

Audit Report on the Financial Statements
issued by an Independent Auditor

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



AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and 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 financial statements

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial reporting (identified in Note 2 to the accompanying financial statements) and, in particular, the accounting principles and policies set forth therein.

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 financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the 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.

Key audit matters

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

Recoverability of deferred tax assets

Description As explained in note 13 to the accompanying financial statements, the Company recognized deferred tax assets at December 31, 2021 amounting to 38,456 thousand euros. The recoverability of these assets depends primarily on the ability of the Company, which is head of the tax group in Spain, to generate sufficient future taxable profits based on the financial projections and business plan of the Solaria Group, of which it is the Parent. The analyses performed by the Company's directors require the use of estimates that entail complex judgments to determine the future taxable profits of the Company and the tax group of which it is the head, we considered this to be a key audit matter.

Disclosures on the criteria used by the Company's directors and the main assumptions used to determine the recoverability of deferred tax assets are provided in notes 2.4 and 4.12 to the accompanying financial statements.

Our response

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

- ▶ Understanding of the processes established by the Company'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 Company'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 Company's directors.
- ▶ Reviewing the disclosures in the notes to the accompanying financial statements in accordance with the applicable regulatory framework for financial reporting.

Other information: Management report

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

Our audit opinion on the financial statements does not cover the management report. Our responsibility for the 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 management report with the financial statements, based on the knowledge of the Company obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the 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 management report is consistent with that provided in the 2021 financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 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 Company'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 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Company 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 Company 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 Company, we determine those matters that were of most significance in the audit of the 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

European Single Electronic Format

We have examined the digital file of the European single electronic format (ESEF) of SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. for the 2021 financial year, consisting of an XHTML file containing the financial statements for the year, 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 requirements set out in Commission Delegated Regulation (EU) 2019/815, of December 17, 2018 (the "ESEF Regulation").

Our responsibility consists of examining the digital file prepared by the Company'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 financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements and the aforementioned file have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

Additional report to the audit committee

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

Term of engagement

During the General Shareholders' Meeting held on June 30, 2021, we were appointed 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)

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

February 25, 2022

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Financial Statements and Management Report



December 31, 2021

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AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
 Balance sheet as at December 31, 2021
 (Thousands of euros)

ASSETS	Notes	2021	2020
NON-CURRENT ASSETS		231,217	157,960
Intangible assets	5	91	101
Computer software		91	101
Property, plant and equipment	6	22,312	22,750
Land and buildings		20,870	21,110
Technical installations and other property, plant and equipment		1,442	1,640
Non-current investments in group companies and associates		170,024	90,568
Equity instruments	7	80,813	80,813
Loans to group companies	8	89,211	9,755
Non-current investments	8	334	334
Non-current guarantees and deposits		334	334
Deferred tax assets	13	38,456	44,207
CURRENT ASSETS		134,454	118,545
Inventories	9	17,415	15,220
Finished goods		17,415	15,220
Trade and other receivables		35,017	41,672
Current trade receivables	8	2,139	1,335
Trade receivables from group companies and associates	8	32,711	36,519
Personnel		24	26
Other receivables from public authorities	13	143	3,792
Current loans to group companies and associates	8	5,720	19,096
Current investments	8	78	148
Current guarantees and deposits		78	148
Prepayments for current assets		15	286
Cash and cash equivalents	10	76,209	42,123
TOTAL ASSETS		365,671	276,505

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
 Balance sheet as at December 31, 2021
 (Thousands of euros)

EQUITY AND LIABILITIES	Notes	2021	2020
EQUITY		306,188	247,093
CAPITAL AND RESERVES		306,188	247,125
Capital	11.1	1,250	1,250
Registered capital		1,250	1,250
Share premium	11.2	309,676	318,030
Reserves	11.3	45,359	36,639
Legal reserve		5,311	5,311
Other reserves		40,048	31,328
Prior years' losses	11.3	(109,160)	(163,565)
Profit for the year	3	59,063	54,771
VALUATION ADJUSTMENTS		-	(32)
NON-CURRENT LIABILITIES		6,124	25,200
Non-current loans and borrowings	12	713	1,400
Bank borrowings		24	134
Finance lease payables		313	588
Other financial liabilities		376	678
Non-current loans and borrowings with group companies and associates	12	5,411	23,800
CURRENT LIABILITIES		53,359	4,212
Current loans and borrowings	12	48,829	281
Bonds and other marketable securities		48,551	-
Bank borrowings		3	5
Finance lease payables		275	234
Derivatives		-	42
Trade and other payables		4,530	3,931
Suppliers	12	64	69
Other payables	12	-	2
Personnel (salaries payable)	12	2,492	1,497
Current tax liabilities	13	1,845	1,450
Other payables to public authorities	13	122	910
Advances from customers	12	7	3
TOTAL EQUITY AND LIABILITIES		365,671	276,505

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

	Notes	2021	2020
CONTINUING OPERATIONS			
Revenue	14.1	68,751	23,750
Sales		66,999	22,069
Rendering of services		1,752	1,681
Changes in inventories of finished goods		2,213	2,724
Cost of sales	14.2	(3,815)	(5,393)
Merchandise used		(25)	(60)
Subcontracted work		(3,790)	(5,333)
Other operating income	14.3	2,064	1,510
Non-trading and other operating income		2,064	1,510
Personnel expenses	14.5	(9,261)	(7,304)
Salaries, wages and similar		(7,881)	(6,291)
Employee benefits expense		(1,380)	(1,013)
Other operating expenses		(6,018)	(2,724)
External services	14.6	(5,504)	(2,531)
Taxes other than income tax		(514)	(193)
Amortization and depreciation	5 and 6	(570)	(514)
Change in provisions		-	(598)
OPERATING PROFIT		53,364	11,451
Finance income	14.7	6,758	758
Marketable securities and other financial instruments		6,758	758
Group companies and associates		6,550	363
Other		208	395
Finance costs	14.8	(475)	(142)
On borrowings from group companies and associates		-	-
On third-party borrowings		(475)	(142)
Exchange differences		457	55
NET FINANCE INCOME/(EXPENSE)		6,740	671
PROFIT BEFORE TAX		60,104	12,122
Income tax expense	13	(1,041)	42,649
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	3	59,063	54,771

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

A) Statement of recognized income and expense

(Thousands of euros)	Notes	2021	2020
Profit for the year	3	59,063	54,771
Income and expense recognized directly in equity		-	-
Total income and expense recognized directly in equity		-	-
Amounts transferred to the income statement		-	-
Total income and expense recognized directly in equity		-	-
TOTAL RECOGNIZED INCOME AND EXPENSE		59,063	54,771

B) Statement of changes in equity for the year ended December 31, 2021

(Thousands of euros)	Registered capital (Note 11)	Share premium (Note 11.2)	Reserves (Note 11.3)	Retained earnings (prior years' losses) (Note 11.3)	Profit/(loss) for the year (Note 3)	Valuation adjustments	Total
Balance at December 31, 2019	1,250	318,030	36,639	(194,059)	30,494	(32)	192,322
Recognized income and expense	-	-	-	-	54,771	-	54,771
Distribution of prior year profit/(loss)	-	-	-	30,494	(30,494)	-	-
Balance at December 31, 2020	1,250	318,030	36,639	(163,565)	54,771	(32)	247,093
Recognized income and expense	-	-	-	-	59,063	-	59,063
Other movements	-	(8,354)	8,720	(366)	-	-	-
Distribution of prior year profit/(loss)	-	-	-	54,771	(54,771)	32	32
Balance at December 31, 2021	1,250	309,676	45,359	(109,160)	59,063	-	306,188

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

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		60,104	12,122
Adjustments for:		(6,170)	(573)
Amortization and depreciation	5 and 6	570	514
Change in provisions	13	-	(415)
Finance income	14.8	(6,758)	(758)
Finance costs	14.9	475	142
Exchange differences		(457)	(56)
Changes in operating assets and liabilities		4,750	6,081
Inventories		(2,195)	(6,771)
Trade and other receivables		6,347	20,481
Trade and other payables		598	(18,884)
Other current financial assets		-	11,255
Other cash flows from operating activities		(780)	19
Other payments		(780)	19
Net cash flows from operating activities		57,904	17,649
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments for financial instruments		(23,818)	(43,326)
Issue/repayment			
Borrowings from group companies and associates		(71,369)	(32,855)
Bonds and other marketable securities		48,200	(9,972)
Bank borrowings		(649)	(499)
Net cash flows used in financing activities		(23,818)	(43,326)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		34,086	(25,677)
Cash and cash equivalents at January 1		42,123	67,800
Cash and cash equivalents at December 31	10	76,209	42,123

1. Corporate information

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

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.

Solaria's main activities in 2021 and 2020 were the provision of development services for photovoltaic (PV) plants, and the operation and maintenance of its own PV plants.

The Company'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 by the Company directly or indirectly. All Solaria Group companies engage mainly in the operation of photovoltaic (PV) solar plants in Spain and other countries where they are located abroad. Accordingly, it is the parent of a group of companies under prevailing legislation.

On the same date as the accompanying financial statements, the directors of the Company authorized for issue the consolidated financial statements of Solaria Energía y Medio Ambiente, S.A. and Subsidiaries for the year ended December 31, 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 October 28, 2021 and placed on file at the Madrid Companies Register.

The Company is controlled by DTL Corporación, S.L. (Note 15), based in Madrid. The consolidated financial statements for DTL Corporación, S.L. and Subsidiaries for the year ended December 31, 2021 will be authorized for issue and filed with the Madrid Companies Register within the legal deadline.

The Company's functional currency is the euro.

2. Basis of preparation

The financial statements have been prepared in accordance with the financial reporting framework applicable to the Company, as set out in the Spanish General Accounting Plan (Plan General de Contabilidad) approved by Royal Decree 1514/2007, of November 16, which has been amended several times since its publication, the latest by Royal Decree 1/2021, of January 12, and its implementing regulations, and other prevailing company law. Application of the latest amendments did not have a significant impact on these financial statements.

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

The figures shown in these financial statements are presented in thousands of euros, unless stated otherwise.

2.1 True and fair view

The accompanying financial statements have been prepared from the auxiliary accounting records of the Company in accordance with prevailing accounting legislation to give a true and fair view of the Company's equity, financial position and results. The statement of cash flows was prepared to present fairly the origin and use of the Company's monetary assets representing cash and cash equivalents.

2.2 Comparative information

In accordance with company law, for comparative purposes, for each item of the balance sheet, the income statement, the statement of changes in equity and the 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 financial statements unless an accounting standard specifically states that this is not required.

2.3 Effects of the COVID-19 pandemic on the Company'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.

The pandemic has not had a material impact on the Company's operations up to the date of presentation of these financial statements and, based on the directors' current estimates, is unlikely to have any material effects in 2022.

2.4 Critical issues regarding the measurement and estimation of uncertainties

The preparation of the Company's financial statements required the Company's directors to make certain estimates that affect the reported amounts of certain assets, liabilities, revenue and expenses, and the disclosure of contingent liabilities. These estimates were made based on the best information available at end of the reporting period. However, given the uncertainty inherent in estimates, future events could require these estimates to be modified in subsequent reporting periods. Any changes in accounting estimates would be made prospectively.

Key assumptions concerning the future and other relevant data on the uncertainty of estimates at the reporting date, which could entail a considerable risk of significant changes in the value of assets and liabilities in the subsequent reporting period are as follows:

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits, and unused tax losses, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized. In determining the amount of deferred tax assets that can be recognized, the directors make significant estimates regarding the amounts and dates on which future taxable profits will be obtained and the timing of the reversal of the taxable temporary differences. At December 31, 2021, the Company recognized deferred tax assets amounting to 38,456 thousand euros relating to unused tax losses, tax credits and other unused deferred tax assets (2020: 44,207 thousand euros relating to unused tax losses) (Note 13).

3. Distribution of profit

The distribution of 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
Distribution of profit	
Offset of prior years' losses	59,063

3.1 Limitations on the distribution of dividends

The Company 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 Company's capital, profits shall be used to offset such losses.

4. Recognition and measurement standards

The main recognition and measurement standards applied by the Company in the preparation of the accompanying financial statements are as follows:

4.1 Intangible assets

Intangible assets are initially measured at cost, determined as the purchase price or production cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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. Intangible assets are tested for impairment at least at each financial period end and any impairment is recognized.

Computer software

Computer software includes the amounts paid for applications developed internally by the Company 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.

Costs attributed to in-house personnel involved in the development of computer software are capitalized as an increase in the value of the software, with a credit to "Self-constructed assets" in the income statement.

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.

4.2 Property, plant and equipment

Property, plant and equipment includes mainly land, buildings, technical installations and machinery.

Property, plant and equipment are initially measured at cost, determined as the purchase price or production cost. After initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment.

Borrowing costs accrued that meet the requirement for capitalization for assets acquired or produced after January 1, 2008 that need more than one year to be brought into working condition are included in the purchase price or production cost.

The value of an item of property, plant and equipment also includes the initial estimate of the present value of obligations for dismantling or removing the item, as well as other obligations associated with the asset, such as restoration, when these obligations give rise to the recognition of provisions.

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. Costs incurred to renovate, enlarge or improve items of property, plant and equipment which increase capacity or productivity or extend the useful life of the asset are capitalized as an increase in the value of the asset. The carrying amount of items that are replaced are derecognized.

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

	Years of useful life
Buildings	33 years
Technical installations (other)	10 years
Machinery	8 years
Other property, plant and equipment	8 years

Land on which the buildings and other constructions are located has an indefinite useful life and, therefore, is not depreciated.

The Company reviews the residual value, useful life and depreciation methods of property, plant and equipment at the end of each reporting period and adjusts them prospectively where applicable.

4.3 Impairment of non-financial assets

At least at the end of each reporting period, the Company 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.

The recoverable amount is the higher of the fair value of the asset less costs to sell and its value in use. The asset is considered impaired when its carrying amount exceeds its recoverable amount. The value in use is the present value of the future cash flows expected to be obtained, discounted at a market risk-free rate and adjusted for any risks specific to the asset. For those assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined, where appropriate, for the cash-generating unit to which the asset belongs. A cash-generating unit is understood as the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

Impairment losses and any reversals thereof are recognized in the income statement. Impairment losses are reversed only if the circumstances that gave rise to the impairment cease to exist. Goodwill impairment losses cannot be reversed. Impairment is only reversed up to the limit of the carrying amount of the asset that would have been determined had the impairment loss not been recognized.

4.4 Leases

Arrangements are classified as finance leases when the economic conditions of the lease indicate that substantially all the risks and rewards incidental to ownership of the asset are transferred. All other lease arrangements are classified as operating leases.

Company as lessee

At the commencement of the lease term, the Company recognizes assets acquired under a finance lease according to the nature of the asset, and a financial liability for the same amount, at the lower of the fair value of the leased asset and the present value of the minimum lease payments, including the purchase option. Minimum lease payments exclude contingent rents, costs for services and taxes that may be passed on by the lessor. Lease payments are apportioned between finance charges and reduction of the lease liability. The total finance charge is allocated over the lease term and recognized in profit or loss for the reporting period in which it is accrued, using the effective interest rate method. The lessee applies the same depreciation, amortization, impairment and derecognition criteria as applied to assets of a similar nature.

Operating lease payments are recognized as expenses in the income statement when accrued.

Company as lessor

Income from operating leases is recognized in the income statement when accrued. The carrying amount is increased by the amount of directly attributable contract costs, which are recognized as an expense over the lease term using the same criteria as for the recognition of lease income.

4.5 Financial instruments

4.6 The Company recognizes a financial instrument when it becomes a party to the contractual or legal provisions of the instrument as issuer, investor or acquirer. Financial assets

Classification and measurement

The Company classifies all its financial assets, at initial recognition, into one of the categories listed below, which determines how the asset will be measured initially and subsequently:

- Financial assets at amortized cost
- Financial assets at cost

Financial assets at amortized cost

The Company classifies financial assets in this category, even if they are admitted to trading on an organized market, if the following conditions are met:

- The Company holds the financial assets within a business model whose objective is to collect contractual cash flows.

Management of a portfolio of financial assets to collect contractual cash flows does not necessarily imply that all the instruments must be held to maturity. Financial assets can be managed with this objective when sales occur or are expected to occur in the future. For this purpose, the Company considers the frequency, value and timing of sales in prior periods, the reasons for those sales and expectations about future sales activity.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These contractual cash flows are inherent to a basic lending agreement, but the loan agreed could be interest-free or at a below-market interest rate.

This condition is presumed to be met in the case of a bond or simple loan with a specified maturity date whereby the Company receives a floating interest rate, which could be subject to a cap. Conversely, this condition is presumed to be met in the case of instruments that are convertible into equity instruments of the issuer, loans that pay an inverse floating rate (i.e. the interest rate has an inverse relationship to market interest rates) or those in which the issuer may defer interest payments if payment would affect its solvency, without the deferred interest accruing additional interest.

In general, this category includes receivables from trade transactions ("trade receivables") and receivables from non-trade transactions ("other receivables").

Financial assets classified in this category are measured initially at fair value. In the absence of evidence to the contrary, this is presumed to be the transaction price, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs. There are costs inherent in the transaction, which are capitalized.

Nonetheless, trade receivables falling due within one year for which there is no contractual interest rate, and loans to personnel, dividends receivable and receivables on called-up equity instruments expected to be collected in the short term are measured at their nominal amount, provided that the effect of not discounting the cash flows is not material.

They are measured subsequently at amortized cost. Accrued interest is recognized in profit or loss (finance income) using the effective interest rate method.

Receivables falling due within one year, as explained previously, are measured both initially and subsequently at their nominal amount unless they are credit-impaired.

In general, when contractual cash flows from a financial asset at amortized cost are modified due to financial difficulty of the issuer, the Company assesses whether to recognize an impairment loss.

Financial assets at cost

The Company includes, in any event, the following assets in this category:

- a) Equity investments in group companies, jointly controlled entities and associates (in the separate financial statements).
- b) Other equity investments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument or cannot be estimated reliably, and derivatives in which the underlyings are these investments.
- c) Hybrid financial assets whose fair value cannot be estimated reliably, except those that qualify for measurement at amortized cost.
- d) Contributions made as a result of joint account contracts or similar agreements.
- e) Profit participation loans with contingent interest payments, either because a fixed interest rate or a floating rate contingent on compliance with a milestone by the borrower (e.g. obtaining profits) is agreed or because it is calculated exclusively by reference to the borrower's financial performance.
- f) Any other financial asset classified initially in the portfolio of financial assets at fair value through profit or loss when it is not possible to obtain a reliable estimate of fair value.

Investments included in this category are measured initially at cost, which is equivalent to the fair value of the consideration given plus directly attributable transaction costs. There are costs inherent in the transaction, which are capitalized.

For investments in group companies, when an investment existed before its classification as an investment in a group company, jointly controlled entity or associate, cost is deemed to be the investment's recognized carrying amount immediately prior to the investee being classified as such.

The investment is also subsequently measured at cost, less any accumulated impairment.

Contributions received as a result of joint account contracts or similar are measured at cost plus or minus the gain or loss, respectively, attributable to the non-trustee venturer and less any accumulated impairment losses.

The same criteria are applied to profit participation loans with contingent interest payments, either because a fixed interest rate or a floating rate contingent on compliance with a milestone by the borrower (e.g. obtaining profits) is agreed or because it is calculated exclusively by reference to the borrower's financial performance. If an irrevocable fixed interest rate is agreed in addition to contingent interest, the fixed interest is recognized as finance income as accrued. Transaction costs are recognized in profit or loss on a straight-line basis over the term of the profit participation loan.

Derecognition of financial assets

The Company derecognizes a financial asset when:

- The contractual rights to the cash flows from the financial asset expire. In this case, a financial asset is derecognized when it has matured and the Company has received the related amount.
- The contractual rights to the cash flows from the financial asset have been transferred. In this case, the financial asset is derecognized when substantially all the risks and rewards incidental to ownership of the asset have been transferred. Specifically, in sales under repurchase agreements, factoring transactions and securitization of financial assets, after comparing the Company's exposure before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset, it is presumed that the risks and rewards have been transferred.

After evaluating the risks and rewards, the Company recognizes the derecognition of the financial assets as follows:

- a) The risks and rewards incidental to ownership of the asset have been substantially transferred. The transferred asset is derecognized and the Company recognizes the gain or loss on the transaction: the difference between the consideration received net of attributable transaction costs (considering any new asset obtained less any new liability assumed) and the carrying amount of the financial asset, plus any cumulative gain or loss previously recognized directly in equity.
- b) The Company retains substantially all the risks and rewards incidental to ownership of the asset. The financial asset is not derecognized and a financial liability is recognized for the amount of the consideration received.

- c) The Company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset. In this case, there are two possible situations:
- o Control is transferred (the transferee has the practical ability to sell the asset to a third party): the asset is removed from the balance sheet.
 - o Control is not transferred (the transferee does not have the practical ability to sell the asset to a third party): the Company continues to recognize the asset at the amount of its exposure to the variability in the value of the asset transferred asset, i.e. to the extent of its continuing involvement, and recognizes an associated liability.

Impairment of non-financial assets

Debt instruments at amortized cost or fair value through profit or loss

At least at each reporting date, the Company assess whether there is objective evidence that a financial asset, or group of financial assets with similar risk characteristics assessed on a collective basis, is impaired as a result of one or more events that occurred after initial recognition that result in a reduction or delay in the estimated future cash flows due to debtor insolvency.

Where such evidence exists, the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the future cash flows, including any cash flows from enforcement of collateral and personal guarantees, expected to be generated by the asset discounted at the effective interest rate calculated at initial recognition. For floating-rate financial assets, the effective interest rate at the reporting date, in accordance with the contractual terms, is used. The Company uses formula-based approaches or statistical methods to determine impairment losses in a group of financial assets.

Impairment losses and reversals thereof where the amount of the impairment loss decreases due to an event occurring after recognition are recognized as expenses and income, respectively, in profit or loss. The reversal is limited to the carrying amount of the asset that would have been recognized at the reversal date had no impairment loss been recognized.

The Company uses the instrument's market value as a substitute for the present value of future cash flows, provided that this value is sufficiently reliable to be considered representative of the amount the Company could recover.

For assets at fair value through equity, where there is objective evidence that the asset is impaired, accumulated losses recognized in equity for a decrease in fair value are recognized in profit or loss.

Equity instruments at fair value through equity

With this type of investment, the Company considers the instrument to be impaired after a decline of a year and a half or forty percent of its quoted price with no recovery in value. However, it may be necessary to recognize an impairment loss before this period has elapsed or before the quoted price has dropped by that percentage.

Impairment losses are recognized as an expense in profit or loss.

Where the fair value increases, the impairment recognized in prior periods shall not be reversed with a credit to the income statement; rather, the increase in fair value is recognized directly in equity.

Financial assets at cost

In this case, the impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment, estimated as either those from dividends expected to be received from the investee and the disposal or derecognition of the investment, or from the share in the cash flows expected to be generated by the investee in the ordinary course of business and from disposal or derecognition. When estimating impairment of these types of assets, the investee's equity is taken into consideration, corrected for any unrealized gains existing at the measurement date, net of the related tax effect, unless better evidence of the recoverable amount of the investment in equity instruments is available.

Impairment, and reversals thereof, are recognized as an expense or as income, respectively, in profit or loss. The loss can only be reversed up to the limit of the carrying amount of the investment that would have been disclosed at the reversal date had the impairment loss not been recognized.

Interest and dividends received from financial assets

Interest and dividends accrued on financial assets are recognized as income in the income statement. Interest is accounted for using the effective interest rate method, while dividends are recognized when the right to receive payment is established.

If distributed dividends are clearly derived from profits generated prior to the acquisition date because amounts have been distributed which are higher than the profits generated by the investee since acquisition, the difference is accounted for as a reduction in the carrying amount of the investment and not recognized as income. Judgment about whether gains have been generated by the investee is made based exclusively on profits recognized in the separate financial statements from the acquisition date, unless the dividend charged to those profits clearly represents a recovery of the investment for the entity receiving the dividend.

4.7 Financial liabilities

Classification and measurement

The Company classifies all its financial liabilities, at initial recognition, into one of the categories listed below:

- Financial liabilities at amortized cost
- Financial liabilities at fair value through profit or loss

Financial liabilities at amortized cost

The Company classifies all its financial liabilities in this category except those that must be measured at fair value through profit or loss.

In general, this category includes payables from trade transactions ("trade payables") and payable from non-trade transactions ("other payables").

Profit participation loans that have the characteristics of a basic lending agreement are also included in this category, but the loan agreed could be interest-free or at a below-market interest rate.

Financial liabilities classified in this category are measured initially at fair value. In the absence of evidence to the contrary, this is assumed to be the transaction price, which is equivalent to the fair value of the consideration received adjusted by directly attributable transaction costs. There are costs inherent in the transaction, which are capitalized.

Nonetheless, trade payables falling due within one year for which there is no contractual interest rate, and called-up equity holdings expected to be settled in the short term are measured at their nominal amount, provided that the effect of not discounting the cash flows is immaterial.

They are measured subsequently at amortized cost. Accrued interest is recognized in profit or loss (finance cost) using the effective interest rate method.

Nonetheless, payables falling due within one year measured at the nominal amount, in accordance with the preceding section, continue to be measured at that amount.

Contributions made as a result of joint account contracts or similar are measured at cost plus or minus the gain or loss, respectively, attributable to the non-trustee venturers.

The same criteria are applied to profit participation loans with contingent interest payments, either because a fixed interest rate or a floating rate contingent on compliance with a milestone by the borrower (e.g. obtaining profits) is agreed or because it is calculated exclusively by reference to the borrower's financial performance. Finance costs are recognized in profit or loss on an accrual basis, while transaction costs are recognized in profit or loss based on financial criteria or, if this does not apply, a straight-line basis over the term of the profit participation loan.

Derecognition of financial liabilities

The Company derecognizes a previously recognized financial liability in any of the following circumstances:

- The obligation is extinguished because the debtor has paid the creditor to discharge the liability (with cash or other goods or services) or the debtor is legally released from any responsibility for the liability.
- The Company repurchases financial liabilities, even if it intends to reissue them in the future.

- There is an exchange between a borrower and a lender of debt instruments with substantially different terms, in which case the new financial liability is recognized. Similarly, a substantial modification of the terms of an existing financial liability, as explained for debt restructuring, is also accounted for as an extinguishment.

Derecognition of a financial liability is accounted for as follows: the difference between the carrying amount of a financial liability (or part of that liability) extinguished and the consideration paid, including attributable transaction costs and any non-cash asset transferred or liability assumed, is recognized in profit or loss for the reporting period in which it arises.

4.8 Inventories

Inventories are measured at purchase price or production cost. The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, plus any additional costs incurred to bring the goods to a saleable condition, such as transport, import duties, insurance and other costs directly attributable to the acquisition of inventories. Production cost is determined by adding to the purchase price of the raw materials and other consumables, the costs directly attributable to the product. Also included is the proportional amount of costs indirectly attributable to the products that reasonably relates to the production, construction or manufacturing period incurred to bring the item into a saleable condition and are based on the level of usage of normal production capacity.

Borrowing costs are not included in the purchase price or production cost since the Company's inventories do not need more than one year to bring them to a saleable condition.

The Company uses the weighted average cost method to allocate value to inventories.

Write-downs are made and recognized as an expense in the income statement when the purchase price or production cost of inventories exceeds the net realizable value. No valuation allowances are made for raw materials and other consumables used in the production process if the finished products into which they will be incorporated are expected to be sold above cost.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash, current accounts, short-term deposits and purchases of assets under resale agreements which meet the following criteria:

- They are convertible to cash.
- They have a maturity of three months or less from the date of acquisition.
- There is no significant risk of changes in value.
- They form part of the Company's usual cash management strategy.

For the purposes of the statement of cash flows, include occasional overdrafts may also be included as a decrease in cash and cash equivalents when these form an integral part of the Company's cash management.

4.10 Current versus non-current classification

Assets and liabilities are classified in the balance sheet as current or non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Company'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.

4.11 Revenue and expenses

In accordance with the accruals principle, revenue and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs. The Company applies the 5-step model provided in the standards, although this did not have any significant impacts.

- Revenue from the sale of photovoltaic plants is recognized when the Company has transferred the significant risks and rewards incidental to ownership of the assets to the Group companies acquiring the plants and it no longer manages or retains effective control over them.
- Revenue from the rendering of services is recognized based on the contracts entered into with the various Group companies. Revenue is recognized in profit or loss when the Company renders these services.
- Rental income is recognized on a straight-line basis over the lease term.

4.12 Income tax

The Company is head of tax group 0191/10, which includes all the Spanish subsidiaries.

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 corresponding tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the corresponding tax expense is likewise recognized in equity, and in the initial recognition of business combinations, for which it is recognized in a similar manner to the other assets and liabilities of the acquiree.

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 balance sheet, as appropriate.

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

The Company 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.

On the initial recognition of business combinations, when the deferred tax assets of the acquiree do not qualify for separate recognition, the deferred assets recognized during the measurement period arising from new information on events and circumstances existing at the acquisition date adjust the amount of the related goodwill. Deferred tax assets recognized after the measurement period, or which arise from events or circumstances that did not exist at the acquisition date, are recognized in profit and loss or, if required by the standard, directly in equity.

At the end of each reporting period, the Company reassesses recognized and previously unrecognized deferred tax assets. Based on this analysis, the Company 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.

In addition to the aforementioned parameters used for the purposes of individual taxation, the determination of the income tax expense of the companies filing consolidated tax returns also takes into account the following:

- a) The temporary and permanent differences arising as a result of the elimination of the results of transactions between Group companies in the process used to calculate consolidated taxable profit or tax loss.
- b) The tax credits and tax relief of each company in the consolidated tax group; for these purposes, the tax credits or tax relief are allocated to the company that performed the activity or obtained the income required to give entitlement to the tax credit or tax relief.
- c) 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.

- d) 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.

4.15 Foreign currency transactions

The Company's functional and presentation currency is the euro. 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.

4.16 Environmental assets and liabilities

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation, are recognized in the year 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.

4.17 Related party transactions

Related party transactions are measured using the same criteria described above.

5. Intangible assets

The movements in the items composing "Intangible assets" are as follows:

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversals	Balance at December 31
2021				
Cost				
Computer software	101	10	-	111
	101	10	-	111
Accumulated amortization				
Computer software	-	(20)	-	(20)
	-	(20)	-	(20)
Carrying amount	101			91

(Thousands of euros)	Balance at January 1	Additions and allowances	Disposals and reversals	Balance at December 31
2020				
Cost				
Computer software	87	14	-	101
	87	14	-	101
Accumulated amortization				
Computer software	-	-	-	-
	-	-	-	-
Carrying amount	87			101

5.1 Significant movements

Additions in 2021 amounted to 10 thousand euros and related to development of the new software application acquired in 2020.

Additions in 2020 related to new accounting software for 87 thousand euros. The Company derecognized the previous software, which was fully amortized in 2020.

The Company did not have any fully amortized items of intangible assets still in use at December 31, 2021 and 2020.

6. Property, plant and equipment

The movements in the items composing "Property, plant and equipment" are as follows:

(Thousands of euros)	Balance at January 1	Additions, charges and impairment	Disposals	Balance at December 31
2021				
Cost				
Land and buildings	46,174	-	(20,199)	25,975
Technical installations	6,941	-	-	6,941
Machinery	34,411	-	(34,411)	-
Other property, plant, and equipment	1,843	148	(1,732)	259
	89,369	148	(56,342)	33,195
Accumulated depreciation				
Buildings	(10,510)	(233)	6,093	(4,650)
Technical installations	(5,450)	(256)	-	(5,706)
Machinery	(15,803)	-	15,803	-
Other property, plant, and equipment	(1,368)	(61)	1,356	(73)
	(33,131)	(550)	23,252	(10,428)
Valuation allowances for impairment losses				
Land and buildings	(14,521)	-	14,066	(455)
Machinery	(18,608)	-	18,608	-
Other property, plant, and equipment	(359)	-	359	-
	(33,488)	-	33,033	(455)
Carrying amount	22,750			22,312

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Notes to the financial statements for the year ended December 31, 2021

(Thousands of euros)	Balance at January 1	Additions, charges and impairment	Disposals	Balance at December 31
2020				
Cost				
Land and buildings	46,174	-	-	46,174
Technical installations	6,941	-	-	6,941
Machinery	34,411	-	-	34,411
Other property, plant, and equipment	1,821	22	-	1,843
	89,347	22	-	89,369
Accumulated depreciation				
Buildings	(10,249)	(261)	-	(10,510)
Technical installations	(5,199)	(251)	-	(5,450)
Machinery	(15,803)	-	-	(15,803)
Other property, plant, and equipment	(1,368)	-	-	(1,368)
	(32,619)	(512)	-	(33,131)
Valuation allowances for impairment losses				
Land and buildings	(14,521)	-	-	(14,521)
Machinery	(18,608)	-	-	(18,608)
Other property, plant, and equipment	(359)	-	-	(359)
	(33,488)	-	-	(33,488)
Carrying amount	23,240			22,750

6.1 Significant movements

Additions of property, plant and equipment in 2021 amounted to 148 thousand euros and related to additions of furniture. Additions of property, plant and equipment in 2020 amounted to 22 thousand euros and related to the refurbishment of the new offices leased from DTL Corporación S.L. and the purchase of furniture.

In 2021, the assets of the Puertollano factory were derecognized since they were fully impaired and no future economic benefits are expected from their use or disposal.

6.2 Operating leases

Operating leases - Company as lessee

Future minimum rentals payable under non-cancellable operating leases as at December 31 are as follows:

(Thousands of euros)	2021	2020
Within one year	550	355
After one year but not more than five years	1,629	1,705
	2,179	2,060

The Company has leased its central offices in Madrid, at calle Princesa 2, from DTL Corporación, S.L., the Company's majority shareholder, under the lease agreements entered into on July 1, 2009. The Company paid 550 thousand euros of rent in 2021 for these offices (2020: 355 thousand euros). The lease contract includes parking spaces.

Operating leases - Company as lessor

The Company has leased land to subsidiaries since 2009. It owns the assets, while the subsidiaries hold the permits, licenses and authorizations. Under the arrangements, at year-end 2021 the Company had ceded the use of its installations to Planta Solar Puertollano 4, S.L. The Company also leases land in Fuenmayor to its Planta Solar Puertollano 6, S.A. subsidiary, and the covering of a PV plant in Puertollano to Solaria Casiopea, S.A.

Rental income in 2021 from these leases, which are renewed annually and linked to revenue from power generation from the leases, amounted to 195 thousand euros (2020: 500 thousand euros), recognized under "Rendering of services" in the income statement (Note 15.1).

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

(Thousands of euros)	2021	2020
Within one year	441	516
After one year but not more than five years	2,841	2,841
More than five years	6,733	7,174
	10,015	10,531

6.3 Impairment

The breakdown of impairment of each asset is as follows:

(Thousands of euros) Asset	Nature	Impairment	
		12/31/2021	12/31/2020
Land in Dehesa Vaqueros	Rural property	(455)	(455)
Plant in Puertollano (Ciudad Real)	Industrial warehouse	-	(14,066)
Plant in Puertollano (Ciudad Real)	Installations I and II	-	(18,967)
TOTAL		(455)	(33,488)

Puertollano industrial warehouses: the Puertollano plant, technical installations and construction were fully depreciated. In 2021, they were recognized as the directors do not expect to obtain any future economic benefits from their use or disposal.

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 Company'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.

6.4 Other disclosures

The Company has mortgaged land in Dehesa Vaqueros with a net carrying amount of 1,245 thousand euros at December 31, 2021 and 2020.

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

There were no commitments to acquire any items of property, plant, and equipment at December 31, 2021 and 2020. The Company also did not have any capitalized interest expenses.

The Company 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.

7. Equity investments in group companies

The movements in items composing this item are as follows:

(Thousands of euros)	Balance at January 1	Additions	Disposals	Allowances	Reversals	Balance at December 31
2021						
Equity instruments						
Cost	80,829	-	-	-	-	80,829
Valuation allowances for impairment losses	(16)	-	-	-	-	(16)
	80,813					80,813
2020						
Equity instruments						
Cost	80,829	-	-	-	-	80,829
Valuation allowances for impairment losses	(16)	-	-	-	-	(16)
	80,813					80,813

7.1 Significant movements

There were no movements in 2021 and 2020.

7.2 Description of investments

The amounts of capital, reserves, profit or loss and other relevant information of direct investees are shown below:

12/31/2021- Thousands of euros	%						
Ownership interest	Direct ownership interest	Cost	Capital	Share premium + reserves	Profit/(loss)	Total equity	
Planta Solar Puertollano 4, S.L. (unaudited)	100%	-	3	-	(4)	(1)	
Planta Solar Puertollano 8, S.L. (unaudited)	100%	-	3	(324)	-	(321)	
Pronature, S.L. (unaudited)	6%	-	50	70	48	168	
Planta FV 4, S.L. (unaudited)	100%	-	3	679	(5)	677	
Solaria Italia, SRL (unaudited)	100%	-	-	-	-	-	
Generia Land, S.L. (unaudited)	100%	-	3	-	50	53	
Solaria energía y generación renovables, S.L. (unaudited)	100%	80,807	1,965	106,024	1,881	109,870	
Solaria energía y proyectos internacionales, S.L. (unaudited)	100%	-	3	(174)	-	(171)	
Solaria Promoción y Desarrollo Fotovoltaico, S.L. (unaudited)	100%	3	3	(1,468)	7,045	5,583	
Solaria Ingeniería y Construcción Fotovoltaica, S.L. (audited)	100%	3	3	36,913	51,750	88,666	
			80,813				

The profit or loss of the companies in the preceding table correspond entirely to continuing operations. None of the companies is listed on a stock exchange.

The main shareholding included under "Investments in group companies and associates" relates to Solaria Energía Generación Renovable, S.L., which does not show any indication of impairment.

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.

8. Financial assets

The breakdown of "Financial assets", excluding equity investments in group companies, jointly controlled entities and associates (Note 7), at December 31, is as follows:

(Thousands of euros)	Loans to group companies		Loans, derivatives and other		Total	
	2021	2020	2021	2020	2021	2020
Non-current financial assets						
Financial assets at amortized cost						
Loans to related parties (Note 15.1)	89,211	9,755	-	-	89,211	9,755
Non-current guarantees and deposits	-	-	334	334	334	334
	89,211	9,755	334	334	89,545	10,089
Current financial assets						
Financial assets at amortized cost						
Trade receivables	-	-	2,139	1,335	2,139	1,335
Trade receivables from group companies and associates (Note 15.1)	-	-	32,711	36,519	32,711	36,519
Current accounts with group companies (Note 15.1)	5,720	19,096	-	-	5,720	19,096
Current guarantees and deposits	-	-	78	148	78	148
	5,720	19,096	34,928	38,002	40,648	57,098
	94,931	28,851	35,262	38,336	130,193	67,187

The carrying amount of these financial assets does not differ significantly from their fair value.

Loans to group companies

This item at December 31, 2021, included a long-term credit facility granted to Solaria Energia Generación Renovable, S.L.U. amounting to 89,211 thousand euros (2020: 9,755 thousand euros). These facilities have no agreed maturity. However, collection is expected to be within a period of over 12 months. Settlements will be made based on the cash generated by the plants, also subject to cash sweep arrangements in the related financing.

Finance income on these loans to Group companies recognized in the income statement for the year ended December 31, 2021 amounted to 6,550 thousand euros (2020: 363 thousand euros) (Notes 14.7 and 15.1).

At December 31, 2021, current accounts with Group companies included 5,720 thousand euros for consolidated tax (2020: 1,289 thousand euros) (Note 13).

Trade and other receivables

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

(Thousands of euros)	2021	2020
Trade receivables	2,139	1,335
Trade receivables from group companies and associates (Note 15)	32,711	36,519
	34,850	37,854

Trade receivables relate primarily to a lease with a third party.

The fair value of these financial assets, calculated using the discounted cash flow method, does not differ significantly from their carrying amount.

Valuation allowances

The balance of "Trade receivables" is presented net of valuation allowances for impairment. Movements in these allowances are as follows:

(Thousands of euros)	2021	2020
Balance at January 1	-	4,235
Arising during the year	-	-
Unused amounts reversed	-	-
Other movements	-	(4,235)
Balance at December 31	-	-

In 2020, the Company removed doubtful trade receivables and the related valuation adjustments from the balance sheet, with no effect on the income statement.

9. Inventories

Inventories at December 31, 2021 and 2020 relate to costs incurred to develop new PV plants for sale to other Group companies on completion of construction. No allowances were made for write-downs at December 31, 2021 and 2020.

10. Cash and cash equivalents

The amount shown under this item includes only balances in current accounts with banks and cash at December 31, 2021 and 2020. There are no restrictions on these accounts.

11. Equity – capital and reserves

11.1 Registered capital

The Company'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.

The main 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%	100%

The shares comprising 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 2021. There are no restrictions on the free transferability of the shares.

11.2 Share premium

At December 31, 2021, the share premium amounted to 309,676 miles euros.

The share premium is unrestricted provided that its distribution does not reduce shareholders' equity to below share capital.

11.3 Reserves and retained earnings (prior years' losses)

The movement of items composing "Reserves" and "Retained earnings (prior years' losses)" is as follows:

(Thousands of euros)	Adjusted balance at January 1	Other changes	Distribution of profit/(loss)	Balance at December 31
2021				
Legal reserve	5,311	-	-	5,311
Voluntary reserves	31,328	8,720	-	40,048
	36,639			45,359
Prior years' losses	(163,565)	(366)	54,771	(109,160)
	(126,926)	8,354	54,771	(63,801)
2020				
Legal reserve	5,311	-	-	5,311
Voluntary reserves	31,328	-	-	31,328
	36,639	-	-	36,639
Prior years' losses	(194,059)		30,494	(163,565)
	(157,420)	-	30,494	(126,926)

Voluntary reserves are unrestricted provided that their distribution does not reduce shareholders' equity to below share capital.

Legal reserve

In accordance with the consolidated text of the Spanish Corporate Enterprises Act (texto refundido de la Ley de Sociedades de Capital), until the legal reserve exceeds the limit of 20% of share capital, it cannot be distributed to shareholders and can only be used to offset losses, if no other reserves are available for this purpose. This reserve can be used to increase capital by the amount exceeding 10% of the new capital after the increase.

The Company's legal reserve at both December 31, 2021 and 2020 amounted to 5,311 thousand euros, above the minimum threshold.

It may not be distributed and can only be used to offset losses if no other reserves are available. Any amount of the reserve used for this purpose must be restored with future profits.

12. Financial liabilities

The breakdown of "Financial liabilities" at December 31 is as follows:

(Thousands of euros)	Bank borrowings		Bonds and other marketable securities		Loans and borrowings with related parties		Derivatives and other		Total	
	(Note 12.1)		(Note 12.2)		(Note 15.1)		(Note 12.2)			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Non-current financial liabilities										
Liabilities at amortized cost or cost										
Non-current loans and borrowings	24	134	-	-	-	-	-	-	24	134
Finance lease payables	313	588	-	-	-	-	-	-	313	588
Non-current loans and borrowings with group companies and associates (Note 15.1)	-	-	-	-	5,411	23,800	-	-	-	23,800
Other financial liabilities	-	-	-	-	-	-	376	678	376	678
	337	722	-	-	5,411	23,800	376	678	713	25,200
Current financial liabilities										
Liabilities at amortized cost or cost										
Current loans and borrowings	3	5	48,551	-	-	-	-	-	48,554	5
Finance lease payables	275	234	-	-	-	-	-	-	275	234
Suppliers	-	-	-	-	-	-	64	69	64	69
Derivatives	-	-	-	-	-	-	-	42	-	42
Other payables	-	-	-	-	-	-	-	2	-	2
Personnel	-	-	-	-	-	-	2,492	1,497	2,492	1,497
Advances from customers	-	-	-	-	-	-	7	3	7	3
	278	239	48,551	-	-	-	2,563	1,613	51,392	1,852
	615	961	48,551	-	5,411	23,800	2,939	2,291	52,105	27,052

12.1 Bank borrowings

The breakdown of "Bank borrowings" at December 31 is as follows:

(Thousands of euros)	2021	2020
Non-current		
Bank loans and borrowings	24	134
Finance lease payables (Note 6.2)	313	588
	337	722
Current		
Bank loans and borrowings	3	5
Finance lease payables (Note 6.2)	275	234
	278	239
	615	961

The fair value of bank borrowings, calculated using the discounted cash flow method, does not differ significantly from their carrying amount.

Bank loans and borrowings

The Company's main outstanding loans at December 31, 2021 and 2020 are as follows:

Type of contract	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
Loan	La Caixa	01/02/2013	12/02/2024	519	27	139	24	3
Total				519	27	139	24	3

The loan bears a floating rate of interest at the Euribor rate plus a market spread.

Finance lease payables

The Company acquired the machinery of the Puertollano cell factory under a finance lease.

The main finance leases entered into by the Company and in force at December 31, 2021 and 2020 are as follows (Note 6):

Type of contract	Original lender	Date of original agreement	Final maturity	Original amount of the loan (thousands of euros)	Amount at 12/31/2021 (thousands of euros)	Amount at 12/31/2020 (thousands of euros)	Non-current at 12/31/2021 (thousands of euros)	Current at 12/31/2021 (thousands of euros)
Finance lease	Credit Agricole	12/13/2010	06/07/2023	3,000	588	822	313	275
Total				3,000	588	822	313	275

The reconciliation between the future minimum lease payments and the present value of these payments, and the various maturities are as follows:

(Thousands of euros)	2021	2020
Within one year	275	234
After one year but not more than five years	313	588
Present value of finance lease liabilities	588	822

12.2 Other financial liabilities

Other financial liabilities at December 31:

(Thousands of euros)	2021	2020
Non-current		
Loans and borrowings with group companies and associates (Note 15)	5,411	23,800
Other financial liabilities	376	678
	5,787	24,478
Current		
Bonds and other marketable securities	48,551	-
Derivatives	-	42
Trade and other payables	2,563	1,571
	51,114	1,613
	56,901	26,091

The fair value of these financial liabilities, calculated using the discounted cash flow method, did not differ significantly from their carrying amount.

Loans and borrowings from group companies and associates

These related to payables with no agreed maturity, but with payment expected to take place within a period of over 12 months.

Bonds and other marketable securities

On March 18, 2021, the Company 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.

Current trade and other payables

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

(Thousands of euros)	2021	2020
Suppliers	64	69
Other payables	-	2
Personnel	2,492	1,497
Advances from customers	7	3
	2,563	1,571

13. Tax matters

The breakdown of tax assets and tax liabilities at December 31 is as follows:

(Thousands of euros)	2021	2020
Deferred tax assets	38,456	44,207
Other receivables from public authorities	143	3,792
	38,599	47,999
Current tax liabilities	(1,845)	(1,450)
Other payables to public authorities	(122)	(910)
	(1,967)	(2,360)

Since 2010, the Company 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 has expired. The Company is open to inspection of all taxes to which it is liable for the last four years.

The Company'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 Company's transactions.

13.1 Calculation of income tax expense

Set out below is the reconciliation of net income and expense for the year to taxable income (tax loss):

(Thousands of euros)	2021		
	Income statement		
	Increases	Decreases	Total
Profit for the year	-	-	59,063
Income tax	-	-	1,041
Profit before tax			60,104
Permanent differences			
Of the parent			-
Temporary differences			
Of the parent	-	(5,405)	(5,405)
Elimination of internal re invoicing among companies in the tax group	3,070	(53,039)	(49,969)
Offset of unused tax losses	-	(1,691)	(1,691)
Taxable income			3,039

Reconciliation of accounting profit and taxable income for 2020:

(Thousands of euros)	2020		
	Income statement		
	Increases	Decreases	Total
Profit for the year			54,771
Income tax			(42,649)
Profit before tax			12,122
Permanent differences			
Of the parent	24	-	24
Temporary differences			
Of the parent	-	(2,905)	(2,905)
Elimination of internal re invoicing among companies in the tax group	-	(6,803)	(6,803)
Offset of unused tax losses	-	(814)	(814)
Taxable income			1,624

The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by the applicable tax rates is as follows:

(Thousands of euros)	2021	2020
Profit before tax	60,104	12,122
Theoretical tax charge (25%)	15,026	3,031
Permanent differences	-	6
Elimination of internal re invoicing among companies in the tax group	(12,492)	(1,701)
Recognition of deferred tax assets (Note 13.2)	-	(42,932)
Other / adjustments in respect of prior years	(1,493)	(1,063)
Effective tax expense/(income)	1,041	(42,659)

The breakdown of income tax expense/(income) is as follows:

(Thousands of euros)	2021	2020
Current tax (25% of taxable income)	760	406
Tax credits used in the year	(201)	(123)
Change in deferred taxes with impact on the income statement	1,975	(42,932)
Other / adjustments in respect of prior years	(1,493)	-
Effective tax expense/(income)	1,041	(42,649)

Income tax payable/(refundable) is as follows:

(Thousands of euros)	2021	2020
Current tax	760	406
Credits used	(201)	(133)
Withholdings and payments on account	(638)	(112)
Payable on behalf of subsidiaries as head of the tax group	1,924	1,289
Total amount payable/(refundable)	1,845	1,450

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)	Changes reflected in			Balance at December 31
	Balance at January 1	Income statement	Other movements	
2021				
Deferred tax assets				
Tax losses	35,455	(423)	(3,920)	31,112
Unused tax credits	4,798	(201)	-	4,740
Other temporary differences that will reverse	3,954	(1,351)	-	2,603
	44,207	(1,975)	(3,920)	38,456

The amount of changes in deferred tax assets under "Other movements" relates to the recognition of tax losses for consolidated tax.

(Thousands of euros)	Changes reflected in		
	Balance at January 1	Income statement	Balance at December 31
2020			
Deferred tax assets			
Tax losses	1,275	34,180	35,455
Unused tax credits	-	4,798	4,798
Other temporary differences that will reverse	-	3,954	3,954
	1,275	42,932	44,207

Unused tax losses

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

Year arising	Thousands of euros	
	2021	2020 (*)
2008	6,671	6,671
2009	4,252	4,252
2011	41,905	54,268
2012	23,180	23,180
2013	53,353	53,353
2014	2,252	2,252
	131,613	143,976

(*) 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 that year. The impact was included as part of the amount of "Adjustment in respect of prior years" for 2021.

In 2021, the Company applied its own taxable income of 1,691 thousand euros and taxable income for consolidated tax for a total of 10,672 thousand euros (Note 13.1).

Temporary differences due to limitations on the tax deductibility of depreciation

At December 31, 2021, the Company, availing itself of Article 29.1 of Law 27/2014, of November 28, and since the limitation on the tax deductibility of depreciation established in Article 7 of Law 16/2012 is applicable to it, had temporary differences that will reverse amounting to 2,590 thousand euros (2020: 3,454 thousand euros).

Temporary differences due to limitations on the tax deductibility of finance costs

In accordance with Royal Decree-Law 12/2012, enacted on March 30, 2012 and subsequently amended by Royal Decree-Law 20/2012, introducing a limitation on the tax deductibility of finance costs, at December 31, 2020 the Company had temporary differences that will reverse in this connection amounting to 7,238 thousand euros (2020: 12,365 thousand euros).

Unused tax credits

At December 31, 2021, the Company had unused tax credits amounting to 4,740 thousand euros (2020: 4,798 thousand euros).

Assessment of the recoverability of deferred tax assets

The directors estimated the Company'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 Company recognized deferred tax assets for all the items shown above, recognizing a total amount at December 31, 2021 of 38,456 thousand euros (2020: 44,207 thousand euros). In 2021, the Company recognized unused tax losses as envisaged in the business plan.

14. Revenue and expenses

14.1 Revenue

The breakdown of the Company's revenue from continuing operations by business segment is as follows:

(Thousands of euros)	2021	2020
Sale of inventories	66,999	22,069
Rendering of operation and maintenance services	877	758
Leases and other services	875	923
	68,751	23,750

Revenue relates mainly to transactions with other Solaria Group companies. The increase was driven by growth in PV plant construction activity, in line with the Group's business plan.

14.2 Cost of sales

The breakdown of cost of sales is as follows:

(Thousands of euros)	2021	2020
Merchandise used	25	60
Subcontracted work	3,790	5,333
	3,815	5,393

14.3 Other income

"Other income" relates primarily to revenue from administration and management services.

14.4 Foreign currency transactions

The Company did not carry out any transactions in foreign currency in 2021 and 2020.

14.5 Personnel expenses

The breakdown of "Personnel expenses" is as follows:

(Thousands of euros)	2021	2020
Salaries, wages and similar		
Salaries and wages	7,881	6,291
Employee benefits expense		
Social Security	1,380	1,013
	9,261	7,304

There are no pension or similar commitments with Company employees.

14.6 External services

The breakdown of "External services" is as follows:

(Thousands of euros)	2021	2020
Leases (Note 6)	685	515
Repairs and maintenance	13	26
Independent professional services	2,845	1,099
Transport	-	1
Insurance premiums	507	193
Banking services	146	34
Advertising, publicity and public relations	-	3
Utilities	133	116
Other services	1,175	544
	5,504	2,531

14.7 Finance income

The breakdown of "Finance income" is as follows:

(Thousands of euros)	2021	2020
Interest on loans to group companies (Note 15)	6,550	363
Interest on loans to third parties	208	395
	6,758	758

14.8 Finance costs

The breakdown of "Finance costs" is as follows:

(Thousands of euros)	2021	2020
Interest on third-party borrowings	475	142
	475	142

15. Related party transactions

Related parties with which the Company carried out transactions in 2021 and 2020 and the nature of the relationship are as follows:

	Nature of the relationship
DTL Corporación, S.L.	Direct parent
Globasol Villanueva 1, S.A.U.	Group company
Planta Solar Puertollano 4, S.L.	Group company
Planta Solar Puertollano 6, S.A.U.	Group company
Planta Solar Puertollano 8, S.L.	Group company
Planta Solar Puertollano 10, S.L.	Group company
Solaria Energía Generación Renovable, S.L.U.	Group company
Solaria Casiopea, S.A.U.	Group company
Magacela Solar 1, S.A.U.	Group company
Guleve Investments, S.L.	Group company
Lerapa Investments, S.L.	Group company
Planta FV 3, S.L.	Group company
Planta FV 4, S.L.	Group company
Planta FV 100, S.L.	Group company
Planta FV 101, S.L.	Group company
Planta FV 102, S.L.	Group company
Planta FV 103, S.L.	Group company
Planta FV 104, S.L.	Group company
Planta FV 105, S.L.	Group company
Planta FV 106, S.L.	Group company
Planta FV 107, S.L.	Group company
Planta FV 112, S.L.	Group company
Planta FV 113, S.L.	Group company
Planta FV 114, S.L.	Group company
Planta FV 115, S.L.	Group company
Planta FV 116, S.L.	Group company
Vía Láctea Fotovoltaica, S.L.	Group company
CFV Triangulum Australe, S.L.	Group company
Planta FV120, S.L.	Group company
Planta FV125, S.L.	Group company
Planta FV126, S.L.	Group company
Solaria Ingeniería y Construcción Fotovoltaica, S.L.	Group company
Directors	Directors
Senior management	Executives

15.1 Related parties

The breakdown of related party balances is as follows:

(Thousands of euros)	Other group companies
2021	
Non-current loans (Note 8)	89,211
Trade receivables and current account (Note 8)	38,431
2020	
Non-current loans (Note 8)	9,755
Group current accounts (Note 8)	19,096
Trade receivables (Note 8)	36,519
Non-current loans and borrowings (Note 12)	(23,800)

The breakdown of related party transactions is as follows:

(Thousands of euros)	Direct parent	Other group companies	Total
2021			
Sales	-	66,999	66,999
Rendering of services	-	1,240	1,240
Other operating income (Note 14.3)	-	532	532
External services (Note 6)	(550)	-	(550)
Finance income - Interest (Note 14.8)	-	6,550	6,550
2020			
Sales	-	22,069	22,069
Rendering of services	-	1,375	1,375
Other operating income (Note 14.3)	-	187	187
External services (Note 6)	(515)	-	(515)
Finance income - Interest (Note 14.8)	-	363	363

All related party transactions relate to the Company's normal trade operations and are carried out on an arm's length basis, similar to transactions with unrelated parties.

15.2 Directors and senior management

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

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

The civil liability insurance premiums were paid on behalf of directors for damages caused in 2021 or 2020.

At December 31, 2021 and 2020, the Company 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 Company.

16. Nature and extent of risks arising from financial instruments

The risk management policies are established by management and were approved by the Company's directors. Based on these policies, the Finance Department has established a series of procedures and controls that make it possible to identify, measure, and manage the risks arising from financial instrument activity. These policies stipulate, *inter alia*, that the Company may not use derivatives for speculative purposes.

Financial instrument activity exposes the Company to credit, market, and liquidity risk.

16.1 Credit risk

Credit risk arises when there is a possible loss caused by the Company's counterparty not meeting its contractual obligations, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established time frame.

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.

Regarding credit risk arising from receivables, the Company does not consider that credit risk is high since they relate mainly to Group companies and associates.

In addition, the Business Development Department and the Finance Department set individual credit limits for each customer based on information received from an entity specialized in analyzing the companies' solvency.

The breakdown of "Trade and other receivables" by age at December 31 is as follows:

(Thousands of euros)	Continuing operations (Note 8)	
	2021	2020
Not past due	1,469	665
Past due but not non-performing	670	670
Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 60 and 90 days	-	-
Between 90 and 120 days	-	-
Over 120 days	670	670
Non-performing	-	-
Impairment losses (Note 8)	-	-
Total	2,139	1,335

16.2 Market risk

Foreign currency risk

As explained in Note 14.4, the Company did not carry out any transactions in foreign currency in 2021 and 2020, so it was not exposed to this risk.

Price risk

The Company manages this risk by considering current market conditions when transactions are carried out, assessing the possibility of signing contracts with fixed prices.

Cash flow interest rate risk

Interest rate risk arises from bank borrowings. The Company is exposed to cash flow interest rate from its floating-rate bank borrowings. Solaria's policy is to enter into derivatives to hedge interest rate risk on certain loans indexed to a floating interest rate. All the Company's bank borrowings indexed to floating rates are denominated in euros.

Solaria's debt structure at December 31, 2021 and 2020 is as follows:

(Thousands of euros)	2021	2020
Fixed-rate borrowings	27	139
Floating-rate borrowings	588	822
Total	615	961

16.3 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. Due to the dynamic nature of the underlying businesses, an objective of the Company's Finance Department is to maintain flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts for the Company's liquidity reserves based on estimated cash flows. The Company ensures its solvency and has sufficient cash to meet all its obligations.

Capital management and indebtedness:

The objectives of the Company's capital management are to safeguard its ability to continue as a going concern, provide a return to shareholders, and maintain an optimal capital structure to reduce the cost of capital. Company management monitors capital using a gearing ratio.

This ratio is calculated as net debt divided by equity. Net debt is calculated as total interest-bearing loans and borrowings less cash and cash equivalents. Capital includes the sum of share capital plus reserves and retained earnings, as shown in the balance sheet.

The Company'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.

16.4 Development risk

Project development includes a phase involving red tape and bureaucracy with public administrations, so the Company 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.

16.5 Capital management

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

The Company 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 Company 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 Company, 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.

17. Other disclosures

17.1 Headcount

The breakdown of the Company's employees by professional category is as follows:

	Total number of employees at year-end by professional category and gender			Average number of employees with a disability of a severity of > 33% as a percentage of the total in the year
	Men	Women	Total	
2021				
Executives	8	-	8	-
Middle managers	14	6	20	-
Technical personnel	53	22	75	1
	75	28	103	1
2020				
Executives	8	-	8	-
Middle managers	10	5	15	-
Technical personnel	62	19	81	2
	80	24	104	2

The breakdown of the Company's average number of employees by professional category is as follows:

	Average number of employees at year-end by professional category and gender			Average number of employees with a disability of a severity of > 33% as a percentage of the total in the year
	Men	Women	Total	
2021				
Executives	8	-	8	-
Middle managers	12	7	19	-
Technical personnel	44	23	67	1
	64	30	94	1
2020				
Executives	7	-	7	-
Middle managers	7	3	10	-
Technical personnel	41	14	55	2
	55	17	72	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 of separate financial statements	46	46
Other services	85	35
	131	81

17.3 Environmental disclosures

The Company 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 Company 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.

The directors of the Company consider that no significant contingencies exist with respect to environmental protection and improvement. Therefore, they did not consider it necessary to recognize any provision in this connection.

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

Disclosures regarding the average supplier payment period:

	2021	2020
(Days)		
Average supplier payment period	51	55
Ratio of transactions paid	52	63
Ratio of transactions outstanding	55	60
(Thousands of euros)		
Total payments made	4,881	21,600
Total payments outstanding	63	69

17.5 Bank guarantees

At December 31, 2021, the Company had contingent liabilities for bank and other guarantees related to its normal business operations amounting to 427,820 thousand euros (2020: 399,269 thousand euros). The Company does not expect any significant liabilities to arise from these guarantees.

18. Events after the reporting period

No significant events occurred between December 31, 2021 and the date of authorization for issue of these financial statements.



Solaria Energía y Medio Ambiente, S.A.
2021 Management Report

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1. Situation and changes in the Group's composition

Solaria Energía y Medio Ambiente (“Solaria” or “the Company”) 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 Energia, S.r.l., Serre UTA S.r.l., Sardegna Agrienergia Uno, S.r.l., Ollastra Energia, 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 Energia 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.

2. Key highlights

2.1 Financing arrangements

Type of arrangement	Entity	MW financed	Amount
Promissory note issue	MARF	-	€48.8M
Financing	Natixis	261	\$115M
Financing	La Banque Postale	64	€23M
Financing	La Banque Postale	150	-

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 a preliminary agreement with La Banque Postale regarding long-term financing of 150 MW.

2.2 Power purchase agreements

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

2.3 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.

3. Financial information

3.1 Income statement

The key income statement items in relation to the accompanying financial statements are discussed below.

For the year ended December 31, 2021, the Company reported revenue of 68,751 thousand euros, profit before tax of 60,104 thousand euros, and profit for the year of 59,063 thousand euros. The breakdown of revenue in 2021 and 2020 is as follows:

	2021	2020
Sale of inventories	66,999	22,070
Rendering from operation and maintenance services	877	758
Leases and other services	875	922
Total	68,751	23,750

Personnel expenses and other operating expenses rose sharply in 2021 (by 27% and 121%, respectively from 2020) due to the Company's expansion process, which resulted in an increase in headcount and drove up overheads.

Net finance income for 2021 amounted to 6,740 thousand euros.

3.1 Balance sheet

Balance sheet highlights included growth in inventories from 2020 due to capitalized development expenditure related to new projects located in Spain. Once construction of the PV plants is completed, the Company will re-invoice the amounts to the SPVs that will manage the various projects.

In 2021, the Company issued 48.8 million euros of promissory notes maturing in 2020 (Note 2). This explains the sharp increase in "Short-term bonds and debentures" and the increase in "Cash" at year-end 2021.

4. Main risks

4.1 Market risk

The Company 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 the Group began announcing in 2020, there is a commitment to increasing projects outside Spain.

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

4.2 Development risk

Project development includes a phase involving red tape and bureaucracy with public administrations, so the Company 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.

4.3 Liquidity risk

The Company ensures its solvency and has sufficient cash to meet all its obligations.

4.4 Capital management

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

The Company 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 Company 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 Company, 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.

4.5 Risk related to financial instruments

Market risk

a) Foreign currency risk

The Company operates internationally and is therefore exposed to foreign currency risk in its transactions with foreign currency, especially the US dollars. Foreign currency risk arises mainly from distributions from subsidiaries. This risk is largely minimized since they operate in the same currency.

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

b) Price risk

The Company is exposed to commodity price risk. Management manages this risk by considering current market conditions when transactions are carried out, assessing the possibility of signing contracts with fixed prices.

c) Cash flow interest rate risk

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

The Company 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 Company's Finance Department is to maintain flexibility in funding by maintaining availability under committed credit lines.

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

5 Strategy and outlook

Major development and investment efforts made over the past three years are now beginning to bear fruit, with the Company 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 1,958 MW now in operation and under construction. Adding up the projects in public exhibition, which amount to over 2,550 MW, the Group already has high visibility into more than 4,508 MW, above its target for 2024.

As part of its expansion plan, Solaria started up four PV plants of 63 MW in Portugal on May 17. It has another 440 MW under development that will be installed as of 2023, achieving its target of reaching 500 MW in Portugal by 2025.

At the same time, the team has grown in Italy, where three development hubs will be set up in Sicily (south), Lazio (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.

6 Average supplier payment period

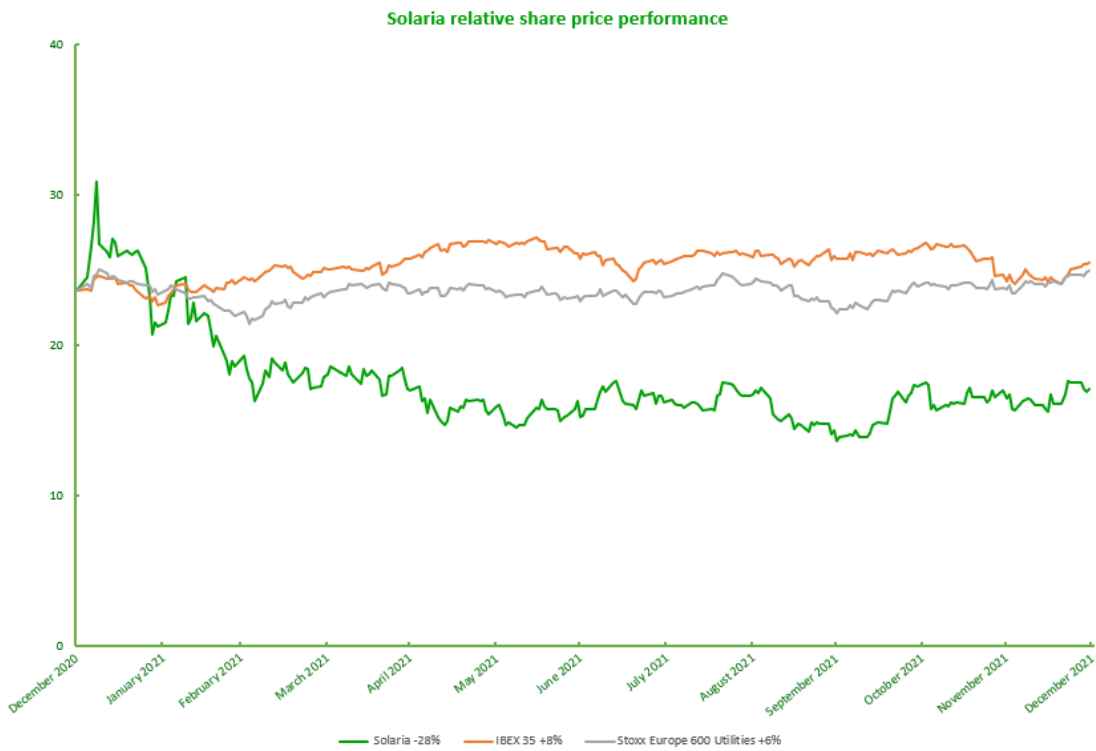
Disclosures regarding the average supplier payment period:

	2021	2020
<i>(Days)</i>		
Average supplier payment period	51	55
Ratio of transactions paid	52	63
Ratio of transactions outstanding	55	60
<i>(Thousands of euros)</i>		
Total payments made	4,881	21,600
Total payments outstanding	63	69

7 Events after the reporting period

No significant events took place between December 31, 2021 and the date of authorization for issue of the financial statements.

8 Share price performance



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

SIGNATORIES

SIGNATURE

Enrique Díaz-Tejeiro Gutiérrez
Chairman of the Board

(Signed on the original version in Spanish)

Manuel Azpilicueta Ferrer
Director

(Signed on the original version in Spanish)

Carlos Abad Rico Board member
Director

(Signed on the original version in Spanish)

Elena Pisonero Ruiz
Director

(Signed on the original version in Spanish)

Arturo Díaz-Tejeiro Larrañaga
Director

(Signed on the original version in Spanish)

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

(Signed on the original version in Spanish)

