Solaria

Consolidated Management Report

September 30, 2022



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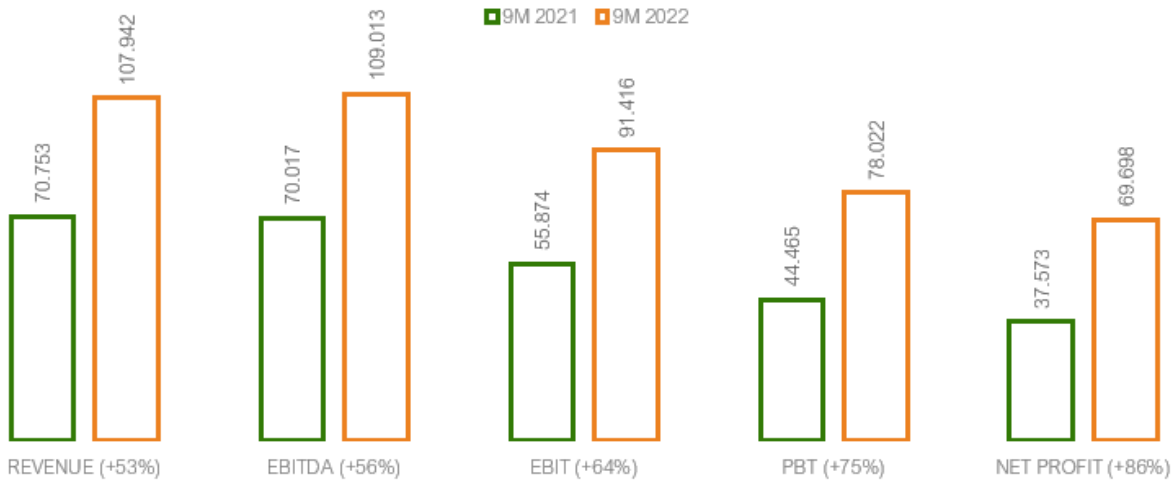
1. Solaria Group

Solaria Energía y Medio Ambiente, S.A. and subsidiaries' core business is the development and generation of solar photovoltaic (PV) power, mostly in southern Europe.

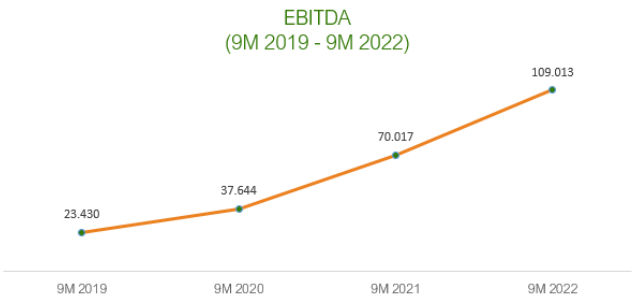
Solaria's **mission** is to promote the development of the use of sunlight as an energy source by transforming knowledge and experience into innovative solutions that contribute to the well-being and progress of humanity, promoting sustainable economic development and reducing environmental impact, positioning ourselves as leaders through our experience, transparency, flexibility, profitability and quality.

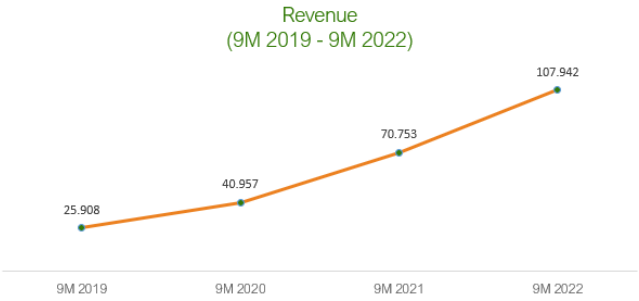
2. Key financial indicators – 9M 2022

Solaria Group reported revenue of 107,942 thousand euros (+53%), EBITDA of 109,013 thousand euros (+56%), EBIT of 91,416 thousand euros (+64%), profit before tax of 78,022 thousand euros (+75%) and profit after tax of 69,698 thousand euros (+86%) for the first nine months of 2022.



Increases in the key income statement items were driven by execution of the Group's business plan, which calls for growth in energy output thanks to the new plants brought on stream at the end of 2021 and in 2022. This, coupled with cost streamlining, has resulted in a steady and rapid improvement in the Group's earnings in tandem with its growth in recent years.





3. Key highlights – 9M 2022

Financing

On June 30, 2022, Solaria announced that it had entered into an agreement with ABN AMRO, Commerzbank and the European Investment Bank (EIB) for the long-term financing of 736 MW of PV solar plants in Spain.

The financing arrangement is project finance for 371.9 million euros. This is Solaria's largest ever financing agreement.

The energy fed into the grid by the 736MW of PV plants will be 100% renewable, absorbing the emission of 340,000 tons of CO_2 into the atmosphere annually. The plants will generate enough to supply 416,000 Spanish homes per year.

Office opened in Rome

On February 17, 2022, Solaria opened an office in Rome, thereby continuing its international expansion and contributing to the achievement of the strategic plan objectives; i.e. to reach 3GW in Italy by 2030.

Solaria has had PV plants in Italy since 2010, but is taking a step further there by opening this new office in Rome's financial district. The opening is a testament to Solaria's commitment to the Italian market which, together with Spain and Portugal, is one of its core markets.

4. Financial information

4.1. Consolidated income statement

The consolidated income statement for the first nine months of 2022 and 2021 is as follows:

Thousands of euros (€K)	9M 2022	9M 2021	Absolute change	Relative change
Revenue	107,942	70,753	37,189	53%
Other income	13,024	9,440	3,584	38%
TOTAL REVENUE	120,966	80,193	40,773	51%
Personnel expenses	(8,023)	(5,703)	(2,320)	41%
Other operating expenses	(3,930)	(4,473)	543	(12%)
EBITDA	109,013	70,017	38,996	56%
EBITDA/revenue	101%	99%		
Amortization and depreciation	(17,597)	(14,143)	(3,454)	24%
EBIT	91,416	55,874	35,542	64%
EBIT/revenue	85%	79%		
Net finance expense	(13,394)	(11,409)	(1,985)	17%
Profit after tax	78,022	44,465	33,557	75%
Income tax expense	(8,324)	(6,892)	(1,432)	21%
NET PROFIT	69,698	37,573	32,125	86%
Net profit/revenue	65%	53%		

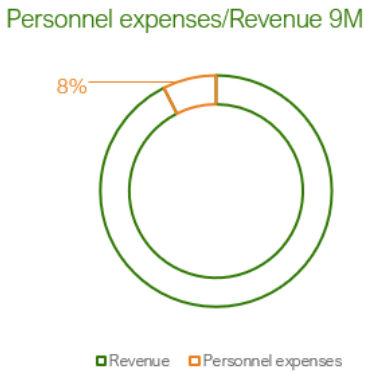
Revenue

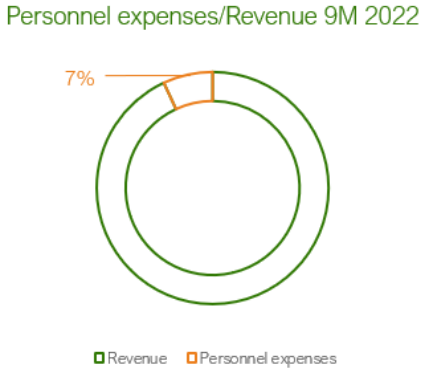
The Group reported **revenue** of 107,942 thousand euros in the first nine months of 2022, up 53% (or 37,189 thousand euros) year-on-year. Growth was underpinned by the increase in output thanks to the connection of the new PV plants in 2022 and at the end of 2021, as set out in the Group's business plan.

Personnel expenses

The growth in **personnel expenses** (+41% year-on-year) was the result of the higher average number of employees at the Group compared to the third quarter last year. New staff was required to undertake the Group's ongoing expansion process.

Personnel expenses as a percentage of revenue were 1% lower than in 9M 2021, due to higher revenue and in line with the Group's cost-streamlining policy, as illustrated in the following charts:

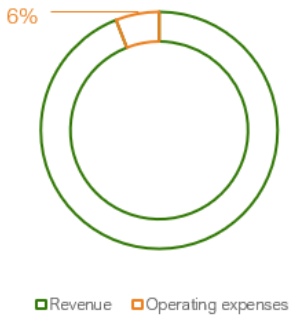




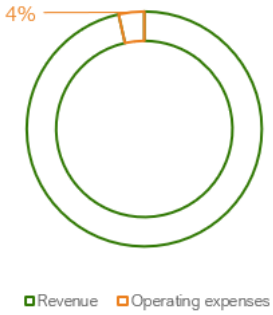
Other operating expenses

The decrease in **other operating expenses** was due primarily to the costs accrued for the 7% tax on the generation of electricity, which was repealed in July 2021, representing a decrease in the operating expenses/revenue ratio.

Operating expenses/Revenue 9M 2021



Operating expenses/Revenue 9M 2022



Amortization and depreciation

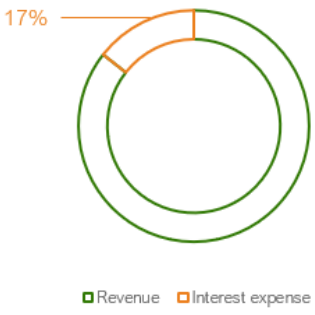
The increase in **amortization and depreciation** was due to the depreciation charges recognized for the new plants commissioned by the Group.

Net finance expense

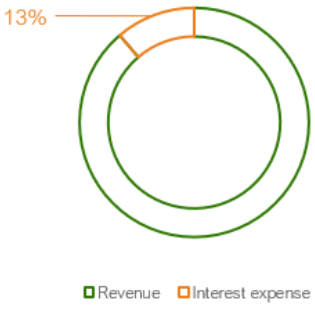
Net finance expense increased in the first nine months of 2022 due to the recognition of finance costs related to the transactions carried out to finance new plants whose accrual had yet to start in the third quarter last year.

The charts below show the changes in third-party finance costs as a percentage of revenue from 17% in 9M 2021 to 13% in 9M 2022.

Interest expense/Revenue 9M 2021



Interest expense/Revenue 9M 2022



Conclusion

Overall, the Group is still on track to deliver its business plan, which will mean higher revenue and cost streamlining. As a result, it continues to register excellent performances in its key income statement items.

4.2. Consolidated balance sheet

The Group's consolidated balance sheet as at September 30, 2022 and December 31, 2021 is as follows:

Thousands of euros (€K)	9/30/2022	12/31/2021	Absolute change	Relative change
Non-current assets	1,077,346	854,468	222,878	26%
Intangible assets	113,681	112,221	1,460	1%
Property, plant and equipment	886,141	671,303	214,838	32%
Deferred tax assets	73,504	69,466	4,038	6%
Other non-current financial assets	4,020	1,478	2,542	172%
Current assets	155,389	188,284	(32,895)	(17%)
Trade and other receivables	43,777	34,716	9,061	26%
Other current financial assets	871	717	154	21%
Cash and cash equivalents	110,741	152,851	(42,110)	(28%)
TOTAL ASSETS	1,232,735	1,042,752	189,983	18%

Thousands of euros (€K)	9/30/2022	12/31/2021	Absolute change	Relative change
Equity	301,938	247,355	54,583	22%
Capital and share premium	310,926	310,926	-	-
Other reserves	5,311	5,311	-	-
Non-controlling interests	1,440	-	1,440	100%
Retained earnings	33,857	(35,841)	69,698	(194%)
Valuation adjustments	(49,596)	(33,041)	(16,555)	50%
Non-current liabilities	769,717	621,752	147,965	24%
Long-term bonds and debentures	128,181	122,100	6,081	5%
Financial liabilities arising from bank borrowings	471,881	355,958	115,923	33%
Finance lease payables	108,680	106,151	2,529	2%
Derivative financial instruments	60,975	37,543	23,432	62%
Current liabilities	161,080	173,645	(12,565)	(7%)
Short-term bonds and debentures	31,413	54,502	(23,089)	(42%)
Financial liabilities arising from bank borrowings	26,493	23,629	2,864	12%
Finance lease payables	4,519	4,681	(162)	(3%)
Derivative financial instruments	-	575	(575)	(100%)
Trade and other payables	98,655	90,258	8,397	9%
TOTAL EQUITY AND LIABILITIES	1,232,735	1,042,752	189,983	18%

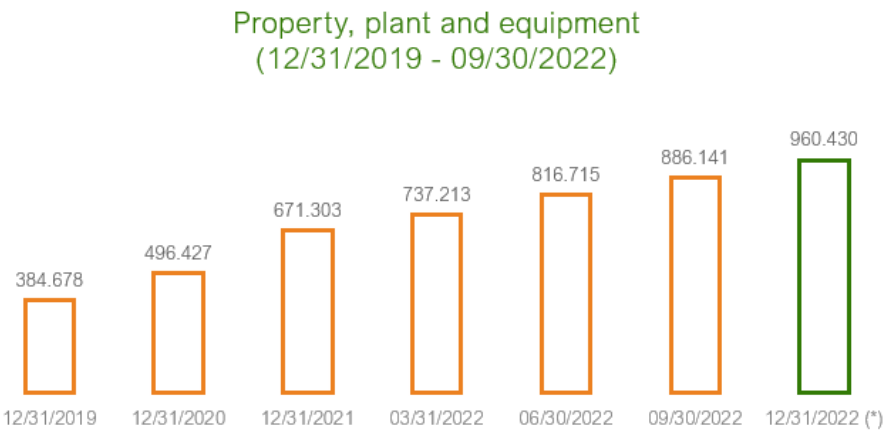
Intangible assets

The increase in **intangible assets** is the result of additions of new leases recognized as surface rights assets in accordance with IFRS 16. These entail leases of the land where the Group's new PV plants are located.

Property, plant and equipment

The Group incurred costs for property, plant and equipment in the first nine months of 2022 of 232,435 thousand euros for the new plants currently being built and the purchase of land by Group company Generia Land, S.L. This increase was in line with the targets disclosed.

The following chart sets out the trend in property, plant and equipment (net of depreciation) since 2019. Assuming capex at a constant rate and extrapolating the depreciation rate of 9M 2022 give a figure for property, plant and equipment at year-end 2022 of 960 million euros:

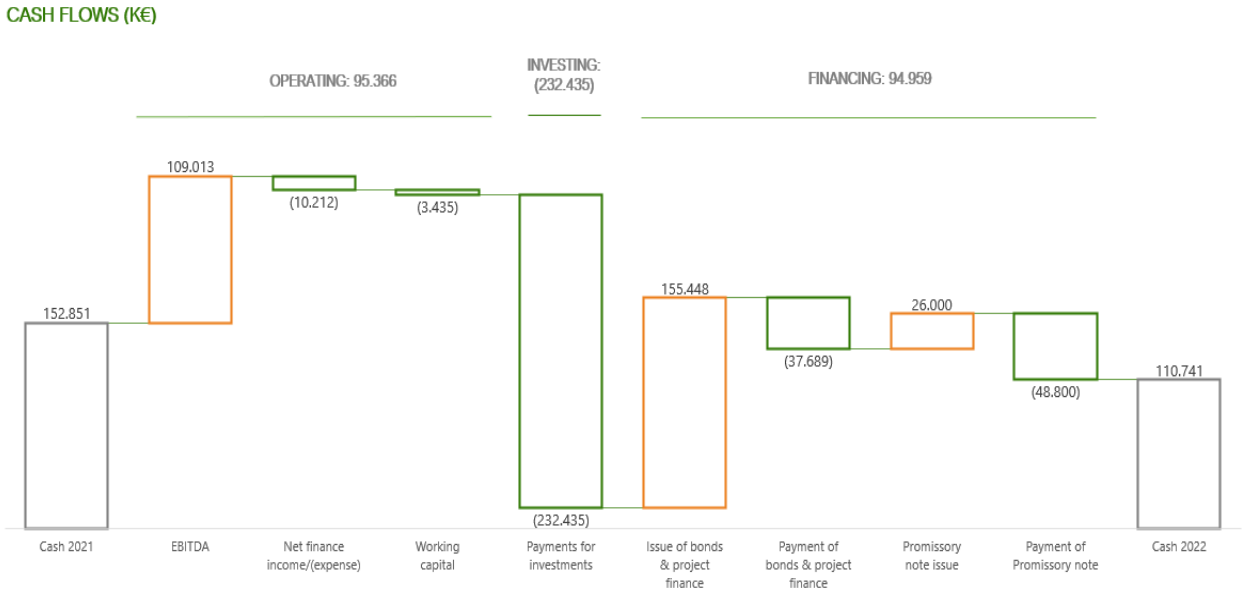


(*) Extrapolated figures as at 12/31/2022:

Property, plant and equipment as at 9/30/2020 + (Capex as at 9/30/2020 / 3) – (Amortization and depreciation excluding IFRS 16 as at 9/30/2022 / 3) → 886,141 + (232,435/3) – (9,568/3) = **960,430**

Cash

Changes in the statement of cash flows for the nine months ended September 30, 2022 are as follows:



Interest-bearing loans and borrowings

The change in the composition of interest-bearing loans and borrowings in the first nine months of 2022 was the result of the following:

- The increase in bank borrowings following new drawdowns from project debt made in the first nine months of 2022 as construction of new solar PV parks proceeded. The financing arrangements included in this item are non-recourse debt.
- The change in finance leases related to the execution in a public deed of the new leases for the land where the new plants are located, accounted for in accordance with IFRS 16.
- The decrease in short-term bonds and other marketable securities as a result of the payment of promissory notes under the Group's note program registered in the MARF.

Conclusion

At September 30, 2022, the Group had negative working capital of 5,691 thousand euros. This was due to the payment schedule of financing described in Note 3. Moreover, the Group can meet its current liabilities with undrawn available financing facilities.

Capex is on the rise in line with the development of new plants according to the business plan and the Group's stated objectives.

Finally,the Group continues to enjoy a sound balance sheet structure. Each project can meet its operating and finance cost obligations and generate surplus cash, enabling the Group to undertake new investments without the need to use previous cash.

5. Sustainability

Solaria is a leader in PV solar generation which aims to contribute actively to the fight against climate change, the sustainable development of society, and the achievement of the Sustainable Development Goals of the United Nations and the 2030 Agenda for Sustainable Development through ethical conduct, transparency and sound business practices.

The following table summarizes the key environment, social and good corporate governance (ESG) metrics and developments.

ENVIRONMENT			
	9M 2022	9M 2021	Observations
CO_2 emissions – Scope 1 (Tn CO_2)	213.29	185.82	
CO_2 emissions – Scope 2 (Tn CO_2) – Market based	1.67	42.96	The decrease was due to the change in electricity consumption for renewable sources.
Absolute Scope 1 + Scope 2 emissions	214.96	228.78	-6%
CO_2 emissions – Scope 3 (Tn CO_2)	33.66	21.73	
CO_2 emissions generated (Tn CO_2)	0.22	0.35	-37%
Energy generation (GWh)	1,142.97	715.024	+ 60%
MW installed	1,000	825	+22%
Environmental penalties	0	0	
Electricity consumption (offices and solar plants) (kWh)	3,342,055	1.791.599	
Of which: renewable	96%	85%	+ 11%
Water consumed at offices (m^3)	398	361	The increase was driven by the growth in headcount and installations.
% electric / hybrid / ECO vehicles	30%		

SOCIAL			
	9M 2022	9M 2021	Observations
Total no. of employees	157	134	+17%
Management team	9	9	
Middle managers	19	19	
Technicians and interns/trainees	129	101	
Total no. of women	31	30	
Management team	1	0	
Middle managers	6	7	
Technicians and interns/trainees	24	19	
Total no. of men	126	104	
Management team	8	9	
Middle managers	13	12	
Technicians and interns/trainees	105	82	
New hires	64	36	Due to Solaria's growth and expansion.
No. of employees with a disability	2	1	
No. of employees with permanent contract	154	128	97% of staff
No. of full-time employees	156		
Average age of the workforce	41	39	
Average length of service	2.8 years	3 years	
Average remuneration	€49,604	€46,933	
Total no. of internal training hours	1,124	1,047	
Reports received through the compliance channel	0	0	
Disciplinary actions	0	0	

HEALTH & SAFETY			
	9M 2022	9M 2021	Observations
Frequency rate	*11.19*	*24.92*	
Direct	0	0	
Indirect	11.19	24.92	
Accident rate	163.5	308.71	
Direct	0	0	
Indirect	163.5	308.71	*The decrease was the result of Solaria's efforts to achieve 0 accidents*
Injury rate	0.17	0.54	
Direct	0	0	
Indirect	0.17	0.54	

Solaria generates emission-free energy, enabling the Company to release less carbon dioxide (CO_2) into the atmosphere than it emits. Specifically, the Company had 1,000 MW of PV solar plants in operation during the period, generating 1,142.97 GWh of renewable energy. This is equal to the energy consumption of approximately 349,318 Spanish households. The amount of renewable energy generated in the first nine months of the year by the Company absorbed the emission of 296,029 tons of carbon dioxide into the atmosphere, which is about the same as the pollution emitted by roughly 190,000 internal combustion engine vehicles (ICEV).

Climate management at Solaria goes beyond the Company's own operations since the Company avoids the release of much more CO_2 into the atmosphere, thanks to the generation of green energy, than it emits through its business operation. Nevertheless, it still goes to great lengths to reduce its carbon footprint and has a target of becoming carbon-neutral in terms of direct emissions by 2030. Emissions per unit of production fell by 37% year-on-year, while absolute scope 1 and 2 emissions were down 6% year-on-year.

On the social front, Solaria ended the period with 157 employees, 17 more than the year-earlier figure. Of total headcount, 97% had permanent employment contracts. The Company hired 64 new employees in the period, of whom 22% were women.

Internally, the Company continues to work towards delivering its ZERO-ACCIDENT objective, considering this a priority issue. As at the end of the period, Solaria recorded no accidents involving direct employees and a far lower accident rate involving indirect employees than the construction sector average.

Regarding good governance, Solaria is fully aware that ethical conduct, transparency and sound business practices are key to the success of any company. So, to align its system of internal regulations with the highest standards of ethics and good governance, Solaria has approved new corporate policies, such as the risk management policy or the biodiversity protection policy, and updated others already approved, such as the internal control over financial reporting system.

6. Strategy and outlook

In the current situation, we must curb and reverse scientifically proven adverse climate trends (i.e., devastating climate change) and stop depending on pollutant and foreign fossil fuels.

To do so, we need to promote and commit to renewable energies. And for this, it is paramount that we undertake a quick ecological transition on both the political and business fronts that place renewable energies at the center of the geopolitical chessboard. Solaria will play a key role in this shift in the energy model that is already underway.

Solaria continues to press on with its project development, construction and operation strategy, with a target of reaching 18 GW by 2030. The Company achieved significant milestones in the first nine months of this year, increasing its already more than 1,000 MW in operation, with 1,034 MW under construction, which will gradually be connected to the grid over the coming months. Noteworthy here is the progress made on the construction of the Cifuentes-Trillo 626 MW project, Spain's largest photovoltaic complex, with execution of the five substations and the completion of construction on the first package of projects. Connection of these to the grid is set to start soon.

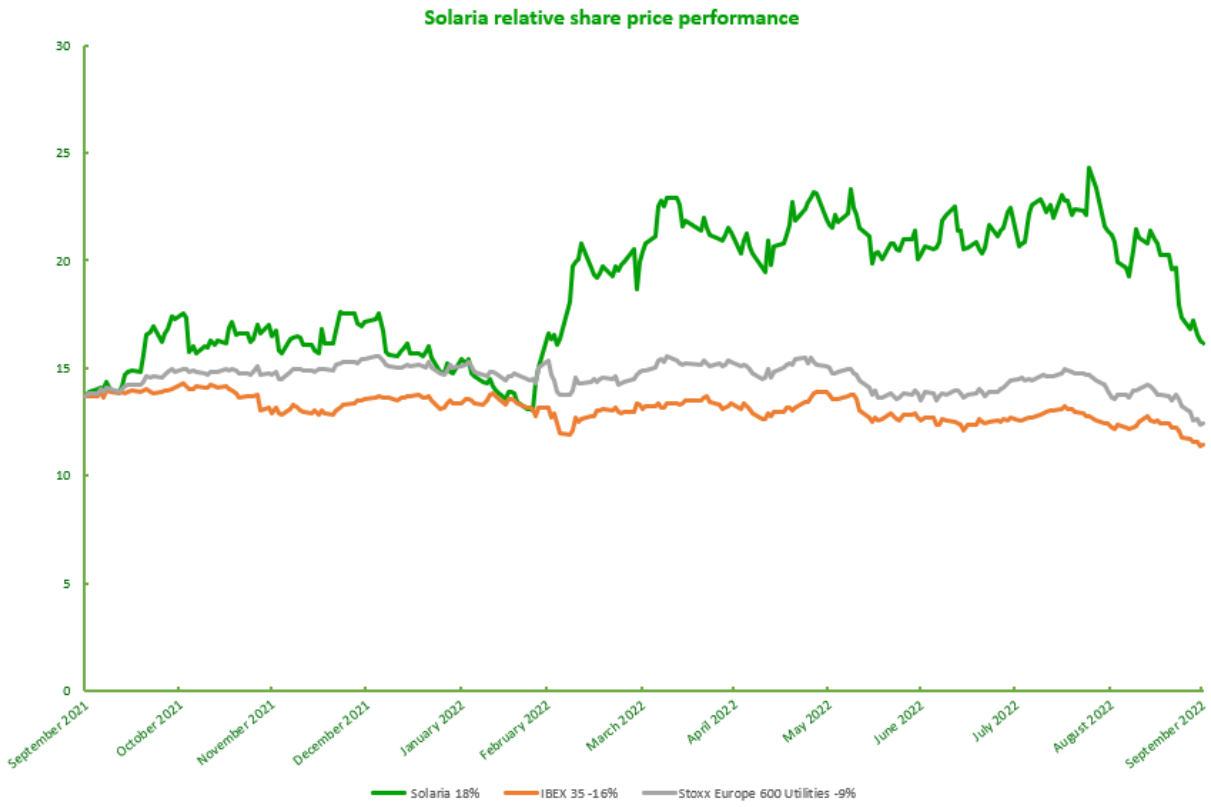
Particularly important here is that the financing has been secured for both Solaria's projects in operation and those under construction. This mitigates financial risks and ensures that the projects will be executed, even the latest package of 285 MW to the market in the wake of the agreement entered into recently with Banco Sabadell.

In line with the Group's growth plans, the project pipeline continues to grow, with a further 1.2 GW obtained in Spain (it now has 8 GW with a connection point in Spain) and nearly 1 GW in Italy, not to mention the request for new connection points in Germany. With these, the Group's connection capacity stands at 130% of its 2025 target.

The Company expects to secure environmental authorization for thousands of MWs soon, which will enable it to reach the 6.2 GW target by 2025 faster, including key projects like Garoña or Villaviciosa. Environmental authorizations for the projects in Catalonia have been received over the last few weeks, marking a major step forward in Solaria's bid to gain a foothold in that market.

Solaria continues to shore up its position year after year, delivering exponential increases in earnings and strong growth in assets in operation and under construction, which now total 2 GW. The Company continues to invest and remains committed to a sustainable future with an energy model underpinned by renewable energies and free of pollutant gases.

7. Share price performance



8. Relevant information disclosed in the period

Relevant information published by the Group parent in 2022 is available by clicking on the following link:

https://www.cnmv.es/Portal/Otra-Informacion-Relevante/Resultado-OIR.aspx?nif=A83511501

9. Disclaimer

This report has been prepared by Solaria Energía y Medio Ambiente, S.A. for information purposes only. It includes forward-looking statements regarding operations and the Group's strategies.

The report does not constitute an invitation to purchase shares in accordance with the Spanish Securities Market Act approved by Legislative Royal Decree 4/2015 of October 23.

The information detailed in this document has not been independently verified.

Solaria

APPENDIX I - APM

Item	Calculation	Reconciliation (€K) 9M 2022	Reconciliation (€K) 9M 2021	Relevance of use
Other income	Other income + Self-constructed assets	2,813 + 10,211 = 13,024	3,626 + 5,814 = 9,440	Measure of contribution by items other than energy sales
Working capital	Current assets – Current liabilities	155,389 – 161,080 = (5,691)	188,284– 173,645 = 14,639(*)	Measure of ability to continue with normal business operations in the short term.
EBITDA	Revenue + Other income + Self-constructed assets - Personnel expenses - Other operating expenses	107,942 + 2,813 + 10,211 - – 8,023 – 3,930 = 109,013	70,753 + 3,626+ 5,814 - 5,703 – 4,473 = 70,017	Measure of operating profitability without considering interest, taxes, provisions, depreciation and amortization.
EBIT	EBITDA - Amortization and depreciation, and impairment losses	109,013 – 17,597 = 91,416	70,017 – 14,143 = 55,874	Measure of operating profitability without considering interest and taxes.
Profit after tax	EBIT ± Net finance income/(expense)	91,416 – 13,394 = 78,022	55,874 – 11,409 = 44,465	Measure of operating profitability without considering taxes.
Net finance income/(expense)	Finance income - Finance costs ± Exchange differences	296 – 13,693 + 3 = (13,394)	496 – 11,905 = (11,409)	Measure of finance cost.
EBITDA/revenue	$\frac{\text{Revenue + Other income + Self − constructed assets} - \text{Personnel expenses} - \text{Other operating expenses}}{\text{Revenue}}$	$\frac{109{,}013}{107{,}942} = 101\%$	$\frac{70{,}017}{70{,}753} = 99\%$	Measure of operating profitability considering direct variable generation costs
EBIT/revenue	$\frac{\text{Revenue + Other income + Self − constructed assets − Personnel expenses − Other operating expenses − Amortization and depreciation − Impairment losses}}{\text{Revenue}}$	$\frac{90{,}923}{107{,}942} = 85\%$	$\frac{55{,}874}{70{,}753} = 79\%$	Measure of operating profitability considering direct and indirect variable generation costs
Net profit/revenue	$\frac{\text{Revenue + Other income + Self − constructed assets − Personnel expenses − Other operating expenses − Amortization and depreciation − Impairment losses + Finance income − Finance costs ± Exchange differences ± Income tax}}{\text{Revenue}}$	$\frac{69{,}698}{107{,}942} = 65\%$	$\frac{37{,}573}{70{,}753} = 53\%$	Measure of operating profitability considering direct and indirect variable generation costs, finance costs and taxes
Personnel expenses/revenue	$\frac{\text{Personnel expenses}}{\text{Revenue}}$	$\frac{8{,}023}{107{,}942} = 7\%$	$\frac{5{,}703}{70{,}753} = 8\%$	Measure of the relationship between personnel expenses and revenue from energy sales.
Other operating expenses/revenue	$\frac{\text{Operating expenses}}{\text{Revenue}}$	$\frac{3{,}930}{107{,}942} = 4\%$	$\frac{4{,}473}{70{,}753} = 6\%$	Measure of the relationship between direct variable generation costs and revenue from energy sales.
Finance costs/revenue	$\frac{\text{Finance costs}}{\text{Revenue}}$	$\frac{13{,}693}{107{,}942} = 13\%$	$\frac{11{,}905}{70{,}753} = 17\%$	Measure of the relationship between project finance costs and project revenue from energy sales.

(*) Data as at December 31, 2021.