Solaria

2018 Full Year Results

26 February 2019

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Regulation
The development, construction and operation of solar PV parks are highly regulated activities and Solaria conducts its operations in many countries and jurisdictions, which are governed by different laws and regulations. Such laws and regulations require licenses, permits and other approvals to be obtained and maintained in connection with the operation of its activities. The procedures for obtaining such licenses, permits and other approvals vary from country to country, making it onerous and costly to track the requirements of individual localities and comply with the varying standard.

In addition, this regulatory framework imposes significant actual, day-to-day compliance burdens, costs and risks on us. In particular, in the countries where Solaria operates, solar PV parks are subject to strict EU (for those located in Spain, Italy and Greece), national, regional and local regulations relating to their operation and expansion (including, among other things, land use rights, regional and local authorizations and permits necessary for the construction and operation of facilities, permits on landscape conservation, noise, hazardous materials or other environmental matters and specific requirements regarding the connection and access to the electric transmission and/or distribution networks). Non-compliance with such regulations could result in the revocation of permits, sanctions, fines or even criminal penalties. Compliance with regulatory requirements may result in substantial costs to Solaria's operations that may not be recovered.
In addition, Solaria cannot predict whether the permits will attract significant opposition (public or otherwise including on account of litigation) or whether the permitting process will be lengthened due to administrative complexities and appeals.
Additionally, changes to these laws and requirements or of its interpretation by regulatory authorities and courts or the implementation of new such regulations affecting the solar PV parks in Solaria's portfolio may result in significant additional expenses and may have a material adverse effect on Solaria's business, financial condition, results of operations and cash flows to the extent that Solaria cannot comply with such laws. Thus, laws and regulations could be changed to provide for new rate programs that undermine the economic returns for both new and existing solar PV parks in operation by charging additional, non-negotiable fixed or demand charges or other fees or reductions in the number of solar PV projects allowed under net metering policies. These changes may make the development of a solar PV park infeasible or economically disadvantageous and any expenditure Solaria may have made on such solar PV park may be wholly or partially written off.
Solaria also faces regulatory risks imposed by various transmission providers and operators, including regional transmission operators and independent system operators, and their corresponding market rules. These regulations may contain provisions that limit access to the transmission grid or allocate scarce transmission capacity in a particular manner, which could materially and adversely affect Solaria's business, financial condition, results of operations and cash flows.
To the extent Solaria enters into new markets in different jurisdictions, Solaria will face different regulatory regimes, business practices, governmental requirements and industry conditions. As a result, Solaria's prior experiences and knowledge in other jurisdictions may not be relevant, and Solaria may spend substantial resources familiarizing itself with the new environment and conditions.
Pipeline
Solaria's current business strategy requires the successful completion of the development and operation of the projects in its portfolio and its plans to further organically grow such portfolio of solar PV parks. As part of Solaria's growth plan, Solaria may acquire solar PV parks in different development stages.
The development of the projects in Solaria's pipeline involves numerous risks and uncertainties and requires extensive funding, research, planning and due diligence. Solaria may be required to incur significant amounts of capital expenditure for land viability analysis, land and interconnection rights, preliminary engineering, permitting, legal and other expenses before it can determine whether a solar PV park is economically, technologically or otherwise feasible.
Difficulties that Solaria may face when executing this development and growth strategy include:
• obtaining and maintaining required construction, environmental and other permits, licenses and approvals; securing suitable project sites, necessary rights of way and satisfactory land rights (including land use) in the appropriate locations with capacity on the transmission grid;
• unanticipated changes in project plans;
• connecting to the power grid on schedule and within budget;
• connecting to the power grid if there is insufficient grid capacity;
• identifying, attracting and retaining qualified development specialists, technical engineering specialists and other key personnel;
• entering into PPAs or other arrangements that are commercially acceptable and adequate to obtain third-party financing therefor;
• securing cost-competitive financing on attractive terms;
• the availability of solar PV modules and other specialized equipment, increases in their prices and negotiating favorable payment terms with suppliers;
• negotiating satisfactory engineering, procurement and construction ("EPC") agreements;
• satisfactorily completing construction on schedule, avoiding defective or late execution by providers and contractors labor, including equipment and materials supply delays, shortages or disruptions, work stoppages or labor disputes;
• cost over-runs, due to any one or more of the foregoing factors;
• operating and maintaining solar PV parks efficiently to maintain the power output and system performance; and
• accurately prioritizing geographic markets for entry, including estimates on addressable market demand.
Accordingly, some of the pipeline solar PV projects may not be completed or even proceed to construction and Solaria may not be able to recover any of the amounts invested.
All the foregoing shall be taking into account by those persons or entities which have to take decisions or issue opinions relating to the securities issued by Solaria. All such persons or entities are invited to consult all public documents and information of the Company registered within the Spanish Securities Market Commission, including the Exchange Information.

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01 KEY HIGHLIGHTS

2018 Accomplishments

Solaria

- Equity secured for the 1.3GW project execution Plan
- First PPAs signed for 102MW with Repsol
- Launch of 400MW under construction in Spain
- Financing agreed with Natixis for the 250MW under spanish auction mechanism
- Healthy balance sheet ready to finance growth (Cash 93M EUR, NFD/Ebitda <3x)

Consolidation as the top Iberian pure solar PV player

2019 Roadmap → Project Eureka

FY'18 Highlights
Meeting targets

Strong set of results

- Revenues (+14%), EBITDA (+13%), and Net Profit (+42%) registered strong growth thanks to operating results of various projects undertaken in 2017, as well as acquisitions of operating assets and activation of tax credits due to high visibility of new projects.

400MW construction launched in December

- On 13 December 2018 the start-up of construction of 400MW across various locations in Spain was announced.

Two Power Purchase Agreements (PPA) signed with Repsol

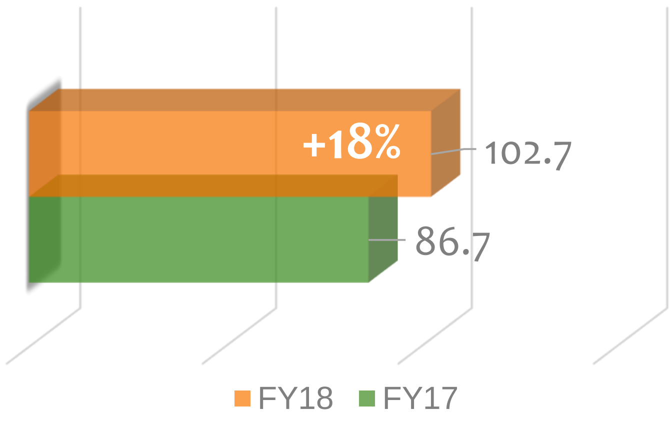
- Two 7-Year physical PPAs with Repsol for power generated from 102MW in four Spanish power plants were signed.
- Long-term financing for these projects is currently under negotiation with several banks and institutional investors.

02 FINANCIAL REVIEW

FY2018 results

Strong operating evolution

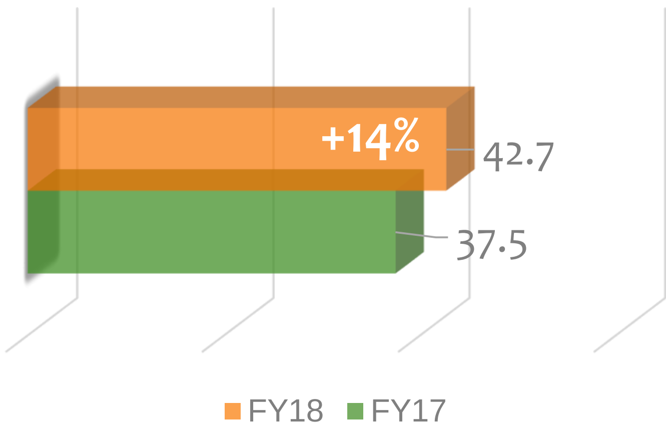
Energy Production (GWh)



Energy production grew by over 18% thanks to excellent performance of plants and, particularly, inclusion of two plants in Uruguay and SAE1 in Italy.

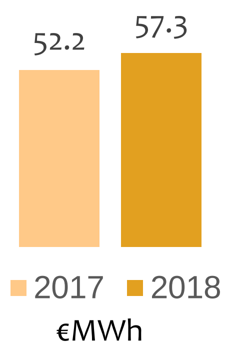
Accordingly, **revenues increased by 14%** due not only to consolidation of these assets but also on the back of the **positive 2018 pool price performance** in Spain.

Total Revenues (M EUR)



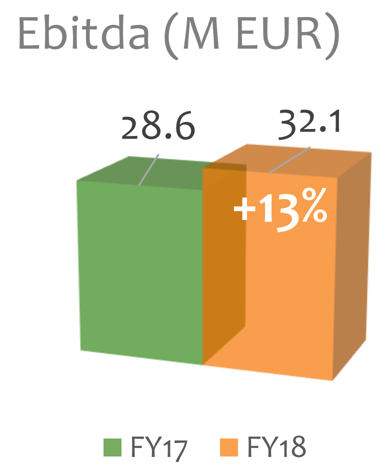
Spanish Pool prices

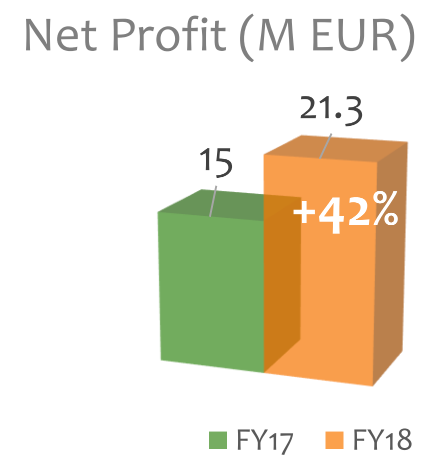
+10%



FY2018 results

Remarkable profits





Strong EBITDA (+13%) and Net Profit (+42%) growth was partially due to the impact of acquisition of SAE1, reflecting the Group's on-going strategy of purchasing operating assets.

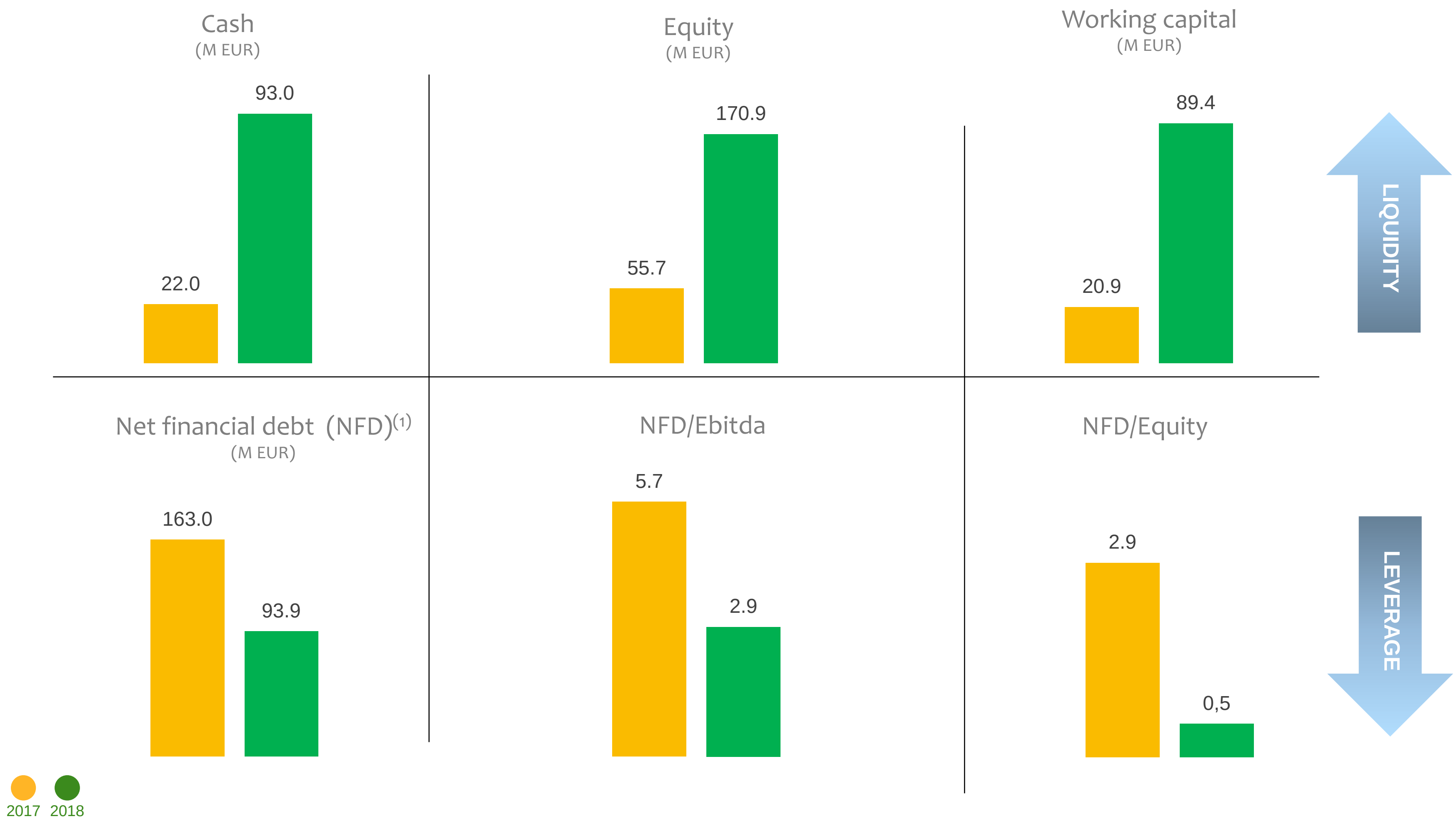
Additionally, Solaria's Net Profit growth was also underpinned by **activation of 15M EUR of tax credits**. At year-end 2018, the company still had unused operating tax loss credits which should boost future cashflows and increase returns on Spanish investments. The pace of activation in upcoming quarters should be similar (approx. 5M/quarter).

Temporary suspension of the 7% tax to generation led to a 362k EUR **improvement in the Group's Q4 EBITDA.**

FY2018 results

Very healthy balance sheet ready to finance the growth

99% of the debt is non-recourse project financing



(1) Financial Debt = Long & Short term obligations and bonds + Long & Short term financial liabilities with credit institutions

FY2018 results
400MW Under construction

In mid-December, SOLARIA announced **the start-up of construction of 400MW** in various locations in Spain.

New PV plants will be progressively **connected** to the grid **during 2019.**

Additional construction

The Group plans to announce **new projects construction package** in the short term.

FY2018 results

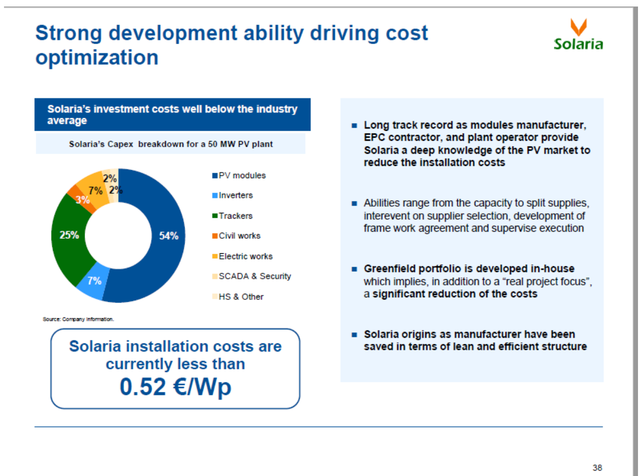
400MW Under construction

Current **installation cost** for the 400 MW package under construction is -5% **below estimates…**

From estimated installation costs of <0.52 €/Wp…

-5%

…to average installation costs of <0.49 €/Wp.



Strong development ability driving cost optimization

Solaria's investment costs well below the industry average

Solaria's Capex breakdown for a 50 MW PV plant

Source: Company information.

Solaria installation costs are currently less than **0.52 €/Wp**

- **Long track record as modules manufacturer, EPC contractor, and plant operator provide Solaria a deep knowledge of the PV market to reduce the installation costs**
- Abilities range from the capacity to split supplies, intervenent on supplier selection, development of frame work agreement and supervise execution
- **Greenfield portfolio is developed in-house** which implies, in addition to a "real project focus", **a significant reduction of the costs**
- **Solaria origins as manufacturer have been saved in terms of lean and efficient structure**

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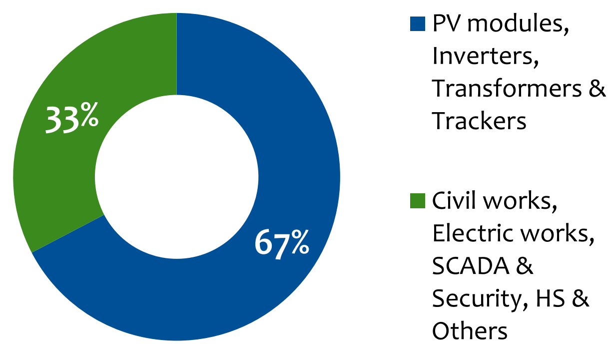
Published in 2018 June Strategy Update

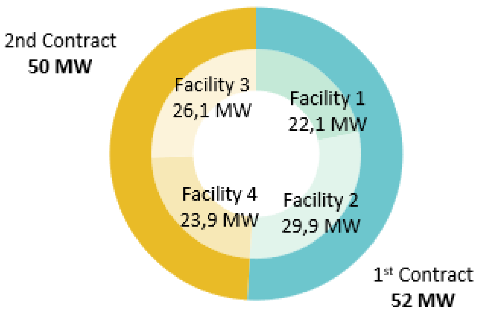


… **further improvement** can still be made over the medium term

FY2018 results

Repsol PPAs are the only visible part of the iceberg so far…

REPSOL PPAs



Total estimated energy

1.428 TWh

CO2 emissions reduction **600,000 t/y**

Household equivalent consumption (per year) **50,000**

These PPAs will reduce the pool price exposure of Solaria's portfolio, also allowing for **improved financing conditions.**

… as many more agreements are under negotiation

Offtaker	Power (MW)	Sector	Term (years)	Status
Repsol	*52*	*Oil & Gas*	*7*	*PPA signed*
Repsol	*50*	*Oil & Gas*	*7*	*PPA signed*
Confidential	*100*	*Utility*	*10*	*TS agreed. PPA under negotiation*
Confidential	*300*	*Large consummer*	*10*	*TS under negotiation*
Confidential	*100*	*Utility*	*10*	*TS under negotiation*
Confidential	*150*	*Utility*	*10*	*TS under negotiation*
…	…	…	…	…
TOTAL VOLUME UNDER NEGOTIATION > 1000 MW				

FY2018 results

Financing secured to deliver strong growth

Equity secured to develop the 1,3GW

+96.8
M EUR

ABB

Successful accelerated bookbuilding
July 2018
Amount = 96.8M EUR
Price= €5.80 per share
15.5% of share capital
1.22% of treasury stock

+15
M EUR

Italy refinancing
announced on 14 february 2019

Closed with Banco Santander
Total amount 52.2M EUR
Dividends received x 2.5
FCF 15M EUR

Financing agreed to develop the 400MW under construction

+125
M EUR

Natixis agreement
announced on 5 february 2019

Agreement in place to finance the 250MW awarded in Spanish auction
Project finance debt
Very competitive interest rate
Subject to due diligence (in progress) and final approval of bank committee

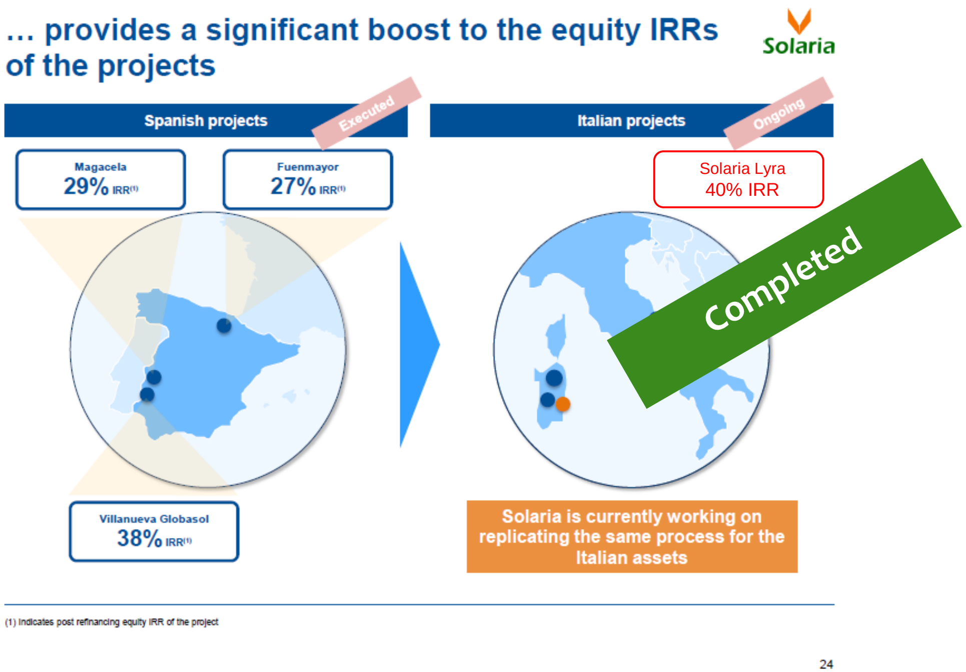
+55
M EUR

Repsol PPAs financing

Under negotiation with banks and institutional investors to finance the 102MW linked to Repsol PPAs

FY2018 results

Delivering Italian refinancing



Published in 2018 June Strategy Update

Key metrics of refinancing

Debt duration +1.5 years

Interest Rate reduced by half
= 2.95% fixed rate

Results of refinancing

Dividends **x 2.5**

FCF **+15M EUR**

Equity IRR **40%**

03 FINAL REMARKS & OUTLOOK

2019 Roadmap
More growth to come

New pipeline in progress

Solaria is striving to increase its project pipeline to **several GWs above the previously published level of 1.5GW and above the 1.3GW execution plan** thanks to new Iberian developments.

2019 Roadmap

How to finance extra growth plans?

Non-core real estate asset divestments,

Sale of non-strategic real estate assets: Fuenmayor and Puertollano factories.

Further asset refinancing,

Solaria to continue process of refinancing operating assets.

and …

... Eureka Project

Solaria will invite long term institutional investors to participate in equity stakes (<50%) in operating assets (regulated and non-regulated) in order to:

Optimize the Group's financial situation

&

Crystallize value

&

Accelerate growth

In all cases, Solaria plans to maintain control of these assets.

Solaria

Thank You!

APPENDIX

P&L

THOUSAND OF EUROS (K€)	FY - 2018	FY-2017	Absolute change	Relative change
Net sales	33.791	31.124	2.667	9%
Other incomes and results	8.896	6.385	2.511	39%
Total revenues	**42.687**	**37.509**	**5.178**	**14%**
Personnel expenses	(3.179)	(2.758)	(421)	15%
Operating expenses	(7.361)	(6.192)	(1.169)	19%
EBITDA (*)	**32.147**	**28.559**	**3.588**	**13%**
EBITDA / Net sales	95%	92%		
Amortizations, impairments and provisions	(13.630)	(10.308)	(3.322)	32%
EBIT	**18.517**	**18.251**	**266**	**1%**
EBIT / net sales	55%	59%		
Financial Income/Loss	(11.074)	(10.340)	(734)	7%
Equity-accounted earnings	-	(191)	191	-100%
Profit before tax	**7.443**	**7.720**	**(277)**	**-4%**
Tax	13.903	7.291	6.612	91%
NET PROFIT / (NET PDA)	**21.346**	**15.011**	**6.335**	**42%**
net profit/ net sales	63%	48%		

(*) In 2018, Solaria Energía apply a new accounting rule to measure the EBITDA.
According to this criteria, Ebitda 2017 would be 29,541M EUR.

Balance - Assets

Data in thousands of euros	31/12/2018	31/12/2017	Absolute change	Relative change
Non-current assets	288.339	246.080	42.260	17%
Intangible assets	12.140	80	12.060	15031%
Tangible fixed assets	241.774	226.596	15.178	7%
Equity-accounted investments	_	748	(748)	-100%
Deferred tax assets	32.755	16.745	16.010	96%
Other non-currents financial assets	1.670	1.911	(241)	-13%
Current assets	106.330	34.807	71.522	205%
Commercial Debtors and other accounts receivables	12.999	12.478	521	4%
Other current financial assets	77	77	()	0%
Other current assets	246	280	(34)	-12%
Cash and other equivalent assets	93.009	21.972	71.036	323%
Total Assets	394.669	280.887	113.782	41%

Balance - Liabilities

Data in thousands of euros	31/12/2018	31/12/2017	Absolute change	Relative change
Equity	170.914	55.698	115.216	207%
Capital and share premium	310.926	221.926	89.000	40%
Other reserves	5.311	5.311	-	0%
Own shares	-	(2.245)	2.245	-100%
Retained earnings	(138.162)	(163.214)	25.052	-15%
Value adjustments	(7.161)	(6.080)	(1.081)	18%
Non-current liabilities	206.840	211.323	(4.483)	-2%
Non-current provisions	536	1.094	(558)	-51%
Obligations and long term bonds	126.443	132.499	(6.056)	-5%
Financial liabilities with credit institutions	44.836	44.521	315	1%
Debt with related entities	10.287	30.336	(20.049)	-66%
Derivative financial instruments	2.103	577	1.526	264%
Other financial liabilities	22.635	2.296	20.339	886%
Current liabilities	16.916	13.866	3.050	22%
Financial liabilities with credit institutions	7.175	3.734	3.441	92%
Obligations and short term bonds	6.553	6.205	348	6%
Derivatives instruments	778	156	622	399%
Commercial creditors and other accounts payable	1918	2.981	(1.063)	-36%
Other current liabilities	492	790	(298)	-38%
Total Liabilities	394.669	280.887	113.783	41%