Solaria

# Consolidated Management Report

June 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.

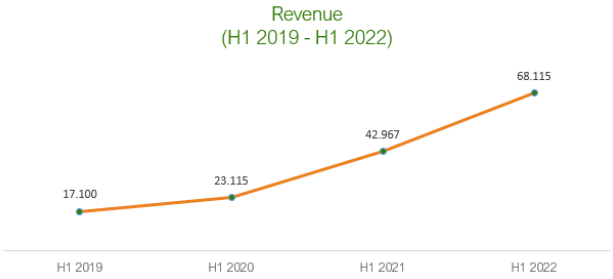
Solaria's **mission** is to promote the development of the use of sunlight as an energy source by transforming knowledge and experience into innovative solutions that contribute to the well-being and progress of humanity, promoting sustainable economic development and reducing environmental impact, positioning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

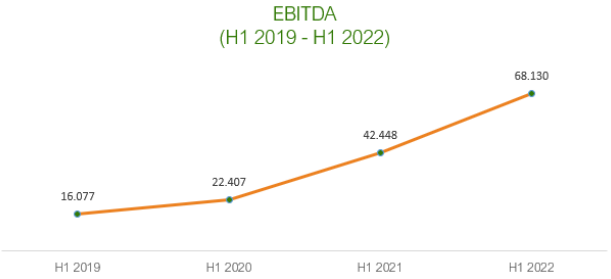
## 2. Key financial indicators - 2022

Solaria Group reported revenue of 68,115 thousand euros (+59%), EBITDA of 68,130 thousand euros (+61%), EBIT of 56,816 thousand euros (+70%), profit before tax of 48,123 thousand euros (+87%) and profit after tax of 43,734 thousand euros (+85%) for the first six 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 early 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 - 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 736MW 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 736 MW 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.

The Company will have 10 of its employees in Italy working in the new office and gradually expand the team over the coming months.

# 4. Financial information

## 4.1. Consolidated income statement

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

| Thousands of euros (€K) | 1H 2022 | 1H 2021 | Absolute change | Relative change |
|---|---|---|---|---|
| Revenue | 68,115 | 42,967 | 25,148 | 59% |
| Other income | 7,325 | 6,531 | 794 | 12% |
| TOTAL REVENUE | 75,440 | 49,498 | 25,942 | 52% |
| Personnel expenses | (4,810) | (3,238) | 1,572 | 49% |
| Operating expenses | (2,500) | (3,812) | 1,312 | (34%) |
| EBITDA | 68,130 | 42,448 | 25,682 | 61% |
| EBITDA/revenue | 100% | 99% | | |
| Amortization and depreciation | (11,314) | (9,115) | 2,199 | 24% |
| EBIT | 56,816 | 33,333 | 23,483 | 70% |
| EBIT/revenue | 83% | 78% | | |
| Net finance expense | (8,693) | (7,595) | 1,098 | 14% |
| Profit after tax | 48,123 | 25.738 | 22,385 | 87% |
| Income tax expense | (4,389) | (2,089) | 2,300 | 110% |
| NET PROFIT | 43,734 | 23,649 | 20,085 | 85% |
| Net profit/revenue | 64% | 55% | | |

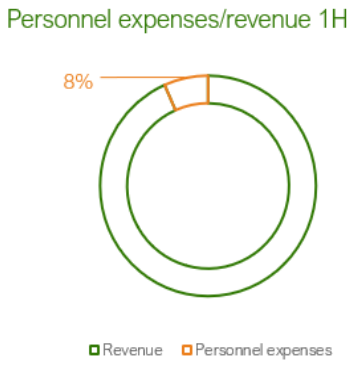
*Revenue*

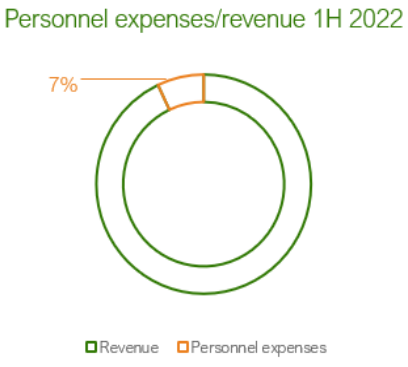
The Group reported **revenue** of 68,115 thousand euros in the first six months of 2022, up 59% (or 25,148 thousand euros) year-on-year. Growth was underpinned by the increase in output thanks to the connection of the new PV plants in 2022 and at the end of 2021, as set out in the Group's business plan.

*Personnel expenses*

The growth in **personnel expenses** (+49% year-on-year) was the result of the higher average number of employees at the Group compared to the first quarter last year. New staff was required to undertake the Group's ongoing expansion process.

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

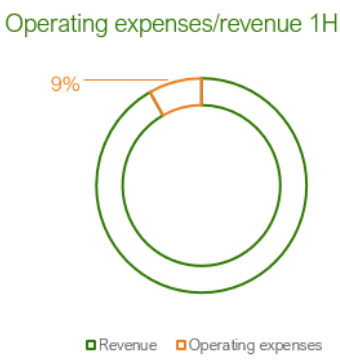


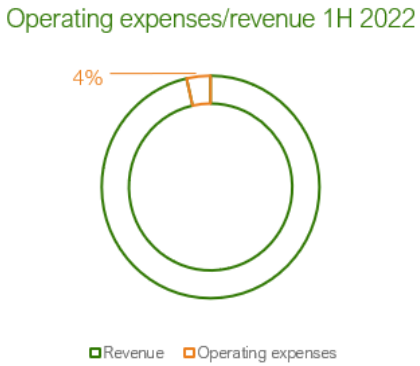



*Operating expenses*

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

The following chart shows operating expenses as a percentage of revenue in 1H 2022 and 2021:



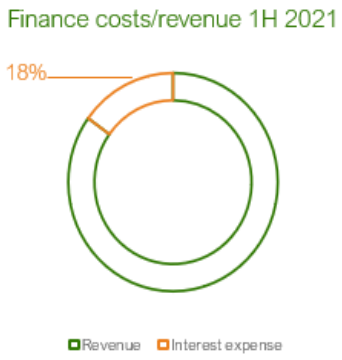

*Amortization and depreciation*

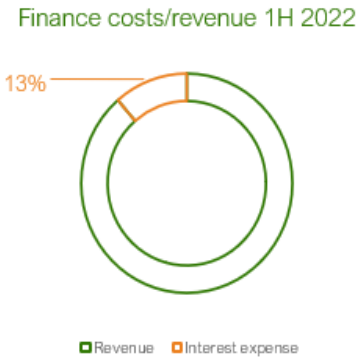
The increase in **amortization and depreciation** was due to the depreciation charges recognized for the new plants commissioned by the Group.

*Net finance expense*

**Net finance expense** increased in the first three 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 first quarter last year.

The charts below show the changes in third-party finance costs as a percentage of revenue from 18% in 1H 2021 to 13% in 1H 2022.




*Conclusion*

Overall, the Group is on track to deliver its business plan, which will mean higher revenue and its cost-streamlining policy. As a result, it continues to register excellent performances in its key financial indicators.

## 4.2. Consolidated balance sheet

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

| Thousands of euros (€K) | 06/30/22 | 12/31/22 | Absolute change | Relative change |
|---|---|---|---|---|
| Non-current assets | 1,000,890 | 854,468 | 146,422 | 17% |
| Intangible assets | 115,046 | 112,221 | 2,825 | 3% |
| Property, plant and equipment | 816,714 | 671,303 | 145,411 | 22% |
| Deferred tax assets | 66,894 | 69,466 | (2,572) | (4%) |
| Other non-current financial assets | 2,236 | 1,478 | 758 | 51% |
| Current assets | 171,074 | 188,284 | (17,210) | (9%) |
| Trade and other receivables | 51,850 | 34,716 | 17,134 | 49% |
| Other current financial assets | 728 | 717 | 11 | 2% |
| Cash and cash equivalents | 118,496 | 152,851 | (34,355) | (22%) |
| TOTAL ASSETS | 1,171,964 | 1,042,752 | 129,212 | 12% |

| Thousands of euros (€K) | 06/30/22 | 12/31/22 | Absolute change | Relative change |
|---|---|---|---|---|
| Equity | 300,046 | 247,355 | 52,691 | 21% |
| Capital and share premium | 310,926 | 310,926 | - | - |
| Other reserves | 5,311 | 5,311 | - | - |
| Non-controlling interests | 1,440 | - | 1,440 | 100% |
| Retained earnings | 7,893 | (35,841) | 43,734 | 122% |
| Valuation adjustments | (25,524) | (33,041) | (7,517) | (23%) |
| Non-current liabilities | 680,203 | 621,752 | 58,451 | 9% |
| Long-term bonds and debentures | 129,435 | 122,100 | 7,335 | 6% |
| Financial liabilities arising from bank borrowings | 410,002 | 355,958 | 54,044 | 15% |
| Finance lease payables | 108,980 | 106,151 | 2,829 | 3% |
| Derivative financial instruments | 31,786 | 37,543 | (5,757) | (15%) |
| Current liabilities | 191,715 | 173,645 | 18,070 | 10% |
| Short-term bonds and debentures | 50,374 | 54,502 | (4,128) | (8%) |
| Financial liabilities arising from bank borrowings | 25,169 | 23,629 | 1,540 | 7% |
| Finance lease payables | 4,519 | 4,681 | (162) | (3%) |
| Derivative financial instruments | - | 575 | (575) | (100%) |
| Trade and other payables | 111,653 | 90,258 | 21,395 | 24% |
| TOTAL EQUITY AND LIABILITIES | 1,171,964 | 1,042,752 | 129,212 | 12% |

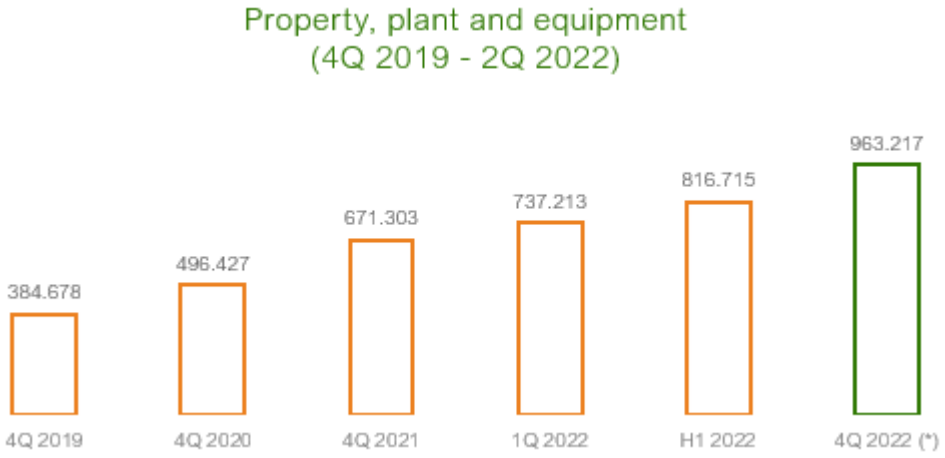
*Intangible assets*

The increase in **intangible assets** is the result of additions of new leases recognized as surface rights or right-of-use 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 six months of 2022 of 153,596 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 1H 2022 give a figure for property, plant and equipment at year-end 2022 of 963 million euros:

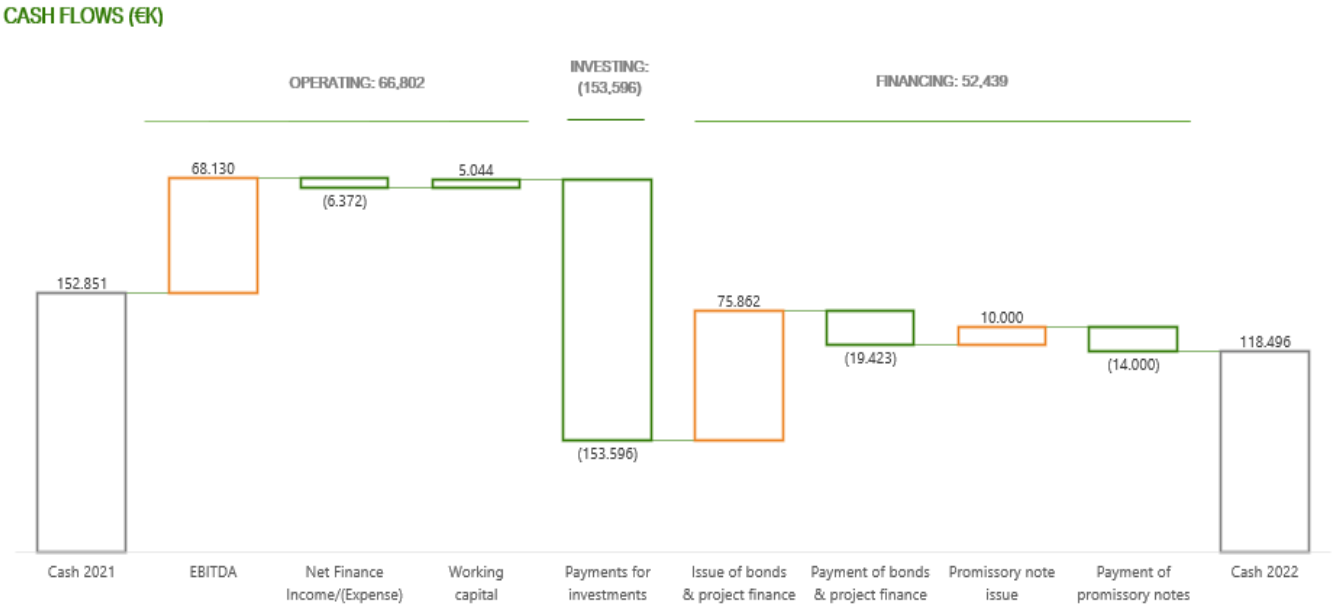



(*) Extrapolated 4Q 2022 figures:

1H property, plant and equipment + (capex 1H) – (depreciation excluding IFRS16 1H) → 816,715 + (3) – 3) = **963,217**

*Cash*

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



*Interest-bearing loans and borrowings*

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

- The increase in bank borrowings following new drawdowns from project debt made in the first six 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 net payment of 4 million euros of promissory notes under the Group's note program registered in the MARF.

*Conclusion*

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.

Moreover, 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, at June 30, 2022, the Group had negative working capital of 20,641 thousand euros. As described in Note 3, this was due to a one-off situation involving the financing of 736 MW closed on June 30, 2022, for which 45.5 million euros was paid on July 11, 2022. Moreover, the Group can meet its current liabilities with undrawn available financing facilities.

## 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

| | 1H 2022 | 1H 2021 | Observations |
|---|---|---|---|
| CO2 emissions – Scope 1 (Tn CO2) | 140.50 | 118.37 | |
| CO2 emissions – Scope 2 (Tn CO2) – Market based | 1.01 | 26.29 | The decrease was due to the change in electricity consumption for renewable sources |
| CO2 emissions – Scope 3 (Tn CO2) | 25.96 | 15.85 | |
| CO2 emissions generated (Tn CO2) | 0.26 | 0.37 | -30% |
| Energy generation (GWh) | 641,7 | 430 | + 50% |
| Environmental penalties | 0 | 0 | |
| Electricity consumption (offices and solar plants) (kWh) | 2,321,736 | 1,284,384 | |
| Of which: renewable | 92.07% | 87.44% | + 6% |
| Water consumed at offices (m3) | 210 | 191.28 | The increase was driven by the growth in headcount and installations |
| % electric / hybrid / ECO vehicles | 30% | 18% | |

## SOCIAL

| | 1H 2022 | 1H 2021 | Observations |
|---|---|---|---|
| Total no. of employees | 149 | 130 | +15% |
| Management team | 10 | 8 | |
| Middle managers | 19 | 19 | |
| Technicians | 120 | 97 | |
| Interns/trainees | 1 | 6 | |
| Total no. of women | 33 | 31 | One woman joined the Management Team. |
| Management team | 1 | 0 | |
| Middle managers | 7 | 7 | |
| Technicians | 25 | 20 | |
| Interns/trainees | 1 | 4 | |
| Total no. of men | 116 | 99 | |
| Management team | 9 | 8 | |
| Middle managers | 13 | 12 | |
| Technicians | 94 | 77 | |
| Interns/trainees | 0 | 2 | |
| New hires | 40 | 36 | Due to Solaria's growth and expansion. |
| No. of employees with a disability | 1 | 2 | |
| No. of employees with permanent contract | 144 | 121 | 97% of staff |
| Average age of the workforce | 41 | 38 | |
| Average length of service | 2.9 | 3.2 | |
| Average remuneration | €56,518 | €45,057 | |
| Employee turnover rate | 19.27% | 13.56% | |
| Total no. of internal training hours | 855 | 842 | |
| Reports received through the compliance channel | 0 | 0 | |
| Disciplinary actions | 0 | 0 | |

## HEALTH & SAFETY

| | 1H 2022 | 1H 2021 | Observations |
|---|---|---|---|
| Frequency rate | *6.50* | *26.25* | |
| Direct | 0 | 0 | |
| Indirect | 6.50 | 26.25 | |
| Accident rate | 93.34 | 303.13 | |
| Direct | 0 | 0 | |
| Indirect | 93.34 | 303.13 | *The decrease was the result of Solaria's efforts to achieve 0 accidents* |
| Injury rate | 0.10 | 0.45 | |
| Direct | 0 | 0 | |
| Indirect | 0.10 | 0.45 | |

## 6. Strategy and outlook

The geopolitical situation that unfolded in the first half of the year pushed renewables to the center of debate. Without a doubt, these energies, especially photovoltaic solar energy, constitute a strategic resource for both Spain and the European Union, even more so in the future if we are to steer away from our dependence on external and pollutant resources and preserve the energy security of European countries. Renewable energies will likewise play a pivotal role in achieving the European Union's energy and climate targets.

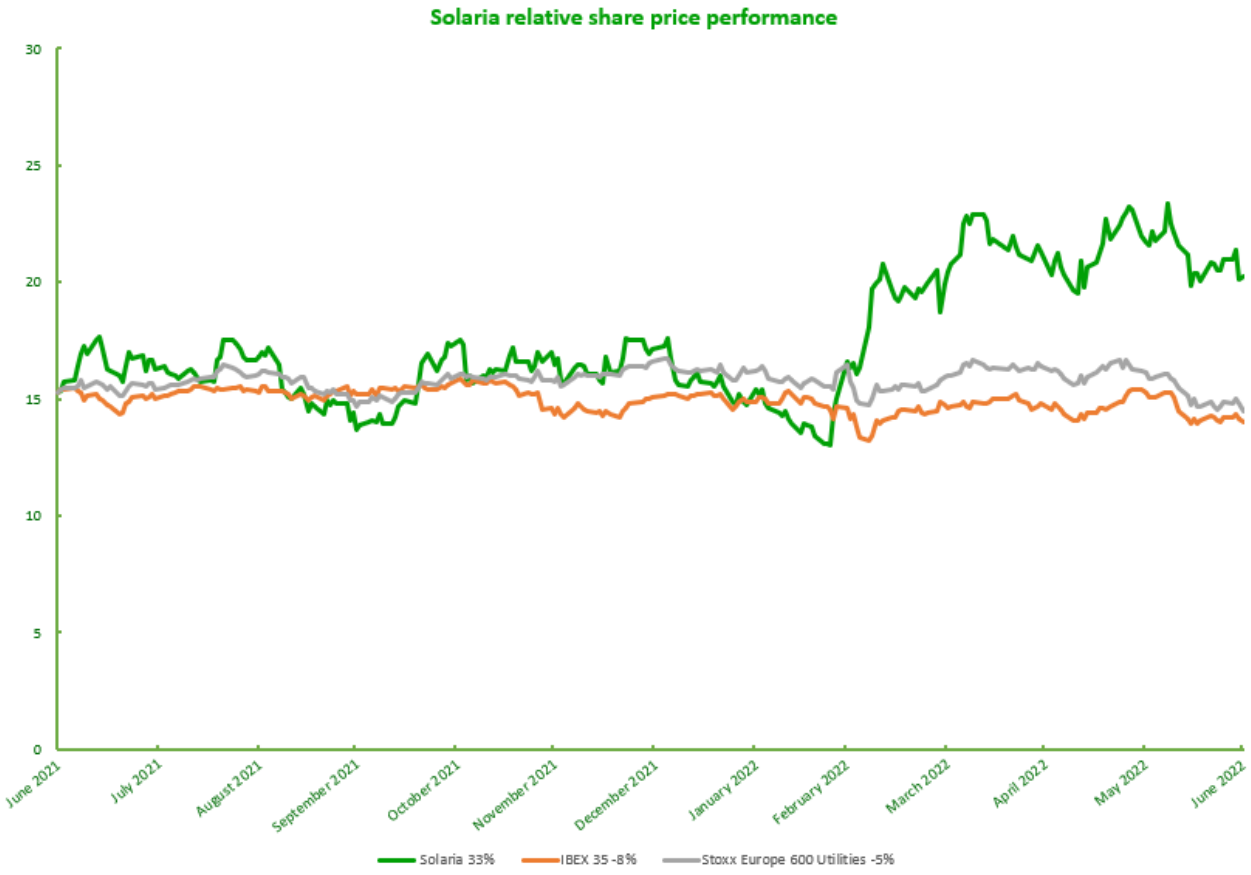
Today we can affirm that Europe's energy future will be renewable. This is particularly true for Spain. Our unique climate makes us a leader in the tourism industry. We must seize this opportunity to capitalize on our exceptional climate so that we can lead the way in generating clean and, above all, cheap energy, which will be crucial to the development of both industry and the economy.

Against this backdrop, as one of the three main solar energy players in Europe, with 1 GW in operation, Solaria's role will be decisive. Since its foundation in 2002, Solaria has had a clear goal: to actively contribute to decarbonization and ensure that the global energy model is based on clean energies. The current situation confirms that our strategy is on the right track.

As part of its growth plan, Solaria already has 2 GW in operation and under construction. In addition, our project portfolio of 12 GW enables us to be optimistic about achieving our target of 18 GW by 2030. In Italy, the group already boasts a 2GW pipeline and in Germany, we have made significant strides towards recruiting the necessary personnel.

These advancements reaped excellent results in the first half of the year, and have spawned an increase in key financial indicators. These figures, together with the positive outlook for the second half of the year, will enable Solaria to accomplish its 2030 roadmap.

## 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.

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## APPENDIX I - APM

| Item | Calculation | Reconciliation (€K) H1 2022 | Reconciliation (€K) H1 2021 | Relevance of use |
|---|---|---|---|---|
| Other income | Other income + Self-constructed assets | 3,492 + 3,833 = 7,325 | 3,593 + 2,938 = 6,531 | Measure of contribution by items other than energy sales |
| Working capital | Current assets – Current liabilities | 171,065 – 192.17 = (21,106) | 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 | 68,115 + 3,492 + 3,833 - – 4,810 – 2,500 = 68,130 | 42,967 + 3,593 + 2,938 – - 3,238 – 3,812 = 42,448 | Measure of operating profitability without considering interest, taxes, provisions, depreciation and amortization. |
| EBIT | EBITDA - Amortization and depreciation, and impairment losses | 68,130 – 11,314 = 56,816 | 42,448 – 9,115 = 33,333 | Measure of operating profitability without considering interest and taxes. |
| Profit after tax | EBIT ± Net finance income/(expense) | 56,816 – 8,693 = 48,123 | 33,333 – 7,595 = 25,738 | Measure of operating profitability without considering taxes. |
| Net finance income/(expense) | Finance income - Finance costs ± Exchange differences | | | Measure of finance cost. |
| EBITDA/revenue | $\frac{\text{Revenue + Other income + Self − constructed assets} - \text{Personnel expenses} - \text{Other operating expenses}}{\text{Revenue}}$ | $\frac{68,130}{68,115} = 100\%$ | $\frac{42,448}{42,967} = 99\%$ | Measure of operating profitability considering direct variable generation costs |
| EBIT/revenue | $\frac{\text{Revenue + Other income + Self − constructed assets − Personnel expenses − Other operating expenses − Amortization and depreciation − Impairment losses}}{\text{Revenue}}$ | $\frac{56,816}{68,115} = 83\%$ | $\frac{33,333}{42,967} = 78\%$ | Measure of operating profitability considering direct and indirect variable generation costs |
| Net profit/revenue | $\frac{\text{Revenue + Other income + Self − constructed assets − Personnel expenses − Other operating expenses − Amortization and depreciation − Impairment losses + Finance income − Finance costs ± Exchange differences ± Income tax}}{\text{Revenue}}$ | $\frac{43,734}{68,115} = 64\%$ | $\frac{23,649}{42,967} = 55\%$ | Measure of operating profitability considering direct and indirect variable generation costs, finance costs and taxes |
| Personnel expenses/revenue | $\frac{\text{Personnel expenses}}{\text{Revenue}}$ | $\frac{4,810}{68,115} = 7\%$ | $\frac{3,238}{42,967} = 8\%$ | Measure of the relationship between personnel expenses and revenue from energy sales. |
| Operating expenses/revenue | $\frac{\text{Operating expenses}}{\text{Revenue}}$ | $\frac{2,500}{68,115} = 4\%$ | $\frac{3,812}{42,967} = 9\%$ | Measure of the relationship between direct variable generation costs and revenue from energy sales. |
| Finance costs/revenue | $\frac{\text{Finance costs}}{\text{Revenue}}$ | $\frac{8,693}{68,115} = 13\%$ | $\frac{7,595}{42,967} = 18\%$ | Measure of the relationship between project finance costs and project revenue from energy sales. |

(*) Data as at December 31, 2021.