cost at 31 December 2021	2	6 733	8 273	**15 008**
Accumulated amortisation at 31 December 2021	0	-563	0	**-563**
Carrying amount at 31 December 2021	**2**	**6 170**	**8 273**	**14 445**
Acquisitions through business combinations***	0	33 787	86 028	**119 815**
Additions	383	1	0	**384**
Amortisation	-4	-2 196	0	**-2 200**
Other changes	0	-1	0	**-1**
Cost at 31 December 2022	385	40 520	94 301	**135 206**
Accumulated amortisation at 31 December 2022	-4	-2 759	0	**-2 763**
Carrying amount at 31 December 2022	**381**	**37 761**	**94 301**	**132 443**

* Acquisitions of (i) rights to the land relating to the solar parks, (ii) relevant permits relating to the solar parks.

** In Q3 2021, investors approved a merger agreement between Sunly Land AS group and Sunly OÜ group. As a first step, the shares in Sunly OÜ were contributed to Sunly Land AS in October 2021. The acquisition price was EUR 8 385k and the acquisition was performed as a non-monetary contribution. The Group concluded that the assets acquired constituted a business with an indefinite useful life where the team of people was the key asset. Therefore, goodwill was recognised. Sunly conducts annual impairment tests on the goodwill acquired from the transaction. Given that the business previously conducted by Sunly OÜ is not separable from that of Sunly group in general, goodwill is tested on the level of the whole Sunly group. Management assessed that there was no need for recognising impairment as at 31 December 2022, given that (i) Sunly's operating and in-construction assets have become more mature since the time of the transaction and (ii) Sunly's pipeline has increased since the time of the transaction.

Goodwill arising from the acquisition in Q3 2021 has been recognised as follows.

(in EURk)	Total	Sunly OÜ	Sunly Infra OÜ*	Sunly Infra SIA**	Sunly Infra UAB**	Sunly Infra SP zoo**	Sunly Startup*
Assets	940	257	523	41	84	28	7
incl. investments in subsidiaries	*202*	*107*	*95*	*0*	*0*	*0*	*0*
Incl. cash and cash equivalents	*63*	*35*	*2*	*3*	*4*	*19*	*0*
Liabilities	592	145	422	10	10	5	0
Net assets (100%)	348	112	101	31	74	23	7
Group's share of net assets (%)	X	100	100	80	70	80	85
Group's share of net assets	**314**	**112**	**101**	**25**	**52**	**18**	**6**

Acquisition price	8 385
Group’s share of net assets	-314
Investments in subsidiaries	202
Goodwill	**8 273**

*Subsidiaries of Sunly OÜ

**Subsidiaries of Sunly Infra OÜ

*** On 23 December 2021, Sunly signed an investment agreement for acquiring certain entities constituting the Alseva group in Poland. The transaction was closed on 1 April 2022. More information is disclosed in Note 11.1.

NOTE 10. INVESTMENT PROPERTY

(in EURk)	Land	Total
Cost at 31 December 2020	751	**751**
Carrying amount at 31 December 2020	**751**	**751**
Additions	0	**0**
Reclassifications	0	**0**
Sale of investment property	66	**66**
Cost at 31 December 2021	817	**817**
Carrying amount at 31 December 2021	**817**	**817**
Additions	725	**725**
Reclassifications	0	**0**
Sale of investment property	0	**0**
Cost at 31 December 2022	1 542	**1 542**
Carrying amount at 31 December 2022	**1 542**	**1 542**

Investment property is measured using the cost model. The fair value of purchased land is similar to its carrying amount at the reporting date.

NOTE 11. EQUITY-ACCOUNTED INVESTEES AND INVESTMENTS IN SUBSIDIARIES

List of subsidiaries

Investments in subsidiaries, as at the end of the reporting period:

Subsidiary	Core business	Domicile	Ownership interest at 31 Dec 2022	Ownership interest at 31 Dec 2021
Sunly PLN OÜ	Holding company	Estonia	100%	100%
Sunly Land Sp. z o.o	Holding company	Poland	100%	100%
Polish Solar SPVs (4 SPVs)	Solar electricity development/ generation	Poland	100%	100%
Sunly Solar Parks 1 Sp.z o.o.	Holding company	Poland	100%	100%
Eplant 60 Sp.z o.o.	Solar electricity development	Poland	100%	100%
Sunly PLN 2 OÜ	Holding company	Estonia	100%	100%
Sunly Solar Parks 2 Sp.z o.o.	Holding company	Poland	100%	100%
Solar Power Staniscze	Solar electricity development	Poland	100%	100%
Polish Solar SPVs (92 SPVs)*	Solar electricity development	Poland	100%	0%
EPLANT 61 Sp. z o.o.	Solar electricity development	Poland	50%	0%
Sunly Solar Parks 3 Sp.z o.o.	Holding company	Poland	100%	100%
Alseva Sp. z o.o. Sp. k.*	Construction company	Poland	100%	0%
Sunly Solar Parks 4 Sp.z o.o.	Holding company	Poland	100%	100%
Alseva Pro Sp. z o.o.*	Development company	Poland	100%	0%
Alseva Sp. z o.o.*	Management company	Poland	100%	0%
Sunly Solar Parks 5 Sp.z o.o.	Holding company	Poland	0%	100%
Sunly Wind Parks Sp zoo**	Holding company	Poland	100%	100%
Polish Wind SPVs (3 SPVs)	Solar electricity development	Poland	100%	0%
Sunly OÜ* **	Management company	Estonia	0%	100%
Sunly Infra OÜ**	Management company	Estonia	0%	79%
Sunly Infra Sp.zo.o.	Management company	Poland	100%	100%
Sunly Infra UAB	Management company	Lithuania	100%	70%
Sunly Infra SIA	Management company	Latvia	100%	80%
Sunly Startup OÜ	Investment management activities	Estonia	85%	85%
Sunly Solar OÜ	Solar electricity generation	Estonia	100%	100%
Sunly Solar Holding OÜ	Holding company/ solar electricity development	Estonia	100%	100%
Sunly Solar 2 OÜ	Solar electricity development/ generation	Estonia	100%	100%
Sunly Solar 3 OÜ	Solar electricity development	Estonia	100%	0%
Sunly City OÜ	Solar panels rental/ solar electricity generation	Estonia	100%	100%
Sunly Innovation 2 OÜ	Investing activities	Estonia	100%	100%
Vederobalt OÜ	Growing of vegetables (including squash), acquisition of land	Estonia	100%	100%
Sunare OÜ	Solar electricity, storage and charging development	Estonia	80%	0%
Õunamõisa OÜ	Solar electricity development	Estonia	100%	0%
Metsapäike OÜ	Solar electricity development	Estonia	51%	0%
Sunly Land UAB	Holding company	Lithuania	100%	100%
Vejai LT UAB	Wind development	Lithuania	51%	0%
Sunly Solar UAB	Solar electricity development	Lithuania	100%	0%
Sunly saulės parkas 1 UAB	Wind energy development	Lithuania	100%	0%
Sunly Land SIA	Holding company	Latvia	100%	100%
SPD A SIA	Solar electricity development	Latvia	100%	0%
SPV Kurzeme SIA	Solar electricity development	Latvia	50%	0%
Sunly Land Solar 1 SIA	Solar electricity development	Latvia	50%	0%

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Sunly Land Solar 2 SIA	Solar electricity development	Latvia	50%	0%
Sunly Land Solar 3 SIA	Solar electricity development	Latvia	100%	0%
Sunly Land Solar 4 SIA	Solar electricity development	Latvia	100%	0%
Sunly Land Solar 5 SIA	Solar electricity development	Latvia	100%	0%
SPD Samanta SIA	Solar electricity development	Latvia	100%	0%
Shera SIA	Solar electricity development	Latvia	100%	0%
SLD 1 SIA	Solar electricity development	Latvia	100%	0%
SLD 2 SIA	Solar electricity development	Latvia	50%	0%
SLD 3 SIA	Solar electricity development	Latvia	100%	0%
SLD 4 SIA	Solar electricity development	Latvia	100%	0%
SLD 5 SIA	Solar electricity development	Latvia	50%	0%
Sunly Wind OÜ	Wind electricity development	Estonia	100%	100%
Sunly Offshore Wind OÜ	Wind electricity development	Estonia	100%	0%
Sunly Offshore Wind SIA	Wind electricity development	Latvia	100%	0%
Sunly Offshore Wind UAB	Wind electricity development	Lithuania	100%	0%
SW Metsatuul OÜ	Wind electricity development	Estonia	51%	51%
SW Tuulerii OÜ	Wind electricity development	Estonia	51%	51%
SW Tuulekohin OÜ	Wind electricity development	Estonia	51%	51%
SW Multituul OÜ	Wind electricity development	Estonia	51%	51%
SW Tuulepõld OÜ	Wind electricity development	Estonia	51%	51%
SW Eretuul OÜ	Wind electricity development	Estonia	51%	51%

* Purchased Alseva entities. More information in Note 11.1.
** Entity was renamed, previous name was Sunly Solar Parks 6 Sp.z o.o.
*** Entities were merged with Sunly AS

List of associates

Investments of the Group's parent company in associates, as at the end of the reporting period:

Associate	Core business	Domicile	Ownership interest at 31 Dec 2022	Ownership interest at 31 Dec 2021
Rova Systems Sp. z o.o.*	Solar park maintenance services	Poland	50%	0%
A-PLANT Sp. z o.o.*	Solar electricity generation	Poland	33%	0%
PV Sejny Sp. z o.o.*	Solar electricity generation	Poland	50%	0%
PV Magnuszowiczki Sp. z o.o.*	Solar electricity generation	Poland	40%	0%
PV Piotrowa Sp. z o.o.*	Solar electricity generation	Poland	50%	0%
PV Obrowiec Sp. z o.o.*	Solar electricity generation	Poland	50%	0%
Polscen OÜ**	Energy trading	Estonia	33%	100%
Scobis OÜ	Holding company	Estonia	50%	50%

* purchased Alseva entities. More information in Note 11.1.
** entity was renamed, previous name was Sunly Solar Parks 5 Sp.z o.o.

NOTE 11.1 ACQUISITION OF ALSEVA ENTITIES

On 23 December 2021, Sunly signed an investment agreement for acquiring certain entities constituting the Alseva group in Poland:

- 100% of Alseva Pro Spzoo (Alseva Pro) – the successor of the business of Alseva Innowacje Sp. z o.o., which included development of solar parks in Poland as well as other renewable energy related initiatives. The company employed a team of professionals experienced in early-

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stage development of solar parks. The team provided development services both to external customers as well as the SPVs in the Alseva group.

– 100% shareholding in around 70 SPVs (special purpose vehicles) in the Alseva group (except for a few SPVs where 33-50% shareholding was acquired) – the SPVs owned the rights to land and various permits for solar parks' development in Poland. The SPVs did not employ any people and were managed by Alseva Pro.
– Alseva Sp. z o.o. Sp. k. (Alseva EPC) – a company providing engineering, procurement and contracting (EPC) services for solar parks' construction in Poland. The company employed a team of professionals experienced in designing and constructing solar parks. Customers included both the Sunly group and external customers.
– 100% of Alseva Sp. z o.o. (Alseva Accounting) – a company providing accounting services to the Alseva group entities and, from 2022, also to Sunly's Polish entities.
– 50% of Rova Sp. z o.o. (Rova) – a company providing operational and maintenance (O&M) services both to external customers as well as to the SPVs, which owned projects in an operational phase in the Sunly and Alseva groups.

The transaction was closed on 1 April 2022 and it has a significant impact on the Group's financials.

Transaction price comprised of:

- Cash purchase price paid at completion
- 3-year put option on the EUR 13m of purchase price re-injected into Sunly by the seller, with exercise price equal to the price at which the respective capital was injected into Sunly
- Employee bonus reserve payable during up to 6 years after the acquisition
- Earn-outs payable during 1-5 years after the acquisition and dependent on ready-to-build MWs achieved by Alseva.

Additional components of the transaction included:

- Re-injection by the seller of EUR 13m of the purchase price into Sunly, whereby the seller acquired a shareholding in Sunly
- Acquisition of outstanding shareholder loans in the acquired SPVs (EUR 5 185k)
- Dividend payment (EUR 2 291k) related to interim dividend in Alseva EPC due to the sellers, which was paid out after the completion of the transaction.

After the transaction, the current management of Alseva remained in place and the Alseva brand continues to be used in the Polish market.

As a result of the finalization of the acquisition of 100% of Alseva and 50% of Rova in Poland on 1 April 2022, Sunly can offer a full range of solar energy services in Poland, both for internal purposes and for external customers.

Goodwill and intangible assets arising from the acquisition on 1 April 2022 have been recognised as follows.

(in EURk)	1 Apr 2022 Aggregated	31 Dec 2022 Aggregated
Assets	31 365	74 357
incl. goodwill of historical business combination	1 191	1 191
incl. cash and cash equivalents	1 896	11 479
Liabilities	29 498	72 458
Group's share of net assets	**676**	**708**
Current year profit (YTD)	*102*	*2 101*

	31.12.2022
Liabilities at discounted value (payment mainly dependent on fulfilment of the agreed targets)	**44 437**
Short term	*11 611*

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Long term	*32 826*
Put option agreed price and FV difference	**37 000**
Goodwill	**86 013**
Intangible assets	**33 494**

Liabilities at discounted value were calculated based on the share purchase agreement, considering future payment components of the purchase price. As at 31 December 2022 it includes earn-outs related to ready-to-build MW targets set for Alseva teams and commitments for employee bonuses. Liabilities were divided into short-term and long-term based on the date when the liability is expected to materialize: if less than a year, it is recorded as short-term, otherwise, long-term. According to management's assessment, it is likely that all the earn-outs will be realized.

In order to reflect liabilities at their present value, the carrying amounts were discounted using a 6% discount rate.

The fair value (FV) of the put option (for the calculation of the difference between the exercise price and the FV of the put option) was based on indicative valuations from three external advisers, based on a combination of the discounted cash flow and market multiples valuation methods.

As at 31 December 2022 the liabilities were revalued and the difference in the amount of EUR 3 293k was booked through the share of profit of equity-accounted investees, net of tax.

(in EURk)	Earn-out and bonus payment liabilities	Put option liability
As at 31 Dec 2022 before revaluation	**44 437**	**11 080**
Revaluation of liability	2 629	664
Decrease of liability (paid)	-600	0
Currency rate differences	-21	0
As at 31 Dec 2022 after revaluation	**46 445**	**11 744**

Intangible assets from Alseva transaction relate to:

- SPVs owning the rights to land and various permits for solar parks' development in Poland
- Third-party EPC contracts ongoing at the time of the transaction.

Goodwill from the Alseva transaction relates to:

- EPC contracts with the Sunly group, which were ongoing at the time of the transaction
- Team of people working at Alseva Pro, Alseva EPC, Alseva Accounting and Rova
- Ongoing business activities of the above entities, which are assessed to have indefinite useful lives.

Impairment test

For the purposes of the impairment testing, goodwill has been allocated to the Group's cash generating units (CGUs) as follows.

(in EURk)	31 December 2022
SPVs under Sunly Solar Parks 2	69 425
EPC business	11 452
Development business and accounting services	5 137
Total goodwill	**86 013**

The key assumptions used in the estimation of the recoverable amount are presented below. The values assigned to the key assumptions represent management's assessment of future trends, the Group's business plan and current pipeline. Both internal and external sources have been used for inputs. For cash flow projections, the 2023 budget was used, along with the Group's financial model prepared for the valuation of the Group during 2022 capital raise process.

SPVs under Sunly Solar Parks 2

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorized as a Level 2 fair value, based on the inputs to the valuation technique used.

(in percent)	31 December 2022
Discount rate (cost of equity)	**11.4%**
Budgeted EBITDA growth rate (average)	**3.5%**

The discount rate was the cost of equity estimated based on the historical average weighted-average cost of capital. No debt is assumed in the forecasts, thus free cash flow to equity is discounted with the cost of equity.

Average EBITDA growth rate for the period 2023-2065 is assumed to be 3.5%. This includes higher growth rate at the beginning of the forecast period, when projects are assumed to be added gradually, then a stable rate of 2-3% and a negative rate at the end of the forecast period.

The cash flow projections are based on the useful economic life of the assets, taking into consideration construction periods (and respective CAPEX), and demolition at the end of the useful economic life. No terminal value and no terminal value growth rate is assumed for this CGU, as all projects have a definite useful life of 35 years.

Budgeted cash flows were estimated taking into account the following assumptions:

1. Revenues are based on the assumption that all production will be sold either based on PPAs (power purchase agreements) or CfDs (contracts for differences). PPA prices are assumed based on the latest offer in the Polish market, known at the moment of the analysis. CfD prices for new projects are based on December 2021 auction results.
2. Operational expenses are based on historical data and management's estimates.
3. CAPEX is based on BloombergNEF forecasts.

The estimated recoverable amount of the CGU significantly exceeded its carrying value. Management has performed a sensitivity analysis based on altering the discount rate by +/- 1 percentage point, which still resulted in a significantly higher recoverable amount, compared to the carrying value.

EPC business

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value, based on the inputs to the valuation technique used.

(in percent)	31 December 2022
Discount rate (cost of equity)	**13%**
Terminal value growth rate	**2%**
Budgeted EBITDA growth rate (average of next five years)	**28%**

The discount rate was the cost of equity estimated based on the historical average weighted-average cost of capital. No debt is assumed in the forecasts, thus free cash flow to equity is discounted with the cost of equity.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term growth rate for EBITDA, consistent with the long-term consumer price index forecasts for the EU.

Budgeted EBITDA was estimated taking into account past experience, the 2023 budget and the following assumptions:

1. Revenues are based on the internal (Sunly group) pipeline, the external pipeline and CAPEX cost per MW constructed.
2. Operational expenses are based on historical data and management's estimates.
3. CAPEX is based on BloombergNEF forecasts.

The estimated recoverable amount of the CGU significantly exceeded its carrying value. Management has performed a sensitivity analysis based on altering the discount rate and the terminal growth rate by +/- 1 percentage point, which still resulted in a significantly higher recoverable amount, compared to the carrying value.

Development business and accounting business

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value, based on the inputs to the valuation technique used.

(in percent)	31 December 2022
Discount rate (cost of equity)	**11.3%**
Terminal value growth rate	**2%**
Budgeted EBITDA growth rate (average of next five years)	**10%**

The discount rate was the cost of equity estimated based on the historical average weighted-average cost of capital. No debt is assumed in the forecasts, thus free cash flow to equity is discounted with the cost of equity.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term growth rate for EBITDA, consistent with the long-term consumer price index forecasts for the EU.

Budgeted EBITDA was estimated taking into account past experience, the 2023 budget and the following assumptions:

1. Revenues are based on the pipeline for ready to build MW targets and the development cost for these MWs.
2. Operational expenses are based on historical data and management's estimates.

The estimated recoverable amount of the CGU exceeded its carrying value. Management has performed a sensitivity analysis based on altering the discount rate and the terminal growth rate by +/- 1 percentage point, which resulted in a range, the lower end of which includes the carrying value.

NOTE 12. OTHER FINANCIAL ASSETS

(in EURk)	Base currency	Loan balance as at 31 Dec 2021	Accrued interest balance as at 31 Dec 2022	Interest repayment		Loan balance as at 31 Dec 2022	Loan repayments	
				Less than one year	More than one year		Less than one year	More than one year
Loans given to								
Rexplorer OÜ	EUR	220	0	0	0	220	0	220
Energiasalv Valdus OÜ	EUR	0	6	6	0	415	415	0
Optigon OÜ	EUR	0	0	0	0	500	0	500
Electric Beast Global OÜ	EUR	150	0	0	0	150	0	150
UP Catalyst OÜ	EUR	0	0	0	0	250	0	250
Polscen Sp z.o.o	EUR	0	0	0	0	2	0	2

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Rova	PLN	0	1	0	1	20	0	20
A-PLANT	PLN	0	2	0	2	144	0	144
PV Obrowiec Sp. z o.o.	PLN	0	0	0	0	3	0	3
PV Sejny Sp. z o.o.	PLN	0	1	0	1	14	0	14
PV Magnuszowiczki Sp. z o.o	PLN	0	1	0	1	16	0	16
PV Piotrowa Sp. z o.o.	PLN	0	19	0	19	324	0	324
Eplant 17	PLN	0	0	0	0	40	0	40
Loans to employees	PLN	0	3	3	0	64	0	64
Other	PLN	0	6	0	6	3	0	3
Total loans given		**370**	**39**	**9**	**30**	**2 165**	**415**	**1 750**
Restricted cash*		0	0	0	0	1 120	0	1 120
Accrued bank deposit interest		0	66	66	0	0	0	0
Total		**370**	**105**	**75**	**30**	**3 285**	**415**	**2 870**

* Restricted cash includes DSRAs relating to loan agreements in Poland and Estonia.

NOTE 13. OTHER INVESTMENTS

(in EURk)	31 December 2022	31 December 2021
Shares inf:		
Sunly Innovation OÜ	6	6
Energiasalv Valdus OÜ	1 200	600
Energiaühistu (energy cooperative)	24	24
Amperio Sp. z.o.o	250	0
Switch EV LTD	200	0
Beamline 3 Usaldusfond (trust fund)	100	0
Total	**1 780**	**630**

NOTE 14. PREPAYMENTS

(in EURk)	31 December 2022	31 December 2021
Prepaid and refundable taxes	11 751	1 856
Prepaid expenses	2 092	663
Prepayment for grid connections	22 177	318
Other prepayments*	302	1 822
Total	**36 322**	**4 659**
Non-current	183	126
Current	36 139	4 533
Total	**36 322**	**4 659**

* As at 31 December 2021, included prepayments of EUR 1 000k for the purchase of solar park projects.

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NOTE 15. TRADE AND OTHER RECEIVABLES

(in EURk)	31 December 2022	31 December 2021
Trade receivables	2 764	290
Electricity sales	*137*	*206*
Development services sales	*317*	*0*
Construction services sales	*1 670*	*0*
Other	*640*	*84*
Auction bid bonds	2 237	1 446
Other receivables	5 159	292
Total	**10 160**	**2 028**
Non-current	0	0
Current	10 160	2 028
Total	**10 160**	**2 028**

Credit risk, market risk and impairment of financial assets

Information on the Group's credit and market risks and credit losses due to impairment of receivables is provided in Note 7.

NOTE 16. CAPITAL AND RESERVES

Share capital

Share capital of EUR 62 856k (31 December 2021: EUR 32 423k) consists of 62 855 568 ordinary shares (31 December 2021: 32 423 220 ordinary shares) with a nominal value of EUR 1 (31 December 2021: EUR 1) each.

Own shares

Own shares of EUR 4 178k (31 December 2021: EUR 0) consists of 4 178 279 ordinary shares with a nominal value EUR 1 each. Shares are reserved for issue under options. More detailed information is disclosed in Note 29.

Own shares are held for the purpose of covering the share option reserve for employees and founders.

Dividends

During 2022, a recently acquired subsidiary of the Group (Alseva Sp. z o.o. Sp. k.) paid EUR 2 291k of dividends to Alseva Innowacje Sp. z o.o.. More detailed information is disclosed in Note 11.1.

Information on the Group's retained earnings and contingent income tax liability is disclosed in Note 29.

Share premium

During the 2021 capital raise process, part of the capital raised was transferred to the other reserve.

During 2022 Alseva acquisition transaction, part of the purchase price re-injected into Sunly AS was transferred to share premium.

No pay-out restrictions apply to these reserves.

Nature and purpose of reserves

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Share option reserve

The share option reserve represents the cumulative amounts charged to profit or loss in respect of employee share option arrangements where the scheme has not yet been settled by means of an award of shares to an individual.

Out of the total outstanding own shares reserve of 4 178 279 ordinary shares, 4 000 982 have been issued to employees and founders (i.e. vesting period is ongoing). The share option reserve includes the part of the share options issued to employees, as their vesting is conditional on continuous employment. The options issued to founders are included in retained earnings as they are not conditional on employment (there is no current employment contract with the founders).

More information is in Note 26.

Other reserve

The 2021 increase in other reserve represents the amount of retained earnings transferred to the reserve according to Polish legislation. No pay out restrictions apply to this reserve.

During the 2022 capital raise process, part of the capital raised was transferred to the other reserve. No pay-out restrictions apply to this reserve.

Transactions in capital and reserves in 2022

(in EURk)	Share capital	Own shares	Share premium	Other reserve	Total
Merger of Sunly Land AS and Sunly OÜ groups					
Non-monetary	1 523	0	718	0	**2 241**
Acquisition of Alseva entities					
Monetary	5 622	0	7 378	0	**13 000**
Non-monetary (put option)	0	0	0	25 920	**25 920**
Capital raise					
Monetary	18 410	0	0	113 373	**131 783**
Monetary	2 524	0	0	13 264	**15 789**
Non-monetary (purchase of a subsidiary's minority shares by converting them to Sunly AS shares)	0	0	0	7 651	**7 651**
Conversion of SHL principal, monetary	2 353	0	0	13 252	**15 605**
Conversion of SHL interest, non-monetary	0	0	0	663	**663**
Purchase of own shares					
Monetary	0	-4 178	0	0	**-4 178**
Total	**30 432**	**-4 178**	**8 096**	**174 124**	**208 474**
Monetary	28 910	-4 178	7 378	139 889	171 999
Non-monetary	1 523	0	718	34 234	36 475

NOTE 17. LOANS AND BORROWINGS

(in EURk)	Base currency	Interest rate	Maturity date	31 December 2022		Loan repayments		
				Contrac-tual balance	IFRS balance	Less than one year	Two to five years	More than five years
Loan agreement with Pro Vento	PLN	2.00%	31 Dec 2022	6	6	6	0	0
Loan agreement with minority shareholders of Shera SIA	EUR	0.00%	02 Jan 2023	10	10	10	0	0
Loan agreement with Alseva Innowacje	PLN	3.00%	30 June 2023	30	30	30	0	0
Loan agreement with minority shareholders of Eplant 61	PLN	3.00%	31 Dec 2023	126	126	126	0	0
Loan agreement with JMB Investeeringute OÜ	EUR	0%	08 July 2025	166	166	0	166	0
Loan agreement with SEB Pank AS	EUR	2.85% + 6M EURIBOR	30 Sept 2025	1 439	1 439	55	1 384	0
Loan agreement with Mbank	PLN	2.85% + 1M WIBOR	15 Oct 2028	25 215	24 969	1 723	17 261	5 954
Loan agreement with Mbank VAT*	PLN	1.70% + 1M WIBOR	30 Sept 2023	204	204	204	0	0
Loan agreement with Mbank	PLN	2.50% + 3M WIBOR	29 March 2029	12 228	11 849	1 045	5 776	5 028
Loan agreement with Mbank VAT*	PLN	1.50% + 1M WIBOR	30 Sept 2023	487	487	487	0	0
Loan agreement with BNP Paribas	PLN	0%	26 June 2023	44	44	44	0	0
Loan agreement with Luminor Bank AS	EUR	2.76% + 6M EURIBOR	25 Sept 2027	805	805	32	773	0
LHV bond	EUR	8.00%	17 Nov 25	13 100	13 100	0	13 100	0
Lease liabilities	PLN		1-2 years	274	274	110	164	0
Lease liabilities IFRS 16	PLN	3.5%; 6%	25-29 years	5 840	5 840	369	1 477	3 994
Total				**59 975**	**59 350**	**4 243**	**40 131**	**14 976**

(in EURk)	Base currency	Interest rate	Maturity date	31 December 2021		Loan repayments		
				Contrac-tual balance	IFRS balance	Less than one year	Two to five years	More than five years
Loan agreement with Pro Vento	PLN	2.00%	31 Jan 2022	7	7	7	0	0
Loan agreement with Alseva Innowacje	PLN	3.00%	30 June 2022	20	20	20	0	0
Loan agreement with Alseva Innowacje	PLN	3.00%	30 June 2023	18	18	0	18	0
Loan agreement with SEB Pank AS	EUR	2.85% + 6M EURIBOR	30 Sept 2025	1 496	1 496	56	1 440	0
Loan agreement with mBank	PLN	2.85% + 1M WIBOR	15 Oct 2028	17 879	17 658	203	15 545	1 909
Loan agreement with mBank VAT	PLN	1.70% + 1M WIBOR	30 Sept 2022	0	0	0	0	0

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Loan agreement with mBank	PLN	2.50% + 3M WIBOR	30 April 2029	0	0	0	0	0
Bond issued to LHV	EUR	8.00%	17 Nov 2025	7 700	7 700	0	7 700	0
Lease liabilities IFRS 16	EUR	3.50%	25-29 years	4 972	4 972	187	750	4 035
Total				**32 092**	**31 871**	**473**	**25 453**	**5 944**

As the transaction costs incurred in connection with the loan agreement with mBank are amortised over the loan term, the loan balance differs from the contractual balance.

As at 31 December 2022, the Group had loan liabilities to mBank under a loan agreement signed by the Group's Polish subsidiary Sunly Land sp. z o.o. on 26 August 2020 and updated in 2020-2022. The maximum amount of the loan is PLN 137 940k (31 December 2021: PLN 154 543k) of which PLN 5 000k (31 December 2021: PLN 20 000k) is the limit for mBank's VAT (value added tax) loan.

The loan from mBank is secured with:

- receivables within Sunly Land sp. z o.o. group and receivables from Sunly PLN OÜ
- a pledge on the shares in Sunly Land sp. z o.o. and its subsidiaries (PLN 141 705k)
- a commercial pledge on the assets of Sunly Land sp. z o.o. and its subsidiaries;
- a pledge on the bank accounts of Sunly Land sp. z o.o. and its subsidiaries.

On 2 November 2021, a new loan agreement was signed with mBank for financing a 60 MW portfolio with a total limit of PLN 120 000k of which PLN 20 000k is the limit for mBank's VAT loan. No disbursements were made under this agreement in 2021.

The loan from mBank is secured with:

– a subordination agreement in relation to the liabilities of Eplant 60 to Sunly Solar Parks 1 and Sunly Infra sp zoo;
– an agreement on the establishment of registered pledges and financial pledges over the shares in Eplant 60 (incl. a power of attorney (PoA) in favour of mBank to carry out actions under the pledge agreement and exercise rights as a shareholder)
– an agreement on the establishment of registered pledges and financial pledges over Eplant 60 accounts rights (incl. a PoA to bank accounts in favour of mBank to manage and dispose of bank accounts);
– an agreement on the establishment of a registered pledge over Eplant 60 collection of assets and rights in favour of mBank (incl. a PoA in favour of mBank to take any action under the pledge agreement);
– a security assignment agreement whereby Eplant 60 assigns to mBank existing and future rights (monetary receivables, claims and other rights and claims)
– a PoA by Eplant 60 to mBank, Mr Bartlomiej Czuba and Mr Marek Aleksandrowicz for filing statements, requests etc. with Zarządca Rozliczeń S.A regarding support granted within the auction support scheme;
– a statement by Eplant 60 and Sunly Solar Parks 1 on voluntary submission to enforcement .

As at 31 December 2022, the Group had loan liabilities to SEB Pank AS (SEB) from a loan agreement signed on 1 October 2020.

The loan from SEB is secured with a mortgage of building rights (the rights of superficies) of EUR 2 200k in the following locations:

- Aardelaeka, Palutaja village, Kanepi rural municipality, Põlva county (registry no. 17036350);
- Allikahüti, Jõeküla, Järva rural municipality, Järva county (registry no. 17207650);
- Jõeallika, Jõeküla, Järva rural municipality, Järva county (registry no. 17207650);
- Koosa, Korijärve village, Valga rural municipality, Valga county (registry no. 17036050);
- Koosakalda, Korijärve village, Valga rural municipality, Valga county (registry no. 17036150);
- Kullaaugu, Palutaja village, Kanepi rural municipality, Põlva county (registry no. 17036250);

- Varakambri, Palutaja village, Kanepi rural municipality, Põlva county (registry no. 17036450);
- Veesilma, Tipu village, Põhja-Sakala rural municipality, Viljandi county (registry no. 17207550);
- Järve, Kriilevälja village, Paide city, Järva county (registry no. 11203650);
- Mäekünka, Hauka village, Kanepi rural municipality, Põlva county (registry no. 17035950);
- Järveäärse, Hauka village, Kanepi rural municipality, Põlva county (registry no. 17035850);
- Männiku, Hauka village, Kanepi rural municipality, Põlva county (registry no. 17035650);
- Kingu, Hauka village, Kanepi rural municipality, Põlva county (registry no. 17035750);
- Mario, Vahi alevik, Tartu rural municipality, Tartu county (registry no. 16441050);
- Normi, Aidu village, Põltsamaa rural municipality, Jõgeva county (registry no. 1544535);
- Paadi, Kõvera village, Võru rural municipality, Võru county (registry no. 17207050)

In addition, the loan from SEB is secured with a commercial pledge of EUR 2 000k and with the shares in Sunly Solar OÜ.

As at 31 December 2022, the Group had loan liabilities to Luminor Pank AS (Luminor) from a loan agreement signed on 27 October 2022.

The agreement is secured with:

- A joint mortgage encumbering the rights of superficies established on Metsaviha and Kasepargi immovables in the amount of EUR 1 164k;
- a commercial pledge on the assets of Sunly Solar 2 in the amount of EUR 2 000k;
- Sunly Solar 2 share pledge.

As at 31 December 2022, the Group had issued a bond of EUR 13 100k to LHV (31 December 2021: EUR 7 700k). The parent of the Group signed a bond agreement on the maximum amount of EUR 14 000k on 16 November 2020. As at 31 December 2021, the maximum amount was EUR 13 100k.

The agreement is secured with:

- the shares in Sunly PLN OÜ;
- certain intragroup receivables and loans within Sunly group

Loan agreements with mBank, SEB and LHV contain certain restrictive financial and non-financial covenants, which have to be maintained and followed throughout the term of the respective financing agreements. As at the reporting dates, the Group was in compliance with all covenants.

NOTE 18. LEASES

Leases as a lessee

The Group leases several assets, including land. Land leases' average duration is 25-29 years.

The Group has also entered into leases for which the underlying asset is of low value (where the asset, when new, has a value of less than EUR 5k). The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The Group has also elected not to recognise right-of-use assets and lease liabilities for short-term leases (leases with a term of less than 12 months).

Information about leases for which the Group is a lessee is summarised below.

Right-of-use assets

(in EURk)	Note	Land	Other	Total
Balance at 31 December 2020	8	**2 370**	**0**	**2 370**
Depreciation charge for the year		-122	0	-122
Additions to right-of-use assets		2 764	0	2 764
Balance at 31 December 2021	8	**5 012**	**0**	**5 012**
Depreciation charge for the year		-231	-137	-368
Additions to right-of-use assets		1 172	480	1 652
Balance at 31 December 2022	8	**5 954**	**343**	**6 297**

Lease liabilities

(in EURk)	Note	Land	Other	Total
Balance at 31 December 2020	17	**2 297**	**0**	**2 297**
Repayments		-69	0	-69
Additions		2 764	0	2 764
Effects of movements in the exchange rate		-21	0	-21
Balance at 31 December 2021	17	**4 972**	**0**	**4 972**
Repayments		-206	-206	-412
Additions		1 172	480	1 652
Effects of movements in the exchange rate		-98	0	-98
Balance at 31 December 2022	17	**5 840**	**274**	**6 114**

	31 December 2022	**31 December 2022**	**31 December 2022**
Current	369	110	479
Non-current	5 471	164	5 635
Total	**5 840**	**274**	**6 114**

Amounts recognised in profit or loss

(in EURk)	2022	2021
Interest on lease liabilities	-219	-110
Expenses relating to land lease (reversal)	425	179
Expenses relating to exchange differences	98	21
Depreciation	-231	-122
Total	**73**	**-33**

Amounts recognised in the statement of cash flows

(in EURk)	2022	2021
Principal payments related to leases	-206	-69
Interest payments related to leases	-219	-110
Total cash outflow for leases	**-425**	**-179**

Leases as a lessor

The Group has not leased any assets to third parties under finance leases.

NOTE 19. TRADE AND OTHER PAYABLES

(in EURk)	31 December 2022	31 December 2021
Trade payables	**3 743**	**1 216**
Total trade payables	**3 743**	**1 216**
CAPEX payables	193	351
Advances received	323	0
Payables to employees	155	69
Interest payables	137	78
Other accrued liabilities*	62 517	567
Total other payables	**63 325**	**1 065**
Total	**67 068**	**2 281**

Non-current	49 664	1
Current	17 404	2 280
Total	**67 068**	**2 281**

*Includes a liability of EUR 318k for grid connection prepayments (equivalent to the corresponding asset) as at 31 December 2021, and liabilities related to the purchase of Alseva entities of EUR 46 445k and a put option liability of EUR 11 744k as at 31 December 2022.

Additional information is in Note 11.1.

NOTE 20. INCOME TAX AND TAX LIABILITIES

Amounts recognised in profit or loss

(in EURk)	31 December 2022	31 December 2021
Current tax for the year	-1 074	-86
Deferred tax	333	90
Income tax for the year	**-741**	**4**
Loss before tax	-14 322	-3 860
Tax using the Company's domestic tax rate*	0	0
Effect of tax rates in foreign jurisdictions	-741	4
Tax on dividends	0	0
Income tax for the year	**-741**	**4**
Effective tax rate	5.18%	-0.10%
Deferred tax recognised in the statement of financial position		
Opening balance, deferred tax assets	122	38
Opening balance, deferred tax liabilities	32	38
(Charged)/credited to profit or loss	-333	-90

Closing balance, deferred tax assets	**1 216**	**122**
Closing balance, deferred tax liabilities	**793**	**32**
Tax liabilities		
Corporate income tax	25	7
Land tax	0	0
Other tax prepayments and payables	3 064	110
Total	**3 106**	**117**
Non-current	0	0
Current	3 106	117
Total	**3 106**	**117**

*In Estonia and Latvia, instead of profit, only profit distributions are subject to income tax.

Unrecognised deferred tax liabilities

As at 31 December 2022, there was no deferred tax liability (2021: EUR 0) for temporary differences related to investments in subsidiaries and a joint venture. In case there had been such a liability then it would not have been recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends by its joint venture – i.e. the Group controls the timing of the reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

NOTE 21. PROVISIONS

(in EURk)	Other provisions	Total
Balance at 31 December 2021	**385**	**385**
Provisions increased during the year	3 314	3 314
Provisions used during the year	0	0
Balance at 31 December 2022	**3 699**	**3 699**
	31 Dec 2022	31 Dec 2022
Non-current	1 815	1 815
Current	1 884	1 884
Total	**3 699**	**3 699**

Demolition costs

The provision for the estimated discounted demolition costs of solar parks after the end of their useful life included in the balance above is EUR 586k (31 December 2021: EUR 320k). The provision has been estimated per MW and discounted for the period of the useful life of the assets at a discount rate of 6%. The Group expects to settle the liability at the end of the useful life of each asset, for which the provision is made.

Contract for difference (CfD)

The provision in the amount of EUR 1 228k (31 December 2021: EUR 64k) is a provision for the Polish contract-for-difference (CfD) subsidy scheme. The Polish CfD subsidy is negative when actual market prices exceed the bid made at the subsidy auctions. The provision is based on the actual prices and amounts of electricity produced and reported under the subsidy scheme. The expected realization time for the CfD provisions is between 12-15 years.

Other provision

A provision in the amount of EUR 1 884k (31 December 2021: EUR 0k) has been recognised for the estimated advisory fees related to the capital raise process in 2022.

NOTE 22. REVENUE

Revenue from contracts with customers by geographical area

(in EURk)	2022	2021
Sales to European Union countries		
Poland	28 617	1 979
Estonia	631	107
Total sales to European Union countries	**29 248**	**2 086**
Total	**29 248**	**2 086**
Revenue from contracts with customers by major products/service lines		
Sale of electricity produced	5 908	2 054
Sale of development services	1 977	0
Sale of construction services	21 309	0
Other revenue	54	32
Total	**29 248**	**2 086**
Timing of revenue recognition from contracts with customers		
Products and services transferred over time	**29 248**	**2 086**
Total revenue from contracts with customers	**29 248**	**2 086**

NOTE 23. GOODS, RAW MATERIALS AND SERVICES

(in EURk)	2022	2021
Goods and services for development and construction businesses	-17 822	0
Maintenance	-396	-53
Own use of electricity	-94	-35
Trading fee	-43	-20
Insurance	-104	-26
Taxes (incl. land tax)	-539	-70
Other	-30	-22
Total	**-19 028**	**-226**

NOTE 24. OTHER OPERATING EXPENSES

(in EURk)	2022	2021
Management fee*	-16	-771
Accounting services	-78	-169
Fringe benefits	-231	-19
Travel	-149	-14
Office rent and maintenance	-249	-45
Transport	-355	-29
Marketing	-94	-8

Legal and consultancy services**	-3 460	-468
Other	-137	-142
Total	**-4 769**	**-1 665**

* The management fee paid in 2021 before the Sunly OÜ group became a part of the Sunly AS group.

** Legal and consultancy services mainly relate to the 2021 and 2022 capital raise processes and to the 2022 Alseva acquisition.

NOTE 25. STAFF COSTS

(in EURk)	Note	2022	2021
Salary expenses		-3 740	-471
Share option reserve expense	24	-3 388	-707
Social security charges		-892	-108
Total		**-8 020**	**-1 286**
Average number of staff by employment relationship:			
Number of employees*		110	24

* 21 employees became part of the Sunly AS group after Sunly OÜ became a subsidiary of Sunly Land AS in October 2021. In 2022, Sunly purchased Alseva entities and Alseva's employees became part of the Sunly group.

Social security charges include a contribution to state pension funds. The Group has no obligation to make pension or similar payments beyond the social security tax.

NOTE 26. SHARE OPTION PROGRAM

The Group has an equity-settled share option program. The program was established to motivate the Group's key employees and management to become shareholders. The option program is intended to ensure that the Group's financial results would improve, and thus enables employees to obtain benefits from an increase in the value of the shares as a result of their work. The option program was extended in 2022.

In 2021, Sunly went through a restructuring, as a result of which Sunly Land AS became a parent company for the Sunly OÜ group entities. For the purpose of consolidating the share option grants in Sunly OÜ group to the level of Sunly Land AS, and for simplifying the administration of employee incentive program in Sunly group, most of the share options granted by Sunly group entities were rolled over to the level of Sunly Land AS. This resulted in a change of the underlying asset of the share options. No other material terms of share option agreements were changed, with the exception of the underlying asset of share options. The valuation for the ratio of shares to be granted on Sunly Land AS level was based on the valuation of the non-monetary contribution of Sunly OÜ to Sunly Land AS.

Under the share option program, holders of vested options are entitled to purchase shares at the price agreed in the share option agreement. In general, part of the options will vest after the third anniversary of entering into the share option agreement and the remaining options will vest after certain agreed performance conditions are met.

As at 31 December 2021, share option agreements had been concluded with 8 employees (including management). As at 31 December 2022, share option agreements had been concluded with 41 employees (including management).

The fair value of the employee share options has been measured using the Group's valuation model. It was not necessary to use option-pricing models, as the exercise price was generally marginal compared to the value of the underlying shares. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

Agreement conditions			Fair value (in EURk)				
Start date	**Vesting date**	**Call option deadline**	**Value at the agreement date**	**Value difference at the replacement date**	**Value at the reporting date**	**Expensed in 2021**	**Expensed in 2022**
Employees							
2019	2022	2027	0	274	1 600	183	91
2020	2023	2028	467	123	3 127	255	335
2021	2024	2029	57	0	162	7	50
2022*	2026	2026	1 907	0	1 907	0	1 907
			2 431	**397**	**6 796**	**445**	**2 383**
Management							
2020	2023	2028	337	426	1 963	262	501
2022	2026	2026	504	0	504	0	504
			841	**426**	**2 467**	**262**	**1 005**
Total			**3 272**	**823**	**9 262**	**707**	**3 388**

*During 2022 options vested in the amount of EUR 185k.

NOTE 27. NET FINANCE COST

(in EURk)	2022	2021
Interest income	162	1
Interest expenses	-4 627	-1 529
Interest expenses on bank loans	*-2 573*	*-486*
Interest expenses on shareholder loans	*-795*	*-85*
Interest expenses on bonds	*-1 063*	*-520*
Interest expenses on leases	*-218*	*-110*
Interest expenses (EIR)	*22*	*-328*
Other financial expenses*	-808	-35
Total	**-5 273**	**-1 563**

*Foreign currency translation differences for foreign operations.

NOTE 28. RELATED PARTY DISCLOSURES

Loans received

2022 (in EURk)	Base currency	Interest rate	Maturity date	Loans received	Repayments of borrowings	Intere st paid
Entities with joint control of, or significant influence over, the entity						
Perleal OÜ	EUR	15%	30 Nov 22	20	-20	1
Metsagrupp OÜ	EUR	15%	30 Nov 22	72	-72	2
Trailborg	EUR	15%	30 Nov 22	72	-72	2
Direct Consulting	EUR	15%	30 Nov 22	95	-95	3
Baltic Energy Asset Management OÜ	EUR	15%	30 Nov 22	130	-130	6
Scandium Energia AS	EUR	15%	30 Nov 22	130	-130	5
Warmeston OÜ	EUR	15%	30 Nov 22	216	-216	6

Päikese ja Tuule OÜ	EUR	15%	30 Nov 22	230	-230	10
Atradius	EUR	15%	30 Nov 22	300	-300	8
JMB Investeeringute OÜ	EUR	15%	30 Nov 22	500	-500	13
Osaühing Metsagrupp	EUR	15%	30 Nov 22	500	-500	21
Osaühing Trailborg	EUR	15%	30 Nov 22	500	-500	21
Vardar AS	EUR	15%	30 Nov 22	598	-598	16
Vestman Energia AS	EUR	15%	30 Nov 22	606	-606	16
Ivard OÜ	EUR	15%	30 Nov 22	692	-692	18
Aktsiaselts Direct Consulting	EUR	15%	30 Nov 22	1 000	-1 000	42
JMB Investeeringute OÜ	EUR	15%	30 Nov 22	1 000	-1 000	44
Vestman Energia AS	EUR	15%	30 Nov 22	1 096	-1 096	48
Ivard OÜ	EUR	15%	30 Nov 22	1 500	-1 500	63
Warmeston OÜ	EUR	15%	30 Nov 22	3 000	-3 000	126
Vardar AS	EUR	15%	30 Nov 22	6 500	-6 500	275
Total				**18 757**	**-18 757**	**747**

2021 (in EURk)	Base currency	Interest rate	Maturity date	Loans received	Repayments of borrowings	Interest paid
Entities with joint control of, or significant influence over, the entity						
Inard OÜ	EUR	6.50%; 8.00%	31 Dec 2021	2 000	-2 000	32
JMB Investeeringute OÜ	EUR	6.50%; 8.00%	31 Dec 2021	2 000	-2 000	32
Kaamos Energy OÜ	EUR	6.50%	31 Dec 2021	500	-500	8
Vestman Energia AS	EUR	6.50%; 8.00%	31 Dec 2021	1 100	-1 100	13
Total				**5 600**	**-5 600**	**85**

The Group considers parties be related if one party has control over the other party or significant influence over the other party's business decisions. Related party transactions include transactions with shareholders, executive and senior management, their close relatives and companies under the control or significant influence of all the above.

Transactions with key management personnel

Payments of fixed and variable remuneration to the members of Management Board and the members of Supervisory Board in 2021 amounted to EUR 526k (2021: EUR 272k). Only two members of the Supervisory Board – Martin Kruus and Kalle Kiigske – receive remuneration, given that they are also engaged in advisory capacity.

Additionally, key personnel were granted options under the share option program described in Note 26.

NOTE 29. CONTINGENT LIABILITIES

At the end of the reporting period, the Group's retained earnings amounted to EUR -37 039k (31 December 2021: EUR -6 543k). The maximum corporate income tax liability that could arise (based on the Estonian and Latvian tax system) if all of the retained earnings as at the reporting date were distributed as dividends amounts to EUR 0 (31 December 2021: EUR 0) and the amount that could be distributed as the net dividend is EUR 0 (31 December 2021: EUR 0).

The maximum possible income tax liability has been calculated on the assumptions that (i) the net dividend and the income tax expense reported in statement of profit or loss and other comprehensive income for 2022 may not exceed total retained earnings as at the end of the reporting period, and (ii) income tax already paid by the subsidiaries is not taxed again.

Dividends may only be paid out from the net profit or retained earnings of previous financial years, from which prior period accumulated losses have been deducted. Dividends may not be paid to the shareholders if the net assets of the Company, as recorded in the approved annual report of the previous financial year, are less than or would be less than total share capital and reserves, which, pursuant to applicable law or the articles of association, may not be distributed to the shareholders.

Group has received the following guarantees, which were outstanding as at 31 December 2022:

- From SEB Pank in Estonia for the applicant Sunly Land UAB and beneficiary Litgrid AB in the amount of EUR 525k. Guarantee expiry date is 16 July 2025.
- From SEB Pank in Estonia for the applicant Metsapäike OÜ and beneficiary Elering AS in the amount of EUR 252k. Guarantee expiry date is 1 July 2028.
- From ING Bank in Poland
    - PLN 12 411k **–** prepayment guarantee valid until 28 February 2023
    - PLN 2 482k **–** performance guarantee valid until 30 April 2023

NOTE 30. FINANCIAL INFORMATION ON THE GROUP'S PARENT COMPANY

The financial information on the Parent comprises the primary financial statements of the Parent, which are required to be disclosed in accordance with the Estonian Accounting Act. The primary financial statements of the Parent have been prepared using the same accounting policies as were applied on preparing the consolidated financial statements, except that investments in subsidiaries are measured at cost.

STATEMENT OF FINANCIAL POSITION

(in EURk)	31 December 2022	31 December 2021
Non-current assets		
Property, plant and equipment	681	87
Investment property	1 268	1 229
Investments in subsidiaries and associates	15 168	13 127
Loans to subsidiaries	158 182	31 398
Total non-current assets	**175 299**	**45 841**
Current assets		
Inventories	198	375
Receivables and prepayments	2 936	2 233
Cash and cash equivalents	58 242	10 152
Total current assets	**61 376**	**12 760**
Total assets	**236 675**	**58 601**
Equity		
Share capital	62 856	32 423
Own shares	-4 363	0
Share premium	28 135	20 039
Reserves	152 298	1 350
Retained earnings	-18 490	-3 202
Total equity	**220 435**	**50 610**
Liabilities		
Borrowings	13 100	7 700
Total non-current liabilities	**13 100**	**7 700**
Trade and other payables	3 140	291
Total current liabilities	**3 140**	**291**
Total liabilities	**16 240**	**7 991**
Total equity and liabilities	**236 675**	**58 601**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(in EURk)	2022	2021
Revenue	1	1
Other income	1 466	9
Other operating expenses	-9 974	-1 556
Depreciation, amortisation and impairment losses	-51	-12
Other expenses	0	0
Operating loss	**-8 558**	**-1 558**
Interest income	5 479	1 120
Interest expenses	-1 859	-606
Other financial income	0	0
Other financial expenses	-464	-177
Net finance income	**3 156**	**337**
Share of loss of equity-accounted investees, net of tax	**-41**	**-226**
Loss before tax	**-5 444**	**-1 447**
Income tax	**0**	**0**
Loss for the period	**-5 444**	**-1 447**
Total comprehensive expense for the period	**-5 444**	**-1 447**

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KPMG, Tallinn

STATEMENT OF CASH FLOWS

(in EURk)	2022	2021
Cash flows from operating activities		
Loss for the period	**-5 443**	**-1 447**
Adjustments for:		
Depreciation and amortisation	51	12
Share of profit of equity-accounted investees, net of tax	42	226
Net finance costs	-3 157	-337
Total adjustments	**- 3 064**	**-99**
Changes in trade and other receivables	-703	-1 848
Changes in inventories	177	-375
Changes in trade and other payables	10 714	684
Net cash from/used in operating activities	**1 681**	**-3 085**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-645	-9
Acquisition of investment property	-39	-15
Acquisition of a subsidiary, net of cash acquired	-2 083	-693
Loans granted	-126 784	-19 039
Repayments of loans granted	0	240
Net cash used in investing activities	**-129 551**	**-19 516**
Cash flows from financing activities		
Proceeds from borrowings	8 551	7 700
Repayments of borrowings	-3 151	-2 500
Interest paid	-977	-536
Proceeds from issue of share capital	171 999	28 077
Net cash from financing activities	**176 422**	**32 741**
Total cash flow	**48 552**	**10 140**
Cash and cash equivalents at 1 January	10 152	190
Effect of movements in foreign exchange rates on cash held	-462	-178
Cash and cash equivalents at 31 December	**58 242**	**10 152**

STATEMENT OF CHANGES IN EQUITY

(in EURk)	Share capital	Own shares	Share premium	Reserves	Retained earnings	Total
Balance at 31 December 2020	**16 000**	**0**	**0**	**0**	**-1 755**	**14 245**
Loss for the period	0	0	0	0	-1 447	-1 447
Other comprehensive income	0	0	0	0	0	0
Comprehensive expense for the period	**0**	**0**	**0**	**0**	**-1 447**	**-1 447**
Transactions with owners of the Company						
Issue of ordinary shares	16 423	0	20 039	0	**0**	**36 462**
Changes in share option reserve	0	0	0	1 350	0	1 350
Total transactions with owners of the Company	**16 423**	**0**	**20 039**	**1 350**	**0**	**37 812**
Balance at 31 December 2021	**32 423**	**0**	**20 039**	**1 350**	**-3 202**	**50 610**
Carrying amount of interests under control and significant influence	**0**	**0**	**0**	**0**	-13 048	-13 048
Value of interests under control and significant influence under the equity method	**0**	**0**	**0**	**0**	13 127	13 127
Adjusted unconsolidated equity at 31 December 2021	**32 423**	**0**	**20 039**	**1 350**	**-3 123**	**50 689**
Balance at 31 December 2021	**32 423**	**0**	**20 039**	**1 350**	**-3 202**	**50 610**
Loss for the period	0	0	0	0	-5 443	-5 443
Other comprehensive income	0	0	0	0	0	0
Comprehensive expense for the period	**0**	**0**	**0**	**0**	**-5 443**	**-5 443**
Transactions with owners of the Company						
Issue of ordinary shares	30 432	0	8 096	148 203	**0**	**186 731**
Own shares	0	-4 363	0	0	0	-4 363
Other changes in equity	0	0	0	0	50	50
Other changes in equity (merger)	0	0	0	0	-11 244	-11 246
Changes in share option reserve	0	0	0	2 744	1 350	4 094
Total transactions with owners of the Company	**30 432**	**-4 363**	**8 096**	**150 947**	**-9 844**	**175 266**
Balance at 31 December 2022	**62 855**	**-4 363**	**28 135**	**152 297**	**-18 489**	**220 435**
Carrying amount of interests under control and significant influence	**0**	**0**	**0**	**0**	-3 578	-3 578
Value of interests under control and significant influence under the equity method	**0**	**0**	**0**	**0**	15 168	15 168
Adjusted unconsolidated equity at 31 December 2022	**62 855**	**-4 363**	**28 135**	**152 297**	**-10 024**	**228 901**

In accordance with the Estonian Accounting Act, adjusted unconsolidated retained earnings represent the amount that is available for distribution to shareholders.

NOTE 31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

EU price cap in Poland

The EU has temporarily allowed countries to set price caps during 2023 for certain energy producers, in order for the countries to raise funds to compensate high power prices to most vulnerable consumers.

While measures taken by the Baltic countries do not have a significant impact on Sunly, Poland has introduced a price cap for renewable energy producers at 405-425 PLN/MWh (86-90* EUR/MWh).

This will have a significant negative impact on Sunly's operating solar parks in Poland in 2023, given that the market prices are expected to be higher than the price cap.

However, Sunly is able to partially mitigate this, given that almost all of Sunly's operational parks in Poland have secured a CfD subsidy (including all parks that have raised project financing), which gives an exemption from the price cap.

PROFIT ALLOCATION PROPOSAL

Based on the audited financial results, the Management Board proposes to the shareholders' annual general meeting that the 2022 comprehensive expense attributable to owners of the Company of EUR -15 027k and retained earnings of previous periods of EUR -22 012k, totalling EUR -37 039k, be allocated as follows:

Net loss for the period ended 31 December 2022	EUR -15 027k
Retained earnings of previous periods	EUR -22 012k
Total retained earnings	**EUR -37 039k**
Transfer to legal reserve	EUR 0
Dividend distribution	EUR 0
Balance of retained earnings after allocations	EUR -37 039k

SIGNATURES OF THE MANAGEMENT BOARD TO THE ANNUAL REPORT 2022

The Company's Management Board has approved the GROUP ANNUAL REPORT 2022 of Sunly AS for the year ended 31 December 2022.

The Supervisory Board has reviewed the annual report prepared by the Management Board, consisting of the management report, the consolidated financial statements, the profit allocation proposal and the auditors' report, and has approved it for submission to the general meeting of shareholders.

28 March 2023

Priit Lepasepp
Chairman of the Management Board

Lili Kirikal
Member of the Management Board

Erkki Kallas
Member of the Management Board

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Independent auditors' report

To the Shareholders of Sunly AS

Opinion

We have audited the consolidated financial statements of Sunly AS and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), 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 Information

Management is responsible for the other information. The other information comprises the information included in the management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors’ 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 auditors’ 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 International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 International Standards on Auditing (Estonia), we exercise professional judgement and maintain professional scepticism 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 management.
- Conclude on the appropriateness of management’s 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, then we are required to draw attention in our auditors’ 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 auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Tallinn, 28 March 2023

Indrek Alliksaar

Certified Public Accountant

Licence No 446

CONTACT DETAILS

Business name:	Sunly AS
Main activity:	Development and operation of solar energy
Commercial registry number:	14695483
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Country of incorporation:	Republic of Estonia
Phone:	+372 56264164
E-mail:	info@sunly.ee
Corporate website:	www.sunly.ee
Beginning of financial year:	1 January 2022
End of financial year:	31 December 2022
Legal form:	Limited company
Auditor:	KPMG Baltics