Solaria

Consolidated Management Report

March 31, 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.

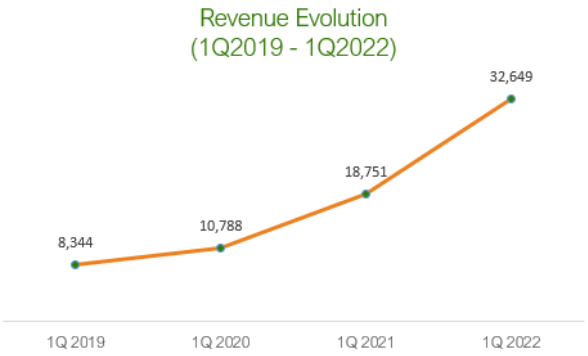
Solaria's **mission** is to promote the development of the use of sunlight as an energy source by transforming knowledge and experience into innovative solutions that contribute to the well-being and progress of humanity, promoting sustainable economic development and reducing environmental impact, positioning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

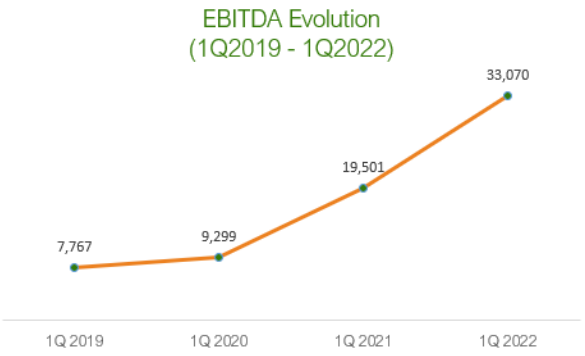
2. Key financial indicators - 2022

Solaria Group reported revenue of 32,649 thousand euros (+74%), EBITDA of 33,070 thousand euros (+70%), EBIT of 27,733 thousand euros (+85%), profit before tax of 23,627 thousand euros (+99%) and profit after tax of 20,509 thousand euros (+98%) for the first three months of 2022.



Increases in the key income statement items was driven by execution of the Group's business plan, which calls for growth in energy output thanks to the new plants brought on stream in 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 February 28, 2022, Solaria announced that it had reached an in-principle and non-binding agreement with ABN AMRO, Commerzbank and the European Investment Bank (EIB) for the long-term financing of 736MW of solar PV plants in Spain.

The agreement is subject to the successful completion of due diligence of the projects and the approval of the banks' decision-making bodies. The financing arrangement is project finance for 375 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 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 three months of 2022 and 2021 is as follows:

Thousands of euros (€K)	1Q 2022	1Q 2021	Absolute change	Relative change
Revenue	32,649	18,751	13,898	74%
Other income	3,811	4,164	(354)	(8%)
TOTAL REVENUE	36,460	22,915	13,545	59%
Personnel expenses	(2,270)	(1,755)	(515)	29%
Operating expenses	(1,120)	(1,659)	539	(32%)
EBITDA	33,070	19,501	13,569	70%
EBITDA/revenue	101%	104%		
Amortization and depreciation	(5,337)	(4,546)	(791)	17%
EBIT	27,733	14,955	12,778	85%
EBIT/revenue	85%	80%		
Net finance expense	(4,106)	(3,066)	(1,040)	34%
Profit after tax	23,627	11,889	11,738	99%
Income tax expense	(3,118)	(1,522)	(1,596)	105%
NET PROFIT	20,509	10,367	10,142	98%
Net profit/revenue	63%	55%		

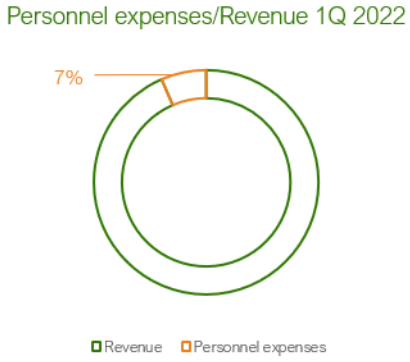
Revenue

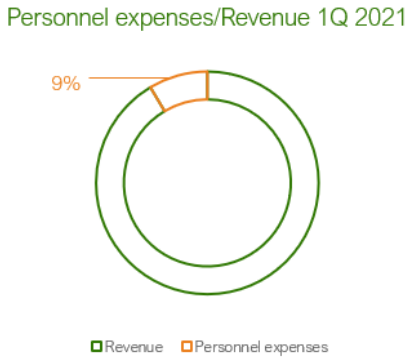
The Group reported **revenue** of 32,649 thousand euros in the first three months of 2022, up 74% (+13,898 thousand euros) year-on-year. Growth was underpinned by the increase in output thanks to the connection of the new PV plants in 2022 and at the end of 2021, as set out in the Group's business plan.

Personnel expenses

The growth in **personnel expenses** (+29% 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 1Q 2021, due to higher revenue and the Group's cost-streamlining policy, as illustrated in the following charts:

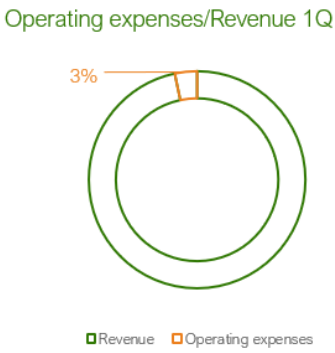


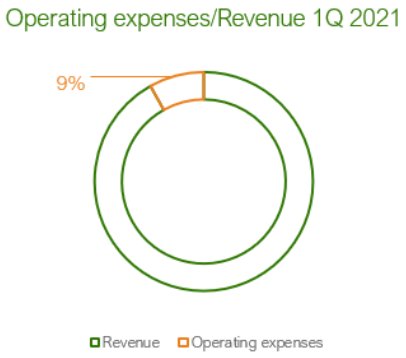


Operating expenses

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 1Q 2022 and 2021:





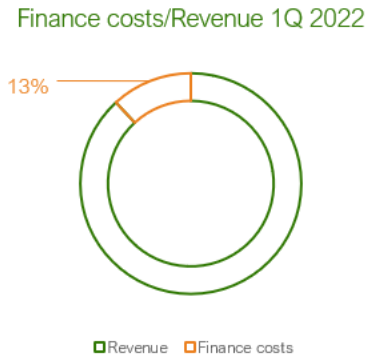
Amortization and depreciation

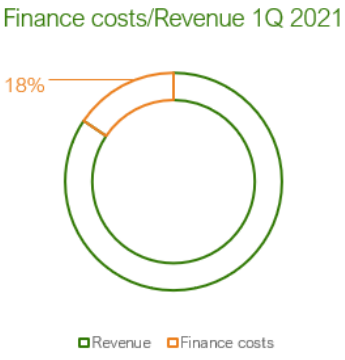
The increase in **amortization and depreciation** was due to the depreciation charges recognized for the new plants commissioned by the Group.

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 1Q 2021 to 13% in 1Q 2022.





Conclusion

Overall, the Group is on track to deliver its business plan and scheduled connections of new PV plants, which will mean higher revenue. Meanwhile, the Group is proceeding with its cost-streamlining policy. 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 March 31, 2022 and December 31, 2021 is as follows:

Thousands of euros (€K)	1Q 2022	4Q 2021	Absolute change	Relative change
Non-current assets	918,486	854,468	64,018	7%
Intangible assets	115,131	112,221	2,910	3%
Property, plant and equipment	737,213	671,303	65,910	10%
Deferred tax assets	64,145	69,466	(5,321)	(8%)
Other non-current financial assets	1,997	1,478	519	35%
Current assets	176,235	188,284	(12,049)	(6%)
Trade and other receivables	51,736	34,716	17,020	49%
Other current financial assets	720	717	3	-
Cash and cash equivalents	123,779	152,851	(29,072)	(19%)
TOTAL ASSETS	1,094,721	1,042,752	51,969	5%

Thousands of euros (€K)	1Q 2022	4Q 2021	Absolute change	Relative change
Equity	274,625	247,355	27,270	11%
Capital and share premium	310,926	310,926	-	-
Other reserves	5,311	5,311	-	-
Retained earnings	(15,332)	(35,841)	20,509	(57%)
Valuation adjustments	(26,280)	(33,041)	6,761	(20%)
Non-current liabilities	647,945	621,752	26,193	4%
Long-term bonds and debentures	122,177	122,100	77	-
Financial liabilities arising from bank borrowings	387,253	355,958	31,295	9%
Finance lease payables	109,235	106,151	3,084	3%
Derivative financial instruments	29,280	37,543	(8,263)	(22%)
Current liabilities	172,151	173,645	(1,494)	(1%)
Short-term bonds and debentures	39,873	54,502	(14,629)	(27%)
Financial liabilities arising from bank borrowings	24,536	23,629	907	4%
Finance lease payables	4,539	4,681	(142)	(3%)
Derivative financial instruments	-	575	(575)	(100%)
Trade and other payables	103,203	90,258	12,945	14%
TOTAL EQUITY AND LIABILITIES	1,094,721	1,042,752	51,969	5%

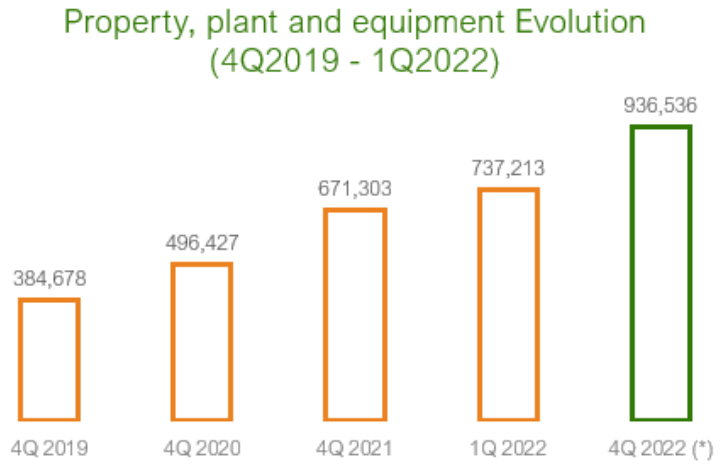
Intangible assets

The increase in **intangible assets** was 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 three months of 2022 of 71,247 thousand euros for the new plants currently being built. 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 1Q 2022 give a figure for property, plant and equipment at year-end 2022 of 936 million euros:



(*) Extrapolated 4Q 2022 figures:

1Q property, plant and equipment + (CAPEX x 3) – (depreciation excluding IFRS16 x 3) → 737,213 + (71,247 x 3) – (4,806 x 3) = **936,536**

Cash

Changes in Group's consolidated statement of cash flows for the three months ended March 31, 2022, are as follows:



Interest-bearing loans and borrowings

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

- The increase in bank borrowings following new drawdowns from project debt made in the first three months of 2022 as construction of new solar PV parks proceeded.

- 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 14 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, the Group has undrawn financing facilities available to meet its current liabilities.

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:

KEY METRICS				
	Factor	3M 2022	3M 2021	Observations
ENVIRONMENT				
CO2 emissions – Scope 1	Tn CO2	67.35	58.71	
CO2 emissions – Scope 2	Tn CO2	0.46	14.02	
CO2 emissions – Scope 3	Tn CO2	6.44	5.14	
CO2 emissions per unit of production	gCO2/kWh	0.33	0.54	(61%)
Environmental penalties		0	0	
Water consumed at offices	M3	124.96	60.49	There are no water consumption installations at our plants
PEOPLE				
Total no. of employees		149	115	30%
Management team		8	8	
Middle managers		19	19	
Technicians and interns/trainees		122	88	
No. of women		30	27	11.11%
Management team		-	-	
Middle managers		6	-	
Technicians and interns/trainees		24	-	
No. of men		119	88	35%
Management team		8	-	
Middle managers		13	-	
Technicians and interns/trainees		98	-	
No. of employees with a disability		1	2	
No. of interns/trainees		6	-	
Men		3	-	
Women		3	-	
No. of employees with permanent contract		149	-	96% of the total workforce
Average age of the workforce	Years	41	40	
Average length of service	Years	2.9	3	
Average remuneration	€	48,330	40,000	
Reports received through the whistleblowing channel		-	-	
Disciplinary actions		-	-	
OCCUPATIONAL HEALTH AND SAFETY [1]				
Frequency rate				
Direct		-	-	
Indirect		15.48	23.15	
Accident rate				
Direct		-	-	
Indirect		180.83	295.42	
Injury rate				
Direct		-	-	
Indirect		0.13	0.73	

[1] Rates far below the construction sector average (frequency rate: 37.3; accident rate: 6,146; injury rate: 1.28).

Solaria generates emission-free energy, enabling the Company to release less carbon dioxide (CO_2) into the atmosphere than it emits. Specifically, through September 2021 the Company generated 221.7 GWh of renewable energy, absorbing the emission of 55,425 tons of CO_2. This is equal to the energy consumption of approximately 67,757 Spanish households.

Climate management at Solaria goes beyond just its activity; the Company goes to great lengths to reduce its carbon footprint and become carbon-neutral in terms of own emissions and in its supply chain. Emissions per unit of production fell by 61% year-on-year. Also, since January 1, 2022, all electricity consumed by the Company is from renewable energy sources, meaning it has 0 tonnes of Scope 2 emissions.

On the social front, Solaria is a committed and socially responsible enterprise, with both its employees and local communities and towns where it has operations. More than just creating local jobs and contributing financially, active dialog and partnership initiatives are embedded in Solaria's strategy for local development.

6. Strategy and outlook

Over the past few months, the war in Ukraine has uncovered a need for Europe to procure the supply of its own clean and competitive energy, with renewables and especially solar PV providing a solution.

This geopolitical landscape is driving an unprecedented acceleration in the deployment of renewables in the European Union so it no longer has to rely on external and/or polluting resources. This explains the 45% jump in the EU's renewable targets by 2030, with the goal of installing 600 GW of new PV capacity by then.

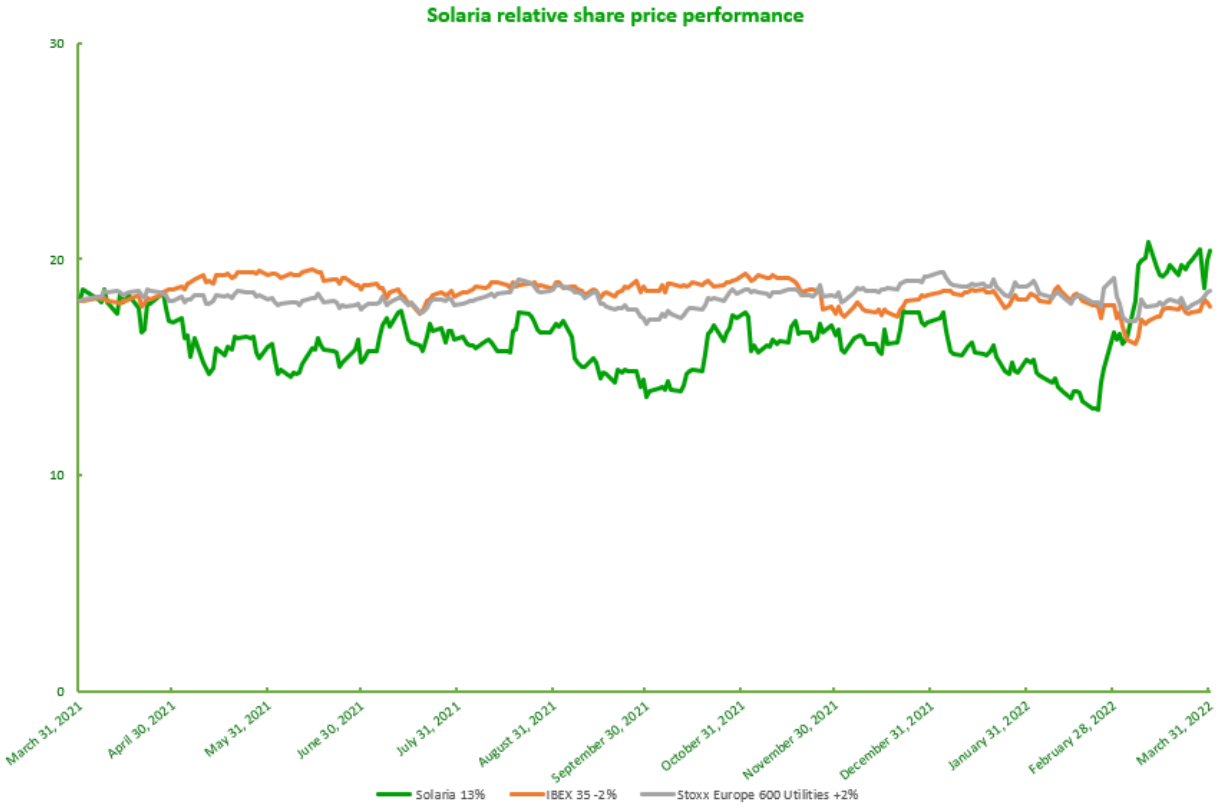
Solaria continues to grow abroad, targeting primarily southern Europe, in line with these objectives. As part of its growth plans for Spain, the Company continues to connect new plants, while it expands its project pipeline. In the Italian market, the Group has raised its growth target from 3 to 5 GW by 2030 thanks to its positive performance and a propitious market situation.

Elsewhere in Europe, Solaria has decided to start up operations in Germany. It already has experience in this market, which currently boasts strong growth potential thanks to the country's firm commitment to solar power; in April it announced a target of reaching 215 GW by 2030.

Solaria is also diversifying its business mix for the coming years. For instance, it is entering wind power, with plans to install 1,200 MW by 2030. In according with Spanish legislation, Solaria will leverage the location of its plants in areas with strong wind potential to hybridize projects at all sites where this is possible.

Meanwhile, Solaria has strengthened its commitment to controlling and purchasing land in Europe, creating a new company, GENERIA, for this purpose. Land will undoubtedly become a scarce and strategic asset for developing renewable energy throughout the next decade.

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) 1Q 2022	Reconciliation (€K) 1Q 2021	Relevance of use
Other income	Other income + Self-constructed assets	941 + 2,870 = 3,811	2,098 + 2,066 = 4,164	Measure of contribution by items other than energy sales
Working capital	Current assets – Current liabilities	176,235 – 172,151 = 4,084	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	32,649 + 941 + 2,870 – 2,270 – 1,120 = 33,070	18,751 + 2,098 + 2,066 – 1,755 – 1,659 = 19,501	Measure of operating profitability without considering interest, taxes, provisions, depreciation and amortization.
EBIT	EBITDA - Amortization and depreciation, and impairment losses	33,070 – 5,337 = 27,733	19,501 – 4,546 = 14,955	Measure of operating profitability without considering interest and taxes.
Profit after tax	EBIT ± Net finance income/(expense)	27,733 – 4,106 = 23,627	14,955 – 3,066 = 11,889	Measure of operating profitability without considering taxes.
Net finance income/(expense)	Finance income - Finance costs ± Exchange differences	280 – 4,386 = (4,106)	389 – 3,455 = (3,066)	Measure of finance cost.
EBITDA/revenue	$\frac{\text{Revenue} + \text{Other income} + \text{Self} - \text{constructed assets} - \text{Personnel expenses} - \text{Other operating expenses}}{\text{Revenue}}$	$\frac{32,649 + 941 + 2,870 - 2,270 - 1,120}{32,649} = 101\%$	$\frac{18,751 + +2,098 + 2,066 - 1,755 - 1,659}{18,751} = 104\%$	Measure of operating profitability considering direct variable generation costs
EBIT/revenue	$\frac{\text{Revenue} + \text{Other income} + \text{Self} - \text{constructed assets} - \text{Personnel expenses} - \text{Other operating expenses} - \text{Amortization and Depreciation} - \text{Impairment losses}}{\text{Revenue}}$	$\frac{32,649 + 941 + 2,870 - - 2,270 - 1,120 - 5,337}{32,649} = 85\%$	$\frac{18,751 + +2,098 + +2,066 - - 1,755 - 1,659 - 4,546}{18,751} = 80\%$	Measure of operating profitability considering direct and indirect variable generation costs
Net profit/revenue	$\frac{\text{Revenue} + \text{Other income} + \text{Self} - \text{constructed assets} - \text{Personnel expenses} - \text{Other operating expenses} - \text{Amortization and depreciation} - \text{Impairment losses} + \text{Finance income} - \text{Finance costs} \pm \text{Exchange differences} \pm \text{Income tax}}{\text{Revenue}}$	$\frac{32,649 + 941 + 2,870 - 2,270 - 1,120 - 5,337 + + 280 - 4,386 - 3,118}{32,649} = 63\%$	$\frac{18,751 + +2,098 + +2,066 - 1,755 - 1,659 - 4,546 + 389 - 3,455 - 1,522}{18,751} = 53\%$	Measure of operating profitability considering direct and indirect variable generation costs, finance costs and taxes
Personnel expenses/revenue	$\frac{\text{Personnel expenses}}{\text{Revenue}}$	$\frac{2,270}{32,649} = 7\%$	$\frac{1,755}{18,751} = 9\%$	Measure of the relationship between personnel expenses and revenue from energy sales.
Operating expenses/revenue	$\frac{\text{Operating expenses}}{\text{Revenue}}$	$\frac{1,120}{32,649} = 3\%$	$\frac{1,659}{18,751} = 9\%$	Measure of the relationship between direct variable generation costs and revenue from energy sales.
Finance costs/revenue	$\frac{\text{Finance costs}}{\text{Revenue}}$	$\frac{4,386}{32,649} = 13\%$	$\frac{3,455}{18,751} = 18\%$	Measure of the relationship between project finance costs and project revenue from energy sales.

(*) Data as at December 31, 2021.