Solaria

# Consolidated Management Report

September 30, 2023

# Contents

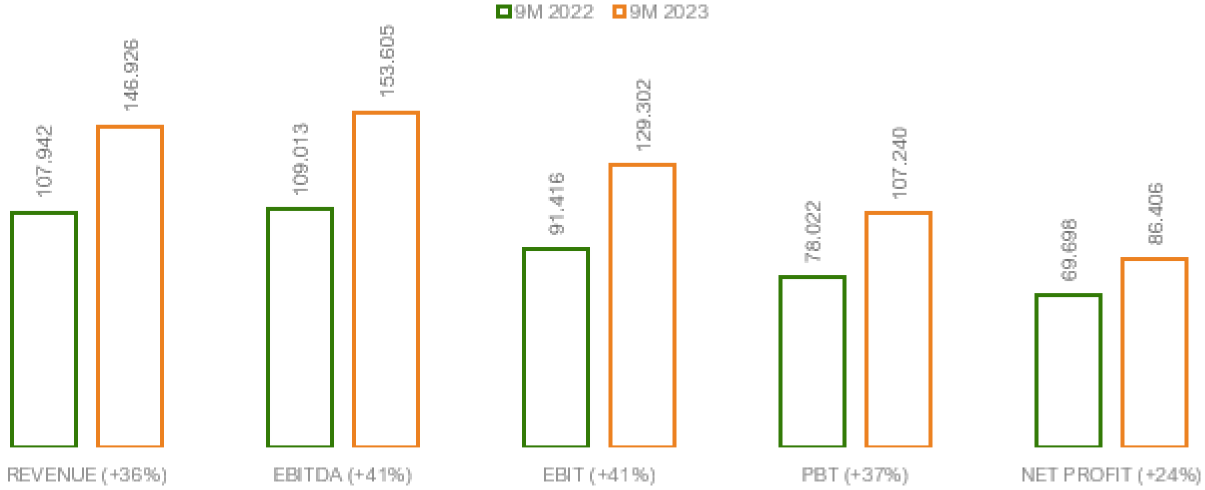
## 1. Solaria Group

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

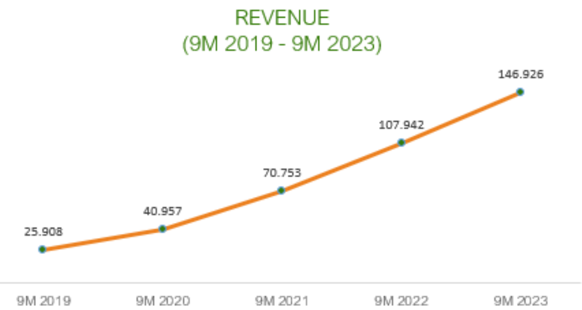
Solaria's **mission** is to promote the development of the use of sunlight as an energy source by transforming knowledge and experience into innovative solutions that contribute to the well-being and progress of humanity, promoting sustainable economic development and reducing environmental impact, positioning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

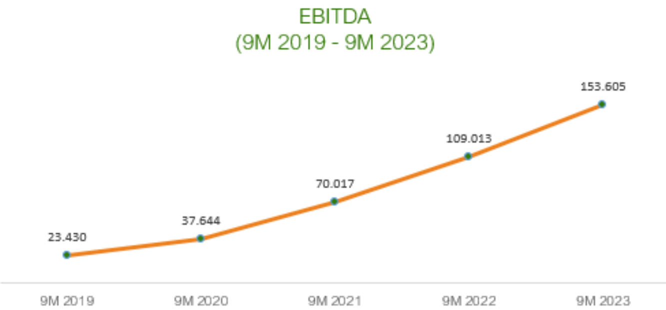
## 2. Key financial indicators 9M 2023

Solaria Group reported revenue of 146,926 thousand euros (+36%), EBITDA of 153,605 thousand euros (+41%), EBIT of 129,302 thousand euros (+41%), profit before tax of 107,240 thousand euros (+37%) and profit after tax of 86,406 thousand euros (+24%) for the first nine 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. 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 in 9M 2023

### Environmental Impact Statement (EIS)

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

### Connection points

On January 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.

### Connection points

On March 9, 2023, Solaria disclosed to the market that it had obtained a positive EIS for its two plants in Portugal, Casas de Valeira and Vale Pequeno, with a combined capacity of 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.

### PPA

On July 19, 2023, Solaria announced that it had signed with Shell an option to extend the term of the 300 MW PPA for a further three years from its original expiration date in 2030, having also negotiated a 10% improvement in the current power purchase price.

### Financing

On July 27, 2023, Solaria announced that it had reached an in-principle and non-binding agreement with BANCO SANTANDER and the European Investment Bank (EIB) for the long-term financing of 1,085 MW.

The funding has been arranged in the form of project finance for a total of 515 million euros.

### Financing

On September 25, 2023, Solaria announced that it had arranged framework financing with the EIB for up to 1.7 billion euros to support a portfolio of photovoltaic projects with a combined 5.6 GW located outside Spain, mainly in Italy and Portugal.

### PPA

On September 28, 2023, Solaria announced that it had entered into a long-term power purchase agreement (PPA), in its financial modality, for 10 years and contracted power of 126 MW.

# 4. Financial information

## 4.1. Consolidated income statement

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

| Thousands of euros (€K) | 9M 2023 | 9M 2022 | Absolute change | Relative change |
|---|---|---|---|---|
| Revenue | 146,926 | 107,942 | 38,984 | 36% |
| Other income | 25,501 | 13,024 | 12,477 | 96% |
| TOTAL REVENUE | 172,427 | 120,966 | 51,461 | 43% |
| Personnel expenses | (12,549) | (8,023) | (4,526) | 56% |
| Operating expenses | (6,274) | (3,930) | (2,344) | 60% |
| EBITDA | 153,605 | 109,013 | 44,592 | 41% |
| EBITDA/revenue | 105% | 101% | | |
| Amortization and depreciation | (24,303) | (17,597) | (6,706) | 38% |
| EBIT | 129,302 | 91,416 | 37,886 | 41% |
| EBIT/revenue | 88% | 85% | | |
| Net finance expense | (22,062) | (13,394) | (8,668) | 65% |
| Profit before tax | 107,240 | 78,022 | 29,218 | 37% |
| Income tax expense | (20,834) | (8,324) | (12,510) | 150% |
| NET PROFIT | 86,406 | 69,698 | 16,708 | 24% |
| Net profit/revenue | 59% | 65% | | |

*Revenue*

The Group reported **revenue** of 146,926 thousand euros in the first nine months of 2023, up 36% (or 38,984 thousand euros) year-on-year. This improvement was driven by an increase in output following the connection of the new PV plants, as set out in the Group's business plan.

*Personnel expenses*

The growth in **personnel expenses** (+56% 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 broadly unchanged from 2022, 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 September 30, 2022 and September 30, 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 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 same period last year.

The sharp increase was largely due to the 371.9 million euros of financing for 736 MW entered into between Solaria and ABN AMRO, Commerzbank and the EIB.

## 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 should continue to register improvements in its key income statement items.

### 4.2. Consolidated balance sheet

The Group's consolidated balance sheet as at September 30, 2023 and December 31, 2022 is as follows:

| Thousands of euros (€K) | 9/30/2023 | 12/31/2022 | Absolute change | Relative change |
|---|---|---|---|---|
| Non-current assets | 1,449,580 | 1,226,276 | 223,304 | 18% |
| Intangible assets | 108,650 | 103,970 | 4,680 | 5% |
| Property, plant and equipment | 1,210,743 | 973,557 | 237,186 | 24% |
| Deferred tax assets | 67,628 | 80,106 | (12,478) | -16% |
| Other non-current financial assets | 62,559 | 68,643 | (6,084) | -9% |
| Current assets | 155,543 | 200,682 | (45,139) | -22% |
| Trade and other receivables | 72,070 | 49,155 | 22,915 | 47% |
| Other current financial assets | 1,269 | 870 | 399 | 46% |
| Cash and cash equivalents | 82,204 | 150,657 | (68,453) | -45% |
| TOTAL ASSETS | 1,605,123 | 1,426,958 | 178,165 | 12% |

| Thousands of euros (€K) | 9/30/2023 | 12/31/2022 | Absolute change | Relative change |
|---|---|---|---|---|
| Equity | 453,014 | 344,728 | 108,286 | 31% |
| Capital and share premium | 310,926 | 310,926 | - | - |
| Other reserves | 5,311 | 5,311 | - | - |
| Non-controlling interests | 1,440 | 1,440 | - | - |
| Retained earnings | 140,615 | 54,208 | 86,406 | 159% |
| Valuation adjustments | (5,278) | (27,157) | 21,879 | -81% |
| Non-current liabilities | 964,436 | 897,010 | 67,426 | 8% |
| Long-term bonds and debentures | 125,102 | 128,336 | (3,234) | -3% |
| Financial liabilities arising from bank borrowings | 658,423 | 556,496 | 101,927 | 18% |
| Finance lease payables | 104,464 | 99,744 | 4,720 | 5% |
| Deferred tax liabilities for taxable temporary differences | 13,185 | 16,231 | (3,046) | -19% |
| Derivative financial instruments | 63,262 | 96,203 | (32,941) | -34% |
| Current liabilities | 187,673 | 185,220 | 2,453 | 1% |
| Short-term bonds and debentures | 89,279 | 46,825 | 42,454 | 91% |
| Financial liabilities arising from bank borrowings | 45,118 | 45,990 | (872) | -2% |
| Finance lease payables | 3,991 | 4,160 | (169) | -4% |
| Trade and other payables | 49,285 | 88,245 | (38,960) | -44% |
| TOTAL EQUITY AND LIABILITIES | 1,605,123 | 1,426,958 | 178,165 | 12% |

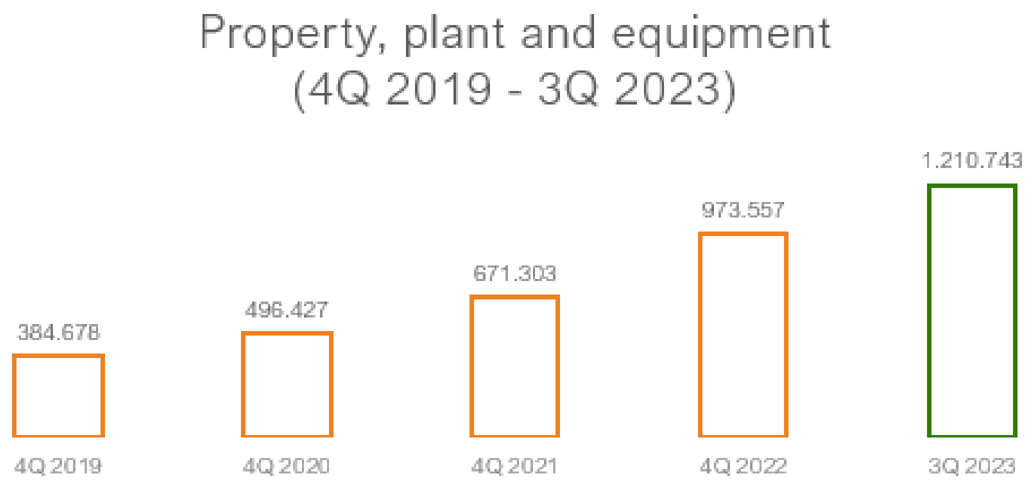
*Intangible assets*

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 nine months of 2023 of 261,489 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.

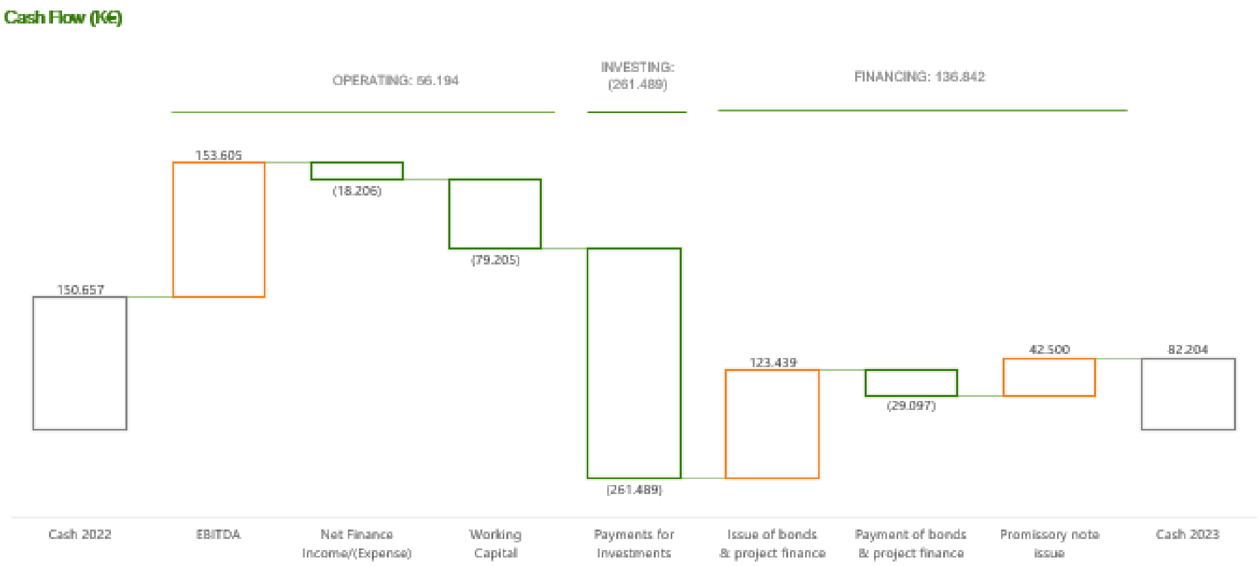
The following chart sets out the trend in property, plant and equipment (net of depreciation) since 2019.




(

*Cash*

Changes in the statement of cash flows for the nine months ended September 30, 2023 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 2023 was the result of the following:

- The increase in bank borrowings following new drawdowns from project debt made in the first nine 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 increase in “Short-term bonds and debentures” as a result of the payment of commercial paper under the Group’s note program registered with 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.

## 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 it is a signatory.

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

| ENVIRONMENT | 9M 2023 | 9M 2022 | Observations |
|---|---|---|---|
| $CO_2$ emissions – Scope 1 (Tn $CO_2$) | 236.13 | 213.29 | |
| $CO_2$ emissions – Scope 2 (Tn $CO_2$) – Market based | 1.66 | 1.67 | The Company has a target of achieving 100% of its electricity consumption from renewable sources |
| Absolute Scope 1 + Scope 2 emissions | 237.79 | 214.96 | |
| $CO_2$ emissions – Scope 3 (Tn $CO_2$) | 42.85 | 33.66 | |
| $CO_2$ emissions generated (Tn $CO_2$) | 0.15 | 0.22 | -32% |
| Energy generation (GWh) | 1,845 | 1,142.97 | + 64% |
| MW installed | 1,658 | 1,000 | +66% |
| Environmental penalties | 0 | 0 | |
| Electricity consumption (offices and solar plants) (kWh) | 4,523,775 | 3,342,055 | |
| Of which: renewable | 97% | 96% | |
| Water consumed at offices (m3) | 582 | 398 | The increase was driven by the growth in headcount and installations. |
| % electric / hybrid / ECO vehicles | 62% | 30% | +107% |

| SOCIAL | 9M 2023 | 9M 2022 | Observations |
|---|---|---|---|
| Total no. of employees | 257 | 157 | +64% |
| Management team | 8 | 9 | |
| Middle managers | 22 | 19 | |
| Technicians and interns/trainees | 227 | 129 | |
| Total no. of women | 41 | 31 | +33% |
| Management team | 1 | 1 | |
| Middle managers | 6 | 6 | |
| Technicians and interns/trainees | 34 | 24 | |
| Total no. of men | 216 | 126 | |
| Management team | 7 | 8 | |
| Middle managers | 16 | 13 | |
| Technicians and interns/trainees | 193 | 105 | |
| New hires | 144 | 64 | |
| No. of employees with a disability | 1 | 2 | |
| No. of employees with permanent contract | 243 | 154 | 95% of staff |
| No. of full-time employees | 250 | 156 | |
| Average age of the workforce | 41 | 41 | |
| Average length of service | 2.1 | 2.8 | |
| Average remuneration | €54,487 | €49,604 | |
| Employee turnover rate | 38.39% | 34.21% | |
| Total no. of internal training hours | 1,969 | 1,124 | +75% |
| Reports received through the compliance channel | 0 | 0 | |
| Disciplinary actions | 0 | 0 | |

OCCUPATIONAL HEALTH AND SAFETY

| | 9M 2023 | 9M 2022 | Observations |
|---|---|---|---|
| Frequency rate | | | Solaria aims to achieve the goal of "Zero Accidents". |
| Direct | 6.52 | 0 | |
| Indirect | 2.03 | 11.19 | Among its direct employees, Solaria reported one lost-time accident, while among subcontractor personnel (a total of 2,270), it reported two such accidents. |
| Accident rate | | | |
| Direct | 869.57 | 0 | |
| Indirect | 35.12 | 163.5 | Solaria's rates are well below the construction sector average (frequency rate: 37.3; accident rate: 6,606; injury rate: 1.28). |
| Injury rate | | | |
| Direct | 0.21 | 0 | |
| Indirect | 0.02 | 0.17 | |

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 1,658 MW of PV solar plants in operation during the period, generating 1,845 GWh of renewable energy. This is equal to the energy consumption of approximately 469,000 Spanish households. The amount of renewable energy generated in the first nine months of the year by the Company absorbed the emission of 503,700 tons of carbon dioxide into the atmosphere, which is about the same as the pollution emitted by roughly 322,900 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, while its business IS fully EU Taxonomy-eligible. 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 32% year-on-year in the period. As a result, the Company is closer to delivering its carbon neutrality targets; i.e. a 50% reduction of its carbon intensity by 2025 compared to 2021.

On the social front, Solaria ended the period with 257 employees, 64% more than the year-earlier figure. Of total headcount, 97% had permanent employment contracts. The Company hired 144 new employees in the period, of whom 33% were women.

Internally, the Company continues to work towards delivering its ZERO-ACCIDENT objective, considering this a priority issue. Solaria reported two lost-time accidents among its direct employees and two among indirect employees in the first nine months of the year, with far lower injury rates than the construction sector average. Meanwhile, it increased the number of hours of training given to Company employees.

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, the Company has updated certain policies, specifically its Sustainability Policy and Supplier Code of Conduct.

## 6. Strategy and outlook

In the first nine months of the year, Solaria achieved several key milestones in delivering its strategy of reaching 18 GW by 2030. Undoubtedly, one of its biggest achievements was 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.

Meanwhile, Solaria and the Basque Country energy agency, Ente Vasco de la Energía (EVE), through its company Indarberri, obtained positive environmental impact statements (EISs) for their Vitoria 1 and Vitoria 2 photovoltaic plants, with total capacity of 100 MW. These were the first two pv plants in its 1,900 MW project portfolio that Solaria will develop in the Basque Country in the coming years. The Company's objective is to replace polluting energies with other renewable alternatives and lead the energy transition.

As for funding its growth plans, on September 25, 2023, the Company arranged framework financing with the EIB for up to 1.7 billion euros to support a portfolio of photovoltaic projects with a combined 5.6 GW located outside Spain, mainly in Italy and Portugal. This ensures the Company's financing needs for the next three years.

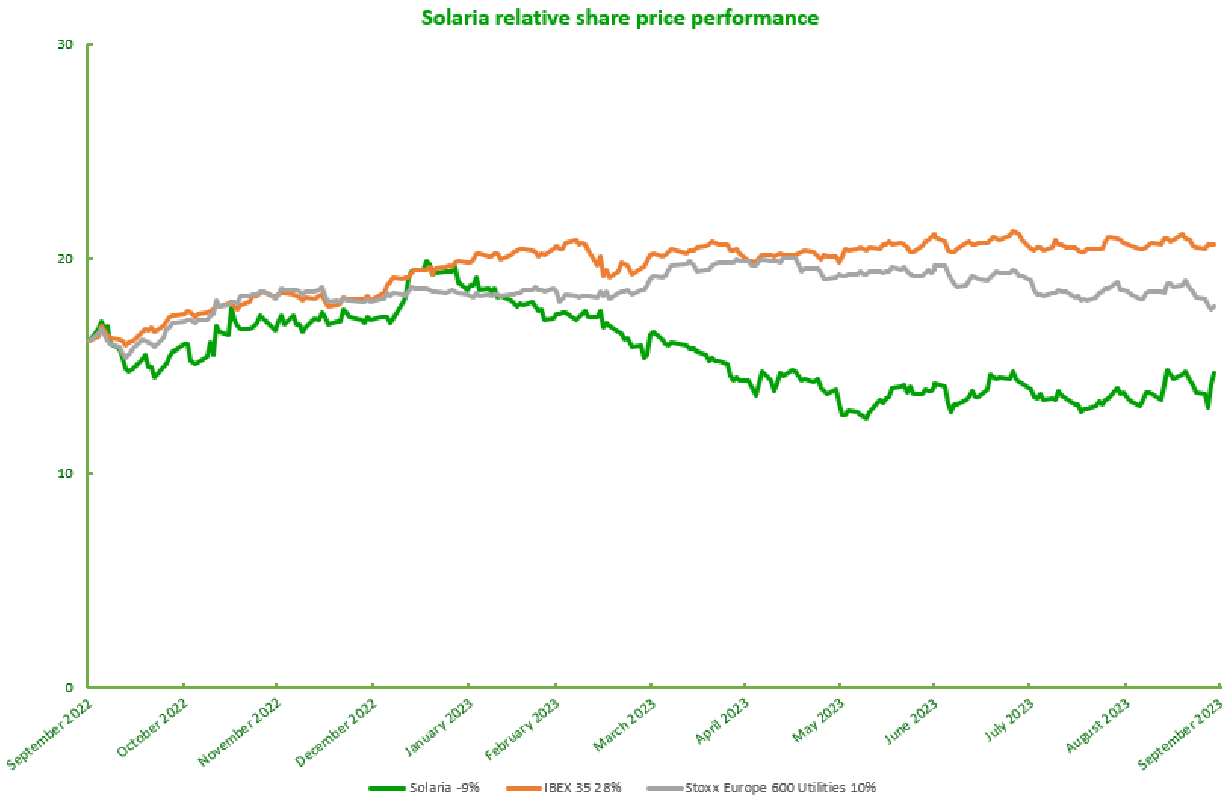
Meanwhile, Solaria also signed with the EIB and Banco Santander the first loan under the umbrella of this framework financing for a total of 515 million euros to build 24 photovoltaic plants in Spain with total installed capacity of 1.08 GW.

Solaria continues to execute its strategic plan according to schedule and now has 1,658 MW connected; i.e. up 66% year-on-year. Also, in the first nine months of the year, Solaria made inroads on its technological and international strategy. Solaria has locked in 2.5 GW of capacity for new projects in Italy with the development of three clusters, Palermo (241 MW), Luccano (243 MW) and Spinazzola (308 MW). In Germany, it opened a new office in Berlín and pinpointed opportunities for 5.6 GW.

Lastly, requests were submitted for hybridisations with wind power in the Company's own connection points in Spain and Portugal for total power of 1,200 MW, as part of a package with potential wind power identified of over 3 GW.

The new projects connected, coupled with the developments, will enable the Company to advance towards its goal of reaching 18 GW by 2030.

## 7. Share price performance




## 8. Other relevant information disclosed in the period

Other relevant information disclosed 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) 9M 2023 | 9M 2022 | Relevance of use |
|---|---|---|---|---|
| Working capital | Current assets – Current liabilities | 155,543 – 187,673 = (32,130) | 155,389 – 161,080 = (5,691) | Measure of ability to continue with normal business operations in the short term. |
| EBITDA | Revenue + Other income - Personnel expenses - Other operating expenses | 146,926 +25,501 – 12,549 – 6,274 = 153,605 | 107,942 + 2,813 + 10,211 - – 8,023 – 3,930 = 109,013 | Measure of operating profitability without considering interest, taxes, provisions, depreciation and amortization. |
| EBIT | EBITDA - Amortization and depreciation, and impairment losses | 153,605 – 24,303 = 129,302 | 109,013 – 17,597 = 91,416 | Measure of operating profitability without considering interest and taxes. |
| Profit after tax | EBIT ± Net finance income/(expense) | 129,302 – 22,062 = 107,240 | 91,416 – 13,394 = 78,022 | Measure of operating profitability without considering taxes. |
| Net finance income/(expense) | Finance income - Finance costs ± Exchange differences | 825 – 22,887 = (22,062) | 296 – 13,693 + 3 = (13,394) | Measure of finance cost. |
| EBITDA/revenue | $\frac{\text{Revenue} + \text{Other income} - \text{Personnel expenses} - \text{Other operating expenses}}{\text{Revenue}}$ | $\frac{153,605}{146,926} = 105\%$ | $\frac{109,013}{107,942} = 101\%$ | Measure of operating profitability considering direct variable generation costs |
| EBIT/revenue | $\frac{\text{Revenue} + \text{Other income} - \text{Personnel expenses} - \text{Other operating expenses} - \text{Amortization and depreciation} - \text{Impairment losses}}{\text{Revenue}}$ | $\frac{129,302}{146,926} = 88\%$ | $\frac{90,923}{107,942} = 85\%$ | Measure of operating profitability considering direct and indirect variable generation costs |
| Net profit/revenue | $\frac{\text{Revenue} + \text{Other income} - \text{Personnel expenses} - \text{Other operating expenses} - \text{Amortization and depreciation} - \text{Impairment losses} + \text{Finance income} - \text{Finance costs} \pm \text{Exchange differences} \pm \text{Income tax}}{\text{Revenue}}$ | $\frac{86,406}{146,926} = 59\%$ | $\frac{69,698}{107,942} = 65\%$ | Measure of operating profitability considering direct and indirect variable generation costs, finance costs and taxes |