



SOLEK HOLDING SE consolidated

# ANNUAL REPORT

for the year ended  
31 December 2021



**SOLEK** 

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# INTRODUCTION OF GROUP

## MAIN GROUP MILESTONES



## SIGNIFICANT GROUP NUMBERS

-  **12 YEARS**  
In the market
-  **310 MW**  
Goal of Ready To Build till the end of 2022
-  **212 MW**  
Connected Solar Power Plants
-  **\$286 MM**  
Estimated market value of connected power plants
-  **2 GW**  
Goal to complete by the end of 2025
-  **250**  
Employees

Data valid as of September 2022



## FOREWORD

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DEAR COLLEAGUES,

As we do every year, through the Annual Report, we look back together at where we've come, what we've done well, and try to make our business vision and mission even more relevant not only to ourselves, but especially to those who are interested in the solar energy business.

This year we have successfully entered another decade of SOLEK HOLDING SE's history. When I founded the company in 2010, I had no idea that in 2021 we would be where we are today. I am proud.

As a patriot, I am extremely happy that we, as a Czech company, can represent our country with such a success as our partnership with the American giant BlackRock, the world's largest asset manager.

Our partners believe in us, just as I believe in us. In you. It is this belief that keeps me going, because I know that there is much more behind those panels than meets the eye. It's not just an endless source of energy. It's not just a path to energy independence. Photovoltaics is my life's mission and I believe in it as much as I believe in the success of all of us.

At the same time, I am glad that society has started to believe in it again in 2021. Households, institutions, businesses and many others. All of them are now turning to solar power plants with anticipation. I am confident that we will live up to those expectations and in 2022 we will be fully engaged in all areas of our business. Why? Because it's time to rehabilitate photovoltaics.

Indeed, the year just passed has been the final year of changing the way we look at solar energy. People understand that this is not a green dictum, but a path to a sustainable future for all of us. Confidence in renewables is growing and I am extremely happy that we are part of that.

I would like to thank our colleagues from the bottom of my heart for the work they are doing. The record results we have achieved are nothing short of exhilarating. On the other hand, I hope they will also be a motivation. We are facing a crucial period in the development of photovoltaics and we want to be at the forefront of it.

Thank you and enjoy your reading,

Zdeněk Sobotka

Founder and CEO of SOLEK HOLDING SE

# MAIN INDICATORS OF THE GROUP

in thousands of dollars

REVENUES

2021: **52,627 \$**

2020: 27,946 \$

2019: 10,677 \$

OPERATING  
PROFIT/LOSS

2021: **5,651 \$**

2020: 3,759 \$

2019: (3,200) \$

PROFIT/LOSS  
FOR THE PERIOD

2021: **6,930 \$**

2020: 1,789 \$

2019: (7,912) \$

TOTAL  
COMPREHENSIVE  
INCOME

2021: **8,290 \$**

2020: 2,984 \$

2019: (7,709) \$



## BOARD OF DIRECTORS

**Zdeněk SOBOTKA**

Chairman of the Board of Directors Of SOLEK HOLDING SE

**Michal NEBESKÝ**

Vice-Chairman of the Board of Directors of SOLEK HOLDING SE

## SUPERVISORY BOARD

**Zdeněk SOBOTKA**

Member of the Supervisory Board Of SOLEK HOLDING SE

## MANAGEMENT



**Zdeněk Sobotka**  
Founder & Group CEO



**Petr Novotný**  
Group Chief of Strategic  
Business Development  
Officer



**Michal Nebeský**  
Group Chief Financial &  
Investment Officer



**Jan Kotous**  
Group General Counsel



**Petr Sedláček**  
Group Chief Operating  
Officer



**Martin Bek**  
Europe Chief Financial  
Officer



**Petra Kůlová**  
Group Marketing Manager



**Boris Novorka**  
Group Chief  
People & Culture



**Jaroslav Kříž**  
Managing Director  
of Rooftop Systems



**Antonín Škapa**  
CEO SOLEK Energy  
Power Solutions



250  
professionals



28  
nationalities



38  
average age

Data valid as of September 2022

## MANAGEMENT



**Lodewijk Verdeyen**  
CEO Chile



**Victor Opazo**  
CEO Columbia & LATAM  
Business Development  
Officer



**Stephanie Crichton**  
LATAM Chief  
Commercial Officer



**Tatiana Gajardo**  
LATAM Chief  
Administrative Officer



**Camila Alvarez**  
LATAM General Counsel



**Diego Rausei**  
LATAM Chief Investment  
Officer



**Frederico Guarçone**  
Chief Operating Officer



**Georgios Parpas**  
CEO Cyprus

## SUSTAINABLE DEVELOPMENT



# WHAT WE DO

THE SOLEK GROUP PROVIDES TURNKEY PHOTOVOLTAIC PROJECTS AND INDIVIDUAL ACTIVITIES SEPARATELY.

## DEVELOPMENT

We select the ideal technology, secure all permits and prepare project documentation in accordance with the legislation of the country. Before construction begins, we carry out a detailed analysis of the investment plan and its effectiveness. We also evaluate the suitability and long-term stability of local conditions.

## EPC (Engineering, Procurement and Construction)

We design, purchase materials and build solar power plants. Construction includes test operation, commissioning and connection to the grid.

## O&M (Operation and Maintenance Servis)

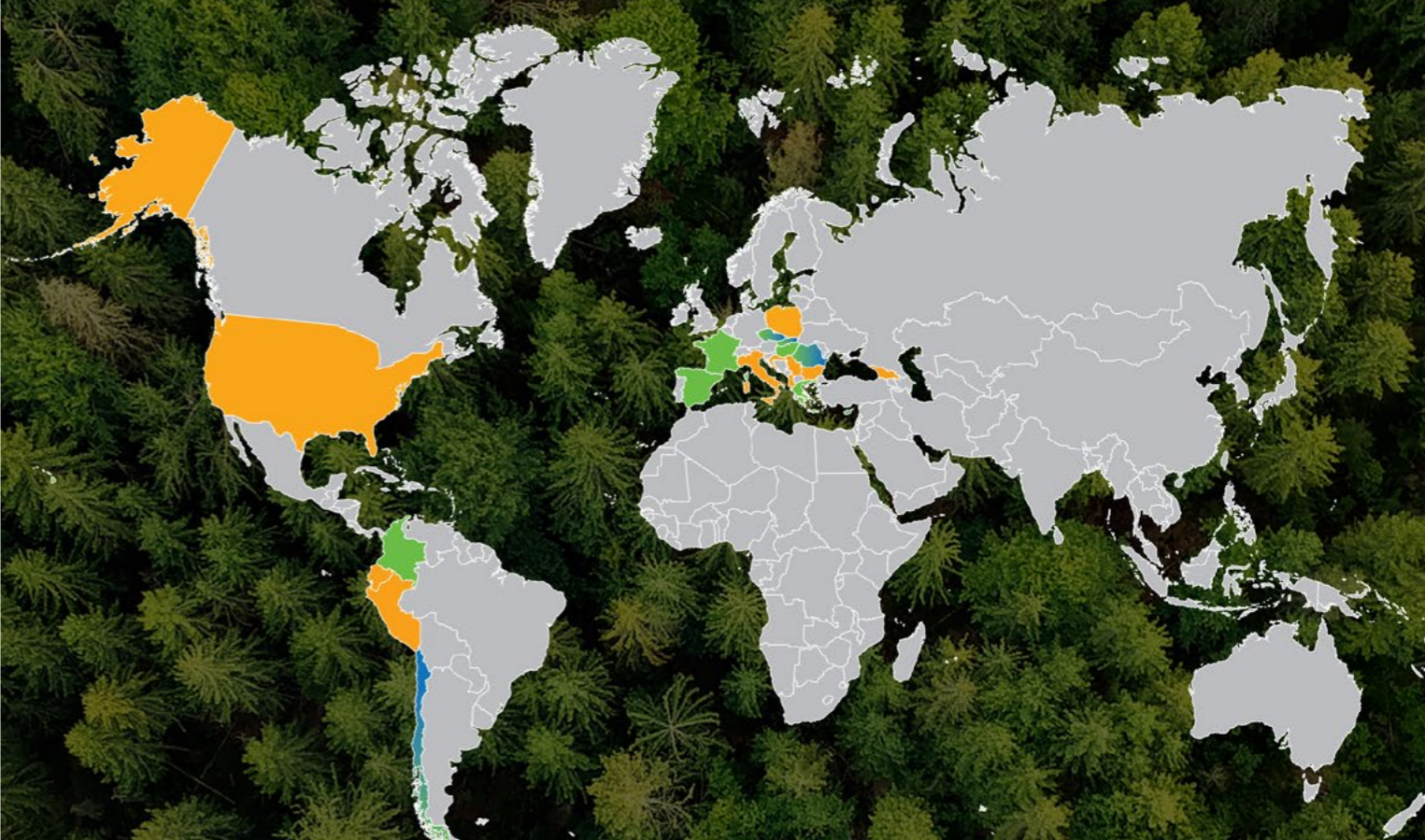
Efficient management of the solar power plant portfolio. We provide regular maintenance, plant monitoring and servicing for maximum performance of solar power plants. We maintain the power plants in this way, both our own and as a service to other power plant owners. We also offer solar panel cleaning, both as part of the overall operation and as a separate service.

## ROOFTOP POWER PLANTS

With our many years of experience with large solar park projects, we are also newly building photovoltaic power plants for commercial buildings or households. We can help with the selection of a subsidy program. We also offer solutions when the sun is not shining for storing excess energy with an electric battery or hot water storage tank.

# SOLEK WORLDWIDE

COUNTRIES OF CONNECTED POWER PLANTS, GOALS & OPPORTUNITIES



### AMERICA

#### CONNECTED:

- Chile 187 MW

#### GOAL:

- Chile 700 MW
- Colombia 400 MW

#### OPPORTUNITIES:

- USA
- Ecuador
- Peru

### EUROPE

#### CONNECTED:

- Czechia 1,6 MW
- Slovakia 1 MW
- Romania 21,7 MW
- Cyprus 0,81 MW

#### GOAL:

- Czechia 250 MW
- Romania 50 MW
- Cyprus 400 MW
- Hungary 300 MW
- Greece 700 MW
- France 700 MW
- Spain 500 MW

#### OPPORTUNITIES:

- Italy
- Bulgaria
- Serbia
- Croatia
- Kosovo
- Bosnia and Herzegovina
- Georgia

1 country | 30 projects

4 countries | 18 projects

# OUR PROJECTS



Curicura 10,7 MW



Bramada 10,5 MW



La Alcadesa 7 MW



El Membrillo 7,2 MW



Erinome 2,9 MW



Pencahue Este 2,9 MW

# REPORT OF THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES

## EXPECTED BUSINESS DEVELOPMENT – OUTLOOK FOR 2022

The Group's main task in the following period remains not only traditional investments in the construction of other photovoltaic power plant projects in the target markets, but also diversification of the business focus of the whole SOLEK Group. In addition to photovoltaic projects, we see interesting potential in other related segments, in particular:

- holding and management of photovoltaic power plants in our own portfolio;
- providing EPC (engineering, procurement and construction) services (provision of turnkey projects) for customers outside the Group;
- providing O&M (operation and maintenance) services to customers outside the Group;
- a perspective focus on other renewable technologies – hybrid systems with batteries and wind parks or hydrogen production.

In terms of territorial focus, in addition to Chile, which remains a strategic market for the SOLEK group in the near future, the SOLEK group will also focus on other Latin American countries, especially Colombia and Peru, and within Europe, especially Cyprus, Romania, Spain, France, Hungary and Greece. In the area of financial management and ensuring sufficient capital equipment of the Group, the Company's primary goal in 2022 is to increase profitability, increase equity of the Company by increasing of the profit and optimizing external sources of financing.

The business goal is to look for new potential suppliers in the market of photovoltaic power plants, as well as to offer services including the development, construction, operation and maintenance of solar power plants, both on a turnkey basis and separately.

In the area of personnel, the main goal is to optimize and stabilize the management and organizational structure of the Group.

### Research and development activities

In 2021, SOLEK HOLDING SE began cooperation with the Research Institute of Agricultural Technology in the field of agrophotovoltaics in the Czech Republic.

### Acquisition of own shares

In the past year, the Group did not acquire any of its own shares in any subsidiary or SOLEK HOLDING SE.

### Events that occurred after the balance sheet date

In late February 2022, ongoing political tensions between Russia and Ukraine escalated into conflict with Russia's military invasion of Ukraine. The worldwide response to Russia's violation of international law and aggression against Ukraine was the imposition of extensive sanctions and restrictions on business activity. We consider these facts as not modifying subsequent events. The overall impact of recent developments has been manifested in increased volatility in financial and commodity markets and other consequences for the economy. Business risks including the adverse effects of economic sanctions imposed on Russia, disruption of business (including supply chains), increased incidence of cyber attacks, the risk of legal and regulatory violations and many others that are difficult to assess and their overall impact and possible effects are not known at this time. Based on current information, the Company does not anticipate a significant negative impact on the Company's operation, apart from general impacts on the financial and commodity markets.

## FACTORS INFLUENCING BUSINESS ACTIVITY

### Evaluation of the results of 2021

The year 2021 represented a period full of challenges and big steps forward for SOLEK Group. The group entered new markets in Greece and Hungary. In Cyprus, the Group has started the construction of its first power plant and has achieved a total installed capacity of solar power plant projects of 125 MW since the establishment of the Group. The Group has also signed master agreements with big international investors BlackRock and Nala for construction and sale of solar power plants projects with installed capacity up to 200 MW and 150 MW respectively.

As part of the financing, SOLEK HOLDING SE continued the subscription of bonds with a stable yield issued as part of the bond program. In 2021, a total of 10 issues of one-year, two-year and three-year bonds were placed on the capital market, with an annual yield of 4.5%, 5.2% and 6%, respectively. The total volume of issues in 2021 was CZK 725 million, while total amount of CZK 375 million were subscribed. In addition, the Group secured funding in the form of credit loan facility agreements from large international banks in total amount of CZK 2,195 million (USD 100 million). These funds will be used for extension of its own solar plants portfolio in Chile.

### Significant events of 2021

As at the beginning of 2020, the existence of a new coronavirus causing the disease COVID-19 was confirmed and disease spread globally and its intensity was projected even into 2021.

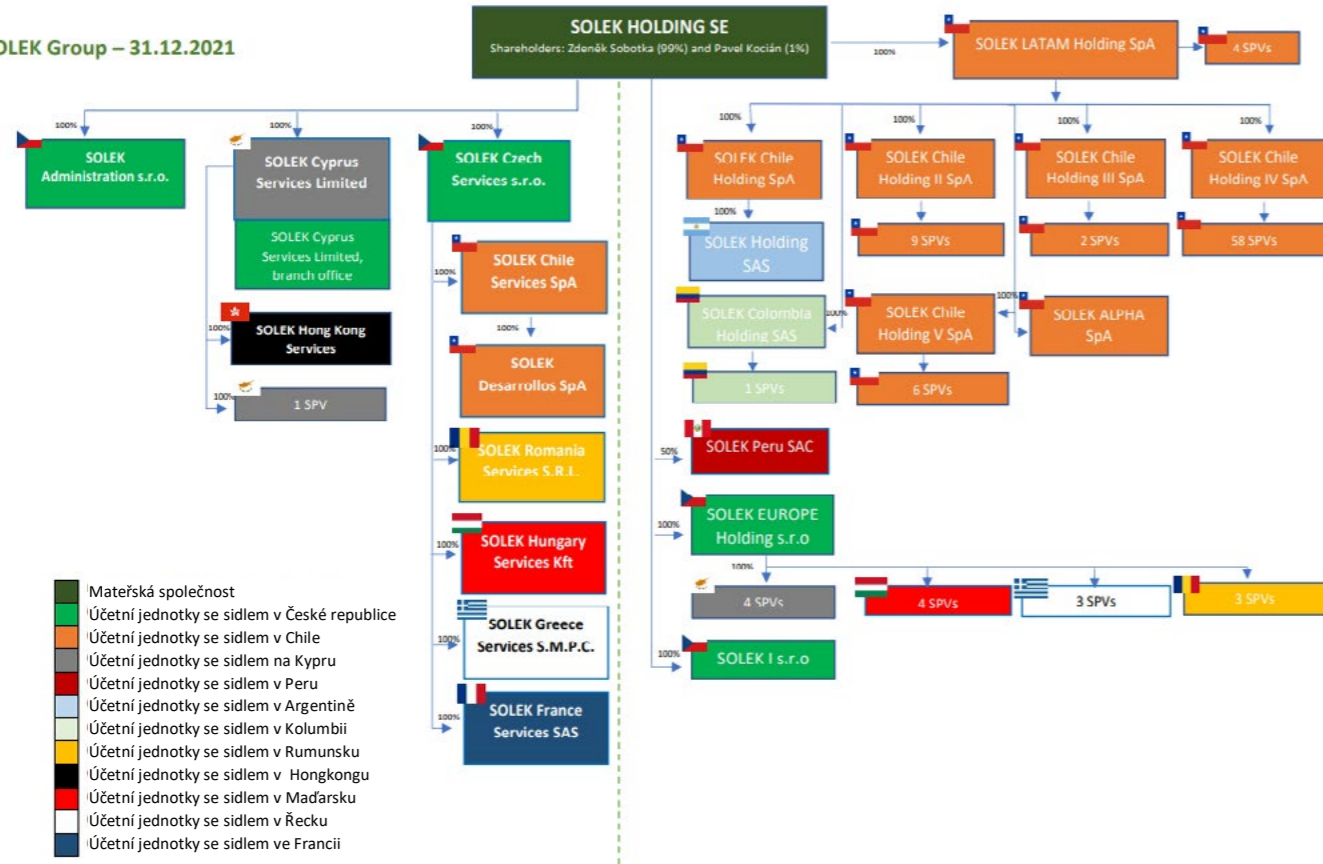
SOLEK HOLDING SE is closely monitoring developments and following the advice and recommendations of the relevant national authorities regarding COVID-19. The company continuously evaluates the possible consequences that the spread of the infection could have on personnel and property and takes appropriate preventive measures in all places to limit the spread of the virus, ensure the safety of people and ensure the continued safe development of projects and operation of power plants.

The company has not yet experienced a serious impact of COVID-19 on project development and operational activities. Although there are travel restrictions and local regulations, they do not have a significant impact on the Company's work activities.

In any case, the Company is focused on maintaining reasonable progress and maintaining a strong enough financial capacity to be well prepared in a rapidly changing environment. The company continues to closely monitor the situation and will continuously implement all other measures necessary to maintain the health and safety of people in order to ensure the safe continuation of business activities.

## ORGANIZATIONAL STRUCTURE OF THE GROUP AS OF 31. 12. 2021

SOLEK Group – 31.12.2021



- Mateřská společnost
- Účetní jednotky se sídlem v České republice
- Účetní jednotky se sídlem v Chile
- Účetní jednotky se sídlem na Kypru
- Účetní jednotky se sídlem v Peru
- Účetní jednotky se sídlem v Argentině
- Účetní jednotky se sídlem v Kolumbii
- Účetní jednotky se sídlem v Rumunsku
- Účetní jednotky se sídlem v Hongkongu
- Účetní jednotky se sídlem v Maďarsku
- Účetní jednotky se sídlem v Řecku
- Účetní jednotky se sídlem ve Francii

SPVs CHILE		SPVs ROMANIA		SPVs Cyprus		SPVs Colombia	
<b>SPVs owned by Solek Chile Holding II SpA</b>		<b>SPVs owned by Solek Chile Holding IV SpA</b>		<b>SPVs owned by SOLEK EUROPE Holding</b>		<b>SPVs owned by SOLEK EUROPE Holding s.r.o.</b>	
1	PARQUE SOLAR MECO CHILLAN SPA	20	PARQUE SOLAR EL GULTRO SpA	1	PVSR Bucharest I S.R.L.	1	SOLEK LARNAKA I LIMITED
2	FOTOVOLTAICA AVELLANO SPA	21	PARQUE SOLAR EL CONVENTO SpA	2	PVSR Bucharest II S.R.L.	2	SOLEK LEMESOS I LIMITED
3	PARQUE SOLAR OVALLE NORTE SPA	22	PARQUE SOLAR COLIMAVILLA SpA	3	PVSR Bucharest III S.R.L.	3	SOLEK NICOSIA I LIMITED
4	PARQUE SOLAR EL SAUCE SPA	23	PARQUE SOLAR ALIANZA SpA	4		4	SOLEK PAPHOS I LIMITED
5	PARQUE SOLAR LO CHACON SPA	24	PARQUE SAN LORENZO SpA	<b>SPVs owned by SOLEK Cyprus Services</b>			
6	MEMBRILLO SOLAR SPA	25	PARQUE SOLAR PUEBLO SECO SpA	1		<b>SPVs owned by SOLEK EUROPE Holding</b>	
7	PARQUE SOLAR COLINA SPA	26	PARQUE SOLAR KARELIA SpA	<b>SPVs Hungary</b>			
8	PARQUE SOLAR TABOLANGO SPA	27	PARQUE SOLAR SAN ISIDRO SpA	1	PVSH ALPHA KFT	<b>SPVs owned by SOLEK EUROPE Holding</b>	
9	LUCIANO SOLAR SPA	28	PARQUE SOLAR CONTY SpA	2	PVSH BETA KFT	<b>SPVs Greece</b>	
<b>SPVs owned by Solek Chile Holding III SpA</b>		29	PARQUE SOLAR UNIHUE SpA	3	GR ATHENS 2 SMPC	<b>SPVs owned by SOLEK EUROPE Holding</b>	
1	PARQUE SOLAR DON FLAVIO SPA	30	PARQUE SOLAR LAJA SpA	4	GR ATHENS 3 SMPC		
2	PARQUE SOLAR SALAMANCA SpA	31	PARQUE SOLAR CONCON SpA				
<b>SPVs owned by Solek LATAM Holding SpA</b>		32	PARQUE SOLAR TARA SpA				
1	PARQUE SOLAR ITIHUE SpA	33	PARQUE SOLAR CARRIZO SpA				
2	PARQUE SOLAR LO PRADO SPA	34	PARQUE SOLAR ATACAMA SpA				
3	PARQUE SOLAR LA MURALLA II SPA	35	PARQUE SOLAR EL CONQUISTADOR SPA				
4	PARQUE SOLAR LA ROSA SPA	36	PARQUE SOLAR DOÑA CARMEN SpA				
<b>SPVs owned by Solek Chile Holding V SpA</b>		37	PARQUE SOLAR ROMA SpA				
1	PARQUE SOLAR ALTOS LAO SPA	38	PARQUE SOLAR SANTA MARTA SpA				
2	CHAMPA SOLAR SPA	39	PARQUE SOLAR JOTABECHE SpA				
3	FENIX SOLAR SPA	40	PARQUE SOLAR EL TRIGAL SpA				
4	PARQUE SOLAR MINA DORADA SPA	41	PARQUE SOLAR ALAGUA SpA				
5	PARQUE SOLAR TANGUA SPA	42	PARQUE SOLAR LA ESPERANZA SpA				
6	PARRAL SOLAR SPA	43	PARQUE SOLAR DOÑA BERTA SpA				
<b>SPVs owned by Solek Chile Holding IV SpA</b>		44	PARQUE SOLAR LA CHALINGA SpA				
1	PARQUE SOLAR DON CHACHO SpA	45	PARQUE SOLAR SANTA REBECA SpA				
2	PARQUE SOLAR LEYDA SpA	46	PARQUE SOLAR DEL SOL SpA				
3	PARQUE SOLAR CANTILLANA SpA	47	PARQUE SOLAR BARRANCON SpA				
4	PARQUE SOLAR AGUAS BUENAS SpA	48	PARQUE SOLAR ANDROMEDA SpA				
5	PARQUE SOLAR LA ROSA II SpA	49	PARQUE SOLAR NARCISO SpA				
6	PARQUE SOLAR LINARES NORTE SpA	50	PARQUE SOLAR BADAJOZ SpA				
7	PARQUE SOLAR TRUPAN SpA	51	PARQUE SOLAR POPETA SpA				
8	PARQUE SOLAR EL CAQUI SpA	52	PARQUE SOLAR NUMPAY SpA				
9	PARQUE SOLAR KALI SpA	53	PARQUE SOLAR EULALIA SpA				
10	PARQUE SOLAR CAMPANAS SpA	54	PARQUE SOLAR MIÑO SpA				
11	PARQUE SOLAR QUIUMO SpA	55	PARQUE SOLAR LIRCAY SpA				
12	PARQUE SOLAR VILLA LONGAVI SpA	56	PARQUE SOLAR LOS OLIVOS SpA				
13	LIMACHE SOLAR SpA	57	PARQUE SOLAR REQUEGUA SpA				
14	HUMBERTO SOLAR SpA	58	PARQUE SOLAR PEUMO SpA				
15	PARQUE SOLAR VIVEROS SPA						
16	PARQUE SOLAR SANTA CRUZ SpA						
17	PARQUE SOLAR PANGUILLEMO SpA						
18	SANTA ESTER SOLAR SPA						
19	PARQUE SOLAR LOS PEUMOS SpA						

## DECLARATION OF THE STATUTORY BODY

The undersigned Chairman of the Board of Directors of SOLEK HOLDING SE declares that, to the best of his knowledge, the consolidated annual report provides a true and fair view of the financial position, business activities and results of operations for the past accounting period and the prospects for future financial situation, business activities and results of operations.

Prague, 30 September 2022

Zdeněk Sobotka  
Chairman of the Board of Directors

### Information about dependence on patents or licenses

The Group is not aware that its activities would be dependent on the use of patents by specific persons. When using technology, the Group has always arranged with the relevant supplier that the liability for any infringement of industrial rights or intellectual property rights is borne by the supplier. In its activities, the Group uses software products from Microsoft



## Independent auditor's report

to the shareholders of SOLEK HOLDING SE

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of SOLEK HOLDING SE, with its registered office at Voctářova 2497/18, Praha 8 (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021,
- the consolidated statement of comprehensive income for the year ended 31 December 2021,
- the consolidated statement of changes in equity for the year ended 31 December 2021,
- the consolidated statement of cash flows for the year ended 31 December 2021, and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

### Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the consolidated annual report but does not include the consolidated financial statements and auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read

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the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge about the Group obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

#### Responsibilities of the board of directors and supervisory board of the Company for the consolidated financial statements

The board of directors is responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the board of directors 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, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

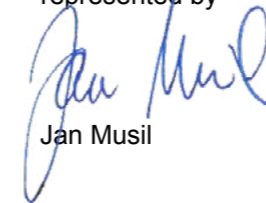
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 controls.
- obtain an understanding of internal controls 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 controls.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, 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 the board of directors and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

30 September 2022

PricewaterhouseCoopers Audit, s.r.o.  
represented by



Jan Musil



Soňa Hoblová  
Statutory Auditor, Licence No. 2470

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

The consolidated financial statements were approved by the Board of Directors of the Company on 30 September 2022 and signed on behalf of the company by:



Zdeněk Sobotka  
Chairman of the Board of Directors





# 1. GENERAL INFORMATION

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The SOLEK Group ("SOLEK", "the SOLEK Group" or „the Group“) consists of SOLEK HOLDING SE ("the Company" or "Parent company") and its subsidiaries. The Group operates in the field of renewable energy sources with a focus on solar energy. It focuses on the design, construction and operation of solar power plants in Europe and Latin America. It has been operating on the market since 2010.

The parent company is a European company founded in 2010 with its registered office in the Czech Republic. The registered office of the Company is at Voctářova 2497/18, Prague 8, 180 00. The Company is incorporated in the Commercial Register of the Czech Republic under the identification number 292 02 701. The controlling party of the SOLEK Group as at 31 December 2021 and 2020 is Mr. Zdeněk Sobotka, an experienced Czech businessman in the field of renewable energy sources.

The share capital of the Company as at 31 December 2021 and as at 31 December 2020 in the amount of CZK 3,175,800 (EUR 120,000) was fully paid and consisted of 100,000 registered shares, in book-entry form with a nominal value of CZK 31.76.

All shares are mutually equivalent and carry one vote per share.

The shareholder of the Company with a share of 99% is a Czech citizen Zdeněk Sobotka with permanent residence at Ke Hvězdárně 1032, Hlubočinka, Sulice, 251 68.

The shareholder of the Company with a share of 1% is a Czech citizen Pavel Kocián with permanent residence at V Uliče 921, 253 01 Hostovice.

#### **Rights and obligations associated with the Company's registered shares**

The rights and obligations associated with the Company's registered shares are governed by the Company's articles of association and relevant provisions of generally binding legal regulations.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

(CZK '000)	Notes (item 7)	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Revenue	a)	911,768	648,242
Proceeds from sale of solar power plants previously operated by the Group	b)	229,285	-
<b>Total turnover</b>		<b>1,141,053</b>	<b>648,242</b>
Cost of sales of solar power plant projects	c)	(652,293)	(279,907)
Net book value of sold solar power plants previously operated by the Group	b)	(138,291)	-
Cost of raw materials and services used	c)	(96,235)	(144,128)
Personnel expenses	c)	(87,982)	(91,612)
Depreciation of PPE and intangible assets	f)	(32,781)	(28,750)
Other operating income		24,842	8,733
Other operating expenses	c)	(35,780)	(25,378)
<b>Operating profit</b>		<b>122,533</b>	<b>87,200</b>
Finance income	d)	70,981	34,483
Finance costs	d)	(173,614)	(94,689)
Share of net profit of associates accounted for using the equity method		-	(54)
<b>Profit before income tax</b>		<b>19,900</b>	<b>26,940</b>
Income tax	e)	130,362	14,566
<b>Profit for the period</b>		<b>150,262</b>	<b>41,506</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		36,724	27,786
Share of other comprehensive income of associates accounted for using the equity method		-	(64)
Cash flow hedge		(7,240)	-
<b>Other comprehensive income for the period</b>		<b>29,484</b>	<b>27,722</b>
<b>Total comprehensive income for the period</b>		<b>179,746</b>	<b>69,228</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

(CZK '000)	Notes (item 7)	31 Dec 2021	31 Dec 2020
<b>Assets</b>			
Property, plant and equipment	f)	1,619,301	662,212
Rights of use of assets	h)	466,343	129,333
Goodwill	g)	840,228	840,228
Intangible assets		5,049	3,946
Financial investments		549	288
Deferred tax assets	r)	304,121	106,880
Restricted cash	m)	177,729	-
Investment shares	l)	239,010	-
Other non-current assets	i)	30,439	44,182
<b>Non-current assets total</b>		<b>3,682,769</b>	<b>1,787,069</b>
Inventories	j)	787,835	275,493
Trade receivables	k)	42,383	34,741
Contract assets	k)	219,412	-
Restricted cash	m)	139,440	-
Investment shares	l)	247,000	437,028
Other current assets	n)	527,049	228,255
Cash and cash equivalents	m)	133,757	404,244
Disposal group of assets held for sale	o)	-	62,727
<b>Current assets</b>		<b>2,096,876</b>	<b>1,442,488</b>
<b>Total assets</b>		<b>5,779,645</b>	<b>3,229,557</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

(CZK ,000)	Notes (item 8)	31 Dec 2021	31 Dec 2020
<b>Equity and liabilities</b>			
Share capital	t)	3,176	3,176
Additional paid-in capital		504,597	504,597
Accumulated losses		(190,690)	(340,952)
Exchange differences from the translation of foreign subsidiaries		68,204	31,427
Other reserves		(7,240)	-
<b>Total equity</b>		<b>378,047</b>	<b>198,248</b>
<b>Total non-current liabilities</b>			
Non-current financial liabilities	q)	2,937,062	1,872,366
Lease liabilities	h), q)	435,094	143,265
Provisions		113	15,366
Deferred tax liabilities	r)	-	56
Other non-current liabilities		4,935	-
<b>Total non-current liabilities</b>		<b>3,377,204</b>	<b>2,031,053</b>
<b>Total current liabilities</b>			
Trade payables	p)	640,815	144,769
Current financial liabilities	q)	1,200,153	744,821
Lease liabilities	h), q)	40,000	1,295
Current income tax liabilities	e)	62,165	73,582
Other current liabilities	p)	81,261	29,601
Liabilities related to assets held for sale	o)	-	6,188
<b>Total current liabilities</b>		<b>2,024,394</b>	<b>1,000,256</b>
<b>Total liabilities</b>		<b>5,401,598</b>	<b>3,031,309</b>
<b>Total equity and liabilities</b>		<b>5,779,645</b>	<b>3,229,557</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

(CZK '000)	Share capital	Additional paid-in capital	Translation differences	Revaluation differences	Cash Flow hedge reserve	Accumulated losses	Total equity
<b>Balance as at 1 Jan 2020</b>	<b>3,176</b>	<b>504,597</b>	<b>3,694</b>	-	-	<b>(347,873)</b>	<b>163,594</b>
Changes in the definition of consolidated group	-	-	-	11	-	(14,171)	(14,160)
Restatement due to error in inventory in FY2019	-	-	-	-	-	(20,415)	(20,415)
Profit after tax	-	-	-	-	-	41,507	41,507
Other comprehensive income for the period	-	-	27,786	(64)	-	-	27,722
<b>Balance as at 31 December 2020</b>	<b>3,176</b>	<b>504,597</b>	<b>31,480</b>	<b>(53)</b>	-	<b>(340,952)</b>	<b>198,248</b>
Profit after tax	-	-	-	-	-	150,262	150,262
Other comprehensive income for the period	-	-	36,724	-	(7,240)	-	29,484
Other movements	-	-	-	53	-	-	53
<b>Balance as at 31 December 2021</b>	<b>3,176</b>	<b>504,597</b>	<b>68,204</b>	-	<b>(7,240)</b>	<b>(190,690)</b>	<b>378,047</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

(CZK '000)	Notes (item 7)	2021	2020
<b>Cash flows from operating activities</b>			
Profit/loss before tax		19,900	26,941
Adjustments for:			
Depreciation and amortization of PPE, intangible assets and right-of-use assets	f)	32,781	28,749
Interest income	d)	(286)	(331)
Interest expense	d)	125,574	90,007
Gain/loss from the sale of fixed assets		-	(834)
Gain from the sale of power plants previously operated by the Group	b)	(90,994)	-
Change in provisions		(10,394)	9,294
Other non-cash transactions		(51,581)	(7,228)
		<b>25,000</b>	<b>146,598</b>
Changes in solar power plants projects under construction	j)	(351,234)	98,850
Changes in inventories	j)	1,326	8,684
Changes in restricted cash	m)	(300,170)	-
Changes in contract assets	k)	(216,636)	-
Changes in trade and other receivables	k)	(79,428)	(94,490)
Changes in trade and other payables	p)	659	147,792
		<b>(920,483)</b>	<b>307,434</b>
Interest received		286	331
Interest paid	q)	(128,831)	(49,377)
Income tax paid		(73,914)	(1,455)
<b>Net cash flow from operating activities</b>		<b>(1,122,941)</b>	<b>256,933</b>
<b>Cash flows from investing activities</b>			
Acquisition of PPE and intangible assets	f)	(689,214)	(533,996)
Proceeds from the sale of power plants previously operated by the Group	b)	31,884	-
Proceeds from the sale of investment shares	l)	221,438	57,000
Acquisition of investment shares	l)	(42,300)	(853,109)
<b>Net cash flow from investing activities</b>		<b>(478,192)</b>	<b>(1,330,105)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

(CZK '000)	Notes (item 7)	2021	2020
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings	q)	1,559,597	1,748,428
Repayments of borrowings	q)	(517,163)	(324,535)
Repayments of lease liabilities	q)	(42,356)	(3,355)
Proceeds from bonds issued	q)	385,300	89,500
Repayments of bonds	q)	(35,830)	(72,379)
<b>Net cash flow from financing activities</b>		<b>1,349,548</b>	<b>1,437,659</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(251,585)</b>	<b>364,487</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>387,245</b>	<b>43,692</b>
Exchange differences from the translation of cash and cash equivalents		(1,903)	(20,934)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>m)</b>	<b>133,757</b>	<b>387,245</b>

## 2. CONSOLIDATED GROUP

As at 31 December 2021 and 2020, the consolidation group consists of the consolidating entity SOLEK HOLDING SE established in the Czech Republic with the functional currency of the Czech koruna (hereinafter referred to as Kč or CZK) and the following subsidiaries:

Group's share	Subsidiaries	Country	Functional currency	2021	2020
100%	SOLEK Czech Services s.r.o.	Czech Republic	CZK	full consolidation	full consolidation
100%	SOLEK Administration s.r.o.	Czech Republic	CZK	full consolidation	full consolidation
100%	SOLEK I s.r.o.	Czech Republic	CZK	full consolidation	full consolidation
100%	SOLEK EUROPE Holding s.r.o.	Czech Republic	CZK	full consolidation	full consolidation
0%	SOLEK SICAV, a.s.	Czech Republic	CZK	---	sold in 2020 (100% shares)
100%	ENERGY HOLDING S.A.	Luxembourg	EUR	merged to SOLEK Cyprus Services Limited in 2021	full consolidation
100%	SOLEK LATAM Holding SpA	Chile	CLP	full consolidation	full consolidation
100%	SOLEK Chile Holding SpA	Chile	CLP	full consolidation	full consolidation
100%	SOLEK Chile Holding II SpA	Chile	CLP	full consolidation	full consolidation
100%	SOLEK Chile Holding III SpA	Chile	CLP	full consolidation	full consolidation
100%	SOLEK Chile Holding IV SpA	Chile	CLP	full consolidation	full consolidation
100%	SOLEK Chile Holding V SpA	Chile	CLP	full consolidation	incorporated in 2021
100%	SOLEK Chile Services SpA	Chile	CLP	full consolidation	full consolidation
100%	SOLEK Construcción SpA	Chile	CLP	merged to SOLEK Chile Services SpA in 2021	full consolidation
100%	SOLEK Desarrollos SpA	Chile	CLP	full consolidation	full consolidation
100%	Parque Solar Ovalle Norte SpA	Chile	CLP	full consolidation	full consolidation
100%	Parque Solar El Sauce SpA	Chile	CLP	full consolidation	full consolidation
100%	Parque Solar Don Flavio SpA	Chile	CLP	full consolidation	full consolidation
100%	Parque Solar La Rosa SpA	Chile	CLP	full consolidation	full consolidation
100%	Parque Solar Meco Chillan SpA	Chile	CLP	full consolidation	full consolidation
100%	Parque Solar Aurora SpA	Chile	CLP	sold in 2021	full consolidation
100%	Parque Solar Alcañes SpA	Chile	CLP	sold in 2021	full consolidation
100%	Parque Solar Tangua SpA	Chile	CLP	full consolidation	full consolidation
100%	Parque Solar Lo Chacon SpA	Chile	CLP	full consolidation	full consolidation
100%	Parral Solar SpA	Chile	CLP	full consolidation	full consolidation
100%	Fotovoltaica Laurel SpA	Chile	CLP	sold in 2021	full consolidation
100%	Parque Solar Alianza SPA	Chile	CLP	full consolidation	full consolidation
100%	Parque Solar Retiro SpA	Chile	CLP	sold in 2021	full consolidation
100%	Parque Solar Altos Laos SpA	Chile	CLP	full consolidation	full consolidation
100%	Membrillo Solar SpA	Chile	CLP	full consolidation	full consolidation
100%	Champa Solar SpA	Chile	CLP	full consolidation	full consolidation
100%	Parque Solar La Muralla II SpA	Chile	CLP	sold in 2021	full consolidation
100%	Fotovoltaica Avellano SpA	Chile	CLP	full consolidation	full consolidation
100%	Parque Solar La Muralla SpA	Chile	CLP	sold in 2021	full consolidation
100%	Parque Solar Mina Dorada SpA	Chile	CLP	full consolidation	full consolidation

100%	Parque Solar El Conquistador SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Roma Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Porvenir SpA	Chile	CLP	sold in 2021	full consolidation	100%	Parque Solar Santa Marta Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Tabolango SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Jotabeche Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Panguilemo SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar El Trigo Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Los Peumos SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Alagua Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Viveros SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar La Esperanza Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Benavente SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Doña Berta Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Santa Cruz SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar La Chalinga Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Convento SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Santa Rebeca Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Colimavilla SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Del Sol Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar El Gultro SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Barrancon Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Salamanca SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Andromeda Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	La Pena Solar SpA	Chile	CLP	sold in 2021	full consolidation	100%	Parque Solar Narciso Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar lo Prado SPA	Chile	CLP	sold in 2021	full consolidation	100%	Parque Solar Badajoz Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Humberto Solar SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Popeta Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Limace Solar SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Numpay Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Santa Ester SpA	Chile	CLP	full consolidation	full consolidation	100%	Parque Solar Eulalia Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Colina SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	Parque Solar Miño Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Luciano Solar SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	Parque Solar Lircay Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Santa Ester Solar SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	Parque Solar Los Olivos Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Fenix Solar SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	Parque Solar Requegua Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar El Convento SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	Parque Solar Peumo Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Limache Solar SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	Parque Solar Aguas Buenas Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Don Chacho SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK Alpha Spa	Chile	CLP	full consolidation	incorporated in 2021
100%	Parque Solar Leyda SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK Romania Services S.R.L.	Romania	RON	full consolidation	full consolidation
100%	Parque Solar Cantillana SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK Project Alpha SRL	Romania	RON	sold in 2021	full consolidation
100%	Parque Solar Itihue SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK Project Gamma SA	Romania	RON	sold in 2021	full consolidation
100%	Parque Solar La Rosa II SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK Project Tau SA	Romania	RON	sold in 2021	full consolidation
100%	Parque Solar Linares Norte SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK Project Txi SA	Romania	RON	sold in 2021	full consolidation
100%	Parque Solar Trupan SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK HOLDING SAS	Argentina	ARS	liquidated in 2021	full consolidation
100%	Parque Solar El Caqui SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK Colombia Holding SAS	Colombia	COP	full consolidation	full consolidation
100%	Parque Solar Kali SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	Parque Solar Las Playas SAS	Colombia	COP	full consolidation	full consolidation
100%	Parque Solar Campanas SpA	Chile	CLP	full consolidation	incorporated in 2021	50%	SOLEK Peru SAC	Peru	PEN	equity method	equity method
100%	Parque Solar Quilmo SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK Cyprus Services Limited	Cyprus	EUR	full consolidation	full consolidation
100%	Parque Solar Villa Longavi SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK LARNAKA I LIMITED	Cyprus	EUR	full consolidation	full consolidation
100%	Parque Solar Roque SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK LEMESOS I LIMITED	Cyprus	EUR	full consolidation	full consolidation
100%	Parque San Lorenzo SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK NICOSIA I LIMITED	Cyprus	EUR	full consolidation	full consolidation
100%	Parque Solar Alsol SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK PAPHOS I LIMITED	Cyprus	EUR	full consolidation	full consolidation
100%	Parque Solar Pueblo Seco SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	NERATECH LIMITED	Cyprus	EUR	full consolidation	incorporated in 2021
100%	Parque Solar Karelia SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK Hong Kong Services	Hong Kong	HKD	full consolidation	incorporated in 2021
100%	Parque Solar Montaña SpA	Chile	CLP	sold in 2021	incorporated in 2021	100%	SOLEK Hungary Services Kft	Hungary	HUF	full consolidation	incorporated in 2021
100%	Parque Solar San Isidro SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	PVSH ALPHA KFT	Hungary	HUF	full consolidation	incorporated in 2021
100%	Parque Solar Conty SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	PVSH BETA KFT	Hungary	HUF	full consolidation	incorporated in 2021
100%	Parque Solar Unihue SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	PVSH GAMMA KFT	Hungary	HUF	full consolidation	incorporated in 2021
100%	Parque Solar Laja SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	PVSH DELTA KFT	Hungary	HUF	full consolidation	incorporated in 2021
100%	Parque Solar Concon SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	SOLEK Greece Services S.M.P.C.	Greece	EUR	full consolidation	incorporated in 2021
100%	Parque Solar Tara SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	GR ATHENS 1 SMPC	Greece	EUR	full consolidation	incorporated in 2021
100%	Parque Solar Carrizo SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	GR ATHENS 2 SMPC	Greece	EUR	full consolidation	incorporated in 2021
100%	Parque Solar Atacama SpA	Chile	CLP	full consolidation	incorporated in 2021	100%	GR ATHENS 3 SMPC	Greece	EUR	full consolidation	incorporated in 2021
100%	Parque Solar Doña Carmen Spa	Chile	CLP	full consolidation	incorporated in 2021						



# Notes to the consolidated financial statements

## 3. ACCOUNTING POLICIES

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### **SOLEK SICAV, a.s. (now as MW Investiční fond SICAV, a.s.)**

As at 26 June 2019, the Company established a qualified investor fund SOLEK SICAV, a.s. (now as MW Investiční fond SICAV, a.s.) in order to enable private investors to invest exclusively in power plants developed by the SOLEK Group.

As at 31 December 2019, the Company owned the founding (ordinary) shares of the SOLEK SICAV, a.s. fund.

On 20 April 2020, these shares were transferred outside the SOLEK Group.

SOLEK SICAV, a.s. is administrated and managed by an independent specialized investment company registered with the Czech National Bank outside the SOLEK Group.

The qualified investor fund was subsequently renamed to MW Investiční fond SICAV, a.s. from 1 January 2021.

### **ENERGY HOLDING S.A.**

In 2021 ENERGY HOLDING S.A. merged to SOLEK Cyprus Services Limited with effective date 12 July 2021

### **SOLEK Chile Services SpA**

On 1 January 2021 PV POWER Chile SpA has been renamed to SOLEK Chile Services SpA

On 1 January 2021 SOLEK Construcción SpA ceased to exist by merging with SOLEK Chile Services SpA

### **A. BASIS OF PREPARATION**

The consolidated financial statements for the year ended on 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union. The Group therefore applies all IFRS published by the IASB and interpretations issued by the IFRS Interpretations Committee ("IFRIC"), which are effective as of 31 December 2021, adopted by the EU and applicable to the Group. The term IFRS includes all applicable International Accounting Standards and all interpretations and amendments of the International Financial Reporting Standards.

The Group's accounting period (financial year) comprises twelve months and ends on 31 December each year.

The consolidated financial statements have been prepared in Czech crowns (CZK) and presented in thousands of Czech crowns (in thousands of CZK). The Group's consolidated financial statements have been prepared in accordance with the uniform accounting principles and consolidation rules for all reporting periods.

The consolidated financial statements have been prepared in accordance with the historical cost basis, except for instances where IFRS requires a different method of measurement as described in the accounting policies below.

#### **I. Principles of consolidation**

All subsidiaries controlled by the Company in accordance with the provisions of IFRS 10 "Consolidated Financial Statements" are included in the consolidated financial statements and fully consolidated. The Group gains control when it can exercise power over an entity, is exposed to variable returns from investment and has the ability to use its power over the entity in which it has invested to influence its operations. The Company reviews control again if facts and circumstances indicate that one or more of the above control criteria have changed.

The results of subsidiaries acquired or sold during the year are recognized in the consolidated statement of comprehensive income with effect from the actual acquisition date or up to the actual disposal date.

The gain or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to non-controlling interests, even if this results in non-controlling interests with a negative balance. If necessary, the financial statements of subsidiaries shall be adjusted so that the accounting policies applied by them are consistent with the Group's accounting policies. All assets and liabilities within the Group, equity, revenues, expenses and cash flows relating to transactions between members of the Group are fully eliminated in consolidation.

Loans between the Group's entities and related foreign exchange gains or losses are eliminated in consolidation. However, if the loan is between the Group's entities that have different functional currencies,

the foreign exchange gain or loss cannot be completely eliminated and is recognized in consolidated profit or loss unless the loan is expected to be settled in the foreseeable future and forms part of net foreign investment. In this case, the foreign exchange gain or loss is recognized in other comprehensive income.

The Group classifies assets and liabilities as current if they are expected to be realized or settled within twelve months after the end of the reporting period. If assets and liabilities have both a current and a non-current component, they are divided into these different components and recognized as current and a non-current assets or liabilities according to the structure of the statement of financial position. The consolidated statement of comprehensive income is prepared on the basis of the nature of expense method.

## II. New standards and interpretations

### Adoption of new or revised standards and interpretations

#### New and amended IFRS accounting rules adopted by the Group

In preparing these financial statements, the Group has considered the following amendments to IFRS, effective from 1 January 2021, which have had little or no effect on the results and information presented in these consolidated financial statements compared to the previous consolidated financial statements for 2020:

- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. Impact on the Group's financial statements is immaterial.
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:
  - o Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.

- o End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
  - o Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
  - o Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.
- Amendment to IFRS 4 – deferral of IFRS 9 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments to IFRS 4 addressed the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming IFRS 17. The amendments to IFRS 4 extended the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. The fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has been deferred to annual reporting periods beginning on or after 1 January 2023.

#### The new and amended IFRS accounting rules, which have been issued but are not yet effective and have not been applied by the Group

As of the date of approval of these consolidated financial statements, the following new and amended IFRSs were issued, but they were not effective at the beginning of the current accounting period (1.1.2021) and were not used by the Group in preparing these consolidated financial statements for the year ended 31 December 2021:

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of the new standard on its financial statements. Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The Group is currently assessing the impact of the amendments on its financial statements.

- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The Group is currently assessing the impact of the amendments on its financial statements.
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The Group is currently assessing the impact of the amendments on its financial statements.

#### **New and amended IFRS accounting rules issued by the IASB, but not yet adopted by the EU**

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. Standard is not applicable for the Group.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its financial statements.
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group is currently assessing the impact of the amendments on its financial statements.

- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Group is currently assessing the impact of the amendments on its financial statements.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group is currently assessing the impact of the amendments on its financial statements.
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group is currently assessing the impact of the amendments on its financial statements.
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group is currently assessing the impact of the amendments on its financial statements.

## **B. GOING CONCERN AND KEY SOURCES OF UNCERTAINTY IN ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

In connection with the preparation of the Company's consolidated financial statements, management has made assumptions and estimates about future events and applied judgements that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The assumptions, estimates and judgements are based on historical experience, current trends and other factors that the Company's management believes to be relevant at the time the consolidated financial statements are prepared.

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances beyond the Group's control. Such changes are reflected in the financial statements when the changes in assumptions occur.

### **I. Going concern assumption of the SOLEK Group**

The total comprehensive income of the SOLEK Group for the year ended 31 December 2021 is a profit of CZK 179,746 thousand (31 December 2020 profit of CZK 69,228 thousand). In addition, as at 31 December 2021 short-term assets exceeded short term liabilities by CZK 72,482 thousand (31 December 2020: by CZK 442,232 thousand).

The Group's top management approved a strategic plan, which specifies future intentions with individual subsidiaries that own a solar power plant under construction. The plan divides the subsidiaries into the following categories:

- a) intended for future sale; strategic negotiations are underway with an investment company on the purchase of individual companies during different periods
- b) intended for the retention and subsequent production of electricity; in this case, the financing is provided by a strategic banking partner.

The goal is to ensure the optimal amount of positive cash flow and thus at the same time guarantee the going concern of the Group.

The Group's management is constantly preparing and revising forecasts of future cash flows covering the next 24 months. These forecasts already reflect management's expectations in terms of the completion and realization of projects, their sales and any funds generated.

The Group's management has assessed the relevant inputs and cash flow forecasts and believes that the Group will be able to obtain all funds in a timely manner and to the extent necessary to continue as a going concern.

### **II. Significant judgments and estimates**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.

In the process of applying the Group's accounting policies, management has made the following judgments and estimates that have a material effect on the amounts reported in these consolidated financial statements:

#### **Judgment on classification of a solar power plant: Property, plant and equipment vs. Inventory**

The Group starts to construct solar power plants only upon financing of the respective project is secured.

In case the project is initially financed by external loan, all costs related to the construction of such solar power plant are capitalized and classified as Property, plant and equipment. Upon completion, solar power plant remains in the ownership of the Group and generates revenue from electricity sale.

In case the project is initially planned to be sold to a specific customer according to a signed contract, all costs related to the construction of such solar power plant are capitalized and classified as Inventory. Upon completion of the project to the state agreed with the customer, control of the solar power plant is transferred to the customer. All costs incurred to date are then charged to cost of sales and revenue is recognized according to IFRS 15.

#### **Estimated useful life of solar power plants**

An important estimate in accounting for property, plant and equipment and intangible assets is the determination of the useful life of assets for the purposes of their depreciation and amortization.

To determine the useful life of the Group's solar power plant, it is necessary to make estimates in connection with technical obsolescence, location and expected physical wear and tear with respect to the production materials used for the asset.

The individual components of the power plant have a warranty for the useful life of 2 to 25 years, wears photovoltaic panels have manufacturer's warranty from 20 to 25 years. Based on that, for power plants that are not intended for sale, the useful life is internally considered as 20 years.

The warranties provided by the SOLEK Group to its customers are fully covered by the warranties of the manufacturers and suppliers of the individual components.

#### **Taxes**

A deferred tax asset arising from unused tax losses is recognized to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment was required to determine the amount of the deferred tax asset that could be recognized based on the probable timing and level of future taxable profits, together with future tax planning strategies.

#### **Right-of-use assets and lease liabilities**

The valuation of right-of-use assets is based on significant management judgment, primarily to determine the interest rate estimate and lease term period.

The considered interest rate is based on interest rate embedded in the lease contract. In case embedded interest rate could not be reliably defined the Group determines the borrowing rate based on the interest rates at which it would receive funds to finance its activities in the specific country. For calculation of lease liabilities the borrowing rate was set at 10% for Chile (2020: 12%) and 6% for Czechia (2020: not applicable).

In the event of a change in the considered interest rate by 1%, the lease interest expense will change by CZK 473 thousand.

All of the lease contracts entered by the Group have a fixed lease period with no early termination option right by the lessor.

## **C. SUBSIDIARIES**

Business combinations are accounted for using the acquisition method. The acquisition cost of a business combination corresponds to the fair value of the consideration paid, liabilities incurred to the former owners of the acquiree and equity shares issued by the Group. The acquisition cost includes the fair value of the assets and liabilities that arise from the contingent consideration arrangement. Subsequent changes in this fair value are recognized in profit or loss.

Acquisition related costs are recognized in profit or loss when incurred. For each business combination, the Group measures any non-controlling interest in the acquiree at either its fair value or its proportionate share of the acquiree's net identifiable assets. In the case of a step business combination, the Group, as the acquirer, remeasures through profit or loss the existing equity interests in the acquiree to fair value at the acquisition date.

A change in ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

## D. COMMON CONTROL TRANSACTIONS

A business combination under common control is a combination that does not change the ultimate controlling entity of the combined entities. The Group's management has decided to report business combinations under the common control of the highest controlling entity using the acquisition method. The assets and liabilities of the subsidiary acquired in the scope of the acquisition under common control are reported in the Group's financial statements at fair value, they are measured at fair value and goodwill is calculated (see chapter J. Goodwill). Other transactions under the common control of the Parent company, when there is no expansion of the consolidation group, are reported at book value, are not revalued and the value of goodwill is not calculated. In this case, the difference is recognized in equity.

## E. FOREIGN CURRENCIES

The Group's consolidated financial statements are presented in CZK. Each entity of the Group determines its own functional currency, which is the currency of the primary economic environment in which the subsidiary or parent company operates. Individual items of the financial statements of consolidated companies are valued and reported using these functional currencies.

Transactions in foreign currencies are initially recognized by the entity at the relevant functional currency exchange rate at the date when the transaction initially meets the conditions for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates of the functional currency at the reporting date. The source used was information presented by the Czech National Bank, for state variables the exchange rate as of 31 December was used, for flow variables the average exchange rate for the given calendar year was used. Exchange rates not announced by the CNB are calculations of mutual currency pairs using the announced exchange rate of the Czech crown. Differences arising from the settlement or translation of monetary items are recognized in the statement of comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial recognition of the transactions.

As at 31 December 2021, the following exchange rates were used in the preparation of the consolidated financial statements:

	Exchange rate as at 31 Dec 2021						Average exchange rates in 2021					
	EUR	CLP	USD	RON	PEN	HUF	EUR	CLP	USD	RON	PEN	HUF
CZK	24.860	0.026	21.951	5.023	5.514	0.067	25.649	0.029	21.69	5.213	5.596	0.072
EUR	-	0.001	0.883	0.202	0.222	0.003	-	0.001	0.846	0.203	0.218	0.003
CLP	-	-	850.155	194.539	213.555	2.608	-	-	753.232	181.020	194.327	2.485
USD	-	-	-	0.229	0.251	0.003	-	-	-	0.240	0.258	0.003
RON	-	-	-	-	1.098	0.013	-	-	-	-	1.074	0.014
PEN	-	-	-	-	-	0.012	-	-	-	-	-	0.013

## F. INVESTMENTS IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, where strategic financial and operating decisions relating to the activities of the joint venture require the unanimous consent of all parties sharing control. In connection with its participation in a joint arrangement, the Group recognizes ownership interests in joint ventures, which it measures using the equity method. Value of these ownership interests is tested for impairment at least annually at the balance sheet date. Any decrease in the value of investments would be recognized in profit or loss and reported on the line Share of other comprehensive income of associates accounted for using the equity method.

## G. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment ("PPE") include solar power plants, machinery, equipment and other facilities and solar power plants under construction with expected useful life longer than 1 year. These assets are stated at cost less accumulated depreciation and accumulated impairment.

The cost of internally developed assets includes the cost of materials and direct labor, indirect costs directly attributable to construction, and any costs directly attributable to the commissioning of the asset. Furthermore, for qualifying assets, it includes duly attributable borrowing costs (see chapter L. Borrowing costs) incurred during construction. These assets are completed and ready for use when the power plant is connected to the electricity grid and all technical parameters necessary for electricity generation are met.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately on a straight-line basis over the estimated useful life of the component beginning from the time it is ready for use. Depreciation of a solar power plant begins when the power plant is ready for its intended use, usually on the day of connection to the grid and commissioning.

Depreciation is calculated considering zero residual value.

Depreciation ceases when the asset is derecognized or when the tangible asset is classified as held for sale, whichever occurs first.

Depreciation is not interrupted when the asset is temporarily idle or out of active operation (unless it is fully depreciated).

Maintenance costs that do not extend the useful life are recognized in the consolidated statement of comprehensive income when incurred. The costs of improvements that extend useful life are capitalized.

Replacement of damaged components is accounted for as derecognition of the components being replaced and subsequent capitalization of replacement costs as new PPE items.

Parts of property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from their continued use.

Any gain or loss arising on the derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the period in which the asset is derecognized.

Estimated useful life of solar power plants and other tangible fixed assets:

Property, plant and equipment	Method	Useful life
Buildings	Straight-line	8-32 years
Solar power plants	Straight-line	20 years
Alarms	Straight-line	8 years
Cars, curve meters, other machines	Straight-line	5 years
Notebooks below CZK 40 thousand	Straight-line	2 years
Notebooks above CZK 40 thousand	Straight-line	5 years

Land is expected to have an indefinite useful life and is therefore not depreciated.

At the end of each reporting period, management assesses whether there is any indication that an item of property, plant or equipment may be impaired. If such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year. An impairment loss recognized for an asset in prior years may be reversed if there has been a change in the estimates used to determine the asset's value in use or its fair value less costs to sell.

Costs related to research activities (project opportunities) are recognized in the statement of comprehensive income at the time they are incurred. Costs related to development activities (projects in preparation) are included in the acquisition cost if the project is technically and commercially viable and the Group has sufficient resources to complete the development work.

## H. INTANGIBLE ASSETS

The Group's intangible assets comprise computer software, goodwill, licenses, valuable rights and other intangible assets. Computer software mainly represents external costs associated with the acquisition of the Group's information systems intended for use within the Group. Costs associated with the development or repair of computer programs are recognized as an expense when incurred.

Costs directly related to identified and specific software products that are controlled by the Group and whose probable economic benefit will exceed the acquisition costs for a period longer than one year and the acquisition price higher than CZK 20 thousand are reported as intangible assets.

Estimated useful lives of intangible fixed assets:

Asset	Method	Useful life
Valuable rights	Straight-line	up to 20 years
Licenses	Straight-line	5 years
Software	Straight-line	3 years

Intangible assets that are no longer used and do not generate any future economic benefits or are otherwise disposed of are derecognized from the statement of financial position together with the amortization related to these assets (if amortized). All net gains or losses arising on derecognition are recognized in profit or loss, i.e. the net gain or loss is determined as the difference between the net proceeds from disposal / sale and the carrying amount of the asset. Intangible assets, with the exception of assets with indefinite useful lives, are amortized on a straight-line basis from the time they are ready for use. Depreciation ceases when the asset is derecognized or when the intangible asset is classified as an asset with an indefinite useful life or as held for sale, whichever occurs first.

## I. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Upon entrance into the contract, the Group assesses whether the contract has the character of a lease or contains a lease as per the lease definition, i.e. if the contract transfers the right to control the use of the identified asset for a certain period in exchange for consideration.

### Leases where the Group acts as a lessee

As at the commencement date of the lease, the Group recognizes a right-of-use asset and a lease liability.

The right-of-use of an underlying asset is initially measured at cost, which includes the amount of the initial measurement of the lease liability, any lease payments made on or before the commencement date, net of any lease incentives received. Subsequently, the asset is stated at cost less accumulated depreciation and accumulated impairment and adjusted for certain revaluations of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The lease term established by the Group generally includes the non-cancellable lease term, the period covered by the lease extension option if the Group is reasonably certain to exercise this option and the period covered by the lease termination option if the Group is reasonably certain that it will not be exercised.

Estimated useful lives of right-of-use assets:

Right-of-use assets	Method	Useful life
Land	Straight-line	Lease term 20-30 years
Cars	Straight-line	Lease term 4 years

The lease liability is measured at the commencement date at the present value of the lease payments outstanding at that date, discounted using the lease borrowing rate.

The considered interest rate is based on interest rate embedded in the lease contract. In case embedded interest rate could not be reliably defined the Group determines the borrowing rate based on the interest rates at which it would receive funds to finance its activities in the specific country.

The lease liability is measured by including fixed lease payments and variable lease payments dependent on an index or rate that were initially measured on the basis of an index or rate at the commencement date. The lease liability is subsequently increased by the lease interest expense on the lease and reduced by the lease payment made. The liability is reassessed when there is a change in future lease payments resulting from a change in the index or rate used to determine those payments, or if there is a change in the lease term resulting from the Group's reassessment of whether it is reasonably certain that the Group will exercise the extension option or that it will not exercise the termination option.

The Group applied the standard's recognition exemptions for contracts with a lease term of less than 12 months and for leases with a low value of the underlying asset (in particular leases for Luxembourg and Romania offices). The SOLEK Group considers the rent of office space up to EUR 500 per month to be low in this sense.

## J. GOODWILL

Goodwill represents the positive difference between the acquisition cost and the fair value of the group interest in the acquiree's identifiable assets at the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment and is not amortized. Goodwill is tested for impairment at least once a year.

The reason for testing goodwill for impairment is to determine whether the amount, recognized as an intangible asset in the consolidated financial statements, has lost its permanent value and has to be impaired. In this context, the cash-generating units to which goodwill is allocated are identified and tested for permanent impairment. An impairment loss is the difference, if negative, between the carrying amount and the recoverable amount. This represents the higher of the fair value of the cash-generating unit and its value in use, i.e. the present value of the future expected cash flows generated by the unit.

The fair value of a cash-generating unit is determined based on common valuation techniques. Value in use is based on the present value of future cash inflows and outflows based on projected plans / forecasts approved by the Group's management and covering a period of five years with the subsequent years being extrapolated with the expected growth rate for the period. The total length of the cash flow period is set at 30 years based on the expected useful life of solar power plants already operated by the Group and expected to be put into operation in foreseeable future. If past impairment losses on goodwill no longer exist, they cannot be reversed.

## K. IMPAIRMENT OF NON-CURRENT NON-FINANCIAL ASSETS

Goodwill and intangible assets that have an indefinite useful life or intangible assets that are not ready for use and are not subject to amortization are tested annually for impairment. Assets that are subject to depreciation and amortization are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may exceed the asset's recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which cash flows (cash-generating units) can be identified separately.

Any impairment of non-current non-financial assets would be recognized in the consolidated profit or loss and recognized in the line Impairment losses on non-current assets. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

## L. BORROWING COSTS

Borrowing costs directly attributable to the acquisition of a qualifying asset, which are assets that necessarily require a significant period of time to become ready for their intended use or sale, are included in the cost of such an asset until the assets are substantially ready for their intended use or sale. Borrowing costs are determined at the actual amount based on the costs directly attributable to the individual qualifying assets. Any income realized from the temporary investment of borrowed funds from specific loans is deducted from the borrowing costs to be capitalized.

All other borrowing costs are recognized in consolidated profit or loss in the period in which they are incurred.

## M. ASSETS CLASSIFIED AS HELD FOR SALE

In the consolidated statement of financial position, the Group separately recognizes non-current assets or groups of assets and liabilities (disposal groups) classified as held for sale, for which no residual value is recovered through continuing use but rather through sale. Assets or a group of assets and liabilities classified as such are available for immediate sale in their current condition and under normal conditions for the sale of such assets (groups of assets), their sale is highly probable and is expected to occur within one year.

The Group measures assets (group of assets) held for sale at the lower of their carrying amount and net realizable value. The Group recognizes impairment losses on initial or subsequent reduction of carrying amount to net selling price and accounts for them as impairments with an impact on consolidated profit or loss. Assets classified as held for sale cease to be depreciated or amortized at the date of their classification and subsequently only monitored for impairment.

Proceeds from sale of assets classified as held for sale and respective costs (net book value of assets classified as held for sale) are presented gross in the statement of comprehensive income.

## N. INVENTORIES

The Group considers assets held for sale, assets in the production process or material and similar supplies that are consumed in the production process as inventories.

Inventories are recognized at acquisition cost and they are subsequently measured at the lower of cost and net realizable value at each balance sheet date.

The acquisition cost includes the cost of materials and direct labor costs, indirect costs directly attributable to construction and all costs directly attributable to the commissioning of the asset. In addition, for qualifying assets, the Group includes duly attributable borrowing costs incurred during construction. These assets are completed and ready for sale when the power plant is connected to the electricity grid and all technical parameters necessary for electricity generation are met.

## O. FINANCIAL ASSETS

Financial assets are divided into two basic categories (a) at amortized cost and (b) at fair value, depending on whether the financial assets are held for trading or held under a business model with objective to hold the assets for the purpose of collecting contractual cash flows.

### a) measurement of a financial asset at amortized cost

This category includes financial assets for which the Group has a strategy to hold them for the purpose of collecting contractual cash flows. Examples of such financial assets are trade receivables. Expected credit losses, exchange rate differences and interest income are recognized in the consolidated profit or loss.

### b) measurement of a financial asset at fair value remeasured to consolidated profit or loss

Categories of financial assets for which the receipt of contractual cash flows is not the main objective of the strategy. An example of such a financial asset are investment shares. Provisions are not calculated or reported. Changes in the fair value of financial investments at fair value through profit or loss are reported in Finance costs or Finance income. Financial assets are included in current or non-current assets depending on the period in which they are settled.

### Investment shares

The Group has invested its free funds into investment shares, which it measures at fair value with an impact on its consolidated profit or loss. The Group classifies investment shares short term or long term based on their expected settlement date.

The value of an investment share is determined by the investment fund manager of MW Investiční fond SICAV, once a quarter, always for the quarter ahead based on the values as of the last working day of the previous quarter depending on the development of the fund's value. This price is announced publicly no later than on the 20th calendar day of the given quarter.

### Receivables

Receivables are initially recognized at fair value adjusted for transaction costs that are directly attributable to their incurrence and are subsequently measured at amortized cost using the effective interest method, less any impairment. Any interest income on short-term receivables is insignificant and is not recognized. Receivables are then measured at nominal value less any impairment loss.

The Group recognizes an impairment loss on trade receivables based on an expected credit loss, considering lifetime losses. Expected losses on trade receivables are based on an analysis of the aging of receivables calculated from the inception of the receivable and reflecting the different risk portfolios of the debtors.

In assessing whether there has been a significant increase in credit risk, the Group considers, among other, the following indications:

- significant financial problems of the debtor;
- breach of contractual conditions;
- probability of bankruptcy or other financial restructuring of the debtor, etc.

The Group will fully write off a trade receivable if the information indicates major financial problems of the debtor and it is not realistic that the receivable will be settled. The written-off receivable may still be a subject to bad debt collection process, and if the Group ultimately receives some compensation, it is recognized as a gain in consolidated profit or loss.

The Group derecognizes a receivable only when the contractual rights to the cash flows arising from the receivable are exhausted or the receivable is transferred or sold to another entity along with all risks and benefits related to the ownership of the receivable. If during a transfer or sale, there is a difference between the carrying amount of the derecognized receivable and the consideration received, the difference is recognized in consolidated profit or loss.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on demand with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated at amortized cost and are held for the purpose of collecting contractual obligations.

Cash and cash equivalents with limited availability represent a form of collateral for lending banks. These funds can only be used with their consent.

Debt service accounts and project reserves are excluded from cash and cash equivalents.

### Impairment of financial assets

Impairment of financial assets after applying the IFRS 9 approach is based on the expected credit loss (ECL) model, which is applied to the following financial assets:

- a) financial assets at amortized cost (trade receivables),
- b) financial guarantee contracts,
- c) bank accounts.

The analysis of the potential creation of a provision for receivables is performed by the Group at each balance sheet date, both for individually significant specific receivables and on the basis of expected credit losses. For receivables, the Group used a simplified approach, where the expected credit losses for the entire life cycle are always accounted for. The provision is determined as a percentage of historically outstanding receivables.

## P. FINANCIAL LIABILITIES

The Group reports only financial liabilities measured at amortized cost, which include trade payables, issued bonds, loans and bank loans. These liabilities are initially recognized at fair value adjusted for transaction costs that are directly attributable to their incurrence and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss in accordance with the effective interest rate method, except for current liabilities for which potential interest expense is insignificant.

### Obligations under the financial guarantee agreement

The financial guarantee agreement is linked to the loan agreement provided by an individual or a legal entity of the Company. A financial guarantee agreement is an agreement in which the guarantor undertakes to reimburse the creditor in accordance with the financial guarantee agreement in the event of the Company's inability to repay the loan at the specified time and in accordance with the terms of the debt instrument.

Liabilities arising from a financial guarantee contract are initially measured at fair value and, unless they are designated to be measured at fair value through profit or loss and do not result from a transfer of an asset, they are subsequently measured at the higher of: (i) the amount of the provision for loss; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with revenue recognition principles.

## Q. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The valuation techniques described below should be used to determine the fair value of financial assets and liabilities for which no current market price is available. For financial assets that are traded infrequently and with that show little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, valuation assumptions and other risks affecting specific amounts.

To determine the fair value hierarchy, the Group follows IFRS 13 and determines fair value using the following hierarchical system, which reflects the significance of the inputs used in the valuation:

### Level 1:

Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities to which the Group has access at the measurement date;

### Level 2:

Level 2 inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability: quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets in markets that are not active, inputs other than quoted prices that are observable, market-corroborated inputs;

**Level 3:**

Level 3 inputs are unobservable inputs for the asset or liability.

An active market is a market in which transactions for assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis and meets the following conditions:

- a) the items traded in the market are homogeneous;
- b) willing buyers and sellers can normally be found at any time; and
- c) prices are publicly available.

If there is no active market for the financial asset, fair value is estimated using valuation techniques. When using valuation techniques, management makes estimates and assumptions that are based on available information about the estimates and assumptions that market participants would make in setting the price of the financial instrument.

## R. GUARANTEES

The Group provides warranties for the proper execution and completion of a construction. Upon completion of the construction, the customer requires a warranty for the subsequent warranty period.

The Group uses the following warranty instruments:

### Performance bond

This is a guarantee "bond" issued by an insurance company that guarantees the satisfactory completion of a project by a subsidiary of the Group. If the project is not satisfactorily carried out at any agreed stage or an unforeseen event occurs, then the customer has the right to claim reimbursement from the insurance company.

For some of the solar power plants projects performance bonds are provided in a form of a cash deposit at a restricted bank account, from which funds are released upon the project reaches agreed stage of completion.

### Warranty bond

It serves to ensure the quality of delivery during the warranty period. Depending on the insurance company guarantees the quality of delivery required by the relevant contract during the warranty period. Validity is usually agreed for two years from the connection of the solar power plant to the grid.

For some of the solar power plants projects warranty bonds are provided in a form of a cash deposit at a restricted bank account, from which funds are released after 2 years upon the project reaches completion stage.

Funds deposited to restricted accounts are classified as "Restricted cash" in case they are blocked for a period exceeding 3 month from the reporting date. Depending on the due date of the funds block, restricted cash balance is classified short term or long term. Restricted cash is a financial asset and the Group accounts for it according to IFRS 9.

## S. TAXES

Income tax includes current tax and deferred tax.

### Current income tax

Current income tax is the expected tax payable on the taxable income of the Group for the year and any adjustment to tax payable in respect of previous years. Interest income and interest expense related to

possible tax matters are estimated and recognized in the period in which they are earned or are incurred and are presented in net financial expenses in the consolidated statement of comprehensive income.

### Deferred tax

Deferred tax assets and liabilities are recognized for the future tax consequences that attributable to the differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. In deciding whether to recognize a deferred tax asset, management has critically assessed all available information, including future profit plans.

### Current and deferred tax for the period

Current and deferred tax are recognized as expense or income in the consolidated statement of profit or loss, except for items recognized in other comprehensive income or directly in equity, in which case the tax is also recognized as other comprehensive income or directly into equity.

## T. EMPLOYEE BENEFITS

### Wages

In accordance with all employment contracts, the Group pays regular monthly wages to all its employees. Payroll costs are recognized in the consolidated statement of comprehensive income in the same period to which they relate.

### Pension insurance

The Group pays regular contributions to the state budget to finance the state pension insurance using the rates applicable during the period on the basis of gross salaries. Contributions to the state budget to finance the state pension insurance correspond to the defined contribution plan. The Group has no additional costs with this insurance after payment. Expenses related to contributions are recognized in the consolidated statement of comprehensive income in the same period as the payment of wages and salaries to which they relate.

### Severance pay

Severance pay applies to employees whose employment is terminated prematurely for reasons stipulated by law. The Group accounts for a provision for severance pay if it is obliged to terminate the employment of selected employees in accordance with the approved detailed plan without the real possibility of its cancellation. Severance pay due in more than 12 months is discounted to its present value. However, the Group has no severance pay due in more than 12 months after the balance sheet date.

### Bonuses

The Group accounts for the bonuses of selected employees related to the given accounting period in the amount calculated on the basis of the expected fulfilment of the Group's objectives taking into account selected key characteristics, such as fulfilment of the power plant construction plan or obtaining funds for investment activities. The Group recognizes a liability for bonuses when it is contractually obligated to pay it or when current past practice creates a present obligation.

## U. PROVISIONS AND CONTINGENT ASSETS AND LIABILITIES

Provisions are recognized when the Group has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of such obligation can be estimated reliably. If the effect of the time value of money is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. If discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of comprehensive income.

A provision for a warranty is recognized when the underlying products or services are sold. The provision is based on historical information about warranties and a weighting of possible outcomes according to the likelihood of their occurrence.

A provision for asset disposal costs is recognized when the Group has a legal or contractual obligation to dismantle and remove a solar power plant and to restore the site, on which it is located, to its original condition and when a reliable estimate of this liability can be made.

The provisions are estimated for each power plant based on its specific characteristics.

If a liability for asset disposal costs is recognized, the value of the related property, plant and equipment is increased by the corresponding amount and then depreciated as part of their cost. Any change in the present value of the estimated costs is reflected as an adjustment to the provision and the corresponding property, plant and equipment. The Group's management considered all these aspects and did not find any indications that would lead to the decision to create such provision at at 31 December 2021 and 2020.

Contingent liabilities arising from past events and for which it is not probable that an outflow of resources will be required to settle the obligation are not recognized but disclosed with indication of uncertainties relating to amounts and timing involved. Disclosures are not given if the possibility of an outflow in settlement is remote.

Contingent assets arising from past events that will only be confirmed by future uncertain events and are not wholly within the Group's control are not recognized but are disclosed when an inflow of economic benefits is probable.

## V. REVENUES FROM CONTRACTS WITH CUSTOMERS AND REVENUE RECOGNITION

Revenues are income arising from the Group's ordinary activities. The Group reports revenues from the following activities:

- revenues from the sale of solar power plant projects under construction (according to IFRS 15)
- revenues from the sale of electricity (according to IFRS 15)
- revenues from supporting activities – maintenance and technical management of solar power plants (according to IFRS15)

Revenues are recognized at the transaction price. The transaction price is the amount of consideration to which the Group is entitled in exchange for the transfer of control of a promised asset or service to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognized net of discounts, value added taxes, export duties and similar mandatory payments.

The Group follows a five-step model in recognizing and measuring revenue in accordance with IFRS 15.

**a) The Group identifies contracts with the customer that have the following attributes (a contract is defined as an agreement that contains enforceable rights and obligations)**

- both parties have approved the contract and are committed to fulfill it
- rights to goods / services have been determined
- payment terms have been determined
- contracts are of a commercial substance
- considerations are likely to be collected

**b) The Group identifies a performance obligation in the contracts**

A performance obligation is an obligation to transfer any goods / product or service that is included in the contract to the customer.

**c) Determination of the transaction price**

The Group expects the amount of consideration to which it will be entitled in exchange for the transfer of the promised goods / products or services to the customer, excluding amounts collected on behalf of third parties.

**d) The Group allocates the transaction price to the performance obligations**

The Group allocates the transaction price on the basis of the relative standalone selling prices of the individual performance obligations. Standalone selling price means the amount for which the Group would sell the product to a customer separately under similar business conditions. If the component is not sold separately by the Group, it will use an estimate that considers market conditions as well as internal data regarding the customer's position.

**e) Recognition of revenues upon satisfaction of the performance obligation**

The Group recognizes revenue when the performance obligation is satisfied. Revenue is recognized at a point of time when satisfaction of performance obligation supposes transfer of control over the sold asset. In case provision of services or electricity sale revenue is recognized over time.

**Revenues from the sale of solar power plant projects under construction (according to IFRS 15)**

The Group sells solar power plant projects in a different stages depending on the specific customer requirements, where at the given moment of transfer of rights and control to the customer it reports revenues at that point of time with the actually incurred costs. The Group is also bound by the contract to complete the construction and connection of the solar power plant to the grid (revenues reported over time).

The next phase of revenues from the sale of solar power plants stems from the contractual model, where the SOLEK Group is responsible for the remaining scope of the turnkey solar power plant installation, which includes engineering, supply and construction contracts. The contract clearly defines invoicing milestones. These milestones correspond to the stages of completion of the power plant. Revenue is recognized and presented in accordance with the transfer of rights and control of the stage of completion to the customer. Each phase is technically audited by the customer and it is confirmed in writing that it has been completed and is transferred to the customer. In the individual completed phases, the costs / inputs actually incurred are reported together with the revenues.

The EPC (engineering, procurement and construction) provider undertakes to build and supply a power plant with a regular guarantee for the quality of the work handed over. No long-term extraordinary guarantees that could be considered a separate obligation per IFRS 15 are provided. EPC completion phases represent one contractual obligation because they cannot be separated. Fulfillment of the EPC contract is tailored for each particular customer. The sale of solar power plant projects under construction also

includes the sale of the subsidiary to a customer. As the Group's primary activity is the sale of Solar Power Plants, the Group recognizes the sale of the subsidiaries, including the solar power plants, which are the most significant part of the subsidiaries' assets, in accordance with IFRS 15 as revenue from contracts with customers.

#### **Revenues from electricity sales (according to IFRS 15)**

Revenues from the production and sale of electricity from solar energy on the basis of long – term contracts for the purchase of electricity or feed-in tariffs. Revenues are recognized when electricity is supplied to the local electricity network operator. Delivery is considered completed if all risks and rewards of ownership have been transferred to the buyer, as contractually agreed, the fee has been contractually agreed and the collection of the resulting receivable is probable. Revenues from the sale of electricity are reported at the time when the electricity is delivered on the basis of periodic readings of the meters.

#### **Revenues from support activities (according to IFRS 15)**

The Group provides external customers with services for the operation and maintenance of solar power plants. Revenues are based on service contracts with a regular basic fee. These revenues are recognized continuously during the time at which the service is provided.

## **W. FINANCIAL INCOME AND FINANCIAL EXPENSES**

The Group's financial income and expenses include interest income, interest expense, foreign exchange gains and losses and bank charges. Interest income / expense is determined from the outstanding principal using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts / payments over the expected life of the financial asset / liability to its net carrying amount.

## **X. STATE SUBSIDIES**

Support for electricity from renewable sources is based on a combination of two components. On the so-called system of green certificates and the system of mandatory purchase of electricity from renewable energy sources. Producers of electricity from renewable energy sources are entitled to receive the appropriate number of green certificates for electricity supplied to the grid after meeting the set conditions. They can then sell them on a special market for green certificates or directly to their electricity customer. The Group has this collection of green certificates directly to the customer entered in the long-term contract and their sale is presented under Revenues.





## 4. FINANCIAL RISK MANAGEMENT

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The Group's policies and procedures for risk management are defined in order to identify and analyze the risks faced by the Group. Appropriate risk limits are set and controls are designed so that the Group can monitor these risks and comply with the set limits.

Risk management policies and procedures are reviewed on an ongoing basis to reflect changes in the Group's activities and changes in market conditions.

In connection with its business activities, the SOLEK Group is exposed to the following financial risks:

- Currency risk
- Liquidity risk
- Credit risk
- Interest rate risk

### CURRENCY RISK

SOLEK operates in an international environment and is therefore exposed to currency risks arising from foreign currency transactions. The Group faces currency risk from sales, purchases and borrowings denominated in currencies other than the functional currencies of the companies in the Group. Transactions of companies in the Group are denominated mainly in CZK, USD, CLP, RON and EUR. The currency impact also affects the consolidated comprehensive income and the consolidated statement of financial position, when the results of companies in the Group are converted to CZK for reporting purposes. The group does not use currency derivatives but aims to achieve natural hedging where possible.

In the following table, the Group shows the exposure to currency risk and the sensitivity of profit after tax to currency risk. It was calculated based on the assumption of + 5 / -5% deviation of foreign currency exchange rates to which the Group was exposed; 5% change concerns the depreciation of the transaction currency against the functional currency at the balance sheet date and the -5% change concerns the appreciation of the transaction currency against the functional currency.

31 December 2021 in thousand CZK	CLP	EUR	RON	USD	HKD	HUF	GBP	CZK	Total
Cash and cash equivalents	18,948	2,769	1,360	103,273	-	205	-	7,202	133,757
Restricted cash	169,809	-	-	147,360	-	-	-	-	317,169
Trade receivables and contract assets	253,518	780	1,558	285	-	-	-	5,654	261,795
Trade payables	(460,290)	(16,125)	(836)	(146,169)	(362)	-	-	(17,033)	(640,815)
Current financial payables	-	(1,245)	(330)	(334,481)	-	-	(3,947)	(860,150)	(1,200,154)
Non-current financial payables	-	(2,472)	(31,344)	(1,048,884)	-	-	-	(1,854,362)	(2,937,062)
Lease liabilities	(434,727)	(40,367)	-	-	-	-	-	-	(475,094)
Investments shares	-	-	-	-	-	-	-	486,010	486,010
<b>Total</b>	<b>(452,742)</b>	<b>(56,660)</b>	<b>(29,592)</b>	<b>(1,278,616)</b>	<b>(362)</b>	<b>205</b>	<b>(3,947)</b>	<b>(2,232,679)</b>	<b>(4,054,393)</b>
Exchange rate at the closing date	0.026	24.860	5.023	21.951	2.82	0.067	29.585	1.000	
Effect of exchange rate change of + 5%	(22,637)	(2,833)	(1,480)	(63,931)	(18)	10	(197)		
Effect of exchange rate change of - 5%	22,637	2,833	1,480	63,931	18	(-10)	197		

31 December 2020 in thousand CZK	CLP	EUR	RON	USD	CZK	Total
Cash and cash equivalents	1,881	60,796	25,073	66,091	250,403	404,244
Trade receivables	28,721	-	1,727	3,766	527	34,741
Trade payables	(29,647)	(61,861)	(2,857)	(51,616)	1,212	(144,769)
Non-current and current financial payables	(196,464)	(2,375)	(73,752)	(1,029,835)	(1,314,761)	(2,617,187)
Lease liabilities	(144,560)	-	-	-	-	(144,560)
Investment shares	-	-	-	-	437,028	437,028
<b>Total</b>	<b>(340,068)</b>	<b>(3,441)</b>	<b>(49,809)</b>	<b>(1,011,594)</b>	<b>(625,591)</b>	<b>(2,030,503)</b>
Exchange rate at the closing date	0.030	26.245	5.391	21.387	1.000	
Effect of exchange rate change of + 5%	(17,003)	(172)	(2,490)	(50,580)		
Effect of exchange rate change of - 5%	17,003	172	2,490	50,580		

## LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities, which are settled through cash or another financial asset.

The Group's management focuses on the methods used by financial institutions, i.e. on the diversification of financial resources. This diversification gives the Group flexibility and reduces its potential dependence on a single source of funding. Liquidity risk is assessed primarily by monitoring changes in the funding structure and comparing these changes with the Group's liquidity risk management strategy. Part of the strategy is the preparation of a cash flow forecast for the entire Group on a daily basis and monitoring the development and maturity of individual debt instruments. The group continues to keep part of its own assets in highly liquid funds.

The Group's approach to liquidity management is to ensure, whenever possible, sufficient liquidity to meet its obligations under both normal and stress conditions, without incurring unacceptable losses or damaging the Group's reputation.

### Credit agreement with NATIXIS

In 2020, SOLEK Chile Holding II SpA negotiated a loan agreement with NATIXIS, namely with its New York office ("NATIXIS Loan Agreement"). Under this NATIXIS Loan Agreement, entered into on 12 March 2021, SOLEK Chile Holding II SpA will be able to draw a loan of up to USD 85 million (CZK 1,866 million). The loan is provided for a period of 7 years. The purpose of the loan is to finance the development of new projects in Chile, which are set off for this purpose in the Group or SOLEK Chile Holding II SpA portfolio. Funds from the provided loan should finance up to 75% of the value of individual projects. The remaining 25% of the value of these projects should be financed with the Group's own resources and resources obtained through long-term investments provided by the independent fund MW Investiční fond SICAV, a.s. whose goal is the permanent appreciation of the funds invested by investors into the fund. By 31 December 2021 the Group received 2 loan disbursements in total amount of USD 49 million (CZK 1,083 million) under this Loan Agreement.

In connection with the Natixis Loan Agreement, SOLEK Holding II SpA entered into a USD 10 million (CZK 220 million) revolving facility agreement with Banco BICE to fund the VAT on the payments made to suppliers in relation to the construction of the photovoltaic powerplants (the "BICE VAT Facility Agreement"). The availability of the BICE VAT Facility Agreement expires on March 12, 2024, when the construction of all photovoltaic powerplants funded with the proceeds from the Natixis Loan Agreement is expected to be completed. As at 31 December 2021 under this agreement the Group has drawn equivalent of CZK 23 million.

### Credit Agreement with Corporación Interamericana para el Financiamiento de Infraestructura, S.A. ("CIFI")

On November 5, 2021, SOLEK Chile Holding III SpA entered into a USD 15 million (CZK 329 million) credit facility loan agreement with CIFI (the "CIFI Loan Agreement") to finance the construction of a portfolio of photovoltaic power plant projects with total installed capacity of approximately 17 MW. Under the terms of the CIFI Loan Agreement, CIFI will provide a senior Loan of up to USD 13 million (CZK 285 million) and a subordinated loan of up to USD 2 million (CZK 44 million), both maturing in 2038. The proceeds from the loans will be used to finance up to 80% of the individual project costs. The first disbursement of USD 3 million (CZK 66 million) under the CIFI Loan Agreement occurred in December 2021.

In connection with the CIFI Loan Agreement, SOLEK HOLDING III SpA entered into a USD 3 million revolving facility agreement with Scotiabank Chile to fund the VAT on the payments made to suppliers in relation to the construction of the photovoltaic powerplants (the "Scotiabank VAT Facility Agreement"). The availability of the Scotiabank VAT Facility Agreement expires on December 31, 2024, when the construction of all photovoltaic powerplants funded with the proceeds from the CIFI Loan Agreement is expected to be completed. As at 31 December 2021 the Group has not drawn any funds under this agreement.

#### Trade financing arrangement

On 14 January 2021, the Group entered into trade financing arrangement with an unrelated legal entity in the form of the tripartite sale of goods agreement with a maximum financing limit of USD 25 million (CZK 549 million). The arrangement constitutes a series of revolving loans with 90 days payment period and fixed interest rate of 9% p.a. As at 31 December 2021 the Group had drawn CZK 284 million under this financing arrangement.

See also v. Subsequent events.

The table below shows the contractual undiscounted cash flows, which are divided into appropriate maturity groups recognized at the balance sheet date.

31 December 2021 in thousand CZK	Undiscounted cash flows				
	Book value	Within 1 year	1-5 years	Over 5 years	Total
<b>Assets</b>					
Cash and cash equivalents	133,757	133,757	-	-	133,757
Restricted cash	317,169	139,440	177,729	-	317,169
Trade receivables	42,383	42,383	-	-	42,383
Investment shares	486,010	247,000	239,010	-	486,010
<b>Total</b>	<b>979,319</b>	<b>562,580</b>	<b>416,739</b>	<b>-</b>	<b>979,319</b>
<b>Liabilities</b>					
Bonds	803,066	414,486	426,954	59,625	901,065
Loans from individuals	623,232	517,912	130,843	6,915	655,670
Loans and credits	2,710,917	484,936	946,279	3,614,822	5,046,037
Lease payables	475,094	40,000	196,071	869,494	1,105,565
Trade payables	640,815	640,815	-	-	640,815
<b>Total</b>	<b>5,253,124</b>	<b>2,098,149</b>	<b>1,700,147</b>	<b>4,550,856</b>	<b>8,349,152</b>
<b>Net assets</b>	<b>(4,273,805)</b>	<b>(1,535,569)</b>	<b>(1,283,408)</b>	<b>(4,550,856)</b>	<b>(7,369,833)</b>
<b>Committed credit lines not yet drawn by the Group*</b>	<b>1,582,750</b>	<b>1,582,750</b>	<b>-</b>	<b>-</b>	<b>1,582,750</b>

\*Includes funds committed by creditors according to Natixis and CIFI credit agreements, related VAT facility agreements and Trade financing agreement.

31 December 2020 in thousand CZK	Undiscounted cash flows				
	Book value	Within 1 year	1-5 years	Over 5 years	Total
<b>Assets</b>					
Cash and cash equivalents	387,245	387,245	-	-	387,245
Restricted cash	16,999	-	-	16,999	16,999
Trade receivables	34,741	34,741	-	-	34,741
Other financial assets	437,028	437,028	-	-	437,028
Assets held for sale	62,727	62,727	-	-	62,727
<b>Total</b>	<b>938,740</b>	<b>921,741</b>	<b>-</b>	<b>16,999</b>	<b>938,740</b>
<b>Liabilities</b>					
Bonds	439,555	55,100	405,613	70,897	531,610
Loans from individuals	893,753	745,529	184,597	7,058	937,184
Loans and credits	1,283,879	17,454	444,030	2,866,620	3,328,104
Lease payables	144,560	1,295	63,647	79,618	144,560
Trade payables	144,769	144,769	-	-	144,769
Payables related to the disposal group of assets held for sale	6,188	6,188	-	-	6,188
<b>Total</b>	<b>2,912,704</b>	<b>970,335</b>	<b>1,097,887</b>	<b>3,024,193</b>	<b>5,092,415</b>
<b>Net assets</b>	<b>(1,973,964)</b>	<b>(48,594)</b>	<b>(1,097,887)</b>	<b>(3,007,194)</b>	<b>(4,153,675)</b>

Loans and credit positions include interest from loans and credits, which according to individual contracts should accrue for the duration without the assumption of earlier repayment. Revenues based on MW fully cover the difference with liabilities and selected assets. For more information regarding the Group's financial liabilities, refer to chapter p. Financial liabilities.

Beside for above stated financial assets, the Group expects to receive significant proceeds from sale of solar power plants projects according to signed master agreements with BlackRock (up to 200 MWh committed portfolio for sale) and Nala (up to 150 MWh committed portfolio for sale) in next 2 years. Group's proceeds per MWh are expected in the range of USD 1 – 1.2 million (CZK 22 – 26 million). See also Chapter V. Events after the date of the consolidated financial statements for details of projects realized in 2022.

## CREDIT RISK

The credit risk to which the SOLEK Group is exposed relates to the non-fulfillment of contractual obligations by the counterparty. The risk arises from accounts receivable, cash and cash equivalents. Due to the nature of Group's business accounts receivable balance is low, so it doesn't raise material credit risk (refer also to note k. Trade accounts receivable). As for cash and cash equivalents, they are placed with financial institutions with assessed credit risk (see m. Cash and cash equivalents for more details).

Based on the internal methodology, the Group determines the maximum credit exposure and the expected potential loss. Based on the maximum credit exposure a credit limit and an expected potential loss is assessed.

## INTEREST RATE RISK

The Group is exposed to interest rate risk arising from a floating interest rate on loans from Natixis and CIFI.

Breakdown of loans to fixed and variable interest rate:

in thousand CZK	2021	2020
Fixed rate loans	1,662,267	1,283,879
Variable rate loans	1,048,650	0
<b>Total</b>	<b>2,710,917</b>	<b>1,283,879</b>

See also q). Financial liabilities for details of other borrowings

Interest rate swap is used to hedge against movement of interest rates in Natixis loan. Concluding the swap contract was one of conditions required by Natixis defined in the Loan contract. The change in fair value of this swap is recognized via equity of the Group and the result is shown in hedging reserve of the Group's equity.

The value of the CIFI loan as at 31 December 2021 is CZK 59 million (1.8% of the total debt). Other short-term and long-term financial liabilities are agreed at a fixed interest rate. Revenue and operating cash the Group's flows are largely independent of changes in market interest rates. As such, the Group perceives the risk of interest rate movements as low.

The Group's management regularly monitors and responds to the above risks so that the method of their management is appropriate to the nature of the risk. The aim is to minimize the potential impact of the risks on the Group's operations.

Due to the total amount of variable interest rate loans, with an increase in the borrowing rate by 1%, there is a risk of an increase in the Group's annual interest expenses by CZK 11,533 thousand.

## 5. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value and carrying value of financial assets and liabilities presented in the statement of financial position are presented as follows:

31 December 2021 in thousand CZK	Financial assets at carrying value	Financial assets at fair value through profit and loss	Financial liabilities at carrying value	Total of carrying value	Fair value
Cash and cash equivalents	133,757	-	-	133,757	133,757
Restricted cash	317,169	-	-	317,169	317,169
Trade receivables	42,383	-	-	42,383	42,383
Investment shares	-	486,010	-	426,668	486,010
<b>Total financial assets</b>	<b>493,309</b>	<b>486,010</b>	<b>-</b>	<b>919,977</b>	<b>979,319</b>
Bonds	-	-	(803,066)	(803,066)	(803,066)
Loans and credits	-	-	(2,710,917)	(2,710,917)	(2,710,917)
Loans	-	-	(623,232)	(623,232)	(623,232)
Lease liabilities	-	-	(475,094)	(475,094)	(475,094)
Current tax liabilities	-	-	(62,165)	(62,165)	(62,165)
Trade payables	-	-	(640,815)	(640,815)	(640,815)
Other financial liabilities	-	-	(54,916)	(54,916)	(54,916)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(5,370,205)</b>	<b>(5,370,205)</b>	<b>(5,370,205)</b>

31 December 2020 in thousand CZK	Financial assets at carrying value	Financial assets at fair value through profit and loss	Financial liabilities at carrying value	Total of carrying value	Fair value
Cash and cash equivalents	404,244	-	-	404,244	404,244
Trade receivables	34,741	-	-	34,741	34,741
Investment shares	-	437,028	-	429,800	437,028
<b>Total financial assets</b>	<b>438,985</b>	<b>437,028</b>	<b>-</b>	<b>868,785</b>	<b>876,013</b>
Bonds	-	-	(439,555)	(439,555)	(439,555)
Loans and credits	-	-	(1,283,879)	(1,283,879)	(1,283,879)
Loans	-	-	(893,753)	(893,753)	(893,753)
Lease liabilities	-	-	(144,560)	(144,560)	(144,560)
Current tax liabilities	-	-	(73,582)	(73,582)	(73,582)
Trade payables	-	-	(144,769)	(144,769)	(144,769)
Other financial liabilities	-	-	(21,120)	(21,120)	(21,120)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(3,001,218)</b>	<b>(3,001,218)</b>	<b>(3,001,218)</b>

The Group has invested its free funds into investment shares, which it measures at fair value with an impact on its consolidated profit or loss. The value of an investment share is determined by the investment fund manager of MW Investiční fond SICAV, once a quarter, always for the quarter ahead based on the values as of the last working day of the previous quarter depending on the development of the fund's value. This price is announced publicly no later than on the 20th calendar day of the given quarter.



## 6. CAPITAL MANAGEMENT

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The main goal of the SOLEK Group is to maintain a healthy balance between equity and liabilities, which will support the SOLEK Group's business and maximize value for shareholders. The SOLEK Group monitors its capital structure and makes changes with respect to changes in the business environment. The Group maintains an optimal capital structure, especially with regard to the future value of projects under construction.

Total debt includes long-term debts, including the part due within one year and non-current loans.

## 7. DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### A) REVENUE

The Group recognizes revenue over a period of time or at point of time, depending on when the contractual obligations are met.

in thousand CZK	2021	2020
Revenues reported at a point of time	704,616	540,607
Revenues reported over time	207,152	107,635
<b>Total revenues</b>	<b>911,768</b>	<b>648,242</b>

Revenues reported at a point of time include sales of solar power plants that are already completed to the state agreed with the respective customer and control over which was transferred to external customers in 2021.

Revenues reported over time include revenues from services provided under EPC contracts subsequent to sale of solar power plants to the external customer (revenues are recognized based on the stage of completion of the specific contractual obligation – milestone), as well as revenues from services for the operation and maintenance of solar power plants provided to external customers and revenues from the sale of electricity for the accounting period.

Revenue by geographical origin:

in thousand CZK	2021	2020
Czech Republic	703	894
Chile	850,135	609,280
Romania	60,930	38,068
<b>Total</b>	<b>911,768</b>	<b>648,242</b>

Total revenue in Czech Republic consist of sale of services.

Revenues in Chile include sales of electricity in the amount of CZK 31,964 thousand in 2021 (2020: CZK 1,502 thousand) and sales of solar power plants and EPC performance in the amount of CZK 818,171 thousand (2020: CZK 602,872 thousand). Other sales of electricity in the amount of CZK 60,930 thousand (CZK 38,962 thousand in 2020) are provided in Romania and the Czech Republic.

In 2021 and 2020, total revenue in Romania were generated from electricity sales.

Revenue overview by type:

in thousand CZK	2021	2020
Revenues from sold power plants projects and related EPC contracts	818,171	602,872
Revenues from electricity sales	92,894	40,464
Revenues from sales of services	703	4,906
<b>Total</b>	<b>911,768</b>	<b>648,242</b>

The Group sells electricity in Chile under the stabilized price scheme, which is available for power plants projects with capacity below 9 MW. In Chile, such projects are called PMGDs or PMGs ("Pequeño Medio de Generación Distribuida" and "Pequeño Medio de Generación"). According to respective regulations the stabilized price for electricity generated by such power plants is equal to the average value of the Power Purchase Agreements (mostly concluded by big market players) on the market, adjusted in a small percentage depending on the projections of the spot market prices for the next 4 years. The Group obtains regulator's approval that the power plant will be eligible for operation under the PMGD regime before the construction of the power plant.

## B) SALE OF POWER PLANTS PREVIOUSLY OPERATED BY THE GROUP

The Group's core business is construction of solar power plants either for sale or own operation. Notwithstanding the initial purpose of the constructed power plant, the process of its construction is exactly the same with the single difference being whether the special purpose vehicle (SPV) of the project is transferred to the customer or is kept within the Group.

In case the Group gets suitable offer, it may decide to sale SPV which was already in operation under Group's management. In such case a sale transaction is performed in a similar way as for projects initially intended for sale – SPV is transferred to the customer for the agreed consideration.

In 2021 the following two transactions took place:

- In February 2021 the Group sold one solar power plant project in Chile (SPV name: Fotovoltaica Laurel Spa), which was operated by the Group since December 2020. As at 31 December 2020 respective assets and liabilities were classified as assets held for sale.
- In December 2021 the Group sold four solar power plant project in Romania (SPV names: SOLEK Project Alpha SRL, SOLEK Project Beta SA, SOLEK Project Tau SA, SOLEK Project Txi SA), which were operated by the Group for few years by the time of sale. These projects were not classified as assets held of sale as at 31 December 2021 as the negotiation and closing of transaction took place within 4th quarter of 2021.

The below table summarizes proceeds and costs of the above transactions:

in thousand CZK	Romanian SPVs	Chilean SPV	Total
Proceeds from sale of power plants previously operated by the Group	168,940	60,345	229,285
Net book value of sold solar power plants previously operated by the Group:			
Solar power plant carrying amount	(79,459)**	(50,920)	(130,379)
Other assets and liabilities accounted at sold SPVs, net	(2,293)	(5,619)	(7,912)
Total cost	(81,752)	(56,539)*	(138,291)
<b>Gain from sale</b>	<b>87,188</b>	<b>3,806</b>	<b>90,994</b>

\*classified as assets held for sale as at 31 December 2020. See o. Disposal group of assets held for sale.

\*\*see f. Property, plant and equipment.

## C) OPERATING EXPENSES

Overview of operating expenses

in thousand CZK	2021	2020
Costs of selling solar power plant projects	(652,293)	(279,907)
Raw materials and services		
Raw materials	(8,424)	(13,143)
Services:		
External suppliers of specialized work	(43,999)	(45,544)
Commission	(5,955)	(24,228)
Tax and audit accounting services	(9,600)	(11,362)
Legal services	(10,370)	(11,462)
Consulting and recruitment services	(4,064)	(8,935)
Rental and related services	(4,937)	(3,197)
Travel	(5,059)	(2,341)
Audit	(2,212)	(4,000)
Other	(1,615)	(19,916)
Total services	(87,811)	(130,985)
Other operating expenses	(35,780)	(25,378)
<b>Total expenses</b>	<b>(784,308)</b>	<b>(449,413)</b>

Costs of selling solar power plant projects mainly consists of solar power plants components with addition of capitalized directly attributable operating expense (e.g. logistic costs, staff costs) and interest expense (see d. Financial income and expense).

Personnel expenses

in thousand CZK	2021	2020
Wages	(76,919)	(78,565)
Health and social insurance	(11,063)	(13,046)
<b>Total</b>	<b>(87,982)</b>	<b>(91,611)</b>

As at 31 December 2021, the Group had 226 employees. 4 were employed in Romania, 156 employees were employed in Chile, 1 employee in Hungary, 2 employee in Cyprus, 1 employee in Greece and the remaining 62 employees were employed in the Czech Republic.

As at 31 December 2020, the Group had 148 employees. 6 were employed in Romania, 98 employees were employed in Chile, 1 employee in Luxembourg and the remaining 43 employees were employed in the Czech Republic.

Personnel costs of the members of the Board of Directors and management of the Group, including social security and health insurance and remuneration for the performance of the function of members of the Supervisory Board are disclosed in Note u. Related party transactions.

Other operating expenses in the amount of CZK 35,780 thousand (2020: CZK 25,378 thousand) include mainly payments for insurance and in 2020 also litigation expense.

## D) FINANCIAL INCOME AND EXPENSE

Financial income and expense for the years ended 31 December 2021 and 2020 include:

in thousand CZK	2021	2020
Interest income	286	331
Net foreign exchange gain	12,698	26,037
Other financial income	57,997	8,115
<b>Total financial income</b>	<b>70,981</b>	<b>34,483</b>

in thousand CZK	2021	2020
Interest expense	(125,574)	(90,007)
Other financial expense	(48,040)	(4,682)
<b>Total financial expense</b>	<b>(173,614)</b>	<b>(94,689)</b>

Financial expenses include interest expenses from loans, bank account fees and net exchange rate losses. Interest expenses are recorded using the effective interest method. Interest expense incurred by the Group in connection with the construction of power plants are capitalized in the cost of the related asset until the date of its completion. Foreign currency gains and losses are recognized on a net basis and recognized in the Consolidated statement of comprehensive income.

Other financial expense mainly include fees payable to loan providers which can't be included to the effective interest rate calculation (e.g. annual fees).

As at 31 December 2021, the Group capitalized borrowing costs arising from financing of the construction of solar power plants in the total amount of CZK 219,148 thousand (2020: CZK 49,445). Borrowing costs in the amount of CZK 82,619 thousand (2020: CZK 26,645) were capitalized for solar projects intended for sale, i.e. to inventories. Borrowing costs in the amount of CZK 137,529 thousand (2020: CZK 21,792) were capitalized for solar projects with the future intention to own them (fixed assets). In 2020 borrowing costs of CZK 1,008 thousand were capitalized to an asset held for sale. The Group capitalized borrowing costs from loans that were directly intended to finance the construction of individual solar power plants.

## E) INCOME TAX

in thousand CZK	2021	2020
Total tax income (+) / expense (-) includes:		
Current tax	(67,737)	(73,021)
Deferred tax	198,099	87,587
<b>Total income tax</b>	<b>130,362</b>	<b>14,566</b>

The Group's income tax differs from the theoretical amount that would arise using the applicable tax rate profit of the Group, as follows:

Effective tax – calculation:

in thousand CZK	2021	2020
Net profit before tax	19,900	26,940
Theoretical tax calculated using the corporate income tax rate	19%	19%
Income tax calculated by the weighted average statutory rate	(3,781)	(5,119)
Impact on tax from:		
Impact of different tax rates	107,048	(10,070)
Correction of previously unrecognized deferred tax	28,031	5,638
Non-deductible expenses (representation, employee benefits and other expenses)	(4,503)	(7,162)
Non-deductible income	9,028	34,450
Unused tax losses previously included in deferred tax	-	(2,973)
Other differences	(5,461)	(198)
<b>Total income tax</b>	<b>130,362</b>	<b>14,566</b>

Significant impact of different tax rates in 2021 is caused mainly by large tax losses of Group's Chilean subsidiaries with income tax rate of 27%.

As at 31 December 2021, the total amount of the liability for current tax was CZK 62,165 thousand (2020: CZK 73,582 thousand), the deferred tax assets amounted to CZK 304,121 thousand. CZK (2021: CZK 106,880 thousand).

Accumulated losses

in thousand CZK	without expiration
Chile	1,073,379

As at 31 December 2021, the Group has the above-mentioned taxable losses from previous periods.

Which with regard to the expected development of the Group are expected to be fully utilized in future periods.

For more please refer to r) Deferred income tax

According to the applicable tax legislation, the economic results of companies in Romania do not reach the limits which would make the profits subject to taxation.

## F) PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2021

in thousand CZK	Solar power plants	Machines and other equipment	Solar power plants under construction	Total
<b>Cost as at 1 January 2021</b>	<b>249,596</b>	<b>28,467</b>	<b>529,239</b>	<b>807,302</b>
Additions	-	12,030	1,054,247	1,066,277
Disposals	(243,945)	-	-	(243,945)
Put into operations	421,873	-	(421,873)	-
Exchange rate differences	673	894	10,328	11,895
<b>Cost as at 31 December 2021</b>	<b>428,197</b>	<b>41,391</b>	<b>1,171,941</b>	<b>1,641,529</b>
Accumulated depreciation as at 1 January 2021	(137,892)	(7,198)	-	(145,090)
Depreciation for the year	(22,983)	(7,081)	-	(30,064)
Disposals	152,926	-	-	152,926
Exchange rate differences	-	-	-	-
<b>Accumulated as at 31 December 2021</b>	<b>(7,949)</b>	<b>(14,279)</b>	<b>-</b>	<b>(22,228)</b>
<b>Carrying amount as at 31 December 2021</b>	<b>420,248</b>	<b>27,112</b>	<b>1,171,941</b>	<b>1,619,301</b>

As at 31 December 2020

in thousand CZK	Solar power plants	Machines and other equipment	Solar power plants under construction	Total
<b>Cost as at 1 January 2020</b>	<b>255,437</b>	<b>25,020</b>	-	<b>280,457</b>
Change of the Group as at 1 January 2020	5,181	-	-	5,181
New balance as at 1 January 2020	260,618	25,020	-	285,638
Additions	531	4,560	529,239	534,330
Disposals	-	(1,891)	-	(1,891)
Exchange rate differences	(11,553)	778	-	(10,775)
<b>Cost as at 31 December 2020</b>	<b>249,596</b>	<b>28,467</b>	<b>529,239</b>	<b>807,302</b>
Accumulated depreciation as at 1 January 2020	(129,947)	(3,043)	-	(132,990)
Change of the Group as at 1 January 2020	(2,424)	-	-	(2,424)
New balance as at 1 January 2020	(132,371)	(3,043)	-	(135,414)
Depreciation for the year	(19,387)	(3,973)	-	(23,360)
Exchange rate differences	13,866	(182)	-	13,684
<b>Accumulated depreciation as at 31 December 2020</b>	<b>(137,892)</b>	<b>(7,198)</b>	-	<b>(145,090)</b>
<b>Carrying amount as at 31 December 2020</b>	<b>111,704</b>	<b>21,269</b>	<b>529,239</b>	<b>662,212</b>

As at 31 December 2021, the Group recorded increases in solar power plants under construction in the amount of CZK 1,054,247 thousand (2020: CZK 529,239 thousand), which the Group plans to keep in its ownership and operate according to the approved plan. These are capitalized deliveries of materials, services and other directly or indirectly related costs associated with the construction of solar power plants. Costs related to solar power plants under construction which are intended for sale are initially capitalized to inventory (refer to j) Inventories).

The amount of capitalized borrowing costs into the value of fixed assets is stated in note d) Financial income and costs.

In 2021 the Group negotiated sale of its four Romanian operating solar power plants projects and the transaction was closed in December 2021.

During autumn 2021 the Group completed construction of three solar power plants in Chile with total generation capacity of 20.82 MW and put them into operation.

As at 31 December 2021 and 31 December 2020, the solar panels and inverters in the subsidiary SOLEK I s.r.o. were pledged in the total book value of CZK 2,943 thousand in favor of Sberbank CZ, a.s. against the drawn bank loan. In addition, 9 solar power plants projects with NBV of CZK 1,275,309 thousand were pledged under Natixis loan agreement and 2 solar power plants projects with NBV of CZK 56,316 thousand were pledged under CIFI loan agreement (see q) Financial liabilities).

## G) GOODWILL

### Acquisition of ENERGY HOLDING S.A

On 26 June 2019, the Company purchased a 100% interest in ENERGY HOLDING S.A. for CZK 897,482 thousand. The purchase price was determined based on the valuation of an independent appraiser. The value of net assets at the date of acquisition was CZK 57,254 thousand, the resulting goodwill in the amount of CZK 840,228 thousand was disclosed.

The resulting liability to the shareholder arising from the transaction was partially offset (in the amount of CZK 500,000 thousand) against the receivable from a surcharge outside the share capital of the

Company and other receivables of the shareholder. As at 31 December 2019, the amount remained outstanding at CZK 366,309 and disclosed as a liability to shareholders. This liability was repaid as of 31 December 2020.

As at 31 December 2021, the Group tested goodwill for impairment by calculating the present value of future cash flows based on the Group's plans. These calculations use cash-based cash flow projection budgets approved by management covering a two-year period with an approved 500MW projects portfolio of power construction plan and subsequent 20 years period of electricity sales by constructed power plants. A pre-tax discount rate of 7% was used in the calculations.

If the planned cash flows were reduced by 1%, the net present value of the company would decrease by approximately CZK 66 million. The goodwill would require an impairment with a reduction in the future expected cash flows by more than 22%.

With an 1% increase in the discount rate used to calculate the present value of future cash flows, the calculated current value will decrease by CZK 330 million. In practice, this means that with an unchanged production plan, an increase in discount rate of up to 5 percentage points is possible without affecting the amount of goodwill.

## H) RIGHTS TO USE ASSETS AND LEASE LIABILITIES

The Group leases mainly land in Chile, on which it builds solar power plants and office space in administrative buildings.

Leases for land are usually concluded for a period of 20 to 30 years. Contracts may contain the option to extend the lease term and the lease payments are usually adjusted based on the development of the consumer price index.

Leasing contracts are negotiated individually and contain a wide range of different contractual conditions. Rented property may not be the subject of collateral for the purpose of drawing loans. For selected leases the SOLEK Group is limited in concluding sublease agreements.

The Group reviews leasing contracts once a year.

Rentals arising from lease contracts to which an exemption has been applied are recorded in the consolidated statement with the total result in the amount of CZK 4,329 thousand as at 31 December 2021 (CZK 3,197 thousand as at 31 December 2020).

### Right-of-use assets

As at 31 December 2021

in thousand CZK	Land	Office premises	Total
Balance as at 1 January 2021	129,333	-	129,333
Additions	398,917	43,645	442,562
Amortization for the year	(11,760)	(2,425)	(14,185)
Impact of change in index	(48,801)	-	(48,801)
Impact of exchange rate changes	18,546	-	18,546
Disposals	(61,112)	-	(61,112)
<b>Net book value as at 31 December 2021</b>	<b>425,123</b>	<b>41,220</b>	<b>466,343</b>

As at 31 December 2020

in thousand CZK	Land
Balance as at 1 January 2020	-
Change of the Group as at 1 January 2020	20,049
Corrected balance 1 January 2020	20,049
Additions	113,585
Allowance for changes in the Group as at 1 January 2020	(347)
Amortization for the year	(3,926)
Impact of exchange rate changes	(28)
<b>Net book value as at 31 December 2020</b>	<b>129,333</b>

#### Lease liabilities

As at 31 December 2021

in thousand CZK	Land	Office premises	Total
Balance as at 1 January 2021	144,560	-	144,560
Repayment of lease liabilities	(39,557)	(2,799)	(42,356)
<b>Total cash flows</b>	<b>(39,557)</b>	<b>(2,799)</b>	<b>(42,356)</b>
Additions	398,917	43,644	442,561
Impact of change in index	(48,801)	-	(48,801)
Interest expenses from lease liabilities	32,165	803	32,968
Impact of exchange rate changes	9,756	(1,281)	8,475
Disposals	(62,313)	-	(62,313)
<b>Total non-cash flows</b>	<b>329,724</b>	<b>43,166</b>	<b>372,890</b>
<b>As at 31 December 2021</b>	<b>434,727</b>	<b>40,367</b>	<b>475,094</b>

As at 31 December 2020

in thousand CZK	Land
Balance as at 1 January 2020	-
Change of the Group as at 1 January 2020	21,289
Corrected balance 1 January 2020	21,289
Repayment of lease liabilities	(3,355)
Total cash flows	(3,355)
Change of liabilities due to additions / disposals of assets from usage rights	114,641
Interest expenses from lease liabilities	11,985
Total non-cash flows	126,626
<b>As at 31 December 2020</b>	<b>144,560</b>

## I) OTHER NON-CURRENT ASSETS

Other non-current assets include mainly deferred expense, which will be released to PL in periods after 31 December 2022.

## J) INVENTORIES

Overview of Group's inventories

in thousand CZK	31 December 2021	31 December 2020
Solar power plants		
Solar power plant projects under construction	787,835	274,167
Other inventories		
Spare parts and material	-	1,034
Finished products	-	292
<b>Total</b>	<b>787,835</b>	<b>275,493</b>

The Solar power plant projects under construction includes solar power plants under construction which, according to the Group's strategy, are intended for sale to a future customer. The customer is already known before the construction of the power plant starts. During the construction of solar power plants, the Group does not store the purchased material, but after customs clearance it transports it directly to the construction site and builds from it.

The Group does not have excess and slow turnover inventories. As at 31 December 2021 and 31 December 2020, the Group did not create provisions for inventories. The amount of borrowing costs capitalized into the value of inventories is stated in note d) Financial income and costs. As at 31 December 2021 the inventories in the amount of CZK 787,835 thousand are measured at net realizable value (as at 31 December 2020: CZK 275,493 thousand).

## K) TRADE RECEIVABLES AND CONTRACT ASSETS

in thousand CZK	31 December 2021	31 December 2020
Contract assets	219,412	-
Trade receivables	42,383	34,944
Provision for impairment of trade receivables	-	(203)
<b>Total receivables</b>	<b>261,795</b>	<b>34,741</b>

As at 31 December 2021 contract assets were recognized in respect of satisfied performance obligations according to contracts with customers. Outstanding amount mainly relates to 4 solar power plants projects in BlackRock and Nala Renewables portfolios. Settlement for these projects took place in the beginning of 2022.

Invoiced (trade) receivables represent amounts owed by customers for sold solar power plants or services provided in the ordinary course of business. They are usually due within 30 days and are therefore all classified as current. Trade receivables are initially recorded in the amount of consideration that is unconditional. The Group holds trade receivables in order to collect contractual cash flows.

In connection with the activities conducted by the Group and the business relations resulting therefrom, the Group does not bear any significant credit risk related to its customers.

The Group applies the simplified approach of IFRS 9 to the measurement of expected credit losses, which uses the provision for expected losses for all trade receivables and contract assets during their

lifetime. In order to measure expected credit losses, receivables were grouped based on a common credit risk and days past due characteristics.

The amount of the allowance is determined according to the age structure of receivables. The percentage of making allowance for each age category is derived based on historical data. Historical information is based primarily on the actual development of debt repayments in the past. The provision rate reflects the expected percentage of receivables that will not be paid in a given age category. The Company quantifies allowances for receivables in the amount corresponding to expected credit losses for the entire duration of the financial asset.

No allowance was created for contract assets as they were settled shortly after 2021 year end.

The following table shows the analysis of the allowance for impairment of trade receivables.

As at 31 December 2021

in thousand CZK	Expect- ed loss	Nominal value of trade re- ceivables	Provision				Corrected net book value
			Opening balance	Additions	Disposals	Closing balance	
Current	0%	21,975	-	-	-	-	21,975
Up to 30 days past due	0%	17,178	-	-	-	-	17,178
31-90 days past due	0%	379	-	-	-	-	379
91-180 days past due	0%	2,605	-	-	-	-	2,605
181-360 days past due	75%	67	(157)	-	157	-	67
361 and more days past due	100%	180	(46)	-	46	-	180
<b>Total</b>		<b>42,383</b>	<b>(203)</b>	<b>-</b>	<b>203</b>	<b>-</b>	<b>42,383</b>

As at 31 December 2020

in thousand CZK	Expect- ed loss	Nominal value of trade re- ceivables	Provision				Corrected net book value
			Opening balance	Additions	Disposals	Closing balance	
Current	0%	6,883	-	-	-	-	6,883
Up to 30 days past due	0%	13,835	-	-	-	-	13,835
31-90 days past due	0%	13,603	-	-	-	-	13,603
91-180 days past due	0%	367	-	-	-	-	367
181-360 days past due	75%	210	-	(157)	-	(157)	53
361 and more days past due	100%	46	(539)	-	493	(46)	-
<b>Total</b>		<b>34,944</b>	<b>(539)</b>	<b>(157)</b>	<b>493</b>	<b>(203)</b>	<b>34,741</b>

## L) INVESTMENT SHARES

In 2020 and 2021 the Group has invested its free funds into investment shares, which it measures at fair value with an impact on its consolidated profit or loss. The Group classifies investment shares short term or long term based on the their expected settlement date.

The value of an investment share is determined by the investment fund manager of MW Investiční fond SICAV, once a quarter, always for the quarter ahead based on the values as of the last working day of the previous quarter depending on the development of the fund's value. This price is announced publicly no later than on the 20th calendar day of the given quarter.

The table below summarizes movements in Investment shares balance during 2020 and 2021.

State	Numbers of shares	Fair value, CZK thousand	Purchase price in CZK thousand
<b>as at 1 January 2020</b>	-	-	-
Purchase	469,340	486,800	486,800
Valuation	-	7,228	-
Redemption	(54,151)	(57,000)	(56,165)
<b>as at 31 December 2020</b>	<b>415,189</b>	<b>437,028</b>	<b>430,634</b>
Purchase	173,375	211,240	211,240
Valuation	-	59,343	-
Redemption	(189,671)	(221,601)	(196,727)
<b>as at 31 December 2021</b>	<b>398,892</b>	<b>486,010</b>	<b>445,147</b>

## M) CASH AND CASH EQUIVALENTS

in CZK thousand	2021	2020
Cash in hand and at banks	133,757	387,245
Restricted cash	317,169	16,999
<b>Total cash and cash equivalents</b>	<b>450,926</b>	<b>404,244</b>

The amounts of restricted cash are a result of bank loan agreements. Failure to comply with these agreements may have negative consequences for the Group, including an increase in expenses connected to the loans. As at 31 December 2021 restricted cash balances relate mostly to funds provided under Natixis and CIFI credit agreements, which will be released upon the related projects reach agreed stage of completion. Classification of restricted cash balance to current and non-current is based on expected release date of these funds.

As at 31 December 2021 and 31 December 2020, the Group complied with the limited availability amounts resulting from the loan agreements.

The structure of deposits at individual banks in terms of their rating is as follows:

Moody's LT Depos	Standard & Poor's LT Credit	31 December 2021	31 December 2020
Baal	A+	204,078	-
a3	A	182,217	-
Baal	BBB	-	299,509
N/A	A	47,748	-
N/A	BBB+	10,727	76,867
Baa2	N/A	4,044	-
B2	N/A	-	506
N/A	BBB- (as per Fitch)	-	167
Other unrated financial institutions		2,112	27,195
<b>Total</b>		<b>450,926</b>	<b>404,244</b>

The structure of deposits at individual banks:

Bank	Cash	Restricted cash	Total
CITIBANK	34,269	169,809	204,078
Union Bank	45,687	136,531	182,218
Other banks	53,801	10,829	64,630
<b>Total</b>	<b>133,757</b>	<b>317,169</b>	<b>450,926</b>

Expected credit losses on cash and cash equivalents were negligible

## N) OTHER CURRENT ASSETS

in thousand CZK	31 December 2021	31 December 2020
Tax receivables	170,038	104,977
Advances paid	30,669	99,854
Prepayments and accrued income	274,066	811
Other current assets	52,276	22,613
<b>Total</b>	<b>527,049</b>	<b>228,255</b>

Other current assets consist of mainly VAT and other tax receivables, which were not settled at the end of the year.

## O) DISPOSAL GROUP OF ASSETS HELD FOR SALE

In December 2020 the Group has made a commitment to sell one of its solar power plants, which it previously put into use. The power plant already produces electricity and met all the requirements for being recognized as an asset held for sale. The Group has classified all its assets and liabilities as assets and liabilities held for sale. The sale took place in February 2021 (see b. Sale of power plants previously operated by the Group).

The relevant value of assets and liabilities were recorded at the carrying amount because the Group has verified that the carrying amount of the solar power plant is lower compared to the selling price less costs to sell. Due to this, no impairment was recorded when this reclassification of assets and liabilities to assets held for sale was made.

At the end of the 2020 reporting period, the main classes of assets and liabilities in the disposal group classified as held for sale were as follows:

in thousand CZK	as at 31 December 2020
Tangible fixed assets	50,920
Intangible fixed assets	3,222
Other fixed assets	73
Cash and cash equivalents	392
Trade receivables	1,330
Other non-current assets	6,790
<b>Disposal group classified as held for sale</b>	<b>62,727</b>
Non-current lease liabilities	3,262
Trade payables	1,691
Current lease liabilities	17
Other current liabilities	1,218
<b>Liabilities related to a disposal group of assets classified as held for sale</b>	<b>6,188</b>

## P) TRADE AND OTHER LIABILITIES

in thousand CZK	31 December 2021	31 December 2020
Trade payables	640,815	144,769
Other current liabilities, consisting off:		
Tax liabilities	15,351	9,053
Liabilities to employees	39,565	12,067
Advances and deferred income	12,212	4,454
Other liabilities	14,133	4,027
<b>Total other current liabilities</b>	<b>81,261</b>	<b>29,601</b>
<b>Total trade and other liabilities</b>	<b>722,076</b>	<b>174,370</b>

Trade liabilities include payables for materials and services provided to the Group before the end of the accounting period, which were not paid as at 31 December. These amounts are not secured and are usually paid within thirty days of reporting. Trade payables are presented as current liabilities if they are due within twelve months of the reporting period. They are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.

## Q) FINANCIAL LIABILITIES

in thousand CZK	31 December 2021	31 December 2020
<b>Non-current financial liabilities</b>		
Bonds	426,250	423,902
Borrowings	129,850	177,688
Loans	2,380,962	1,270,776
Total	2,937,062	1,872,366
<b>Current financial liabilities</b>		
Bonds	376,816	15,653
Borrowings	493,382	716,065
Loans	329,955	13,103
<b>Total</b>	<b>1,200,153</b>	<b>744,821</b>

in thousand CZK	Bonds	Borrowings	Loans	Lease liabilities	Total
<b>Balance as at 31 December 2020</b>	<b>439,555</b>	<b>893,753</b>	<b>1,283,879</b>	<b>144,560</b>	<b>2,761,747</b>
Received loans and borrowings	-	245,560	1,314,038	-	1,559,598
Paid loans and borrowings	-	(505,077)	(12,086)	-	(517,163)
Interest paid	(27,654)	(69,255)	(31,922)	-	(128,831)
Paid lease liabilities	-	-	-	(42,356)	(42,356)
Funds from issued bonds	385,300	-	-	-	385,300
Repaid bonds	(35,830)	-	-	-	(35,830)
<b>Net cash flows from financing activities</b>	<b>321,816</b>	<b>(328,772)</b>	<b>1,270,030</b>	<b>(42,356)</b>	<b>1,220,718</b>
Additions to leasing obligations	-	-	-	442,561	442,561
Non-cash changes in financial liabilities	261	1,678	(62,246)	(111,114)	(171,421)
Interest expense including capitalized interest *	41,434	56,573	197,141	32,968	328,116
Exchange rate difference	-	-	22,113	8,475	30,588
<b>Non – cash changes in financial liabilities</b>	<b>41,695</b>	<b>58,251</b>	<b>157,008</b>	<b>372,890</b>	<b>629,844</b>
<b>Closing balance as at 31 December 2021</b>	<b>803,066</b>	<b>623,232</b>	<b>2,710,917</b>	<b>475,094</b>	<b>4,612,309</b>

\*Capitalized borrowing costs are described in note d).

in thousand CZK	Bonds	Borrowings	Loans	Lease liabilities	Total
<b>Balance as at 31 December 2019</b>	<b>421,112</b>	<b>606,252</b>	<b>75,263</b>	<b>-</b>	<b>1,102,627</b>
Received loans and borrowings	-	527,296	1,221,131	-	1,748,427
Paid loans and borrowings	-	(242,794)	(81,741)	-	(324,535)
Interest paid	-	(14,466)	(34,911)	-	(49,377)
Paid lease liabilities	-	-	-	(3,355)	(3,355)
Funds from issued bonds	89,500	-	-	-	89,500
Repaid bonds	(72,379)	-	-	-	(72,379)
<b>Net cash flows from financing activities</b>	<b>17,121</b>	<b>270,036</b>	<b>1,104,479</b>	<b>(3,355)</b>	<b>1,388,281</b>
Non-cash changes in financial liabilities	-	-	-	-	-
Additions to leasing obligations	-	-	-	135,930	135,930
Non-cash changes in financial liabilities	-	3,798	1,450	-	5,248
Interest expense	1,322	13,667	63,033	11,985	90,007
Capitalized fee	-	-	33,217	-	33,217
Exchange rate difference	-	-	6,437	-	6,437
<b>Non – cash changes in financial liabilities</b>	<b>1,322</b>	<b>17,465</b>	<b>104,137</b>	<b>147,915</b>	<b>270,839</b>
<b>Closing balance as at 31 December 2020</b>	<b>439,555</b>	<b>893,753</b>	<b>1,283,879</b>	<b>144,560</b>	<b>2,761,747</b>

#### Loans and pledged assets

On 29 June 2020, a framework loan agreement was concluded between MW Investiční fond SICAV, a.s. and SOLEK LATAM Holding SpA. In order to secure receivables from this contract, MW Investiční fond SICAV, a.s. pledged shares of the Company in the following amount:

**A.** According to the pledge agreement for SOLEK HOLDING SE shares:

- Pledged 100% of shares with a total nominal value corresponding to the share capital of SOLEK HOLDING SE, i.e. CZK 3,176 thousand.
- The pledge secures receivables up to a total maximum amount of CZK 1,000,000 thousand. Carrying value of trade receivables as at 31 December 2021 is CZK 40,816 thousand. All receivables are due from other Group companies.

**B.** According to the pledge agreement for SOLEK LATAM Holding SpA shares:

- 100% of shares with a total nominal value corresponding to the registered capital of SOLEK LATAM Holding SpA, have been pledged, i.e. CLP 14,870,701 thousand (CZK 383,961 thousand).
- The pledge secures receivables up to a total maximum amount of CZK 1,000,000 thousand. Carrying value of trade receivables as at 31 December 2021 is CZK 1,187 thousand. All receivables are due from other Group companies.

On 30 November 2020 the Group entered into a loan agreement with an unrelated natural person for CZK 300,000 thousand. To date, a total of three amendments have been concluded to the agreement with the latest amendment signed in December 2021. On the basis of amendments interest rates were changed and maturity was postponed until 30 September 2022. Besides that, in November 2021 the Group repaid part of the principal in the amount of CZK 100,000 thousand, so the outstanding principle as at 31 December 2021 is CZK 200,000 thousand. This loan agreement is accompanied by a Debt Recognition Agreement and a Permission Agreement based on which SOLEK Czech Services s.r.o. and SOLEK LATAM Holding SpA act as guarantors for the loan.

In November 2021 the Group also entered into a credit agreement with an unrelated legal entity for CZK 100,000 thousand. The loan bears fixed rate interest and is due on 30 September 2022. This contract is accompanied by a Debt Recognition agreement and Agreement with permission to enforce notarial registration. SOLEK Czech Services s.r.o. and SOLEK LATAM Holding SpA act as guarantors here.

SOLEK I s.r.o. signed agreements with Sberbank CZ, a.s. on 27 October 2010 for drawing a loan in the amount of CZK 2,800 thousand. The subsidiary has an equity contribution pledged to the bank in the amount of CZK 200 thousand, photovoltaic panels and inverters.

The Natixis Loan Agreement is secured by a first-ranking pledge over all the assets of SOLEK Chile Holding II SpA and its subsidiaries, which includes 100% of the shares of SOLEK Chile Holding II SpA and its subsidiaries, bank accounts, project equipment, receivables in material project documents, mortgages over mining concessions, and intercompany loans. In addition, the obligations of SOLEK Chile Holding II SpA under the Natixis Loan Agreement are guaranteed by its subsidiaries on a joint and several basis. The BICE VAT Facility Agreement is secured by a second-ranking pledge over substantially the same collateral package as the Natixis Loan Agreement, along with a first priority lien over the VAT refund accounts of each subsidiary SOLEK Chile Holding II SpA.

The CIFI Loan Agreement is secured by a first-ranking pledge over all the assets of SOLEK Chile Holding III SpA and its subsidiaries, which includes 100% of the shares of SOLEK Chile Holding III SpA and its subsidiaries, bank accounts, project equipment, receivables in material project documents, mortgages

over mining concessions, and intercompany loans. In addition, the obligations of SOLEK Chile Holding III SpA under the CIFI Loan Agreement are guaranteed by its subsidiaries on a joint and several basis. The Scotiabank VAT Facility Agreement is secured by a first priority pledge over the VAT refund accounts of each subsidiary of SOLEK Chile Holding III SpA. The Scotiabank VAT Facility Agreement is not secured with a second-priority lien over the collateral granted under the CIFI Loan Agreement.

Pursuant to the Sponsor Support, Share Retention, Equity Contribution and Subordination Agreement entered among CIFI, Scotiabank Chile, SOLEK Chile Holding III SpA, SOLEK HOLDING SE and SOLEK LATAM on December 14, 2021 (the "Sponsor Support Agreement"), SOLEK HOLDING SE has the obligation to provide equity support to SOLEK Chile Holding III SpA and its subsidiaries in the event they are not able to meet their obligations under the CIFI Loan Agreement or to make payments required to complete the construction or to operate the photovoltaic powerplants owned by the subsidiaries of SOLEK Chile Holding III SpA. SOLEK HOLDING SE's obligations under the Sponsor Support Agreement expire, subject to certain conditions, a year after all photovoltaic projects have been completed.

Assets pledged as of 31 December 2021 according to Natixis and CIFI loan agreements and related VAT facilities agreements are summarized in the below table:

Loan	Cash	Restricted cash – current	Restricted cash – non-current	Total
Natixis loan +VAT facility	60,132	139,440	166,900	366,472
CIFI loan +VAT facility	37,086	–	10,829	47,915
<b>Total</b>	<b>97,218</b>	<b>139,440</b>	<b>177,729</b>	<b>414,387</b>

Besides that pledged solar power plants assets are disclosed in f) Property, plant and equipment.

#### Bonds

The Group carried out the following bond issues.

#### SOLEK HOLDING SE – non-public bond issues

ISIN	Nominal value / security (CZK)	Number of securities	Revenue for the year (%)	Maturity period
CZ0003505125	1	200,000,000	12.50	15 years (31.12.2027)
CZ0003505133	1	150,000,000	10.00	12 years (31.12.2024)
CZ0003505141	1	150,000,000	9.00	10 years (31.12.2022)
CZ0003505158	1	150,000,000	8.00	8 years (31.12.2020)
CZ0003523680	100,000	500,000	6.50	1 year (20.11.2020)

Issued bonds CZ003505133, CZ003505141, CZ003505158 and CZ0003523680 were repaid in 2020.

#### SOLEK Administration s.r.o. – non-public bond issues

ISIN	Nominal value / security (CZK)	Number of securities	Revenue for the year (%)	Maturity period
CZ0003514465	100,000	500	6.50	5 years (31.12.2021)

Issued bonds CZ0003514465 were repaid in 2021.

#### SOLEK HOLDING SE – public bond issues

ISIN	Nominal value / security (CZK thousand)	Number of securities	Revenue for the year (%)	Maturity period
CZ0003516353	1	608,290	6.2	5 years (19. 9. 2022)
CZ0003528440	50	1000	4.5	1 year (20.11.2021)
CZ0003528465	50	1000	5.2	2 years (20.11.2022)
CZ0003528457	50	1500	6	3 years (20.11.2023)
CZ0003534158	50	2000	6	3 years (30.9.2024)
CZ0003531915	50	2000	6	3 years (31.5.2024)
CZ0003529471	50	2000	6	3 years (1.2.2024)
CZ0003534117	50	1500	5.2	2 years (30.9.2023)
CZ0003531907	50	1500	5.2	2 years (31.5.2023)
CZ0003529489	50	1500	5.2	2 years (1.2.2023)
CZ0003534133	50	1000	4.5	1 years (30.9.2022)
CZ0003533291	50	1000	4.5	1 year (1.8.2022)
CZ0003531923	50	1000	4.5	1 year (31.5.2022)
CZ0003529463	50	1000	4.5	1 year (1.2.2022)

Issued bonds CZ0003528440 were repaid in 2021.

As at 31 December 2021, the Group recorded non-current and current liabilities arising from the issue of bonds:

Bond issuer	Issue of bonds in CZK thousand	Non-current liabilities	Current liabilities
SOLEK HOLDING SE – non-public – CZ0003505125	200,000	53,000	-
SOLEK HOLDING SE – non-public – CZ0003505133	150,000	-	-
SOLEK HOLDING SE – non-public – CZ0003505141	150,000	-	-
SOLEK HOLDING SE – non-public – CZ0003505158	150,000	-	-
SOLEK HOLDING SE – non-public – CZ0003523680	500,000	-	-
SOLEK HOLDING SE – public – CZ0003516353	608,290	-	287,052
SOLEK HOLDING SE – public – CZ0003528440	50,000	-	-
SOLEK HOLDING SE – public – CZ0003528465	50,000	-	12,350
SOLEK HOLDING SE – public – CZ0003528457	75,000	59,900	-
SOLEK HOLDING SE – public – CZ0003534158	100,000	86,950	-
SOLEK HOLDING SE – public – CZ0003531915	100,000	89,700	-
SOLEK HOLDING SE – public – CZ0003529471	100,000	82,200	-
SOLEK HOLDING SE – public – CZ0003534117	75,000	17,050	-
SOLEK HOLDING SE – public – CZ0003531907	75,000	22,600	-
SOLEK HOLDING SE – public – CZ0003529489	75,000	14,850	-
SOLEK HOLDING SE – public – CZ0003534133	50,000	-	9,200
SOLEK HOLDING SE – public – CZ0003533291	50,000	-	14,600
SOLEK HOLDING SE – public – CZ0003531923	50,000	-	24,700
SOLEK HOLDING SE – public – CZ0003529463	50,000	-	13,550
SOLEK Administration s.r.o. – non-public – CZ0003514465	50,000	-	-
Bonds interest			15,364
<b>Total</b>		<b>426,250</b>	<b>376,816</b>

As at 31 December 2020, the Group recorded non-current and current liabilities arising from the issue of bonds:

Bond issuer	Issue of bonds in CZK thousand	Non-current liabilities	Current liabilities
SOLEK HOLDING SE – non-public – CZ0003505125	200,000	63,000	-
SOLEK HOLDING SE – non-public – CZ0003505133	150,000	-	-
SOLEK HOLDING SE – non-public – CZ0003505141	150,000	-	-
SOLEK HOLDING SE – non-public – CZ0003505158	150,000	-	-
SOLEK HOLDING SE – non-public – CZ0003523680	500,000	-	-
SOLEK HOLDING SE – public – CZ0003516353	608,290	288,232	-
SOLEK HOLDING SE – public – CZ0003528440	50,000	-	14,350
SOLEK HOLDING SE – public – CZ0003528465	50,000	12,350	-
SOLEK HOLDING SE – public – CZ0003528457	75,000	50,000	-
SOLEK Administration s.r.o. – non-public – CZ0003514465	50,000	10,300	-
Bonds interest		20	1,303
<b>Total</b>		<b>423,902</b>	<b>15,653</b>

The Group pays interest on bonds either quarterly, semi-annually or annually depending on the issue conditions. As at 31 December 2021, total interest on bonds was CZK 41,753 thousand (as at 31 December 2020: CZK 29,002 thousand).

#### Other borrowings

The Group also concludes loan contracts which are secured by bills of exchange. The Group has been using this tool since 2017. Interest is normally set at 4% p.a. up to 6% p.a. and the maturity of the loans is set at 1 to 3 years. Interest is paid to creditors once a year. The Group is shifting away from using this source of financing.

in thousand CZK	31 December 2021	31 December 2020
current	491,704	716,065
non-current	131,528	177,688
<b>Total</b>	<b>623,232</b>	<b>893,753</b>

#### Overview of borrowings maturity:

Loans maturity	31 December 2021 (in thousand CZK)	31 December 2020 (in thousand CZK)
2021	-	716,065
2022	491,704	110,884
2023	69,075	60,388
2024	53,195	-
2026	994	-
2027	6,585	6,416
<b>Total</b>	<b>623,232</b>	<b>893,753</b>

## R) DEFERRED INCOME TAX

The rate of 19% was used to calculate deferred tax for the Czech Republic as at 31 December 2021 (as at 31 December 2020: rate 19%) and the rate of 27% in case of Chile (as at 31 December 2020: rate 27%).

As at 31 December 2021, the Group reported a deferred tax asset, mainly due to tax losses of CZK 304,121 thousand (2020: CZK 106,824 thousand). The Group reports a deferred tax asset that, based on the Group's assumptions and business plans, is likely to be used against future taxable income in subsequent periods. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be generated in the future, which will allow the use of these temporary differences.

The Group has no other tax losses as at 31 December 2021 that could be used.

Deferred tax asset (+)/ liability (-) consists of the following items:

in thousand CZK	31 December 2021	31 December 2020
Deferred tax from temporary differences arising from:		
Tax losses	289,812	37,500
Land, buildings, equipment, intangibles, assets and rights of use	54,531	58,556
Borrowings	(6,640)	-
Receivables, inventories and other differences	10,429	4,137
Contract assets	(59,241)	210
Other temporary differences	15,230	6,477
<b>Total</b>	<b>304,121</b>	<b>106,880</b>

in thousand CZK	Tax losses	Land, buildings, equipment, intangibles, assets and rights of use	Contract assets	Borrowings	Receivables, inventories and other differences	Other temporary differences	Total
As at 31.12.2019	18,359	(145)	-	-	269	4,419	22,902
Tax income in the consolidated statement of comprehensive income	19,481	58,865	210	-	3,898	6,900	89,354
Tax expense the consolidated statement of comprehensive income	(340)	(164)	-	-	(30)	(4,842)	(5,376)
<b>As at 31.12.2020</b>	<b>37,500</b>	<b>58,556</b>	<b>210</b>	<b>-</b>	<b>4,137</b>	<b>6,477</b>	<b>106,880</b>
Tax income in the consolidated statement of comprehensive income	275,542	-	-	-	6,292	12,238	294,072
Tax expense the consolidated statement of comprehensive income	(23,230)	(4,025)	(59,451)	(6,640)	-	(3,485)	(96,831)
<b>As at 31.12.2021</b>	<b>289,812</b>	<b>54,531</b>	<b>(59,241)</b>	<b>(6,640)</b>	<b>10,429</b>	<b>15,230</b>	<b>304,121</b>

## S) GUARANTEES

Guarantees	Issued for	Project	Guarantees in thousand CZK	Start date	End date
Guarantee for warranty period	SOLEK Chile Services SpA	Parque Solar Villa Alegre Spa	10,974	01.08.2020	30.09.2022
Guarantee for warranty period	SOLEK Chile Services SpA	Parque Solar Santa Fe Spa	10,634	30.06.2020	30.06.2022
Guarantee for warranty period	SOLEK Chile Services SpA	Parque Solar Santa Laura Spa	9,743	01.06.2018	31.05.2023
Guarantee for warranty period	SOLEK Chile Services SpA	Parque Solar El Paso Spa	7,086	15.02.2021	12.02.2023
Guarantee for warranty period	SOLEK Chile Services SpA	Fotovoltaica Laurel Spa	5,087	28.01.2021	28.01.2023
Guarantee for warranty period	SOLEK Chile Services SpA	Parque Solar Los Paltos Spa	3,078	30.06.2020	30.06.2022
Guarantee for warranty period	SOLEK Chile Services SpA	Parque Solar Villa Seca Spa	3,029	05.03.2020	05.03.2022
<b>Total</b>			<b>49,631</b>		

SOLEK Chile Services SpA concluded guarantees with insurance companies on behalf of these projects and paid premiums for the duration. In all cases the customer in the event of deficiencies has the right to demand settlement from the insurance companies. The Group believes that the risk of settlement of these guarantees is low.

## T) EQUITY

	31 December 2021	31 December 2020
The nominal value of registered shares (CZK)	31,758	31,758
number of registered shares – fully paid	100,000	100,000

As at 31 December the shareholder structure of the Company was:

	31 December 2021	31 December 2020
Zdeněk Sobotka	99%	99%
Pavel Kocián	1%	1%

### Equity management

The Group is not subject to external equity requirements.

The Group's objectives in the area of equity management include:

- ensuring the Group's ability to continue as a going concern, and thus return on shareholders' funds
- comply with all applicable legal requirements.

The management of the Group will continue to conduct and evaluate in-depth analysis of the current and expected results of the SOLEK Group, including planned and potential investments and cash flow generation, and will adjust the capital structure to implement these plans.

## U) TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries that are related parties are eliminated on consolidation and are not disclosed below. Information about transactions with other related parties, which are shareholders of the Company with significant and / or higher influence, companies controlled by them or companies in which they have significant influence or joint control, and members of key management are disclosed below.

All transactions with related parties are carried out on the basis of ordinary business conditions and at market prices. The balances of receivables and payables are non-interest bearing (except for financial assets and liabilities intended for financing), are not secured and settlement is expected either in cash or by offsetting. Financial balances assets are reviewed for impairment at the consolidated financial statements date. The SOLEK Group is controlled by Mr. Zdeněk Sobotka as the majority owner and the ultimate controlling person of the Group.

Realized transactions with related parties:

### Shareholders of the Company

As at 31 December 2021 and 2020, no dividend was paid to the majority owner, nor was a liability for the payment of dividends recognized. As at 31 December 2021, the majority shareholder owned bonds issued by the Company of issue 125\_2027 in the total nominal value of CZK 53,000 thousand (as at 31 December 2020: CZK 63,000 thousand). The bonds of this issue bear interest at the rate of 12.5% p.a. and are due on 31 December 2027.

Statement of financial position	31 December 2021	31 December 2020
Issued bonds	53,000	63,000
Interest expenses	7,250	8,035

### An entity that has joint control over another entity

As at 31 December 2021 and 2020, no transactions were recorded with the co-controlling company of the subsidiary SOLEK Peru SAC.

### Remuneration of members of the Board of Directors, the Supervisory Board and senior management

The costs of remuneration of the members of the Board of Directors, the Supervisory Board and the top management of the Group are as follows:

In thousand CZK	31 December 2021	31 December 2020
Personal expenses	7,639	8,009

Personnel costs include all compensation due to members of the Board of Directors and the top management of the SOLEK Group, including social security and health insurance, and remuneration for the performance of the function as members of the Supervisory Board.

In 2021 and 2020, no loans were provided to members of the Board of Directors, the Supervisory Board and senior management.

## V) EVENTS AFTER THE DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in the Group structure:

1. On 3 March 2022, SOLEK NICOSIA I LIMITED was renamed to SOLEK PROMITHIA LIMITED.
2. SOLEK Czech Services, Solární systémy s.r.o., SOLEK Espana Services SpA and SOLEK Germany Services GmbH were established by SOLEK Czech Services s.r.o.
3. In July 2022 SOLEK Czech Services s.r.o. acquired 67% shares in the Energy Power Solution, s.r.o. The acquired entity was then renamed to SOLEK Energy Power Solution, s.r.o.
4. SOLEK FVE Popovice s.r.o., SOLEK Česká republika s.r.o., PVSR Bucharest IV S.R.L., PVSR Bucharest V S.R.L., PVSR Bucharest VI S.R.L., PVSR Bucharest VII S.R.L. and PVSR Bucharest VIII S.R.L. were established by SOLEK EUROPE Holding s.r.o.
5. On 15 March 2022 SOLEK BETA SpA was established by SOLEK LATAM Holding SpA.
6. On 03 May 2022 SOLEK GAMMA SpA was established by SOLEK BETA SpA.
7. SOLEK Chile Holding V SpA and SOLEK Chile Holding IV SpA acquired the following SPVs:

SPV name
Joel Solar SpA
Stephanie Solar SpA
Armando Solar SpA
Renato Solar SpA
Patricia Solar SpA
Margarita Solar SpA
Santa Bárbara SpA
PILAR SOLAR SPA

### New bond issues

1. SOLEK06 I 4,50/23, ISIN: CZ0003536328, in the nominal value of 50,000 CZK in the total number of 1,000 pieces, with a yield of 4.5% p.a. in the form of a book-entry registered security with a maturity of 1 year (5.1.2023),
2. SOLEK06 II 5,20/24, ISIN: CZ0003536336, in the nominal value of 50,000 CZK in the total number of 1,000 pieces, with a yield of 5,2% p.a. in the form of a book-entry registered security with a maturity of 2 years (5.1.2024),
3. SOLEK07 I 5,80/23, ISIN: CZ0003538456, in the nominal value of 50,000 CZK in the total number of 600 pieces, with a yield of 5,8% p.a. in the form of a book-entry registered security with a maturity of 1 year (7.3.2023),
4. SOLEK07 II 6,20/24, ISIN: CZ0003538464, in the nominal value of 50,000 CZK in the total number of 1,000 pieces, with a yield of 6,2% p.a. in the form of a book-entry registered security with a maturity of 2 years (7.3.2024),
5. SOLEK07 III 6,50/25, ISIN: CZ0003534158, in the nominal value of 50,000 CZK in the total number of 1,800 pieces, with a yield of 6,5% p.a. in the form of a book-entry registered security with a maturity of 3 years (7.3.2025),
6. SOLEK08 II 6,70/24, ISIN: CZ0003539884, in the nominal value of 1,000 CZK in the total number of 100,000 pieces, with a yield of 6,7% p.a. in the form of a book-entry registered security with a maturity of 2 years (19.6.2024),
7. SOLEK08 III 7,00/25, ISIN: CZ0003539918, in the nominal value of 1,000 CZK in the total number of 188,000 pieces, with a yield of 7,0% p.a. in the form of a book-entry registered security with a maturity of 3 years (19.6.2025),
8. SOLEK09 IV VAR/26, ISIN: CZ0003543670, in the nominal value of 10,000 CZK in the total number of 30,000 pieces, with a yield of 3M PRIBOR + 3,2 % p.a. in the form of a book-entry registered security with a maturity of 4 years (10.9.2026),
9. Green Warranty Bond I, ISIN: CZ0003542896, in the nominal value of 50,000 CZK in the total number of 2,200 pieces, with a yield of 6.25% p.a. in the form of a book-entry registered security with a maturity of 27 months (30.10.2024),

10. Green Warranty Bond II, ISIN: CZ0003543514, in the nominal value of 50,000 CZK in the total number of 2,200 pieces, with a yield of 6.25% p.a. in the form of a book-entry registered security with a maturity of 26 months (31.10.2024),

### Financing activities

1. On June 2, 2022, SOLEK Beta SpA, a wholly owned subsidiary of SOLEK LATAM SpA entered into a loan facility agreement with Toesca Créditos Energía Renovable Fondo De Inversión ("Toesca") with a total facility limit of USD 25 million (CZK 549 million) and a tenor of 3 years (the "Toesca Loan Agreement"). The purpose of the financing is to fund the construction of photovoltaic power plant projects and to refinance existing indebtedness. The two drawdowns under the Toesca Loan Agreement occurred in June and August 2022, totaling to USD 19 million (CZK 417 million).
2. On May 10, 2022, SOLEK Chile Holding II SpA executed a third drawdown under the Natixis Loan Agreement amounting to USD 6 million (CZK 132 million) to fund the construction of a 10MW photovoltaic project.
3. From March to July 2022 SOLEK Chile Holding III SpA executed three disbursements under the CIFI Loan Agreement totaling to USD 10 million (CZK 220 million) to continue the construction of its 17 MWp portfolio of photovoltaic projects.
4. On March 31, 2022, SOLEK LATAM SpA exercised its option to pay in kind 80% of the accrued interest and the fees under its loan facility agreement with MW Investiční fond SICAV, a.s. (the MW SICAV Loan Agreement) relating to 2021. The total amount paid in kind and added to the outstanding principal under the MW SICAV Loan Agreement was CZK 123 million, net of withholding tax. The cash payment to the lender was CZK 25 million (net of withholding tax), and the withholding tax paid was CZK 17 million.

### SPV sales in Chile

During January-September 2022 the following SPVs were sold. All SPVs except for Parque Solar Tangua Spa were sold to BlackRock or Nala Renewable under the existing framework agreements on sale of solar power plants projects.

SPV name	Project name	Solar power plant capacity, MW
Santa Ester Solar Spa	Castilla_PMG	2.99
Parque Solar La Rosa II Spa	La Rosa 6MW	7.08
Parque Solar La Rosa Spa	Valparaiso	7.26
Parque Solar Quilmo Spa	Quilmo PMG	10.61
Parque Solar EL Conquistador Spa	EL Conquistador	2.98
Parque Solar Viveros Spa	Cauquenes PMG	10.62
Parque Solar Pueblo Seco Spa	Pueblo Seco	10.61
Parque Solar Jotabeche Spa	Jotabeche	10.61
Parque Solar EL Trigal Spa	EL Trigal	10.61
Parque Solar Villa Longavi Spa	Villa Longavi PMG	10.61
Parque Solar Tangua Spa	Tutuven PMG	10.66
Parque Solar Altos Lao Spa	EL Ingenio	9.80
<b>Total capacity</b>		<b>104,46</b>

Besides that in September 2022 the Group sold at Cyprus project Athienou (SPV name: NERATECH LIMITED) with capacity of 0.81 MW.

### Changes in management

Michal Nebeský was nominated on the position of Vice Chairman of the Board of Directors with effective date as of 1 July 2022.

Pavel Kocian was recalled from position of Vice Chairman of the Board of Directors with effective date as of 31 July 2022.

Martin Bek resigned on his position of Vice Chairman of the Board of Directors with effective date as of 12 August 2022.

