



**Consolidated Intermediate Management Report
January–June 2018**

26 September 2018



MAIN ITEMS

In the first half of 2018, Grupo Solaria obtained **€19.056mn in revenues (+19%), €14.9mn in EBITDA (+27%) and €11.477mn in profit after tax (+163%)**. The earnings are significantly better than those obtained in the same period a year earlier: €15.996mn in revenues, €11.742mn in EBITDA and €4.357mn in profit after tax.

The **outstanding overall performance and robust growth in recent years** are the result of a new operating model focussed on solar-photovoltaic-based energy generation, with growth based on the development of new generation plants and on the acquisition of onstream plants, and ongoing optimisation of operating and project-finance costs, which allows Solaria to improve continuously the return on its investments.

SIGNIFICANT DEVELOPMENTS

Acquisition of companies Sardegna Agrienergia 1 S.r.l. and Elassona Solar Energiaki LLC.

In January 2018, Grupo Solaria, through its affiliate Solaria Energía y Generación Renovable, S.L. agreed with venture-risk fund Eland Energías Renovables III F.C.R. the acquisition of the company Sardegna Agrienergia 1, S.r.l., which owned two 4.29MWp photovoltaic plants in Sardinia (Italy), taking control on said date. The transaction was formalised on 13 June 2018.

Also in January, 2018, Grupo Solaria took control of the company Elassona Solar Energiaki LLC., in which Solaria had held a 50% stake through Solaria Energía y Generación Renovable S.L. Solaria took control through the acquisition of the remaining 50% from Solutions Societe Anonyme of Energy and IT. Elassona Solar Energiaki LLC owns four 100kW plants in Greece.

Signing of Provisional Acceptance Certificate for Yarnel and Natelu plants

On 26 March 2018, with the approval of the technical advisor and Corporación Interamericana de Inversiones, the provisional acceptance certificate for the Yarnel and Natelu plants in Uruguay was signed. Both plants operated at full production capacity over the quarter.

Declaration of auction projects

On 13 April 2018, Grupo Solaria, in observance of **RD 650/2017 and ETU/615/2017** in relation to the power allotted in the July 2017 auction, reported to the Ministry of Energy, Tourism and Digital Agenda the **locations of the construction of projects under the remuneration scheme of the auction**, with an excess of up to 50% of allotted power, which is up to **375 MW** in the case of Solaria.

The following is a summary of the projects reported by Grupo Solaria:

Project name	Power (MW)	Region	Connection grid	Distance to connection	kWh/kWp
Cáceres I	20	Extremadura	Distribution grid	1,5 km	
Valladolid I	30	Castilla y León	Distribution grid	3 km	
Valladolid II	50	Castilla y León	Transport grid	2,5 km	
Valladolid III	30	Castilla y León	Transport grid	2,5 km	
Salamanca I	50	Castilla y León	Transport grid	1,5 km	
Salamanca II	30	Castilla y León	Transport grid	2 km	
Salamanca III	30	Castilla y León	Transport grid	3 km	
Segovia I	30	Castilla y León	Distribution grid	5 km	
Huesca I	25	Aragón	Distribution grid	3 km	
Huesca II	30	Aragón	Distribution grid	3 km	
Toledo I	20	Castilla La Mancha	Distribution grid	2 km	
Cuenca I	30	Castilla La Mancha	Distribution grid	1 km	
Total	375				

CONSOLIDATED INCOME STATEMENT

THOUSANDS OF EUROS (K€)	CONSOLIDATED P&L			
	1H18	1H17 (restated)	Absolute change	Relative change
Net sales	16.192	14.639	1.553	11%
Other revenues	2.864	1.357	1.507	111%
Total revenues	19.056	15.996	3.061	19%
Personnel expenses	(1.332)	(1.335)	3	0%
Other operating expenses	(2.825)	(2.919)	94	-3%
EBITDA	14.900	11.742	3.158	27%
EBITDA / net sales	92%	80%		
Amortisation and impairment	(3.067)	(3.630)	563	-16%
EBIT	11.833	8.112	3.721	46%
EBIT / net sales	73%	55%		
FINANCIAL INCOME/LOSS	(5.436)	(4.523)	(913)	20%
Earnings from equity-accounted investees	-	767	(767)	-100%
Profit before tax	6.397	4.357	2.040	47%
Tax	5.080			
NET PROFIT / (NET PROFIT AFTER TAX)	11.477	4.357	7.120	163%
Net profit / net sales	71%	30%		

The Group's **net sales** in the first half of 2018 grew 11% vs. the same period a year earlier. The reasons for this increase are explained below.

The line item **other revenues** includes capitalisation of development costs of several projects as well as one-off profit from the business combination deriving from the aforementioned acquisition of Ellassona Solar.

Operating costs for the half year ending 30 June 2018 fell 3% vs. the same period a year earlier, owing to the Group's efforts to streamline operating costs.

Financial costs grew 20% vs. the same period a year earlier, due to interest associated with the Group's higher volume of debt, which is due to the successful completion of refinancing undertaken over the course of 2017 and the incorporation of non-recourse debt associated with the plants of Sardegna Agrienergia 1, S.r.l.

Lastly, the amount recorded in the line item **amortisation and impairment** includes a positive adjustment for the reversal of impairment of photovoltaic plants in Italy, amounting to €2.9mn.

BREAKDOWN OF NET SALES

The Group's net sales in the first half of 2018 amounted to €16.192mn, constituting an **11% upturn vs. the same period a year earlier**.

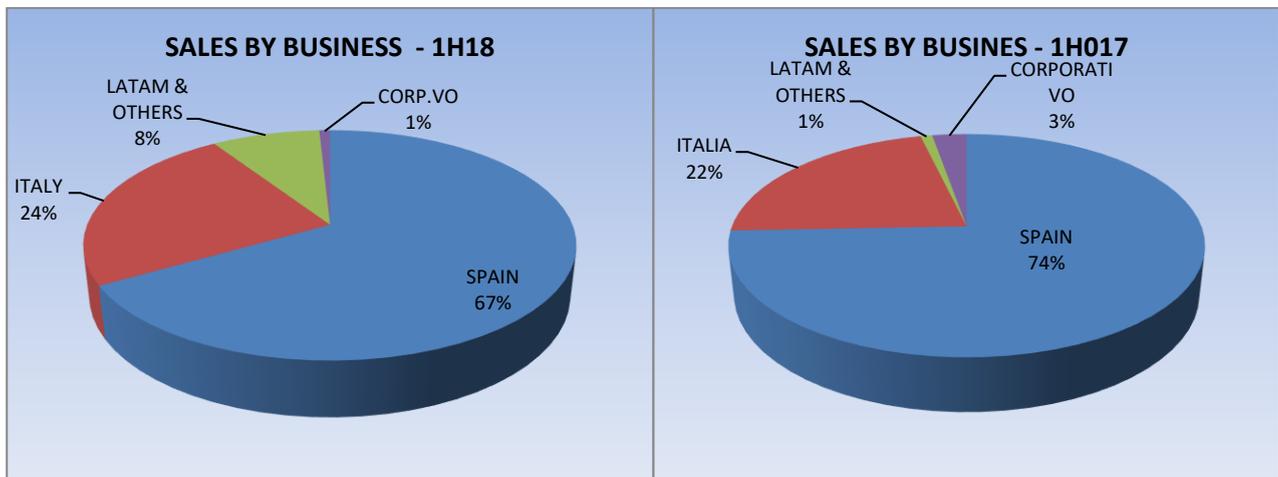
Over the course of the aforementioned period, sales were affected by the following:

- The first half of the year was characterised by a reduction in sunlight, especially in Spain and Italy, which diminished 7.40% and 13.14% respectively vs. 1H17.
- The impact on plants in Spain is smaller, due to the remuneration scheme, which is largely based on fixed remuneration.
- Higher average market price in Spain, which, over the course of 2Q18, stood at around €50/MWh. The reduction in sunlight in Italy was offset by the addition to the portfolio of installations of the plants of Sardegna Agrienergia 1 s.r.l.. This made it possible to increase significantly overall energy production in Italy.
- Conversely, plants in Uruguay registered outstanding performance, with above-average sunlight and production.
- In summary, it can be said that the diversified project portfolio in different regions provided highly stable and foreseeable revenues.

The following is a breakdown of net sales by business unit as of 30 June 2018:

Data in THOUSANDS OF EUROS (K€)	NET SALES			
	1H18	1H17 (restated)	Absolute change	Relative change
SPAIN	10,796	10,878	(83)	-1%
ITALY	3,899	3,208	691	22%
LATAM AND OTHER	1,362	138	1,224	890%
CORPORATE	136	416	(279)	-67%
Total turnover	16,192	14,639	1,553	11%

We can see a significant increase in the contribution of the business unit in Italy, owing to the incorporation of Sardegna Agrienergia 1 S.r.l. and especially of that of LatAm (Uruguay), as, in 1H18, the plants located there were fully operative, whereas in 1H17, they contributed very little revenue, coming onstream at the end of the half year.



The following is a by-plant breakdown of sales to third parties:

Data in THOUSANDS OF EUROS (K€)	1H18	%	1H17 (restated)	%
SOLARIA	136	0.84%	403	2.75%
GLOBASOL VILLANUEVA	3,411	21.07%	3,404	23.25%
PSP6	3,232	19.96%	3,296	22.52%
MAGACELA SOLAR 1	3,420	21.12%	3,436	23.47%
TAN	367	2.27%	371	2.53%
SARENER	211	1.30%	208	1.42%
PSP4	5	0.03%	5	0.04%
PFV1	122	0.76%	143	0.98%
PRONATURE	28	0.17%	28	0.19%
MARCHE	960	5.93%	1,003	6.85%
SERRE UTA	1,675	10.34%	1,888	12.90%
SAE 1	1,196	7.39%	-	0.00%
OLLAстра	68	0.42%	316	2.16%
NATELU	640	3.95%	73	0.50%
YARNEL	620	3.83%	65	0.44%
ELASSONA	102	0.63%	-	0.00%
Total turnover	16,192	100%	14,639	100%

Regarding the consolidated balance sheet, as of 30 June 2018, the Group's **working capital** stood at **€20.469mn**, remaining above €20mn, at year-end 2017 levels.

The 1H18 increase observed in **plant, property and equipment** is due to the incorporation of Sardegna Agrienergia 1, S.r.l. and Ellassona Solar Energiaki LLC to the Group's consolidation scope after the aforementioned acquisition of both, and with this, the incorporation of their assets and liabilities to those of the consolidated Group.

The reduction seen in **investments in equity-accounted investees** during the period is due to the acquisition of the remainder of the stake in Ellasona Solar Energiaki LLC during said period. Although Solaria already owned 50% of the company, this did not constitute a controlling stake. Hence, the Group, through the affiliate Solaria Energia y Generación Renovables, S.L., holds 100% of the shares and therefore now records the assets and liabilities on group accounts.

Regarding non-current liabilities, the increase seen in **financial liabilities with credit entities** and **other non-current liabilities** in both cases is due to the incorporation of this type of liability that the company has in Sardegna Agrienergia 1, Sr.l., and that it incorporated to the consolidation scope after the acquisition, and, in the case of the latter line item, the recognition of liabilities related to the application of the new IFRS 16 Leases standard, including as a greater liability the Group's future lease payments, which total some €10.1mn.

Lastly, in relation to current liabilities, the significant upturn in **trade and other payables** is largely due to the amount that was pending payment as of 30 June 2018 for the acquisition of the aforementioned companies, and the incorporation of accounts payable to third parties that appears in the balance sheets of said companies.

STRATEGY AND PROSPECTS

Grupo Solaria focusses its strategy on the production of electric energy through solar-photovoltaic technology.

In this sense, Solaria has a portfolio of onstream photovoltaic plants in Spain, Italy, Uruguay and Greece.

Grupo Solaria has a competitive advantage in the form of its experience in the development, execution and operation of projects acquired over the course of 10 years, and over 150MW developed and constructed around the globe.

The growth of Grupo Solaria in the future will be based on:

- Acquisition of brownfield onstream photovoltaic plans in consolidated markets for subsequent optimisation of costs and finances. In this sense, the Group has completed its acquisition of Ellassona and Sardegna Agrienergia, and is studying new opportunities in Spain, Italy, France and Greece.
- Development of new greenfield projects. Continuous reduction of the costs of construction and operation of photovoltaic plants makes solar photovoltaic energy the most competitive technology, which will surely favour the Company's expansion in coming years. It also means that there are abundant opportunities for growth. In this sense, a key development was the allotment of 250 MW in the third renewables auction in Spain, which underpins the Group's portfolio of future projects in Spain. At this time, Solaria has a portfolio of projects in Spain and Portugal of around 1,500 MW, which



ensures the Group's growth in the future.

In addition, Grupo Solaria is working on the development of projects in Mexico, Chile, France and Portugal as a means of gaining regional diversification and broadening its portfolio.

With all of this, and with the existing portfolio of plants, the targets focus on:

- Reduction of operating costs of the plants.
- Improvement of project costs and financing structures. Grupo Solaria is a pioneer in its use of new forms of financing. We are a leading name in the issuance of renewable project bonds. We know how to make full use of hefty existing demand from large groups of international investors for this kind of investment product. These new financing methods are allowing us to successfully launch profitable projects with highly positive economic impact.

Grupo Solaria maintains as a strategic target its positioning and consolidation as a leading company in the domestic and international solar-energy markets.

CONCLUSIONS

Grupo Solaria continues to improve significantly its earnings.

Its new business model provides recurring revenues, positive earnings and outstanding margins.

The generation scope and revenues show growth, owing to the acquisition of the whole of Sardegna Agrienergia 1 S.r.l. and Elassona Energiaki LLC., which allows the Group to increase its installed capacity by 4.69MW.

Promising future:

On 13 April 2018, Grupo Solaria, in observance of **RD 650/2017** and **ETU/615/2017** on power allocated in the July 2017 auction, reported to Spain's Ministry of Energy, Tourism and Digital Agenda the **locations of projects to be constructed under the remuneration scheme of the auction**, with an excess of up to 50% of allotted power (up to **375 MW** in the case of Solaria).

Solaria continues to develop its portfolio of projects, which amounts to approximately 1,500 MW in Spain and Portugal.

For these purposes, on 13 July 2018, the Controlling Company completed a **capital increase** totalling **€96.787mn**, which puts the Group's **working capital** at €20mn at the end of 1H18. This constituted an upturn of over €100mn after the transaction, and has provided the Group with enough liquidity to face investment projects in the immediate future.

IMPORTANT EVENTS DURING THE PERIOD

<http://www.cnmv.es/Portal/HR/ResultadoBusquedaHR.aspx? division=1&nif=A83511501>

Record: 261547, on 13/02/2018 at 20:59

The Company submitted its annual report on remuneration of directors in 2017

Record: 261548, on 13/02/2018 at 21:05

Annual report on corporate governance

The Company submitted its annual report on corporate governance for 2017

Record: 261653, on 16/02/2018 at 11:40

Intermediate financial information

The Company submitted information on 2H17 earnings

Record: 265474, on 10/05/2018 at 18:26

Intermediate financial information

The Company submitted information on 1Q18 earnings

Record: 266095, on 24/05/2018 at 18:47

Calls for and resolutions of general board and shareholders' meetings

The Company submitted call for general ordinary shareholders' meeting 2018

Record: 266476, on 06/06/2018 at 19:40

Strategic plans, forecasts and presentations

The Company reported that on 14 June 2018, at:00 am CET it would give a webcast presentation for institutional analysts and investors on the strategy of and outlook for Grupo Solaria.

Record: 266773, on 13/06/2018 at 21:30

Call for meetings or informative events. Strategic plans, forecasts and presentations

The Company reported on the webcast presentation for institutional analysts and investors on the strategy of and outlook for Grupo Solaria.

Record: 266782, on 14/06/2018 at 10:57

Strategic plans, forecasts and presentations

The Company submitted a presentation on the updating of its strategic plan

Record: 267390, on 29/06/2018 at 18:15

Calls for and resolutions of general board and shareholders' meetings

The Company informed that on this date it would hold a general ordinary shareholders' meeting, obtaining as a result the approval of all items subject to vote.