Solaria

Consolidated Management Report

March 31, 2023

Contents

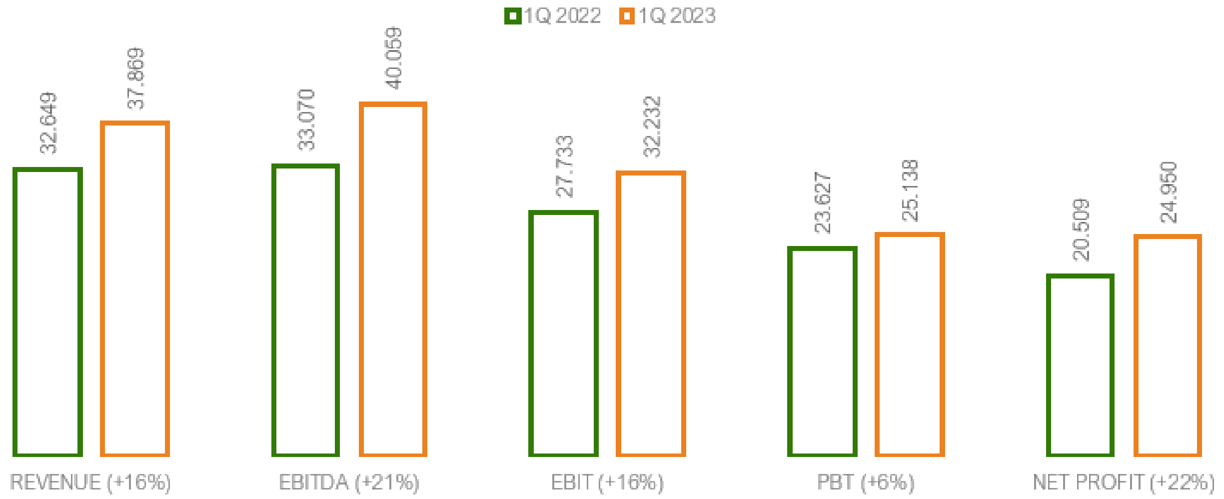
1. Solaria Group

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.

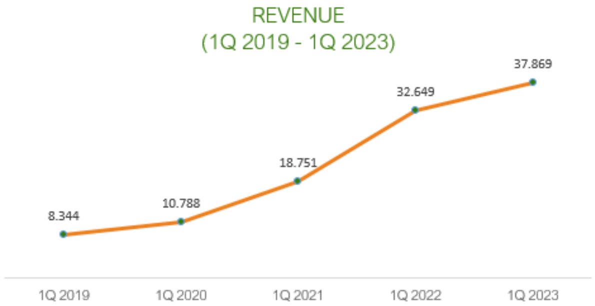
Solaria's **mission** is to promote the development of the use of sunlight as an energy source by transforming knowledge and experience into innovative solutions that contribute to the well-being and progress of humanity, promoting sustainable economic development and reducing environmental impact, positioning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

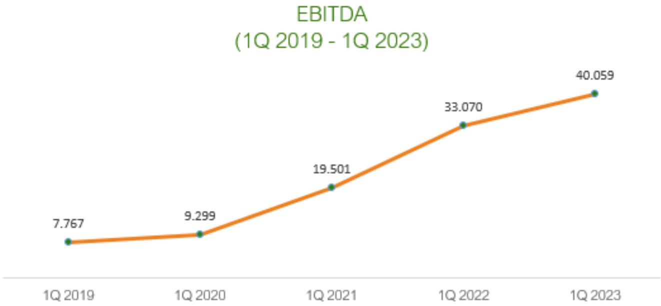
2. Key financial indicators 1Q 2023

Solaria Group reported revenue of 37,869 thousand euros (+16%), EBITDA of 40,059 thousand euros (+21%), EBIT of 32,232 thousand euros (+16%), profit before tax of 25,138 thousand euros (+6%) and profit after tax of 24,950 thousand euros (+22%) for the first three months of 2023.



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 in 2022 and 2023. This, coupled with cost streamlining, resulted in a steady and rapid improvement in the Group's earnings in tandem with its growth in recent years.





3. Key highlights 1Q 2023

Environmental Impact Statement (EIS)

On January 26, 2023, Solaria reported that it had obtained positive environmental impact statements (EISs) for 3,985 MW of its project pipeline subject to the milestones outlined in Royal Decree-Law 23/2020, including the Cifuentes-Trillo, Garoña and Villaviciosa projects.

Connection points

On February 27, 2023, Solaria disclosed to the market that it had obtained new connection points for the installation of 330 MW of solar PV plants in Girona and Tarragona.

With this new capacity, Solaria now has 580 MW in Catalonia, of which 150 MW have already obtained positive EISs.

Cifuentes-Trillo

On March 2, 2023, Solaria disclosed that it had successfully connected its 626 MW Cifuente-Trillo solar PV complex to the electricity grid.

Financing

Solaria announced that it had reached an indicative agreement for the evaluation and potential financing of 1,700 million euros for the construction of 5.6 GW of projects in Solaria's pipeline. These projects will be developed in Spain (4,845 MW), Italy (382 MW) and Portugal (375 MW).

Milestones in Royal Decree 23/2020

On April 25, Solaria received Preliminary Administrative Permits for all the projects included in the second milestone of RD 23/2020. These include the Garoña and Villaviciosa packages.

4. Financial information

4.1. Consolidated income statement

The consolidated income statement for the first three months of 2023 and 2022 is as follows:

Thousands of euros (€K)	1Q 2023	1Q 2022	Absolute change	Relative change
Revenue	37,869	32,649	5,220	16%
Other income	6,810	3,811	2,999	79%
TOTAL REVENUE	44,679	36,460	8,219	23%
Personnel expenses	(3,064)	(2,270)	(794)	35%
Operating expenses	(1,556)	(1,120)	(436)	39%
EBITDA	40,059	33,070	6,989	21%
EBITDA/revenue	106%	101%		
Amortization and depreciation	(7,827)	(5,337)	(2,490)	47%
EBIT	32,232	27,733	4,499	16%
EBIT/revenue	85%	85%		
Net finance expense	(7,094)	(4,106)	(2,989)	73%
Profit before tax	25,138	23,627	1,511	6%
Income tax expense	(189)	(3,118)	2,929	-94%
NET PROFIT	24,950	20,509	4,440	22%
Net profit/revenue	66%	63%		

Revenue

The Group reported **revenue** of 37,869 thousand euros in the first three months of 2023, up 16% (or 5,220 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 2023, as set out in the Group's business plan.

Personnel expenses

The growth in **personnel expenses** (+35% from 2022) was the result of the higher average number of employees at the Group compared to last year. New staff was required to undertake the Group's ongoing expansion process.

Personnel expenses as a percentage of revenue was lower than in the same period last year, in line with the Group’s cost-streamlining policy.

Operating expenses

The increase in **operating expenses** was primarily the result of costs accrued for the new plants that came on stream between March 31, 2022, and March 31, 2023.

Operating expenses as a percentage of revenue was in line with the year-earlier figure.

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 2023 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 sharp jump was mostly due to the 371.9 million euros of financing for 736 MW entered into between Solaria and ABN AMRO, Commerzbank and the European Investment Bank (EIB).

Income tax

Solaria has updated its income tax projections for the Group and after factoring in significant growth going forward recognized 3 million euros of tax assets, although this figure could increase in coming quarters of depending on achievement of its forecasts.

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 March 31, 2023 and December 31, 2022 is as follows:

Thousands of euros (€K)	03/31/2023	12/31/2022	Absolute change	Relative change
Non-current assets	1,336,699	1,226,277	110,422	9%
Intangible assets	109,091	103,970	5,121	5%
Property, plant and equipment	1,080,599	973,557	107,042	11%
Deferred tax assets	72,775	80,106	(7,332)	-9%
Other non-current financial assets	74,234	68,643	5,591	8%
Current assets	159,659	200,681	(41,023)	-20%
Trade and other receivables	53,780	49,155	4,625	9%
Other current financial assets	977	869	108	12%
Cash and cash equivalents	104,902	150,657	(45,756)	-30%
TOTAL ASSETS	1,496,358	1,426,958	69,400	5%

Thousands of euros (€K)	03/31/2023	12/31/2022	Absolute change	Relative change
Equity	398,537	344,728	53,809	16%
Capital and share premium	310,926	310,926	-	-
Other reserves	5,311	5,311	-	-
Non-controlling interests	1,440	1,440	-	-
Retained earnings	79,159	54,209	24,950	46%
Valuation adjustments	1,702	(27,157)	28,859	-106%
Non-current liabilities	926,772	897,010	29,762	3%
Long-term bonds and debentures	127,256	128,336	(1,081)	-1%
Financial liabilities arising from bank borrowings	615,150	556,496	58,654	11%
Finance lease payables	104,594	99,744	4,850	5%
Deferred tax liabilities	16,243	16,231	12	-
Derivative financial instruments	63,528	96,203	(32,674)	-34%
Current liabilities	171,049	185,220	(14,172)	-8%
Short-term bonds and debentures	43,153	46,825	(3,672)	-8%
Financial liabilities arising from bank borrowings	49,197	45,990	3,206	7%
Finance lease payables	4,109	4,160	(51)	-1%
Trade and other payables	74,590	88,245	(13,655)	-15%
TOTAL EQUITY AND LIABILITIES	1,496,358	1,426,958	69,399	5%

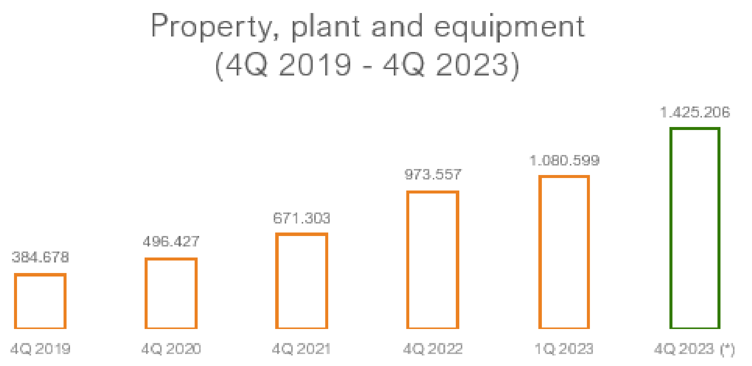
Intangible assets

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 three months of 2023 of 114,869 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.

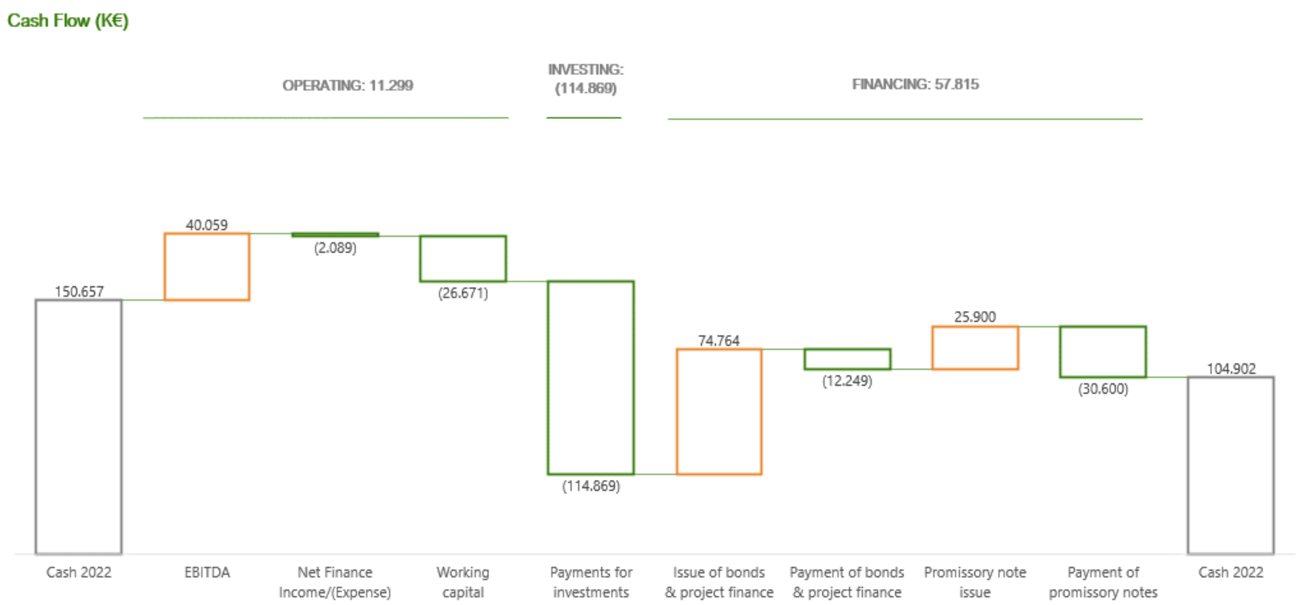
The following chart sets out the trend in property, plant and equipment (net of depreciation) since 2019. Assuming capex at a constant rate and extrapolating the depreciation rate of 1Q 2023 give a figure for property, plant and equipment at year-end 2023 of 1,425 million euros:



(*) Extrapolated figures as at 12/31/2023:

Cash

Changes in the statement of cash flows for the three months ended March 31, 2023 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 2023 was the result of:

- The increase in bank borrowings following new drawdowns from project debt made in the first three months of 2023 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

The Group had negative working capital at March 31, 2023 of 11,390 euros, although this is only a temporary situation arising from the payment schedule of its borrowings. The Group has undrawn financing facilities available to meet its current liabilities.

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.

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 leading company in the development and generation of solar photovoltaic (PV) energy in southern Europe, with the aim of actively contributing to decarbonization and achieving a global energy model based on clean energy. We embed a sustainable approach in our strategy and business management, in line with the United Nations' 2030 Agenda, Sustainable Development Goals and Ten Principles of the UN Global Compact, an initiative of which the Company is a signatory.

In keeping with its commitment to ethics, transparency and sound business practices, the following table summarizes the key environment, social and good corporate governance (ESG) metrics and developments.

ENVIRONMENT

	1Q 2023	1Q 2022	Observations
CO_2 emissions – Scope 1 (Tn CO_2)	77.94	67.35	
CO_2 emissions – Scope 2 (Tn CO_2) – Market based	0.44	0.46	
Absolute Scope 1 + Scope 2 emissions	78.38	67.81	
CO_2 emissions – Scope 3 (Tn CO_2)	8.01	6.44	
CO_2 emissions generated (Tn CO_2)	0.23	0.33	
Energy generation (GWh)	332.74	221.7	
MW installed	1,526	807	
Environmental penalties	-	-	
Electricity consumption (offices and solar plants) (kWh)	1,845,537		
Of which: renewable	98%		
Water consumed at offices (m3)	204.42	124.96	
% electric / hybrid / ECO vehicles	61%	33%	

SOCIAL

	1Q 2023	1Q 2022	Observations
Total no. of employees	230	149	
Management team	8	8	
Middle managers	24	19	
Technicians and interns/trainees	198	122	
Total no. of women	42	30	
Management team	1	-	
Middle managers	8	6	
Technicians and interns/trainees	33	24	
Total no. of men	188	119	
Management team	7	8	
Middle managers	16	13	
Technicians and interns/trainees	165	98	
No. of interns/trainees	5	6	
Women	1	3	
Men	4	3	
New hires	66		
No. of employees with a disability	1	1	
No. of employees with permanent contract	225		
No. of full-time employees	229		
Average age of the workforce	41	41	
Average length of service	2.1	2.9	
Average remuneration	€55,825	€48,330	

HEALTH & SAFETY

	1Q 2023	1Q 2022	Observations
Frequency rate			
Direct	34.61	-	
Indirect	1.22	15.48	
Accident rate			
Direct	56.81	-	
Indirect	57.32	180.83	
Injury rate			
Direct	0.69	-	
Indirect	0.02	0.13	

Solaria generates emission-free energy, enabling the Company to release less carbon dioxide (CO2) into the atmosphere than it emits. Specifically, the Company had 1,526MW of PV solar plants in operation during the period, generating 332.74 GWh of renewable energy. This is equal to the energy consumption of approximately 101,693 Spanish households. The amount of renewable energy generated in the period by the Company absorbed the emission of 86,180 tons of carbon dioxide into the atmosphere, which is about the same as the pollution emitted by roughly 55,200 internal combustion engine vehicles (ICEV).

Climate management at Solaria goes beyond the Company's own operations since it 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. The Company still goes to great lengths to reduce its carbon footprint and has set the following targets:

- Net Zero in direct emissions by 2030. This zero-emission target is validated by the Science Based Targets Initiative (SBTi).
- Reduction in emissions per unit of 50% by 2025 from 2021. Unit emissions at the end of the period stood at 0.23, down 37% from the base year.

To meet its targets, the Company is committed to rolling out a series of energy-efficiency initiatives. To illustrate, 98% of electricity consumed during the period was from renewable sources, while electric, hybrid or ECO vehicles made up 61% of the fleet of vehicles. This marks an 85% increase in use of this type of vehicle compared to the same period last year.

Solaria ended the period with 230 employees, 55% more than the year-earlier figure. Of total headcount, 98% had permanent employment contracts. One of Solaria's top priorities in its relations with employees is to create a safe and stable working environment. Therefore, it continues to work towards delivering its ZERO-ACCIDENT objective, considering this a priority issue. Solaria's employee accident rate at the end of the period, including both direct and indirect employees, was far lower than the sector average.

6. Strategy and outlook

The first quarter of 2023 was key for Solaria to deliver its strategy, connecting the first of its major projects, Cifuentes-Trillo, to the grid and obtaining environmental and administrative permits for more than 4 GW of projects, including the Group's two other major projects, Garoña and Villaviciosa, complying with the milestones outlined in Royal Decree-Law 23/2020.

It also secured new connection points to install 330 MW of solar PV in Girona and Tarragona and obtained positive environmental impact statements (EISs) for 375 MW of the Casal de Valeira and Vale Pequeno plants in Portugal. These EISs plus the 63 MW of plants already in operation in Portugal leave the Company on track to delivering its target of having 500 MW in Portugal by 2025.

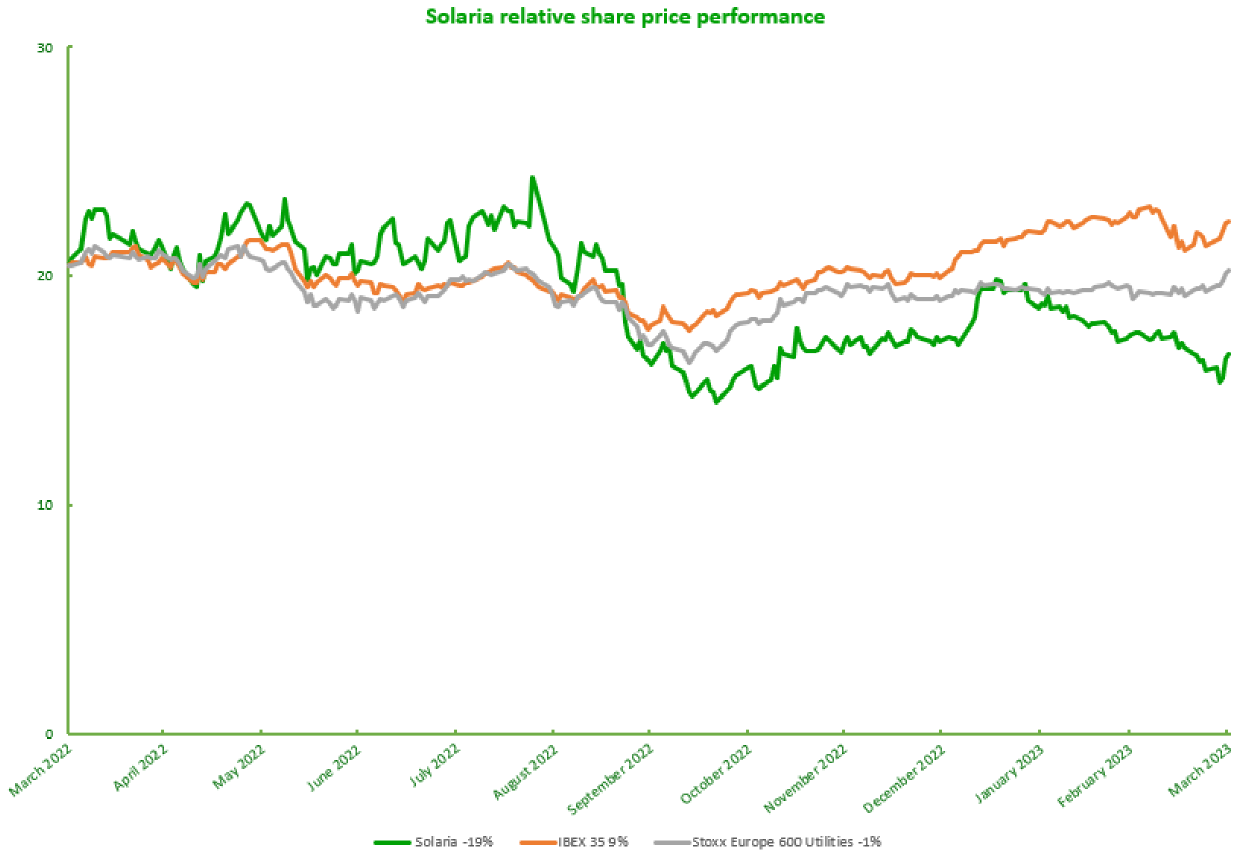
All this showcases the progress made by the Company in executing its strategy plan. One of the plan’s main pillars is the development of major, emblematic projects that can give rise to considerable synergies and savings throughout the development, construction and operation process, strengthening Solaria's leadership in southern Europe.

Meanwhile, the agreement entered into with the EIB covers 50% of the financing required to develop and execute these projects and is a testament to how reliable, serious and strong Solaria is as a leader against a backdrop of widespread uncertainty.

Here, we would note that the contribution of solar PV power to Europe’s strategic autonomy requires regulatory measures that are predictable, stable and effective and afford security and incentives to investors, developers and citizens alike.

Solaria has been carrying out its strategic plan as scheduled each quarter. One of the targets is to reach 3,083 MW in operation and construction by the summer of 2024; i.e., double its capacity in just 18 months.

7. Share price performance



8. Other relevant information disclosed in the period

Other relevant information published by the Group parent in 2023 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.

APPENDIX I - APM

Item	Calculation	Reconciliation (€K) 1Q 2023	Reconciliation (€K) 1Q 2022	Relevance of use
Other income	Other income + Self-constructed assets	3,746 + 3,064 = 6,810	941 + 2,870 = 3,811	Measure of contribution by items other than energy sales
Working capital	Current assets – Current liabilities	159,659 – 171,049 = (11,390)	200,682 – 185,220 = 15,462(*)	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	37,869 + 3,746 + 3,064 - – 3,064 – 1,556 = 40,059	32,649 + 941 + 2,870 – – 2,270 – 1,120 = 33,070	Measure of operating profitability without considering interest, taxes, provisions, depreciation and amortization.
EBIT	EBITDA - Amortization and depreciation, and impairment losses	40,059 – 7,827 = 32,232	33,070 – 5,337 = 27,733	Measure of operating profitability without considering interest and taxes.
Profit after tax	EBIT ± Net finance income/(expense)	32,232 – 7,094 = 25,138	27,733 – 4,106 = 23,627	Measure of operating profitability without considering taxes.
Net finance income/(expense)	Finance income - Finance costs ± Exchange differences	529 – 7,428 - 195 = (7,094)	280 – 4,386 = (4,106)	Measure of finance cost.
EBITDA/revenue	$\frac{\text{Revenue} + \text{Other income} + \text{Self} - \text{constructed assets} - \text{Personnel expenses} - \text{Other operating expenses}}{\text{Revenue}}$	$\frac{40,059}{37,869} = 106\%$	$\frac{33,070}{32,649} = 101\%$	Measure of operating profitability considering direct variable generation costs
EBIT/revenue	$\frac{\text{Revenue} + \text{Other income} + \text{Self} - \text{constructed assets} - \text{Personnel expenses} - \text{Other operating expenses} - \text{Amortization and depreciation} - \text{Impairment losses}}{\text{Revenue}}$	$\frac{32,232}{37,869} = 85\%$	$\frac{27,733}{32,649} = 85\%$	Measure of operating profitability considering direct and indirect variable generation costs
Net profit/revenue	$\frac{\text{Revenue} + \text{Other income} + \text{Self} - \text{constructed assets} - \text{Personnel expenses} - \text{Other operating expenses} - \text{Amortization and depreciation} - \text{Impairment losses} + \text{Finance income} - \text{Finance costs} \pm \text{Exchange differences} \pm \text{Income tax}}{\text{Revenue}}$	$\frac{24,950}{37,869} = 66\%$	$\frac{20,509}{32,649} = 63\%$	Measure of operating profitability considering direct and indirect variable generation costs, finance costs and taxes

(*) Data as at December 31, 2022.