SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Annual Accounts and Directors' Report

31 December 2009

(With the Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Auditors' Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

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

We have audited the annual accounts of Solaria Energía y Medio Ambiente, S.A. (the "Company"), which comprise the balance sheet at 31 December 2009, the income statement, the statement of changes in equity, the statement of cash flows for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our audit which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts and evaluating their overall presentation, as well as the appropriateness of the accounting principles used and the reasonableness of accounting estimates made.

In accordance with prevailing Spanish legislation, these annual accounts for 2009 also include, for each individual caption in the balance sheet, the income statement, the statement of changes in equity and the statement of cash flows for the year then ended and the notes thereto, comparative figures for the previous year, which differ from the approved 2008 annual accounts due to the recognition of the retroactive adjustment indicated in note 2 of the accompanying annual accounts. We express our opinion solely on the annual accounts for 2009. On 31 March 2009 other auditors issued their unqualified audit report on the annual accounts for 2008.

In our opinion, the accompanying annual accounts for 2009 present fairly, in all material respects, the equity and financial position of Solaria Energía y Medio Ambiente, S.A. at 31 December 2009 and the results of its operations and changes in equity and cash flows for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles set forth in the applicable Spanish legislation and applied on a basis consistent with that of the preceding year, and information corresponding to the prior year which has been incorporated into these annual accounts for comparative purposes.

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The accompanying directors' report for 2009 contains such explanations as the Directors consider relevant to the situation of Solaria Energía y Medio Ambiente, S.A., the evolution of its business and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2009. Our work as auditors is limited to the verification of the director's report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Company.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Carlos Peregrina García
Partner

26 February 2010

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Balance sheets
at 31 December 2009 and 2008

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Assets	**Note**	**2009**	**2008 (*)**
Intangible assets	5	**1,376**	**6**
Development		1,238	-
Software		138	6
Property, plant and equipment	6	**181,730**	**70,066**
Land and buildings		44,799	22,150
Machinery		22,836	9,113
Plant		106,830	1,392
Other property, plant and equipment		958	746
Under construction and advances		6,307	36,665
Non-current investments in Group companies and associates	9	**6,356**	**12,922**
Equity instruments		6,356	12,922
Investments	11	**124**	**34**
Trade and other receivables	12	**7,590**	**-**
Deferred tax assets	21	**13,350**	**14,161**
Total non-current assets		**210,526**	**97,189**
Inventories	14	**23,231**	**156,895**
Materials and other supplies		16,480	14,740
Finished products		6,751	134,191
Advances to suppliers		-	7,964
Trade and other receivables		**65,965**	**128,635**
Trade receivables	12	19,428	27,371
Group companies and associates	12	27,652	67,954
Other receivables	12	1,187	763
Current tax assets	12	17,698	32,547
Current investments		**10,356**	**55**
Other financial assets	11	10,356	55
Current prepayments for current assets		**844**	**-**
Cash and cash equivalents	15	**14,302**	**10,050**
Total current assets		**114,698**	**295,635**
Total assets		**325,224**	**392,824**

(*) *Restated figures*

The accompanying notes form an integral part of the annual accounts for 2009.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Balance sheets
at 31 December 2009 and 2008
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Liabilities and Equity	Note	2009	2008 (*)
Equity	16	**235,887**	**231,017**
Share capital		1,011	1,011
Share premium		221,939	221,939
Reserves			
Legal		5,311	5,311
Other reserves		32,567	35,860
Own shares		(5,016)	(8,540)
Prior years' losses		**(24,564)**	-
Profit/(loss) for the year		**4,639**	**(24,564)**
Valuation adjustments			
Hedging operations	17	**(198)**	**(509)**
Grants, donations and legacies received	18	**2,917**	**3,575**
Total equity		**238,606**	**234,083**
Non-current payables	19	**25,006**	**29,374**
Loans and borrowings		9,687	13,017
Finance lease payables		15,319	16,357
Deferred tax liabilities	21	**2,173**	**2,525**
Total non-current liabilities		**27,179**	**31,899**
Current payables		**44,516**	**72,484**
Loans and borrowings	19	38,204	63,364
Finance lease payables	19	992	340
Derivatives	13	2,105	1,957
Other financial liabilities		3,215	6,823
Trade and other payables	20	**14,923**	**54,331**
Suppliers		8,131	18,239
Suppliers, Group companies and associates		59	-
Other payables		5,999	27,461
Personnel *(salaries payable)*		148	321
Public entities, other	21	586	509
Advances from customers		-	7,800
Current accruals		-	**27**
Total current liabilities		**59,439**	**126,842**
Total equity and liabilities		**325,224**	**392,824**

(*) *Restated figures*

The accompanying notes form an integral part of the annual accounts for 2009.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Income Statements
for the years ended
31 December 2009 and 2008

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Note	2009	2008 (*)
Revenues	*22(a)*	***94,256***	***109,247***
Sales		*73,254*	*108,284*
Services rendered		*21,002*	*963*
Changes in inventories of finished goods	*14*	***(127,440)***	***126,941***
Self-constructed non-current assets	*6*	***102,249***	***-***
Supplies		***(28,135)***	***(218,172)***
Goods for resale used	*22(b)*	*(22,661)*	*(200,286)*
Subcontracted work		*(5,474)*	*(17,886)*
Other operating income		***1,544***	***7***
Non-trading and other administrative income		*1,544*	*7*
Personnel expense	*22 (d)*	***(15,195)***	***(15,930)***
Wages and salaries		*(12,285)*	*(12,892)*
Employee benefits expense		*(2,910)*	*(3,038)*
Other operating expenses		***(14,904)***	***(31,566)***
External services		*(9,561)*	*(6,988)*
Local taxes		*(268)*	*(902)*
Losses, impairment and changes in trade provisions	*10*	*(2,127)*	*(23,676)*
Other administrative expenses		*(2,928)*	*-*
Depreciation and amortisation expense	*5 and 6*	***(4,292)***	***(1,729)***
Non-financial and other capital grants	*22(c)*	***940***	***80***
Results from operating activities		***9,043***	***(31,122)***
Finance income	*22 (e)*	***290***	***5,394***
Other investment income		*290*	*5,394*
Finance expenses	*22 (e)*	***(3,127)***	***(5,464)***
Group companies and associates		*(3,127)*	*(5,464)*
Change in fair value of financial instruments		***(593)***	***(243)***
Exchange losses	*22(f)*	***(392)***	***(3,657)***
Net finance expense		***(3,822)***	***(3,970)***
Profit/(loss) before income tax		***5,221***	***(35,092)***
Income tax	*21*	*(582)*	*10,528*
Profit/(loss) for the year from continuing operations		***4,639***	***(24,564)***
Profit/(loss) for the year		***4,639***	***(24,564)***

(*) *Restated figures*

The accompanying notes form an integral part of the annual accounts for 2009.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Statements of Changes in Equity
for the years ended
31 December 2009 and 2008

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

A) Statement of Recognised Income and Expense

	Note	2009	2008 (*)
Profit/(Loss) for the year		**4,639**	**(24,564)**
Income and expenses recognised directly in equity	**13 and 17**	**311**	**4,563**
Cash flow hedges		444	6,518
Tax effect		(133)	(1,955)
Income and expense recognised in the income statement	18	**(658)**	**(56)**
Grants, donations and legacies received		(940)	(80)
Tax effect		282	24
Total recognised income and expense		**4,292**	**(20,057)**

(*) *Restated figures*

The accompanying notes form an integral part of the annual accounts for 2009.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Statements of Changes in Equity for the years ended
31 December 2009 and 2008
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

B) Statement of Total Changes in Equ

	Registered share capital	Share premium	Reserves	Own shares	Prior years' profit and loss	Profit/(loss) for the year	Valuation adjustments	Grants, donations and legacies received	Total
Balance at 31.12.07	**1,011**	**221,939**	**3,142**	**-**	**-**	**47,498**	**-**	**-**	**273,590**
		-	(7,503)	-	-	-	(5,072)	3,631	(8,944)
Adjustments for transition to the new accounting standards	-								
Adjusted balances at 1 January 2008	**1,011**	**221,939**	**(4,361)**	**-**	**-**	**47,498**	**(5,072)**	**3,631**	**264,646**
Operations with equity holders or owners									
Distribution of 2007 profit	-	-	47,498	-	-	(47,498)	-	-	-
Own shares redeemed	-	-	-	(27,472)	-	-	-	-	(27,742)
Own shares sold	-	-	(1,966)	18,932	-	-	-	-	16,966
Recognised income and expense for 2008	-	-	-	-	-	**(24,564)**	**4,563**	**(56)**	**(20,057)**
Balances at 31 December 2008 (*)	**1,011**	**221,939**	**41,171**	**(8,540)**	**-**	**(24,564)**	**(509)**	**3,575**	**234,083**
Application of 2008 loss	**-**	**-**	**-**	**-**	**(24,564)**	**24,564**	**-**	**-**	**-**
Operations with equity holders or owners									
Own shares redeemed		-	-	**(2,738)**	-	-	-	-	**(2,738)**
Own shares sold	-	-	**(3,293)**	**6,262**	-	-	-	-	**2,969**
Recognised income and expense for 2009	-	-	-	-	-	**4,639**	**311**	**(658)**	**4,292**
Balances at 31 December 2009	**1,011**	**221,939**	**37,878**	**(5,016)**	**(24,564)**	**4,639**	**(198)**	**2,917**	**238,606**

(*) *Restated figures*

The accompanying notes form an integral part of the annual accounts for 2009.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Statements of Cash Flows
for the years ended
31 December 2009 and 2008

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	2009	2008(*)
Cash flows from operating activities	**62,824**	**(121,222)**
Profit/(loss) for the year before tax	**5,221**	**(35,092)**
Adjustments for:	**8,070**	**29,454**
Amortisation and depreciation	4,292	1,728
Change in provisions	2,127	23,676
Recognition of grants	(940)	80
Finance income	(290)	(6,623)
Finance expenses	3,127	6,693
Exchange gains/losses	-	3,657
Change in fair value of financial instruments	148	243
Changes in operating assets and liabilities	**53,078**	**(89,374)**
Inventories	31,416	(122,109)
Trade and other receivables	61,013	49,408
Other current assets	(844)	-
Trade and other payables	(38,417)	(16,673)
Other non-current assets and liabilities	(90)	-
Other cash flows from operating activities	**(3,545)**	**(26,210)**
Interest paid	(4,229)	(11,887)
Interest received	290	8,272
Income tax paid	-	(22,595)
Cash flows used in investing activities	**(27,394)**	**(28,795)**
Payments for investments	**(34,365)**	**(29,303)**
Group companies and associates	-	(6,608)
Intangible assets	(1,649)	(11)
Property, plant and equipment	(14,825)	(22,629)
Non-current receivables	(7,590)	-
Other financial assets	(10,301)	(55)
Proceeds from sale of investments	**6,971**	**508**
Group companies and associates	6,566	-

The accompanying notes form an integral part of the annual accounts for 2009.

Intangible assets	2	-
Property, plant and equipment	403	-
Other financial assets	-	508

Cash flows from /(used in) financing activities	**(31,178)**	**6,904**
Proceeds from and payments for equity instruments	**231**	**(10,506)**
Acquisition of own equity instruments	(7,442)	(14,312)
Sale of own equity instruments	7,673	3,806
Proceeds from and payments for financial liability instruments	**(31,409)**	**17,410**
Loans and borrowings	(31,382)	17,410
Other payables	(27)	-
Net increase in cash and cash equivalents	**4,252**	**(143,113)**
Cash and cash equivalents at beginning of year	**10,050**	**153,163**
Cash and cash equivalents at year end	**14,302**	**10,050**

(*) *Restated figures*

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Notes to the Annual Accounts
31 December 2009

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

1. Nature and Activities of the Company and Composition of the Group

Solaria Energía y Medio Ambiente, S.A. (hereinafter Solaria or the Company) was incorporated with limited liability under Spanish law on 27 November 2002. On 28 April 2008 the Company moved its registered offices to calle Velázquez, 47, Madrid, subsequently moving to calle Princesa, 2, Madrid on 1 July 2009.

Its statutory activity primarily consists of:

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

The principal activity of Solaria during 2008 and 2009 was the production of photovoltaic modules for their sale to third parties and use in turnkey projects. These projects consist of designing and carrying out photovoltaic solar energy installations through contracts for the construction, installation and start-up of photovoltaic solar plants, with Solaria managing all the stages of the process, from procurement of administrative licences to the start-up of the plant.

The photovoltaic modules are largely produced at the Company's factories in Puertollano (Ciudad Real) and Fuenmayor (La Rioja). The production line for photovoltaic cells in Puertollano was completed at the end of 2009.

As indicated in note 9, Solaria is the Parent company of a Group formed by 35 subsidiaries at 31 December 2009 and 34 at 31 December 2008. Most of these subsidiaries are 100% owned by the Company, while the remaining companies are jointly owned. The statutory and principal activity of all Solaria Group companies is the operation of photovoltaic solar plants, both in Spain and the other countries where these are located. Consequently, Solaria is the Parent of a Group of companies, as defined by prevailing legislation. The presentation of consolidated annual accounts is required by generally accepted accounting principles and standards, to present fairly the financial position of the Group and the results of its operations, changes in the equity and cash flows.
Details of investments in group companies are provided in note 9.

On 26 February 2010 the Company's directors prepared the consolidated annual accounts of Solaria Energía y Medio Ambiente, S.A. and subsidiaries for 2009 which present consolidated profits of Euros 2,449 thousand and consolidated equity of Euros 234,973 thousand (losses of Euros 21,462 thousand and equity of Euros 233,881 thousand at 31 December 2008).

The Company's shares are quoted on the four official Spanish stock exchanges and have been listed in the automated quotation system since 19 June 2007.

The Company is controlled by Solaria DTL Corporación, S.L. (see note 16), which has its registered offices in Madrid and is the ultimate Parent company. The consolidated annual accounts of Solaria DTL Corporación, S.L. for 2009 will be prepared and filed at the Mercantile Registry of Madrid. The annual accounts for 2008 were prepared on 31 March 2009 and presented consolidated losses of Euros 29,076 thousand and consolidated equity of Euros 262,551 thousand.

2. Basis of Preparation

2.1. Fair view

The annual accounts have been prepared based on the accounting records of the Company in the format established by prevailing Spanish legislation and the Spanish General Chart of Accounts, to present fairly the equity and financial position of the Company at 31 December 2009, as well as the results of its operations, changes in equity and the cash flows for the year then ended.

The directors of the Company consider that the annual accounts for 2009, which were prepared on 26 February 2010, will be approved by the shareholders without significant changes.

2.2. Comparison of information

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2009 include comparative figures for 2008, which formed part of the annual accounts approved by shareholders at the annual general meeting held on 30 June 2009.

Notwithstanding, the figures for 2008 have been subject to the following modifications:

– During 2008 the Solaria Group acquired the subsidiary companies Magacela Solar 1, S.L. and Globasol Villanueva 1, S.L. Both of these companies have solar plants which were owned by a third party in 2007 and received partial invoicing from Solaria as the contractor and supplier for the works to construct each of the solar plants.
  As a result of their incorporation into the Solaria Group in 2008, certain accounting adjustments were made that were reflected in the consolidated annual accounts, but not all of these were considered in the individual annual accounts, thereby affecting the balances receivable by the Company from the aforementioned subsidiaries.

Consequently, in compliance with the prevailing Spanish General Chart of Accounts, the annual accounts for 2008 have been retroactively re-expressed to adjust the corresponding balances receivable with a net effect on the income statement for 2008 of Euros -6,910 thousand (see note 3).

– Outright grants have been recognised under equity (see note 18) as required by the Spanish General Chart of Accounts. These grants, net of their tax effect, amount to Euros 3,631 thousand at 1 January 2008, the transition date, and Euros 3,575 thousand at 31 December 2008.

2.3. Functional and presentation currency

The figures disclosed in the annual accounts are expressed in thousands of Euros, the Company's functional and presentation currency, rounded off to the nearest thousand.

2.4. Relevant accounting estimates, assumptions and judgements used when applying accounting principles

In preparing the annual accounts, the directors of the Company have made estimates based on historical experience and other factors considered reasonable in light of the current circumstances and that constitute the basis for establishing the carrying amounts of assets and liabilities not easily determinable through other sources. The Company reviews its estimates on a continuous basis.

The future success of the Company depends substantially on its capacity to construct the new plants and to manage its production lines under an efficient cost structure based on the requirements of the projects in the medium and long term. The expansion of the Company's production capacity is subject to the risks and uncertainties inherent to a business project.

To efficiently manage the expansion of its activities, the Company strives to make continual improvements to its operating and financial systems and its procedures and controls, to increase the efficiency of its production lines.

Due to the entry into force of Royal Decree 1578 of 26 September 2008, which regulates remuneration of electricity production using photovoltaic solar technology at installations after the end date for remuneration under Royal Decree 661 of 25 May 2007, the photovoltaic solar energy sector took a downturn in the final quarter of 2008. A slight recovery was seen in the last quarter of 2009 which is expected to strengthen throughout the first half of 2010, significantly increasing the revenues of the Company. Furthermore, the Company's strategy includes generating higher revenues from power generation due to the foreseen increase in the construction of solar plants for own operation or through subsidiaries or joint ventures.

Since the end of 2008, the Company has been focusing on its international expansion, which is currently enabling it to increase its capacity to generate revenue both in the photovoltaic market and from the construction of solar plants.

A summary of the items requiring a greater degree of judgement or complexity, or where the assumptions and estimates made are significant to the preparation of the annual accounts, are as follows:

a) Revenue recognition

The Company follows the percentage of completion method for those turnkey contracts in which, due to their characteristics, the customer progressively assumes the control and risks deriving from the contract as the construction work advances. This method is based on estimates of the stage of completion of projects. Significant estimates include the total cost of the contracts, the costs required to complete the works, total revenue, associated risks and other judgements.

b) Useful lives of property, plant and equipment

Company management calculates the estimated useful life of its property, plant and equipment, primarily comprising the photovoltaic solar plants, and the corresponding depreciation charges. This estimate is based on the foreseen life cycles of the Company's assets for which state-of-the-art technology is used. This could change significantly due to the technical innovations and initiatives of the Company's competitors as the sector develops. Management will modify the depreciation charges for these items when the useful lives are considered to differ from the lives previously estimated and will depreciate or derecognise technically obsolete or non-strategic assets that have been abandoned or sold.

c) Warranties

In accordance with usual sector practice, the Company extends warranties to both its module sale and turnkey project customers for a specified number of years. Company management has calculated the provisions for warranties based on recent experience and on the percentage of errors arising from the effectiveness testing carried out on the modules produced to assess its commitments with regard to existing warranties. Taking into account the lack of significant claims on warranties to date, the directors of the Company do not consider that the warranties extended will generate any significant liabilities (see note 28 (b)).

d) Valuation allowance for trade receivables

Valuation allowances for bad debts require a high degree of judgement by management and a review of individual balances based on customers' credit ratings, market trends, and historical analysis of bad debts at aggregate level. Any reduction in the volume of outstanding balances results in a reduction in the valuation allowance for bad debts, which is based on analysis of historical bad debts.

e) Deferred tax assets

At 31 December 2009, the Company has recognised deferred tax assets amounting to Euros 13,350 thousand, of which Euros 6,462 thousand comprises tax credits and the remainder deductible temporary differences (see note 21). Determining the recoverable amount of these deferred tax assets requires the use of management estimates, which at the date of these annual accounts consider a recovery period of less than three years..

f) Impairment of non-current assets

As mentioned earlier in this note, the entry into force of Royal Decree 661 of 25 May 2007 led to a downturn in the Spanish photovoltaic sector, which could bring to light indications of impairment in certain non-current assets owned by the Company, especially those related to the module production activity. However, since the last quarter of 2009 the market has been making a recovery. This improvement is due to the stability extended by Royal Decree 1578, which guarantees an annual 500MW cap on photovoltaic plant installations in the Spanish market. At the beginning of 2009 the Company created a new sales structure to internationalise its sales. This strategy began to produce results in the last quarter of the year, especially in Italy and Greece, where the tariffs applicable to photovoltaic generation are as attractive as those legislated in the aforementioned Royal Decree 661.

Since 31 December 2009, the Company has signed a module supply contract representing a total value of over Euros 30 million with a Spanish customer forming part of a consortium to construct a solar plant with a third party. Additionally, contracts are under negotiation with foreign customers (Italy, Germany, France, Greece and Brazil) for the supply of modules and construction projects (for own operation or joint operation with third parties) which will also incorporate maintenance services.

The directors of the Company, taking into account the above, and mainly considering the profits expected to be generated by the Group's photovoltaic activity in 2010 and included in the budget approved on the aforementioned date, consider that there are no indications of impairment in any of the Company's non-current assets.

3. Application of Loss/Distribution of Profit

At the general meeting held on 30 June 2009, the shareholders of the Company approved the decision to carry forward the Euros 17,654 thousand loss for 2008 as accumulated losses.

At the next general meeting the Company's directors will propose to the shareholders that the Euros 4,639 thousand profit for 2009 be used to offset prior years' losses.

The directors of the Company will propose to the shareholders at their next general meeting that the Euros 6,910 thousand loss recognised retroactively for 2008 (see note 2.2) be carried forward as accumulated losses.

4. Significant Accounting Policies

4.1 Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated at the foreign exchange rate prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date.

In the statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occurred. Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4.2 Intangible assets

Intangible assets are measured at cost or cost of production. Intangible assets are carried at cost, less any accumulated amortisation.

Research and development expenses

Expenditure on research is recognised as an expense when incurred.

The costs incurred in development projects are recognised as intangible assets when the following requirements are met:

- Costs are clearly allocated, assigned and timed for each project.
- When there is evidence of the project's technical success and economic-commercial feasibility.

Development costs previously recognised as an expense are not capitalised in subsequent years. Capitalised development costs are amortised on a straight-line basis over the five years commencing from the project completion date.

Software

Software is capitalised based on the costs of acquisition and preparation for the use of a specific program and recognised at cost. Amortisation is on a straight-line basis over an estimated useful life of three years.

Software maintenance costs are charged as expenses when incurred.

4.3 Property, plant and equipment

Property, plant and equipment primarily comprise the plant and machinery necessary to manufacture the photovoltaic modules, as well as the photovoltaic solar plants that the Company has been unable to sell to third parties.

Property, plant and equipment are recognised at cost less accumulated depreciation. The historical cost includes any expenses directly attributable to the acquisition of these assets.

After initial recognition of the asset, only those costs which increase capacity or productivity or lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Day-to-day servicing costs are recognised in profit and loss as incurred.

Property, plant and equipment are depreciated by allocating the depreciable amount of an asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Company determines the depreciation charge separately for each item with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Property, plant and equipment are depreciated on a straight-line basis over the following years of estimated useful life:

	Years
Buildings	33
Solar plants	25
Other plants	8 - 10
Machinery	8
Other assets	4-10

The Company reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.
Borrowing costs related with specific and general financing that are directly attributable to the acquisition, construction or production of property, plant and equipment which will not be available for use, capable of operating or available for sale for more than one year are included in the cost of the asset.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined as the actual borrowing costs incurred. Borrowing costs eligible for capitalisation corresponding to non-commercial general borrowing are calculated as the weighted average of the borrowing costs applicable to the borrowing of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset and the part financed using equity. The amount of borrowing costs capitalised cannot exceed the amount of borrowing costs incurred during that period.

4.4 Impairment losses on non-financial assets subject to amortisation or depreciation

Assets subject to amortisation or depreciation are tested for impairment whenever any event or change in circumstances indicates that the carrying amount may not be recoverable. An impairment loss is recognised when the carrying amount of an asset is higher than its recoverable amount, understood as the higher of the fair value of the asset less costs to sell and the value in use. For the purposes of evaluating impairment losses, assets are grouped together at the lowest level at which separate cash flows can be identified (cash-generating units). Impairment losses, when they arise, are recognised in profit and loss.

4.5 Leases

- **Lessee accounting records**

a) Finance leases

The determination of whether a contract is, or includes, a lease is based on analysis of the nature of the agreement to evaluate whether compliance with the contract requires the use of a specific asset and if the agreement confers the right to use the asset to the Company.

Finance leases are capitalised at the commencement of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each lease payment is distributed between liabilities and finance expenses, obtaining a constant interest rate on the outstanding balance of the debt. Interest is expensed using the effective interest method. Property, plant and equipment acquired under finance leases are subject to the same criteria as in note 4.3.

In application of this type of financing, the Company is the lessee of several vehicles as well as the land, building and machinery of the factory used to manufacture photovoltaic modules in Fuenmayor (La Rioja) acquired in March 2008. Lease contracts for PP&E in which the contract substantially transfers to the Company all the risks and rewards of ownership of the assets are classified as finance leases, otherwise they are classified as operating leases.

Reasonable certainty exists that the Company will obtain ownership of the vehicles and land, buildings and machinery at the end of the finance lease term.

b) Operating leases

Lease contracts in which the lessor substantially retains the risks and rewards of ownership of the assets included in the contract are classified as operating leases. Operating lease instalments, net of the incentives received, are taken to profit and loss on a straight-line basis over the term of the lease.

- **Lessor accounting records**

a) Operating leases

Leases which transfer to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases, otherwise they are classified as operating leases.

In 2009 Solaria, as lessor, signed contracts regarding Company-owned photovoltaic installations with the subsidiaries that obtain revenues from power generation as the lessees (see note 25). The assets leased are presented based on their nature pursuant to the accounting principles indicated in section 4.3 of this note.

Revenue deriving from operating leases, net of the incentives extended, is recognised on a straight-line basis over the term of the lease.

4.6 Financial assets

The Company classifies its financial assets in the different categories of fair value through profit or loss, loans and receivables and equity instruments in Group companies and jointly controlled entities. The classification depends on the purpose for which the financial asset was acquired and management's intentions at the time of initial recognition.

a) Financial assets at fair value through profit or loss

The Company classifies derivative financial instruments held for trading in this category unless they are designated and recognised as hedging instruments.

Financial assets are recognised initially and subsequently at fair value. Transaction costs directly attributable to the acquisition of financial assets are recognised as expenses in the income statement. Gains and losses from changes in fair value are included in the income statement in the year in which they arise.

b) Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market. These assets are recognised initially at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Provision is made for impairment losses on trade receivables when objective evidence exists that the Company will not be able to collect all the amounts due under the original terms. Indications that receivables are impaired include major financial difficulties for the debtor, the probability that the debtor will go into administration or require refinancing and defaults or arrears on payments. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced to the extent that the provision is applied and the loss is recognised in the income statement under impairment losses on current receivables. When a receivable is irrecoverable, an adjustment is made in the corresponding provision. Subsequent recoveries of previously derecognised amounts are recognised as credits under impairment losses on current receivables. Current receivables which have no established interest rate are measured at the amount on the original invoice when the effect of discounting is immaterial.

c) Investments in the equity of Group companies and jointly controlled entities

As defined by article 42 of the Code of Commerce, Group companies are those over which the Company exercises control, whether directly or indirectly through subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control potential voting rights held by the Company or other entities that are exercisable or convertible at the end of each reporting period are considered. Jointly controlled entities are those companies managed jointly by the Company and one or several third parties not forming part of the Group.

Investments in Group companies and jointly controlled entities are initially recognised at cost, which is equivalent to the fair value of the consideration paid, including transaction costs, and are subsequently measured at cost net of any accumulated impairment losses. However, if an investment is made in an entity prior to its classification as a Group company or jointly controlled entity, the cost of the investment will be considered to be its carrying amount prior to that classification.

If objective evidence exists that the carrying amount of an asset is not recoverable, the necessary valuation allowances are made for the difference between the carrying amount and the recoverable amount, the latter of which is understood as the greater of the fair value less costs to sell and the present value of the cash flows deriving from the investment (value in use). Value in use is calculated based on the Company's share in the present value of the cash flows expected to be derived from ordinary activities and from the final disposal of the asset. However, in certain cases, when estimating the impairment of these types of assets, the investee's equity is taken into consideration, corrected for latent unrecorded goodwill existing at the measurement date. The valuation adjustment and, where applicable, its reversal, is recognised in the income statement in the year in which it is made.

The impairment valuation allowance is limited to the value of the investment, except when the Company has assumed contractual, legal or constructive obligations.

d) Interest

Interest is recognised following the effective interest method.

e) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

4.7 Financial liabilities

Financial liabilities, including trade and other payables, which are not classified as held for trading or as financial liabilities at fair value through profit or loss, are initially recognised at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

A financial liability, or part of it, is derecognised when the Company either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The Company has contracted payables discounting facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables in the balance sheet until they have been settled, repaid or have expired.

4.8 Hedge accounting

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value on the date on which the contract is signed, plus any transaction costs that are directly attributable to the acquisition.

At 31 December 2009 and 2008 the Company has contracted interest rate hedges for loans received and at 31 December 2008 it also contracted USD/Euro currency hedges (see note 13).

At the inception of the hedge the Company formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

The total fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is longer than twelve months.

The fair values of derivative instruments used for hedging are presented in note 13. The movements in the reserve for valuation adjustments within equity are included in note 17.

4.9 Equity instruments held by the Company

The Company's acquisition of equity instruments is recognised separately at the cost of acquisition in the balance sheet as a reduction in equity. Any gains or losses on transactions with own equity instruments are not recognised in profit or loss.

The subsequent redemption of Parent shares leads to a reduction in share capital in an amount equivalent to the par value of such shares. Any positive or negative difference between the cost of acquisition and the par value of the shares is debited or credited to retained earnings.

Transaction costs related to own equity instruments are accounted for as a reduction in equity, net of any tax effect.

Dividends relating to capital instruments are recognised as a reduction in equity when approved by the shareholders.

4.10 Inventories

Inventories primarily comprise raw materials and finished goods relating to the photovoltaic solar modules, as well as Company investments in photovoltaic solar plants held for sale that have not been sold at year end.

Inventories are measured at the lower of cost and net realisable value. The cost of raw materials is determined based on the weighted average cost of purchase. The cost of finished goods (photovoltaic and thermal solar modules, and photovoltaic solar plants) includes design costs, the cost of raw materials, direct labour and other direct costs and manufacturing overheads (based on normal operating capacity) in addition to borrowing costs, provided the production period exceeds one year. The net realisable value is the estimated selling price in the Group's normal business operations less costs to sell.

If a photovoltaic solar plant held for sale has been in operation for more than one year and no sales contract or similar agreement has been reached with a third party, it is classified as an asset.

4.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Company recognises cash payments and receipts for financial assets and financial liabilities in which turnover is quick on a net basis in the statement of cash flows. Turnover is considered to be quick when the period between the date of acquisition and maturity does not exceed six months.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the balance sheet as financial liabilities from bank borrowings.

4.12. Grants

Grants, donations and legacies are recognised in recognised income and expense when, where applicable, they have been officially awarded and the conditions attaching to them have been complied with or there is reasonable assurance that they will be received.

Repayable grants are recognised as liabilities until they meet the necessary conditions to be considered as outright grants.

A grant is considered outright when an individual agreement to award the grant exists, all the relevant conditions have been met, and no reasonable doubts exist that it will be collected.

Monetary grants, donations and legacies are measured at the fair value of the sum received, whilst non-monetary grants, donations and legacies received are accounted for at the fair value of the asset received.

Outright grants relating to the acquisition of property, plant and equipment are taken to income for the year pro rata with the depreciation of the corresponding assets or, where applicable, when they are sold, revalued for impairment or derecognised from the balance sheet.

The impairment allowance equivalent to the subsidised portion is recognised as an irrecoverable loss of the assets directly against their carrying amount.

Interest-free loans received by the Company are recognised at their revalued amount (calculated using an effective market interest rate), allocating the difference initially generated between the nominal value of the loan and its revalued amount as follows:

a) When the financing has been earmarked for the acquisition of an asset, the aforementioned difference is recognised as income directly in equity and taken to profit and loss for the year over the amortisation/depreciation period of the financed assets.

b) In the event that the grant has been awarded to finance an expense associated with an investment, the difference between the nominal amount of the loan and its revalued amount is recognised as income directly in equity and taken to profit and loss as a reduction in the subsidised expense as it is accrued. If the subsidised expense has not yet been accrued, this difference is recognised as income directly in equity and taken to profit and loss as a reduction in the corresponding expense when it is accrued.

4.13 Provisions

Provisions are recognised when:

(i) the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event.
(ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
(iii) a reliable estimate can be made of the amount of the obligation.

Non-current provisions are measured at the present value of the disbursements expected to be required to settle the obligation, using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

Contingent liabilities are considered to be potential obligations deriving from past events, which are subject to the occurrence of one or more future events outside the control of the Company. These contingent liabilities are not recognised in the accounts but are described in the notes (see note 23).

Provisions for warranties

The Company extends warranties to customers in the turnkey contracts for photovoltaic plants, operating and maintenance contracts and contracts for the sale of photovoltaic modules (see note 28 (b)).

The provisions required to cover the warranties extended are calculated based on theoretical expectations and historical information on defect rates and estimated repair costs. These items are reviewed and adjusted on a regular basis.

These provisions are recognised, when considered applicable, at the estimated value of future claims deriving from previous contracts and charged against operating expenses

4.14 Compensation for termination of employment

Termination benefits are paid to employees when Company management has decided to terminate an employment contract before the employee's normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises these benefits provided that it has demonstrably undertaken to terminate the contracts of current employees in accordance with a formal, detailed and binding agreement or the main characteristics of this agreement have been published. Benefits that will not be paid within 12 months from the consolidated balance sheet date are discounted to their present value.

4.15 Short-term employee benefits

The Company recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

4.16 Income tax

The income tax expense and tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or a business combination.

- *Taxable temporary differences*

  Taxable temporary differences are recognised in all cases except where:

  - They arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable income.

  - They are associated with investments in subsidiaries, associates, jointly controlled entities and interests in joint ventures over which the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will reverse in the foreseeable future.

- *Deductible temporary differences*

Deductible temporary differences are recognised provided that:

- It is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable income.

- The temporary differences are associated with investments in subsidiaries, associates, jointly controlled entities and interests in joint ventures which will reverse in the foreseeable future and sufficient taxable income is expected to be generated against which the temporary difference can be offset.

- *Measurement*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

4.17 Recognition of revenue

Revenue is generated by the following ordinary activities of the Company:

(i) Sales of goods
   a) Sale of photovoltaic modules for distribution to third parties.
   b) Sale of photovoltaic solar plants provided that the start-up and completion of construction is a Solaria initiative and exclusively for their subsequent sale to third parties.
   c) Sale of electricity generated by the solar plants owned by the Company.

(ii) Services rendered

a) Turnkey contracts for photovoltaic solar plants consisting of the installation and start-up of the plants as well as services rendered through construction contracts with third parties.
b) Search and development projects for photovoltaic solar plants.
c) Maintenance contracts for photovoltaic solar plants.

Income and expenses are recognised on an accruals basis.

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. Volume rebates, prompt payment and any other discounts, as well as the interest added to the nominal amount of the consideration, are recognised as a reduction therein.

Advances on account of future sales are measured at the amount received.

When the Company commits to multi-item contracts (those including several implicit transactions), specific income recognition criteria is applied to each transaction.

Sales of goods

Income from the sale of modules and power generation is recognised when:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company.

Where goods are sold conditional on installation and/or inspection, sales are recognised when the purchaser accepts the goods and the installation and/or inspection has been completed, except when the installation process is routine or the inspection is performed to determine the final contract price, in which case the sale of goods is recognised immediately.

Services rendered

Revenues associated with the rendering of service transactions are recognised by reference to the stage of completion at the balance sheet date when the outcome of the transaction can be estimated reliably; i.e., when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Group.

The Company follows the percentage of completion method to recognise turnkey project sales when the following conditions apply:

(a) There is a specific customer with a firm obligation
(b) The amount of revenue can be reliably measured
(c) The Company will, in all likelihood, receive the profits or financial gains deriving from the transaction. In any event, the solvency of the customer is analysed before closing the contract to avoid reasonable doubts regarding future collection.
(d) The stage of completion can be reliably measured at the end of each year.
(e) The costs incurred, as well as costs to complete the transaction, can be reliably measured and may be compared with estimated forecasts.
(f) The customer can specify or substantially modify the basic design of the project, at the start of and during construction.
(g) Control over the project and the risks and rewards of ownership of the property are progressively transferred from the vendor to the buyer as the construction work advances.
(h) The buyer cannot rescind the contract by returning completed work.

Under the aforementioned conditions, the Company recognises revenues from these projects based on the percentage of completion method. This percentage is calculated applying to the total revenue forecast (which includes the initial amount of revenue agreed, any change to the scope of the work considered in the contract, as well as amounts related to claims and incentives that are considered probable), the costs incurred to date as a proportion of the total forecast cost of the project. Revenue for the year is determined by this method, deducting the revenue recognised on the same projects in prior years. Modifications to forecast revenue and contract costs are recognised prospectively as a change in estimates.

Positive differences between total production and the amount invoiced for each project until the end of the period or year are recognised as trade receivables for invoices pending receipt under trade and other receivables. Any negative differences are recognised as liabilities in the balance sheet under trade and other payables.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable, whilst contract costs are recognised as an expense in the period in which they are incurred. When the uncertainties that prevented the outcome of the contract being estimated reliably no longer exist, revenue and expenses associated with the construction

contract are recognised in accordance with the criteria described in the previous paragraphs. Modifications are recognised prospectively.

When it is probable that project costs will exceed total revenue, the expected loss until completion is recognised immediately as an expense for the year.

Revenues associated with the rendering of service transactions are recognised by reference to the stage of completion at the balance sheet date when the outcome of the transaction can be estimated reliably; i.e., when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Group.

4.18 Classification of assets and liabilities as current and non-current

The Company classifies assets and liabilities in the balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months of the balance sheet date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months from the balance sheet date.

- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months of the balance sheet date or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.
- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting period, even if the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the annual accounts are authorised for issue.

4.19 Environment

Expenses derived from business activities intended to protect and improve the environment are expensed in the year in which they are incurred.

Property, plant and equipment acquired by the Company to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Company's activities, are recognised as assets, applying the measurement, presentation and disclosure criteria described in section 4.3 of this note.

4.20 Related-party transactions

Transactions carried out with Group companies are recognised at the fair value of the consideration paid or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

5. Intangible Assets

Details and movement of the different intangible assets, in thousands of Euros, are as follows:

	2009		
	Development	**Software**	**Total**
Cost at 1 January 2009	**-**	**38**	**38**
Additions	1,495	154	**1,649**
Disposals	**-**	(22)	**(22)**
Cost at 31 December 2009	**1,495**	**170**	**1,665**
Accumulated amortisation at 1 January 2009	**-**	**(32)**	**(32)**
Amortisation	(257)	(20)	(277)
Disposals	-	20	20
Accumulated amortisation at 31 December 2009	**(257)**	**(32)**	**(289)**
Net carrying amount at 31 December 2009	**1,238**	**138**	**1,376**

	2008	
	Software	**Total**
Cost at 1 January 2008	**27**	**27**
Additions	11	**11**
Cost at 31 December 2008	**38**	**38**
Accumulated amortisation at 1 January 2008	**-11**	**-11**
Amortisation	-21	-21
Accumulated amortisation at 31 December 2008	**-32**	**-32**
Net carrying amount at 31 December 2008	**6**	**6**

During 2009 the Company has capitalised Euros 1,495 thousand for the development project for the production of photovoltaic cells. This development is key to the Company's continuing improvement in that it reduces manufacturing costs for photovoltaic modules.

6. Property, Plant and Equipment

Details and movement of the different items of property, plant and equipment, in thousands of Euros, are as follows:

	2009						
	Land	**Buildings**	**Plant**	**Machinery**	**Other assets**	**Property, plant and equipment under construction**	**Total**
Cost at 1 January 2009	**9,347**	**13,256**	**1,599**	**10,815**	**905**	**36,665**	**72,587**
Additions	-	1,527	4,776	16	427	7,088	13,834
Disposals	-	-	(94)	(309)	-	-	(403)
Transfers	-	21,593	102,248	15,853	-	(37,446)	102,248
Cost at 31 December 2009	**9,347**	**36,376**	**108,529**	**26,375**	**1,332**	**6,307**	**188,266**
Accumulated depreciation at 1 January 2009	**-**	**(453)**	**(207)**	**(1,702)**	**(159)**	**-**	**(2,521)**
Depreciation	-	(471)	(1,492)	(1,837)	(215)	-	(4,015)
	-	**(924)**	**(1,699)**	**(3,539)**	**(374)**	**-**	**(6,536)**
Net carrying amount at 31 December 2009	**9,347**	**35,452**	**106,830**	**22,836**	**958**	**6,307**	**181,730**

	2008						
	Land	**Buildings**	**Plant**	**Machinery**	**Other assets**	**Property, plant and equipment under construction**	**Total**
Cost at 1 January 2008	**2,830**	**2,263**	**1,088**	**7,013**	**781**	**19,669**	**33,644**
Additions	6,517	10,993	511	3,206	127	17,775	39,129
Disposals	-	-	-	(2)	(3)	(181)	(186)
Transfers	-	-	-	598	-	(598)	-
Cost at 31 December 2008	**9,347**	**13,256**	**1,599**	**10,815**	**905**	**36,665**	**72,587**
Accumulated depreciation at 1 January 2008		**(70)**	**(75)**	**(667)**	**(87)**	**-**	**(899)**
Depreciation	-	(383)	(132)	(1,121)	(72)	-	(1,708)
Disposals	-	-	-	86	-	-	86
Transfers	-	-	-	-	-	-	-
	-	**(453)**	**(207)**	**(1,702)**	**(159)**	**-**	**(2,521)**
Net carrying amount at 31 December 2008	**9,347**	**12,803**	**1,392**	**9,113**	**746**	**36,665**	**70,066**

a) General

Additions to plants in 2009 mainly relate to panelling construction work at the Company's two factories using solar modules owned by Solaria.

Additions to property, plant and equipment under construction include costs reflecting the installation of machinery for the extension of the photovoltaic module factory in Puertollano, which started up in 2008.

Additions to land and buildings in 2008 amount to Euros 16,500 thousand for the acquisition and construction of the photovoltaic module factory in Fuenmayor (La Rioja), with Euros 10,878 thousand relating to buildings and Euros 5,622 thousand to land.

In 2008, additions were made to property, plant and equipment under construction in respect of the industrial bay used for manufacturing photovoltaic cells within the Puertollano factory. Construction was completed in 2009 and an amount of Euros 16,120 thousand was reclassified to buildings.

Transfers to buildings during 2009 include the panelling installed on the rooftops of the two factories and warehouses which the Company owns and has equipped with modules manufactured by the Company itself, which have a capacity of approximately 2MW. Transfers to machinery comprise the new module manufacturing lines in Puertollano.

During the final quarter of 2009, the Group transferred the manufacturing costs incurred by the three photovoltaic solar plants located in Villanueva de la Serena and La Rioja (see note 14) from inventories in amounts of Euros 53,584 thousand and Euros 48,664 thousand, respectively, as no new sales agreements have been signed with third parties during the last twelve months. The Company has begun to depreciate these plants since their transfer to property, plant and equipment because they are operational and generate power. These two plants have an installed capacity of 22 MWp, and the total cost of these plants under property, plant and equipment at 31 December 2009 amounts to Euros 53,585 thousand and Euros 50,653 thousand, respectively. The accumulated depreciation for the two plants for 2009 amounts to Euros 549 thousand and 507 thousand, respectively.

At 31 December 2009 and 2008 Solaria does not have any fully depreciated items of property, plant and equipment.

b) Insurance

The Company has contracted various insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

c) Goods under finance leases

The vehicles and land and buildings at Fuenmayor, as well as production machinery, have been contracted by the Company under finance leases, with the following costs and accumulated depreciation:

	Thousands of Euros	
	2009	**2008**
Cost	16,787	16,783
Accumulated depreciation	(477)	(317)
	16,310	**16,466**

The most significant finance leases are detailed in note 19.

d) Capitalised finance expenses

With regard to property, plant and equipment acquired during the year, the Company has capitalised finance expenses which have arisen from general financing and are not specifically attributable to Company assets. These capitalised finance expenses amount to Euros 250 thousand. Finance expenses accrued prior to the start-up of the aforementioned assets have been capitalised at a rate of 3%, which represents the average borrowing cost of the loans used by the Company to finance the assets in question.

7. Operating Leases

The Company is the lessee of certain items of property, plant and equipment. The most significant lease contracts are as follows:

1. The Company's head offices, owned by its main shareholder Solaria DTL Corporación, S.L., are located on calle Princesa (Madrid) and occupied by virtue of the lease contract signed on 1 July 2009. Prior to this date, the Company leased two office floors on calle Velazquez (Madrid), which were also owned by its Parent company (see note 25).

2. The Company signed various operating lease contracts for company cars for managers in 2008 and 2009.

Operating lease payments have been recognised as an expense for the year as follows:

	Thousands of Euros	
	2009	**2008**
Head offices	412	190
Vehicles	144	27
	556	**217**

Future minimum payments under non-cancellable operating leases are as follows:

	Thousands of Euros	
	2009	2008
Up to 1 year	1,711	1,159
Between 1 and 5 years	9,102	6,818
More than 5 years	11,398	15,439
	22,211	23,416

In 2009 the Company signed a contract to lease photovoltaic installations to subsidiaries (see note 25). These lease contracts are subject to annual renewal and the corresponding revenue, which is linked to the revenue deriving from the power generated by these plants, amounted to Euros 17,476 thousand in 2009.

8. Risk Management Policy

8.1. Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits by using derivatives to hedge currency risk and interest rate risk.

Risk management is overseen by the Company's finance department. This department identifies, evaluates and mitigates financial risks in collaboration with the Company's operational units.

a) Market risk

i) Currency risk

The Company operates internationally and is therefore exposed to currency risks when operating with foreign currencies, especially with regard to the US Dollar. Currency risk is associated with commercial transactions, mainly for the purchase of foreign machinery and raw materials.

Financial management has established procedures which hedge against currency risk for transactions performed by the Company in foreign currency due in over 30 days, provided that this is recommended in light of the prevailing market conditions at the time of transaction.

The non-Euro currency in which Solaria currently operates is the US Dollar. If at 31 December 2009 and 2008 the Euro had appreciated/depreciated by 5% compared with the US Dollar, the changes in profit or loss and equity at those dates would not have been significant.

ii) Price risk

Solaria is exposed to market price risk of raw materials. Management manages this risk by considering the market conditions prevailing at the time of the transaction and signing fixed-price contracts.

iii) Cash flow interest rate risk

As the Company does not have a considerable amount of remunerated assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

Interest rate risk arises from non-current loans and borrowings. Borrowings at variable interest rates expose the Company to cash flow interest rate risks. Solaria contracts derivatives to hedge interest rate risk on loans with variable interest rates. All of the Company's bank borrowings at variable interest rates are denominated in Euros.

Solaria manages interest rate risks in cash flows through variable to fixed interest rate swaps when market conditions so dictate. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates.

At 31 December 2009 and 2008, and including the effect of contracted interest rate swaps, the debt structure of Solaria is follows:

	Thousands of Euros	
	2009	2008
Fixed-interest rate payables	10,328	11,464
Variable-interest rate payables	53,874	81,614
Total	64,202	93,078

The sensitivity of the Company's profits to a positive or negative change of 10 interest-rate basis points is not significant.

b) Credit risk

The Group does not have significant concentrations of credit risk and has policies to ensure that sales are only made to customers with adequate credit records. Transactions with derivative financial instruments and cash operations are only contracted with financial institutions with high credit ratings and the Group has policies to limit the amount of risk with any one financial institution. When there is no independent assessment of a customer's credit rating, the finance department carries out the evaluation, considering the financial position of the customer, past experience and other factors. The Group does not extend non-current loans to its customers except in very exceptional circumstances.

At 31 December 2009 and 2008 trade receivables have the maturities presented in the table below:

	Thousands of Euros					
	From 0 to 45 days	**From 45 to 90 days**	**From 90 to 120 days**	**From 120 to 180 days**	**Over 180 days**	**Total debt**
Trade receivables 2009 (note 11)	20,396	-	-	-	7,590	**27,986**
Trade receivables 2008 (note 11)	28,530	-	-	-	-	**28,530**

c) Liquidity risk

The Group applies a prudent policy to cover its liquidity risks, based on having sufficient cash and marketable securities as well as sufficient financing through credit facilities to settle market positions. Given the dynamic nature of its underlying business, the Company's finance department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

Management monitors the Company's liquidity reserve forecasts based on expected cash flows.

8.2. Equity management and debt ratios

The Company's equity management objective is to safeguard the Company's capacity to continue operating as a going concern, enabling it to provide shareholder remuneration while maintaining an optimum capital structure by reducing the cost of capital. Company management monitors equity by overseeing the debt ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as the sum of financial borrowings less cash and cash equivalents. Equity is the sum of the share capital plus reserves, and non-distributed profits, as shown in the balance sheet.

The Company's aim is to have sufficient equity to obtain the necessary financing for its expansion through borrowings, but without compromising its solvency and maximising its performance so that shareholders can benefit from the equity invested.

Debt ratios at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Borrowings (note 19)	64,202	93,078
Less: Cash and cash equivalents (notes 11 and 15)	(14,302)	(10,050)
Net debt	49,900	83,028
Total equity	**238,606**	**234,083**
Debt/equity ratio	**21%**	**35%**

9. Interests in Group companies and Jointly controlled Entities

Movement in this caption during 2008 and 2009 has been as follows:

	Thousands of Euros						
Investee	**Balance at 01.01.08**	**Additions**	**Disposals**	**Balance at 31.12.08**	**Additions**	**Disposals**	**Balance at 31.12.09**
Técnicas Ambientales del Norte, S.A.	-	303	-	**303**	-	(303)	-
Planta Solar Puertollano 1, S.L.	-	3	-	**3**	-	(3)	-
Planta Solar Puertollano 2, S.L.	-	3	-	**3**	-	(3)	-
Planta Solar Puertollano 3, S.L.	-	3	-	**3**	-	-	**3**
Planta Solar Puertollano 4, S.L.	-	3	-	**3**	-	-	**3**
Planta Solar Puertollano 5, S.L.	-	3	-	**3**	-	-	**3**
Planta Solar Puertollano 6, S.L.	-	3	-	**3**	-	-	**3**
Planta Solar Puertollano 7, S.L.	-	3	-	**3**	-	-	**3**
Planta Solar Puertollano 8, S.L.	-	3	-	**3**	-	-	**3**
Planta Solar Puertollano 9, S.L.	-	3	-	**3**	-	-	**3**
Planta Solar Puertollano 10, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 1, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 2, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 3, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 4, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 5, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 6, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 7, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 8, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 9, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 10, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 11, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 12, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 13, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 14, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 15, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 16, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 17, S.L.	-	3	-	**3**	-	-	**3**
Planta FV 18, S.L.	-	3	-	**3**	-	-	**3**
Solaria Energía Generación Renovable, S.L.	-	3	-	**3**	1,225	-	**1,228**
Solaria Energía Proyectos Internacionales, S.L.		3	-	**3**			**3**
Magacela Solar 1, S.L.	-	4,850	-	**4,850**	1,401	(6,251)	-
Globasol Villanueva 1, S.L.	-	4,950	-	**4,950**	-	-	**4,950**
Alhama Solar, S.L.	-	2,729	-	**2,729**	-	(2,729)	-
Solaria Deutschland GmbH	-	-	-	**-**	27	-	**27**
Solaria Italia, S.R.L.	-	-	-	**-**	10	-	**10**
Solaria Francia, S.A.S.	-	-	-	**-**	60	-	**60**
TOTAL	**-**	**12,922**	**-**	**12,922**	**2,723**	**(9,289)**	**6,356**

During 2009, the main transactions relating to interests in subsidiaries were as follows:

- On 21 January 2009, the Company sold the photovoltaic solar farm located in Alhama (Murcia) by public deed. The contract was signed with the Fotowatio Group and included the sale of the interest in the subsidiary Alhama Solar, S.L. and the solar plant constructed in the aforementioned locality (see note 14(a)).

- On 31 July 2009, the Company sold its fully-owned subsidiary Técnicas Ambientales del Norte, S.A. to its Parent company, Solaria DTL Corporación, S.L. This transaction also included the sale of the solar plant associated with this project (see note 14(b)).

- On 30 September 2009, the Company signed a contract for the sale of 100% of Magacela Solar 1, S.L. to its Parent company Solaria DTL Corporación, S.L. (see note 14).

- On 17 September 2009, the subsidiary Planta FV 19, S.L. changed its name by public deed to Solaria Energía Generación Renovable, S.L. This subsidiary is fully owned by Solaria and was acquired for the purpose of purchasing shares in entities that develop and operate photovoltaic solar plants as their statutory activity. This company is in turn the owner of 50% of the equity of:

  - The venture capital fund Solaria Aleph, F.C.R. incorporated on 12 November 2009, jointly owned in equal amounts by Solaria Energía Generación Renovable, S.L. and the directors of Gestora de Capital Riesgo.

    The statutory activity of the Fund is the acquisition of interests in entities that develop and subsequently operate photovoltaic plants in the USA and Europe. The Fund was incorporated with committed equity of Euros 30 million.

    At 31 December 2009 Solaria Aleph, F.C.R. has acquired Serre UTA, S.r.l., which is building rooftop solar installations and expects to commence its power generation activity during 2010.

  - Elassona Solar Energía LLC, incorporated in October 2009, which will develop and operate a plant with a capacity of 400 kw on the isle of Crete.

- On 19 November 2009, the subsidiary Planta FV 20, S.L. changed its name to Solaria Energía Proyectos Internacionales, S.L. under which it will carry out the same statutory activity.

- As part of the internationalisation process carried out by the Company throughout 2009, it has incorporated or acquired Solaria Deutschland, GmbH, Solaria Italia, S.R.L. and Solaria Francia, S.A.S. the statutory activity of which is the manufacture, sale and, in brief, any type of operation of photovoltaic solar installations. At 31 December 2009, there have been no significant movements in these companies due to their recent creation.

Except where otherwise specified, the principal activity of these investees is the operation of solar plants and subsequent sale of the power generated by the installations to the corresponding electricity distribution network.

The share capital, reserves, results for the year and other information of interest, as reflected in the individual annual accounts of the aforementioned companies, are included in Appendices I and II.

10. Financial Assets by Category

The classification of financial assets, stated at cost or amortised cost, by category and class is as follows:

	Thousands of Euros			
	2009		2008	
	Non-current	Current	Non-current	Current
Loans and receivables				
Other financial assets (note 11)	124	10,356	34	55
Trade receivables (note 12)	7,590	19,428	-	27,371
Trade receivables, Group companies (note 12)	-	27,652	-	67,954
Other receivables (note 12)	-	1,187	-	763
Total financial assets	**7,714**	**58,623**	**34**	**96,143**

The carrying amount of financial assets at cost or amortised cost does not differ significantly from their fair value.

Net gains and losses by category of financial asset comprise the impairment of receivables (Euros 2,127 thousand in 2009 and Euros 23,676 thousand in 2008) and finance income at amortised cost (Euros 290 thousand in 2009 and Euros 5,394 thousand in 2008).

11. Investments

Details of investments are as follows:

	Thousands of Euros			
	2009		**2008**	
	Non-current	Current	Non-current	Current
Other financial assets	124	56	34	55
Bank deposits	-	10,300	-	-
	124	**10,356**	**34**	**55**
		note 10		**note 10**

Bank deposits are mainly those paid to financial institutions to secure certain operating guarantees granted by these financial institutions.

12. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Thousands of Euros			
	2009		**2008**	
	Non-current	**Current**	**Non-current**	**Current**
Trade receivables (notes 8.1 and 10)	7,590	19,428	-	27,371
Loans to group companies and associates (notes 8.1, 10 and 25)	-	27,652	-	67,954
Other receivables (note 10)	-	1,187	-	763
Public entities (note 21)	-	17,698	-	32,547
	7,590	**65,965**	**-**	**128,635**

Details of trade receivables are as follows:

	Thousands of Euros	
	2009	**2008**
Trade receivables for invoices pending issue	1,733	5,786
Trade receivables for withholdings on warranties	-	642
Trade receivables – discounted notes	4,411	4,621
Trade receivables	24,001	17,322
Impairment	(3,127)	(1,000)
	27,018	**27,371**

At 31 December 2008, the amount recognised under trade receivables for invoices pending issue relates to work carried out on installation projects for photovoltaic plants. All of these invoices have been issued during 2009.

At 31 December 2009 current receivables from third parties are largely for sales of photovoltaic solar modules.

Non-current trade receivables comprise financing extended to a customer for the sale of modules and with whom an agreement was reached in July 2009 for settlement of the outstanding balances in monthly instalments based on the power generation of the plant in which Company modules were installed. These balances earn interest and have been guaranteed by pledged assets of a higher value than the debt. Details of the maturity of this debt are as follows:

	Thousands of Euros
Less than 1 year	406
2 to 5 years	**7,590**
	7,996

Details of trade receivables, Group companies and associates are as follows:

	Thousands of Euros	
	2009	**2008**
Trade receivables, Group companies	50,328	90,630
Impairment	**(22,676)**	**(22,676)**
	27,652	**67,954**

At 31 December 2008 trade receivables, group included an amount of Euros 42,244 thousand due from Solaria DTL Corporación, S.L., the Parent company of Solaria, in respect of the contract signed in 2007 for the engineering and construction work for a photovoltaic solar plant with a nominal capacity of 10 MW (see note 14). The reassigned plant was handed over on 30 September 2009. This transaction was carried out at arm's length and the corresponding balance has been received in full from this company at 31 December 2009.

At 31 December 2008 and 2009 this caption also includes a balance of Euros 34,800 thousand receivable from the Group company Planta Solar Puertollano 8, S.L. in respect of the return of a project commenced by the Company for a customer in 2007 and subsequently taken over by this Group subsidiary.

The remaining balance of "Trade receivables, Group companies" primarily comprises the amounts payable by the subsidiaries to the Company in respect of the "Leases and Rendering of Operation and Maintenance Services" contracts signed between the Company and the following entities: Planta Solar Puertollano 6, S.L., Planta Solar Puertollano 4, S.L., Globasol Villanueva 1, S.L., Magacela Solar 1, S.L. and Técnicas Ambientales del Norte, S.L.

An analysis of the changes in valuation allowances related to impairment of customer credit risk is as follows:

	Thousands of Euros			
	2009		2008	
	Trade receivables	Trade receivables, Group companies	Trade receivables	Trade receivables, Group companies
Balance at 1 January	1,000	22,676	-	-
Charges	2,127	-	1,000	22,676
Balance at 31 December	**3,127**	**22,676**	**1,000**	**22,676**

According to internal Company policy, the provision for bad debts relates to balances which are past due by over 6 months and for which management considers recoverability is not probable. During 2009 measures have been fast-tracked to improve recovery of trade receivables.

The provision for bad debts from Group companies relates to a part of the balance receivable from Planta Solar Puertollano 8. S.L., for the aforementioned project returned to the Company.

In 2009 and 2008, other receivables include Euros 682 thousand receivable from a grant for the purchase of property, plant and equipment awarded by the Ministry of Industry (see note 18).

13. Derivative Financial Instruments

Details of assets and liabilities from derivative financial instruments at 2009 and 2008 year end are as follows:

	Thousands of Euros			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Fair value of non-hedging financial instruments				
Interest rate	-	(1,822)	-	(1,229)
	-	(1,822)	-	(1,229)
Fair value of hedging financial instruments				
Interest rate	-	(283)	-	(247)
- Exchange rate	-	-	-	(481)
	-	(283)	-	(728)
Total	**-**	**(2,105)**	**-**	**(1,957)**

Financial instruments which do not qualify for hedge accounting are classified as financial liabilities at fair value through profit or loss. The changes in the fair value of these financial instruments recognised in the income statement amount to Euros 593 thousand (Euros 243 thousand in 2008).

a) Interest rate hedges

In order to hedge against fluctuations in the interest rate applicable to loans obtained for Euros 1,500 thousand and Euros 4,500 thousand, respectively (see note 19), the Company has contracted an interest rate hedge, the main characteristics of which are as follows:

Initial notional amount: Euros 5,893 thousand
Maturity date: 12 December 2011
Floating rate: 6-month Euribor
Fixed rate: 3.96%, in the event that the Euribor rises to 5%, the reduction is 0.10%.

The maturity dates for the derivative notional are as follows:

Year	Thousands of Euros
2010	857
2011	4,071

In order to hedge against interest rate fluctuations applicable to a Euros 6,000 thousand loan received (see note 19), the Company has contracted an interest rate hedge, the main characteristics of which are as follows:

Initial notional amount: Euros 6,000 thousand
Fixed rate payer: Solaria Energía y Medio Ambiente, S.A.
Fixed rate: 4.63%
Floating rate: 6-month Euribor
The maturity dates for the derivative are as follows:

Year	Thousands of Euros
2010	1,200
2011	1,200
2012	1,200
2013	1,200
2014	600

b) Foreign currency hedges

In order to hedge against exchange rate fluctuations between the Euro and the US Dollar in certain production machinery purchases foreseen for 2009, the Company contracted a hedging transaction with a financial institution in 2008 (see note 4.8), in the form of a currency option with a knock-out barrier of 1.110. The main characteristics of this transaction are:

Initial notional amount: USD 8 million
Strike Price: 1.310
Maturity: 10 June 2009

This derivative was cancelled before its maturity date in the first quarter of 2009.

c) Derivatives which do not qualify for hedge accounting

The Company has obtained an interest rate swap with the following characteristics:

Initial notional amount: Euros 16,500 thousand
Fixed rate: 4.985%
Floating rate: 12 month- Euribor with a floor of 4%.

The maturity dates for the derivative notional are as follows:

Year	Thousands of Euros
2010	503
2011	896
2012	942
2013	991
2014	13,168
	16,500

This interest rate swap does not qualify for hedge accounting as it was not highly effective at its inception or in subsequent years.

14. Inventories

Details of inventories at 31 December 2009 and 2008 are as follows:

	Thousands of Euros							
	2009				2008			
	Thermal	Photovoltaic	Solar plants	Total	Thermal	Photovoltaic	Solar plants	Total
Raw materials and other supplies	600	9,620	6,260	16,480	589	8,865	5,286	14,740
Finished products	724	6,027	-	6,751	724	1,769	131,698	134,191
Advances to suppliers	-	-	-	-	-	7,964	-	7,964
TOTAL	**1,324**	**15,647**	**6,260**	**23,231**	**1,313**	**18,598**	**136,984**	**156,895**

Raw material inventories are mainly cells, glass, aluminium and other materials required to manufacture photovoltaic modules.

Inventories of finished products mainly reflect constructed solar plants that have not been sold at the end of the year.

During 2009 there have been significant derecognitions in inventories due to the sale of solar plants. Significant changes to inventories are as follows:

- On 21 January 2009, a solar plant with a nominal capacity of approximately 6 MWp located in Alhama (Murcia) was sold to a third party. The cost in inventories of this installation amounted to Euros 26,122 thousand and its sales price including the value of the investment in Alhama Solar, S.L. amounted to Euros 38,700 thousand (see note 9).

- On 31 July 2009, the Company sold a plant with a capacity of 1 MWp to Técnicas Ambientales del Norte, S.L. Inventories of Euros 4,343 thousand were derecognised and the total sales price of the transaction was Euros 6,221 thousand.

- On 30 September 2009 the Company and Solaria DTL Corporación S.L. reached an agreement to terminate the contract signed by the two companies in November 2007. Under the terms of this agreement, the Company undertakes to hand over the 10 MWp plant owned by Magacela Solar 1, S.L. to substitute the previously assigned plant located in La Rioja, which has similar characteristics and the same Euros 67,100 thousand price, which was recognised as revenue prior to 2009, following the percentage of completion method. The objective of this agreement was to hand over a fully operational plant and collect the outstanding amounts included in the aforementioned contract (see note 12). The cost of the plant sold amounts to Euros 51,675 thousand (see note 9).

- During 2009 the photovoltaic solar plants located in Villanueva de la Serena (Badajoz) and Fuenmayor (La Rioja) have been transferred from inventories to property, plant and equipment in an amount of Euros 102,248 thousand (see note 6) as 12 months have elapsed since their completion and it is Company policy to reclassify solar plants included under inventories when they have been completed.

The Company has contracted insurance policies to cover the risk of damage to inventories. The coverage of these policies is considered sufficient.

15. Cash and Cash Equivalents

Cash and cash equivalents comprise Euros 2,423 thousand in demand deposits and Euros 11,879 thousand in cash.

The total balance at 31 December 2008 reflects cash in hand and at banks.

16. Equity

Share capital

At 31 December 2009 and 2008, the subscribed and fully paid share capital of Solaria Energía y Medio Ambiente, S.A. amounts to Euros 1,011 thousand and is represented by 101,146,667 bearer shares with a par value of Euros 0.01 each, distributed as follows:

	2009		2008	
	Number of shares	**Percentage ownership**	**Number of shares**	**Percentage ownership**
Solaria DTL Corporación, S.L.	62,235,544	61.53	62,235,544	61.53
Own shares	1,440,635	1.45	1,462,163	1.45
Electronic trading system	37,470,488	37.02	37,448,960	37.02
Total	101,146,667	100	101,146,667	100

All shares are quoted on the four Spanish stock exchanges and are listed on the electronic trading system. These shares are freely transferable.

The quoted price of Company shares at the close of 2009 was Euros 2.52 (Euros 1.91 at 31 December 2008) which represented an increase of 32%.

Own shares

Changes to the portfolio of own shares during 2008 and 2009 are as follows:

		Thousands of Euros	
	No. of shares	Average purchase price	Amount
Balance at 01.01.08	-		-
Acquisitions	3,289,681	8.35	27,472
Disposals	(1,827,518)	10.36	(18,932)
Balance at 31.12.08	1,462,163		8,540
Acquisitions	1,434,114	1.91	2,738
Disposals	(1,455,642)	4.30	(6,262)
Balance at 31.12.09	1,440,635		5,016

On 18 February 2008, executing the agreements adopted by the shareholders of the Company at the extraordinary general meeting open to all shareholders held on 24 May 2007, the board of directors unanimously agreed to purchase Company shares, in one or various transactions, in accordance with the terms and conditions agreed by the shareholders at their general meeting and for a maximum amount of Euros 15,000 thousand, in line with the legal maximum of 5% of the shares. On 19 February 2008, the Company signed a liquidity agreement with Banesto Bolsa, S.V., S.A. in accordance with Circular 3 of 19 December 2007 from the Spanish National Securities Market Commission, on liquidity contracts for the purposes of their acceptance as a market practice. The liquidity contract was subsequently cancelled on 18 February 2009.

On 19 February 2009, the Company signed a liquidity contract with Mercados y Gestión de Valores, A.V., S.A., the terms of which complied with the stipulations of Circular 3 of 19 December 2007 from the Spanish National Securities Market Commission, which established the conditions under which Mercados y Gestión de Valores, A.V., S.A. would operate on behalf of Solaria Energía y Medio Ambiente, S.A. in buying or selling shares to increase the Company's liquidity and to regulate the quoted value of its shares within the limits established for this purpose at the general shareholders' meeting on 30 June 2008. The Company deposited 1,470,000 shares in the financial institution's securities account and Euros 4,458 thousand in the cash account.

Pursuant to the aforementioned standard, the liquidity contract signed between the Company and Mercados y Gestión de Valores, A.V., S.A. was terminated on 31 July 2009.

At the annual general meeting held on 29 June 2009 the Company's shareholders' authorised the board of directors to purchase Company shares within the limits established by law, rendering the previously extended authorisation null and void.

At 31 December 2009, the Company has 1,440,635 shares amounting to Euros 5,016 thousand. In 2008, the shares were valued at Euros 8,540 thousand.

Legal reserve

The legal reserve has been appropriated in compliance with article 214 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

Share premium and voluntary reserves

The share premium and voluntary reserves are freely distributable except for Euros 1,238 thousand recognised under development expenses at 31 December 2009 and provided that they do not reduce reserves to an amount lower than share capital.

17. Valuation Adjustments

During 2009 and 2008, changes in this caption have been as follows:

	Thousands of Euros
	Cash flow hedges
Balance at 1 January 2008	**5,072**
Increases	716
Recognition in income statement	(7,234)
Tax effect	1,955
Balance at 31 December 2008	**509**
Balance at 1 January 2009	**509**
Recognition in income statement	(444)
Tax effect	133
Balance at 31 December 2009	**198**

This caption includes the effect on equity of derivative financial instruments to which the Company applies hedge accounting (see note 13).

18. Grants

At 31 December 2008 details of outright grants included in the balance sheet under "Grants, donations and legacies received" are as follows:

Granting entity	Thousands of Euros	Objective	Concession date
IDAE (Spanish Institute for Energy Diversification and Saving) (Note 19)	124	Early repayment of the Caja Duero loan (i)	26.10.2004
IDAE (Note 19)	164	Early repayment of Caja Duero loan (ii)	14.04.2005
Ministry of Industry	4,546	Financing for property, plant and equipment	17.01.2006
IDAE (Note 19)	29	Reduction rate of interest Caja Duero loan (i)	26.10.2004
IDAE (Note 19)	38	Reduction rate of interest Caja Duero loan (ii)	14.04.2005
Ministry of Industry Loan (Note 19)	91	Financing of property, plant and equipment and operating expense grants	26.07.2005
CDTI (Spanish Centre for the Development of Industrial Technology) (Note 19)	52	Financing of property, plant and equipment and operating expense grants	29.04.2006
Ministry of Industry Loan (Note 19)	131	Financing for personnel expenses	09.01.2007
	5,175		

Grants, net of the tax effect, have been taken to income as follows:

	Thousands of Euros		
	Balance at 01.01.09	**Recognition in income statement**	**Balance at 31.12.09**
IDAE	77	(19)	58
IDAE	105	(19)	86
Ministry of Industry	4,546	(840)	3,706
IDAE	12	(5)	7
IDAE	17	(5)	12
Ministry of Industry loan	151	(22)	129
Ministry of Industry loan	60	(9)	51
CDTI	33	(7)	26
Ministry of Industry loan	106	(14)	92
	5,107	**(940)**	**4,167**

	Balance at 01.01.08	**Recognition in income statement**	**Balance at 31.12.08**
IDAE	91	(14)	77
IDAE	125	(20)	105
Ministry of Industry	4,546	-	4,546
IDAE	16	(4)	12
IDAE	22	(5)	17
Ministry of Industry loan	167	(16)	151
Ministry of Industry loan	66	(6)	60
CDTI	39	(6)	33
Ministry of Industry loan	115	(9)	106
	5,187	**(80)**	**5,107**

Grant for property, plant and equipment from the Ministry of Industry

On 17 January 2006, the Ministry of Industry, Tourism and Trade notified the Company that it had been awarded the grant requested for the project to start up a plant to manufacture thermal solar modules and photovoltaic cells. The eligible investment amounted to Euros 22,732 thousand and the grant awarded totalled Euros 4,546 thousand, representing 20% of the investment.

The grant awarded is currently subject to the following conditions:

- The Company should execute at least 10% of the eligible investment prior to 31 December 2005.
- Deadline for the whole investment: 31 December 2007.
- Once the investment has been made, it should be maintained for 5 years.
- At least 25% of the eligible investment should be financed by the Company, which should provide evidence of this funding in the documentation supporting the investment.
- The eligible project should maintain the workforce existing at the date of the grant request and, prior to 28 February 2008, generate ninety jobs which should be maintained until 28 February 2011.

In 2007, the Company extended a Euros 4,500 thousand guarantee (see note 28 (a)) to the Ministry of Industry, Tourism and Trade to cover collection of 85% of the total grant awarded. On 10 December 2007, the Company requested an advance of 85% of the total loan, availing of the Ministerial Order of 17 December 2001, which regulates the terms applying to grants awarded to business projects which generate employment. On 17 January 2008 the Company was awarded this advance payment, which was collected on 7 February 2008, with the remaining 15% left outstanding (see note 12).

19. Loans and Borrowings

Details of these payables at 31 December 2009 and 2008 by credit institution are as follows:

	Thousands of Euros		
	2009		
Institution	**Current**	**Non-current**	**Total**
Loans and borrowings	3,101	8,770	11,872
Balances payable to public entities	144	917	1,060
Finance lease payables	992	15,319	16,311
Import facilities	34,959	-	34,959
Total at 31.12.09	**39,196**	**25,006**	**64,202**

	Thousands of Euros		
	2008		
Institution	**Current**	**Non-current**	**Total**

Loans and borrowings	2,695	11,311	14,006
Balances payable to public entities	234	1,706	1,940
Finance lease payables	340	16,357	16,697
Import facilities	60,435	-	60,435
Other financial liabilities	6,823	-	6,823
Total at 31.12.08	**70,527**	**29,374**	**99,901**

The Company has contracted several financing facilities for the importation of production materials, and in particular photovoltaic cells. These facilities are negotiated to finance the expansion of Company production. At 31 December 2009 the available balance of the import facilities amounts to Euros 12,465 thousand (Euros 53,656 thousand at 31 December 2008).

All Company payables are in Euros.

The Company does not have any unused credit facilities at year end.

Loans and borrowings

Bank loans and borrowings comprise loans which are largely earmarked for financing investment projects. The Company is required to maintain the financed investment in equity for at least 5 years after signing the contract. As a result of these projects, the Spanish Institute for the Diversification and Saving of Energy has extended the Company certain grants. Details, expressed in thousands of Euros, are as follows.

Amount of loan				Grants	
				Loan repayment	Interest payments
Original	**31.12.2009**	**31.12.2008**	**Maturity**		
412	79	118	2011	124	29
547	127	178	2012	164	38
1.500	750	964	2013	-	-
4.500	4,179	4,501	2016	-	-
1.800	770	1,132	2011	-	-
6.000	5,400	6,000	2024	-	-
Accrued interest payable	567	1,113		-	-
	11,872	**14,006**		**288**	**67**

To secure loan 3, the Company mortgaged one of its properties in Puertollano (Ciudad Real). It is also required to maintain a bank balance equal to at least three repayments of the outstanding loan (Euros 321 thousand).

To secure loan 4, the Company mortgaged one of its properties in Puertollano, in addition to maintaining a Euros 964 thousand bank balance, equal to three loan repayments.

To hedge against the interest rate fluctuations relating to these loans, the Company contracted several interest rate hedging transactions (see note 13).

All loans are variable-rate loans linked to the Euribor plus a spread and subject to market conditions.

Balances payable to public entities

Since the Company was incorporated, it has signed several financing facilities with different public entities mainly for projects for investment in new production assets and to carry out investments in renewable energy and energy efficiency.

As part of these loans, the Company has been required to earmark the financing received solely and exclusively for the associated investment project.

These financing loans are interest-free. The grant has therefore been recognised (see note 18).

Finance lease payables

The Company has acquired certain vehicles as well as land and buildings located in Fuenmayor and production-related machinery under a finance lease constituting the largest finance lease signed by the Company at 31 December 2009. This Euros 16,500 thousand contract for the purchase of the Fuenmayor factory was signed with Banco Popular on 28 March 2008 and has a 15-year duration (see note 6).

This lease accrues interest at 1-year Euribor plus a spread, with a floor of 4%. Given that at the contract date the reference interest rate was higher than the interest rate floor in the contract, there is no need to separate the embedded derivative at that date.

Other items acquired by this method are not significant.

Future minimum lease payments are reconciled with their present value and presented together with their different maturities as follows:

	Thousands of Euros	
	2009	**2008**
Up to 1 year	1,711	1,159
Between 1 and 5 years	9,102	6,818
More than 5 years	11,398	15,439
Future financial charges for finance leases	(5,900)	(6,719)
Present value of finance lease liabilities	**16,311**	**16,697**
The present values of finance lease liabilities are as follows:		
Current	992	340
Non-current	15,319	16,357
	16,311	**16,697**

Details of maturities of financial payables to banks and public entities at 31 December 2009 and 2008 are as follows:

	Thousands of Euros			
Years	**Finance lease payables**	**Loans, public entities**	**Banks**	**Total**
Up to 1 year	991	144	38,061	39,196
Between 1 and 5 years	5,410	916	8,449	14,775
More than 5 years	9,910	-	321	10,231
Total at 31.12.09	**16,311**	**1,060**	**46,831**	**64,202**

	Thousands of Euros			
Years	**Finance lease payables**	**Loans, public entities**	**Banks**	**Total**
Up to 1 year	340	234	63,130	63,704
Between 1 and 5 years	142	1,206	7,133	8,481
More than 5 years	16,215	500	4,178	20,893
Total at 31.12.08	**16,697**	**1,940**	**74,441**	**93,078**

20. Trade and Other Payables

Details of suppliers and other payables at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2.008**
Suppliers	7,560	18,239
Suppliers, Group companies (note 25)	59	-
Trade payables advanced by banks	571	-
Other payables	5,999	27,461
Salaries payable	148	321
Public entities, other	586	509
Other current liabilities	-	1
Advances from customers	-	7,800
	14,923	**54,331**

Other payables at 31 December 2008 included balances payable to suppliers of engineering and assembly work for solar plants. At 31 December 2009, these amounts have been reclassified under suppliers.

At 31 December 2009 the Company had balances payable totalling Euros 445 thousand (Euros 16,048 thousand in 2008) in foreign currency, mainly US Dollars.

21. Taxation

The standard rate of tax is 30%, which may be reduced by certain deductions and credits.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed At 31 December 2009 the Company has open to inspection by the taxation authorities all main applicable taxes since 1 January 2005.

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any event, the directors of the Company do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

The reconciliation between accounting profit for 2009 with the taxable income for the year is as follows:

	Thousands of Euros		
	Income statement		
	Increases	Decreases	Net
Income and expenses for the period	-	-	5,221
Permanent differences originating in current year	79	-	79
Temporary differences: Individual company originating in prior years	320	-	320
Taxable income/(Tax loss)			**5,620**

The reconciliation between the accounting loss for 2008 with the tax loss for the year is as follows:

	Thousands of Euros		
	Income statement		
	Increases	Decreases	Net
Income and expenses for the period			(35,092)
Temporary differences: Individual company originating in current year	22,996	11,705	11,291
Taxable income/(Tax loss)			**(23,801)**

Permanent differences, which result in adjustments, primarily comprise expenses for prior years recognised during 2009 against reserves, and the correction of errors, amounting to Euros 9,872 thousand (see note 2.2).

Details of the income tax expense/(recoverable tax) related to profit/(loss) for 2009 and 2008 are as follows:

	Thousands of Euros		
	2009		
	Profit and loss	Equity	Total
Income and expenses for the year before tax	5,221	(214)	5,007
Tax at 30%	1,566	(64)	1,502
Non-taxable income			
Non-deductible expenses	24	-	24
Deductions and credits for the current year	(1,008)	-	(1,008)
Income tax expense	582	(64)	518

	Thousands of Euros		
	2008		
	Profit and loss	Equity	Total
Income and expenses for the year before tax	(35,092)	4,507	(30,585)
Tax at 30%	(10,528)	1,352	(9,176)
Non-taxable income			
Non-deductible expenses	-	-	-
Deductions and credits for the current year	-	-	-
Recoverable tax	(10,528)	1,352	(9,176)

As permitted by article 109 of the Spanish Income Tax Act, in 2007 the Company opted to apply accelerated depreciation rates to its new items of property, plant and equipment. The aforementioned law permits companies to apply accelerated depreciation rates provided that, during the 24 months following the start date of the taxation period in which the assets acquired entered into service, the total average headcount of the Company increases in comparison with the average for the prior 12 months, and that this increase is maintained during an additional 24 months. Assets to which accelerated depreciation was applied totalled Euros 3,329 thousand and generated the corresponding deferred tax liability.

Details of deferred tax assets and liabilities by type of asset and liability are as follows:

	Thousands of Euros					
	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	-	-	(897)	(993)	(897)	(993)
Grants	-	-	(1,275)	(1,532)	(1,275)	(1,532)
Hedging operations	85	218	-	-	85	218
Provisions for bad debts	6,803	6,803	-	-	6,803	6,803
Tax loss carryforwards	5,454	7,140	-	-	5,454	7,140
Rights to tax deductions and credits (R&D)	1,008	-	-	-	1,008	-
Total assets/liabilities	**13,350**	**14,161**	**(2,173)**	**(2,525)**	**11,178**	**11,636**

The deferred tax assets and liabilities presented in the table above are expected to be realised or reversed in periods exceeding 12 months.

The Company has recognised certain tax credits in respect of tax loss carryforwards and deductions pending application. Details of these balances by the year in which they were originated, the tax payable and classification between current and non-current based on estimated recovery periods, are as follows:

		Thousands of Euros	
	Year originated	Amount (tax payable)	Maturity
Tax loss carryforwards	**2008**	**5,454**	2023
Deductions	**2009**	**1,008**	2024

In accordance with Spanish tax legislation, losses declared may be carried forward to be offset against profits of the fifteen subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection.

Balances included under public entities, other (see notes 12 and 20) are as follows:

	Thousands of Euros			
	2009		2008	
	Debtor	Creditor	Debtor	Creditor
VAT	17,219	-	24,666	-
Personal income tax	40	298	-	202
Social Security	-	288	-	307
Tax withheld on interest	439		7,881	-
	17,698	**586**	**32,547**	**509**
	note 12		**note 12**	

22. Income and Expenses

a) Revenue

Details of revenues by category of activity and geographical market are as follows:

	Thousands of Euros					
	Domestic		Rest of Europe		Total	
	2009	2008	2009	2008	2009	2008
Revenue from the sale of photovoltaic modules	29,383	77,659	6,764	171	36,147	77,830
Revenue from the sale of solar plants	23,918	-	-	-	23,918	-
Revenue from turnkey contracts	-	30,454	7,550	-	7,550	30,454
Generation revenue	5,639	-	-	-	5,639	-
Other income	21,002	963	-	-	21,002	963
TOTAL	**79,942**	**109,076**	**14,314**	**171**	**94,256**	**109,247**

By virtue of the agreement reached between the Company and the purchaser of the plant located in Alhama de Murcia on 21 January 2009, the Company is entitled to the generation revenue obtained by this plant until 30 June 2009, which amounted to Euros 5,639 thousand.

b) Raw materials and consumables used

Details of goods for resale, raw materials and other supplies are as follows:

	Thousands of Euros	
	2009	**2008**
Purchases of raw materials and others	24,401	187,494
Change in inventories	(1,740)	12,796
	22,661	200,290

c) Operating grants taken to income

During the year the Company has recognised income of Euros 940 thousand for grants received from different awarding bodies, as detailed in note 18 (Euros 80 thousand at 31 December 2008).

d) Personnel expense

Details of personnel expenses are as follows:

	Thousands of Euros	
	2009	**2008**
Wages and salaries	12,285	12,892
Employee benefits expense	2,910	3,038
	15,195	15,930

The average headcount of the Company during 2009 and 2008, distributed by category, is as follows.

	Number	
	2009	**2008**
Engineers	28	22
Graduates	39	28
Factory personnel	438	503
	505	**553**

At year end the distribution by gender of Company personnel and the members of the board of directors is as follows:

	Number			
	2009		**2008**	
	Female	**Male**	**Female**	**Male**
Directors	-	5	-	6
Engineers	4	17	4	18
Graduates	19	44	20	26
Factory personnel	158	241	168	299
	181	**307**	**192**	**349**

The Company has no pension or similar obligations with personnel.

e) Finance income and expenses

	Thousands of Euros	
	2009	**2008**
Income from bank interest	290	5,394
Interest payments	(2,733)	(5,464)
	(2,443)	**(70)**

f) Other income and expenses

	Thousands of Euros	
	2009	**2008**
Exchange gains	708	3.864
Exchange losses	(1,100)	(7,521)
	(392)	**(3,657)**

g) Foreign currency transactions

Transactions carried out in foreign currency (US dollars) during 2009 amounted to Euros 85 thousand (Euros 127,523 thousand in 2008).

23. Contingencies

Management of the Company considers that neither the Company or any member of the board of directors or management are involved in any legal actions, lawsuits or civil, criminal or administrative proceedings of an amount that could significantly affect the annual accounts and/or the financial position or profitability of the Company.

However, at 31 December 2009 the Company is involved in the following legal proceedings:

a. Ordinary procedure filed in Madrid by Rayet Construcción, S.A. against Solaria Energía y Medio Ambiente, S.A. to claim an amount relating to the construction work for the factory in Puertollano.

b. Ordinary procedure filed in Madrid by Solaria Energía y Medio Ambiente, S.A. against Sociedad de Actividades Diversas Inmobiliarias y Agrarias, S.L. and twelve other entities, to claim an amount for partial non-payment on the sale of a photovoltaic solar plant.

c. Ordinary procedure filed in Madrid by Fotovoltaica Los Navalmorales, S.L. against Solaria Energía y Medio Ambiente, S.A., to claim an amount for modules sold by the Company to the claimant. The Company has filed a counterclaim for breach of contract.

24. Relevant Information regarding the Board of Directors and Senior Management

The directors of the Company have accrued wages and salaries amounting to Euros 1,704 thousand in 2009 (Euros 2,782 thousand in 2008). Additionally, the remuneration payable to the directors for their attendance at board meetings in 2009 totals Euros 483 thousand (Euros 490 thousand in 2008). The Company has not extended any advances or loans to members of the board of directors, nor has it undertaken any commitments to them in the form of pension plans, retirement benefits, life insurance policies or special termination benefits.

The Company has no pension or similar obligations with senior management personnel, nor has it extended to them any advances, loans, retirement bonuses, life insurance policies or special termination benefits. All senior management personnel are also members of the board of directors.

For the purposes of complying with Article 127 ter 4 of the revised Spanish Companies Act, these notes to the annual accounts include information relating to interests and positions held by members of the board of directors of Solaria Energía y Medio Ambiente, S.A. in other companies with similar or complementary statutory activities to that of the Company.

The relevant interests of the members of the board of directors of the Company in the capital of entities with identical, similar or complementary statutory activities to those of the Company and its Group, and of which Solaria has been informed, are detailed below, indicating the positions held or the duties carried out in these companies:

Director	Name of the company	Percentage ownership	Office or duties
Enrique Díaz-Tejeiro Gutiérrez	Solaria DTL Corporación, S.L.	20%	Joint and several director
Enrique Díaz-Tejeiro Gutiérrez	Instalaciones Díaz Tejeiro, S.L	50%	Joint and several director
Arturo Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L.	20%	General legal representative
Miguel Diaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L.	20%	Joint and several director
Iñigo Sagardoy Simón	-		
Manuel Azpilicueta Ferrer	-		

During 2009 and 2008, neither the Company's directors or related parties have carried out any transactions with the Company that were not ordinary business or at arm's length.

25. Other Related Party Transactions

Details of balances receivable from and payable to Group companies and related parties, including members of senior management and directors, and the main characteristics are disclosed in notes 12, 24 and 20.

	Thousands of Euros			
	2009			
	Parent company	Group companies	Related companies	Total
Trade and other receivables				
(Note 12)	1,404	25,983	265	27,652
Total current assets	**1,404**	**25,983**	**265**	**27,652**
Total assets	**1,404**	**28,119**	**265**	**29,788**
Trade and other payables				
(Note 20)	-	59	-	59
Total current liabilities	**-**	**59**	**-**	**59**
Total liabilities	**-**	**59**	**-**	**59**

	Thousands of Euros		
	2008		
	Parent company	Group companies	Total
Trade and other receivables (Note 12)	42,244	35,581	77,825
Total current assets	**42,244**	**35,581**	**77,825**
Total assets	**42,244**	**48,503**	**90,747**
Trade and other payables (Note 20)	91	-	91
Total current liabilities	**91**	**-**	**91**
Total liabilities	**91**	**-**	**91**

Details of transactions carried out with related parties during 2009 and 2008 are as follows:

	Thousands of Euros				
	2009				
	Parent company	**Group companies**	**Related companies**	**Directors**	**Total**
Net sales and other revenues	6,221	24,429	6,221	-	29,319
Total revenues	**6,221**	**24,429**	**6,221**	**-**	**29,319**
Leases	412	-	-	-	412
Wages and salaries	-	-	-	1,705	1,705
Other	-	-	-	483	483
Total expenses	**412**	**-**	**-**	**2,188**	**2,600**

	Thousands of Euros				
	2008				
	Parent company	**Group companies**	**Related companies**	**Directors**	**Total**
Net sales and other revenues	36,494	-	-	-	36,494
Total revenues	**36,494**	**-**	**-**	**-**	**36,494**
Leases	190	-	-	-	190
Wages and salaries	-	-	-	2,782	2,782
Other	-	-	-	490	490
Total expenses	**190**	**-**	**-**	**3,272**	**3,462**

During 2009 the Company signed a contract to sell a solar plant, together with the SPV owning the licences and permits to operate the plant, to its Parent company Solaria DTL Corporación, S.L., by virtue of the contract signed between the parties in December 2007, as explained in note 14. In 2009 invoices were issued for the full interest in the special purpose vehicle owning the permits and licences for the aforementioned photovoltaic solar plant. The sales recognised reflect the revenue recognised in 2008 following the percentage of completion method.

On 31 July 2009, the Company signed a construction and assembly contract for a photovoltaic solar plant with a nominal capacity of 1 MWp with Técnicas Ambientales del Norte, S.L., as described in note 14.

The offices located at calle Velázquez 47, Madrid, which were occupied by the Company for the whole of 2008 and from January to June 2009, and the registered offices at calle Princesa 2, Madrid, from which it has run its operations since July 2009, are owned by Solaria DTL Corporación, S.L. The Company has paid an amount of Euros 412 thousand for the lease of these offices during 2009 (Euros 190 thousand during 2008).

In 2009 the Company signed lease contracts for the photovoltaic installations operated by its power-generating subsidiaries. The Company owns the plants, while the subsidiaries own the related permits, licences and authorisations (see notes 4.6 and 7). By virtue of these contracts, the Company authorises the use of the plants by the following Group companies: Globasol Villanueva 1, S.L., Magacela Solar, S.L., Planta Solar Puertollano 3, S.L., Planta Solar Puertollano 4, S.L., Planta Solar Puertollano 6, S.L; and until the date of their sale, the companies: Técnicas Ambientales del Norte, S.L., Planta Solar Puertollano 1, S.L. and Planta Solar Puertollano 2, S.L. In addition to the lease of the plants, these contracts also include operating and maintenance services for the installations and administration and management services rendered to the subsidiaries, having invoiced Euros 17,476 thousand during 2009.

During 2009 the Company signed a contract for the development and construction of a photovoltaic plant with Serre UTA, Srl. At 31 December 2009 the Company has recognised sales of Euros 7,550 thousand.

All transactions with related parties have been carried out under market conditions.

26. Environmental Information

The Company takes environmental protection laws into account when carrying out its operations and believes that it substantially complies with these laws and maintains procedures designed to encourage and guarantee compliance.

During 2009 and 2008, the Company has not made any environmental investments nor has it incurred any expenses for the protection or improvement of the environment or considered it necessary to recognise any provision for liabilities and charges of an environmental nature as it has no contingencies relating to the protection or improvement of the environment and no environmental liabilities.

Consequently, the directors consider that no significant contingencies exist in relation to the protection and improvement of the environment, and therefore no provisions for environmental liabilities and charges were recognised in 2009 or 2008.

27. Auditors' Fees

At the general meeting held on 30 June 2009 the shareholders agreed to the appointment of KPMG Auditores, S.L. as external auditors of the Company for the present year and the next two years.

KPMG Auditores, S.L. has rendered professional services to the Company during the year ended 31 December 2009, charging the following fees and expenses:

	Thousands of Euros
	2009
Audit services	100
Other services	25
	125

The audit services detailed in the above table include the total fees for services rendered in 2009, irrespective of the date of invoice.

Other entities affiliated to KPMG International have invoiced the Group fees and expenses for professional services amounting to Euros 15 thousand in 2009.

The fees invoiced in 2008 by the former auditor of the Company for the audit of the annual accounts for that year and other audit-related services amounted to Euros 95 thousand and Euros 3 thousand, respectively.

28. Other Information

a) Bank guarantees

The Company has contingent liabilities for bank and other guarantees relating to its normal business operations amounting to Euros 38,612 thousand at 31 December 2009 (Euros 46,147 thousand at 31 December 2008). Company management does not expect any significant liabilities to arise from these guarantees.

b) Warranties

i) Warranties for turnkey contracts.

The Company warranties against defects and problems relating to the execution and completion of the construction of photovoltaic plants, provided that these are directly attributable to Solaria. The warranty covers a three-year period from the date of final delivery of the photovoltaic plant.

The guarantee 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

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

iii) Warranties included in module sale contracts

The Company offers all customers a standard warranty certificate for the photovoltaic modules covering material and manufacturing defects and guaranteeing a specified capacity.

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

From the date the module is sold, the Company guarantees a minimum output based on the technical specifications of the agreement and will deliver modules for the equivalent of the lost capacity, repairing or replacing units as follows:

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

The Company considers that no liabilities will arise due to the warranties extended and consequently has not recognised a provision to that effect (see note 2 (c)).

c) Temporary workforce restructuring plan

On 5 August 2009, the relevant labour authority approved the Company's request to temporarily suspend 403 factory employee contracts at Solaria's work centre in Puertollano (Ciudad Real).

This suspension was established for a total of 10 months.

The measures requested by the Company were approved by the majority of employees at their general assembly and subsequently ratified by the trade union representatives within the Company.

At year end, due to the increase in the Company's manufacturing activity, 100% of the employees affected by the aforementioned agreement have resumed their normal working hours.

d) Business segments

At 31 December 2009 and 2008, the Company's activity is divided among three main business segments:

(i) Segment 1 Photovoltaic

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

(ii) Segment 2 Generation

- Revenues from power generation from the plants directly operated by Solaria.

(iii) Segment 3 Projects

- Development and sale of photovoltaic plants through turnkey projects including the construction and installation of modules and the start-up of the plants.

29. Subsequent Events

The following significant events have occurred since 31 December 2009:

- On 21 January 2010, the Company submitted a request to the labour authority of La Rioja to implement a temporary workforce restructuring plan affecting 34 (of 39) employee contracts at the Fuenmayor factory. In the first week of February, an agreement was approved by the employees and ratified by the trade union representatives in the Company. The labour authority has approved this agreement, which entered into force on 25 February 2010. The directors of the Parent company consider that these employees will soon resume their normal working hours.

- At the beginning of February 2010, the Company was informed it had been awarded an outright grant of approximately Euros 12 million as part of the Miner plan for 2009. These grants have been earmarked to create jobs and invest in improvements to the factories which manufacture photovoltaic modules and cells in Puertollano (Ciudad Real).

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Diligencia de Firmas
31 December 2009

AUTHORISATION OF THE ANNUAL ACCOUNTS FOR 2009

At their meeting held on 26 February 2010, pursuant to the requirements of article 171.2 of the Revised Spanish Companies Act and article 37 of the Spanish Code of Commerce, the Directors of Solaria Energía y Medio Ambiente, S.A. authorise for issue the annual accounts comprising the balance sheet, the income statement, the statement of changes in equity, the statement of cash flows and the notes thereto, as well as the Directors' Report for the year commenced 1 January 2009 and ended 31 December 2009. The annual accounts comprise the documents that precede this certification.

SIGNATORIES **SIGNATURE**

Mr. Enrique Diaz-Tejeiro Gutierrez
Chairman

Mr. Manuel Azpilicueta Ferrer
Director

Mr. Iñigo Sagardoy Simón
Director

Mr. José Arturo Diaz-Tejeiro Larrañaga
Director

Mr. Miguel Diaz-Tejeiro Larrañaga
Director

Mr. Manuel de Vicente-Tutor Rodríguez
Non-executive secretary

Appendix I

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Information on Subsidiaries at
31 December 2009

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Investee	% Direct ownership	% Indirect ownership	Thousands of Euros					
				Carrying amount				
			Cost	Share capital	Reserves	Profit/(loss) for 2009 (*)	Prior years' losses	Total
Planta Solar Puertollano 3, S.L.	100%	-	3	3	10	(15)	-	(2)
Planta Solar Puertollano 4, S.L.	100%	-	3	3	-	(5)	-	(2)
Planta Solar Puertollano 5, S.L.	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 6, S.L.	100%	-	3	3	40	(18)	(46)	(21)
Planta Solar Puertollano 7, S.L.	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 8, S.L.	100%	-	3	3	-	50	(22,676)	(22,623)
Planta Solar Puertollano 9, S.L.	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 10, S.L.	100%	-	3	3	-	(20)	-	(17)
Planta FV 1, S.L.	100%	-	3	3	-	-	-	3
Planta FV 2, S.L.	100%	-	3	3	-	-	-	3
Planta FV 3, S.L.	100%	-	3	3	-	-	-	3
Planta FV 4, S.L.	100%	-	3	3	-	-	-	3
Planta FV 5, S.L.	100%	-	3	3	-	-	-	3
Planta FV 6, S.L.	100%	-	3	3	-	-	-	3
Planta FV 7, S.L.	100%	-	3	3	-	-	-	3
Planta FV 8, S.L.	100%	-	3	3	-	-	-	3
Planta FV 9, S.L.	100%	-	3	3	-	-	-	3
Planta FV 10, S.L.	100%	-	3	3	-	-	-	3
Planta FV 11, S.L.	100%	-	3	3	-	-	-	3
Planta FV 12, S.L.	100%	-	3	3	-	-	-	3
Planta FV 13, S.L.	100%	-	3	3	-	-	-	3
Planta FV 14, S.L.	100%	-	3	3	-	-	-	3
Planta FV 15, S.L.	100%	-	3	3	-	-	-	3
Planta FV 16, S.L.	100%	-	3	3	-	-	-	3
Planta FV 17, S.L.	100%	-	3	3	-	-	-	3
Planta FV 18, S.L.	100%	-	3	3	-	-	-	3
Solaria Energía Generación Renovable, S.L.U	100%	-	1,228	1,228	-	(17)	-	1,211
Fondo Solaria Aleph FCR	-	50%	-	1,226	15	(43)	-	1,198
Elassona Solar Energía LLC	-	50%	-	149	-	(92)	-	57
Serre UTA, S.r.l	-	50%	-	5	-	-	-	5
Solaria Energía Proyectos Internacionales, S.L. U.	100%	-	3	3	-	-	-	3
Globasol Villanueva 1, S.L.	100%	-	4,950	3	13	53		69
Solaria Deustchland GmbH	100%	-	27	25	-	(44)	-	(19)
Solaria Italia SRL	100%	-	10	10	-	(49)	-	(39)
Solaria Francia SAS	100%	-	60	60	-	(13)	-	47
TOTAL			**6,356**					

This information refers to the unaudited individual annual accounts at 31 December 2009.

None of the companies of the Group in which the Company has an interest is listed on the stock exchange.

(*) Profit/(loss) from continuing activities.

Appendix II

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Information on Subsidiaries at
31 December 2008

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

			Thousands of Euros				
				Carrying amount			
	% direct ownership	% Indirect ownership	Cost	Share capital	Reserves	Profit/(loss) for 2008 (*)	Total
Técnicas Ambientales del Norte, S.A.	100%		303	5	3	18	26
Planta Solar Puertollano 1, S.L.	100%		3	3	-	9	12
Planta Solar Puertollano 2, S.L.	100%		3	3	-	10	13
Planta Solar Puertollano 3, S.L.	100%		3	3	-	11	14
Planta Solar Puertollano 4, S.L.	100%		3	3	-	2	5
Planta Solar Puertollano 5, S.L.	100%		3	3	-	-	3
Planta Solar Puertollano 6, S.L.	100%		3	3	-	(47)	(44)
Planta Solar Puertollano 7, S.L.	100%		3	3	-	-	3
Planta Solar Puertollano 8, S.L.	100%		3	3	-	(22,676)	(22,673)
Planta Solar Puertollano 9, S.L.	100%		3	3	-	-	3
Planta Solar Puertollano 10, S.L.	100%		3	3	-	-	3
Planta FV 1, S.L.U.	100%		3	3	-	-	3
Planta FV 2, S.L.U.	100%		3	3	-	-	3
Planta FV 3, S.L.U.	100%		3	3	-	-	3
Planta FV 4, S.L.U.	100%		3	3	-	-	3
Planta FV 5, S.L.U.	100%		3	3	-	-	3
Planta FV 6, S.L.U.	100%		3	3	-	-	3
Planta FV 7, S.L.U.	100%		3	3	-	-	3
Planta FV 8, S.L.U.	100%		3	3	-	-	3
Planta FV 9, S.L.U.	100%		3	3	-	-	3
Planta FV 10, S.L.U.	100%		3	3	-	-	3
Planta FV 11, S.L.U.	100%		3	3	-	-	3
Planta FV 12, S.L.U.	100%		3	3	-	-	3
Planta FV 13, S.L.U.	100%		3	3	-	-	3
Planta FV 14, S.L.U.	100%		3	3	-	-	3
Planta FV 15, S.L.U.	100%		3	3	-	-	3
Planta FV 16, S.L.U.	100%		3	3	-	-	3
Planta FV 17, S.L.U.	100%		3	3	-	-	3
Planta FV 18, S.L.U.	100%		3	3	-	-	3
Planta FV 19, S.L.U.	100%		3	3	-	-	3
Planta FV 20, S.L.U.	100%		3	3	-	-	3
Magacela Solar 1, S.L.	100%		4,850	3	1	536	540
Globasol Villanueva 1, S.L.	100%		4,950	3	-1	582	584
Alhama Solar, S.L	100%		2,729	3	-	33	36
			12,922				

This information refers to the unaudited individual annual accounts at 31 December 2008.

None of the companies of the Group in which the Company has an interest is listed on the stock exchange.

(*) Profit/(loss) on continuing activities

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

DIRECTORS' REPORT
FOR 2009

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
Directors' Report
31 December 2009

Changes in the composition of the Group

In 2007 the consolidated Group did not yet exist, and consequently all the information provided for that year relates to the Parent. During 2008 a group was consolidated which at 31 December 2009 is formed by the following companies:

100%-owned subsidiaries:

Globasol Villanueva 1, S.L., Planta Solar Puertollano 3, S.L.U., Planta Solar Puertollano 4, S.L.U., Planta Solar Puertollano 5, S.L.U., Planta Solar Puertollano 6, S.L.U., Planta Solar Puertollano 7, S.L.U., Planta Solar Puertollano 8, S.L.U., Planta Solar Puertollano 9, S.L.U., Planta Solar Puertollano 10, S.L.U., Planta FV 1, S.L.U., Planta FV 2, S.L.U., Planta FV 3, S.L.U, Planta FV 4, S.L.U., Planta FV 5, S.L.U., Planta FV 6, S.L.U., Planta FV 7, S.L.U., Planta FV 8, S.L.U., Planta FV 9, S.L.U., Planta FV 10, S.L.U., Planta FV 11, S.L.U., Planta FV 12, S.L.U., Planta FV 13, S.L.U., Planta FV 14, S.L.U., Planta FV 15, S.L.U., Planta FV 16, S.L.U., Planta FV 17, S.L.U., Planta FV 18, S.L.U., Solaria Energía Generación Renovable S.L.U., Solaria Energía Proyectos Internacionales S.L.U., Solaria Italia S.R.L, Solaria France S.A.S. and Solaria Deutschland GmbH.

50%-owned subsidiaries:

Solaria Aleph Generación FCR and Elassona Solar Energía LLC.

There has been considerable movement in the Solaria Group's portfolio of investees in 2009 due to the combined effect of the following: (i) the sale of subsidiaries, (ii) the internationalisation of the module-selling line of business, and (iii) the creation of a sub-group specialised in generating electricity.

i. Transfers of investees:

During 2009 the Group has sold its interests in the subsidiaries Alhama Solar 1 S.L., PSP1, PSP 2, Técnicas Ambientales del Norte S.L. and Magacela Solar 1 S.L, as well as the plants belonging to these entities.

(ii) Commercial expansion in Europe:

The Group has incorporated/acquired sales subsidiaries in Italy (Solaria Italia S.R.L), Germany (Solaria Deutschland GmbH), and France (Solaria France S.A.S). These entities are solely owned by Solaria Energía y Medio Ambiente, S.A. (hereinafter, the Company).

(iii) Generation sub-holding:

In the generation segment, the company "Planta FV 19 S.L.U" (FV 19) changed its name to "Solaria Energía Generación Renovable S.L.U", the principal activity of which is the acquisition of interests in entities that develop and operate photovoltaic plants.

Additionally, in 2009 the Solaria Group has incorporated a 50%-owned subsidiary in Greece called "Elassona LLC", expected to begin generating power in the first half of 2010 through a plant with a nominal installed capacity of 400kW.

On 12 November 2009 the Fondo Solaria Aleph Generación F.C.R. (hereinafter, the Fund) was incorporated in equal parts by Solaria Energía Generación Renovable, S.L.U. and a venture capital management company.

The Fund has committed equity of Euros 30 million (including opening equity) which will be applied to the investments planned over an established three-year period. The statutory activity of the Fund is the acquisition of interests in entities that develop and subsequently operate photovoltaic plants in the USA and Europe. With the contribution of the shareholders and the external financing obtained to develop the photovoltaic plants, the Fund will have an investment potential amounting to a nominal installed capacity of up to 50MW.

Finally, the Fund has signed a collaboration agreement with the Company whereby the latter will be the sole supplier of photovoltaic modules to the plants in which the Fund invests. Furthermore, the Company has a right of first refusal to construct the aforementioned photovoltaic plants.

Internationalisation

During 2009 the Group has set in motion an international expansion plan to break into new markets. At 31 December 2009 companies have already been incorporated in Italy, Germany, France and Greece. This internationalisation process is expected to continue into the year ahead, with the Group foreseeing a significant increase in revenue outside the Spanish market in 2010. In addition to the aforementioned countries the primary targets of this initiative are Europe (Czech Republic, Rumania and the Balkan states), America (Brazil, Peru, Chile, Colombia and the USA), Africa (Morocco and Algeria), and Asia (Saudi Arabia, Turkey, China and India).

Solaria's international presence is shown below:

On 18 November 2009 the Company signed a strategic agreement with the Chairman of the private group Fairway Logística y Transporte Ltda. (Fairway), and the Vice-chairman of the Business Association of the State of Sao Paulo (FIESP). The purpose of this agreement is to develop business opportunities in Brazil's energy sector for the design, installation and operation of photovoltaic plants using crystalline technology and for the sale of photovoltaic equipment.

A contract was also signed in 2009 with the Fund, 50% owned by the Company, for the turnkey construction of a photovoltaic plant located in Italy with a capacity of 6 MWp.

At 31 December 2009 international revenue amounted to approximately 7% of total revenue.

Financial report

Sales for the year amount to Euros 94.3 million. This represents a 14% decrease compared with the prior year, reflecting the fall in demand for photovoltaic equipment in Spain following the approval of Royal Decree 1578 in September 2008.

Compared with 2008, the main driver of revenue for the year has been the delivery of photovoltaic plants, representing approximately 50% of total revenue. Generation revenue has also performed positively, amounting to Euros 5.6 million in 2009. The different cost-containment programs together with the greater weight of these two activities (both with higher EBITDA margins) have enabled the Company to increase both EBITDA (by Euros 42.7 million) and PBT (by 40.3 million) compared with 2008 despite the stagnation in domestic demand for panels.

The depreciation and amortisation expense for 2009 is Euros 4.3 million, while trade provisions amount to Euros 2.1 million and operating revenue totals Euros 9 million.

The net financial expense totals Euros 3.8 million (including an expense of Euros 593 thousand for transactions with derivatives). At 31 December 2009 net debt is Euros 38.6 million, although the net debt/equity ratio is low at only 21%.

After incurring losses in 2008, the Solaria Group has generated a profit in all income statement entries in 2009, with EBITDA of Euros 13.3 million and a net profit before tax of Euros 5,221 thousand.

The evolution of profit before tax is as follows:

The balance sheet reflects a Euros 112 million increase in property, plant and equipment which is primarily due to the reclassification of the assets of the Fuenmayor and Villanueva plants, which were previously included as inventories. The growth in capacity of the Puertollano and Fuenmayor factories, as well as the opening of the cell manufacturing factory at the Puertollano plant, represents a step forward in the vertical integration of our production processes, and an improvement in our cost structure. The current corporate strategy is to maintain inventories at plants to be used in their operating activities.

At 31 December 2009, inventories amount to Euros 23.2 million, down 85% compared with 31 December 2008 (a Euros 157 million decrease) due to the aforementioned transfers to property, plant and equipment, as well as the higher volume of sales in the final months of the year and the Company's policy of optimising inventory to contain warehousing costs. Furthermore, the sale of plants has resulted in the derecognition of inventories amounting to approximately Euros 33 million in 2009.

At 31 December 2009 the Company has working capital of Euros 55.3 million, compared with Euros 169 million at the end of the prior year, which is primarily due to the decrease in inventories. However, it should be taken into account that, in view of the fall in turnover, the Solaria Group has allocated a large part of the funds generated (efficient

collection of trade receivables in 2009) to reducing its financial and commercial debt (of approximately Euros 29 million and Euros 39 million, respectively).

In view of the fall in demand, the Group has made considerable efforts to contain costs to adapt its production structures to current conditions. These efforts have included a temporary workforce restructuring plan agreed with the trade unions represented in the Solaria Group and affecting the personnel of the Puertollano factory, which entered into force on 8 August 2009.

The average headcount for the year was 505 employees, down 16.5% compared with 2008.

R&D Activities

Technological innovation by the Company during 2009 has been focused on product development at the factory manufacturing photovoltaic solar cells. Work has also been carried out to develop new machines for producing modules that will improve quality control levels. The Group has capitalised Euros 1.5 million under intangible assets in respect of these activities.

Own shares

Pursuant to the fourth regulation of Circular 3 of 19 December 2007, the liquidity agreement entered into with Mercados y Gestión de Valores, A.V., S.A. on 19 February 2009 was terminated on 31 July 2009.

Within the framework of the aforementioned liquidity agreement, the Group carried out the following transactions with own shares between 20 May 2009 and 29 July 2009: acquisition of 1,434,114 own shares for Euros 2,738 thousand and sale of 1,455,642 for Euros 6,262 thousand, with a final balance of own shares amounting to 1,440,635 shares at 31 December 2009. The Group has not carried out any transactions with own shares since 29 July 2009.

Subsequently, the liquidity agreement entered into with Mercados y Gestión de Valores, A.V., S.A. on 19 February 2009 was terminated on 31 July 2009. Solaria will carry out future transactions with own shares through Mercados y Gestión de Valores, A.V., S.A.

Outlook for the Company

The Company is currently focused on expanding and developing its business to achieve the strategic objectives that will position it as a leading company in the national and international solar energy market.

The Company's principal objectives are as follows:

- To consolidate, optimise and profit from Solaria's position throughout the value chain of the photovoltaic solar energy market. The Company plans to achieve this objective by means of the following:
    - Focusing closely on turnkey solar plant projects, participating in the entire management process, from the procurement of licences to the start-up of the solar plants.
    - Continuing with the aforementioned international expansion of the Company.
    - Promoting the turnkey projects line of business through the operation and maintenance of both Group-owned solar plants and plants owned by third parties.
    - Increasing the production of solar cells to reduce exposure to fluctuations in the price of raw materials and obtaining savings on transaction costs throughout the photovoltaic value chain, reducing dependence on suppliers in terms of purchase prices or changes in production capacity and securing greater control over the quality of own products.
    - Increasing the production of photovoltaic modules as well as the Company's market share in the photovoltaic solar sector.

Subsequent Events

The following significant events have occurred since 31 December 2009:

- On 21 January 2010, the Company submitted a request to the labour authority of La Rioja to implement a temporary workforce restructuring plan affecting 34 (of 39) employee contracts at the Fuenmayor factory. In the first week of February, an agreement was approved by the employees and ratified by the trade union representatives in the Company. The labour authority has approved this agreement, which entered into force on 25 February 2010.

- At the beginning of February, the Company was informed it had been awarded an outright grant of approximately Euros 12 million as part of the Miner plan for 2009. These grants have been earmarked to create jobs and invest in improvements to the factories which manufacture photovoltaic modules and cells in Puertollano (Ciudad Real).

Main perceived risks

Market risk

The fall in demand in Spain caused by the regulatory changes following the approval of Royal Decree 1578/2008 led to a drop in activity that has affected the external sale of photovoltaic modules and the development of new turnkey projects.

Although the outlook is favourable considering the 348 MW awarded between the first three licences extended, very few developers have commenced works or acquired photovoltaic modules. Recovery in demand may remain uncertain in the immediate future due to the accumulated reduction of 9.1% in tariffs for ground-level plants for 2009 and the difficulty of obtaining financing. The decision to implement the aforementioned temporary workforce restructuring plan was due to the current state of the photovoltaic market.

Through its internationalisation process, Solaria seeks to reduce its dependence on its traditional market and to implement its proven business model in countries that have proven more receptive to photovoltaic energy.

Raw material price risk

The main raw materials used by the Company in its production processes are monocrystalline and polycrystalline silicon cells. The fall in demand and the international economic crisis have led the Group to renegotiate its delivery and payment terms with its suppliers. In 2009 the Company has created a new purchasing department and negotiates terms on a short-term basis to minimise both raw material price risk and currency risk.

Liquidity risk

In a complex scenario such as the present, in which external financing is increasingly costly and hard to obtain, the Company ensures its solvency and flexibility through non-current loans and available cash.

The Company has sufficient financing to meet all its obligations. It has not failed to make any loan principal or interest payments during the year. The distribution of the Company's financial debt is 40% non-current and 60% current.

Capital management

The Company's capital management objectives are to safeguard sustainable growth, provide sufficient returns to shareholders and maintain an optimal share capital structure.

Finally, the Company is not subject to rigid capital management criteria, and due to its financial solidity it is able to adopt the most appropriate solution for optimal management at any given time.

The Company's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits by using derivatives to hedge currency risk and interest rate risk.

Risk management is overseen by the Company's finance department. This department identifies, evaluates and mitigates financial risks in collaboration with the Company's operational units.

Risks related to financial instruments

a) Market risk

i) Currency risk

The Company operates internationally and is therefore exposed to currency risks when operating with foreign currencies, especially with regard to the US Dollar. Currency risk is associated with commercial transactions, mainly for the purchase of foreign machinery and raw materials.

Financial management has established procedures which hedge against currency risk for transactions performed by the Company in foreign currency due in over 30 days, provided that this is recommended in light of the prevailing market conditions at the time of transaction.

The non-Euro currency in which Solaria currently operates is the US Dollar. If at 31 December 2009 and 2008 the Euro had appreciated/depreciated by 5% compared with the US Dollar, the changes in profit or loss and equity at those dates would not have been significant.

ii) Price risk

Solaria is exposed to market price risk of raw materials. Management manages this risk by considering the market conditions prevailing at the time of the transaction and signing fixed-price contracts.

iii) Cash flow interest rate risk

As the Company does not have a considerable amount of remunerated assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

Interest rate risk arises from non-current loans and borrowings. Borrowings at variable interest rates expose the Company to cash flow interest rate risks. Solaria contracts derivatives to hedge interest rate risk on loans with variable interest rates. All of the Company's bank borrowings at variable interest rates are denominated in Euros.

Solaria manages interest rate risks in cash flows through variable to fixed interest rate swaps when market conditions so dictate. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates.

At 31 December 2009 and 2008, and including the effect of contracted interest rate swaps, the debt structure of Solaria is as follows:

	Thousands of Euros	
	2009	2008
Fixed-interest rate payables	10,328	11,464
Variable-interest rate payables	53,874	81,614
Total	64,202	93,078

The sensitivity of the Company's profits to a positive or negative change of 10 interest-rate basis points is not significant.

b) Credit risk

The Group does not have significant concentrations of credit risk and has policies to ensure that sales are only made to customers with adequate credit records. Transactions with derivative financial instruments and cash operations are only contracted with financial institutions with high credit ratings and the Group has policies to limit the amount of risk with any one financial institution. When there is no independent assessment of a customer's credit rating, the finance department carries out the evaluation, considering the financial position of the customer, past experience and other factors. The Group does not extend non-current loans to its customers except in very exceptional circumstances.

At 31 December 2009 the Group had past-due trade receivables amounting to Euros 10,634 thousand, of which Euros 3,127 thousand were impaired. At 31 December 2008 past-due balances amounted to Euros 6,222 thousand, of which Euros 1,000 thousand were impaired.

c) Liquidity risk

The Group applies a prudent policy to cover its liquidity risks, based on having sufficient cash and marketable securities as well as sufficient financing through credit facilities to settle market positions. Given the dynamic nature of its underlying business, the Company's finance department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

Management monitors the Company's liquidity reserve forecasts based on expected cash flows.

Information regarding article 116 bis of the Securities Market Act

1) The structure of share capital, including securities that are not traded on a regulated European market, indicating, where applicable, the different classes of shares and for each class, the rights and obligations conferred and the percentage of share capital represented.

In accordance with articles 5 and 6 of the Company's articles of association, the share capital of Solaria Energía y Media Ambiente, S.A. is Euros one million, eleven thousand, four hundred and sixty seven (Euros 1,011,467), subscribed and fully paid. The Company's share capital is represented by 101,146,667 shares with a par value of Euros 0.01 each, represented by book entries and all the same class.

All shares have the same voting and profit sharing rights. In accordance with article 30 of the Company's articles of association, all shareholders owning at least 700 shares (or if this number of shares were greater than one thousandth of share capital, the lowest number of shares representing one thousandth) may attend the general shareholders' meeting, provided that these shares are registered in the corresponding accounting record at least five days prior to the meeting, and that the shareholder brings with them, as required in the call, their attendance card or the document which legally accredits them as a shareholder.

2) Restrictions on the transfer of securities:

There are no restrictions on the transfer of securities. According to article 12 of the articles of association of Solaria Energía y Medio Ambiente, S.A., both shares and derived profit-sharing rights, including pre-emptive rights, are freely transferable by all legal means available.

As a listed company, acquisitions of significant interests have to be reported to the issuer and to the Spanish National Securities Market Commission, in accordance with article 53 of Securities Market Act 24 of 1988, article 23.1 of Royal Decree 1362 of 19 October 2007 and Circular 2 of 19 December 2007 of the Spanish National Securities Market Commission, which establish 3% of share capital or voting rights as the first notification threshold.

Furthermore, as a listed company, the acquisition of a percentage equal to or greater than 30% of the Company's share capital or voting rights requires the preparation of a takeover bid in accordance with article 60 of Securities Market Act 24 of 1988.

3) Significant direct or indirect interests in share capital.

Interests in share capital are mentioned in note 12.

4) Restrictions on voting rights:

There are no restrictions on voting rights.

5) Shareholder agreements:

No shareholder agreements are in place.
6) Regulations applying to the appointment and removal of directors and modification of the Company's articles of association.

6.1 The appointment and removal of directors is regulated by articles 38 to 40 of the Company's articles of association and articles 17 to 21 of the regulations of the board of directors.

Board of Directors

- The Company's administration is entrusted to the board of directors, which comprises a minimum of four and a maximum of twelve directors who can be re-elected indefinitely.

- It is prohibited for those persons determined unsuitable under the terms established by Law 12 of 11 May 1995, as well as those persons classified as ineligible in article 124 of the Spanish Companies Act and other legal provisions (article 41 of the Company's articles of association) to hold positions in the Company and, where applicable, perform the related duties.

Appointment of Board Members

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- It is the responsibility of the shareholders to establish the number of directors. This should either be decided either directly by express agreement or indirectly by opening up vacancies or appointing new members.

- The shareholders will, as far as possible, appoint a majority of external or non-executive directors to the board compared to executive directors.

- Similarly, as far as possible, within the aforementioned majority of external directors, the board will endeavour to appoint substantial shareholders or representatives of substantial shareholders with stable interests in the Company's share capital (proprietary directors) and individuals of recognised prestige who are not related to any members of senior management personnel or substantial shareholders (independent directors).

- The directors will be appointed, subject to the prior report and proposal from the appointments and remuneration committee in the case of independent directors, by

the shareholders at their general meeting or by the board of directors in accordance with the Spanish Companies Act.

- The board of directors will endeavour to elect candidates of established solvency, competence and experience, proceeding with particular caution with respect to those calls to fill the positions for independent directors considered in article six of these regulations.

- The board of directors cannot propose or appoint as an independent director any individual who holds an executive position in the Company or is a relative of any executive directors or senior management personnel of the Company.

Re-election

- Before proposing the re-election of a director to the shareholders at their general meeting, the board of directors will evaluate, in the absence of the individual in question, the quality of the work and the dedication to the position demonstrated by the candidate during the previous term.

Duration and co-optation

- Directors will carry out their position for a period of four years, after which they can be re-elected one or more times for periods of equal length.

- The appointment period for directors will expire when the general shareholders' meeting following the end of their mandate has been held or the legal deadline for holding the general shareholders' meeting that is to decide whether to approve the accounts for the previous financial year has passed.

- Co-opted directors shall hold their positions until the date of the first general shareholders' meeting.

- Neither the directors or their representatives can perform the role of director in companies which compete with the Company, except for positions which they may have in group companies, without the express written consent of the Company's shareholders, and without prejudice to article 127 ter of the Spanish Companies Act.

- The directors should tender their resignation to the shareholders at their general meeting, and formally resign if the board of directors consider it suitable, under the following circumstances:

a) When they no longer hold the executive positions associated with their appointment as board member.

b) When their continued presence on the board is incompatible with other duties or prohibited by law.

c) When they have been severely reprimanded by the board of directors for failing to comply with their obligations as board members.

d) When their continued service to the board could jeopardise the Company's interests or when the reasons for which they were appointed no longer apply (for example, when a proprietary director sells their interest in the Company).

e) In the case of proprietary directors representing substantial shareholders, when the shareholder they represent sells their entire interest in the Company. This also applies to shareholders that reduce their share portfolio to a level which calls for a reduction in the number of external directors representing substantial shareholders.

- When, either due to dismissal or for other reasons, a board member abandons their position before the end of their term, they should explain the reasons in a letter sent to all members of the board.

6.2. Modification of the Company's articles of association is subject to article 28 thereof.

General Meetings

- General, ordinary or extraordinary meetings will be considered quorate, at the first call, when the shareholders present or represented hold at least twenty-five per cent of subscribed share capital with voting rights, while there is no specific quorum requirement at the second call.

- Shareholders with attendance rights who cast their votes remotely will be considered as present for the purposes of establishing the quorum of the meeting in question.

- Absences occurring after a quorum has been established for the general meeting will not affect the validity of the quorum.

Special majorities

- So that the shareholders present at a general, ordinary or extraordinary meeting can validly agree to issue bonds, increase or decrease share capital, execute a transformation, merger or demerger of the Company or, in general, effect any modification of the Company's articles of association, at the first call, the shareholders present or represented must hold at least fifty per cent of the subscribed share capital with voting rights. At the second call the representation of twenty-five percent of this capital will be sufficient.

Modification of articles of association

Changes to the Company's articles of association should be agreed by the shareholders at their general meeting and are subject to the following requirements:

a) That the board of directors or, where applicable, the shareholders presenting the proposal prepare a written report justifying the intended modification.

b) That the modifications considered be described at the meeting with due clarity, in addition to explaining the right of all shareholders to examine, at the registered offices of the Company, the full text of the modification proposed and the corresponding report, and to request the free issue or delivery of these documents

c) That the agreement be adopted by the shareholders at their general meeting, in accordance with the Company's articles of association.

d) In all cases, the agreement will be recorded in a public deed, which will be entered in the Mercantile Registry and published in its Official Gazette.

Shareholder powers

- The shareholders at their general meeting, as the ultimate decision-making body of the Company, are authorised to adopt all kinds of agreements relating to the Company and, in particular, to agree to share capital increases or reductions, the winding up, transformation, merger and demerger of the Company, the issuance of bonds and, in general, any modification of the Company's articles of association (art. 5.(f) of the regulations governing general shareholders' meetings)

7) The powers of the members of the board of directors and, in particular, those relating to the possibility of issuing or redeeming shares:

The Company has extended to the board members Mr. Arturo Díaz-Tejero Larrañaga and Mr. Miguel Díaz-Tejero Larrañaga extensive powers of representation and management, which enable them to attend to the ordinary concerns of the Company, with the exception of those that cannot be delegated according by law. Statutes or regulations governing general shareholders' meetings and meetings of the board of directors or its committees.

8) The significant agreements entered into by the Company and that will enter into force, be modified or terminated should the control of the Company change hands as the result of a takeover, and their effects, except when disclosure of this information would be seriously harmful to the Company. This exception will not be applied when the Company is legally required to publish this information:

The Company has not subscribed any significant agreements that will enter into force, be modified or terminated in the event that the control of the Company were to change hands as the result of a takeover.

9) Agreements between the Company and members of the board of directors, senior management personnel or employees regarding indemnities when these resign or are dismissed unfairly or if the labour relationship is ended due to a takeover:

All agreements between the Company and the members of its board of directors and senior management personnel are detailed in note 25 to the accompanying annual accounts.

The Company has agreed indemnity clauses with three of its employees in the case of unfair dismissal. The amounts of these indemnities have been agreed based on the current remuneration of these employees.

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