SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Audit Report, Consolidated Annual Accounts
And consolidated Directors' Report for the year ended
31 December 2008

PRICEWATERHOUSECOOPERS

Paseo de la Castellana, 43
28046 Madrid
Tel. +34 902 021 111
Fax +34 913 083 566

REPORT OF THE AUDITORS ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the shareholders of Solaria Energía y Medio Ambiente, S.A.

We have audited the consolidated annual accounts of Solaria Energía y Medio Ambiente, S.A. (Parent Company) and subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2008, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Parent Company. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

As mentioned in Note 2.1 to the accompanying consolidated annual accounts, as 2008 is the first year in which consolidated annual accounts have been drawn up, the Parent Company's Directors have presented, for comparative purposes only, for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and notes to the consolidated annual accounts, the corresponding amounts for the previous year obtained from the Parent Company's individual financial statements drawn up under international financial reporting standards adopted by the European Union as well as the amounts for 2008. Our opinion refers solely to the 2008 consolidated annual accounts. On 11 March 2008 we issued our audit report on the 2007 individual financial statements, in which we expressed an unqualified opinion.

As mentioned in Note 27 to the accompanying consolidated annual accounts, on 21 January 2009 Solaria Energía y Medio Ambiente, S.A. executed in a public deed the purchase and sale of the solar energy park located in Alhama (Murcia). The contract was signed with the Fotowatio Group and covered the sale of shareholdings in the subsidiary named Alhama Solar, S.L. and the construction of the solar energy plant at the same location. A maintenance contract for the plant with term of five years was also concluded. The operation amounted to approximately €45 million, which was collected in full on the above date.

In our opinion, the accompanying consolidated financial statements for 2008 present fairly, in all material respects, the financial position of Solaria Energía y Medio Ambiente, S.A. and its subsidiaries at 31 December 2008 and the consolidated results of their operations, changes in consolidated recognised income and expense and consolidated cash flows for the year then ended and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards adopted by the European Union which are consistent with those applied in the previous year.

The accompanying consolidated Directors' Report for 2008 contains the information that the Parent Company's Directors consider relevant to the Group's position, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the financial information contained in the aforementioned Directors' Report coincides with that of the financial statements for 2008. Our work as auditors is limited to checking the Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records of Solaria Energía y Medio Ambiente, S.A. and subsidiary companies.

PricewaterhouseCoopers Auditores, S.L.

Original signed by Iñaki Goiriena Basualdu
Partner

31 March 2009

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3
Inscrita en el R.O.A.C. con el número S0242 - CIF: B 79031290

Solaria

CONTENTS OF THE CONSOLIDATED ANNUAL ACCOUNTS FOR SOLARIA GROUP

Note		Page
	Consolidated balance sheets	3 and 4
	Consolidated income statements	5
	Consolidated statements of changes in equity	6
	Consolidated cash flow statements	7
	Notes to the consolidated annual accounts:	8
1	General information	8
2	Accounting policies	9
	2.1. Basis of presentation	9
	2.2. Consolidation principles	18
	2.3. Segment information	19
	2.4. Foreign currency transactions	19
	2.5. Intangible assets	20
	2.6. Research and development costs	21
	2.7. Property, plant and equipment	22
	2.8. Interest costs	23
	2.9. Impairment of non-financial assets	23
	2.10. Leases	23
	2.11. Financial assets	24
	2.12. Derivative financial instruments and hedging	27
	2.13. Inventories	29
	2.14. Cash and cash equivalents	30
	2.15. Equity	30
	2.15. Government grants	30
	2.17. Trade and other payables	31
	2.18. Bank borrowings	32
	2.19. Provisions	32
	2.20. Employee benefits	33
	2.21. Corporate income tax	33
	2.22. Revenue recognition	34
	2.23. Dividend distribution	36
	2.24. Environment	36
3	Financial risk management	36
	3.1. Financial risk factors	36
	3.2. Management of equity and borrowing levels	40
	3.3. Fair value estimation	41
4	Accounting estimates and judgments	42
5	Segment information	45
6	Property, plant and equipment	49
7	Intangible assets	52

8	Financial assets available for sale and other financial assets	53
9	Loans to related companies	54
10	Inventories	55
11	Trade and other receivables	56
12	Cash and cash equivalents	57
13	Equity	58
14	Government grants	63
15	Bank borrowings	66
16	Trade and other payables	75
17	Derivative financial instruments	76
18	Corporate income tax and tax situation	78
19	Income and expense	82
20	Earnings per share	85
21	Cash generated from operations	86
22	Related-party transactions	87
23	Other information	89
24	Warranties	90
25	Commitments	93
26	Business combinations	94
27	Subsequent events	94
	EXHIBIT I – Subsidiaries included in the scope of consolidation	96

Solaria

SOLARIA GROUP
CONSOLIDATED BALANCE SHEETS
(Thousand euro)

	Note	At 31 December	
		2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	6	70,099	32,743
Intangible assets	7	18	17
Financial assets available for sale and other financial assets	8	34	34
Deferred tax assets	18	13,471	5,689
		83,622	38,483
Current assets			
Inventories	10	183,618	34,786
Trade and other receivables	11	61,718	147,390
Loans to related companies	9	42,244	30,612
Financial assets available for sale and other financial assets	8	-	508
Derivative financial instruments	17	-	13
Current tax assets	18	7,603	29
Cash and cash equivalents	12	10,142	153,163
		305,325	**366,501**
Total assets		**388,947**	**404,984**

Solaria

SOLARIA GROUP

CONSOLIDATED BALANCE SHEETS
(Thousand euro)

	Note	At 31 December 2008	2007
EQUITY			
Capital and reserves attributable to Company shareholders	13		
Equity		1,011	1,011
Share premium		213,586	213,586
Reserves		49,782	3,280
Treasury shares		(8,540)	-
Restatement reserves		(509)	(5,081)
Reserves in companies consolidated using the full consolidation method		13	-
Profit/(loss) for the year		(21,462)	48,400
Total equity		**233,881**	**261,196**
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	13,017	14,581
Finance leases	15	16,357	-
Deferred revenues	14	4,862	4,870
Deferred tax liabilities	18	993	1,171
		35,229	**20,622**
Current liabilities			
Bank borrowings	15	63,704	43,916
Trade and other payables	16	54,174	55,896
Other current liabilities		2	-
Deferred revenues	14	-	59
Derivative financial instruments	17	1,957	8,245
Current tax liabilities	18	-	15,050
		119,837	**123,166**
Total liabilities		**155,066**	**143,788**
Total equity and liabilities		**388,947**	**404,984**

Notes 1 through 27 form an integral part of the consolidated annual accounts.

The figures relating to 2007 originate from the audited individual financial statements prepared by Solaria Energía y Medio Ambiente, S.A. while the figures for 2008 relate to the consolidated annual accounts for Solaria Group, in both cases prepared in accordance with the provisions established by International Financial Reporting Standards adopted by the European Union (IFRS EU) as is described in Note 2.1.

Solaria

SOLARIA GROUP

CONSOLIDATED INCOME STATEMENTS (Thousand euros)

	Note	Year ended 31 December 2008	2007
Sales	11	119,118	186,209
Other revenues	11	2,241	-
Sales returns	11	(9,433)	-
Changes in inventories of finished products and work in progress	10	153,646	-
Deferred revenues transferred to the income statement	14	67	44
Operating grants		3	166
Other revenues		4	9
Consumption of raw and other consumable materials:	19(b)	(243,014)	(99,787)
External expenses		-	(3,743)
Personnel costs	19(c)	(15,935)	(8,075)
Amortization/depreciation expense	6 and 7	(1,728)	(617)
External service expense	19(d)	(7,947)	(3,125)
Change in provisions	10 and 11	(23,676)	-
Net loss on the disposal of non-current assets	19(e)	-	(3)
Operating profit		**(26,654)**	**71,078**
Finance expense	19(f)	(14,248)	(3,948)
Financial income	19(f)	10,244	4,421
Profit before income tax		**(30,658)**	**71,551**
Corporate income tax	18	9,196	(23,151)
Profit/(loss) for the year		**(21,462)**	**48,400**
Earnings per share for profit attributable to Company shareholders during the year (expressed in euros per share)			
- Basic and diluted	21	(0.21)	090

Notes 1 through 27 form an integral part of the consolidated annual accounts.

The figures relating to 2007 originate from the audited individual financial statements prepared by Solaria Energía y Medio Ambiente, S.A. while the figures for 2008 relate to the consolidated annual accounts for Solaria Group, in both cases prepared in accordance with the provisions established by International Financial Reporting Standards adopted by the European Union (IFRS EU) as is described in Note 2.1.

SOLARIA GROUP
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Thousand euro)

	Attributable to Company shareholders								
	Equity	Share premium (Note 14)	Legal reserve	Voluntary reserves	Measurement adjustment reserve (Note 14)	Reserves in companies consolidated using full consolidation method	Treasury shares	Profit/(loss) for the year	TOTAL EQUITY
Balance at 31 December 2006	777	-	11	36	-	-	-	**5,643**	**6,467**
Profit for the year	-	-	-	-	-	-	-	48,400	48,400
Total income recognized in 2007	-	-	-	-	-	-	-	**48,400**	**48,400**
Distribution of 2006 profit	-	-	550	2,683	-	-	-	(5,643)	(2,410)
Share capital increase	234	210,006	-	-	-	-	-	-	210,240
Cash flow hedges	-	-	-	-	(7,259)	-	-	-	(7,259)
Tax effect	-	3,580	-	-	2,178	-	-	-	5,758
Balance at 31 December 2007	**1,011**	**213,586**	**561**	**2,719**	**(5,081)**	-	-	**48,400**	**261,196**
Profit for the year	-	-	-	-	-	-	-	(21,462)	(21,462)
Total income recognized in 2008	-	-	-	-	-	-	-	**(21,462)**	**(21,462)**
Share capital increases	-	-	-	-	-	-	-	-	-
Distribution of 2007 profit	-	-	4,750	43,650	-	-	-	(48,400)	-
Cash flow hedges	-	-	-	-	6,532	-	-	-	6,532
Trading in treasury shares	-	-	-	(1,966)	-	-	(8,540)	-	(10,506)
Other movements	-	-	-	68	-	13	-	-	81
Tax effect	-	-	-	-	(1,960)	-	-	-	(1,960)
Balance at 31 December 2008	**1,011**	**213,586**	**5,311**	**44,471**	**(509)**	**13**	**(8,540)**	**(21,462)**	**233,881**
Notes 1 through 27 form an integral part of the consolidated annual accounts.									

The figures relating to 2007 originate from the audited individual financial statements prepared by Solaria Energía y Medio Ambiente, S.A. while the figures for 2008 relate to the consolidated annual accounts for Solaria Group, in both cases prepared in accordance with the provisions established by International Financial Reporting Standards adopted by the European Union (IFRS EU) as is described in Note 2.1.

Solaria

SOLARIA GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS (Thousand euros)

	Note	Year ended 31 December 2008	2007
Cash flows from operating activities:			
Cash used in operations	21	(101,360)	(67,257)
Interest paid		(11,888)	(2,905)
Corporate income tax paid		(22,624)	(9,800)
Net cash used in operations		(135,872)	(79,962)
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(22,629)	(26,060)
Income from the disposal of property, plant and equipment	22	-	77
Acquisition of intangible assets		(23)	(12)
Deposits		(55)	(522)
Withdrawal of deposits		508	600
Repayment of loans granted to related parties		-	591
Interest received		8,272	4,378
Net cash used in investing activities		**(13,927)**	**(20,948)**
Cash flows from financing activities:			
Income from the issue of ordinary shares		-	210,240
Dividends paid		-	(2,410)
Purchases of treasury shares		(10,506)	-
Interest on bank loans and overdrafts		-	34,292
Repayment of bank loans and overdrafts		(690)	(739)
Net income from current accounts at credit institutions		14,213	8,500
Grants received		3,806	-
Repayment of finance leases		(45)	(38)
Net cash generated from financing activities		**6,778**	**249,845**
Net increase/(decrease) in cash and cash equivalents		**(143,021)**	**148,935**
Cash and cash equivalents at the start of the year		153,163	4,228
Cash and cash equivalents at the end of the year	12	**10,142**	**153,163**

Notes 1 through 27 form an integral part of the consolidated annual accounts.

The figures relating to 2007 originate from the audited individual financial statements prepared by Solaria Energía y Medio Ambiente, S.A. while the figures for 2008 relate to the consolidated annual accounts for Solaria Group, in both cases prepared in accordance with the provisions established by International Financial Reporting Standards adopted by the European Union (IFRS EU) as is described in Note 2.1.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
OF GRUPO SOLARIA FOR 2008
(Thousand euro)**

1. General information

Solaria Energía y Medio Ambiente, S.A. was incorporated on 27 November 2002. On 28 April 2008, SOLARIA moved its domicile to Madrid, C/ Velázquez, 47.

Its corporate purpose principally consists of:

- Installation and repair of solar, thermal, photovoltaic and wind energy plants, as well as any other type of renewable energy.
- Installation and repair of plumbing, gas, electricity, heating and air conditioning.
- Performance and execution of technical projects relating to the above points.
- Maintenance and repair services relating to works carried out either by the Company or by third parties.
- Manufacture of modules, cells and components for solar, thermal, wind and other renewable energy sources.

In 2008 Solaria Energía y Medio Ambiente, S.A. (hereinafter SOLARIA or the Group) incorporated or acquired several subsidiaries and at the end of 2008 SOLARIA forms a group of 34 subsidiaries, all of which operate photovoltaic solar farms in Spain, as listed in Appendix I to these consolidated annual accounts.

On 21 March 2007 SOLARIA filed an application with the Madrid Mercantile Registry to transform the Company from a private limited liability company to a public limited liability company, in accordance with the Resolution approved by the Universal Meeting held by Shareholders of Solaria Energía y Medio Ambiente, S.L. on 1 January 2007.

On 26 March 2007, the Mercantile Registrar appointed an independent expert to prepare a report on SOLARIA's non-monetary equity. A favorable report was issued on 10 May 2007.

SOLARIA began the expansion of its activities in 2005 by building a plant to produce photovoltaic and thermal modules on the land it owns in Puertollano (Ciudad Real). The construction of the photovoltaic module production line was completed in the first quarter of 2006, the time as from which SOLARIA commenced production for use in the following lines of business:

a) Photovoltaic modules for sale to third parties.

b) Photovoltaic modules for use in turnkey projects consisting of the design, planning and execution of photovoltaic solar energy plants through agreements covering the construction, installation and launch of photovoltaic solar plants. SOLARIA assumes responsibility for all stages of the process, from obtaining administrative permits to the launch of the operation.

In addition, during the final quarter of 2006, SOLARIA started to design, produce and install thermal solar modules in buildings.

During the first quarter of 2007 SOLARIA began to construct a plant to produce photovoltaic cells and the first production line began operation during the final quarter of 2008.

In order to finance the aforementioned investments, SOLARIA issued a Public Share Offering (PSO) that ended on 19 June 2007 as is described in Note 13.

In 2008 Solaria started to promote and develop photovoltaic solar plants for subsequent sale to third parties.

Continuing with its growth plans, on 28 march 2008 SOLARIA signed a real estate finance lease with Banco Popular covering the purchase of land and installations located in Fuenmayor (La Rioja) for the manufacture of photovoltaic modules. The adaptation of the new factory and the associated production lines ended in mid-2008, and modules began to be produced in August 2008.

All of SOLARIA's shares are listed on the four official stock markets in Spain and on the continuous market since 19 June 2007.

2. Basis of presentation and accounting policies

The main accounting policies used when preparing these consolidated annual accounts are described below.

2.1 Basis of presentation

SOLARIA's consolidated annual accounts for 2008 have been prepared in accordance with the provisions of International Financial Reporting Standards adopted by the EU (IFRS EU), in accordance with CE Regulation 1606/2002 issued by the European Parliament and Council.

The consolidated annual accounts reflect a true and fair view of consolidated equity and the consolidated financial position of SOLARIA at 31 December 2008, the consolidated results of its operations, changes in consolidated statement of recognized revenues and expenses and consolidated cash flows recorded by SOLARIA during the year then ended. The consolidated annual accounts have been prepared on a historical cost basis, modified in those cases stipulated by the IFRS-EU rules, under which certain assets and liabilities are stated at their fair value.

The consolidated annual accounts for SOLARIA for the year ended 31 December 2008 have been prepared based on the accounting records maintained by Solaria Energía y Medio Ambiente, S.A. and other companies forming part of the Group. Each company prepares its annual accounts in accordance with the accounting principles in effect. Therefore the consolidated annual accounts include certain adjustments and reclassifications made to bring the accounting principles followed when preparing the annual accounts into line with IFRS-EU. Similarly, the accounting policies of the consolidated companies are changed when it is necessary to ensure consistency with the accounting policies adopted by SOLARIA.

Given that 2008 is the first in which a group of companies exists, the Group also prepares consolidated annual accounts for the first time. The Directors have included the amounts relating to the year ended 31 December 2007 for the purposes of comparison. These figures have been obtained from the 2007 individual financial statements for Solaria Energía y Medio Ambiente, S.A. prepared in accordance with IFRS-EU and approved by Directors on 7 March 2008 and filed with the CNMV together with the relevant audit report.

Given the little importance of transactions and balances relating to group subsidiaries at 31 December 2008, the balances for 2008 are comparable to the figures for 2007.

The policies described below have been applied consistently to all the years presented at the individual and consolidated level.

The figures set out in the consolidated annual accounts are stated in thousand euros, unless otherwise noted.

The preparation of consolidated annual accounts under IFRS-EU requires the use of certain critical accounting estimates. They also require that SOLARIA's Management apply its judgment to the process of implementing accounting policies. Note 4 discloses the areas that require a higher level of judgment or entail greater complexity, and the areas where assumptions and estimates are significant for the consolidated annual accounts.

a) Interpretations that enter into force in 2008 but whose application does not have any effect on the financial statements prepared by SOLARIA.

The following interpretations are mandatory for the years commencing as from 1 January 2008, although they have not effect on SOLARIA's operations:

- IFRIC 14, IAS 19 – Defined Benefit Assets and Minimum Funding Requirements"

b) Standards, amendments and interpretations that enter into force in 2008 but whose application does not have any effect on the Group's accounts.

- IAS 39 (Revised) "Financial Instruments: Recognition and measurement" and IFRS 7 (Amendment) "Financial Instruments: **Disclosures**"- Reclassification of financial instruments.

- IFRIC 12 "Service Concession Arrangements", which is mandatory for the years starting as from 1 January 2008, does not have any effect on the Group's operations. At the date these accounts were prepared the European Union had not adopted this interpretation.

c) Standards and amendments to existing standards that have not yet entered into force that SOLARIA has not adopted early.

At the date these accounts were prepared, the IASB had published the following interpretations and standards: These interpretations are of mandatory compliance in all years starting as from 1 January 2009 and subsequent years, although the Group has not adopted them:

- IAS 23 (Revised), "Borrowing costs" (in force as from 1 January 2009). This Standard requires companies to capitalize borrowing costs that are directly attributable to the acquisition, construction, production of a qualified asset (any which necessarily requires a substantial period of time before being ready for use or for sale) as part of the cost of the asset. The option of immediately recognizing these borrowing costs as an expense for the period is eliminated. The Group will apply IAS 23 (Revised) as from 1 January 2009.

- IFRS 8 "Operating Segments", is mandatory for years commencing as from 1 January 2009. IFRS 8 replaces IAS 14 and unifies the requirements for presenting financial information by segments with the US standard SFAS 131 "Disclosures about segments of an enterprise and related information". The new Standard requires a management approach under which segment information is presented on the same basis as which it is used for internal purposes. SOLARIA will apply IFRS 8 as from 1 January 2009. The expected impact of this standard is still being evaluated in detail by Management, although it seems likely that the number of segments being reported, as well as the manner in which the information is presented, will be modified in line with the internal information prepared and supplied to decision-making bodies.

- IAS 1 (Revised), "Presentation of financial statements" (in force as from 1 January 2009). This revised standard prohibits the presentation of income and expense items (i.e. changes in equity due to transactions with non-shareholder third parties) in the statement of changes in equity and requires the changes in equity due to transactions with non-shareholder third parties be presented separate from changes in equity due to transactions with shareholders. All changes in equity due to transactions with non-shareholders third parties must be presented in an income statement, although companies may choose to present a single statement (statement of total revenues) or two statements (an income

statement and a statement of total revenues). When a company re-expresses or reclassifies the comparative information it must present a balance sheet re-expressed at the beginning of the comparative period, in addition to the balance sheet at the end of the current year and the comparative period. The Group will apply IAS 1 (Revised) as from 1 January 2009. It is likely that both the income statement and the statement of total revenues will be presented as income statements.

- IFRS 2 (Revised) "Share-based payments" (in force as from 1 January 2009). This amendment addresses the conditions for the irrevocable nature of the granting of rights and cancellations. This is not expected to have a significant effect on the Group's financial statements.

- IAS 32 – (Revised) "Financial Instruments: Presentation" and IAS 1 (Revised) "Presentation of financial statements"-"Puttable instruments and obligations arising on liquidation" (in force as from and January 2009). These amendments require companies to reclassify financial instruments that may be surrendered and instruments (or their components) that give rise to a company obligation to provide a third-party with a fraction of its net assets in the event of equity liquidation, provided that the instrument has certain characteristics and meets certain conditions. The Group will apply IAS 32 and IAS 1 (Revised) as from 1 January 2009 although they are not expected to have any effect on the financial statements.

- IFRS 1 (Revised) "First-time adoption of IFRS" and IAS 27 "Consolidated and separate financial statements" (in force as from 1 January 2009). The amended standard allows first-time adopters to use the fair value or the carrying value resulting from applying the above accounting principles as an attributed cost of investments in subsidiaries, combined businesses and associated companies in the separate financial statements. The revision also eliminates the definition of the cost method from IAS 27 and replaces it with the requirement to present dividends as revenues in the separate financial statements for the investor. The Group will also apply IFRS 1 (Revised) as from 1 January 2009, the date of transition to IFRS by Group subsidiaries. This change will not have any effect on the group's consolidated annual accounts.

- IAS 27 (Revised), "Consolidated and separate financial statements" (in force as from 1 January 2009). The revised standard requires that all transactions with minority shareholders be recorded under equity, provided that there are no changes in control, such that these transactions no longer have an effect on goodwill and do not lead to any profit or loss. The revision also covers the accounting treatment to be applied when control is lost. Any minority shareholding maintained must again be measured at fair value and the effect recorded in the income statement. The Group will apply IAS 27 (Revised) on a prospective basis to transactions with minority shareholders as from 1 January 2010.

- IFRS 3 (Revised) "Business combinations" (in force as from 1 July 2009). The revised standard maintains the acquisition method for business combinations, although significant changes are introduced. For example, all payments are recognized at fair value at the date of acquisition, and the contingent payments that are classified as liabilities are measured at each closing date at fair value, and all changes are recorded in the income statement. An accounting policy option is introduced at the business combination level, consisting of measuring minority shareholdings at fair value or the proportional value of the net assets and liabilities recorded by the acquired company. All transaction costs are taken to expenses. The Group will apply IFRS 3 (Revised) on a prospective basis to all business combinations as from 1 January 2010.

- IFRS 5 (Revised) "Non-current assets held for sale and discontinued operations" (and relating to the revision of IFRS 1 "First time adoption of IFRS") (in force as from 1 July 2009). This modification is part of the IASB's annual improvement program that was published in may 2008.
This revision clarifies that all assets and liabilities at a subsidiary must be classified as held for sale if control over the subsidiary is lost as a result of a partial plan covering its sale. In the event that it meets the conditions to be considered a discontinued operation, the relevant breakdowns regarding the subsidiary must be included. As a result, IFRS 1 has also been adapted to take into account this revision, such that its application is prospective as from the date of transition to IFRS. The Group will adopt IFRS 5 (Revised) on a prospective basis with respect to all partial sales of subsidiaries that take place as from 1 January 2010.

- IAS 23 (Revised), "Borrowing costs" (in force as from 1 January 2009). This modification is part of the IASB's annual improvement program that was published in may 2008.
The definition of borrowing costs has been revised so that interest is calculated in accordance with the effective interest rate defined under IAS 39 (Financial Instruments: Recognition and measurement". This eliminates the inconsistent terminology between IAS 39 and IAS 23. The Group will apply IAS 23 (Revised) on a prospective basis with respect to the borrowing costs associated with qualifying assets as from 1 January 2009.

- IAS 36 (Revised), "Asset impairment" (in force as from 1 January 2009). This modification is part of the IASB's annual improvement program that was published in may 2008.
In cases where fair value, less selling costs, is calculated based on discounted cash flows equivalent breakdowns of value-in-use calculations must be presented. The Group will apply IAS 36 (Revised) and will present, if appropriate, the breakdowns required for impairment tests as from 1 January 2009.

- IAS 38 (Revised), "Intangible assets" (in force as from 1 January 2009). This modification is part of the IASB's annual improvement program that was published in may 2008.
An interim payment may only be recognized when made as a prepayment to obtain a right to access certain assets or services. For this reason, the expense for sending catalogs is recorded at the time that they become available and not at the time they are distributed to customers, which the policy currently applied. The Group will apply IAS 38 (Revised) as from 1 January 2009.

- IAS 19 (Revised), "Employee compensation" (in force as from 1 January 2009). This modification is part of the IASB's annual improvement program that was published in may 2008, and does not have any effect on the Group.

- IAS 39 – (Revised) "Financial Instruments: Recognition and measurement" (in force as from 1 January 2009): This modification is part of the IASB's annual improvement program that was published in may 2008.

The Group will apply IAS 39 (Revised) as from 1 January 2009. Its application is not expected to have any effect on the Group's income statement.

- IAS 1 (Revised), "Presentation of financial statements" (in force as from 1 January 2009). This modification is part of the IASB's annual improvement program that was published in may 2008.
This revision clarifies that some, and not all, financial instruments classified as held for trading, in accordance with IAS 39 "Financial instruments: Recognition and measurement" are examples of current assets and liabilities, respectively. The Group will apply this revision as from 1 January 2009 and it is not expected to have any effect on its financial statements.

- In addition to the aforementioned changes, a series of minor modifications have been published for IFRS 7 "Financial instruments" Disclosures", IAS 8 "Accounting policies, changes in accounting estimates and errors", IAS 10 "Events after the reporting period", IAS 18 "Revenue" and IAS 34 "Interim financial reporting", within the IASB's annual improvement project and are not likely to have an effect on the Group's financial statements and have not been analyzed in detail.

- IFRIC 16 "Hedges of a net investment in a foreign operation" (in force as from 1 October 2008). This interpretation will not have any effect on the Group.

- IFRIC 13, "Customer loyalty programs" (in force as from 1 July 2008). IFRIC 13 states that in those cases in which assets or services are rendered together with a loyalty incentives (for example, loyalty points or free products), the agreement is considered to be a multiple item contract and the amount received or to be received from the customer must be attributed among the components on a fair value basis. IFRIC 13 is not relevant for the Group's operations given that none of the Group's companies have customer loyalty programs.

- IAS 16 (Revision) "Property, plant and equipment" (and the relevant revision of IAS 7 "Cash flow statement") (in force as from 1 January 2009). This modification is part of the IASB's annual improvement program that was published in may 2008.
Those companies whose primary activity consists of leasing and subsequently selling assets will present the amount received from those sales as revenues and assets must be reclassified to inventories at the time that the asset becomes held-for-sale. As a result, IAS 7 is amended indicating that cash flows that derive from the acquisition, rental and sale of those assets will be classified as cash flows from operating activities. This revision will not have any impact on the Group's activities given that no group company engages in the rental and sale of assets.

- IAS 27 (Revised), "Consolidated and separate financial statements" (in force as from 1 January 2009). This modification is part of the IASB's annual improvement program that was published in may 2008.
In those cases in which an investment in a subsidiary is accounted for in accordance with IAS 39 "Financial instruments: Recognition and measurement", are classified as held-for-sale in accordance with the IFRS 5 " Non-current assets held-for-sale and discontinued operations", and will continue to be subject to IAS 39. This revision will not have any impact on the Group given that it applies the policy of accounting for investments in subsidiaries at cost in the separate financial statements.

- IAS 28 (Revised) "Investments in associates" (and the relevant amendments to IAS 32 "Financial instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures") (in force as from 1 January 2009). This modification is part of the IASB's annual improvement program that was published in may 2008.
When an investment in an associate is accounted for in accordance with IAS 39 "Financial instruments: Recognition and measurement", only certain breakdowns established by IAS 28 must be included, in addition to the requirements of IAS 32 "Financial instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures". This change will not have any effect on the Group's operations.

- IAS 29 (Revised), "Financial reporting in hyperinflationary economies" (in force as from 1 January 2009). This change will not have any effect on the Group.

- IAS 31 (Revised) "Interests in joint ventures" (and relevant amendments to IAS 32 and IFRS 7) (in force as from 1 January 2009).This change will not have any effect on the Group.

- IAS 38 (Revised), "Intangible assets" (in force as from 1 January 2009). This modification is part of the IASB's annual improvement program that was published in may 2008.
This revision eliminates the mention of "on rare occasion, or perhaps never" to justify the use of a method that results in a depreciation rate that is lower than the result of applying the straight-line method. This revision will not have any effect on the Group's operations, given that all intangible assets are amortized in accordance with the straight-line method.

- IAS 20 (Provision) "Accounting for government grants and disclosure of government assistance" (in force as from 1 January 2009). This modification is part of the IASB's annual improvement program that was published in may 2008.
The benefit of a loan at a lower-than-market rate granted by a public entity is measured at the difference between the carrying value in accordance with IAS 39 "Financial instruments: Recognition and measurement" and the amount received is recognized in accordance with IAS 20. This change is not expected to have a significant effect on the Group's operations.

Other minor revisions of IAS 20 "Accounting for government grants and disclosure of government assistance", IAS 29 "Financial reporting in hyperinflationary economies", IAS 40 "Investment properties" and IAS 41 "Agriculture", included in the IASB's improvement project in May 2008, do not have an effect on the Group's financial statements due to the reasons indicated above.

- IFRIC 15 "Agreements for the construction of real estate" (in force as from 1 January 2009). This interpretation addresses whether IAS 18 "Revenue" or IAS 11 "Construction contract" should be applied to certain transactions. It is likely that IAS 18 will be applicable to a larger number of transactions.

2.2 Consolidation principles

(a) Subsidiaries

Subsidiaries are all entities (including special-purpose companies) over which SOLARIA has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether SOLARIA controls another entity. Subsidiaries are consolidated from the date on which control is transferred to SOLARIA. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by SOLARIA.

Exhibit 1 hereto set outs the identification details of the subsidiaries included in consolidation under the full consolidation method.

(b) Minority shareholders and transactions

SOLARIA applies the policy of considering transactions with minority shareholders to be with third-parties external to SOLARIA, if appropriate. The disposal of minority shareholdings gives rise to gains and/or losses for SOLARIA that are recognized in the income statement. The acquisition of minority shareholdings results in goodwill, which is the difference between the price paid and the relevant carrying value of the net assets recognized by the investee company.

2.3 Segment information

A business segment is a group of assets and transactions the aim of which is to supply products or services subject to risks and returns which differ from those of other business segments.

Reporting on operating segments is presented in accordance with the internal information that is provided to the maximum decision-taking authority. The maximum decision-taking authority has been identified, and is responsible for assigning resources and evaluating performance of operating segments, as the Executive Committee that is in charge of taking strategic decisions.

A geographical segment provides products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in the other economic environments.

2.4 Transactions and balances in foreign currency

a) Functional and presentation currency

The items included in these consolidated annual accounts are measured using the currency in the primary economic environment in which SOLARIA operates ("Functional currency"). The consolidated annual accounts are presented in euros, which is SOLARIA's functional and presentation currency.

b) Transactions and balances

Transactions in foreign currency are translated to the functional currency using the exchange rates in force at the transaction dates. Foreign currency gains and losses resulting from the settlement of transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

2.5 Intangible assets

a) Goodwill

Goodwill is the excess of acquisition cost over the fair value of the Group's shareholding in the identifiable net assets of the subsidiary acquired at the date on which a business combination is acquired. A business is defined as an integral group of activities or assets directed and managed for the purpose of providing a yield to investors, lower costs or obtain other financial benefits that directly and proportionally fall to participants. A business generally consists of consumables, processes applied to those items and the resulting products that are, or will be, used to generate ordinary revenues.

Goodwill relating to acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized and is subjected to impairment tests on an annual basis and is stated at cost less any accumulated impairment losses (Note 2.9). Gains and losses on the sale of a company include the carrying amount of goodwill related to the company sold.

Goodwill is assigned to cash generating units (CGUs) in order to test for impairment losses. It is allocated to those CGUs that are expected to benefit from the business combination that generated such goodwill.

SOLARIA has not recognized any goodwill at the date of these consolidated annual accounts.

b) Computer software

SOLARIA's intangible assets primarily consist of computer software and these items are capitalized on the basis of their acquisition cost and the cost of training personnel to use the specific programs. They are recorded at their acquisition cost less accumulated amortization and any relevant accumulated impairment. Software is amortized on a straight-line basis over its useful life, which is estimated to be three years.

c) Assets with an indefinite useful life.

Intangible assets with an indefinite useful life are not amortized. Impairment tests are performed annually and these items are stated at cost less any accumulated impairment losses.

SOLARIA does not have any intangible assets with an indefinite useful life at the balance sheet date.

2.6 Research and development costs

Research costs are recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following requirements are met:

- It is technically possible to complete production of the intangible asset such that it will be available for use or for sale;
- Management has the intention of completing the intangible asset in question, for use or for sale.
- There is the capacity to use or sell the intangible assets;
- It is possible to demonstrate the manner in which the intangible asset will generate probable profits in the future;
- Adequate technical, financial or any other type of resources are available to complete development and to use or sell the intangible of asset; and
- It is possible to reliably value the payments attributable to the intangible asset during development.

Other development costs are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs with a finite useful life that have been capitalized are amortized from the commencement of commercial production of the product on a straight-line basis over the period of its expected benefit.

SOLARIA did not incur research and development expenses in 2008 and 2007.

2.7 Property, plant and equipment

Property, plant and equipment mainly records the plant and machinery that are necessary to manufacture thermal and photovoltaic modules. Property, plant and equipment is stated at acquisition costs, less any depreciation and accumulated impairment losses. Historic cost includes the expenses directly attributable to the acquisition of the items concerned.

Subsequent costs are included as an increase in the value of the asset or are recognized as a separate asset only when it is likely that the future profit associated with the items will flow to SOLARIA and the cost of the item may be reliably determined.

The book value of the replaced components is eliminated from the accounting records. All other repair and maintenance expenses are charged to the income statement in the year in which they are incurred.

The depreciation of property, plant and equipment is calculated on a straight-line basis in order to assign their costs to residual values relating to their estimated useful lives, as follows:

	Years
Buildings	33
Machinery	8
Plant	8 - 10
Computer processing equipment	4
Furnishings	10
Vehicles	6

The asset's residual values and useful life are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

The profit or loss on the sale of property, plant and equipment is calculated by comparing the income obtained on the sale against the book value of the assets concerned, and the difference is included in the income statement.

2.8 Interest costs

Interest expense is taken to expenses and is not capitalized as part of the cost of the assets built, i.e. those that necessarily require a substantial period of time before entering into use.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization/depreciation. On an annual basis tests are performed to verify whether or not there are any impairment losses. Assets subject to amortization/ depreciation are subject to impairment tests provided that some event or change in circumstances indicates that carrying value may not be recoverable. An impairment loss is recognized as the excess book value for the asset compared with the recoverable value recorded in the income statement. The recoverable amounts is the fair value of an asset less the higher of the cost of sale or the value in use. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered an impairment loss are subject to reviews at each balance sheet date to determine if there have been any reversals of the loss. The reversal of an impairment loss is recognized in the income statement.

2.10 Leases

a) Finance leases

The determination of whether or not a contract contains a lease is based on the analysis of the nature of the agreement, which requires evaluation of whether or not compliance with the agreement falls to the use of a specific asset and whether or not the agreement confers the right to use that asset to SOLARIA.

SOLARIA leases several vehicles. When, in accordance with a lease covering property, plant and equipment, SOLARIA substantially has all the rights and benefits of ownership, it is classified as a finance lease. Finance leases are capitalized at the start of the lease period at the lower of the fair value of the leased property or the present value of the minimum payments due on the lease.

Each lease installment is distributed among liabilities and financial charges in order to obtain a constant interest rate applicable to the outstanding balance payable. The relevant lease obligations, net of financial charges, are included under Bank loans. The interest portion of the financial expense is charged to the income statement during the lease period such that a constant periodic interest rate is obtained with respect to the outstanding liability in each financial year. Assets acquired under finance leases are depreciated over their useful lives. Their useful life is the same as that for vehicles and non-leased premises, given that there are purchase options for these assets.

Therefore, there is reasonable certainty that SOLARIA will obtain ownership of the vehicles and the installations within the term of the lease.

b) Operating leases

Leases under which the lessor maintains a significant portion of the risks and benefits of ownership of the assets covered by the contract are classified as operating leases. The payments for operating leases are charged to the income statement on a straight-line basis over the term of the lease.

2.11 Financial assets

SOLARIA classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and accounts receivable, investments that are to be held to maturity and available- for- sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management classifies its investments at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are investments held for trading. A financial asset is classified under this category if it was acquired mainly for the purpose of being sold in the short-term. Derivatives are also classified as acquired for trading unless they are designated as hedging instruments. Assets under this category are classified as current assets.

b) Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for assets maturing in more than 12 months of the balance sheet date which are classified as non-current assets.

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that SOLARIA will not be able to collect all amounts due according to the original terms of the receivables. The existence of significant financial difficulties on the part of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganization and the default or delay in payments are considered to indicate that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The book value of the asset is reduced to the extent that the provision account is applied and the loss is recognized in the income statement under "impairment of trade receivables". When a receivable cannot be collected it is written off against the provision for receivables. The subsequent recovery of amounts previously written off is recognized as an asset under "impairment of receivables". Short-term Accounts Receivable, without any established interest rate, are stated at the amount of the original invoice when the effect of discounting is not significant.

c) Held-to-maturity financial assets

Investments held to maturity are non-derivative financial assets with fixed payments, or payments that may be determined, and established maturity dates for which SOLARIA's Management has the intention and the capacity to hold until maturity. If SOLARIA were to sell a significant amount of financial assets held to maturity, the complete category would be classified as available for sale. The held-to-maturity financial assets are included under non-current assets, except for those that mature within 12 months as from the balance sheet date, in which case they are classified as current assets.

d) Available-for-sale financial assets

Available-four-sale financial assets include assets designated for sale as well as those that are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Carrying of financial assets

Acquisitions and disposals of all financial assets are recognized at the trading date, i.e., on the date SOLARIA undertakes to acquire or sell the asset. Investments are recognized initially at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss Financial assets stated at fair value through profit and loss are initially recognized at their fair value and the transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial assets held to maturity are subsequently carried at their amortized cost in accordance with the effective interest rate method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized under equity. When the securities classified as available-for-sale are disposed of, or suffer impairment, the accumulated adjustments to fair value recognized under equity are included in the income statement.

The fair values of quoted investments are based on current purchase prices. Financial assets available for sale relating to unlisted securities are measured at cost, when there is insufficient financial information regarding the business plans and the financial perspectives that would allow for a solid measurement analysis using generally accepted techniques to determine the fair value of the asset, and no significant transactions have involved these assets.

At the balance sheet date, SOLARIA assesses whether there is objective evidence of impairment losses with respect to a financial asset or group of financial assets. For equity instruments classified as available for sale, in order to determine whether there are impairment losses, it will be necessary to examine whether there is a significant or protracted decline in the fair value of the securities to below cost. If there is any evidence of this type for available-for-sale financial assets, the cumulative loss determined as the difference between the acquisition cost and current fair value, less any impairment loss in that financial asset previously recognized in results is eliminated from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

Investments are written off when the rights to receive cash flows from them have expired or have been transferred and SOLARIA has transferred substantially all the risks and benefits deriving from ownership.

2.12 Derivative financial instruments and hedging

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature of the item being hedged. SOLARIA designates certain derivatives as:

(i) Fair value hedges of recognized liabilities (fair value hedge); or
(ii) Hedging o a specific risk associated with a recognized liability or a highly likely expected transaction (cash flow hedges).

SOLARIA documents at the inception of the transaction the relationship existing between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. SOLARIA also documents its evaluation from the start, and continuously thereafter, as to whether the derivatives being used in the hedging transactions are highly effective to offset changes in fair value or in cash flows from hedged items.

The total fair value of hedge derivatives is classified as an a non-current asset or liability if the residual term of the hedged item exceeds 12 months and as a current asset or liability if the residual term of the hedged item is less than 12 months. Traded derivatives are classified as a current asset or liability.

The fair values of derivative instruments used for hedging purposes are reflected in Note 17. Movements in the restatement reserve under equity are stated under Note 13.

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge ceases to comply with the criteria for carrying the hedge, the book adjustment for a hedged item which is carried using the effective interest rate method is recognized through profit and loss during the period until maturity.

SOLARIA carries no fair value hedge transaction at the balance sheet date.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Accumulated equity amounts are taken to the income statement in the periods in which the hedged item affects results. The loss or gain relating to the effective portion of interest rate swaps that cover borrowings subject to a variable rate are recognized in the income statement under "financial expense". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedge instrument expires, is sold, or when it no longer meets the requirements or carrying the hedge, any accumulated gain or loss in equity up until that moment remains in equity and is recognized as a gain or loss when the planned transaction is finally recognized in the income statement. When the planned transaction is no longer expected to arise, the accumulated equity gain or loss is immediately transferred to the income statement.

SOLARIA records cash flow hedges at the balance sheet date (Note 17).

c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement. Increases in the fair value of interest rate and exchange rate derivatives are included under the heading "Financial Income" in the income statement. Decreases in the fair value of interest rate and exchange rate derivatives are included under the heading "Financial Expense" in the income statement.

SOLARIA has recorded transactions that do not qualify as derivative hedges at the balance sheet date (Note 17).

2.13 Inventories

Fundamentally include materials and finished products relating to photovoltaic solar and thermal modules, as well as the investment made by SOLARIA in photovoltaic solar plants that were not sold at the end of the year.

Inventories are measured at the lower of cost and net realizable value. The cost of raw materials is calculated using the average weighted acquisition cost. The cost of finished products (photovoltaic solar and thermal modules and photovoltaic solar plants) includes design costs, raw materials, direct labor, permits, licenses and similar items, other direct costs and general manufacturing overhead (based on normal operational capacity), as well as interest expense, provided that the construction period is over one year. The net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of sales.

If a photovoltaic solar plant available for sale has been in operation for more than one year and there is no sales contract in place with third parties or similar agreements, it is classified as an asset.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.15 Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. When Company shares are acquired (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax) is deducted from equity attributable to the Company's shareholders through to redemption, reissue or disposal. When the shares are sold or are subsequently issued again, any amount received, net of any incremental cost of the transaction that is directly attributable and the corresponding corporate income tax effects, are included in equity attributable to the shareholders of SOLARIA.

2.16 Government grants

Grants from public entities are recognized at their fair value when there is reasonable assurance that the grant will be received and SOLARIA will comply with all attached conditions.

Capital grants

Government grants for the acquisition of property, plant and equipment are included in "Deferred revenues" and credited to the income statement on a straight-line basis over the expected lives of the corresponding assets financed using the grants.

Other deferred revenues

The grants covering the interest on the loans obtained are recorded under the heading "Deferred revenues". Interest assistance is taken to results for the year during the term of the loan in accordance with financial criteria.

The attribution of capital grants and other deferred revenues is recognized under the heading "Deferred revenues taken to profit and loss" in the income statement.

Interest free loans granted by official bodies

The loans received by SOLARIA that do not accrue interest are recorded at their restated value (calculated using an effective market interest rate), and the difference generated at the initial moment between the nominal amount of the loan and its restated value is attributed as follows:

a) When the financing is to be used to acquire an asset, the above-mentioned difference is recorded as deferred revenues and taken to results for the year over the depreciation period for the financed assets.

b) In the event that the assistance is to be used to finance an expense that is associated with an investment project, the difference between the nominal amount of the loan and its restated value is recorded as a reduction of such expenses. In those cases in which the expense has not yet been accrued, this difference is carried as deferred current revenues and is taken to the income statement as a reduction of the relevant expense when it accrues.

Non-monetary grants

When SOLARIA receives a non-monetary grant, for example, the right to purchase an asset from a government body at a price lower than its fair value, subject to compliance with certain conditions, SOLARIA adopts the alternative of recognizing the asset at a symbolic amount which would be its acquisition cost.

2.17 Trade and other payables

Creditors and other payables are initially carried at their fair value and subsequently they are valued at the amortized cost using the effective interest rate method. Short-term payables with no established interest rate are stated at original invoice amount when the effect of the discount is not significant.

2.18 Bank borrowings

Borrowings are initially carried at fair value net of transaction costs. Borrowings are subsequently measured at amortized cost. Any differences between the funds obtained (net of necessary costs) and their repayment value are recognized as a financial expense over the life of the debt applying the effective interest method.

Borrowings are classified as current liabilities unless SOLARIA has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

2.19 Provisions

SOLARIA recognizes provisions when (i) it has a present legal or implicit obligation as a result of past events, (ii) it is likely that resources will have to be applied to settle the obligation and (iii) the amount may be reliably estimated.

Long-term provisions are stated at the present value of the payments that are expected to be necessary to settle the obligation using a pre-tax discount rate that reflects an evaluation of the current market, the current value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are considered to be potential liabilities deriving from past events, the existence of which are subject to the occurrence of one or more future events that lie outside the control of the SOLARIA. These contingent liabilities are not recorded in the accounts but are described in the notes presenting the financial statements.

Provisions for warranties

SOLARIA grants customers warranties for the turnkey contracts covering photovoltaic plants, operating and maintenance contracts and contracts covering the sale of photovoltaic modules (Note 24)

The provisions that are necessary for the warranties granted are calculated based on theoretical expectations and historic information regarding defect rates and estimated repair costs. These items are reviewed and adjusted on a regular basis.

These provisions are recorded at the estimated value of future claims deriving from previous contracts and charged against operating expenses.

2.20 Employee benefits

a) Pension and similar obligations

SOLARIA has no pension or similar obligations with its employees or management.

b) Severance indemnities

Termination benefits are payable when employment is terminated by SOLARIA before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. SOLARIA recognizes these benefits when it has demonstrably undertaken to terminate current employees' employment in accordance with a formal detailed plan that cannot be withdrawn, or to provide severance indemnities as a result of an offer made to encourage voluntary redundancy. Benefits that will not be paid within 12 months of the balance sheet date are discounted to their present value.

2.21 Corporate income tax

Corporate income tax expense for the year is calculated based on pre-tax results stated in the annual accounts, increased or decreased by any differences between accounting and tax criteria, bearing in mind any tax credits or deductions that are deemed applicable.

Both current and deferred tax expense is recorded in the income statement. However, equity records the tax effect relating to items that are recorded directly under equity.

Deferred income tax is calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual accounts. However, if the deferred taxes arise from the initial recognition of a liability or an asset on a transaction other than a business combination that at the time of the transaction has no effect on the tax gain or loss, they are not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized insofar as future tax profits will probably arise against which to offset the temporary differences, as well as tax-loss carry forwards yet to be offset.

2.22 Revenue recognition

Income and expense are recorded on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than the period in which the cash is actually received or disbursed.

a) Recognition of sales

Sales include the fair value of consideration received or to be received on the sale of goods and services during the course of SOLARIA's ordinary business. Sales are presented net of value added tax, returns, and price reductions and discounts.

SOLARIA recognizes income when the amounts may be reliably determined, it is likely that future profits will flow to the company and the specific conditions for each of the company's activities are met, as is described below. Revenues from the sale of assets are recognized and carried in the income statement when the Company has transferred all substantial risks and benefits deriving from the ownership of the assets concerned to the buyer. It is deemed that sales amounts cannot be reliably determined until all contingencies relating to the sale have been resolved. The Company bases its estimates on historic results, bearing in mind the type of customer, the type of transaction and the specific terms of each agreement.

The sale of photovoltaic solar plants, whose assets are classified as inventories (Note 2.13) are recorded under the heading "Revenues" and at the same time inventories are eliminated by charging the heading "Change in inventories of finished products" in the income statement. In this case, the sales of electricity generated by the plants are considered to be "incidental income" and are recorded on an accruals basis under the heading "Other revenues" in the income statement.

In the case of a photovoltaic solar plants classified as an asset (Note 2.13", the revenue from sales of electricity is recorded on an accruals basis under the heading "Revenues" in the income statement.

b) Extent of completion

SOLARIA applies the extent of completion method for those firm sales agreements (construction, installation and launch of photovoltaic solar plants (turnkey projects)), that have the following characteristics:

a. Existence of a defined customer with a firm obligation, i.e. a commitment that binds both parties to comply with certain technical requirements, deadlines and other related specifications. This commitment obligates the customer to purchase if SOLARIA complies with the previously established conditions.
b. The amount of revenue may be measured reliably. In this case, contracts are for fixed prices and there are no abnormal risks involved with the project.
c. SOLARIA will likely receive the profits or financial yields deriving from the transaction. In any event, before concluding the agreement the solvency of the customer is analyzed in order to avoid reasonable doubts regarding future collections.
d. The extent of completion, at the end of each year, may be measured reliably.
e. The costs already incurred, as well as those yet to be incurred, may be reliably measured and may be compared with projected estimates.

When recognizing revenue deriving from these agreements SOLARIA uses the extent of completion method. This percentage is calculated based on total income established in the agreement and is determined as the ratio between the costs incurred to date and the total projected costs required to complete the project.

The difference between the amount of production and the amount invoiced to the date of the financial statements accounts is stated under Trade debtors for invoices yet to be issued, recorded under the heading "Trade and other receivables". In turn, the amounts invoiced in advance for various reasons (advance invoices to customers) are reflected on the liability side of the balance sheet under "Trade and other payables".

Where the results of a construction contract cannot be reliably estimated, contract revenues are only recognized up to the limit of contract costs incurred that are likely to be recovered. Where the results of a construction contract may be reliably estimated and the contract is likely to be profitable, contract revenues are recognized over the term of the contract. When it is likely that the agreement cost will exceed the total revenues obtained, the expected loss is immediately recognized as an expense.

For those projects that do not meet all of the conditions necessary to recognize revenue in accordance with the extent of completion method SOLARIA recognizes revenue for these projects at the time that the assets are physically delivered.

c) Interest income

Interest income is recognized using the effective interest method.

2.23 Dividend distribution

The distribution of dividends to shareholders is recognized as a liability in the annual accounts in the year that the dividends are approved by SOLARIA's shareholders.

2.24 Environment

Expenses deriving from business action taken to protect and improve the environment are recorded as an expense in the year incurred. When such expenses entail additions to property, plant and equipment the purpose of which is to minimize the environmental impact and protect and improve the environment, they are accounted for as an increase in the value of non-current assets.

3. Financial risk management

3.1. Financial risk factors

SOLARIA's activities are exposed to several financial risks: market risk (including exchange rate risk, price risk and interest rate risk), credit risk and liquidity risk. The overall risk management program at SOLARIA focuses on the uncertainty of financial markets and attempts to minimize the potential adverse effects on its financial profitability. SOLARIA employs derivatives to hedge against exchange rate and interest rate risks.

Risk management is controlled by the Finance Department at SOLARIA. This Department identifies, evaluates and hedges against financial risk in collaboration with operating units at the Company.

a) Market risk

i) Foreign exchange risk

SOLARIA operates internationally and therefore is exposed to exchange rate risk on currency transactions, particularly the US dollar. Exchange rate risk arises from commercial transactions, fundamentally deriving from the acquisition of machinery and raw materials abroad.

Financial management has established procedures that require the hedging of exchange rate risk in all transactions carried out by the Company in any currency other than the euro falling due in more than 30 days, provided that market conditions existing at the time of the transaction make this advisable.

The currency other than the euro with which SOLARIA currently operates is the US dollar. If at 31 December 2008 and 2007 the euro had increased/decreased in value by 5% compared with the US dollar, with all other variables remaining the same, the effect on profits and equity would have been the following:

		Thousand euro	
		2008	2007
Effect on pre-tax profits:			
	+5%	-	(1,539)
	-5%	-	22
Effect on pre-tax equity:			
	+5%	(386)	(12,725)
	-5%	386	(675)

Profits and equity are more sensitive to changes in the euro/US dollar exchange rate in 2008 than in 2007, due to the increase in the number of transactions that took place in 2008 compared with the preceding year, denominated in US dollars.

ii) Price risk

SOLARIA is exposed to market price risk affecting raw materials. Management handles this risk bearing in mind the market conditions in effect at the time the transaction takes place, by signing fixed price contracts.

iii) Cash flow interest rate risk

Since SOLARIA does not have significant remunerated assets, income and cash flows from its operational activities are very independent of the variances in market interest rates.

Interest rate risk affecting SOLARIA derives from long-term loans from credit institutions. Loans from credit institutions bearing interest at a variable rate expose SOLARIA to cash flow interest rate risk. SOLARIA's policy consists of using derivatives to hedge interest rate risk affecting loans indexed to a variable interest rate. In 2008 and 2007 bank borrowings obtained by SOLARIA at variable interest rates were denominated in euros.

SOLARIA manages cash flow interest rate risk using variable to fixed interest rate swaps. The economic effect of these interest rate swaps is the conversion of variable interest borrowings to fixed interest borrowings. Generally, SOLARIA obtains long-term borrowings at a variable interest rate and swaps for a fixed interest rate that is lower than would have been available if the company had obtained the borrowings directly at a fixed interest rate. Under the interest rate swaps, SOLARIA enters into a commitment with other parties to exchange, with certain regularity (generally quarterly), the difference between the fixed interest rates and the variable interest rates calculated based on the notional principal amounts contracted.

At 31 December 2008 and 2007, and including the effect of contracted interest rate swaps, SOLARIA's debt structure is as follows:

	Thousand euro	
	2008	**2007**
Fixed interest rate debt	11,464	11,703
Variable interest rate debt	81,614	46,794
Total (Note 15)	**93,078**	**58,497**

The sensitivity of profits and equity to interest rates is as follows:

		Thousand euro	
	Increase/(decrease in the interest rate (in basis points)	Effect on pre-tax profits	Effect on pre-tax equity
2008	+10	(10)	(21)
	-10	10	21
2007	+10	(59)	(12)
	-10	59	12

b) Credit risk

Credit risk derives from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as customers, including outstanding receivables and transaction commitments. Transactions are only carried out with financial institutions of recognized prestige and taking into account past experiences and other factors. In cases in which there is no independent credit rating of customers, the Finance Department evaluates the situation bearing in mind the financial position of the customer, past experience and other factors. SOLARIA does not have the policy of granting long-term loans to customers, except in exceptional cases.

At 31 December 2008 and 2007 the trade receivables recorded by SOLARIA did not show any items in default. In addition, SOLARIA does not present any concentration in its customer portfolio at 31 December 2008.

The trade receivable balance at 31 December 2008 shows future maturities as follows:

	0 to 45 days	45 to 90 days	90 to 120 days	Total receivables
Trade receivables (Note 11)	28,530	-	-	28,530

The trade receivable balance at 31 December 2007 shows future maturities as follows:

	0 to 45 days	45 to 90 days	90 to 120 days	Total receivables
Trade receivables (Note 11)	15,140	107,357	20,000	142,497

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Given the dynamic nature of the underlying businesses, the Finance Department at SOLARIA has the objective of maintaining financing flexibility through the availability of committed lines of credit.

Management monitors projections of the liquidity reserve recorded by SOLARIA based on expected cash flows.

3.2 Equity management and debt levels

SOLARIA's objectives with respect to equity management are to safeguard its capacity to continue as a going concern in order to obtain yields for shareholders and to maintain an optimal equity structure at reduced cost. SOLARIA's management monitors equity by applying the debt ratio. This ratio is calculated as equity divided by net debt. Net debt is calculated as all outside resources (including bank loans, creditors and other accounts payable, as shown in the balance sheet) less cash and cash equivalents. Equity consists of share capital plus reserves and undistributed results, as is reflected in the balance sheet.

SOLARIA's objective is to have adequate equity to obtain the financing necessary for expansion without compromising its solvency and maximizing yields that shareholders may obtain from their investments. The Company does not operate in sectors with specific capital requirements and it meets those established by general legislation (Spanish Companies Act) regarding minimum capital requirements.

Debt ratios at 31 December 2008 and 2007 were as follows:

	Thousand euro	
	2.008	2.007
Long-term creditors (Note 15)	29,374	14,581
Short-term receivables (Note 15)	63,704	43,916
Derivative financial instruments (Note 17)	1,957	8,245
Borrowings	95,035	66,742
Less: Cash and cash equivalents (Note 12)	(10,142)	(153,163)
Net debt	84,893	(86,421)
Total equity (Note 13)	233,881	261,196
Debt ratio/Equity	36%	-33%

As a result of the public share offering that took place in June 2007, SOLARIA increased share capital and obtained the resources necessary to finance its expansion activities. For this reason, the debt ratio/equity is less than in 2007.

This year, due to the large investments made by SOLARIA in inventories of photovoltaic solar plants, the Company used cash and cash equivalents available last year for these investments, which gave rise to a change in the financial structure of SOLARIA.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as hedging instruments and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The market price used by SOLARIA for financial assets is the current buy price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions based on existing market conditions at each balance sheet date. Market prices for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate hedges is calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The book value less the provision for impairment of receivables and payables is assumed to approximate fair value, due to the nature of trade payables and receivables in the short-term. The fair value of financial liabilities for the purposes of presenting financial information is estimated by discounting future contractual cash flows at the current market interest rate available to SOLARIA for similar financial instruments.

4. Accounting estimates and judgments

When preparing the consolidated annual accounts for SOLARIA, the Directors have made estimates that are based on past experience and other factors that are considered to be reasonable in accordance with current circumstances in which constitute the basis on which the carrying value of assets and liabilities may be established, as these values are not easily calculated using other sources. SOLARIA reviews its estimates on a continuous basis. Despite the fact that these estimates have been made based on the best information available at the year-end, it is possible that events may take place in the future which will require them to be changed in future years.

Key future issues, as well as other information relating to the estimation of uncertainty at the year-end, which is associated with a notable risk of significant changes in the value of assets or liabilities next year are as follows:

a) Revenue recognition

SOLARIA follows the degree-of-completion method when recording turnkey projects it develops. Using this method requires that services carried out at each balance sheet date be estimated as a proportion of the total costs to be incurred on each project, such that this percentage is used to recognize revenues at the closing date for each balance sheet covering this type of projects.

b) Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. SOLARIA uses judgments to select a variety of methods and to develop assumptions that are primarily based on the market conditions existing at each balance sheet date. SOLARIA has used discounted cash flow analysis for several financial assets available for sale that are not traded on active markets.

c) Useful lives of property, plant and equipment

The Company's management determines estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the planned lifecycle of the products manufactured by the Company, for which it uses high technology. It could change significantly as a result of technical innovations and competitor actions in response to future industry cycles. Management will increase the depreciation charge where useful lives are shorter than previously estimated, and write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

d) Deferred income

The Company has obtained several grants to finance its investments. Given the different characteristics of each of the subsidies and credits received by the Company, the Management uses its judgment to calculate their amounts in those cases in which the grants relate to interests-free loans. In these situations, Management calculates the implicit interest on these loans by using an effective market interest rate to obtain the fair value of the loans. The difference between the nominal value and the fair value of the loans is considered to be deferred revenues that will be taken to the income statement in accordance with the item being financed by the loans. If involving an asset, the amounts will be taken to the income statement over the useful life of the asset concerned and if involving an operating expense the amount is taken to the income statement at the time the expense is accrued. Management evaluates compliance with all of the conditions established for obtaining the above-mentioned grants and considers that they have been met or will be met without any problem that would require the Company to return part or all of the assistance granted.

e) Warranties

As is habitual practice in the industry, SOLARIA offers warranties for a certain number of years to its customers for the sale of modules as well as the development of the turnkey projects. Company Management uses its judgment to calculate the amount of provisions recorded for any possible warranty claims. Bearing in mind the fact that SOLARIA was recently incorporated and the absence of any warranty claims to date, in order to calculate the warrantee provisions Management has fundamentally based its decision on the longer experience of other competitors and on the percentage of errors that occur during the testing of manufactured module effectiveness (Note 24).

f) Estimate of uncertainty

The future success of SOLARIA depends largely on its capacity to build the new plants and production lines using an efficient cost structure and in accordance with the schedule established in its business plan. The expansion of production capacity is subject to the risks and uncertainties inherent to a business project.

To efficiently manage the expansion of its activities, SOLARIA is improving its operating and financial systems, procedures and controls, as well as increasing its manufacturing capacity and the flow of finished products by improving the efficiency of its production lines (including the new production line for solar cells) and extending, training and adequately managing human resources undergoing strong growth.

Historical information regarding SOLARIA is limited since SOLARIA was incorporated at the end of 2002. Driven by quick growth in the solar energy sector, it has undergone higher rates of growth since it was incorporated, which has continued to date.

SOLARIA is significantly increasing its production installations, in order to increase its production of photovoltaic modules and thermal solar panels, as well as to start producing solar cells for use in the manufacturing of photovoltaic modules. Some of these installations are still being constructed or are in testing stages.

As a result of the entry into force of Royal Decree 1578/2008 (26 September), which regulates compensation for electricity production using photovoltaic solar technology at installations built after the deadline established for compensation stipulated under Royal Decree 661/2007 (25 May), the photovoltaic solar energy sector has slowed in the final quarter of 2008, although a recovery of the investment in the sector is expected in coming years.

5. Segment information

a) Primary basis for segment reporting: business segments

At 31 December 2008 SOLARIA is organized into 5 main business segments:

(i) Segment 1: Photovoltaic

- Production of photovoltaic modules for sale to third parties and their use in turnkey projects.

(ii) Segment 2: Thermal

- Design, production and installation of thermal solar modules on buildings.

(iii) Segment 3: Cells

- Production of photovoltaic cells for sale to third parties and internal use for the manufacturing of photovoltaic modules.

(iv) Segment 4: Projects

- Promotion and sale of photovoltaic plants through turnkey projects, from the construction and installation of modules up to the operating launch of the plants.

(v) Segment 5: Generation

- Revenues deriving from the generation of energy at the plants that SOLARIA directly operates.

The results for each segment for the year ended 31 December 2008 are as follows:

	Photovoltaic	Thermal	Cells	Projects	Generation	Other	Thousand euro Company
External sales by the segment	77,788	42	963	40,325	-		119,118
Other revenues	-	-	-	-	2,241		2,241
Inter-segment sales	32,212	-	-	(32,212)	-		-
Sales returns	-	-	-	-	(9,433)		(9,433)
Sales	110,000	42	963	8,113	(7,192)		111,926
Other operating revenue	74	-	-	-	-		74
Change in inventories of finished products	-	-	-	-	153,646		153,646
Segment expenses	(106,012)	(40)	(927)	(7,814)	(141,052)		(255,845)
Changes in inventories	(12,779)	-	-	-	-		(12,779)
Provisions	-	-	-	(23,676)	-		(23,676)
Segment results	(8,717)	2	36	(23,377)	5,402		(26,654)
Exchange differences	(3,657)						(3,657)
Financial income						5,394	5,394
Change in the fair value of financial instruments						(243)	(243)
Financial expense						(5,498)	(5,498)
Profit before income tax							(30,658)
Corporate income tax							9,196
Profit for the year							(21,462)

Sales consist of:

	Thousand euro 2008
Sales	118,886
Other revenues	2,241
Rendering of services	232
	121,359

Other segment items included in the 2008 income statement are as follows:

	Cells	Photovoltaic	Thermal	Projects	Generation	Thousand euro Company
Depreciation of property, plant and equipment (Note 6)	-	1,379	205	-	123	1,707
Amortization of intangible assets (Note 7)	-	-	-	-	-	21

The results of each segment for the year ended 31 December 2007 are as follows:

	Photovoltaic	Thermal	Projects	Cells	Thousand euro Company
External sales by the segment	108,505	142	77,562	-	186,209
Inter-segment sales	23,880	-	(23,880)	-	-
Sales	132,385	142	53,682	-	186,209
Other operating revenue	200	19	-	-	219
Segment expenses	105,062	315	8,862	1,111	115,350
Segment results	27,523	(154)	44,820	(1,111)	71,078
Financial income					4,421
Financial expense					(3,948)
Profit before income tax					71,551
Corporate income tax					(23,151)
Profit for the year					48,400

Sales consist of:

	Thousand euro 2007
Sales	186,194
Rendering of services	15
	186,209

Other segment items included in the 2007 income statement are as follows:

	Photovoltaic	Thermal	Projects	Cells	Thousand euro Company
Depreciation of property, plant and equipment (Note 6)	556	54	-	-	610
Amortization of intangible assets (Note 7)	7	-	-	-	7

Segment assets consist of property, plant and equipment, intangible assets, inventories, trade and other receivables, loans to related companies and cash and cash equivalents. Segment liabilities consist of trade and other payables.

b) Secondary basis for segment reporting: Geographical segments

It is not necessary to prepare a secondary information presentation format by segment since the Company only carries out transactions in Spain. There are therefore no different yields or risks within Spain since the various regions in which the Company is active present the same economic and political conditions.

6. Property, plant and equipment

Amounts and movements in the items included under this heading during 2008 and 2007 are as follows:

Thousand euro

	Balance at 31.12.06	Additions	Disposals	Transfers	Balances at 31.12.07	Additions	Disposals	Transfers	Entry into the scope of consolidation	Balance at 31.12.08
Cost										
Land	112	2,718			2,830	4,252				7,082
Buildings	1,100	120	(86)	1,129	2,263	13,258				15,521
Machinery	1,014	636		5,363	7,013	3,206	(2)	598		10,815
Plant	295	436		357	1,088	511			4	1,598
Computer processing equipment	23	48			71	53				128
Furnishings	51	374			425	73	(3)			495
Vehicles	162	124			286	1				287
Property, plant and equipment under construction	4,743	21,775		(6,849)	19,669	17,775	(181)	(598)	32	36,697
	7,500	**26,231**	**(86)**	**-**	**33,645**	**39,129**	**(186)**	**-**	**36**	**72,624**
Depreciation										
Buildings	37	49	(6)		80	383				463
Machinery	191	477			668	1,122	(88)			1,702
Plant	28	38			66	132				198
Computer processing equipment	4	11			15	18			2	37
Furnishings	3	15			18	44				62
Vehicles	20	35			55	8				63
	283	**625**	**(6)**		**902**	**1,707**	**(88)**	**-**	**-**	**2,525**
	7,217				**32,743**					**70,099**

The heading Land includes €72k relating to the fair value of a plot of land obtained by the Company from the municipality of Puertollano through the swap agreement dated 21 December 2005, under which the Company acquires the land on which it will install a 1 MW solar farm in exchange for the assignment of the income obtained from this farm to the municipality, equal to 5kW of installed capacity over 25 years. This value has been calculated by updating future income by applying a market interest rate. As consideration for the value of the land, SOLARIA has recorded a liability with the municipality of Puertollano in the same amount under the heading Trade and other payables which is updated regularly to reflect the financial effect. At the time this transaction is recorded no result was generated as the updated value of future income coincides with the fair value of the land. This solar plant was completed in 2008 and its delivery has yet to be formalized.

In addition, in 2005 the heading Land recorded an amount of €41k that relates to the acquisition of a plot of land in the Industrial Estate La Nava II that SOLARIA acquired from the Municipality of Puertollano for the price of €1/m2, by virtue of the agreement concluded between SOLARIA and Fundescop and in application of the Municipal Incentive Regulations for investments that result in the creation of employment in Puertollano. According to that agreement, SOLARIA will carry out certain works and construct the installations necessary to build an industry dedicated to the manufacturing of thermal and photovoltaic solar panels and create 80 jobs within 24 months after the date on which the deed for the land was transferred. The difference between the acquisition cost of the land and its fair value is not significant.

Furthermore, there are several additions relating to the acquisition of land adjoining the factory totaling €895k which will be used to build solar plants.

The heading land and buildings includes €10,878k and €5,622k, respectively, relating to the value of the new reduction facility for photovoltaic modules located in Fuenmayor (La Rioja). This land was acquired under a finance lease from Banco Popular, through an agreement concluded on 28 March 2008.

Transfers and additions recorded under the heading Machinery relate to the extension and launch of various photovoltaic module production lines at those factories.

Tangible fixed assets under construction includes the following:

- Construction work for the new building for the cell manufacturing plant.
- Construction work for the building that will supply energy to then cell plant.
- Installation of machinery for the manufacture of photovoltaic cells.
- Construction of a de-ionization plant for the photovoltaic cell factory.
- Installation of machinery to expand the photovoltaic module plant.

SOLARIA has taken out a number of insurance policies to cover risks relating to tangible fixed assets. The coverage provided by these policies is considered to be sufficient.

At 31 December 2008, SOLARIA does not record any fully depreciated property, plant and equipment.

a) Assets being acquired under finance leases

Vehicles, land and buildings in Fuenmayor, as well as production machinery, are property, plant and equipment that SOLARIA is acquiring under finance leases, the cost and accumulated depreciation of which is as follows:

	Thousand euro	
	2008	**2007**
Capitalized finance lease cost	16,783	283
Accumulated depreciation	(317)	(28)
	16,466	**255**

The vehicles themselves are the guarantee for the finance leases should the terms of the agreement fail to be met (Note 15).

b) Capitalized financial expense

The financial expense relating to property, plant and equipment acquired during the year and deriving from borrowings obtained to construct the factory and production lines etc. has been capitalized. These capitalized financial expenses totaled €360k and have been included under additions of property, plant and equipment under construction. In order to capitalize financial expenses that accrued before the launch of these assets, a capitalization rate of 5.47% has been used, which represents the average interest cost for the loans used by SOLARIA to finance these investments.

7. Intangible assets

Amounts and movements in the items included under this heading during 2008 and 2007 are as follows:

							Thousand euro
	Balance at 31.12.06	Additions	Balances at 31.12.07	Additions	Disposals	Entry into the scope of consolidation	Balance at 31.12.08
Cost							
Research and development expenses						11	11
Computer software	16	12	28	11			39
	16	**12**	**28**	**11**	**-**	**11**	**50**
Amortization							
Computer software	4	7	11	21			32
	4	**7**	**11**	**21**	**-**	**-**	**32**
	12		**17**				**18**

At 31 December 2008, SOLARIA does not record any fully amortized intangible assets.

8. Financial assets available for sale and other financial assets

Amounts and movements in the items included under this heading during 2008 and 2007 are as follows:

Thousand euro

	Balance at 31.12.06	Additions	Transfers	Disposals	Balances at 31.12.07	Additions	Transfers	Disposals	Entry into the scope of consolidation	Balance at 31.12.08
Non-current financial assets										
Available-for-sale financial assets:										
- Investment funds	18	-	-	-	18	-	-	-	-	18
Guarantees on deposit	2	14	-	-	16	-	-	-	-	16
	20	14	-	-	34	-	-	-	-	34
Current financial assets										
Available-for-sale financial assets										
- Investment funds	-	-	-	-	-	-	-	-	-	-
Bank deposits	600	508	-	(600)	508	-	-	(508)	-	-
	600	508	-	(600)	508	-	-	(508)	-	-

Investment funds

The balance of investment funds mature in 2009 and 2010. The fund ensures a yield covering 100% of the investment made, provided that the market value of the funds is less than the investment.

Guarantees on deposit

These items basically relate to guarantees provided for projects being executed in 2008.

Bank deposits

At 31 December 2006 the investment consists of a SOLARIA deposit totaling €600k at Banco Gallego, which holds cash surpluses and matures in the short-term. The interest rate generated by this deposit in 2007 was euribor plus 0,10% per year. This deposit was cancelled in 2007.

The amount of €508k relates to accrued interest yet to be collected from a short-term deposit of €40,000k that matures in 2008 and carried under Cash and cash equivalents (Note 12).

9. Loans to related companies

The heading Loans to related companies breaks down as follows:

	Thousand euro	
	2008	2007
Receivables from related companies	42,244	30,612

The heading "Receivables from associated companies" at 31 December 2008 includes the amount yet to be collected from Solaria DTL Corporacion, S.L. and relates to the agreements concluded with SOLARIA for the engineering and construction of a photovoltaic solar energy plant on a turnkey basis and with installed capacity of 11 MWp.

All transactions with associated parties were carried out under market conditions.

10. Inventories

At the end of 2008 and 2007 this heading breaks down as follows:

							Thousand euro
				2.008			2,007
	Thermal	Photovoltaic	Solar plants	Total	Thermal	Photovoltaic	Total
Raw materials and other supplies	589	14,168	-	14,757	799	26,736	27,535
Finished products	724	1,769	158,405	160,897	779	6,472	7,251
Pre-payments to suppliers	-	7,964	-	7,964	-	-	-
	1,313	23,901	158,405	183,618	1,579	33,207	34,786

Raw material inventories in 2008 and 2007 fundamentally relate to cells needed to manufacture photovoltaic modules.

Inventories of finished products in 2008 mainly relate to constructed solar plants that have not been sold at the end of the year.

In 2008 a SOLARIA customer for which photovoltaic solar plants were being constructed asked SOLARIA to cancel the contracts due to financing problems. SOLARIA has recovered executed works up to the return date and completed the construction of three plants in 2008. The cost incurred on the construction of these plants is recorded as finished products under the heading Inventories (solar plants). These plants started to generate electricity in 2008 and the amount of the generated energy is included under Other revenues, as is indicated under 2.22. The amount invoiced at 31 December 2007 by the plants returned in 2008 totaled €9,433k, and has been eliminated in the heading "Sales returns" in the consolidated income statement.

Furthermore, in 2008 SOLARIA recorded a provision totaling €22,676k relating to the receivable from a customer with financing problems relating to the construction of a photovoltaic solar plant. As a conclusion to the agreement with this customer, the Group recovered the sold project and recorded its cost under the heading Inventories (solar plants).

In all acquisitions of companies that took place in 2008, directors considered that a business was not acquired and therefore they involved the acquisition of assets. The price paid by SOLARIA has been assigned to the acquired PLAs, and the purchase price is equivalent to their fair value at the acquisition date. The amount of PLAs included under the heading "Solar Plants" at the end of 2008 totaled €12,833k.

SOLARIA has taken out a number of insurance policies to cover risks relating to inventories. The coverage provided by these policies is considered to be sufficient.

11. Trade and other receivables

At the end of 2008 and 2007 this heading breaks down as follows:

Thousand euro

	2008	2007
Customers	28,530	142,497
Other debtors	78	347
Subsidies receivable	375	4,546
Receivable from public entities (Note 18)	32,735	-
	61,718	**147,390**

The balance of "Subsidies receivable" at 31 December 2008 and 2007 relates to a fixed asset subsidy granted by the Ministry of Industry (Note 14, which had yet to be collected at the end of the year).

Details of Trade receivables are as follows:

Thousand euro

	2008	2007
Trade receivables for invoices yet to be issued	8,044	9,986
Receivables for guarantees retained	643	574
Trade receivables for trade bills	4,621	93,328
Trade receivables	15,222	38,609
	28,530	**142,497**

The amount recorded under "Trade receivables for invoices yet to be issued" relate in full to work carried out on photovoltaic farms, for which the revenue is recognized on a degree of completion basis, as is described in Note 2.22.

The heading "Receivables for guarantees retained" relates to 5% of the total work invoiced for photovoltaic farm installation projects, which SOLARIA will collect at the time the warranty period ends.

At 31 December 2008 the heading "Trade receivables" mainly relates to the balance yet to be collected for solar farm installation projects.

At 31 December 2008 the balance of "Trade receivables for trade bills" relate to trade bills sent to customers for sales of photovoltaic modules and turnkey projects.

The movement in the provision for impairment losses on trade receivables is as follows:

	2008	2007
At 1 January	-	-
Provision for impairment of receivables	(1,000)	-
Receivables written off	-	-
At 31 December	(1,000)	-

The allocation to the provision for the impairment of receivables has been included under the heading "Change in provisions" in the income statement. Normally the amounts charged against the provision are eliminated when no further cash is expected to be recovered.

The book value of Trade and other receivables is similar to their fair value.

12. Cash and cash equivalents

At the end of 2008 and 2007 this heading breaks down as follows:

	Thousand euro	
	2008	2007
Cash at bank and in hand	10,142	153,163

At 31 December 2007, cash includes €40,000k relating to a deposit that matured on 3 January 2008, which accrued interest totaling €508k during 2007 (Note 8).

At 31 December 2008 the balances in the heading "Cash" mainly records the balances available in the bank accounts maintained by SOLARIA.

13. Equity

a) Share capital and reserves attributable to the Parent Company

Equity

Equity consists of 101,146,667 fully subscribed and paid registered shares with a par value of €0.01 each.

At 31 December 2008 Equity was distributed as follows:

	Number of shares	Percentage interest
Solaria DTL Corporación, S.L.	62,235,544	61.53
Treasury shares	1,470,163	1.45
Continuous market	37,440,960	37.02
Total	**101,146,667**	**100**

On 1 January 2007 the Universal Shareholders Meeting of Solaria Energía y Medio Ambiente, S.L. approved the transformation of the Parent Company into a Public Limited Liability company and the splitting of the number of shares outstanding by transforming each current share with a par value of €10 each into 1,000 new shares with a par value of €0.01 each, thereby increasing the number of shares outstanding from 77,760 to 77,760,000, without changing the equity figure for Solaria Energía y Medioambiente, S.L. The shares were attributed to shareholders existing at the time of the split who owned to the previous shares in the same proportion as those owned before the Resolution to transform the shares was adopted.

On 21 March 2007 Solaria Energía y Medioambiente, S.L. filed an application with the Madrid Mercantile Registry to transform the Company from a private limited liability company to a public limited liability company, in accordance with the Resolution approved by the Universal Meeting held by Shareholders of Solaria Energía y Medio Ambiente, S.L. on 1 January 2007.

The Universal Meeting and the Board of Directors of Solaria Energía y Medioambiente, S.A., at the meetings held on 24 May 2007 adopted, among others, resolutions regarding the change in the Company's governing body, the appointment of Directors and the application for SOLARIA's shares to be listed on the stock market.

On 15 June 2007 shareholders adopted a resolution to make a public share offering prior to listing Solaria Energía y Medioambiente, S.A. shares on the Spanish stock markets. Is therefore increased Solaria Energía y Medioambiente, S.A. share capital through a public share offering by €234k and the issue of 23,386,667 ordinary registered shares of the same class as those already in existence and with a par value of €0.01 per share and a share premium to be determined while the minimum subscription level was established at €50k.

In addition, the above amount for the public share offering may be increased by the shares involved with the purchase option "green shoe" granted to the companies that concluded the Underwriting and Placement Agreement relating to the Offer, involving a maximum of 3,508,000 existing shares with a par value of €0.01 per share, for a total nominal amount of €35k.

In addition to the share capital increase dated 19 June 2007, for accounting purposes the share premium was established at €9.49 per share, which represents a total of €210,006k (net of the share capital increase costs totaling 11,933k).

On 21 June 2007 the company's underwriting the public share offer fully exercised the purchase option involving 3,508,000 shares in Solaria Energía y Medio Ambiente, S.A. granted by Solaria DTL Corporación, S.L. by virtue of the Underwriting and Placement Agreement concluded on 18 June 2007, at a price of €9.50 per share.

On 12 November 2007 the majority shareholder of SOLARIA reached an agreement with Banco Español de Crédito, Morgan Stanley and Piper Jaffray to carry out a private placement among qualified investors and involving a package of approximately 10,114,000 shares in Solaria Energía y Medio Ambiente, S.A., representing approximately 10% of that company's share capital. This process was completed on 13 November 2007 at a price of €19 per share.

As a result of the above, share capital was established at 1,011,004 to €67, represented by 101,146,667 shares with a par value of €0.01 each and fully subscribed and paid in.

In accordance with the resolution adopted by shareholders at the General Meeting held on 24 May 2007, the Board of Directors was authorized to acquire up to 5% of the share capital of SOLARIA for consideration at one or several times and within a period not to exceed 18 months. The minimum price will be the par value of the shares and the maximum price will be 100% of the listed price on the Continuous Market at the time of acquisition.

All of the shares in SOLARIA are listed on the four official stock markets in Spain and on the continuous market.

At the end of 2008, SOLARIA's shares were listed at a price of €1.91 (2007:€21.48).

Treasury shares

On 18 February 2008, and through the execution of the Resolutions adopted by the Extraordinary and Universal Meeting of SOLARIA held on 24 May 2007, P. Board of Directors unanimously adopted a Resolution to acquire treasury shares in SOLARIA, at one or more times, in accordance with the terms and conditions established by the General Meeting and up to a maximum amount of €15,000k. In this respect, on 19 February 2008 SOLARIA concluded a Liquidity Agreement with Banesto Bolsa, S.V., S.A. in accordance with National Market Commission Circular 3/2007 (19 December) regarding count includes the Agreements for the purposes of their acceptance as a market practice. This agreement was renewed on 12 June 2008.

At 31 December 2008, Solaria Energía y Medioambiente, S.A. holds a total of 1,470,163 shares with a total value of €8,540k (2007: €0).

Share premium account

The share premium account arose as a result of the public share offering mentioned above and is freely available.

Legal reserve

In accordance with the Spanish Companies Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

Voluntary reserves

This item relates to prior year profits not distributed by the Company. These reserves are fully available.

Restatement reserves

Movements in this caption in 2008 and 2007 are as follows:

	Thousand euro
	Cash flow hedges
Balance at 31 December 2006	
Increases	(7,259)
Decreases	
Tax effect	2,178
Balance at 31 December 2007	**(5,081)**
Increases	(716)
Decreases	7,248
Tax effect	(1,960)
Balance at 31 December 2008	**(509)**

Proposal for the distribution of results

The proposal to be presented to the General Meeting of Solaria Energía y Medio Ambiente, S.A. regarding the distribution of 2008 profits/(losses) calculated under local GAAP, is as follows:

	Thousand euro
Available for distribution	
Profit for the year	(17,654)
Distribution	
Profit/(loss) for the year	(17,654)

In February 2007, SOLARIA paid an interim dividend totaling €2,410,000 charged against 2006 profits. This decision was taken by the Sole Administrator on 15 January 2007.

At the date on which the interim dividend was approved, SOLARIA had sufficient liquidity to make this payment in accordance with the requirements established by Articles 194.3 and 216 of the Spanish Companies Act.

The provisional accounting statement prepared by the Sole Administrator at 31 December 2006 is as follows:

	Thousand euro
Profit after taxes 31.12.2006	5,505
Projected interim payment	(2,410)
Cash liquidity	4,228
Lines of credit not drawn down	5,487
Total liquidity	**12,810**

14. Government grants

Amounts and movements in the items included under this heading during 2008 and 2007 are as follows:

Thousand euro

	Balance at 31.12.06	Additions	Disposals	Taken to income statement	Balance at 31.12.07	Additions	Disposals	Taken to income statement	Balance at 31.12.08
IDAE	21			(4)	17			(4)	13
IDAE	27			(5)	22			(5)	17
Ministry of Industry loan					-				-
Ministry of Industry loan					-				-
CDTI					-				-
Ministry of Industry loan		131		(98)	33			(9)	24
Operating grants	48	131	-	(107)	72	-	-	(18)	54
IDAE	106			(14)	92			(14)	78
IDAE	144			(20)	124			(20)	104
Ministry of Industry	4,546				4,546				4,546
Ministry of Industry loan (i)	81			(10)	71			(10)	61
Ministry of Industry loan (i)	43		(14)	(5)	24			(5)	19
Capital grants	4,920	-	(14)	(49)	4,857	-	-	(49)	4,808
Total deferred revenues	**4,968**	**131**	**(14)**	**(156)**	**4,929**	**-**	**-**	**(67)**	**4,862**

The breakdown of credits, assistance and subsidies received by the Company is as follows:

Granting entity	Thousand euro	Purpose	Date granted
IDAE (Note 15)	124	Early repayment of the loan	26.10.2004
IDAE (Note 15)	164	Early repayment of the loan	14.04.2005
Ministry of Industry (Note 15)	4,546	Financing of fixed assets	17.01.2006
IDAE (Note 15)	29	Loan interest payments	26.10.2004
IDAE (Note 15)	38	Loan interest payments	14.04.2005
Ministry of Industry Loan (Note 16)	226	Financing of assets and subsidy of operating expenses	05.10.2005
Ministry of Industry Loan (Note 16)	91	Financing of assets and subsidy of operating expenses	26.07.2005
CDTI (Note 16)	52	Financing of assets and subsidy of operating expenses	29.04.2006
Ministry of Industry Loan (Note 16)	131	Financing of personnel costs	09.01.2007
	5,401		

The analysis of short and long-term deferred revenues is as follows:

	Thousand euro	
	2,008	2,007
Long-term deferred revenues:		
- Operating grants	54	62
- Capital grants	4,808	4,808
	4,862	4,870
Short-term deferred revenues:		
- Operating grants	-	10
- Capital grants	-	49
	-	59
Total deferred revenues	**4,862**	**4,929**

Fixed-asset subsidy from the Ministry of Industry

On 17 January 2006, the Ministry of Industry, Tourism and Commerce, through the Coal Mining Restructuring and Alternative Development of Mining Area Institute, informed the Company of the decision reached by the Project Evaluation Committee to grant the subsidy requested for the launch of a plant to manufacture thermal solar modules and photovoltaic cells. The investment considered eligible for the subsidy totals €22,732k and the amount of the subsidy granted totals €4,546k euros, which represents approximately 20% of the investment. This subsidy will be paid at the completion of the project, which is understood to mean that the investment has been made, the payment of the amounts invested, the justification of the level of self-financing, the creation of the number of jobs promised and the signing of the relevant verification documents. However, since it involves a project that will be executed over more than 12 months, taking into consideration that it commences at the date the assistance application is filed, payments on account may be requested in the amount of 25%, 50% and 75% of the investment made.

The granting of the subsidy is subject to the following conditions:

- The Company must execute at least 10% of the investment eligible for the subsidy before 31 December 2005.
- The deadline for making the entire investment: 31 December 2007.
- Once the investment is made it must be maintained for a minimum of 5 years.
- 25% of the investment eligible for the subsidy must be self-financed, which must be proven when justifying the investment made.
- The subsidized project must maintain the job posts existing at the time the application is filed and, afterwards and before 28 February 2008, must generate ninety jobs that must be maintained until 28 February 2011.

In 2007 SOLARIA obtained a guarantee for the Ministry of Industry, Tourism and Commerce totaling €4,500k (Note 24) to collect 85% of the total subsidy granted.

On 10 December 2007 SOLARIA requested the early payment of 85% of the total subsidy in accordance with section 19 of the Order dated 17 December 2001 (published in a Official State Gazette on 5 January 2002), which regulates the concession of assistance to business projects that generate employment. On 17 January 2008 SOLARIA obtained an advance payment, which was collected on 7 February 2008, and the remaining 15% remained outstanding.

15. Bank borrowings

As at 31 December balances with group and financial institutions are as follows:

						Thousand euro
			2008			2007
Entity	Short-term	Long-term	Total	Short-term	Long-term	Total
Bank borrowings	2,695	11,311	14,006	712	12,832	13,544
Amounts payable to official bodies	234	1,706	1,940	46	1,561	1,607
Total finance lease liabilities	340	16,357	16,697	55	188	243
Importation facilities	60,435	-	60,435	43,103	-	43,103
TOTAL	**63,704**	**29,374**	**93,078**	**43,916**	**14,581**	**58,497**

At 31 December 2008 these payables related mainly to the financing of renewable energy investments and energy efficiency, as well as the development of the manufacturing of all of Solaria's product lines and segments. As is reflected in above table, these amounts have been obtained from several credit institutions and public bodies. These loans were granted in prior years and are characterized by the fact that they accrue zero interest.

SOLARIA has obtained several lines of financing for the importation of production materials, particularly photovoltaic cells. These facilities are negotiated with the aim of contributing to the financing of the Company's expansion of production due to the extension of production capacity during 2008.

Loans existing at 31 December 2008 accrue interest at an annual average rate (euribor plus a spread) ranging between 4.50% and 5.35%. Therefore, the fair value of long-term borrowings approximates the carrying value.

All the Company's borrowings are denominated in euros.

SOLARIA does not have any lines of credit not drawn down at the year-end.

The breakdown of the limits and maturity dates of loans from financial institutions is as follows:

Entity	Original amount	Transaction	Maturity date	Short-term	Long-term	Thousand euro Total
Entity 1	412	Loan	12/11/2011	38	80	118
Entity 2	547	Loan	14/04/2012	50	128	178
Entity 3	1,500	Loan	10/06/2013	214	750	964
Entity 4	4,500	Loan	15/06/2016	323	4,178	4,501
Entity 5	1,800	Loan	23/10/2011	357	775	1,132
Entity 6	6,000	Loan	20/05/2014	600	5,400	6,000
Accrued interest not paid				1,113	-	1,113
Banks				**2,695**	**11,311**	**14,006**
Entity 7	348	Loan	30/06/2013	54	188	242
Entity 8	500	Loan	30/09/2016	0	500	500
Entity 9	400	Loan	30/11/2015	57	280	337
Entity 10	861	Loan	15/12/2015	123	738	861
Public bodies				**234**	**1,706**	**1,940**
Entity 11	56	Finance lease	29/12/2011	10	21	31
Entity 12	69	Finance lease	29/12/2011	12	26	38
Entity 13	60	Finance lease	17/01/2012	10	23	33
Entity 14	81	Finance lease	03/11/2012	14	44	58
Entity 15	34	Finance lease	18/09/2012	5	17	22
Entity 16	8	Finance lease	18/09/2012	2	6	8
Entity 17	11	Finance lease	18/09/2012	2	5	7
Entity 18	16,500	Finance lease	28/03/2023	285	16,215	16,500
				340	**16,357**	**16,697**

	Limit granted					
Entity 19	6,500	Import facilities	18/10/2004	3,209	-	3,209
Entity 20	20,000	Import facilities	29/04/2009	6,249	-	6,249
Entity 21	21,500	Import facilities	-	12,967	-	12,967
Entity 22	8,000	Import facilities	25/04/2009	7,394	-	7,394
Entity 23	30,000	Floating facility	06/11/2009	7,228	-	7,228
Entity 24	20,000	Import facilities	14/03/2009	13,395	-	13,395
Entity 25	10,000	Import facilities	-	9,678	-	9,678
Entity 26	10,000	Line of credit	03/11/2009	215	-	215
Entity 27	10,000	Line of credit	10/12/2009	40	-	40
Entity 28	21,960	Line of credit	07/05/2018	-	-	-
Entity 29	990	Line of credit	10/07/2018	-	-	-
Entity 30	150	High yield	-	60	-	60
Importation facilities				**60,435**	-	**60,435**

As at 31 December 2007 balances with group and financial institutions are as follows:

Entity	Original amount	Transaction	Maturity date	Short-term	Long-term	Thousand euro Total
Entity 1	413	Loan	12/11/2011	34	121	155
Entity 2	547	Loan	14/04/2012	44	180	224
Entity 3	1,500	Loan	10/06/2013	214	964	1,178
Entity 4	4,500	Loan	15/06/2016	-	4,500	4,500
Entity 5	1,800,000	Loan	23/10/2011	403	1,067	1,470
Entity 6	6,000,000	Loan	20/05/2014	-	6,000	6,000
Accrued interest not paid				17	-	17
Banks				**712**	**12,832**	**13,544**
Entity 7	348	Loan	30/06/2013	46	209	255
Entity 8	500	Loan	30/09/2016	-	385	385
Entity 9	400	Loan	30/11/2015	-	273	273
Entity 10	861	Loan	15/12/2015	-	694	694
Public bodies				**46**	**1,561**	**1,607**
Entity 11	56	Finance lease	29/12/2011	10	30	40
Entity 12	69	Finance lease	29/12/2011	12	37	49
Entity 13	60	Finance lease	17/01/2012	10	32	42
Entity 14	81	Finance lease	03/11/2012	14	56	70
Entity 15	34	Finance lease	18/09/2012	6	21	27
Entity 16	8	Finance lease	18/09/2012	1	5	6
Entity 17	11	Finance lease	18/09/2012	2	7	9
Finance leases				**55**	**188**	**243**
	Limit granted					
Entity 18	30,000	Import facilities	-	19,998	-	19,998
Entity 19	10,000	Import facilities	-	7,513	-	7,513
Entity 20	-	Discounted bills	15/03/2008	15,312	-	15,312
Entity 21	-	Business facilities	-	280	-	280
Importation facilities				**43,103**	**-**	**43,103**

Financial institution 1

On 12 November 2004 a loan was obtained from the Entity in accordance with the financing agreement "Financing of investments in renewable energies and energy efficiency". This line is the result of the collaboration between ICO and the Ministry of Science and Technology through the Energy Savings and Diversification Institute ("Instituto para la Diversificación y Ahorro de Energía (IDAE)"). The original amount of the loan totals €412k.

When obtaining this loan SOLARIA committed to using the financing received exclusively to finance the investment project presented, "Instalación Térmica de A.C.S. Uso Industrial", and maintain the financed investment on its books for at least five years as from the date the agreement was concluded.

As a result of the financing facilities agreed between IDEA-ICO and financial institutions, IDEA granted SOLARIA assistance covering the initial repayment of the loan, totaling €123k (Note 14). In addition, the IDEA granted SOLARIA a credit for the interest accruing on this loan, totaling €29k (Note 14).

Financial institution 2

On 14 April 2005 a loan was obtained from the entity within the scope of the Finance Agreement "Financing of Investments in Renewable Energies and Energy Efficiency" concluded between the entity and the Official Credit Institute (ICO). This line is the result of the collaboration between ICO and the Ministry of Science and Technology through the Energy Savings and Diversification Institute ("Instituto para la Diversificación y Ahorro de Energía (IDAE)"). The original amount of the loan totals €547k.

When obtaining this loan SOLARIA committed to using the financing received exclusively to finance the investment project presented, "Instalación de A.C.S. y Refrigeracion en Fabrica" and maintain the financed investment on its books for at least five years as from the date the agreement was concluded.

As a result of the financing facilities agreed between IDAE-ICO and financial institutions, IDAE granted the Company assistance covering the initial repayment of the loan, totaling € 164 (Note 14). In addition, the IDAE granted the Company a credit for the interest accruing on this loan, totaling € 38 (Note 14).

Financial institution 3

On 9 May 2006 SOLARIA concluded a secondary loan agreement in the amount of 1,500,000 euros with an entity in Ciudad Real, under the umbrella of the agreement concluded between ICO and the bank, for the purpose of financing investments in new production assets for small and medium sized companies. SOLARIA's investment project totals € 21,300k and the most important conditions that must be met by the final beneficiary of this subsidy agreement are as follows:

- The amount financed by ICO funds cannot exceed 70% of the investment if involving a company with between 10 and 249 employees.
- The final beneficiary must declare that it does not hold an interest in any company or group of companies that does not meet the conditions to be considered a small or medium-sized

business, or may not be an investee company of any such company or group of companies, and state that no financing from the ICO-PYME 2006 line has been received in excess of €1.500k.

- The final beneficiary undertakes to ensure that the total "minimis" assistance will not exceed €100k over 3 years.

As guarantees for this loan, SOLARIA agreed to a mortgage guarantee involving one of the plots of land located in Puertollano, once payment has been justified and it has entered into operations and will maintain in a bank account at least three loan payments, which total € 321k.

Financial institution 4

On 9 May 2006 SOLARIA concluded a secondary loan agreement in the amount of €4,500k euros with an entity in Ciudad Real, under the umbrella of the agreement concluded between ICO and the bank, for the purpose of financing investments in new production assets for small and medium sized companies. SOLARIA's investment project totals € 21,300k and the most important conditions that must be met by the final beneficiary of this subsidy agreement are as follows:

- The amount financed by ICO funds cannot exceed 70% of the investment if involving a company with between 10 and 249 employees.
- The final beneficiary must declare that it is not an investee company (25% or more) of any other company or group of companies that do not, as a whole, have a general balance sheet exceeding 43 million euros and turnover must be less than 50 million euros.
- The final beneficiary undertakes to ensure that the total "minimis" assistance will not exceed €100k over 3 years.

As guarantees for this loan, SOLARIA agreed to a mortgage guarantee involving one of the plots of land located in Puertollano, once payment has been justified and it has entered into operations and will maintain in a bank account at least three loan payments, which total € 964k.

In order to cover fluctuations in interest rates relating to the two loans mentioned above, the Company has obtained an interest rate hedge from Banco Cooperativo Español, the main characteristics of which are described in Note 17.

Financial institution 5

On 23 October 2006 the Company obtained a € 1,800k loan from the entity.

Financial institution 6

On 23 October 2006 the Company obtained a € 6,000k loan from the entity.

In order to cover fluctuations in interest rates relating to the loan from the entity, SOLARIA obtained an interest rate hedge from that financial institution, the main characteristics of which are described in Note 17.

Financial institution 7

On 29 October 2004, the entity informed the Company of its participation in the Technological Innovation project called "Development of a Photovoltaic Panel Assembly Line", consisting of a repayable, interest-free grant that may be co-financed by FEDER Funds, of up to € 348k, of the total investment accepted by CDTI, which totaled € 869k. This approval is subject to the following conditions:

- A share capital increase, or increase plus premium, totaling €348k and consisting of monetary contributions.
- Security for the entity's Loan or sufficient guarantees in the opinion of entity.

According to the agreement established between the entity and the Company, the latter opted to obtain the Bank prefinancing line for CDTI R&D+i projects in 2004 in order to facilitate the financing of the Project up until the time the amount loaned by the entity becomes available. This line allows companies that have gained approval for a CDTI R&D+i project to choose between obtaining the amount granted through a traditional milestone completion certification system (partial payments) or in advance (lump sum) through a bank loan of up to 75% or 60% of the amount granted.

The assistance granted by the entity consists of an interest-free repayable loan totaling €348k, falling due on 30 June 2013.

On 1 June 2006 the agreement concluded between the entity and SOLARIA was amended to replace the personal and several guarantee by thirteen bank guarantees totaling €348k (Note 24). At 31 December 2008 11 guarantees remain in force.

Financial institution 8

On 9 January 2007, the Entity informed the Company of its participation in the Technological Innovation project called "Development of a Photovoltaic Panel Assembly Line", consisting of a repayable, interest-free loan of up to €500k, based on the total budget accepted by the entity totaling €1,071k. This approval was conditioned to the investments and expenses, or expense commitment, that would be made or incurred between 1 January and 31 December in the year the assistance is granted.

The assistance granted by the entity consists of an interest-free repayable loan totaling €500k, falling due on 30 September 2016.

Financial institution 9

On 26 July 2005 the entity adopted a Resolution to grant SOLARIA repayable assistance to finance the project to manufacture photovoltaic modules and cells. The total amount of the financed budget is €965k and covers all costs and investments necessary to launch the above-mentioned project.

The assistance consists of a €400k interest-free loan to be repaid over 10 years, with a 3-year grace period. This assistance is subject to several conditions, among which is the obligation to make the investments and incur the costs between 1 January and 31 December in order for the assistance to be granted.

On 27 December 2005 the Company requested a 6-month extension to the project, payment and presentation of documentation (up to 30 June 2006). The reason for which this request was made is the delay in the delivery and installation of some of the high-tech equipment involved with the project. On 30 December 2005 the Director General for Industrial Development at the entity issued a Resolution extending the deadlines for making and justifying the investments until 30 June and 31 July 2006, respectively.

SOLARIA has deposited a guarantee for € 400k euros in favor of the entity (Note 24) to cover the guarantees required for the above-mentioned repayable loan.

Financial institution 10

On 5 October 2005, the entity adopted a Resolution to grant SOLARIA repayable assistance to finance the project for developing a prototype concentration thermal solar collector and the launch of a production line. The total amount of the financed budget is €1,148k and covers all costs and investments necessary to launch the above-mentioned project.

The assistance consists of a €861k interest-free loan to be repaid over 10 years, with a 3-year grace period. This assistance is subject to several conditions, among which is the obligation to make the investments and incur the costs between 1 January and 31 December in order for the assistance to be granted.

On 27 December 2005 the Company requested a 6-month extension to the project, payment and presentation of documentation (up to 30 June 2006). The reason for which this request was made is the delay in the delivery and installation of some of the high-tech equipment involved with the project. On 19 January 2006 the Director General for Industrial Development at the entity issued a Resolution extending the deadlines for making and justifying the investments until 30 June and 31 July 2006, respectively.

SOLARIA has deposited a guarantee for €861k in favor of the Ministry of Industry (Note 24) to cover the guarantees required for the above-mentioned repayable loan.

The maturity dates for amounts owed to credit institutions are distributed as follows:

	Thousand euro	
Maturity date	**2008**	**2007**
Up to 1 year	63,704	43,916
Between 1 and 5 years	8,481	9,738
More than 5 years	20,893	4,843
	93,078	58,497

Contractual future undiscounted cash flows relating to outside borrowings obtained by SOLARIA at 31 December 2008 are set out in the accompanying table:

Thousand euro

	2.009	2.010	2.011	2.012	2.013	Subsequent years	TOTAL
Bank borrowings (Note 19)	63,364	2,825	2,822	2,371	2,246	2,753	76,381
Finance leases	1,159	1,724	1,701	1,669	1,720	15,443	23,416
Interest on bank loans and overdrafts	3,028	1,377	1,189	1,006	840	3,175	10,615
Derivatives	74	472	350	234	175	141	1,446
	67,625	6,398	6,062	5,280	4,981	21,512	111,858

Finance leases

The main finance lease recorded by SOLARIA at 31 December 2008 relates to a lease concluded with Banco Popular on 28 March 2008 for the amount of €16,500k for the factory located in Fuenmayor and the associated land. The lease has a term of 15 years.

The interest rate accruing on this lease is 1-year euribor plus a spread, although it has a floor of 4%. Given that at the date the lease was concluded the interest rate of reference was higher than the floor stipulated in the lease, there is no need to separate the embedded derivative at that date.

The total amount of the gross obligation deriving from the finance lease – minimum payments for the lease at 31 December 2008:

Thousand euro

	2008	2007
Finance lease liabilities, minimum lease payments:		
- Less than 1 year	1,159	63
- Between 1 and 5 years	6,818	214
- More than 5 years	15,439	-
	23,416	277
Future financial charges for finance leases	(6,719)	(34)
Present value of finance lease liabilities	16,697	243
The present value of finance lease liabilities is as follows:		
- Short term	340	63
- Long term	16,357	180
TOTAL	16,697	243

16. Trade and other payables

At the end of 2008 and 2007 this heading breaks down as follows:

Thousand

		euros
	2008	2007
Trade and other creditors	49,309	34,417
Customer prepayments (Note 10)	(8)	8,367
Payables to public administrations (Note 18)	1,170	5,860
Fixed asset suppliers	3,289	7,075
Accrued wages and salaries	412	-
Other current liabilities	2	177
	54,174	**55,896**

The book value of trade and other payables is similar to their fair value.

The balances included under the heading Trade and other payables at 31 December 2008 and 2007 fall due in between 90 and 120 days. In the case of purchases of photovoltaic cells, the payments take place in between 1 and 60 days.

17. Derivative financial instruments

Hedge instrument assets and liabilities at the end of 2008 and 2007 are as follows:

	Thousand euros			
	2008		2007	
	Asset	Liability	Asset	Liability
Fair value of derivatives not used for book hedges				
- Interest rate	-	1,229	13	-
- Exchange rate	-	-	-	986
	-	1,229	13	986
Fair value of derivatives used for book hedges				
- Interest rate	-	247	-	24
- Exchange rate	-	481	-	7,235
	-	728	-	7,259
Total	-	1,957	13	8,245

a) Interest rate hedge

In order to protect against fluctuations in the interest rate applicable to the loans obtained from Caja Rural totaling €1,500k and €4,500k euros, respectively (Note 15), the Company has obtained an interest rate hedge from Banco Cooperativo Español, the main characteristics of which are as follows:

Initial notional amount: €5,893k
Maturity date: 12 December 2011
Variable I payer: Banco Cooperativo Español
Variable I rate: 6-month euribor
Variable II payer: Solaria Energía y Medio Ambiente, S.A.
Variable II rate: 3.96%, in the event that the euribor goes to 5%, there is a 0.10% credit.

The maturity dates for the derivatives are as follows:

Year	Thousand euros
2009	536
2010	857
2011	4,071

Caja Rural de Ciudad Real granted a €300k guarantee to Banco Cooperativo Español in SOLARIA's favor to respond to the obligations that may derive from the interest rate swap credit concerning the above-mentioned interest (Note 24).

In order to protect against fluctuations in the interest rate applicable to the loan obtained from Caja Madrid totaling € 6,000k (Note 15), SOLARIA has obtained an interest rate hedge from Caja Madrid, the main characteristics of which are as follows:

Initial notional amount: €6,000k
Fixed rate payer: Solaria Energía y Medio Ambiente, S.A.
Fixed rate: 4.63%
Variable rate payer: Caja de Ahorros y Monte de Piedad de Madrid
Variable rate: 6-month euribor
The maturity dates for the derivatives are as follows:

Year	Thousand euros
2009	600
2010	5,400

b) Foreign exchange hedge

In order to hedge against currency exchange rate fluctuations involving the euro and the US dollar in certain production machinery acquisition transactions projected in 2009, SOLARIA has obtained a hedge from Barclays, structured through a currency option with a knock out of €1,110. The main characteristics of this transaction are:

Initial notional amount: $8 million
Strike price: 1.310
Maturity date: 10 June 2009.

c) Derivatives that do not qualify for hedge accounting

SOLARIA has obtained an interest rate swap from Banco Popular with the following characteristics:

Initial notional amount: €16,500k
Fixed rate payer: Solaria Energía y Medio Ambiente, S.A.
Fixed rate: 4.985%
Variable rate payer: Banco Popular
Variable rate: 12-month euribor
The maturity dates for the derivatives are as follows:

Year	Thousand euro
2010	503
2011	896
2012	942
2013	991
2014	13,168

This interest rate swap does not qualify for hedge accounting since it is not highly efficient at the start of the hedge and in subsequent years.

18. Corporate income tax and tax situation

The calculation of corporate income tax expense for 2008 and 2007 is as follows:

		Thousand euro	
		2008	2007
Book profit/(loss) before taxes		(30,658)	71,551
Differences for expenses taken directly to equity		(10,719)	-
Temporary differences		29,579	(3,611)
Tax base		(11,798)	67,940
Tax base through the applicable tax rate:			22,081
	Subsidiaries	642	
	Parent	(4,179)	
Deductions		-	(12)
Current year tax		**642**	**23,242**
Withholdings and interim payments		(7,574)	(7,013)
Amount payable/(refundable)		**(6,932)**	**15,050**
Tax credits for tax-loss carryforwards		**(4,179)**	**-**

The breakdown of corporate income tax in the income statement is as follows:

	Thousand euro	
	2008	2007
Current year tax	642	23,242
Deferred tax for the year	(9,838)	(1)
Change in tax rate-deferred tax liabilities	-	(90)
Corporate income tax	**(9,196)**	**23,151**

The reconciliation of the tax rate is as follows:

	Thousand euro	
	2008	2007
Book profit/(loss) before taxes	(30,658)	71,552
Tax expense/(income) at the applicable tax rate	642	23,254
Change in the tax rate	-	(90)
Deductions	-	(12)
Other adjustments	(9,838)	(1)
Corporate income tax expense/(income)	(9,196)	23,151
Effective tax rate	**30.00%**	**32.36%**

In accordance with the provisions of Article 109 of the Corporate Income Tax Act, the Company has availed itself of unrestricted depreciation for new fixed assets, which may be depreciated without restriction provided that during the twenty-four months following the start of the tax period in which the assets enter into operation the average total number of employees at the Company increases with respect to the average payroll in the preceding 12 months and this increase must be maintained from an additional period of twenty-four months. The amount for items for which unrestricted depreciation is applied totals €3,329k, giving rise to the relevant deferred tax.

By virtue of Law 35/2006 (28 November), on Personal Income Tax and the partial amendment of the laws governing corporate income tax, non-resident income tax and wealth tax, in tax periods commencing as from 1 January 2007 the corporate income tax rate is 32.5% and 30% in tax periods started as from 1 January 2008.

Deferred tax assets and liabilities consist of:

	Euro	
	2008	2007
Deferred tax liabilities	993	1,171
Deferred tax assets	13,471	5,689

Movements during the year in deferred tax assets and liabilities are as follows:

				Euro
Deferred tax liabilities	**Unrestricted depreciation**	**Derivative financial instruments**	**Deferred revenues**	**Total**
At 31 December 2006	97	4	65	166
Debited/(credited) to results	1,075	1	14	1,090
Change in the tax rate	(84)	-	(1)	(85)
At 31 December 2007	**1,089**	**4**	**78**	**1,171**
Debited/(credited) to results	(96)	(4)	(78)	(178)
Charge against/(credit to) equity	-	-	-	-
At 1 December 2006	**993**	**-**	**-**	**993**

					Thousand euro
Deferred tax assets	**Derivative financial instruments**	**Other adjustments on consolidation**	**Capital increase expenses**	**Tax credit for 2008 losses**	**Total**
At 31 December 2006	9	-	-	-	9
Debited/(credited) to results	312	-	-	-	312
Charge against/(credit to) equity	2,359	-	3,484	-	5,843
Change in tax rate taken to income statement	(25)	-	30	-	5
Change in tax rate taken to equity	(181)	-	(298)	-	(479)
At 31 December 2007	**2,474**	**-**	**3,216**	**-**	**5,690**
Debited/(credited) to results	(296)	9,074	-	4,179	12,957
Charge against/(credit to) equity	(1,960)	-	(3,216)	-	(5,176)
At 31 December 2008	**218**	**9,074**	**-**	**4,379**	**13,471**

Deferred tax assets and liabilities are only offset if there is a legally enforceable right to set off current and deferred tax assets and liabilities relating to the same tax authorities.

At 31 December 2008 all of the tax returns filed by SOLARIA for the periods that have not become statute-barred are open to inspection.

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. The Directors consider, however, that any additional assessments that might be made would not significantly affect these consolidated accounts.

The breakdown of taxes and Social Security at the end of 2008 and 2007 is as follows:

	Thousand euro			
	2008		2007	
	Receivable	Payable	Receivable	Payable
2008 corporate income tax	7,574	-	-	-
2007 corporate income tax	-	-	-	15,050
2006 corporate income tax	-	-	-	-
2005 corporate income tax	17	-	17	-
2004 corporate income tax	12	-	12	-
Current taxes	7,603	-	29	15,050

The balances included under "Trade and other receivables" (Note 11) or "Trade and other payables" (Note 16) are as follows:

	Thousand euro			
	2008		2007	
	Receivable	Payable	Receivable	Payable
VAT	32,428	53	-	5,330
Personal income tax withholdings	-	202	-	210
Social Security contributions	-	307	-	320
Capital withholdings	307	-	-	-
Corporate income tax refundable/payable	-	608	-	-
	32,735	1,170	-	5,860

19. Income and expense

b) Transactions denominated in foreign currencies

Transactions carried out in foreign currency (US dollars) are as follows:

	Thousand euros	
	2008	2007
Purchases	(127,523)	(103,378)
Services received	-	-
	(127,523)	(103,378)
Sales	171	-
Services rendered	-	-
	171	-

b) Consumption of raw and other consumable materials:

	Thousand euros	
	2008	2007
Consumption of raw and other consumable materials:	230,235	116,918
Difference between opening and closing inventories	12,779	(17,131)
	243,014	**99,787**

c) Personnel costs

The breakdown of the personnel cost heading at the end of these years is as follows:

	Thousand euros	
	2008	2007
Wages, salaries and similar remuneration	12,897	6,591
Staff welfare expenses	3,038	1,582
Operating grants offset	-	(98)
	15,935	8,075

At the end of 2008 and 2007 this heading breaks down as follows:

	2008			2007		
	Men	Women	Total	Men	Women	Total
Engineers	18	4	22	19	1	20
University graduates	26	20	46	6	3	9
Factory staff	299	168	467	339	200	539
	343	192	535	364	204	568

The average number of employees during the year is as follows:

	2008			2007		
	Men	Women	Total	Men	Women	Total
Engineers	19	3	22	13	1	14
University graduates	16	12	28	5	2	7
Factory staff	319	184	503	198	105	303
	354	199	553	216	108	324

The Company records no commitments for pensions or similar items for personnel.

d) External service expense

At the year-end this heading breaks down as follows:

	Thousand euros	
	2008	2007
Rent and royalties	501	183
Repairs and maintenance	341	212
Independent professional services	1,795	357
Transport	4	137
Bank services	1,220	231
Insurance premiums	511	46
Advertising	1,040	561
Supplies	457	168
Security	1,170	464
Other	908	765
	7,947	3,124

e) Net loss on the disposal of non-current assets

Thousand euros

	2008	2007
Loss on the disposal of non-current assets	-	(9)
Profit on the disposal of non-current assets	-	6
	-	(3)

f) Financial income and expense

Thousand euro

	2.008	2.007
Interest income- banks	5,394	4,185
Interest income related companies	-	22
	5,394	4,207
Changes in fair value derivative financial instruments	986	44
Gains on exchange	3,864	170
	4,850	214
	10,244	4,421

Thousand euro

	2.008	2.007
Interest expense	5,498	2,930
Changes in fair value – derivative financial instruments	1,229	12
Losses on exchange	7,521	1,006
	14,248	3,948
FINANCIAL INCOME/(EXPENSE)	(4,004)	473

20. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to SOLARIA's shareholders by the weighted average number of ordinary shares in the year, excluding treasury shares acquired by SOLARIA and held in its portfolio (Note 13).

	Thousand euro	
	2008	2007
Profit/(loss) attributable to SOLARIA's shareholders	(21,462)	48,400
Weighted average number of ordinary shares	100,228,692	54,073,477
Basic earnings/(losses) per share (€ per share)	(0.21)	0.90

b) Diluted

Diluted earnings per share are calculated by adjusting the profit attributable to SOLARIA's shareholders and the weighted average number of outstanding shares to reflect the conversion of all ordinary shares that may be potentially diluted.

At 31 December 2008 and 2007 no instruments have been issued that may be converted to ordinary shares that may potentially be diluted. Therefore the basic earnings per share are equal to the diluted earnings per share.

21. Cash generated from operations

	Thousand euro	
	2008	2007
Profit before income tax	(30,658)	71,551
Adjustments for:		
- Amortization of intangible assets	21	7
- Depreciation of property, plant and equipment	1,707	625
- Deferred income taken to profit and loss	80	(44)
- Operating subsidies offset against expenses and depreciation	-	(113)
- Net loss on the disposal of non-current assets	-	3
- Trade receivable impairment losses	23,676	-
- Financial income	(10,244)	(4,421)
- Financial expense	14,248	3,948
Changes in working capital:		
- Inventories	(148,832)	(17,130)
- Trade and other receivables	50,364	(169,015)
- Trade and other payables	(1,722)	47,332
Cash used in operations	(101,360)	(67,257)

In the cash flow statement, proceeds from the sale of non-current assets include:

	Thousand euro	
	2008	2007
Net carrying value of property, plant and equipment (Note 6)	-	86
Loss on disposal of property, plant and equipment (Note 19 (e))	-	(3)
Revenues from disposal of property, plant and equipment	-	83

Transactions with no cash movements

The main transactions with no cash movement were:

- The acquisition of the Fuenmayor factory and the adjoining land under a finance lease in 2008. The cost of the acquired assets totaled €16,500k (Note 6).

- The margin relating to the extent of completion at 31 December 2007 for the plants returned during 2008, which totaled €30,245k (Note 10).

22. Related-party transactions

a) Parent company

Solaria Energía y Medio Ambiente, S.A. is controlled by Solaria DTL Corporación, S.L., which holds 61.35% of the shares in Solaria Energía y Medio Ambiente, S.A.. All the other shares in Solaria Energía y Medio Ambiente, S.A. are traded on the continuous market. In turn, the shares in Solaria DTL Corporación, S.L. pertain to the family Díaz-Tejeiro. Instalaciones Díaz Tejeiro, S.L. is a related company.

b) Related- party transactions

				Thousand euro
	2008		2007	
	Expenses	Revenues	Expenses	Revenues
Solaria DTL Corporación, S.L.	190	36,494	400	26,217
Instalaciones Díaz Tejeiro, S.L.	41	-	-	22
	231	36,494	400	26,239

The revenues involving Solaria DTL Corporacion in 2008 and 2007 relate to the sales made to the majority shareholder of Solaria Energía y Medio Ambiente, S.A. with respect to the turnkey contract mentioned in Note 9.

Expenses in 2007 relate to management and administration services for the service agreement between Solaria Energía y Medio Ambiente, S.A. and Solaria DTL Corporación, S.L. which expired on 30 April 2007. Expenses in 2008 relate to the operating lease for the offices at Calle Velaquez 47, where Solaria Energía y Medio Ambiente, S.A. is located and services expenses relating to Instalaciones Díaz-Tejeiro, S.L.

c) Compensation to key executive personnel and the Board of Directors

The Directors of SOLARIA have accrued €2,782k in 2008 and €1,446k in 2007 for wages and salaries. In addition, Directors' compensation for attending Board meetings in 2008 totaled €490k and €370k in 2007.

The Company records no commitments for pensions or similar items for executive personnel at SOLARIA. No advance payments, loans, retirement awards, life insurance or special indemnities have been granted.

d) Year-end balances arising from sales/purchases of goods/services

See Note 9, "Loans to related companies".

In 2008 and 2007 it was not necessary to form any provision for loans granted to related companies.

e) Directors' shareholdings, positions and duties and activities

For the purposes of complying with the provisions of Article 127 ter 4 of the Spanish Companies Act, these Notes to the annual accounts include information relating to shareholdings and posts held by members of the Board of Directors of Solaria Energía y Medio Ambiente, S.A. in other companies with the same or supplementary activity as that carried out by the Company.

Relevant shareholdings held by members of the Board of Directors and Senior Management in other companies that have the same, similar or supplementary activity as the Company or Group's corporate purpose, which have been reported to the Company, are set out below indicating the positions or duties exercised at these companies.

Name of the Director	Name of the company	% interest	Office or duty
Enrique Díaz-Tejeiro Gutiérrez	Solaria DTL Corporación, S.L	20%	Joint and Several Administrator
	Instalaciones Díaz Tejeiro, S.L	50%	Joint and Several Administrator
Enrique Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L	20%	General legal representative
Arturo Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L	20%	General legal representative
Miguel Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L	20%	Joint and Several Administrator
Iñigo Sagardoy Simón	-		
Manuel Azpilicueta Ferrer	-		

None of the members of the Board of Directors holds any shareholding in companies that have the same, similar or complementary corporate purpose as SOLARIA or its group.

23. Other information

a) Audit fees

The fees charged by the audit for services rendered total €224k euros (2007: €90k). Auditor fees charged for other services relating to the audit amounted to €3k (2007: €125k).

b) Environment

SOLARIA bears environmental protection laws in mind when carrying out its operations. The Company believes it substantially complies with such laws and it maintains procedures designed to encourage and guarantee compliance with them.

SOLARIA has adopted all appropriate measures with respect to the protection and improvement of the environment and the minimization of any environmental impact and complies with current legislation in this respect. During the years 2008 and 2007 the Company did not make any investments of an environmental nature and did not incur any expenses relating to the protection and improvement of the environment, and did not consider it necessary to make any provision for environmental risks or expenses since there are no contingencies relating to the protection and improvement of the environment or any environmental liabilities.

24. Guarantees

a) Bank guarantees

The breakdown of the bank guarantees provided by SOLARIA that are in force at the end of 2008 and 2007 are as follows:

Beneficiary	Item	Thousand euros 2008
Ministry of Industry (Note 15)	Repayable loan	400
Ministry of Industry (Note 15)	Repayable loan	861
Ministry of Industry (Note 15)	Subsidy	4,500
Energy and Mining Policy office	Authorization for 20MW installation	800
Energy and Mining Policy office	Authorization for 20MW installation	800
Energy and Mining Policy office	Authorization for 150MW installation	4,400
Energy and Mining Policy office	Authorization for 150MW installation	1,771
Ministry of Industry (Note 15)	Subsidy	4,500
Banco Cooperativo Español (Note 18)	Interest credit – Interest rate hedge	300
CDTI (Note 15)	Repayable assistance (10 guarantees – 26,740 euros)	267
CDTI (Note 15)	Repayable assistance (1 guarantee)	27
Municipality of Puertollano	Construction in Puertollano	6
Regional Office of the Valladolid Industrial, Tourism and Commerce Service	Execution and launch of a 8.3MW photovoltaic plant	4,150
Regional Office of the Valladolid Industrial, Tourism and Commerce Service	Execution and launch of a 5MW photovoltaic plant	2,500
Iberdrola Distribución Eléctrica SAU	Increase in capacity at the Logroño ST	520
Iberdrola Distribución Eléctrica SAU	Increase in capacity at the Logroño ST	3,118
Endesa Congeneración y Renovables	Order compliance obligations	196
Energy and Mining Policy office	Administrative authorization for a 1MW plant	500
La Veneciana Crisa Norte	Payment non-compliance	1,500
Business World SRL	Foreign investment project	30
Globasol Inversiones SL	Payment commitment	2,469
Globasol Inversiones SL	Payment commitment	3,241
Globasol Inversiones SL	Payment commitment	1,655
La Veneciana Crisa Norte	Payment non-compliance	1,500
La Rioja regional government	7 MW Photovoltaic plant	3,500
Real Madrid CF	Contract payment compliance	1,420
Iberglobasol	Payment guarantee	1,716
Finance and Tax office at the Murcia regional government	Distribution network access bond	5,000
Iberdrola Distribución Eléctrica SAU	Network disconnection installations	30
Unión Fenosa Distribución SA	Electricity evacuation	56
Alhama municipal authorities	Construction license	829
Alhama municipal authorities	Public infrastructure and damages	200
Villanueva de la Serena municipal authorities	Occupancy and business license	429
Villanueva de la Serena municipal authorities	Deferral of payment of local fees	1,162

SOLARIA has received a surety in the amount of € 723,457k from a construction company to secure a contract for the construction of two industrial buildings to produce photovoltaic cells.

b) Warranties

b) Warranties

i) Warranties for turnkey contracts

SOLARIA warranties defects and problems relating to the execution and completion of the construction of photovoltaic plants, provided that they are directly attributable to SOLARIA. The warranty covers three years after the date of final delivery of the photovoltaic plant.

The warranties assumed by the Company with respect to the products and materials supplied for the construction of the plants is covered and limited by the warranty granted by the manufacturers of the materials concerned.

ii) Operating and maintenance contract warranties

In 2006 SOLARIA concluded 23 operating and maintenance contracts for turnkey projects and, as the builder of the plants and the party rendering operating and maintenance services, SOLARIA warranties output at 90% of the estimated production of the photovoltaic plants during the period the operating and maintenance agreement is in force (5 years).

Every five years the electricity generated by the photovoltaic plant will be measured, and if the commitment has not been met SOLARIA will pay for the amount not generated up to the guaranteed 90% output level.

iii) Warranties covering the sale of modules

SOLARIA offers all customers a standard warranty certificate for the photovoltaic modules that warranties material or manufacturing defects and a capacity guarantee.

During the first three years SOLARIA guarantees that its modules will be free from material or manufacturing defects that impede normal operation under proper usage conditions, installation and maintenance. If this is not the case, the Company will replace or repair the defective module.

As from the date the module is sold, SOLARIA guarantees a minimum output based on the technical specifications of the agreement and will deliver modules for the equivalent of the lost capacity and will repair or replace the units as follows:

Years elapsed since the supply date	Guaranteed output capacity
Up to 25 years	80%
Up to 10 years	90%

During the first quarter of 2007, SOLARIA concluded a significant module sales agreement for which it offers certain guarantees that are different than the standard mentioned above, as follows:

a) Capacity warranty

As from the date the module is supplied, SOLARIA guarantees a minimum output based on the technical specifications of the agreement and will deliver modules for the equivalent of the lost capacity and will repair or replace the units as follows:

Years elapsed since the supply date	Guaranteed output capacity
Up to 2 years	100%
Up to 12 years	90%
Up to 25 years	80%

In addition, SOLARIA warranties, through photoflash certificates issued by SOLARIA, that the peak capacity of each module is equal to be contracted amount with a maximum authorized variance of +/- 3%.

b) Warranty of materials

SOLARIA provides a three-year warranty as from the dates the modules are delivered to the customer, guaranteeing that they are free of any material or manufacturing defects that impede normal operations.

If any of the modules have a manufacturing defect, SOLARIA must repair it or replace it within a certain period, or pay the customer an amount in euros equivalent to the market price of the affected modules. Furthermore, SOLARIA will maintain modules in its inventory equivalent to 5 kW during the three-year warranty period.

At the end of the year SOLARIA did not recognize any provision whatsoever for the above-mentioned warranties due to the fact that no claims have been made and there are no indications of any possible claims. Furthermore, based on available past information, the likelihood of such claims is extremely low.

However, the Directors of SOLARIA consider that the effect of any possible claims, should any be made, would not significantly affect these consolidated annual accounts.

25. Commitments

The Company has signed the following commitments at the end of 2008:

a) Property, plant and equipment

- On 31 January 2008 the Company concluded a turnkey contract with Centrotherm Photovoltaics AG to acquire automatic photovoltaic cell manufacturing equipment. This machinery consists of three production lines with a joint annual capacity of 75MW. In 2008 part of this machinery was installed and at 31 December 2008 an estimated investment of €24,400k remained to be installed. With this investment, SOLARIA will have an annual cell production capacity at the Puertollano plant totaling 100MW in 2009.

- On 9 September 2008 SOLARIA concluded a new agreement with Spire Corporation to acquire 9 lines of production machinery for photovoltaic modules, to be installed at the new factory in Fuenmayor (La Rioja).

b) Turnkey projects

Within the new regulatory environment, Solaria is negotiating the acquisition of companies that have the necessary licenses and authorizations to execute photovoltaic projects. At the date of these annual accounts the negotiations for the acquisition of 10MW are at an advanced state.

c) Operating leases

At 31 December 2008 SOLARIA has leased several premises from Solaria DTL under a market condition contract that can be renewed each year.

The total minimum future payments for irrevocable operating leases total approximately €190k.

d) Customers

As another part of the expansion strategy, Solaria is in the process of concluding agreements abroad relating to the development of photovoltaic projects and the sale of photovoltaic modules.

All of the processes in progress cover approximately 40MW.

26. Business combinations

During the year the Parent Company acquired 100% of several companies in order to build the solar farms described in Note 10. In all company acquisitions that took place in 2008 the consideration is that companies were not acquired, but rather assets were acquired.

The purchase price paid by the Parent Company on these acquisitions has been assigned to the PLA's acquired, which have been recorded as an increase in the value of the constructed solar farms (Note 10), and the purchase price is equivalent to their fair value at the acquisition date.

27. Subsequent events

The following significant events took place after the year-end:

- On 21 January 2009 the Company executed a public document covering the acquisition of the photovoltaic solar farm located in Alhama (Murcia). The agreement was concluded with the Fotowatio Group and covered the sale of shares in the subsidiary called Alhama Solar, S.L. and the construction of the solar plant at that location. In addition, it included a 5-year plant maintenance agreement. The transaction totaled approximately €45 million, which was collected in full at that date.

- On 18 February 2009 the Liquidity Agreement concluded on 18 February 2008 was canceled in accordance with the provisions of CNMV Circular 3/2007 (19 December). On 19 February 2009, in accordance with the provisions of CNMV Circular 3/2007 (19 December), a liquidity agreement was concluded between SOLARIA and Mercados y Gestión de Valores, S.V., S.A, whereby the conditions under which the financial institution will operate on behalf of Solaria Energía y Medio Ambiente, S.A., acquiring or selling Solaria's treasury stock in order to favor the liquidity and regularity of its listed price within the limits established in this respect by Shareholders at the General Meeting held on 30 June 2008. In this respect, SOLARIA has deposited 1,470,000 shares and €4,458k in cash with the financial institution.

There have been no other significant events that have an affect on these annual accounts after the closing date.

.

Solaria

EXHIBIT I

Subsidiaries included in the scope of consolidation using the full consolidation method

Thousand euro

	Address	Activity	Total interest %	Carrying value					
				Cost	Accumulated impairment	Capital	Reserves	2008 profit	Total
Técnicas Ambientales del Norte, S.A.	C/Cebreiro, 19 (Madrid)	Development of solar farms	100%	303	-	5	3	33	41
Planta Solar Puertollano 1, S.L.	C/Nuñez de Balboa, 120 (Madrid)	Development of solar farms	100%	3	-	3	-	9	12
Planta Solar Puertollano 2, S.L.	C/Nuñez de Balboa, 120 (Madrid)	Development of solar farms	100%	3	-	3	-	10	13
Planta Solar Puertollano 3, S.L.	C/Nuñez de Balboa, 120 (Madrid)	Development of solar farms	100%	3	-	3	-	11	14
Planta Solar Puertollano 4, S.L.	C/Nuñez de Balboa, 120 (Madrid)	Development of solar farms	100%	3	-	3	-	2	5
Planta Solar Puertollano 5, S.L.	C/Nuñez de Balboa, 120 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta Solar Puertollano 6, S.L.	C/Nuñez de Balboa, 120 (Madrid)	Development of solar farms	100%	3	-	3	-	(1)	2
Planta Solar Puertollano 7, S.L.	C/Nuñez de Balboa, 120 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta Solar Puertollano 8, S.L.	C/Nuñez de Balboa, 120 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta Solar Puertollano 9, S.L.	C/Nuñez de Balboa, 120 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta Solar Puertollano 10, S.L.	C/Nuñez de Balboa, 120 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 1, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 2, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 3, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 4, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 5, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 6, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 7, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 8, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 9, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 10, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 11, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 12, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 13, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 14, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 15, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3

Thousand euro

	Address	Activity	Total interest %	Carrying value: Cost	Accumulated impairment	Capital	Reserves	2008 profit	Total
Planta FV 16, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 17, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 18, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 19, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Planta FV 20, S.L.U.	C/Velazquez, 47 (Madrid)	Development of solar farms	100%	3	-	3	-	-	3
Magacela Soler 1, S.L.	C/ Enrique Granados, 6 Pozuelo de Alarcón (Madrid)	Development of solar farms	100%	4,850	-	3	1	566	570
Globasol Villanueva 1, S.L.	C/ Enrique Granados, 6 Pozuelo de Alarcón (Madrid)	Development of solar farms	100%	4,950	-	3	1	343	347
Alhama Soler, S.L.	C/ Enrique Granados, 6 Pozuelo de Alarcón (Madrid)	Development of solar farms	100%	2,729	-	3	-	33	36

This information refers to the individual annual accounts at 31 December 2008 (not subject to mandatory audit)

None of the Group companies in which SOLARIA holds an interest are listed on a stock exchange.

Solaria

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2008

On 31 March 2009, the Board of Directors of Solaria Energía y Medio Ambiente, S.A. prepares the consolidated annual accounts for the year ended 31 December 2008, and the consolidated Directors' Report for 2008, which are formed by the accompanying documents in compliance with the provisions of Article 171 of the Spanish Companies Act and Article 44 of the Commercial Code.

SIGNATORIES	SIGNATURE
Mr. Enrique Diaz-Tejeiro Gutierrez Chairman	
Mr. Manuel Azpilicueta Ferrer Director	
Mr. Iñigo Sagardoy Simón Director	
Mr. Enrique Diaz-Tejeiro Larrañaga Director	
Mr. José Arturo Diaz-Tejeiro Larrañaga Director	
Mr. Miguel Diaz-Tejeiro Larrañaga Director	
Mr. Manuel de Vicente-Tutor Rodríguez Non-voting Secretary	