

Audit Report on the Consolidated Financial Statements  
issued by an Independent Auditor

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES  
Consolidated Financial Statements and Management Report  
for the year ended December 31, 2021



## AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.:

### Report on the consolidated financial statements

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#### Opinion

We have audited the consolidated financial statements of SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of the Group at December 31, 2021, and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework for financial reporting applicable in Spain.

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#### Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

### *Compliance with the Debt Service Coverage Ratio*

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**Description** As explained in note 12.1 to the accompanying consolidated financial statements, the Group recognized debt totaling 178,086 thousand euros under "Bonds and other marketable securities" in current and non-current liabilities at December 31, 2021 related to the project bonds issued by its subsidiaries. The related project bonds issue contracts stipulate early repayment in the case of non-compliance with the debt service coverage ratio (DSCR). In addition, "Bank borrowings", which amounted to 389,192 thousand euros, included several loans for a combined amount of 356,017 thousand subject to compliance with the debt service coverage ratio (DSCR). Due to the importance of complying with ratios for the Group's business and the relevance of the amounts recorded in "Bonds and other marketable securities" for the consolidated financial statements as a whole, we considered compliance with these ratios to be a key audit matter.

### **Our response**

Regarding to this matter, our audit procedures included, among others:

- ▶ Assessing compliance with the DSCR at December 31, 2021, and the short-term outlook for compliance based on the terms and conditions of the project bond issuance contracts and the contracts of the loans subject to compliance with the ratios.
- ▶ Reviewing the disclosures in the notes to the accompanying consolidated financial statements in accordance with the applicable regulatory framework for financial reporting.

### *Recoverability of deferred tax assets*

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**Description** As explained in note 13 to the accompanying consolidated financial statements, the Group recognized deferred tax assets at December 31, 2021 amounting to 69,466 thousand euros. The recoverability of these assets depends primarily on the ability of the Group to generate sufficient future taxable profits based on its financial projections and business plan. The analyses performed by the Parent's directors require the use of estimates that entail complex judgments to determine the Group's future taxable profits, we considered this to be a key audit matter.

Disclosures on the criteria used by the Parent's directors and the main assumptions used to determine the recoverability of deferred tax assets are provided in notes 2.5 and 4.10 to the accompanying consolidated financial statements.

Our  
response

Regarding to this matter, our audit procedures included, among others:

- ▶ Understanding of the processes established by the Parent's management for determining the recoverability of deferred tax assets, including an assessment of the design and implementation of the relevant controls.
- ▶ Assessing the reasonableness of the assumptions used by the Parent's directors to determine the estimated future taxable profits.
- ▶ Assessing, with the involvement of our tax specialists, the main tax considerations supporting the analysis made by the Parent's directors.
- ▶ Reviewing the disclosures in the notes to the accompanying consolidated financial statements in accordance with the applicable regulatory framework for financial reporting.

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#### Other information: Consolidated management report

Other information refers exclusively to the 2021 consolidated management report, the preparation of which is the responsibility of the Parent's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

- a. Checking only that certain information included in the Annual Corporate Governance Report and the Annual Report on Director Remuneration, as defined in the Audit Law, was provided in the manner as stipulated in the applicable regulations and, if not, disclose this fact.
- b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have verified that the information referred to in a) above has been provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2021 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

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#### Responsibilities of the Parent's directors and the audit committee for the consolidated financial statements

The directors of the Parent are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee of the Parent is responsible for overseeing the Group's financial reporting process.

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#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated

financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Parent with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Parent, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Report on other legal and regulatory requirements

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### European Single Electronic Format

We have examined the digital files of the European single electronic format (ESEF) of SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries for the 2021 financial year, consisting of XHTML files containing the financial statements for the year and the XBRL files marked up by the entity, which will form part of the annual financial report.

The directors of SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. are responsible for submitting the annual financial report for the 2021 financial year in accordance with the format and markup requirements set out in the European Commission Delegated Regulation (EU) 2019/815, of December 17, 2018 (the "ESEF Regulation").

Our responsibility consists of examining the digital files prepared by the Parent's directors in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

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### Additional report to the Parent's audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the Parent's audit committee on February 25, 2022.

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Term of engagement

During the General Shareholders' Meeting held on June 30, 2021, we were appointed the group's auditors for a period of three years, commencing the year ended December 31, 2021.

Previously, we were appointed auditors by the shareholders in general meeting for three years and we have been carrying out the audit of the financial statements continuously since the year ended December 31, 2015.

ERNST & YOUNG, S.L.  
(Registered in the Official Register of  
Auditors under N° S0530)

(Signed on the original version in Spanish)

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Richard van Vliet  
(Registered in the Official Register of  
Auditors under N° 21981)

February 25, 2022

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES  
Consolidated Financial Statements and Management Report



**December 31, 2021**



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AUTHORIZATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and Subsidiaries  
 Consolidated statement of financial position as at December 31, 2021  
 (Thousands of euros)

ASSETS	Notes	2021	2020
<b>NON-CURRENT ASSETS</b>		<b>854,468</b>	<b>609,896</b>
Intangible assets	6	168	177
Patents, licenses, trademarks and similar rights		76	76
Computer software		92	101
Surface rights	8	112,053	45,407
Property, plant and equipment	7	671,303	496,427
Land and buildings		22,333	21,097
Technical installations and machinery		504,870	373,192
Property, plant and equipment under construction		144,100	102,138
Non-current financial assets	9.2	1,478	661
Other financial assets		1,478	661
Deferred tax assets	13	69,466	67,224
<b>CURRENT ASSETS</b>		<b>188,284</b>	<b>105,611</b>
Trade and other receivables		34,716	23,270
Trade receivables	9.1	34,489	18,475
Other receivables		227	169
Other receivables from public authorities	13	-	4,626
Current investments		301	267
Other financial assets		301	267
Prepayments for current assets		416	766
Cash and cash equivalents	9.3	152,851	81,308
Cash		152,851	81,308
<b>TOTAL ASSETS</b>		<b>1,042,752</b>	<b>715,507</b>

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and Subsidiaries  
 Consolidated statement of financial position as at December 31, 2021  
 (Thousands of euros)

EQUITY AND LIABILITIES	Notes	2021	2020
<b>EQUITY</b>		<b>247,355</b>	<b>222,514</b>
<b>CAPITAL AND RESERVES</b>		<b>280,396</b>	<b>232,361</b>
Capital	10.1	1,250	1,250
Registered capital		1,250	1,250
Share premium	10.2	309,676	309,676
Reserves	10.3	45,359	45,359
Legal reserve		5,311	5,311
Voluntary reserves		40,048	40,048
Prior years' losses		(123,924)	(154,338)
Profit for the year		48,035	30,414
<b>VALUATION ADJUSTMENTS</b>		<b>(33,041)</b>	<b>(9,847)</b>
Hedging transactions	10.4	(32,645)	(9,479)
Translation differences		(396)	(368)
<b>NON-CURRENT LIABILITIES</b>		<b>621,752</b>	<b>406,546</b>
Non-current loans and borrowings		621,752	406,546
Bank borrowings	12.1	355,958	241,540
Bonds and other marketable securities	12.1	122,100	115,753
Lease liabilities	12.2	106,151	44,398
Derivatives	12.3	37,543	4,855
<b>CURRENT LIABILITIES</b>		<b>173,645</b>	<b>86,447</b>
Current loans and borrowings		84,168	19,667
Bank borrowings	12.1	23,629	9,403
Bonds and other marketable securities	12.1	54,502	5,781
Lease liabilities	12.2	4,681	1,338
Derivatives	12.3	575	1,042
Other financial liabilities		781	2,103
Trade and other payables		89,477	66,780
Suppliers and other payables		83,907	60,758
Personnel - salaries payable		2,522	1,859
Current tax liabilities	13	2,577	2,385
Other payables to public authorities	13	464	1,770
Advances from customers		7	8
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,042,752</b>	<b>715,507</b>

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries  
 Consolidated income statement  
 for the year ended December 31, 2021  
 (Thousands of euros)

	Notes	2021	2020
<b>CONTINUING OPERATIONS</b>			
Revenue	14.1	95,070	53,266
Sales		94,664	52,389
Rendering of services		406	877
Other income		4,469	3,761
Self-constructed assets		10,985	7,477
Personnel expenses	14.2	(10,501)	(7,923)
Salaries, wages and similar		(8,783)	(6,834)
Employee benefits expense		(1,718)	(1,089)
Other operating expenses	14.3	(6,640)	(7,519)
External services		(3,983)	(4,674)
Taxes other than income tax		(2,657)	(2,845)
Amortization and depreciation	7 and 8	(20,383)	(15,377)
Change in provisions	11	-	(598)
Impairment and gains/(losses) on disposal of assets and other		-	(15)
Impairments and reversals		-	(15)
<b>OPERATING PROFIT</b>		<b>73,000</b>	<b>33,072</b>
Finance income		328	396
Other finance income		328	396
Finance costs		(16,873)	(12,985)
Interest on third-party borrowings		(16,700)	(12,206)
Other finance costs	8.2	(173)	(779)
Exchange differences		(202)	(64)
<b>NET FINANCE INCOME/(EXPENSE)</b>		<b>(16,747)</b>	<b>(12,653)</b>
<b>CONSOLIDATED PROFIT BEFORE TAX</b>		<b>56,253</b>	<b>20,419</b>
Income tax expense	13	(8,218)	9,995
<b>CONSOLIDATED PROFIT- CONTINUING OPERATIONS</b>		<b>48,035</b>	<b>30,414</b>
Basic and diluted earnings per share (€)	16	0.38	0.24

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries  
 Consolidated statement of other comprehensive income  
 for the year ended December 31, 2021  
 (Thousands of euros)

	Notes	2021	2020
Profit for the year		48,035	30,414
Other comprehensive income			
Net gain/(loss) on cash flow hedges, net of tax (Note 13.2)	10.4	(23,166)	(1,251)
Exchange differences on translation of foreign operations		(28)	93
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax		(23,194)	(1,158)
<b>Total comprehensive income for the year, net of tax</b>		<b>24,841</b>	<b>29,256</b>

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries  
 Consolidated statement of changes in equity  
 for the year ended December 31, 2021  
 (Thousands of euros)

	Registered capital (Note 10.1)	Share premium (Note 10.2)	Legal reserve (Note 10.3)	Other reserves and retained earnings (prior-year losses)	Profit/(loss) for the year	Hedging transactions (Note 10.4)	Translation differences	TOTAL
BALANCE AT JANUARY 1, 2020	1,250	309,676	5,311	(138,161)	23,871	(8,228)	(461)	193,258
Total comprehensive income	-	-	-	-	30,414	(1,251)	93	29,256
Distribution of profit/(loss)	-	-	-	23,871	(23,871)	-	-	-
BALANCE AT DECEMBER 31, 2020	1,250	309,676	5,311	(114,290)	30,414	(9,479)	(368)	222,514
Total comprehensive income	-	-	-	-	48,035	(23,166)	(28)	24,841
Distribution of profit/(loss)	-	-	-	30,414	(30,414)	-	-	-
BALANCE AT DECEMBER 31, 2021	1,250	309,676	5,311	(83,876)	48,035	(32,645)	(396)	247,355

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries  
 Consolidated statement of cash flows  
 for the year ended December 31, 2021  
 (Thousands of euros)

	Notes	2021	2020
Profit for the year before tax		56,253	20,419
Adjustments for:		37,130	28,643
Amortization and depreciation	6 and 7	20,383	15,377
Change in provisions	11	-	598
Impairments and reversals		-	15
Finance income		(328)	(396)
Finance costs		16,873	12,625
Change in fair value of financial instruments		-	360
Exchange differences		202	64
Changes in operating assets and liabilities		14,314	9,232
Trade and other receivables		(11,446)	(3,777)
Trade and other payables		25,760	13,009
Other cash flows from operating activities		(13,682)	(10,742)
Interest paid		(12,424)	(9,276)
Income tax paid		(1,258)	(432)
Other payments	11	-	(1,034)
Net cash flows from operating activities		94,015	47,552
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(195,259)	(134,351)
Net cash flows used in investing activities		(195,259)	(134,351)
Cash flows from financing activities			
Issue of bonds and other marketable securities		60,200	-
Repayment of bonds and other marketable securities		(5,687)	(15,522)
Issue of bank borrowings		132,155	74,422
Repayment of bank borrowings		(13,881)	(8,974)
Net cash flows from financing activities		172,787	49,926
Net increase/(decrease) in cash and cash equivalents		71,543	(36,873)
Cash and cash equivalents at January 1	9.3	81,308	118,181
Cash and cash equivalents at December 31	9.3	152,851	81,308

## 1. Corporate information

Solaria Energía y Medio Ambiente, S.A. ("Solaria", "the Company" or "the Parent") was incorporated on November 27, 2002 as a limited liability company (sociedad anónima) in Spain for an indefinite period. The Company changed its registered address on to Calle Velázquez, 47, Madrid, on April 28, 2008, and then again to Calle Princesa, 2, Madrid, on July 1, 2009.

The Company's corporate purpose includes mainly:

1. The installation and repair of solar, thermal, photovoltaic, wind, and any other type of renewable energy facilities.
2. The installation and repair of plumbing, gas, electricity, cooling, heating, and air conditioning systems.
3. The design and execution of technical projects related to the above.
4. The provision of maintenance and conservation services for works performed by the Company or third parties.
5. The manufacture of solar, thermal, photovoltaic and other renewable energy modules, cells, and components.

The Group's core businesses in 2021 and 2020 entailed power generation and sales.

The Parent's shares have been listed on Spain's four official stock exchanges and quoted on the Spanish electronic trading platform (continuous market) since June 19, 2007. They were included on the IBEX 35 index on October 19, 2020.

Solaria is the Parent of a Group comprising 95 companies as at December 31, 2021 (2020: 98), all wholly owned.

All Solaria Group companies engage mainly in the operation of photovoltaic (PV) solar plants in Spain and other countries where they are located abroad. Appendix 1 discloses information on investments in Group companies as at December 31, 2021 and 2020.

The Company has issued the pertinent disclosures to investees under Article 155 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital) and there is no obligation that could give rise to contingencies with respect to those companies.

On the same date as the accompanying consolidated financial statements, the directors of the Parent authorized for issue the financial statements of Solaria Energía y Medio Ambiente, S.A. for the year ended 31 December 2021.

The separate and consolidated financial statements of Solaria Energía y Medio Ambiente, S.A. for the year ended December 31, 2020 were approved at the General Shareholders' Meeting held on June 30, 2021 and placed on file at the Madrid Companies Register.



The Parent is controlled by DTL Corporación, S.L., based in Madrid, which is the Group's ultimate Parent. DTL Group's 2021 financial statements will be authorized for issue and filed with the Madrid Companies Register within the legal deadline. DTL Group's 2020 consolidated financial statements were authorized for issue by the sole shareholder and filed at the Madrid Companies Register within the applicable legal deadlines.

## 2. Basis of preparation of the consolidated financial statements, consolidation principles and regulatory framework

### 2.1 Basis of preparation and true and fair view

Solaria Group's consolidated financial statements for the year ended December 31, 2021, were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and all requirements of the applicable regulatory framework for financial reporting effective as at December 31, 2021, to give a true and fair value of the consolidated equity and financial position of Solaria Energía y Medio Ambiente, S.A. and subsidiaries at December 31, 2021, and of the consolidated results of their operations, changes in consolidated equity and the consolidated cash flows for the year then ended.

The accompanying 2021 financial statements were authorized for issue by the Board of Directors and will be submitted for approval at the General Shareholders' Meeting. They are expected to be approved without any changes.

The 2021 consolidated financial statements have been prepared from the accounting records of the Parent and the other entities comprising the Group. Each company prepares its separate financial statements using the principles and criteria in effect in the country in which they operate; accordingly, adjustments and reclassifications are made upon consolidation to align these principles and criteria with IFRS-EU.

### 2.2 Comparative information

In accordance with company law, for comparative purposes for each item of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of changes in equity and the consolidation statement of cash flows, in addition to the figures for 2021, those for the previous year are presented. Quantitative information for the previous period is also included in the notes to the consolidated financial statements unless an accounting standard specifically states that this is not required.

### 2.3 Changes in accounting policies

- a) Standards and interpretations approved by the European Union and applied for the first time during the current reporting period

The accounting standards used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2020, as none of the standards, interpretations or amendments that are effective for the first time in the current period have had any impact on the Group's accounting policies.

b) Standards and interpretations issued by the IASB, but not effective in the reporting period

The Group intends to apply the new standards, interpretations and amendments issued by the IASB whose application is not mandatory in the European Union when they become effective, to the extent applicable to the Group. Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, it estimates that their first-time application will not have a significant impact on its consolidated financial statements.

2.4 Effects of the COVID-19 pandemic on the Group's operations

The global pandemic, declared as such by the World Health Organization (WHO) on March 11, 2020, has caused an unprecedented health crisis that has impacted the macroeconomic environment and the Group's business performance. It has caused disruptions in supply chains, soaring commodity and energy prices, and contractions in demand for certain components.

It had not had a material impact on the Group's operations as at the date of presentation of these consolidated financial statements and, based on the directors' current estimates, is unlikely to have any material effects in 2022.

2.5 Responsibility for the information, significant estimates and judgments made in applying the accounting policies

The information in these consolidated financial statements is the responsibility of the Parent's directors. The preparation of the consolidated financial statements required the Parent's directors to make certain estimates that affect the reported amounts of certain assets, liabilities, revenue, expenses and commitments recognized therein. The Group reviews these estimates on an ongoing basis.

The Group's success will largely hinge on its ability to develop new projects and build new plants, while remaining cost efficient. The expansion of its production capacity is subject to the risks and uncertainties inherent to business projects.

To manage the expansion of its activities efficiently, the Group improves its operating and financial systems, procedures, and controls continuously to enhance their efficiency.

Estimates and assumptions are based on the best information available at the date of authorization for issue of the annual financial statements on the estimation of uncertainties at the reporting date, which is reviewed regularly. Future events could require adjustments in subsequent periods. The effects of any changes to estimates are recognized prospectively.

The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant, are as follows:

- Analysis of the recoverability of deferred tax assets (Note 13)
- Estimation of the useful lives of property, plant and equipment and right-of-use assets (Notes 7 and 8)
- Compliance with financial ratios linked to project financing (Note 12)

## 2.6 Functional and presentation currency

The functional currency of Group companies is the euro, except for subsidiaries Yarnel, S.A. and Natelu, S.A. in Uruguay, whose functional currency is the US dollar. The Group's consolidated financial statements are presented in thousands of euros, which is the Parent's functional and presentation currency, unless indicated otherwise in the explanatory notes.

## 2.7 Foreign currency transactions

Foreign currency transactions are translated into euros at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the functional currency spot rates of exchange at the reporting date. Exchange gains or losses arising on this process and on settlement of these assets and liabilities are recognized in profit or loss for the reporting period in which they occur.

Non-monetary items measured in terms of historical cost are translated using the exchange rates at the dates of the initial transactions.

Non-monetary items measured at fair value are measured using the exchange rates at the date when the fair value is determined. Exchange gains or losses are recognized in the income statement, unless the change in value of the non-monetary item is recognized in equity, in which case the exchange gains or losses are also recognized in equity.

## 2.8 Basis of consolidation

### 2.8.1 Subsidiaries

Subsidiaries are investees over which the Parent exercises control either directly or indirectly via other subsidiaries. Subsidiaries are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after making adjustments and eliminations for intragroup transactions.

The uniformity adjustments applied were as follows:

- Uniformity of timing: the financial statements of all companies included in the scope of consolidation are as at December 31, 2021 and 2020.
- Uniformity of measurement: the measurement criteria applied by subsidiaries to assets, liabilities, revenue and expense are the same as those applied by the Parent.
- Uniformity relating to intragroup transactions. Transactions and balances with Group companies and unrealized gains and losses were eliminated on consolidation. However, unrealized losses were considered to be an indication of impairment of the assets transferred.
- Uniformity of performing aggregation: for consolidation purposes, the necessary reclassifications have been made to adapt the structure of the subsidiaries' financial statements to those of the Parent and IFRS-EU.

The revenue, expenses and cash flows of subsidiaries are included in the consolidated financial statements from the acquisition date; i.e. the date on which the Group obtains effective control. Consolidation of subsidiaries ceases when control is lost.

The financial statements of subsidiaries used in the preparation of the consolidated financial statements have the same reporting date and period as those of the Parent. The accounting policies of subsidiaries have been adapted to those of the Group for like transactions and other events in similar circumstances.

The translation of the financial statements of foreign subsidiaries whose functional currency is not the euro (applicable to businesses abroad whose functional currency is not that of a hyperinflationary economy) is carried out as follows:

- Assets and liabilities are translated using the spot rates of exchange at the reporting date.
- Income statement items are translated using the average exchange rate for the reporting period, which approximates the exchange rate applicable to each transaction.
- Equity is carried at historical rates.
- The exchange differences arising from the translation of these financial statements into euros are recognized in "Translation differences" in other comprehensive income.

## 2.9 Regulatory framework

The activity of the Spanish, Italian and Portuguese subsidiaries consists of generating electricity. Therefore, their viability is greatly affected by the regulatory framework. The Group's activities in Uruguay are not regulated since all energy sales in that country are made under purchase power agreements (PPAs).

The main regulations affecting the Group's operations are as follows:

### Regulatory framework in Spain

At December 31, 2021 and 2020, the Group had assets with 34.9 MW of installed capacity under Royal Decree-Law 17/2019, of November 22, 2019, adopting urgent measures for the required adaptation of remuneration parameters affecting the electricity system and addressing the process for discontinuing activity of thermal power plants.

### *Exceptional remuneration regime*

The Royal Decree-Law included a provision designed to guarantee the possibility, for owners of facilities that generate electricity using renewable energy sources, cogeneration and waste entitled to premium remuneration when Royal Decree-Law 9/2013, of July 12, became effective and wish to avail themselves of it voluntarily, whereby the reasonable return set for the first regulatory period, which ended on December 31, 2020, cannot be modified in the next two regulatory periods, starting on January 1, 2020. In other words, operators availing of this regime, including the Group, will maintain a reasonable return for these facilities of 7.398% in the 2020-2031 period, which is above the 7.09% set for the 2020-2025 period. In this way, they avoid the uncertainty of the 2026-2031 period.

The remaining assets are entitled to sell their output directly on the wholesale market, without any subsidies, or sell all or part of their production to large energy consumers, with the exception of projects assigned to the 2017 auction.

#### Regulatory framework in Italy

Italy's energy bill was introduced under EU Directive 2001/77 /EC and subsequently implemented with enactment of Legislative Decree 387 of 2003. This mechanism became effective when Inter-Ministerial Decrees 07/28/2005 and 02/06/2006 (Conto Energia I) introducing the operating account financing system for electricity production entered into force.

Ministerial Decree 2/19/2007 (Conto Energia II) introduced certain new characteristics, such as applying incentive tariffs on all power produced by the plant, simplifying the rules for gaining access to these incentives, and differentiating tariffs according to type of architectural integration and the system's size. A bonus was also provided for PV systems combined with efficient energy use.

Conto Energia III became effective in 2010 through Ministerial Decree 08/06/2010, and was applicable to plants entering into operation between January 1, 2011 and May 31, 2011. It introduced specific integrated PV system tariffs with innovative characteristics and concentration PV systems.

With Law 129/2010 (the "Alcoa Savings Law"), 2010 tariffs under Conto Energia II were confirmed for all plants able to certify termination of construction work by December 31, 2010, and the start-up of operations by June 30, 2011.

After Legislative Decree 28/2011 was published, Ministerial Decree 5/5/2011 (Conto Energia IV) was issued, defining the incentives mechanism for plants having started up after May 31, 2011; its purpose was to align tariffs with photovoltaic energy tariff trends, as well as to introduce an annual accumulated limit for incentive expenses, set at 6 billion of euros.

Based on the cost-containment approach set out in Conto Energia IV, Ministerial Decree 05/07/2012 was published (Conto Energia V), partially confirming the terms outlined in Ministerial Decree 05/05/2011 and establishing the cumulative cost of incentives at 6.7 billion euros. Incentive regulations in the Energy Law have not applied since July 6, 2013, when the 6.7 billion euro ceiling was reached.

All plants currently owned by Solaria in Italy operate under Conto Energia II or Conto Energia IV.

On June 25, 2014, the Italian government unveiled Decree Law 91/2014 proposing a series of urgent measures to reduce the cost of electricity. On August 21, Law 116, of August 11, 2014, was enacted, without introducing hardly any amendments to the proposed draft decree law. Article 26 of this Law establishes a series of measures affecting all PV plants with peak power over 200 kW (Spalma Incentivi), for which a number of different options are available to reduce incentives:

- a) The tariff is extended from 20 to 24 years, with a reduction based on the remaining years of operation.

Years remaining of incentive	Tariff reduction percentage
12	25%
13	24%
14	22%
15	21%
16	20%
17	19%
18	18%
19 or more	17%

- b) The duration of the tariff incentive is maintained at 20 years, with an initial reduction of 17% of revenue over a 7-year period and an undefined increase commencing from year 8.
- c) The 20-year period is maintained, with a specific reduction of:
- 6% for PV plants of between 200 & 500 kW;
  - 7% for PV plants of between 500 & 500 kW; and
  - 8% for PV plants of over 900 kW.

The new tariffs became effective from January 1, 2015. The Group's plants in Italy are subject to options b) and c).

### 3. Distribution of profit of the Parent

The distribution of the Parent's profit in 2021 proposed by the directors and expected to be approved at the General Shareholders' Meeting is as follows:

(Thousands of euros)	2021
Basis of distribution	
Profit for the year	59,063
	59,063
Distribution of profit	
Offset of prior years' losses	59,063
	59,063

#### 3.1 Limitations on the distribution of dividends

The Parent is obliged to earmark 10% of profit for the year for the legal reserve until such reserve represents at least 20% of capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders.

Dividends may only be drawn on the year's profit or freely available reserves after meeting the requirements laid down by law and in the by-laws, and if the value of the corporate equity is not, or

as a result of such distribution would not be, less than the company's capital. For these purposes, any profit directly allocated to equity may not be distributed either directly or indirectly. In the event of losses in preceding years that reduce corporate equity to less than the Parent's capital, profits shall be used to offset such losses.

The Parent's legal reserve at December 31, 2021 and 2020 was 5,311 euros, above the stipulated 20% of share capital.

#### 4. Accounting policies and measurement bases

The main accounting policies and measurement bases applied by the Group in the preparation of the accompanying consolidated financial statements are as follows:

##### 4.1 Materiality

The Group assessed materiality in determining what disclosures to be included in the accompanying consolidated financial statements.

##### 4.2 Intangible assets

Intangible assets acquired by the Group are measured on initial recognition at acquisition or production cost. The cost of intangible assets acquired in business combinations is their fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

Intangible assets are amortized systematically on a straight-line basis over their estimated useful life, taking into account their residual value. Amortization methods and periods are reviewed at the end of each reporting period, and adjusted prospectively where applicable.

##### Patents and trademarks

The Group pays cash for its patents and licenses. Patents were obtained for a period of 10 years and may be renewed at the end of the period. Licenses for the use of intellectual property were obtained for periods ranging from five to 10 years, depending on the type of license. Licenses may be renewed at little or no cost to the Group and are therefore considered to have indefinite useful lives.

	Years of useful life
Patents	10 years
Licenses	Indefinite

##### Computer software

Computer software includes the amounts paid for applications developed internally by the Group that meet the requirements for capitalization of development costs, and amounts paid to acquire computer software from third parties. The costs are amortized on a straight-line basis over an

estimated useful life of five years.

Expenses for repairs that do not extend the useful life of the assets, as well as maintenance expenses, are taken to profit or loss in the year incurred.

#### 4.3 Property, plant and equipment

Property, plant, and equipment are recognized at either acquisition or production cost less any accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. After initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment.

Costs incurred after the initial recognition of an asset are only capitalized to the extent that they increase the capacity or productivity or extend the useful life of the asset. The carrying amount of items that are replaced are derecognized. However, expenses for repairs that do not extend the useful life of the assets, as well as maintenance expenses, are taken to profit or loss in the year incurred.

The Group includes under "Property, plant and equipment under construction" expenses incurred in the development and construction of certain plants still under construction, in their initial design, development and construction phases, and that will be operated by the Group once they are commissioned in accordance with IAS 16 (Note 7).

Self-constructed property, plant and equipment reflect the cumulative cost of adding internal costs determined based on hourly costs of personnel involved to external costs, recognized with a debit to "Self-constructed assets" in the consolidated income statement.

Costs of major repairs of items of property, plant and equipment, irrespective of whether the items affected are replaced, are identified as a component of the cost of servicing the asset at the date of recognition of the asset, and depreciated over the period until the subsequent service.

When available for use, property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. The Group determines the depreciation charge separately for each component with a significant cost in relation to the overall cost of the asset and a different useful life to the rest of the item.

The estimated years of useful life of property, plant and equipment are as follows:

(Thousands of euros)	Years of useful life
Technical installations (solar plants)	30 years
Technical installations (other)	10 years
Machinery	8 years
Other property, plant and equipment	8 years

The Group reviews the residual value, useful life and depreciation method of property, plant and equipment at the end of each reporting period. Any changes in the initial criteria are considered a change in accounting estimates. Land on which the buildings and other constructions are located has an indefinite useful life and, therefore, is not depreciated.

The gain or loss arising from the disposal or derecognition of an item of property, plant and equipment is calculated as the difference between the amount of consideration received and the carrying amount



of the asset and included in profit or loss for the period when the item is disposed of or derecognized.

#### 4.4 Impairment of non-financial assets

At least at the end of each reporting period, the Group assesses whether there is any indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If any indication exists, it estimates the asset's recoverable amount.

For those assets identified, it estimates the recoverable amount, understood as the higher of an asset's fair value less costs to sell and its value in use.

Where the asset does not generate cash inflows that are independent of those from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount thus determined is lower than the asset's carrying amount, the difference is recognized in profit or loss and that carrying amount of the asset is written down to its recoverable amount. Future amortization/depreciation charges are adjusted in proportion to the adjusted carrying amounts and the new remaining useful life, where a re-estimation is necessary.

Similarly, when there are indications of a recovery in the value of an item of property, plant and equipment, the Group records a reversal of the previously recognized impairment loss and adjusts the future depreciation charge. The increased carrying amount of an asset attributable to a reversal of an impairment loss can not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

The recoverable amount of industrial assets and certain plots of land not used in operations was calculated based on fair value. The fair value is the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (excluding finance costs and income tax). The Group measured each asset individually rather than as part of a portfolio.

#### 4.5 Leases

##### *Group as lessee*

The Group early adopted and applied IFRS 16 for the first time in its 2018 consolidated financial statements.

The Group assesses whether a contract is, or contains, a lease. The Group recognizes a right-of-use asset and a lease liability for all leases in which it is lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (assessed on a lease-by-lease basis). The Group recognizes the lease payments associated with those leases in which it does not recognize the right-of-use and related lease liability as an operating expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of consumption of the economic benefits of the leased assets.

The lease liability is measured initially at the present value of the lease payments discounted using the interest rate implicit in the lease. Lease liabilities are presented in the consolidated statement of financial position under "Non-current loans and borrowings - Lease liabilities" and "Current loans and borrowings - Lease liabilities". The lease liability is subsequently measured by increasing the carrying

amount to reflect interest on the lease liability (using the effective interest rate method) and reducing the carrying amount to reflect lease payments made.

The Group remeasures the lease liability (as an adjustment to the right-of-use asset) whenever there is a change in the lease term or upon occurrence of a significant event or significant change in circumstances that give rise to:

- A change in lease payments resulting from a change in an index or rate, or a change in the amounts expected to be payable under a residual value guarantee. In these cases, the Group remeasures the lease liability by discounting the revised lease payments using the original discount rate (unless the change in lease payments results from a change in floating interest rates, in which case the revised discount rate is used).
- A lease modification that is not accounted for as a separate lease, in which case the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate based on the lease term of the modified lease.

The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, and any initial direct costs. The asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

The right-of-use asset is depreciated over the shorter of the useful life of the underlying asset and the lease term. Depreciation begins from the commencement date of the lease for a period 36 years from the option to extend the leases, which had an initial term of 26 years, for two 5-year period each.

The Group had not applied any of the recognition exemptions for short-term leases or leases of low-value assets.

The right-of-use asset is presented as a separate line item in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any impairment loss as explained in Note 4.4.

#### 4.6 Financial instruments

Financial assets are classified based on the financial asset's contractual cash flow characteristics and the entity's business model for managing them. The Group does not have any financial assets measured at fair value through other comprehensive income or fair value through profit or loss.

##### *Assets at amortized cost*

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold financial assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This category includes "Trade and other receivables", which are measured on initial recognition in the statement of financial position at fair value and subsequently at amortized cost using the effective interest rate method. The Group recognizes the related adjustments for any differences between the recoverable amount of receivables and the carrying amount at which they are recognized as explained in this paragraph.

The Group recognizes a provision for impairment on these receivables applying the simplified approach in calculating expected losses. Under the simplified approach, the Group recognizes a loss allowance from the outset based on lifetime expected credit losses using available information about past events (such as historical customer default rates), current conditions and forward-looking estimates (macroeconomic factors such as the outlook for GDP, unemployment, inflation, interest rates, etc.) that could affect the creditworthiness of its debtors.

The Group derecognizes the balances of trade receivables for the amount of the receivables assigned, provided that the Group has transferred substantially all the risks of insolvency and delay and rights of ownership of the receivables. The Group had no undrawn factoring lines of credit as at December 31, 2021 or 2020.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, demand deposits at banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

#### *Hedging instruments*

The Group performs transactions in which it assumes financial risks arising mainly from changes in interest rates and market prices for electricity sales. To hedge these exposures, the Group enters into swaps. It does not enter into financial instruments for speculative purposes, even though in certain cases they do not meet the qualifying criteria for hedge accounting.

Transactions are only designated as hedges when they effectively eliminate any risk inherent to the hedged item or position throughout the duration of the hedge, which means that the hedging item must be deemed highly effective at the inception of the contract (prospective effectiveness) and there must be sufficient evidence that the hedge has been effective throughout the life of the hedge (retrospective effectiveness).

The Group adequately documents its hedges, including how it intends to achieve and measure effectiveness under its risk management policies.

For measurement purpose, the Group classifies its hedges as "Cash flows hedges". These instruments hedge the exposure to variability in cash flows attributable to changes in the interest rates on loans received and lock in a fixed electricity sale price for certain contracts.

Swaps are entered into to convert floating into fixed interest rates and variable electricity sale prices in certain contracts into fixed prices.

The portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized in equity, net of the related tax effect, under "Valuation adjustments", and reclassified to profit or loss in the period or periods during which the hedged transaction affects profit or loss. Changes arising from remeasurement are recognized in "Other comprehensive income" within consolidated equity.

If hedges of firm commitments or forecast transactions result in the recognition of a non-financial asset or non-financial liability, the cumulative gain or loss recognized in equity related to the derivative

instrument is considered in determining the initial value of the asset or liability giving rise to the hedged item. Conversely, the ineffective portion of changes in the fair value of the derivative financial instrument is recognized immediately in profit or loss.

Derivatives are recognized in "Non-current financial assets - Derivatives" and "Current investments - Derivatives" when fair value is positive and "Non-current loans and borrowings - Derivatives" or "Current loans and borrowings - Derivatives" when fair value is negative.

The fair value of the various derivative financial instruments entered into to hedge changes in interest rates is obtained by the financial institutions that manage them. The fair value of hedges of changes in electricity sale prices is obtained based on the same curves used to obtain the financing of the underlying projects.

#### *Trade and other payables*

Payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The Group derecognizes financial liabilities when the related obligation is extinguished.

#### *Bank borrowings and other financial liabilities*

Borrowings are recognized initially at fair value, net of any transaction costs incurred. They are subsequently measured at amortized cost.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the term of the borrowings using the effective interest rate method.

The Group derecognizes financial liabilities only when the obligations are discharged or canceled or expire.

#### 4.7 Share capital and treasury shares of the Parent

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are recognized in equity as a deduction when they are acquired and no gain or loss is recognized in profit or loss when they are sold or canceled. Income and expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

The subsequent redemption of the Parent's instruments gives rise to a reduction in capital of the nominal amount of the shares and any positive or negative difference between the acquisition price and the nominal amount of the shares is charged or credited to reserves.

Transaction costs related to the entity's own equity instruments are recognized as a deduction from reserves, net of any tax effect.

#### 4.8 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

#### 4.9 Provisions and contingencies

Liabilities for which the amount and settlement date are uncertain are recognized as provisions in the consolidated statement of financial position when the Group has a present obligation (legal, contractual, constructive or tacit) arising from past events, the settlement of which is expected to result in an outflow of resources and the amount of which can be measured reliably.

At the date of authorization for issue of the accompanying consolidated financial statements, the directors make a distinction between:

- *Provisions*: present obligations at the reporting date arising from past events, of uncertain amount or timing, but it is probable that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate of the amount can be made.
- *Contingent liabilities*: possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and that do not meet the requirements for recognition as provisions.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party. Adjustments arising from the discounting of the provision are recognized as a finance expense when accrued. Provisions expiring within one year are not discounted where the financial effect is not material. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of future events not wholly within the Group's control and present obligations arising from past events for which it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made. These liabilities are not recognized, but are disclosed in the accompanying notes, unless the possibility of an outflow of resources is remote.

#### 4.10 Income tax

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognized deferred tax assets and liabilities. The tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the related tax is likewise recognized in equity.

Deferred taxes are recognized for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" in the statement of financial position as appropriate.

The Group recognizes deferred tax liabilities for all temporary differences, except where disallowed under prevailing tax legislation.

The Group recognizes deferred tax assets for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except where disallowed by prevailing tax legislation.

At the end of each reporting period, the Group reassesses recognized and previously unrecognized deferred tax assets. Based on this analysis, the Group then derecognizes previously recorded deferred tax assets when recovery is no longer probable, or recognizes a previously unrecorded deferred tax asset to the extent that it is probable that future taxable profit will enable its application.

Deferred tax assets and liabilities are measured using the tax rates expected to prevail upon their reversal, based on tax legislation approved, and in accordance with the manner in which the assets are reasonably expected to be recovered or paid or the liabilities settled.

Deferred tax assets and deferred tax liabilities are not discounted and are classified as non-current assets or non-current liabilities, regardless of the date they are expected to be realized or settled.

The temporary differences arising as a result of the elimination of the results of intra-tax group transactions are recognized in the company that has generated the result and are measured at the tax rate applicable to it.

The portion of the tax losses reported by certain Group companies that has been offset by the other consolidated Group companies gives rise to the recognition of a reciprocal receivable and payable between the companies that reported the losses and the companies that offset them. If there are any tax losses that cannot be offset by the other companies in the consolidated tax group, the related tax loss carryforwards are recognized as deferred tax assets, considering the tax group to be the taxpayer for their recovery.

The Parent of the Group recognizes the total consolidated income tax payable or recoverable with a charge or credit to tax receivable from or tax payable to Group companies and associates.

Regarding the amendment to income tax on dividends and capital gains included in Law 11/2020, of December 30, on the General State Budget for 2021, published in the Official State Gazette on December 31, 2020, in terms of the exemption provided for income under Article 21 of the Spanish Income Tax Act (LIS) for equity investments of over 5% or a cost of over 20 million euros in Spanish companies or companies resident in a country with a double taxation treaty or minimum nominal tax rate of 10%, which until now were 100% exempt, for tax periods beginning on or after January 1, 2021, this exemption is now limited to 95% of reported income. In practice, this means the effective taxation of 1.25% of the dividend distributed or the capital gain realized. In relation to this matter, the Group

does not recognize a deferred tax liability since it considers that it can control the timing of the reversal of the temporary difference and it is probable that the difference will not reverse in the foreseeable future.

#### 4.11 Revenue recognition

Revenue is recognized when control is transferred. The Group applies the five steps included in the standards. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding indirect taxes or any duties.

Specifically, revenue from energy sales is recognized when the power is supplied to customers, irrespective of when it is billed. At the end of the reporting period, any revenue recognized and not invoiced is classified as a contract asset in accordance with IFRS 15. This revenue is estimated based on information obtained from reading meters and applying the corresponding rates or tariffs.

For regulated sales, the Group does not recognize any favorable or unfavorable adjustments for remuneration on its investment and operation, as it considers that the effects are immaterial to its total revenue. In this respect, this remuneration represents a negligible share of the Group's revenue.

#### 4.12 Current versus non-current classification

Assets and liabilities are classified in the consolidated statement of financial position as current or non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Group's operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; when they differ from the aforementioned assets and are expected to mature, to be sold or settled within one year; and when they are held for trading or are cash and cash equivalents whose use is not restricted to one year. All other assets and liabilities are classified as non-current assets and non-current liabilities.

The normal operating cycle is less than one year for all the activities.

#### 4.13 Environmental assets and liabilities

Expenses relating to work by the company to protect and improve the environment and other expenses incurred to comply with environmental protection legislation are recognized in the period in which they are incurred, unless they correspond to purchases of assets incorporated in equity to be used over an extended period, in which case they are recognized in the corresponding line of "Property, plant and equipment" and depreciated using the same criteria.

#### 4.14 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

## 5. Segment information

As explained in Note 1 to the accompanying consolidated financial statements, the Group obtains revenue mainly from the sale of renewable energy. In this respect, Group executive management monitors the business by projects by classifying them into the following geographical areas:

- *Segment 1: Spain.*
- *Segment 2: Italy.*
- *Segment 3: Latam.*
- *Segment 4: Portugal and Greece.*
- *Segment 5: Corporate.*

The Portugal and Greece segment was added in 2021 due to the growth in business in those countries. As a result, comparative information was re-stated in the following tables.

Segment performance is measured based on profit before tax. Segment profit is used as a performance measure since the Group considers this information to be the most relevant in assessing segment results.

The Group segment income statement is as follows:

(Thousands of euros)	Spain		Italy		Latam		Portugal and Greece		Corporate		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sales to external customers	80,101	38,507	9,440	8,241	2,590	3,809	247	205	2,692	2,504	95,070	53,266
Total ordinary revenue from external customers	80,101	38,507	9,440	8,241	2,590	3,809	247	205	2,692	2,504	95,070	53,266
Amortization and depreciation, and impairments	(15,502)	(10,943)	(3,155)	(2,727)	(996)	(1,032)	(161)	(161)	(569)	(514)	(20,383)	(15,377)
Other segment income and expense	893	(3,792)	(1,591)	(381)	(510)	254	(47)	-	(432)	(898)	(1,687)	(4,817)
Operating profit/(loss)	65,492	23,772	4,694	5,133	1,084	3,031	39	44	1,961	1,092	73,000	33,072
Net finance income/(expense)	(13,495)	(9,976)	(1,772)	(1,887)	(1,101)	(1,043)	(85)	-	(294)	253	(16,747)	(12,653)
Profit/(loss) before tax	51,997	13,796	2,922	3,246	(17)	1,988	(46)	44	1,397	1,345	56,253	20,419

Set out below are segment assets and liabilities:

(Thousands of euros)	Spain		Italy		Latam		Portugal and Greece		Corporate		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment assets	762,941	489,006	51,114	50,853	26,366	27,003	30,170	372	100,559	80,016	971,091	647,250
Non-current assets	676,131	448,757	42,649	46,142	24,258	24,681	18,083	342	22,403	22,750	783,524	542,672
Trade and other receivables	25,760	10,385	6,229	3,561	588	991	-	30	2,139	8,303	34,716	23,270
Cash and cash equivalents	61,050	29,864	2,236	1,150	1,520	1,331	12,087	-	75,958	48,963	152,851	81,308
Unallocated assets	-	-	-	-	-	-	-	-	71,602	68,257	71,661	68,257
Total assets	762,941	489,006	51,114	50,853	26,366	27,003	30,170	372	172,161	148,273	1,042,752	715,507



SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries  
Notes to the consolidated financial statements for the year ended December 31, 2021  
(Thousands of euros)

(Thousands of euros)	Spain		Italy		Latam		Portugal and Greece		Corporate		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Bank borrowings and bonds and debentures	435,146	309,789	37,468	41,572	22,552	20,978	12,100	-	48,923	138	556,189	372,477
Finance lease liabilities (IFRS 16)	109,368	43,068	243	263	666	719	-	-	555	1,686	110,832	45,736
Derivatives	36,915	3,946	777	1,909	-	-	426	-	-	42	38,118	5,897
Trade and other payables	12,569	8,798	1,338	455	81	569	5,968	1,060	69,521	55,898	89,477	66,780
Unallocated liabilities	-	-	-	-	-	-	-	-	781	2,103	781	2,103
<b>Total liabilities</b>	<b>593,998</b>	<b>365,674</b>	<b>39,826</b>	<b>44,179</b>	<b>23,299</b>	<b>23,273</b>	<b>18,494</b>	<b>1,060</b>	<b>119,780</b>	<b>59,867</b>	<b>795,397</b>	<b>494,053</b>

Ordinary revenue from customers representing more than 10% of the Group's total revenue for the years ended December 31, 2021 and 2020 is as follows:

(Thousands of euros)	2021	2020
Comisión Nacional de los Mercados y la Competencia (C.N.M.C.)	18,766	18,594
Gestore Servizi Energetici (G.S.E.)	7,045	7,364
	<b>25,811</b>	<b>25,958</b>

These customers are the market regulators in Spain and Italy, respectively.

## 6. Intangible assets

The movements in items composing "Intangible assets" at December 31 are as follows:

(Thousands of euros)	Balance at January 1	Additions, disposals and allowances	Balance at December 31
2021			
Cost			
Intellectual property	76	-	76
Computer software – under development	101	11	112
	<b>177</b>		<b>188</b>
Accumulated amortization			
Intellectual property	-	-	-
Computer software	-	(20)	(20)
	<b>-</b>		<b>(20)</b>
<b>Carrying amount</b>	<b>177</b>		<b>168</b>

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(Thousands of euros)	Balance at January 1	Additions and allowances	Balance at December 31
2020			
Cost			
Intellectual property	76	-	76
Computer software – under development	90	11	101
	166	11	177
Accumulated amortization			
Intellectual property	-	-	-
Computer software	-	-	-
	-	-	-
Carrying amount	166		177

Additions in 2021 and 2020 amounted to 11 thousand euros in both years and related to development of the new software application acquired in 2019.

There were no firm commitments to purchase or sell any intangible assets at the date of preparation of the accompanying consolidated financial statements.

All intangible assets are used in the Group's operations.

## 7. Property, plant and equipment

The movements in items composing “Property, plant and equipment” at December 31 are as follows:

(Thousands of euros)	Balance at January 1	Additions and depreciation	Transfers	Translation differences/disposals	Balance at December 31
2021					
Cost					
Land and buildings	47,946	1,495	-	(17,144)	32,297
Technical installations and machinery	514,797	337	147,624	(36,230)	626,528
Other property, plant, and equipment	1,585	-	-	(1,585)	-
Property, plant and equipment under construction	102,138	189,586	(147,624)	-	144,100
	666,466	191,418	-	(54,959)	802,925
Accumulated depreciation					
Buildings	(15,919)	(259)	-	6,669	(9,509)
Technical installations and machinery	(119,177)	(17,977)	-	15,496	(121,658)
Other property, plant, and equipment	(1,585)	-	-	1,585	-
	(136,681)	(18,236)	-	23,750	(131,167)
Valuation allowances for impairment losses					
Land and buildings	(10,930)	-	-	10,475	(455)
Technical installations and machinery	(22,428)	-	-	22,428	-
	(33,358)	-	-	32,903	(455)
Carrying amount	496,427				671,303

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries  
Notes to the consolidated financial statements for the year ended December 31, 2021  
(Thousands of euros)

(Thousands of euros)	Balance at January 1	Additions and depreciation	Transfers	Translation differences/disposals	Balance at December 31
2020					
Cost					
Land and buildings	47,946	-	-	-	47,946
Technical installations and machinery	479,867	-	37,210	(2,280)	514,797
Other property, plant, and equipment	1,585	-	-	-	1,585
Property, plant and equipment under construction	11,758	127,590	(37,210)	-	102,138
	541,156	127,590	-	(2,280)	666,466
Accumulated depreciation					
Buildings	(13,998)	(1,921)	-	-	(15,919)
Technical installations and machinery	(107,537)	(11,920)	-	280	(119,177)
Other property, plant, and equipment	(1,585)	-	-	-	(1,585)
	(123,120)	(13,841)	-	280	(136,681)
Valuation allowances for impairment losses					
Land and buildings	(10,930)	-	-	-	(10,930)
Technical installations and machinery	(22,428)	-	-	-	(22,428)
	(33,358)	-	-	-	(33,358)
Carrying amount	384,678				496,427

## 7.1 Movements

Additions in 2021 and 2020 related mainly to investments in new plants under construction. Transfers in 2021 and 2020 related to the start-up of projects on completion of construction and connection.

Translation differences related entirely to the measurement of the plants of subsidiaries Yarnel, S.A. and Natelu, S.A.

## 7.2 Impairment of property, plant, and equipment

In prior years, the Group recognized impairment losses on assets related to its solar panel construction business. The breakdown of impairments at December 31, 2021 and 2020 is as follows:

(Thousands of euros) Asset	Nature	Segment	Impairment	
			12/31/2021	12/31/2020
Land in Dehesa Vaqueros	Rural property	Spain	(455)	(455)
Plant in Puertollano (Ciudad Real)	Industrial warehouse	Spain	-	(14,066)
Plant in Puertollano (Ciudad Real)	Machinery I and II	Spain	-	(18,837)
TOTAL			(455)	(33,358)

- *Rural and agricultural land - Dehesa Vaqueros:* The carrying amount of this asset at December 31, 2021 and 2020 was 1,245 thousand euros based on an appraisal by an independent consultant made in February 2015. The Parent's directors, based on their internal annual market research, have considered that the assumptions underlying the appraisal remain valid. Therefore, they have not considered it necessary to recognize any additional impairments.
- *Puertollano warehouses and industrial machinery:* In 2021, the Group removed these items that had been fully depreciated as at December 31, 2020, from the consolidated balance sheet as the Parent's directors do not expect to obtain future economic benefits from their use or disposal. Therefore, this had no impact on the consolidated income statement for the year ended December 31, 2021 or on the consolidated balance sheet as at that date.

Aside from these specific assets, the Parent's directors have not identified any indications of impairment of the Group's other property, plant and equipment.

### 7.3 Other disclosures

There were no fully depreciated items of property, plant, and equipment at December 31, 2021 (2020: 20,657 thousand euros).

Property, plant and equipment not used in operations at December 31, 2021 amounted to 1,245 thousand euros and included mainly land and buildings (2020: 1,245 thousand euros).

Capitalized interest costs related to these assets at December 31, 2021 amounted to 1,122 thousand euros (2020: 336 thousand euros).

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient. At the date of authorization for issue of the consolidated financial statements there were no commitments to acquire any items of property, plant, and equipment.

At December 31, 2021, the solar plants secured the bank borrowings disclosed in Note 12.

At December 31, 2021 and 2020, all the photovoltaic plants in operation were subject to the fulfillment of obligations (Note 12).

## 8. Leases

The Group's leased assets relate mainly to land on which the photovoltaic parks are built. The contracts have an initial lease term of 26 years plus an option to extend the leases for two 5-year periods each. The leases include fixed lease payments and no variable payments, incentives or purchase options. The Group renegotiated its contracts in 2021.

The movements in items composing "Surface rights" at December 31 are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Balance at December 31
2021			
Cost			
Rights to use land	49,478	68,772	118,250
	49,478	68,772	118,250
Accumulated depreciation			
Rights to use land	(4,071)	(2,126)	(6,197)
	(4,071)	(2,126)	(6,197)
Carrying amount	45,407		112,053

(Thousands of euros)	Balance at January 1	Additions and allowances	Balance at December 31
2020			
Cost			
Rights to use land	26,624	22,854	49,478
	26,624	22,854	49,478
Accumulated depreciation			
Rights to use land	(2,535)	(1,536)	(4,071)
	(2,535)	(1,536)	(4,071)
Carrying amount	24,089		45,407

## 8.1 Movements

Additions in 2021 related to new contracts entered into during the year. Additions in 2020 related to new contracts and to the effects of re-estimating the lease period to include in the calculation two 5-year extensions (Note 4.5).

## 8.2 Other disclosures

Finance costs recognized for leases under IFRS 16 in 2021 amounted to 1,422 thousand euros (2020: 779 thousand euros).

There are no subleases to third parties outside the Group and no sale and leaseback transactions.

The Group applied an average discount rate of 1.5% for leases entered into in 2020 and 2021 and of 2.6% for contracts signed before 2020.

No indications of impairment of assets were identified as at December 31, 2021 and 2020 considering the profitability of the related photovoltaic (PV) plants.

## 9 Financial assets

All the Group's financial assets are assets at amortized cost. The fair value of these these assets does not differ significantly from their carrying amounts.

### 9.1 Trade receivables

#### *Contract assets*

Trade receivables include contract assets for revenue recognized for energy consumption not billed as at the reporting date. At December 31, 2021, these assets amounted to 14,084 thousand euros (2020: 14,107 thousand euros).

### Valuation allowances

The balance of "Trade receivables" is presented net of valuation allowances for impairment. Movements in these allowances in 2021 and 2020 were as follow:

(Thousands of euros)	2021	2020
Balance at January 1	-	(6,091)
Arising in the year	-	-
Distribution	-	6,091
Balance at December 31	-	-

In 2020, the Group recognized impairment on the total amount shown for balances of trade receivables, with no impact on the consolidated income statement. These balances related to old amounts from the solar panel construction business, which was discontinued. At December 31, 2021 and 2020, the Group did not recognize any impairment allowance for expected loss based on its customers' high creditworthiness.

### 9.2 Non-current financial assets

The breakdown of this heading at December 31 is as follows:

(Thousands of euros)	2021	2020
Other financial assets	1,478	661
Investments	449	-
Long-term guarantees given	453	182
Long-term deposits	576	479
Non-current financial assets	1,478	661

The amount recognized in "Other financial assets" consists of long-term guarantees and deposits made by the Group. Solaria Casiopea, S.A.U., a Group subsidiary, has a long-term deposit of 337 thousand euros related to land on which its solar plant is located. Subsidiaries Natelu and Yarnel have a guarantee amounting to 151 thousand euros each deposited as performance bonds related to contracts with UTE.

### 9.3 Cash and cash equivalents

The breakdown of this heading at December 31 is as follows:

(Thousands of euros)	2021	2020
Cash	10	8
Demand deposits in current accounts	152,841	81,300
	152,851	81,308

Current accounts earn market interest rates.

There are restrictions on the availability of the amount of current accounts for certain energy generation subsidiaries financed using project finance and project bonds. The companies' Debt Service Reserve Account (DSRA) at December 31, 2021, which guarantees servicing of bank borrowings, amounted to 11,688 thousand euros (2020: 16,357 thousand euros). The remaining balance of current accounts is freely distributable, once the contractual obligations for distribution with the Group's

lender banks/bondholders have been met (Note 12).

## 10 Equity

### 10.1 Registered capital

The Parent's registered capital at December 31, 2021 and 2020 recognized under "Equity" amounted to 1,250 thousand euros and consisted of 124,950,876 bearer shares of 0.01 euros par value each.

Shareholders and ownership interests at December 31 were as follows:

(Thousands of euros)	2021	2020
DTL Corporación, S.L.	39.96%	39.96%
Other shareholders	60.04%	60.04%
	100.00%	100.00%

The shares comprising the Parent's share capital are admitted for trading on Spain's four official stock exchanges and are quoted on the Spanish electronic trading platform (continuous market). They were included in the IBEX 35 in October 2020. There are no restrictions on the free transferability of the shares. The share price at year-end 2021 was 17.12 euros (2020: 23.64 euros).

The Group's objective is to have enough capital so it can raise the necessary financing from external sources for its expansion without jeopardizing its solvency, while maximizing the returns shareholder can obtain on capital invested.

Financial leverage ratios at December 31, 2021 and 2020 were as follows:

(Thousands of euros)	2021	2020
Bank borrowings, bonds and lease liabilities	667,021	419,212
Less: Cash and cash equivalents (Note 9.2)	(152,851)	(81,308)
Net debt	514,170	337,904
Total equity	247,355	222,514
Debt-to-equity ratio	208%	152%

### 10.2 Share premium

The share premium is unrestricted provided that its distribution does not reduce shareholders' equity to below share capital. There were no movements in the share premium in 2021 or 2020.

### 10.3 Reserves

The Group's reserves are unrestricted except for the non-distributable portion of the companies' mandatory legal reserves. There are no non-controlling interests.

#### 10.4 Valuation adjustments

The movement in this heading in 2021 and 2020 was as follows:

(Thousands of euros)	Balance at January 1	Additions and losses (net of taxes)	Transfers to profit or loss (net of taxes)	Balance at December 31
2021				
Cash flow hedges	(9,479)	(24,544)	1,378	(32,645)
Translation differences	(368)	(28)	-	(396)
	(9,847)	(24,572)	1,378	(33,041)
2020				
Cash flow hedges	(8,228)	(891)	(360)	(9,479)
Translation differences	(461)	93	-	(368)
	(8,689)	(798)	(360)	(9,847)

Following the issue of the project bonds and project finance explained in Note 12.1, the Group restructured its bank borrowings to obtain finance through a fixed-rate issue. As a result, the previous bank borrowings became an issue of senior secured notes with new capital providers. At the date of the restructuring, the Group included in equity the cumulative change in the value of the swaps (for the effective portion) since the inception of the hedges. These hedges can be considered a dynamic hedge that adapts to changes in the hedged item. Based on the initial documentation of the hedging relationship and in accordance with IFRS 9, the amount deferred in equity of this second hedge (of the new loan's IRR) at the date of issuance of the new fixed-rate loan, which is the same as the date of the swap cancellation, is deducted from equity, not when the hedge debt is issued, but throughout the period its interest is recognized. At December 31, 2021, the amount retained in equity, net of the related tax effect, in this connection was 4,054 thousand euros (2020: 5,432 thousand euros). The remainder relates to the derivative instruments disclosed in Note 12.

## 11 Provisions and contingencies

There were no provisions at December 31, 2021 and 2020. Movements in 2020 are as follows:

(Thousands of euros)	Balance at January 1	Arising during the year	Utilized	Balance at December 31
2020				
Provision for litigation, liabilities and charges	415	598	(1,013)	-
Other provisions	22	-	(22)	-
	437	598	(1,035)	-

The Parent's directors and legal advisors consider that there are no relevant lawsuits, litigation or civil, criminal or administrative proceedings requiring the recognition of provisions or disclosure in the accompanying consolidated financial statements.



## 12 FINANCIAL LIABILITIES

Except for the derivatives explained in Note 12.3, all the Group's other financial liabilities are liabilities at amortized cost. The fair value of these liabilities approximates their carrying amount.

### 12.1 Bank borrowings, bonds, and other marketable securities

The breakdown of these financial liabilities at December 31, 2021 and 2020 is as follows:

(Thousands of euros)	Current	Non-current	Total
2021:			
Bank borrowings	24,434	364,758	389,192
Debt arrangement expenses	(805)	(8,800)	(9,605)
	23,629	355,958	379,587
Bonds and other marketable securities	54,451	123,635	178,086
Accrued bond interest payable	144	-	144
Bond arrangement expenses	(93)	(1,535)	(1,628)
	54,502	122,100	176,602
	78,131	478,058	556,189

(Thousands of euros)	Current	Non-current	Total
2020:			
Bank borrowings	9,428	249,186	258,614
Debt arrangement expenses	(250)	(7,646)	(7,896)
Accrued interest payable	225	-	225
	9,403	241,540	250,943
Bonds and other marketable securities	5,747	117,438	123,185
Accrued bond interest payable	137	-	137
Bond arrangement expenses	(103)	(1,685)	(1,788)
	5,781	115,753	121,534
	15,184	357,293	373,477

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The Group's outstanding debentures and bonds and loans at December 31, 2021 and 2020 are as follows:

Type of contract	Company	Original lender	Date of original agreement	Final maturity	Original amount of the loan (euros)	Amount at 12/31/2021	Amount at 12/31/2020	Non-current at 12/31/2021	Current at 12/31/2021
Bonds and debentures	Solaria Casiopea	Bondholders	12/22/2017	09/30/2040	9,200	7,775	8,153	7,412	363
Bonds and debentures	Globasol Villanueva 1.	Bondholders	05/18/2016	01/31/2037	45,300	35,846	37,557	34,066	1,780
Bonds and debentures	Planta Solar Puertollano 6	Bondholders	02/27/2017	12/31/2037	45,100	36,179	37,953	34,346	1,833
Bonds and debentures	Magacela Solar	Bondholders	07/21/2017	06/30/2037	47,100	37,635	39,522	35,711	1,924
Bonds and debentures	Prodigy	Bondholders	08/09/2021	12/31/2032	21,800	12,100	-	12,100	-
Loan	Solaria Energía y Medio Ambiente	La Caixa	01/02/2013	12/02/2024	519	77	105	24	53
Promissory notes	Solaria Energía y Medio Ambiente	Promissory notes	05/19/2020	08/25/2022	48,551	48,551	-	-	48,551
Loan	Natelu	MetLife Investment Management, LLC	12/11/2020	11/15/2040	11,283	11,865	11,283	11,439	426
Loan	Yarnel	MetLife Investment Management, LLC	12/11/2020	11/15/2040	11,699	12,304	11,699	11,861	443
Loan	Solaria Lyra	Banco Santander, S.A.	02/14/2019	04/30/2030	52,172	38,633	42,622	34,607	4,026
Loan	CFV Triangulum Australe	Natixis Sucursal, S.A.	07/18/2019	06/30/2034	132,570	122,621	120,807	117,498	5,123
Loan	Via Lactea	Banco Sabadell	11/12/2019	06/30/2027	57,000	53,849	55,859	50,648	3,201
Loan	Andromeda	BayerrLB	01/01/2020	04/01/2035	51,500	48,000	16,239	44,319	3,681
Loan	Corona Borealis	Natixis Sucursal, S.A.	03/25/2021	06/30/2030	115,489	92,914	-	85,433	7,481
Loan	Kraken	La Banque Postale S.A.	12/31/2021	06/30/2032	87,940	8,929	-	8,929	-
Debt arrangement expenses						(11,233)	(9,684)	(10,335)	(898)
Accrued interest						144	362	-	144
<b>Total</b>						<b>556,189</b>	<b>372,477</b>	<b>478,058</b>	<b>78,131</b>

The breakdown by maturity of the Group's financial liabilities at December 31, 2021 and 2020 is as follows:

(Thousands of euros)	2021	2020
2021	-	15,175
2022	78,886	22,840
2023	35,264	23,577
2024	36,308	24,256
2025	35,493	25,226
2026 and beyond	381,327	270,725
<b>Total</b>	<b>567,278</b>	<b>381,799</b>

In the years ended 31 December 2021 and 2020, the Group did breach any covenants of its project bonds or project finance loans triggering early repayment. They are guaranteed by the plant they finance (Note 7). Details of these financings are as follows:

Solaria Casiopea, S.A.U.:

On December 21, 2017, Solaria Casiopea issued a 22.8-year project bond for a nominal amount of 9,200 thousand euros, disbursed on December 22, 2017. The bond accrues interest of 4.15%, with monthly payments. As a result of this issue, the Group canceled its outstanding bank borrowings and part of its subordinated debt with related parties.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DSCR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio Compliance Certificate for the Relevant Distribution Period has been submitted;
- That the Debt Service Coverage Ratio is at least 1.20x;

- That the minimum balances of the Debt Service Reserve Account, the Main Account, and the Capex Account are allocated;
- That there are no outstanding amounts payable related to any early repayments;
- That there has not occurred, or likely to occur, a circumstance triggering early repayment.
- That the merger has been completed.

Solaria Casiopea, S.A. complied with the debt service coverage ratios at December 31, 2021 and 2020.

Globasol Villanueva 1, S.A.U.:

On May 20, 2016, Globasol Villanueva 1, S.A.U. issued a 20.7-year project bond for a nominal amount of 45,300 thousand euros, disbursed at an amount net of arrangement costs of 43,438 thousand euros on May 25, 2016. The bond accrues interest of 4.20%, with monthly payments. As a result of this issue, the Group canceled its outstanding bank loan at that date, the related derivative contracts, and part of its subordinated debt with related parties.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DSCR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding Relevant Distribution Period, are subject to compliance with the following terms and conditions:

- That the ratio Compliance Certificate for the Relevant Distribution Period has been submitted;
- That the Debt Service Coverage Ratio, backed by the ratio Compliance Certificate for the relevant distribution period against which payment is made, is at least 1.20x;
- That the Debt Service Reserve Account and the Capex Account are fully allocated;
- That there are no outstanding amounts payable related to any early repayments;
- That there has not occurred, or likely to occur, a circumstance triggering early repayment.

Globasol Villanueva 1, S.A. complied with the debt service coverage ratios at December 31, 2021 and 2020.

Planta Solar Puertollano 6, S.A.

On February 28, 2017, Planta Solar Puertollano 6, S.A. issued a 20-year project bond for a nominal amount of 45,100 thousand euros. The bond accrues interest of 3.75%, with monthly payments. As a result of this issue, the Group canceled its outstanding bank loan at that date, the related derivative contracts, and part of its subordinated debt with related parties.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio of 1.20x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding Relevant Distribution Period, are subject to compliance with the following terms and conditions:

- That the ratio Compliance Certificate for the relevant distribution period has been submitted and reviewed by an auditor;
- That the Debt Service Coverage Ratio, backed by the ratio compliance certificate for the relevant distribution period against which payment is made, is at least 1.20x;
- That the Debt Service Reserve Account and the Capex Account are fully allocated;
- That there are no outstanding amounts payable related to any early repayments; and
- That there has not occurred, or likely to occur, a circumstance triggering early repayment.

Planta Solar Puertollano 6, S.A. complied with the debt service coverage ratios at December 31, 2021 and 2020.

#### Magacela Solar 1, S.A.

On July 24, 2017, Magacela Solar 1, S.A. issued a 20-year project bond for a nominal amount of 47,100 thousand euros, disbursed on July 24, 2017. The bond accrues interest of 3.679%, with monthly payments. As a result of this issue, the Group canceled its outstanding bank loan at that date, the related derivative contracts, and part of its subordinated debt with related parties.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DSCR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio Compliance Certificate for the Relevant Distribution Period has been submitted;
- That the Debt Service Coverage Ratio (DSCR), backed by the ratio compliance certificate for the relevant distribution period against which payment is made, is at least 1.20x, and that the bond life coverage ratio is at least 1.25x;
- That the minimum balances for the Debt Service Reserve Account, the Operating Account, and the Capex Account are allocated;
- That there are no outstanding amounts payable related to any early repayments;
- That there has not occurred, or likely to occur, a circumstance triggering early repayment.

Magacela Solar 1, S.A. complied with the debt service coverage ratios at December 31, 2021 and 2020.

Natelu, S.A. and Yarnel, S.A.:

On September 12, 2017, the Group completed two financing transactions with Corporación Interamericana de Inversiones (CII), a member of the Inter-American Development Group (IDB), to build, operate, and maintain two PV solar energy plants in Uruguay (Natelu and Yarnel).

The total amount of this financing transaction was 25 million US dollars. The Natelu solar plant was granted a senior CII loan for 6.1 million dollars and a joint loan for 6.1 million dollars from the Canadian Climate Fund for the Americas (C2F), a 250 million US dollar fund that co-finances private sector climate projects in Latin America. The Yarnel plant received 6.4 million US dollars of capital from CII and 6.4 million US dollars from C2F. The financing package has a term of 18 years.

On November 16, 2020, Yarnel, S.A. and Natelu, S.A. entered into a debt agreement with MetLife Investment Management, LLC. This enabled the two companies to refinance their entire debt and cancel their outstanding debt at that date. Natelu's principal amount stands at 13 million US dollars and Yarnel's principal amount at 14 million US dollars. The refinancing package has a term of 20 years.

Solaria Lyra, S.r.l.:

On February 14, 2019, the Group refinanced its project portfolio in Italy with the project finance arranged with Banco Santander for 52,172 thousand euros, with a term of 11.2 years. The financing accrues interest at the 3-month Euribor rate + 2.50%, with quarterly repayments, including an interest rate swap. As a result of this issue, the Group canceled its outstanding bank loans at that date, the related derivative contracts, and part of its subordinated debt with related parties.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DSCR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio Compliance Certificate for the Relevant Distribution Period has been submitted;
- That the Debt Service Coverage Ratio and Projected DSCR, backed by the ratio compliance certification for the relevant distribution period against which payment is made, is at least 1.20x;
- That there are no outstanding balances payable related to financing of the Debt Service Reserve Account.
- That the Maintenance Account is allocated for the required amount.
- That no events have occurred triggering early redemption.

Solaria Lyra, S.r.l. complied with the debt service coverage ratios at December 31, 2021 and 2020.

CFV Triangulum Australe, S.L.

On July 18, 2109, CFV Triangulum Australe, S.L. financed the promotion, construction, and development of eight projects in Spain through a 15-year project finance arrangement with Natixis S.A. for 132,570 thousand euros. The financing accrues interest at a market rate, with half-yearly payments, including an interest rate swap.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DSCR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio Compliance Certificate for the Relevant Distribution Period has been submitted;
- That the Historical Debt Service Coverage Ratio and the Projected Debt Service Coverage Ratio, backed by the ratio compliance certificate for the relevant distribution period against which payment is made, is at least 1.10x;
- That the debt-to-equity ratio is no greater than 75%;
- That the Maintenance Account and the Debt Service Reserve Account are allocated for the required amount;
- That no events have occurred triggering early redemption.

CFV Triangulum Australe, S.L. complied with the debt service coverage ratios at December 31, 2021 and 2020.

Vía Láctea Fotovoltaica, S.L.

On November 12, 2019, Vía Láctea Fotovoltaica, S.L. financed the promotion, construction, and development of four projects in Spain through a 16-year project finance arranged with Banco de Sabadell for 57,000 thousand euros. The financing accrues interest at a market rate, with half-yearly payments, including an interest rate swap.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DSCR) of 1.05x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That the ratio Compliance Certificate for the Relevant Distribution Period has been submitted;
- That the Historical Debt Service Coverage Ratio and the Projected Debt Service Coverage Ratio, backed by the ratio compliance certificate for the relevant distribution period against which payment is made, is at least 1.20x;

- That no events have occurred triggering early redemption.

Vía Lactea Fotovoltaica, S.L. complied with the debt service coverage ratios at December 31, 2021 and 2020.

#### Andrómeda Fotovoltaica, S.L.

On January 1, 2020, Andrómeda Fotovoltaica, S.L. financed the promotion, construction, and development of three projects in Spain through a 15-year project finance arranged with BayernLB for 132,570 thousand euros.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DSCR) of 1.05x.

Andrómeda Fotovoltaica, S.L. complied with the debt service coverage ratios at December 31, 2021.

#### Corona Borealis Fotovoltaica, S.L.U.

On March 25, 2021, Corona Borealis Fotovoltaica, S.L.U. financed the promotion, construction, and development of seven projects in Spain through a 9-year project finance arrangement with Natixis S.A. for 115,489 thousand euros.

The issue contract stipulates early repayment in the event of failure to comply with a minimum Debt Service Coverage Ratio (DSCR) of 1.10x.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding relevant distribution period, is subject to compliance with the following terms and conditions:

- That at least the first payment of principal has been made;
- That there is no default or default events at the time, or as a result, of the proposed distribution;
- That the Compliance Certificate relative to the test date immediately preceding the proposed distribution indicates that the DSCR is equal to or greater than 1.10x and the projected DSCR is greater than 1.10x;
- That there are amounts outstanding under the DSR financing agreement.

Corona Borealis Fotovoltaica, S.L.U. had no obligation to comply with the debt service coverage ratios at December 31, 2021.

Prodigy Orbit, LDA.

On August 9, 2021, Prodigy Orbit LDA financed the research, design, implementation, development and maintenance of four plants in Portugal through a project finance arranged with La Banque Postale, S.A. for 21,800 thousand euros maturing December 31, 2032.

Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding Relevant Distribution Period, are subject to compliance with the following terms and conditions:

- The Borrower undertakes to maintain an average DSCR equal to or greater than 1.05x throughout the term of the Agreement;
- Distributions permitted include any distributions made within 30 days of each calculation date via transfer to the distributions account) provided that all of the following conditions are met:
  - (i) that first payment of the Scheduled Repayment of Senior Bonds and VAT bonds has been made;
  - (ii) that all solar plants have reached their end date;
  - (iii) that the average DSCR of the preceding calculation is at least 1.10x;
  - (iv) that no amounts under the DSRF are outstanding;
  - (v) that the maintenance reserve account is fully funded with the required maintenance amount;
  - (vi) that the distribution did not trigger and has yet to trigger any potential default event or default event;
  - (vii) that no capital transfers have been carried out in the last 12 months in accordance with Clause 28;
  - (viii) that the financial statements for the most recent calculation period have been delivered, together with the required financing information; and
  - (ix) that the Compliance Certificate has been delivered to the agent.

Prodigy Orbit, LDA had no obligation to comply with the debt service coverage ratios at December 31, 2021.

Kraken Solar, S.L.U.

On December 30, 2021, Kraken Solar, S.L.U. financed the promotion, construction, and development of three projects through a Credit Facility Agreement with Banco de Sabadell for 87,940 thousand euros. The interest accrued on the facility is the sum of two applicable interest rates: the margin earmarked for each period and the EURIBOR rate applicable for the related interest period. Interest is settled on a half-yearly basis.



Distributions out of the Restricted Account up to the limit of the balance, with a charge to the corresponding Relevant Distribution Period, are subject to compliance with the following terms and conditions:

- That at least the first payment on principal has been made;
- That the proposed distribution has not triggered or may not trigger any predetermined default value;
- That the Compliance Certificate for the period immediately preceding the proposed distribution indicates that:
  - (i) The DCSR is equal to or greater than 1.10x; and
  - (ii) The projected DCSR is greater than 1.10x.
- That there are no outstanding amounts under the framework of the DSR mechanism.

Kraken Solar, S.L.U. had no obligation to comply with the debt service coverage ratios at December 31, 2021.

#### Bonds and other marketable securities

On March 18, 2021, the Parent issued 12- and 18-month promissory notes on Spain's alternative fixed-income market (Mercado Alternativo de Renta Fija or "MARF") for a nominal amount of 48,800 thousand euros targeting institutional investors. The notes accrue fixed interest at market rates.

#### 12.2 Lease liabilities

The Group's main leases in force at December 31, 2021 and 2020 are disclosed in Note 8.

The breakdown by maturity of the Group's total lease liabilities at December 31, 2021 and 2020 is as follows:

(Thousands of euros)	2021	2020
Within one year	4,681	1,338
After one year but not more than five years	22,234	9,175
More than five years	83,917	35,223
Present value of lease liabilities	110,832	45,736

#### 12.3 Derivatives

As explained in Note 10.4 above, the Group is exposed to financial risks, mainly interest rate and electricity sale price risk, relating to its business operations. In line with its risk management policy, the Group has entered into several financial derivatives to reduce the impact of these risks.

The fair values of these financial instruments are reflected in financial liabilities at December 31, 2021 and 2020 as follows:

(Thousands of euros)	2021	2020
Non-current loans and borrowings - Derivatives	37,543	4,855
Current loans and borrowings - Derivatives	575	1,042
	38,118	5,897

The breakdown of these interest rate hedging transactions is as follows:

(Thousands of euros)	Notional amount		Fair value	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Interest rate swap – Solaria Lyra, SRL	38,630	42,490	777	1,909
Interest rate swap – CFV Triangulum Australe, S.L.	82,730	88,681	606	3,284
Interest rate swap - Via Láctea Fotovoltaica, S.L.	11,320	11,980	16	704
Interest rate swap – Prodigy Orbit, LDA.	18,561	-	426	-
	151,241	143,151	1,825	5,897

The fair value of the electricity sale price swap at December 31, 2021 was 36,293 thousand euros.

To hedge exposure of existing loans to changes in interest rates, the following companies entered into interest rate hedges, the main characteristics of which are as follows:

	Solaria Lyra, S.r.l	CFV Triangulum Australe, S.L.	Via Láctea Fotovoltaica, S.L.	Prodigy Orbit, LDA.
Initial notional amount (thousands of euros)	49,460	88,167	11,980	18,561
Expiry	04/30/2030	06/30/2034	06/30/2027	06/30/2032
Interest rate payable	0.45%	0.71%	0.49%	0.168%
Settlement of the notional amount of the derivative	Quarterly	Half-yearly	Half-yearly	Half-yearly

### Financial PPAs

To hedge against changes in electricity prices, Adhara Solar, S.L. and Hydra Solar Fotovoltaica, S.L. have entered into price hedges (financial PPAs).

The years in which the swaps are expected to produce cash flows are as follows:

	2021	2020
2021	-	930
2022	288	1,021
2023	316	1,121
Subsequent years	37,514	2,825
	38,118	5,897

#### 12.4 Changes in liabilities arising from financing activities

	January 1, 2021	Cash flows	New contracts	Changes in fair value	December 31, 2021
Loans and borrowings	252,080	127,507	-	-	379,587
Bonds and debentures	121,396	55,206	-	-	176,602
Finance lease (IFRS 16)	45,736	(3,787)	68,883	-	110,832
Derivatives	5,897	-	36,293	(4,072)	38,118
Total liabilities arising from financing activities	425,109	181,362	101,389	(4,072)	705,139

	January 1, 2020	Cash flows	New contracts	Changes in fair value	12/31/2020
Loans and borrowings	185,243	66,837	-	-	252,080
Bonds and debentures	138,654	(17,258)	-	-	121,396
Finance lease (IFRS 16)	24,027	(1,884)	23,593	-	45,736
Derivatives	3,109	(360)	-	3,148	5,897
Total liabilities arising from financing activities	351,033	47,335	23,593	3,148	425,109

### 13. Tax matters

The breakdown of balances related to tax assets and tax liabilities at December 31, 2021 and 2020 is as follows:

(Thousands of euros)	2021	2020
Deferred tax assets	69,466	67,224
Other receivables from public authorities	-	4,626
<i>Value added tax</i>	-	4,626
	69,466	71,850
Current tax liabilities	2,577	2,385
Other payables to public authorities	464	1,770
<i>Personal income tax withholdings</i>	346	228
<i>Social Security payable</i>	118	156
<i>Tax on electricity</i>	-	1,386
	3,041	4,155

Since 2010, the Parent has filed consolidated tax returns as head of the tax group. Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the four-year inspection period from the filing of tax returns for Spanish companies has expired. Subsidiaries outside Spain are also open to inspection for all financial years in accordance with their local tax laws. The Parent's directors consider that, in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Parent's or subsidiaries' transactions.

### 13.1 Calculation of income tax expense

Reconciliation of profit before tax and income tax expense/(income):

Thousands of euros	Income statement	
	2021	2020
Current tax	(4,412)	(5,066)
Deferred tax	(5,301)	13,998
Adjustment in respect of prior years	1,495	1,063
Income tax - (expense)/ income	(8,218)	9,995

Thousands of euros	Income statement	
	2021	2020
Spain Tax Group	(8,497)	(4,317)
Recognition of deferred tax assets	-	13,998
Foreign subsidiaries	(841)	(543)
Adjustment in respect of prior years	1,495	1,063
Other	(375)	(206)
Income tax - (expense)/ income	(8,218)	9,995

### 13.2 Deferred tax assets and liabilities

The movements in items composing "Deferred tax assets" and "Deferred tax liabilities" are as follows:

(Thousands of euros)	Balance at January 1	Changes reflected in		Balance at December 31
		Income statement	Equity	
2021				
Deferred tax assets				
Tax losses	36,343	(2,451)	-	33,892
Unused tax credits	6,651	(186)	-	6,465
Hedging transactions	3,313	-	7,543	10,856
Other temporary differences that will reverse	20,917	(2,664)	-	18,253
	67,224	(5,301)	7,543	69,466

(Thousands of euros)	Balance at January 1	Changes reflected in		Balance at December 31
		Income statement	Equity	
2020				
Deferred tax assets				
Tax losses	38,669	(2,326)	-	36,343
Unused tax credits	1,707	4,944	-	6,651
Hedging transactions	2,896	-	417	3,313
Other temporary differences that will reverse	9,537	11,380	-	20,917
	52,809	13,998	417	67,224

### Unused tax losses

The breakdown of the Group's tax losses is as follows:

Year arising	Thousands of euros	
	2021	2020 (*)
2008	6,671	6,671
2009	4,276	4,276
2011	41,905	54,269
2012	23,457	23,485
2013	56,964	56,964
2014	2,270	2,270
	135,543	147,935

(\*) The amounts shown for 2020 differ from those in the 2020 financial statements, which totaled 141,390 thousand euros, to reflect the actual amount applied in the corporate income tax return for 2020. The impact was included as part of the amount of "Adjustment in respect of prior years" for 2021.

At December 31, 2021 and 2020, the Group recognized deferred tax assets for all unused tax losses.

### Unused tax credits

At 31 December 2021, the Group had unused tax credits amounting to 6,465 thousand euros, the entire amount of which was recognized as deferred tax assets (2020: 6,651 thousand euros).

### Temporary differences

Deferred tax assets related to temporary differences that will reverse are as follows:

Item	Thousands of euros	
	2021	2020
Limit on tax deductibility of financial expenses	5,068	7,241
Limit on tax deductibility of depreciation charges	1,907	2,543
Hedging transactions	10,856	3,313
Other temporary differences	11,278	11,133
	29,109	24,230

### Assessment of the recoverability of deferred tax assets

The Parent's directors estimated the Group's future taxable profits. They also analyzed the timing of the reversal of taxable temporary differences, identifying those expected to reverse in periods in which the unused tax losses can be utilized. Based on this analysis and the Group's business plan presented to the market in September 2020 and updated in February 2021, which envisages significant growth in the Group's earnings in the coming years, the Group recognized deferred tax assets for all the items shown above, recognizing a total amount at December 31, 2021 of 69,466 thousand euros (2020: 67,224 thousand euros). In 2021, the Group recognized unused tax losses as envisaged in the business plan.

## 14. Revenue and expenses

The nature of the main changes in revenue and expense items for the current year compared to the previous year is described in the consolidated management report.

### 14.1 Revenue and other income

The breakdown of revenue is provided in the segment reporting (Note 5). The increase was driven by the commissioning of new photovoltaic plants.

### 14.2 Personnel expenses

The breakdown of "Personnel expenses" is as follows:

(Thousands of euros)	2021	2020
Salaries, wages and similar		
Salaries and wages	8,783	6,834
	8,783	6,834
Employee benefits expense		
Social Security	1,718	1,089
	1,718	1,089
	10,501	7,923

### 14.3 Other operating expenses

The breakdown of other operating expenses is as follows:

(Thousands of euros)	2021	2020
Repairs and maintenance	508	751
Independent professional services	909	1,081
Insurance premiums	896	1,193
Banking services	165	161
Utilities	386	339
Other services	1,119	1,150
Taxes other than income tax	2,657	2,845
	6,640	7,520

## 15. Related party transactions

The only related party with which the Group carried out transactions in 2021 and 2020 was the Parent of the DTL Corporación, S.L. group, from which the Parent has leased the offices where it carries out business and which are owned by DTL Corporación, S.L. In 2020, the Group leased another floor in the same building. Rental payments in 2021 amounted to 550 thousand euros (2020: 515 thousand euros). The lease is accounted for in accordance with IFRS 16 (Note 8).

## 15.1 Directors and senior management

The breakdown of remuneration accrued by members of the Parent's Board of Directors and senior management is as follows:

(Thousands of euros)	2021	2020
Directors	450	488
Senior management	1,777	1,471
	2,227	1,959

The Group did not pay any civil liability insurance premiums on behalf of its directors for damages caused in 2021 or 2020.

At December 31, 2021 and 2020, the Group had no pension or life insurance commitments with former or current members of the Board of Directors.

No advances or loans had been granted to senior executives or members of the Board of Directors at December 31, 2021 and 2020, nor had any guarantees been given on their behalf.

In accordance with Article 229 of the Spanish Corporate Enterprises Act, the directors have stated that there are no situations that may involve a conflict of interest with the Group.

## 16 Earnings per share

The following table reflects the income and share data used in the basic and diluted earnings per share calculations:

(Thousands of euros)	2021	2020
Profit attributable to ordinary equity holders of the Parent:		
Continuing operations	48,035	30,414
Weighted average number of ordinary shares outstanding	124,951	124,951
Basic and diluted earnings per share (€)	0.38	0.24

## 17 Other disclosures

### 17.1 Headcount

	Total number of employees at year-end			Average number of employees in the year	Average number of employees with a disability of a severity of >33% as a percentage of the total
	Men	Women	Total		
2021					
Executives	8	-	8	8	-
Middle managers	14	7	21	19	-
Technical personnel	95	21	116	101	1
	117	28	145	128	1
2020					
Executives	8	-	8	8	-
Middle managers	10	5	15	12	-
Technical personnel	62	19	81	75	2
	80	24	104	95	2

### 17.2 Audit fees

Audit fees accrued during the year for services rendered by the statutory auditor were as follows:

(Thousands of euros)	2021	2020
Audit services	264	245
Other audit-related services	16	20
Other services	86	35
	366	300

### 17.3 Environmental disclosures

The Group takes into consideration prevailing environmental protection laws in all its business operations and considers that it substantially complies with these laws and has procedures in place to encourage and guarantee compliance.

In 2021 and 2020, the Group did not make any environmental investments or incur costs to protect and improvement the environment, nor did it consider it necessary to record any provision for environmental liabilities or charges as it had no contingent liabilities relating to the protection or improvement of the environmental or liabilities of an environmental nature.

As a result, the Parent's directors consider that no significant contingencies exist with respect to environmental protection or improvement. Therefore, they did not consider it necessary to recognize any provision for environmental liabilities and charges at December 31, 2021 or 2020.



#### 17.4 Surety bonds and bank guarantees

At December 31, 2021, the Group had contingent liabilities for surety bonds, bank guarantees and other guarantees related to the development of new plants amounting to 427,820 thousand euros (2020: 399,269 thousand euros). The Group does not expect any liabilities or contingencies to arise from these guarantees.

#### 17.5 Information on average payment period to suppliers. Additional Provision Three. "Disclosure requirements" under Law 15/2010, of July 6

In accordance with the single additional provision the Resolution of January 29, 2016 of the Spanish Institute of Accounting and Accounts Auditing (ICAC) regarding disclosures in the notes to financial statements in relation to the average supplier payment period in commercial transactions,

Disclosures regarding the average supplier payment period:

	2021	2020
<i>(Days)</i>		
Average supplier payment period	45	43
Ratio of transactions paid	55	52
Ratio of transactions outstanding	59	62
<i>(Thousands of euros)</i>		
Total payments made	195,259	142,761
Total payments outstanding	86,429	60,758

## 18. Nature and extent of risks arising from financial instruments

### Financial risk factors

The Group is exposed to various financial risks relating to its business operations: market risk (including foreign currency price, price risk, and interest rate risk), credit risk, and liquidity risk. The overall risk management program focuses on mitigating unpredictable financial market risks and minimizing their potential adverse effects on the profitability of the Group, which uses derivatives to hedge foreign currency risk and interest rate risk.

Risk management is overseen by the Parent's Finance Department. This department identifies, measures, and hedges financial risks in collaboration with the Group's operating units.

#### 18.1 Credit risk

The Group does not have significant credit risk concentration. Policies are in place to ensure that sales are made to customers with a good credit history. For PV plants installed before 2019, the main customers are CNMC and GSE (Note 5). For newly installed plants, PPAs are entered into with highly solvent end customers. Transactions with derivative financial instruments and cash transactions are only arranged with financial institutions with high credit ratings. Policies are in place to limit the amount of risk with any individual financial institution. Where customers do not have an independent credit rating, the Finance Department assesses their creditworthiness based on financial position, past experience and other factors. Group policy is to not extend long-term loans to customers except in

certain cases and under exceptional circumstances.

The net balance of third-party trade receivables at December 31, 2021 and 2020 reflects certain future maturities, as shown below:

(Thousands of euros)	From 0 to 90 days	From 90 to 180 days	Over 180 days	Total debt
Third-party customer balance 2021	33,819	-	670	34,489
Third-party customer balance 2020	17,805	670	-	18,475

## 18.2 Market risk

### Foreign currency risk

The Group operates internationally and is therefore exposed to foreign currency risk in its transactions with foreign currency, especially the US dollar for its plants in Uruguay. The foreign currency risk is minimized with a natural hedge by carrying out all transactions, including financing, in US dollars. The unhedged items are dividend distributions.

The currency other than the euro in which the Group operates is the US dollar.

### Price risk

The Group is exposed to price risk from the sale of energy to the market. Management addresses this risk by considering current market conditions when transactions are carried out, assessing the possibility of signing contracts with fixed prices.

In addition, entering into energy sale agreements with various counterparties reduces exposure to market price risk significantly.

### Interest rate risk

As the Group has no significant interest-bearing assets, income and cash flows from operating activities are substantially independent of changes in market interest rates.

Interest rate risk arises from non-current bank borrowings. The Group is exposed to cash flow interest rate from its floating-rate bank borrowings. It is the Group's policy to raise finance at fixed rates (project bonds) or enter into derivatives to hedge interest rate risk on loans indexed to a floating interest rate. All the Group's bank borrowings indexed to floating rates are denominated in euros.

The Group manages its cash flow interest rate risk based on current market conditions using floating-to-fixed interest rate swaps. The effect of these interest rate swaps is to convert floating rate borrowings into fixed rate borrowings.

The Group's debt structure at December 31, 2021 and 2020, taking into account interest rate hedging derivatives, is as follows:

(Thousands of euros)	2021	2020
Fixed-rate borrowings	491,009	340,652
Floating-rate borrowings	76,271	31,825
Total	567,280	372,477

### 18.3 Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions.

Management monitors the forecasts for the Group's liquidity reserves based on expected cash flows.

## 19. Events after the reporting period

No events occurred between the reporting date of December 31, 2021 and the date of authorization for issue of these consolidated financial that could have a material impact.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. and subsidiaries  
Notes to the consolidated financial statements for the year ended December 31, 2021  
(Thousands of euros)

Appendix: Group companies at December 31, 2021:

Ownership interest	Tax domicile	Direct ownership interest	Indirect ownership interest
Planta Solar Puertollano 4, S.L.	C/ Princesa 2, Madrid	100%	-
Planta Solar Puertollano 6, S.A.	C/ Princesa 2, Madrid	-	100%
Planta Solar Puertollano 8, S.L.	C/ Princesa 2, Madrid	100%	-
Pronature, Consulting and Engineering S.L.	C/ Princesa 2, Madrid	94%	6%
Planta Solar Puertollano 10, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV 3, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV 4, S.L.	C/ Princesa 2, Madrid	100%	-
Solaria Energía y Generación Renovables, S.L.	C/ Princesa 2, Madrid	100%	0%
Elassona Solar Energía LLC	2 Mesogion Ave. Athens	-	100%
Solaria Energía y Proyectos Internacionales, S.L.	C/ Princesa 2, Madrid	100%	-
Magacela solar 1, S.A.U.	C/ Princesa 2, Madrid	-	100%
Solaria Casiopea, S.A.	C/ Princesa 2, Madrid	-	100%
Lerapa Investments, S.L.	C/ Princesa 2, Madrid	-	100%
Solaria Promoción y Desarrollo Fotovoltaico, S.L.	C/ Princesa 2, Madrid	100%	0%
Guleve Investments, S.L.	C/ Princesa 2, Madrid	-	100%
Globasol Villanueva 1, S.A.	C/ Princesa 2, Madrid	-	100%
Marche Energía, S.R.L.	Via Babuino, 51 Rome	-	100%
Ollastra Energía, S.R.L.	Via Babuino, 51 Rome	-	100%
Natelu, S.A.	Ituzaingo, 1393- Montevideo	-	100%
Yarnel, S.A.	Ituzaingo, 1393- Montevideo	-	100%
Kraken Solar, S.L.	C/ Princesa 2, Madrid	-	100%
Serre UTA S.R.L.	Via Babuino, 51 Rome	-	100%
Sardegna Agrienergia UNO SRL	Via Filippo Cini, 111 Rome	-	100%
Prodigy Orbit LDA	Rua do Alecrim, 26 Lisbon	-	100%
Radian Jupiter Lda	Rua do Alecrim, 26 Lisbon	-	100%
Planta FV100, S.L.	C/ Princesa 2, Madrid	-	100%
Solaria Lyra, S.r.l.	Via Babuino, 51 Rome	-	100%
Planta FV101, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV102, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV103, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV104, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV105, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV106, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV107, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV108, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV109, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV110, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV111, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV112, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV113, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV114, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV115, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV116, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV117, S.L.	C/ Princesa 2, Madrid	-	100%
Via Láctea Fotovoltaica, S.L.	C/ Princesa 2, Madrid	-	100%
CFV Triangulum Australe, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV118, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV119, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV120, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV121, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV122, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV123, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV124, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV125, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV126, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV127, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV128, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV129, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV130, S.L.	C/ Princesa 2, Madrid	-	100%
Andrómeda Fotovoltaica, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV132, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV133, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV134, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV135, S.L.	C/ Princesa 2, Madrid	-	100%
Solaria Promozione E Sviluppo Fotovoltaico s.r.l.	Via Babuino, 51 Rome	-	100%
Solaria Services Italia s.r.l.	Via Babuino, 51 Rome	-	100%
Solaria Ingeniería y Construcción Fotovoltaica, S.L.	C/ Princesa 2, Madrid	100%	-
Subestación El Anisal, S.L.	C/ Princesa 2, Madrid	-	51%
Planta FV136, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV137, S.L.	C/ Princesa 2, Madrid	-	100%
Adhara Solar, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV139, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV140, S.L.	C/ Princesa 2, Madrid	-	100%
Indus Solar Fotovoltaica, S.L.	C/ Princesa 2, Madrid	-	100%
Hydra Solar Fotovoltaica, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV143, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV144, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV145, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV146, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV147, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV148, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV149, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV150, S.L.	C/ Princesa 2, Madrid	-	100%
Andrómeda Deutschland GmbH.	C/ Princesa 2, Madrid	-	100%
Corona Borealis Fotovoltaica, S.L.	C/ Princesa 2, Madrid	-	100%
Solaria Energía Renováveis Portugal, Lda	C/ Princesa 2, Madrid	-	100%
Planta FV151, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV152, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV153, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV154, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV155, S.L.	C/ Princesa 2, Madrid	-	100%
Planta FV156, S.L.	C/ Princesa 2, Madrid	-	100%
Santiz Auxiliares C.B.	C/ Princesa 2, Madrid	-	100%
Solaria Italia S.R.L.	Via Babuino, 51 Rome	100%	-
Generia Land, S.L.	C/ Princesa 2, Madrid	100%	-



**Solaria Energía y Medio Ambiente, S.A. and  
Subsidiaries**

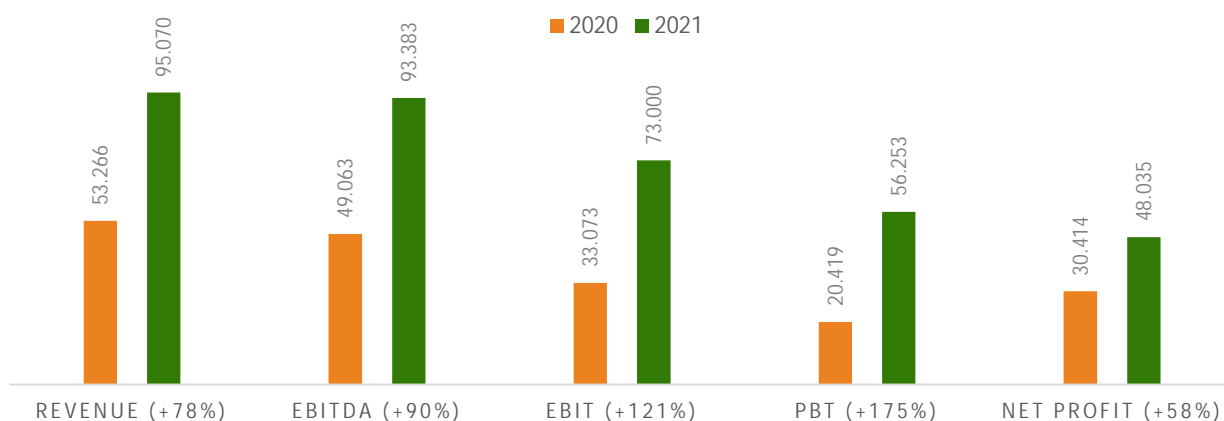
**Consolidated Management Report for the year ended  
December 31, 2021**

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## 1. Key financial indicators

The Solaria Group reported revenue of 95,070 thousand euros (+78%), EBITDA of 93,383 thousand euros (+90%), EBIT of 73,000 thousand euros (+121%), profit before tax of 56,253 thousand euros (+175%) and profit after tax of 48,035 thousand euros (+58%) for the year ended December 31, 2021.



The increases in each of these income statement items were driven by the sharp increase in energy production.

## 2. Situation and changes in the Group's composition

Solaria Energía y Medio Ambiente ("Solaria" or "the Parent") was incorporated on November 27, 2002, for an indefinite period.

At December 31, 2021, Solaria was the Parent of a group comprising 95 companies (2020: 98 companies), virtually all of which are wholly owned by the Company directly or indirectly.

The companies comprising the Group and the percentage ownership interest at December 31, 2021 are as follows:

### Direct wholly owned subsidiaries:

Planta Solar Puertollano 4, S.L.U., Planta Solar Puertollano 8, S.L.U., Planta FV4, S.L., Pronature Consulting and Engineering S.L., Solaria Italia S.R.L., Solaria Energía Proyectos Internacionales S.L.U., Solaria Promoción y Desarrollo Fotovoltaico, S.L., Solaria Ingeniería y Construcción Fotovoltaica, S.L. and Solaria Energía Generación Renovable S.L.U.

### Indirect wholly owned subsidiaries:

Planta FV108, S.L., Planta FV109, S.L., Planta FV110, S.L., Planta FV111, S.L., Planta FV117, S.L., Planta FV118, S.L., Planta FV119, S.L., Planta FV121, S.L., Planta FV122, S.L., Planta FV123, S.L., Planta FV124, S.L., Planta FV127, S.L., Planta FV128, S.L., Planta FV129, S.L., Planta FV130, S.L., Planta FV132, S.L., Planta FV133, S.L., Planta FV134, S.L., Planta FV135, S.L., Planta FV136, S.L., Planta FV137, S.L., Adhara Solar, S.L., Planta FV139, S.L., Planta FV140, S.L., Indus Solar Fotovoltaica, S.L., Hydra Solar Fotovoltaica, S.L., Planta FV143, S.L., Planta FV144, S.L., Planta FV145, S.L., Planta FV146, S.L., Planta FV147, S.L., Planta FV148, S.L., Planta FV149, S.L., Planta FV150, S.L., Planta FV151, S.L., Planta FV152, S.L., Planta FV153, S.L., Planta FV154, S.L., Planta FV155, S.L., Planta FV156, S.L., Planta Solar Puertollano 6, S.A.U., Globasol Villanueva 1, S.A.U., Magacela Solar 1, S.A.U., Solaria Casiopea S.A.U., Natelu, S.A., Yarnel, S.A., Solaria Lyra, S.r.l., Solaria Italia



Services, S.r.l., Solaria Promozione e Sviluppo, S.r.l., Marche Energía, S.r.l., Serre UTA S.r.l, Sardegna Agrienergia Uno, S.r.l., Ollastra Energía, S.r.l., Andrómeda Deutschland GmbH, Andrómeda Fotovoltaica, S.L., Planta FV115, S.L., Planta FV113, S.L., Planta FV126, S.L., Via Láctea Fotovoltaica, S.L., Planta FV103, S.L., Planta FV107, S.L., Planta FV114, S.L., Planta FV116, S.L., CFV Triangulum Australe, S.L.U., Planta FV100, S.L., Planta FV101, S.L., Planta FV102, S.L., Planta FV104, S.L, Lerapa Investments S.L., Guleve Investments, S.L., Planta FV 3, S.L., Planta Solar Puertollano 10, S.L., Prodigy Orbit Lda, Solaria Energía Renováveis Portugal, Lda, Radian Jupiter Lda, Corona Borealis Fotovoltaica, S.L., Planta FV105, S.L., Planta FV106, S.L., Planta FV112, S.L., Planta FV120, S.L., Planta FV125, S.L., Ellassona Solar Energiaki, L.L.C., Santiz Auxiliares C.B., Generia Land, S.L., Subestación el Anisal, S.L. and Kraken Solar, S.L.

### 3. Key highlights

#### 3.1. Financing arrangements

Type of arrangement	Entity	MW financed	Amount
Promissory note issue	MARF	-	€48.8M
Financing	Natixis	261	\$115M
Agreement	La Banque Postale	63	€23M
Agreement	La Banque Postale	150	€88M

##### *Promissory note issue on the MARF*

On March 18, 2021, the Group announced that it had successfully placed 48.8 million euros of notes with 12-18 months tenor as part of its promissory note program registered in the Spanish Alternative Fixed-income Market, or MARF.

##### *Financing agreement with Natixis*

On March 26, 2021, the Group announced the completion of its financing agreement with Natixis S.A., (Spain) for 261 MW associated with the 10-year power purchase agreement (PPA) signed with Statkraft in December 2019.

##### *Financing agreement with La Banque Postale*

On August 9, 2021, the Group concluded a financing agreement with La Banque Postale for 63 MW associated with the Portuguese auction held in July 2019.

##### *Financing agreement with La Banque Postale*

On November 29, 2021, the Group disclosed that it had reached an agreement with La Banque Postale regarding long-term financing of 150 MW.

### 3.2. Power purchase agreements

Company	Contracted capacity	Duration (years)
Shell Energy Europe B.V.	300MW	10
Empresa eléctrica (P. Ibérica)	80MW	10
Subasta REER España	180MW	12

#### *PPA with Shell*

On January 14, 2021, the Group signed a 10-year PPA with Shell Energy Europe B.V. with total contracted capacity of 300 MW.

#### *PPA*

On January 26, 2021, the Group signed a 10-year financial PPA with one of the Iberian Peninsula's leading electric utilities with total contracted capacity of 80 MW.

#### *Auction to be granted the REER*

On January 26, 2021, Solaria announced that it had been awarded 180MW of capacity in the first auction to be granted the Renewable Energy Economic Regime (REER) promoted by the Spanish State and held by the electricity market operator, OMEL, on the same date.

This is a 12-year power purchase agreement at an average fixed price of €27.972/MWh, with supply commencing in 2023.

### 3.3. Other key developments

#### *Capital Markets Day*

On February 8, 2021, Solaria unveiled its new Strategic Plan, revising up its installed capacity forecast for year-end 2030 to 18 GW.

#### *Next Generation funds*

On February 24, 2021, the Group submitted 29 projects to the Spanish Ministry of Ecological Transition and Demographic Challenge for access to the Next Generation EU fund.

Total investment in the projects amounts to 3,940 million euros, of which applications for European funds totaling 1,625 million euros have been made.

All the investments entail renewable energy projects, mainly power storage, smart grids and digital communication systems.

#### *Inauguration of Portuguese plants*

On May 17, 2021, the Group inaugurated, in a ceremony with representatives of the Portuguese government, its four photovoltaic plants of 63 MW in Portugal.

*Collaboration agreement with Enagás*

On November 4, 2021, Solaria and Enagás signed a collaboration agreement to study the potential joint development of a green hydrogen plant, for which up to 200 MW of photovoltaic solar energy would be earmarked.

## 4. Financial information

### 4.1. Consolidated income statement

*Revenue*

The Group reported revenue of 95,070 thousand euros in 2021, up 78% from the year before. This healthy performance was underpinned by the increase in output thanks to the connection of the new photovoltaic plants, as set out in the business plan.

The breakdown of revenue by business activity in 2021 and 2020 is as follows:

Thousands of euros (€K)	2021	2020	Absolute change	Relative change
Spain	80,101	38,507	41,594	108%
Italy	9,440	8,241	1,199	15%
Latam	2,590	3,809	(1,219)	(32%)
Portugal and Greece	247	205	42	20%
Corporate	2,692	2,504	188	8%
<b>Total</b>	<b>95,070</b>	<b>53,266</b>	<b>41,804</b>	<b>78%</b>

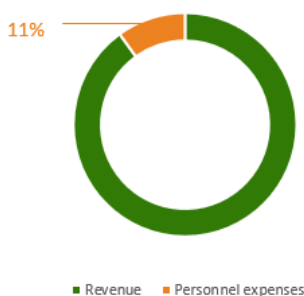
As illustrated, the specific weight of revenue generated in Spain continued to rise with execution of the Group's business plan.

*Personnel expenses*

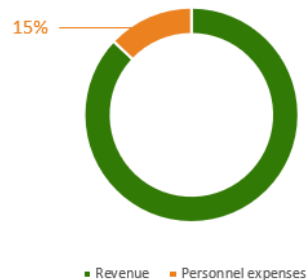
Growth in *personnel expenses* was the result of the increase in Group headcount in recent years. New hires were needed to undertake the expansion progress and carry out the Group's new projects.

Personnel expenses as a percentage of revenue was lower than in 2020, in line with the trend of recent years. This was driven by the Group's cost-streamlining policy, as illustrated in the following charts:

**Personnel expenses/Revenue 2021**



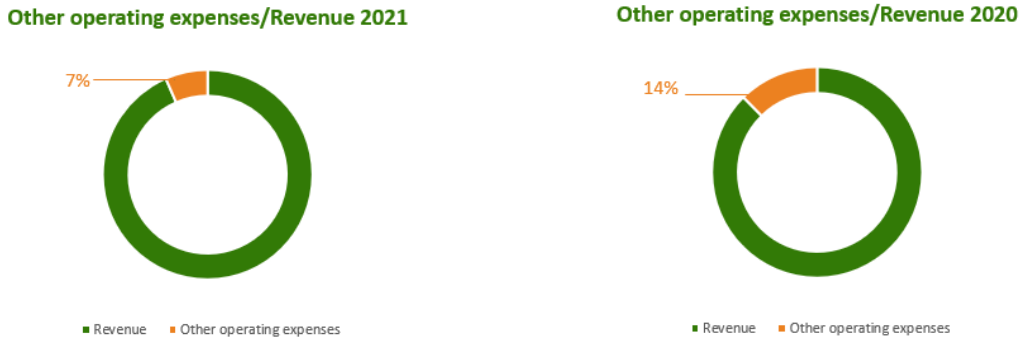
**Personnel expenses/Revenue 2020**



### Other operating expenses

Other operating expenses were 12% lower than in 2020. This was driven by the Group's cost-streamlining policy. Meanwhile, the 7% electricity tax for the second half of 2021 was repealed.

The following chart shows operating expenses as a percentage of revenue in 2021 and 2020:



The operating expenses/revenue ratio decreased further in 2021, to 7%. This is an example of the policy to streamline costs and leverage synergies.

### Amortization and depreciation

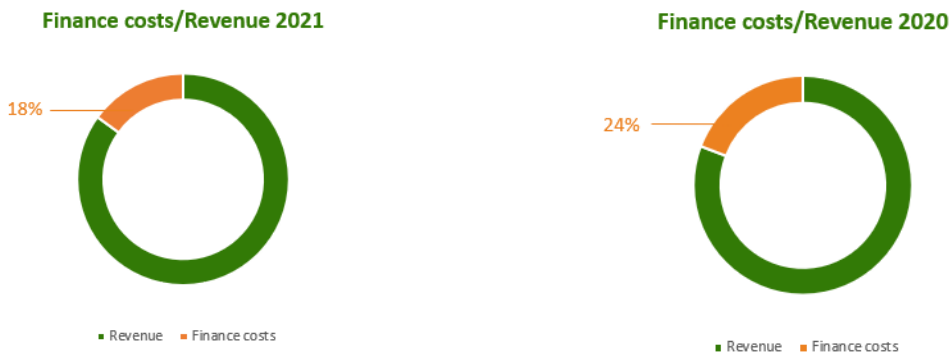
The difference in the balance of *Depreciation and amortization* was due to the commissioning in 2021 of new plants.

### Consolidated net finance income/(expense)

Net finance expense increased in 2021 due to the recognition of finance costs related to the transactions carried out to finance new projects.

New borrowings issued by the Group bear a lower financial cost than the Group's previous financing. This should improve the Finance cost/Debt ratio and, accordingly, add further momentum to the Group's earnings.

The charts below show the improvement in third-party finance costs as a percentage of revenue from 24% in 2020 to 18% in 2021.



### Conclusion

Overall, the Group's income statement for the year ended 31 December 2021 shows considerable growth in revenue after achieving the milestones included in the business plan. On the expense side, total expenses (personnel, operating and financial) as a percentage of total revenue decreased further.

All this is resulting in higher cash generation by the Group year after year. It is using this cash to invest in new projects without the need to use previously generated cash, thereby creating an increasingly sound consolidated balance sheet.

## 4.2. Consolidated balance sheet

### Surface rights

The increase in the balance of surface rights at December 31, 2021 was the result of new leases on land where the Group's PV plants are located. These leases are recognized as surface rights or right-of-use assets in accordance with IFRS 16.

### Property, plant and equipment

The Group incurred costs for property, plant and equipment in 2021 of 195,259 thousand euros for the new plants currently being built.

### Cash

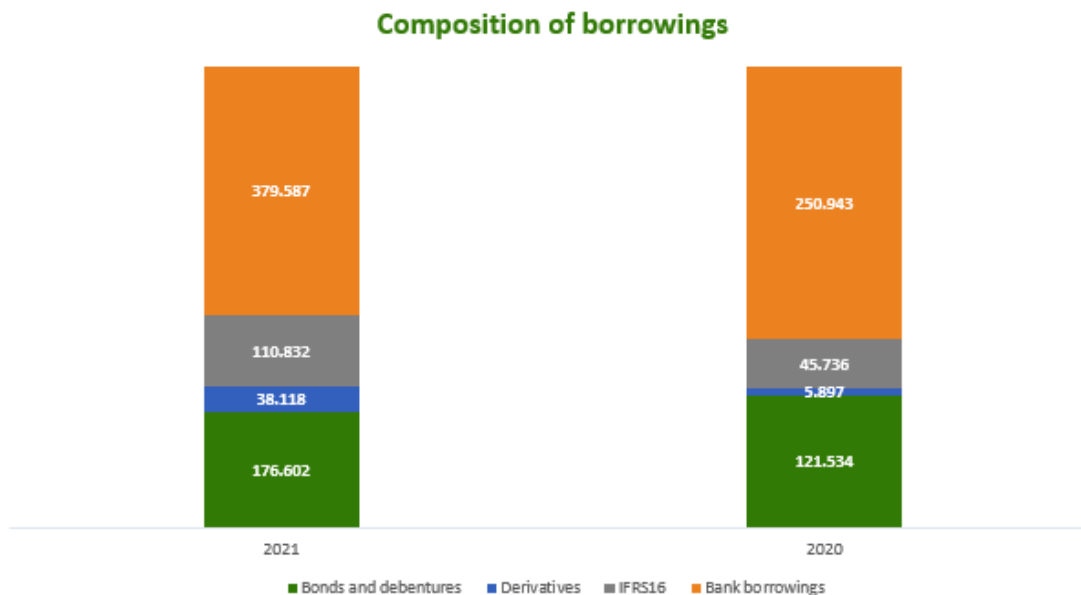
The increase in *Cash and cash equivalents* was driven by higher revenue, new borrowings and the promissory note issue carried out in 2021.

#### CASH EVOLUTION (K€)



*Interest-bearing loans and borrowings*

The chart below reflects the composition of current and non-current interest-bearing loans and borrowings at December 31, 2021 and 2020:



The change in the composition of these borrowings in 2021 was the result of the following:

- The increase in bank borrowings following new drawdowns from project debt made in 2021 as construction of the 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 bonds and debentures driven by the placement of 48.1 million euros, net of arrangement and interest expenses, as part of the commercial paper program registered in the MARF.
- The increase in derivatives caused by the swaps on electricity sale prices entered into in 2021.

*Conclusion*

To conclude the balance sheet analysis, a key highlight is the Group's sound 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.

The Group had 14,639 thousand euros of working capital at December 31, 2021. The lower amount compared to year-end 2020 was the result of the reclassification of the promissory notes from non-current liabilities in the Group's balance sheet as at December 31, 2020, to current liabilities as at December 31, 2021.

## 5. Main risks

### 5.1. Market risk

Solaria Group is exposed to market risks for its excessive positioning in a single market and its positioning in highly regulated markets. Plans are to expand in new geographic and non-regulated markets to reduce these risks.

In the first case, as explained in the outlook section (Section 6), over the next few years the Group will focus on increasing projects outside Spain in markets where it already has operations.

From the regulatory viewpoint, as explained in the key highlights section, the Group signed several long-term PPAs in 2021, which reduces regulatory risk significantly.

### 5.2. Development risk

Project development includes a phase involving red tape and bureaucracy with public administrations, so the Group cannot always control deadlines and outcomes since they depend on actions by third parties beyond its control. Nevertheless, the Company has vast experience with this type of actions, enabling it to achieve success with a large number of projects in different locations.

### 5.3. Liquidity risk

The Group uses long-term non-recourse borrowings, minimal recourse debt and available cash to ensure its solvency and flexibility. The Group has sufficient cash to meet all its obligations.

### 5.4. Capital management

Objectives of the Group's capital management include ensuring sustainable growth, providing sufficient returns to shareholders, and optimizing its capital structure.

The Group is not subject to strict capital management criteria, with its sound financial position enabling it to find the most suitable solution for optimal management at all times.

The Group is exposed to various financial risks relating to its business operations: market risk (including foreign currency price, price risk, and interest rate risk), credit risk, and liquidity risk. The overall risk management program focuses on mitigating unpredictable financial market risks and minimizing their potential adverse effects on the profitability of the Group, which uses derivatives to hedge foreign currency risk and interest rate risk.

Risk management is overseen by the Parent's Finance Department. This department identifies, measures, and hedges financial risks in collaboration with the Group's operating units.

## 5.5. Risk related to financial instruments

### *Market risk*

#### a) Foreign currency risk

The Group operates internationally and is therefore exposed to foreign currency risk in its transactions with foreign currency, especially the US dollar for its plants in Uruguay. The foreign currency risk is minimized with a natural hedge by carrying out all transactions, including financing, in US dollars. The unhedged items are dividend distributions.

Foreign currency risk also arises from certain purchases of certain equipment (mainly photovoltaic modules), which are also made in US dollars. Foreign currency forwards are generally used to hedge foreign currency risk.

The currency other than the euro in which the Group operates is the US dollar.

#### b) Price risk

The Group is exposed to price risk from the sale of energy to the market. Management addresses this risk by considering current market conditions when transactions are carried out, assessing the possibility of signing contracts with fixed prices.

Moreover, entering into power purchase agreements with various counterparties reduces exposure to market price risk significantly.

#### c) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, income and cash flows from operating activities are substantially independent of changes in market interest rates.

Interest rate risk arises from non-current bank borrowings. The Group is exposed to cash flow interest rate from its floating-rate bank borrowings. It is the Group's policy to raise finance at fixed rates (project bonds) or enter into derivatives to hedge interest rate risk on loans indexed to a floating interest rate. All the Group's bank borrowings indexed to floating rates are denominated in euros.

The Group manages its cash flow interest rate risk based on current market conditions using floating-to-fixed interest rate swaps. The effect of these interest rate swaps is to convert floating rate borrowings into fixed rate borrowings.

#### d) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions. Transactions are only carried out with institutions with high credit ratings and taking into account past experience and other factors. Where customers do not have an independent credit rating, the Finance Department assesses their creditworthiness based on financial position, past experience and other factors.



e) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, an objective of the Group's Finance Department is to maintain flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts for the Group's liquidity reserves based on estimated cash flows.

## 6. Strategy and outlook

Solaria is pressing on with its growth plans. The target is to reach 18 GW by 2030. Major development and investment efforts made over the past three years are now beginning to bear fruit, with the Group reporting strong growth in the main income statement and balance sheet line items in 2021.

Visibility into execution of the strategic plan is improving quarter by quarter, with 807 MW now completed and 1,250 MW in different stages of construction, putting the Group over the 2 GW level. All these projects bode well for Solaria to continue increasing its earnings. Meanwhile, Solaria has another 3,320 MW in Spain that are either in, or have already completed, the public exhibition stage, making us upbeat about our growth prospects for the coming years.

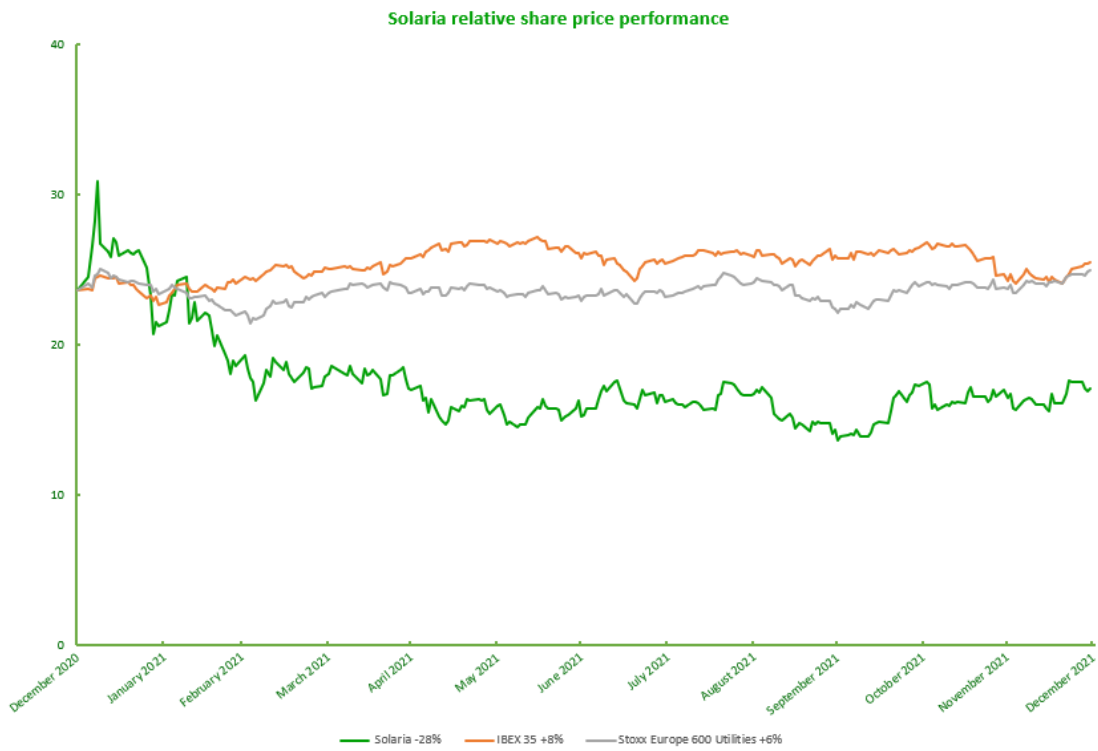
At the same time, the team in Italy has grown after a new office was opened in Rome. Another three development hubs have been set up in Sicily/Sardinia (south), Lazio/Basilicata (central) and Lombardia/Veneto (north), to accelerate the development of projects in Italy, where the project pipeline now stands at over 1,200 MW.

The high cost of electricity is one of society's greatest concerns at present. As this has a huge economic impact at all levels, the only real solution to reduce costs and reliance of foreign energy while avoiding cost volatility is renewable energy.

This lends further credence to Solaria's strategy of making Spain, Portugal and Italy sources of unlimited, cheap and clean energy for the rest of Europe.

With over 14.2 GW of projects currently in the pipeline, the Group is maintaining its target of reaching 18,000 MW by 2030 and becoming the leading solar power generator in southern Europe.

## 7. Share price performance



SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES

APPENDIX I - APM

Item	Calculation	Reconciliation (€K)		Relevance of use
		2021	2020	
EBITDA	Revenue + Other income + Self-constructed assets - Personnel expenses - Other operating expenses	95,070 + 1,074 + 14,380 - 10,501 - 6,640 = 93,383	53,266 + 3,761 + 7,477 - 7,923 - 7,519 = 49,062	Measure of operating profitability without considering interest, taxes, provisions, depreciation and amortization.
EBIT	EBITDA - Amortization and depreciation, and impairment losses	93,383 - 20,383 = 73,000	49,062 - 15,377 - 598 - 15 = 33,072	Measure of operating profitability without considering interest and taxes.
Profit after tax	EBIT ± Net finance income/(expense)	73,000 - 16,747 = 56,253	33,072 - 12,653 = 20,419	Measure of operating profitability without considering taxes.
Net finance income/(expense)	Finance income - Finance costs ± Exchange differences	328 - 16,873 - 202 = -16,747	396 - 12,985 - 64 = -12,653	Measure of finance cost.
Personnel expenses/revenue	$\frac{\text{Personnel expenses}}{\text{Revenue}}$	$\frac{10,501}{95,070} = 11\%$	$\frac{7,923}{53,266} = 15\%$	Measure of the relationship between personnel expenses and revenue from energy sales.
Operating expenses/revenue	$\frac{\text{Operating expenses}}{\text{Revenue}}$	$\frac{6,640}{95,070} = 7\%$	$\frac{7,519}{53,266} = 14\%$	Measure of the relationship between direct variable generation costs and revenue from energy sales.
Finance costs/revenue	$\frac{\text{Finance costs}}{\text{Revenue}}$	$\frac{16,747}{95,070} = 18\%$	$\frac{12,653}{53,266} = 24\%$	Measure of the relationship between project finance costs and project revenue from energy sales.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES  
AUTHORIZATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The members of the Board of Directors authorized for issue the accompanying 2021 consolidated financial statements and management report at their meeting held on February 23, 2022.

(Signed on the original version in Spanish)

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Enrique Díaz-Tejeiro Gutiérrez  
Chairman

(Signed on the original version in Spanish)

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Arturo Díaz-Tejeiro Larrañaga  
First Vice-Chairman of the Board

(Signed on the original version in Spanish)

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Inversiones Miditel, S.L.U. Represented by  
Miguel Díaz-Tejeiro Larrañaga  
Second Vice-chairman of the Board

(Signed on the original version in Spanish)

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Manuel Azpilicueta Ferrer  
Director

(Signed on the original version in Spanish)

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Carlos Abad Rico Board member  
Director

(Signed on the original version in Spanish)

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Elena Pisonero Ruiz  
Director