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

Consolidated Annual Accounts and Consolidated Directors' Report

31 December 2010

(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 Consolidated Annual Accounts

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

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

We have audited the consolidated annual accounts of Solaria Energía y Medio Ambiente, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As mentioned in note 2 to the accompanying consolidated annual accounts, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of financial reporting legislation applicable to the Group, preparation of the Group's annual accounts is the responsibility of the Company's directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of Solaria Energía y Medio Ambiente, S.A. and subsidiaries at 31 December 2010 and the consolidated results of their operations and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of applicable legislation governing financial reporting.

The accompanying consolidated directors' report for 2010 contains such explanations as the Directors of Solaria Energía y Medio Ambiente, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2010. Our work as auditors is limited to the verification of the consolidated directors' 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 and its subsidiaries.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Carlos Peregrina García
Partner

22 February 2011

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

Informe de Auditoría de Cuentas Anuales Consolidadas

A los Accionistas de
Solaria Energía y Medio Ambiente, S.A.

Hemos auditado las cuentas anuales consolidadas de Solaria Energía y Medio Ambiente, S.A. (la "Sociedad") y sociedades dependientes (el "Grupo") que comprenden el estado de situación financiera consolidado al 31 de diciembre de 2010, la cuenta de resultados consolidada, el estado del resultado global consolidado, el estado de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio anual terminado en dicha fecha. Como se indica en la nota 2 de la memoria consolidada adjunta, los Administradores de la Sociedad son responsables de la formulación de las cuentas anuales del Grupo, de acuerdo con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicable al Grupo. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales consolidadas en su conjunto, basada en el trabajo realizado de acuerdo con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, que requiere el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales consolidadas y la evaluación de si su presentación, los principios y criterios contables utilizados y las estimaciones realizas están de acuerdo con el marco normativo de información financiera que resulta de aplicación.

En nuestra opinión, las cuentas anuales consolidadas del ejercicio 2010 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de Solaria Energía y Medio Ambiente, S.A. y sociedades dependientes al 31 de diciembre de 2010, así como de los resultados consolidados de sus operaciones y, de los flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha de conformidad con las Normas Internacionales de Información Financiera, adoptadas en la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación.

El informe de gestión consolidado adjunto del ejercicio 2010 contiene las explicaciones que los Administradores de Solaria Energía y Medio Ambiente, S.A. consideran oportunas sobre la situación del Grupo, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2010. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la Sociedad y sus sociedades dependientes.

KPMG Auditores, S.L.

Carlos Peregrina García
Socio

22 de febrero de 2011

INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA
Miembro ejerciente: KPMG AUDITORES, S.L.
Año 2011 Nº 01/11/01907
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SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES

Consolidated Statements of Financial Position
at 31 December 2010 and 2009
and at 1 January 2009
(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Note	31/12/10	31/12/09(*)	1/1/09(*)
Assets				
Property, plant and equipment	6	200,010	199,358	70,099
Intangible assets	7	2,443	2,969	18
Deferred tax assets	20	16,893	15,208	14,006
Trade receivables	11	5,042	7,590	-
Other non-current financial assets		145	124	34
Total non-current assets		**224,533**	**225,249**	**84,157**
Current assets				
Inventories	13	135,662	27,729	191,190
Trade and other receivables	11	51,756	46,588	100,162
Other current financial assets	10	10,602	11,097	-
Current tax assets		-	-	7,603
Other current assets		1,180	844	-
Cash and cash equivalents	14	18,914	17,503	10,142
Total current assets		**218,114**	**103,761**	**309,097**
TOTAL ASSETS		**442,647**	**329,010**	**393,254**

(*) Restated figures

The accompanying consolidated notes form an integral part of the consolidated annual accounts for 2010.

Solaria

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

Consolidated Statements of Financial Position
at 31 December 2010 and 2009
and at 1 January 2009
(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Note	31/12/10	31/12/09(*)	1/1/09(*)
Liabilities and Equity				
Share capital		997	1,011	1,011
Share premium		211,558	213,586	213,586
Other reserves		5,311	5,311	5,311
Own shares		(1,146)	(5,016)	(8,540)
Retained earnings		16,026	14,564	19,458
Other comprehensive income	16	(353)	(198)	(509)
Total equity	**15**	**232,393**	**229,258**	**230,317**
Loans and borrowings	17	74,333	25,029	29,374
Other financial liabilities	18	3,634	4,167	5,107
Total non-current liabilities		**77,967**	**29,196**	**34,481**
Loans and borrowings		57,155	39,196	63,704
Derivative financial instruments	12	2,345	2,105	1,957
Trade and other payables	19	72,670	29,255	62,795
Other current liabilities		117	-	-
Total current liabilities		**132,287**	**70,556**	**128,456**
TOTAL LIABILITIES AND EQUITY		**442,647**	**329,010**	**393,254**

(*) Restated figures

The accompanying consolidated notes form an integral part of the consolidated annual accounts for 2010.

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

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2010 and 2009

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

	Note	2010	2009(*)
CONTINUING OPERATIONS			
Revenues	21 (a)	161,335	88,892
Other income		1,396	1,595
Changes in inventories of finished goods and work in progress	13	88,157	(157,219)
Self-constructed non-current assets		2,095	116,918
Raw materials and consumables used	21 (b)	(197,964)	(12,628)
Personnel expenses	21 (c)	(23,468)	(15,267)
Amortisation and depreciation	6 y 7	(9,082)	(4,402)
Non-financial and other capital grants		532	940
Impairment losses on current assets	21 (d)	-	(2,127)
Other expenses	11	(14,034)	(13,740)
	21 (c)		
Operating profit		**8,967**	**2,962**
Finance income	21 (f)	1,936	1,152
Finance expenses	21 (f)	(5,975)	(5,095)
Net finance expense		**(4,039)**	**(3,943)**
Profit/(loss) before tax from continuing operations		**4,928**	**(981)**
Income tax expense/(recoverable tax)	20	1,576	1,279
Profit for the year from continuing operations		**6,504**	**298**
Profit for the year		**6,504**	**298**
Attributable to:			
Equity holders of the parent	15	**6,504**	**298**
Basic and diluted earnings per share (Euros)	24	0.07	0.00

(*) *Restated figures*

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

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2010 and 2009

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

	Note	2010	2009(*)
Profit for the year		**6,504**	**298**
Other comprehensive income:			
Cash flow hedges	12 y 16	(223)	444
Tax effect		67	(133)
Total comprehensive income for the year		**6,349**	**609**
Total comprehensive income attributable to equity holders of the Parent		**6,349**	**609**

(*) Restated figures

The accompanying consolidated notes form an integral part of the consolidated annual accounts for 2010.

Solaria

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

Consolidated Statements of Changes in Equity
for the years ended
31 December 2010 and 2009

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

	Share capital	Share premium	Other reserves	Retained earnings	Own shares	Other comprehensive income	Total equity
Balances at 31 December 2008	**1,011**	**213,586**	**5,311**	**23,022**	**(8,540)**	**(509)**	**233,881**
Changes in accounting policy	-	-	-	(3,564)	-	-	(3,564)
Restated balances at January 2009	1,011	213,586	5,311	19,458	(8,540)	(509)	230,317
Restated total comprehensive income for the year	-	-	-	298	-	311	609
Own shares redeemed	-	-	-	-	(2,738)	-	(2,738)
Own shares sold	-	-	-	(3,293)	3,524	-	2,969
Other movements	-	-	-	(1,899)	-	-	(1,899)
Balances at 31 December 2009	**1,011**	**213,586**	**5,311**	**14,564**	**(5,016)**	**(198)**	**229,258**
Total comprehensive income for the year	-	-	-	6,504	-	(155)	6,349
Operations with equity holders or owners	-	-	-	-	-	-	-
Distribution of dividends	-	(2,022)	-	-	-	-	(2,022)
Own shares redeemed	-	(6)	-	-	(1,146)	-	(1,152)
Redemption of own shares	(14)	-	-	(5,002)	5,016	-	-
Other movements	-	-	-	(40)	-	-	(40)
Balances at 31 December 2010	**997**	**211,558**	**5,311**	**16,026**	**(1,146)**	**(353)**	**232,393**

The accompanying consolidated notes form an integral part of the consolidated annual accounts for 2010.

Solaria

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

Cash flows from operating activities	2010	2009(*)
Profit for the year	**6,504**	**298**
Adjustments to profit	**11,955**	**8,645**
Amortisation and depreciation	9,082	4,353
Recognition of grants	(532)	(940)
Impairment losses on trade receivables	-	2,127
Finance income	(936)	(444)
Finance expenses	3,732	3,401
Change in fair value of financial instruments	609	148
Income tax	(1,576)	(1,279)
Changes in operating assets and liabilities	**(69,164)**	**74,208**
Inventories	(105,582)	44,681
Trade and other receivables	(13,454)	51,798
Other current assets	159	6,759
Trade and other payables	49,283	(29,210)
Other current liabilities	430	180
Other cash flows from operating activities	**(943)**	**(4,059)**
Interest paid	(3,732)	(4,503)
Interest received	936	444
Other payments (collections)	1,853	-
Cash flows from operating activities	**(53,224)**	**77,813**
Cash flows from investing activities		
	(14,353)	**(39,324)**
Proceeds from sale of intangible assets	-	2
Proceeds from sale of financial assets	-	**403**
Acquisition of intangible assets	(1,377)	(3,242)
Acquisition of property, plant and equipment	(12,955)	(17,800)
Non-current receivables	-	(7,590)
Acquisition of other financial liabilities	(21)	(11,097)
	2,548	**-**
Non-current receivables	2,548	-
Cash flows from investing activities	**(11,805)**	**(39,324)**
Cash flows from financing activities		
Payments for the acquisition of own shares and other equity instruments	(1,146)	(7,442)
Collections for the disposal of own shares and other equity instruments	-	7,673
Issue of	**69,608**	**-**
Loans and borrowings	69,608	-
Other payments	-	(3,608)
Payments on loans and borrowings and finance leases	-	(27,751)
Payments for dividends and remuneration for other equity instruments	(2,022)	-
Dividends	(2,022)	-
Net cash generated by financing activities	**66,440**	**(31,128)**
Net increase in cash and cash equivalents	**1,411**	**7,361**
Cash and cash equivalents at 1 January 2010	**17,503**	**10,142**
Cash and cash equivalents at 31 December 2010	**18,914**	**17,503**

(*) *Restated figures*

Solaria

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

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SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts
31 December 2010

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

1. Nature, Activities 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 2010 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.

The photovoltaic modules are largely produced at the Company's factories in Puertollano (Ciudad Real) and Fuenmayor (La Rioja).

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.

Solaria is the Parent company of a Group formed by 41 subsidiaries at 31 December 2010 and 35 at 31 December 2009. 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. The information relating to investments in Group companies at 31 December 2009 is presented in Appendix I to this note.

During 2010, the Group acquired the total share capital of Sudero, s.r.o., L-Contact Cej s.r.o., Marche Energía S.r.l. and Solaria Stalldorf GmbH. The Group also acquired a 55% interest in Solaria Brasil-Comercializaçao Fornecimento Productos e Soluçoes Energeticas LTDA (Solaria Brasil), and, indirectly, through El Fondo Solaria Aleph, F.C.R., a 50% interest in Venusia, S.r.l. During 2009 the Group incorporated or acquired at par value the

total share capital of Solaria Deutschland GmbH, Solaria Italia, S.r.l and Solaria Francia, S.A.S. and 50% of the share capital of El Fondo Solaria Aleph, F.C.R., Elassona Solar Energía, L.L.C. and Serra UTA, S.r.l.

All Group companies are incorporated or acquired at their start-up stage for the purpose of constructing solar plants and do not constitute business acquisitions.

During 2009 the companies Magacela Solar 1, S.L. and Técnicas Ambientales del Norte, S.L. were sold to Solaria DTL Corporación, S.L. (see notes 6, 13 and 25 (b)) while Alhama Solar, S.L. was sold to a third party.

The Parent company is controlled by DTL Corporación, S.L. (see note 15), which has its registered offices in Madrid and is the ultimate Parent company of the Group. The consolidated annual accounts of DTL Corporación, S.L. for 2010 will be prepared and filed at the Mercantile Registry of Madrid. The consolidated annual accounts for 2009 were authorised for issue on 30 June 2010 and presented a consolidated profit of Euros 5,911 thousand and consolidated equity of Euros 271,225 thousand.

2. Basis of Preparation

2.1. Fair presentation

The consolidated annual accounts have been prepared based on the accounting records of Solaria Energía y Medio Ambiente, S.A. and the consolidated entities in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with other applicable provisions of the regulatory framework relating to financial reporting to present fairly the consolidated equity and consolidated financial position of the Group at 31 December 2010, as well as the consolidated results of its operations and changes in consolidated equity and consolidated cash flows for the year then ended.

The directors of the Parent consider that the consolidated annual accounts for 2010, which were prepared on 22 February 2011, will be approved by the shareholders without significant changes.

2.2. Basis of preparation of the consolidated annual accounts

These consolidated annual accounts have been prepared on the historical cost basis, except for derivative financial instruments, which have been recognised at fair value.

2.3 Comparison of information

The consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2010 include comparative figures for 2009, which formed part of the consolidated annual accounts approved by shareholders at the annual general meeting held on 30 June 2010.

Nevertheless, in 2007 the Group signed a sales contract with Nozesba Desarrollos Energéticos S.A. to supply modules totalling 6.6 MWp, of which 4.9 MWp was invoiced and 1.7 MWp supplied. The modules invoiced in accordance with the agreements reached with the customer were subject to recognition as sales. However, according to the terms of the contract the criteria for the recognition of revenue was not met, primarily because the aforementioned modules were not consigned to the customer, despite being available to them at the Group's warehouses. During the period 2008-2010 actions were undertaken to fulfil the terms of the contract, but a ruling was issued on 2 November 2010 (see note 22) whereby the contract was considered null and void with respect to the amounts not received or accepted by Nozesba Desarrollos Energéticos S.A.

Consequently the annual accounts have been restated with retroactive effect from 2007 (to reflect the change in the value of inventories), recognising balances payable in respect of reimbursement of advances received, cancelling balances receivable and restating the equivalent inventories available for sale.

The effects of this restatement are as follows:

Consolidated statements of financial position	Thousands of Euros	
	01/01/09	31/12/2009
Assets		
Deferred tax assets	1,528	2,450
Inventories	7,572	4,499
Trade and other receivables	(3,800)	(3,800)
	5,300	3,149
Equity and liabilities		
Retained earnings	(3,564)	(5,715)
Trade and other payables	8,864	8,864
	5,300	3,149
Consolidated income statements		
Changes in inventories of finished goods and work in progress	-	(3,073)
Income tax expense	-	922
Loss for the year	-	(2,151)

2.4. Functional and presentation currency

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

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

In preparing the consolidated annual accounts under IFRS-EU, the directors of the Parent company have made relevant estimates, assumptions and judgements in their application of the Group's accounting policies 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 Group 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.

The strategy pursued by Solaria since the end of 2008, which has already had a notable impact in 2010, is enabling it to increase its capacity to generate revenues, 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 consolidated annual accounts, are as follows:

a) Recognition of revenue

The Group 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

Group 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 Group assets for which state-of-the-art technology is used. This could change significantly due to the technical innovations and initiatives of the Group'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) Guarantees

In accordance with usual sector practice, the Group extends warranties to both its module sale and turnkey project customers for a specified number of years. Taking into account the lack of significant claims on warranties to date, Group management has calculated the provisions for warranties based on relevant 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. However, the directors of the Parent company do not consider that the warranties extended will generate any significant liabilities (see note 26 (d)).

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 2010, the Group has recognised deferred tax assets amounting to Euros 16,893 thousand (Euros 15,209 thousand at 31 December 2009), of which Euros 5,749 thousand comprises tax credits and the remaining amount reflects deductible temporary differences (see note 20). The determination of the recoverable amount of the aforementioned deferred tax assets requires the use of estimates by management. The estimates made at the date of preparing these consolidated annual accounts consider the total recoverability of these tax assets in a period of less than three-to-five years.

f) Impairment of non-current assets

The Group has considered the existence of indications of impairment in some of the Company's non-current assets, especially those relating to its module production activity. However, since the beginning of 2010, the Group has created a new sales structure through which to internationalise its sales, especially in Italy, Germany and the Czech Republic, where the tariffs applicable to photovoltaic generation are more attractive than those currently legislated in Royal Decree 661/2007 of 25 May 2007.

Management of the Parent company has carried out impairment testing to verify that it is not necessary to recognise an impairment allowance for non-current assets. To this end it has used estimates to determine the recoverable amount of the non-current assets of the factories that manufacture the photovoltaic modules. Recoverable amount is the higher of fair value less costs to sell and value in use. The Company has used discounted cash flows to calculate these values based on five-year projections of its budgets. Flows take into account past experience and represent management's best estimate of future market performance. Cash flows subsequent to the fifth year are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology employed, could have a significant impact on values and impairment losses.

2.6. Standards, amendments and interpretations effective from 1 January 2010 applicable to the accounts of the Group

None of the regulations that have entered into force since 1 January 2010 have had a significant impact on the consolidated annual accounts of the Solaria Group.

2.7. Standards and amendments to existing standards that are not yet effective

The Group has not opted for the early application of any of the standards or amendments to existing standards that are not yet effective on considering that none of them will have a significant impact on the financial statements for the years in which they will first be applied.

3. Distribution of Parent company profit

At the general meeting held on 30 June 2010 the shareholders of the Parent company agreed that the profit for 2009, amounting to Euros 4,639 thousand, be used to offset prior years' losses.

The directors of the Parent company will propose to the shareholders at their annual general meeting that Euros 3,490 thousand of the Euros 28,053 thousand profit for 2010 be distributed as dividends and the remaining amount applied to offset prior years losses, considering the proposal that the Euros 5,715 thousand loss recognised retroactively for prior years (see note 2.3) be recorded as accumulated losses.

4. Significant Accounting Principles

4.1. Subsidiaries

Subsidiaries are entities over which the Parent company exercises control, either 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 Group or other entities that are exercisable or convertible at the end of each reporting period are considered.

Information on subsidiaries forming the consolidated Group is included in Appendix I to note 1.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control, until the date that control ceases.

Intragroup balances and transactions and unrealised gains or losses are eliminated on consolidation. Nevertheless, unrealised losses are considered as indicative of impairment of the transferred assets.

The accounting policies of subsidiaries have been adapted to those of the Group for transactions and other events in similar circumstances.

The annual accounts or financial statements of consolidated subsidiaries have been prepared as at the same date and for the same reporting period as the financial statements of the Parent.

4.2. Business combinations

The Solaria Group was incorporated in 2008. The Group has not acquired any businesses during 2010 and 2009.

4.3. Joint ventures

Joint ventures are those in which there is a contractual agreement to share the control over an economic activity, in such a way that strategic financial and operating decisions relating to the activity require the unanimous consent of the Group and the remaining venturers. During 2010 the Group acquired a 55% interest in Solaria Brasil. Irrespective of the percentage acquired, this investment constitutes a joint venture, pursuant to the definition set forth above.

Investments in jointly controlled entities are accounted for by applying proportionate consolidation based on the percentage of ownership from the date joint control is obtained until the date joint control ceases. However, investments meeting the conditions for classification as non-current assets or disposal groups held for sale at the date joint control is obtained are recognised at fair value less costs to sell.

The Group includes its share of assets, liabilities, income, expenses, other comprehensive income and cash flows of the jointly controlled entity combined line by line with similar items in its consolidated annual accounts, from the date joint control commences.

Details of jointly controlled entities are provided in Appendix I.

Reciprocal transactions, balances, income, expenses and cash flows have been eliminated in proportion to the interest held by the Group in joint ventures.

Unrealised gains and losses from non-monetary contributions or downstream transactions in joint ventures are recognised based on the substance of the transaction. While the assets are retained by the joint venture and the Group has transferred the significant risks and rewards of ownership, only that portion of the gain or loss that is attributable to the interests of the other venturers is recognised. Unrealised losses are not eliminated if they provide evidence of an impairment loss.

The Group only recognises the portion of gains and losses on transactions in joint ventures that is attributable to the interests of the other venturers. In the event of losses, the Group applies the same recognition criteria as that described in the previous paragraph.

The Group has made the necessary measurement and timing harmonisation adjustments applying the criteria described for subsidiaries.

4.4. 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 consolidated 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.

4.5. Property, plant and equipment

Property, plant and equipment primarily comprise the technical installations and machinery necessary to manufacture the photovoltaic modules, as well as the photovoltaic solar plants owned and operated by the Group (see note 4.13).

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 Group 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 Group 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.

The Group recognises borrowing costs directly attributable to the purchase, construction or production of qualifying assets as an increase in the value of these assets. Qualifying assets are those which require a period of one year before they can be used. 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, less any investment income on the temporary investment of those funds. Capitalised borrowing costs corresponding to general borrowing are calculated as the weighted average of the borrowing costs applicable to the borrowing of the Company. The amount of borrowing costs capitalised cannot exceed the amount of borrowing costs incurred during that period. The capitalised interest cost includes adjustments to the carrying amount of financial liabilities arising from the effective portion of hedges entered into by the Group.

The Group begins capitalising borrowing costs as part of the cost of a qualifying asset when it incurs expenditures for the asset, interest is accrued, and it undertakes activities that are necessary to prepare the asset for its intended use or sale, and ceases capitalising borrowing costs when all or substantially all the activities necessary to prepare the qualifying asset for use are complete. Nevertheless, capitalisation of borrowing costs is suspended when activities are interrupted for extended periods.

4.6. Intangible assets

Intangible assets are stated at their price of acquisition or cost of production. Intangible assets are presented in the consolidated statement of financial position at their cost value 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.

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

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. Consequently, 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.

The value in use of an asset is determined based on the future cash flows expected from the use of the asset, expectations regarding possible changes in the amount of the flows or their distribution over time, the time value of money, the price payable to withstand the uncertainty related to the asset and other factors that market players would consider in the valuation of the future cash flows related to an asset.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

The Group has calculated this recoverable amount based on calculations of the value in use. These calculations use cash flow projections based on financial budgets covering a five-year period. After five years, cash flows are extrapolated applying a 1% growth rate. The Group has determined the budgeted gross margin based on past returns and the foreseeable development of the market. The weighted average growth rates are coherent with the forecasts included in industry reports. The discount rates used, of approximately 8%, are pre-tax values and reflect specific risks related to the relevant segments.

Impairment losses, when they arise, are recognised in the consolidated income statement.

4.8. 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 Group.

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. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

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 4.5.

Reasonable certainty exists that the Parent company will obtain ownership of the items acquired under finance leases at the end of the 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 consolidated profit on a straight-line basis over the term of the lease.

4.9. Financial assets

The Group classifies its financial assets in the different categories of fair value through profit or loss and loans and receivables. 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 Group 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 consolidated income statement. Gains and losses from changes in fair value are included in the consolidated 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 Group 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) Interest

Interest is recognised following the effective interest method.

d) 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 Group has transferred substantially all the risks and rewards of ownership.

4.10. 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 Group 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 Group 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 consolidated statement of financial position until they have been settled, repaid or have expired.

4.11. 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 2010 and 2009 the Group has contracted interest rate hedges for loans received.

At the inception of the hedge the Group 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).

Details of the fair values of hedging derivatives are provided in note 12. Movement due to changes in measurement criteria is recognised in other comprehensive income within consolidated equity and detailed in note 16.

4.12. Equity instruments held by the Parent company

Equity instruments of the Parent acquired by the Group are recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in equity, regardless of the motive of the purchase. Gains or losses on transactions with own equity instruments are not recognised in consolidated profit or loss.

The subsequent redemption of Parent company shares leads to a reduction in share capital in an amount equivalent to the par value of the shares redeemed. 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 reserves, net of any tax effect.

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

4.13. 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 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, and is determined applying the FIFO method. The net realisable value is the estimated selling price in the Group's normal business operations less costs to sell.

The photovoltaic solar plants owned by the Company are initially classified as inventories as the directors consider that they are usually earmarked for sale. In those cases in which the decision to operate a plant is made from the outset, it will be classified under fixed assets. However, 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, the Company's directors consider that as of that date the plant should be allocated for operation by the Company and therefore classified as an asset and depreciated.

4.14. 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 Group recognises cash payments and receipts for financial assets and financial liabilities in which turnover is quick on a net basis in the consolidated 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 Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the consolidated statement of financial position as financial liabilities from bank borrowings.

4.15. Grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(i) Capital grants

Capital grants awarded as monetary assets are recognised under government grants in the consolidated statement of financial position and allocated to other income in the consolidated income statement in line with the amortisation or depreciation of the assets for which the grants have been received.

Government grants in the form of the transfer of a non-monetary asset are recognised at fair value under government grants in the consolidated statement of financial position and are allocated to other income in the consolidated income statement in line with the amortisation or depreciation of the assets for which the grants have been received.

(ii) Operating grants

Operating grants are recognised as a reduction in the expenses they are allocated to finance and included under other income.

Operating grants received to offset expenses or losses already incurred, or to provide immediate financial support not related to future disbursements, are recognised as other income.

(iii) Interest-rate grants

Financial liabilities comprising implicit assistance in the form of below market interest rates are initially recognised at fair value. The difference between this value, adjusted where necessary for the emission costs of the financial liability and the amount received, is recognised as an official grant based on the nature of the grant awarded.

4.16. Provisions

Provisions are recognised when:

(i) the Group has a present obligation (legal, contractual, constructive or implicit) 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.

The tax effect and gains on the expected disposals of assets are not taken into account in measuring a provision.

Provisions for warranties

The Group 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 26 (d)).

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

4.17. Compensation for termination of employment

The Group recognises termination benefits for employees in the consolidated income statement when Group 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, provided that the Group has demonstrably undertaken to terminate the contracts of current employees in accordance with a formal, detailed and binding agreement, the main characteristics of which have been announced. Benefits that will not be paid within 12 months from the consolidated statement of financial position are discounted to their present value.

4.18. Short-term employee benefits

The Group 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. At 31 December 2010 and 2009 the Group is under no such obligation and therefore no provision has been made

4.19. 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 year end.

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.

The tax group Solaria Energía y Medio Ambiente, S.A. and its fully-owned Spanish subsidiaries began filing consolidated tax returns in 2010.

Taxable temporary differences

Taxable temporary differences are recognised in all cases except when they arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable income at the date of the transaction.

- *Deductible temporary differences*

Deductible temporary differences are recognised when 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 affects neither accounting profit nor taxable income at the date of the transaction.

- *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 Group 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 consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

4.20. Recognition of revenue

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

(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 Group initiative and exclusively for their subsequent sale to third parties.
c) Sale of electricity generated by the solar plants owned by the Group.

(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. Prompt payment and any other discounts, as well as the interest on the nominal amount of the consideration, are recognised as a reduction in revenues.

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

When the Group 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 Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group 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 Group; and

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 year end 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 Group 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 Group 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 prior negative differences are recognised as liabilities in the consolidated statement of financial position 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 other service transactions are recognised by reference to the stage of completion at year end 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.

4.21. Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position 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 Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months of the end of the reporting period 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 end of the reporting period.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months of the end of the reporting period or the Group 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 consolidated financial statements are authorised for issue.

4.22. 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 Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognised as assets, applying the measurement, presentation and disclosure criteria described in section 4.5 of this note.

5. Segment Reporting

As described below, the Group is organised internally into operating segments, which are strategic business units. The strategic business units have different products and services and are managed separately because they require different market strategies.

At 31 December 2010, the Group is organised into three main business segments:

- Segment 1 Photovoltaic. Production of photovoltaic modules for sale to third parties and use in turnkey projects.

- Segment 2 Projects. Development and sale of photovoltaic plants through turnkey projects including the construction and installation of modules and the start-up of the plants.

- Segment 3 Generation. Revenues from power generation from the plants directly operated by Solaria.

There are different levels of integration between the photovoltaic and project segments. The integration includes transfers of modules.

Segment performance is measured based on the pre-tax profit generated by each segment. The profit generated by each segment is used as a measure of its performance because the Group considers that this is the most relevant information in the assessment of the profits generated by specific segments in relation to other groups which operate in these businesses.

The results for each Group segment are as follows:

	Thousands of Euros											
	Photovoltaic		Projects		Generation		O&M		Other		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers:												
External sales	108,673	23,325	37,852	45,388	13,752	20,149	546	-	512	30	161,335	88,892
Other income	849	1,595	547	-	-	-	-	-	-	-	1,396	1,595
Total revenue from external customers	**109,522**	**24,920**	**38,399**	**45,388**	**13,752**	**20,149**	**546**	**-**	**512**	**30**	**162,731**	**90,487**
Amortisation and depreciation	(3,474)	(3,152)	-	-	(4,522)	(1,105)	-	-	(1,086)	(145)	(9,082)	(4,402)
Supplies	(80,934)	(24,615)	(27,476)	(28,302)	-	(12)	-	-	698	66	(107,712)	(52,989)
Other segment income and expenses	(22,364)	(8,656)	(3,087)	(10,041)	(298)	(3,254)	(121)	-	(11,100)	(8,183)	(36,970)	(30,134)
Operating income/expenses	**2,750**	**(11,503)**	**7,836**	**7,045**	**8,932**	**15,778**	**425**	**-**	**(10,976)**	**(8,358)**	**8,967**	**2,962**
Net finance expense	-	-	-	-	-	-	-	-	-	-	(4,039)	(3,943)
Pre-tax segment profit or loss	**2,750**	**(11,503)**	**7,836**	**7,045**	**8,932**	**15,778**	**425**	**-**	**(10,976)**	**(8,358)**	**4,928**	**(981)**
Income tax expense/(recoverable tax)											1,576	1,279
Profit for the year											**6,504**	**298**

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

	Thousands of Euros											
	Photovoltaic		Projects		Generation		O&M		Other		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Segment assets	**138,274**	**132,309**	**125,588**	**19,689**	**121,201**	**123,874**	**252**	**-**	**4,509**	**-**	**389,824**	**275,872**
Property, plant and equipment	79,621	79,420	-	-	119,917	122,907	-	-	2,825	-	202,363	202,327
Inventories	47,888	21,970	81,442	6,260	-	-	-	-	1,334	-	135,622	28,230
Trade and other receivables	10,765	30,919	44,146	13,429	1,285	967	252	-	350	-	56,798	45,315
Undistributed assets	-	-	-	-	-	-	-		60,242	54,036	60,242	54,036
Total assets	**138,274**	**132,309**	**125,588**	**19,689**	**121,201**	**123,874**	**252**	**-**	**64,751**	**54,036**	**450,066**	**329,908**

	Thousands of Euros											
	Photovoltaic		Projects		Generation		O&M		Other		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Segment liabilities	44,051	39,059	20,424	9,394	65,014	736	-	-	14,739	1,837	144,228	51,026
Undistributed liabilities	-	-	-	-	-	-	-	-	-	-	73,446	49,624
Total liabilities	**44,051**	**39,059**	**20,424**	**9,394**	**65,014**	**736**	**-**	**-**	**14,739**	**1,837**	**217,674**	**100,650**

The assets located outside Spain at 31 December 2010 primarily comprise solar plants classified as inventories (see note 13) and a plot of land (see note 6). At 31 December 2009 these assets are not significant.

As regards individual sales to customers representing over 10% of revenues, during 2010 the Company sold a solar plant to a third party for Euros 18,984 thousand (Euros 35,971 thousand at 31 December 2009).

6. Property, Plant and Equipment

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

	2010					
	Land	**Buildings**	**Technical installations and machinery**	**Other assets**	**Property, plant and equipment under construction**	**Total**
Cost at 1 January 2010	**7,082**	**38,641**	**141,682**	**1,310**	**17,240**	**205,955**
Additions	2,379	681	5,556	410	2,558	**11,584**
Disposals	-	-	(4,647)	-	-	**(4,647)**
Transfers from inventories	-	-	1,133	-	-	**1,133**
Transfers to inventories	-	-	-	-	(2,983)	**(2,983)**
Transfers	-	-	(259)	-	259	-
Cost at 31 December 2010	**9,461**	**39,322**	**143,465**	**1,720**	**17,074**	**211,042**
Accumulated depreciation at 1 January 2010	**-**	**(934)**	**(5,288)**	**(375)**	**-**	**(6,597)**
Additions	-	(1,184)	(7,690)	(208)	-	**(9,082)**
Disposals	-	-	4,647	-	-	**4,647**
Accumulated depreciation at 31 December 2010	**-**	**(2,118)**	**(8,331)**	**(583)**	**-**	**(11,032)**
Carrying amount at 31 December 2010	**9,461**	**37,204**	**135,134**	**1,137**	**17,074**	**200,010**

	2009					
	Land	**Buildings**	**Technical installations and machinery**	**Other assets**	**Property, plant and equipment under construction**	**Total**
Cost at 1 January 2009	**9,347**	**12,793**	**10,513**	**748**	**36,397**	**70,098**
Additions	-	1,527	4,794	429	10,059	**16,809**
Disposals	-	-	(403)	-	-	**(403)**
Transfers from inventories	-	-	-	-		
Transfers to inventories	-	-	-	-	-	
Transfers	-	21,543	132,770	-	(37,446)	**116,917**
Cost at 31 December 2009	**9,347**	**35,913**	**147,674**	**1,177**	**9,310**	**203,421**
Accumulated depreciation at 1 January 2009	**-**	**(383)**	**(1,167)**	**(72)**	**-**	**(1,622)**
Additions	-	(88)	(2,211)	(143)	-	**(2,442)**
Disposals		-		-	-	
Accumulated depreciation at 31 December 2009	**-**	**(471)**	**(3,378)**	**(215)**	**-**	**(4,064)**
Carrying amount at 31 December 2009	**9,347**	**35,442**	**144,296**	**962**	**9,310**	**199,357**

a) General

In 2010 additions to machinery and property, plant and equipment under construction primarily reflect the purchase of machinery for the module-manufacturing factory in Puertollano. Additions to land reflect the acquisition made by the subsidiary Sudero SRO.

Property, plant and equipment under construction primarily comprise Euros 13 million for a photovoltaic cell factory as well as extensions to the module production line at the Puertollano factory.

Additions to technical installations in 2009 mainly related to panelling construction work at the Parent company's two factories using solar modules owned by Solaria.

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

Transfers to buildings during 2009 included the panelling installed on the rooftops of the two factories and warehouses owned by the Company. This panelling was assembled using modules manufactured by the Company with a capacity of approximately 2 MWp. Transfers to machinery comprised 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, La Rioja and Rueda from inventories in amounts of Euros 60,324 thousand, Euros 48,664 thousand and Euros 7,929 thousand, respectively, as no new sales agreements had been signed with third parties during the prior twelve months. The Group began to depreciate these plants upon their transfer to property, plant and equipment because they are operational and generate power. These transfers reflect the Group's strategy of constructing solar plants to obtain higher recurring income from power generation (see note 25).

At 31 December 2010 and 2009 the Group does not have any fully depreciated items of property, plant and equipment.

b) Insurance

The Group 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, land and buildings and module manufacturing machinery of the Fuenmayor factory have been contracted by the Parent company under finance leases, with the following costs and accumulated depreciation:

	Thousands of Euros	
	2010	**2009**
Cost	16,788	16,788
Accumulated depreciation	(1,283)	(477)
	15,512	**16,311**

The cost of the land and buildings corresponding to this contract is Euros 16,500 thousand.

The most significant finance leases are detailed in note 17.

d) Capitalised borrowing costs

The Group capitalised borrowing costs on general financing of property, plant and equipment in 2009 rather than on assets specifically attributable to the Group. These capitalised borrowing costs amounted to Euros 250 thousand. Borrowing costs accrued prior to the start-up of the aforementioned assets were capitalised at a rate of 3%, which represents the average borrowing cost of the loans used by the Group to finance the assets in question.

No borrowing costs were capitalised in 2010.

7. Intangible Assets

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

	2010				
	Develop-ment	**Industrial property**	**Software**	**Software under developmen t**	**Total**
Cost at 1 January 2010	**1,495**	**1,593**	**170**	**-**	**3,258**
Additions	317	109	36	946	**1,408**
Disposals	-	-	(31)	-	**(31)**
Transfers	-	(1,593)	(130)	130	**(1,593)**
Cost at 31 December 2010	**1,812**	**109**	**45**	**1,076**	**3,042**
Accumulated amortisation at 1 January 2010	(257)	-	(32)	-	**(289)**
Additions	(339)	-	(2)	-	**(341)**
Disposals	-	-	31	-	**31**
Accumulated amortisation at 31.12.10	(596)	-	(3)	-	**(599)**
Net carrying amount at 31 December 2010	**1,216**	**109**	**42**	**1,076**	**2,443**

	2009			
	Develop-ment	**Industrial property**	**Software**	**Total**
Cost at 1 January 2010	**-**	**-**	**50**	**50**
Additions	1,495	1,593	154	**3,242**
Disposals	-	-	(2)	**(2)**
Transfers	-	-	-	**-**
Cost at 31 December 2009	**1,495**	**1,593**	**202**	**3,290**
Accumulated amortisation at 1 January 2010	-	-	(32)	**(32)**
Additions	(257)	-	(32)	**(298)**
Disposals	-	-	-	**-**
Accumulated amortisation at 31.12.10	(257)	-	(64)	**(321)**
Net carrying amount at 31 December 2009	**1,238**	**1,593**	**138**	**2,969**

In 2010 additions to software primarily reflect the purchase of the SAP programme, which the Group plans to implement in the first quarter of 2011.

During 2009 the Group capitalised Euros 1,495 thousand for the development project for the production of photovoltaic cells, which is expected to enter into service in the second quarter of 2011. This development is key to the Group's continuing improvement in that it reduces manufacturing costs for photovoltaic modules. During 2010 the Group capitalised an additional Euros 317 thousand.

In 2009 additions recognised under industrial property amounted to Euros 1,593 thousand and related to the licences and permits owned by the company Serre UTA, S.r.l., which is 50% owned by the Group subsidiary Solaria Aleph, for the construction of a photovoltaic solar plant with a nominal capacity of approximately 5 MW.

8. Operating Leases

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

1. The Parent company occupies the head offices located on calle Princesa (Madrid) owned by its main shareholder DTL Corporación, S.L. by virtue of the lease contract signed on 1 July 2009.

2. The Group signed various operating lease contracts for company cars for managers in 2010 and 2009.

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

	Thousands of Euros	
	2010	**2009**
Head offices	619	412
Vehicles	251	144
Other	85	-
	955	**556**

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

	Thousands of Euros	
	2010	**2009**
Up to 1 year	870	1,711
Between 1 and 5 years	3,542	2,334
	4,412	**4,045**

9. Risk Management Policy

The Group'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 Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits by using derivatives to hedge currency risk and interest rate risk.

Risk management is controlled by the finance department of the Parent company. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units.

a) Market risk

i) Currency risk

The Group operates internationally and is therefore exposed to currency risks when operating with foreign currencies, especially with regard to the US Dollar. Exchange rate risk arises from commercial transactions, mainly derived from purchases of foreign machinery and raw materials. The Group has constructed photovoltaic plants in non-Euro countries. To minimise the currency risk of the in-flow generated, the Group has financed these plants with loans denominated in that currency.

The finance department has established procedures to hedge the currency risk of all operations carried out by the Group in foreign currency due in a period over 30 days, provided that this is advisable in light of the prevailing market conditions at the date of the transaction.

The non-Euro currency in which the Group currently operates is the US Dollar. If at 31 December 2010 and 2009 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

The Group is exposed to market price risk on raw materials. Management controls this risk by considering the market conditions prevailing at the date of the transaction and signing fixed-price contracts.

iii) Cash flow interest rate risk

As the Group 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 loans and borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. The Solaria Group contracts derivatives to hedge interest rate risk on certain loans with a variable interest rate.

The Group manages interest rate risks in cash flows through variable to fixed interest rate swaps. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates.

At 31 December 2010 and 2009, and including the effect of the interest rate swaps contracted, the Group's debt is structured as follows:

	Thousands of Euros	
	2010	**2009**
Fixed-interest rate payables	51,484	10,328
Variable-interest rate payables	78,004	53,874
Total	**129,488**	**64,202**

The sensitivity of the Group'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 the 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 2010 the Group had past-due trade receivables amounting to Euros 10,114 thousand, of which Euros 3,127 thousand were impaired. At 31 December 2009 past-due balances amounted to Euros 13,699 thousand, of which Euros 3,127 thousand were impaired.

Details of the ageing at 31 December 2010 and 2009 of receivables that are past due but unimpaired are as follows:

	Thousands of Euros	
	2010	2009
Less than three months	-	9,027
From three to six months	-	147
From six to 12 months	3,043	821
More than 1 year	6,984	3,704
	10,027	13,699

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 Group's finance department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

Management monitors cash forecasts for the Group based on expected cash flows.

10. Other Current Financial Assets

Details of other current financial assets are as follows:

	Thousands of Euros	
	2010	**2009**
Bank deposits	10,377	10,300
Current account with Group companies (note 25(b))	99	741
Other financial assets	126	56
	10,602	**11,097**

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

11. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Thousands of Euros					
	2010		2009		01/01/09	
	Non-current	Current	Non-current	Current	Non-current	Current
Trade receivables	5,042	31,101	7,590	16,596	-	24,730
Loans to Group companies and associates (note 25 (b))	-	95	-	5,733	-	42,244
Other receivables	-	1,143	-	1,201	-	453
Public entities (note 20)	-	19,417	-	23,058	-	32,735
	5,042	**51,756**	**7,590**	**46,588**	**-**	**100,162**

Details of current trade receivables are as follows:

	Thousands of Euros	
	2010	2009
Trade receivables – discounted notes	610	4,411
Trade receivables	25,160	15,312
Trade receivables for invoices pending receipt	8,458	-
Impairment	(3,127)	(3,127)
	31,101	**16,596**

At 31 December 2010 current receivables from third parties are largely for sales of photovoltaic solar modules.

At 31 December 2010, the amount recognised under trade receivables for invoices pending issue relates to work carried out on international photovoltaic plant installation projects underway that are pending invoicing.

Non-current trade receivables comprise financing extended to a customer in the sale of several modules in 2008. An agreement was reached with this customer in June 2009 for settlement of the outstanding balances through the direct collection by Solaria of the amounts received for 66% of the photovoltaic installations based on the power generation of the plant in which the Company modules were installed. These balances earn interest at market rates 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	
	2010	**2009**
Less than 1 year	2,767	406
1 to 5 years	5,042	7,590
	7,809	**7,996**

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

	Thousands of Euros	
	2010	**2009**
Balance at 1 January	3,127	1,000
Charges	220	2,127
Reversals	(220)	-
Balance at 31 December	**3,127**	**3,127**

According to internal Group 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. Since 2009 the Company has improved the management of the collection of trade receivables.

12. Derivative Financial Instruments

Details of assets and liabilities from derivative financial instruments at 2010 and 2009 year end are as follows:

	Thousands of Euros	
	2010 Liabilities	**2009 Liabilities**
Fair value of non-hedging financial instruments		
Interest rate	(1,839)	(1,822)
Fair value of hedging financial instruments		
Interest rate	(506)	(283)
Total	**(2,345)**	**(2,105)**

Financial instruments which do not qualify for hedge accounting are classified as financial liabilities at fair value with changes in consolidated profit or loss. The changes in the fair value of these financial instruments recognised in the consolidated income statement under finance expenses amount to Euros 17 thousand (Euros 593 thousand in 2009).

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 17), the Group 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 derivatives are as follows:

	Thousands of Euros	
Year	**2010**	**2009**
2010	-	857
2011	4,071	4,071

- To hedge against fluctuations in the interest rate applicable to a Euros 6,000 thousand loan contracted (see note 17). The Group has obtained an interest rate swap with the following characteristics:

  - 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
  - In 2009 the maturity dates for the derivative were as follows:

Year	Thousands of Euros
2010	1,200
2011	1,200
2012	1,200
2013	1,200
2014	600
	5,400

On 26 April 2010 the Group cancelled the operation hedging the Euros 6,000 thousand loan.

- In order to hedge against interest rate fluctuations applicable to a Euros 5,028 thousand loan received, the Group has contracted an interest rate hedge of which the main characteristics are as follows:

  - Initial notional amount: Euros 6,413 thousand
  - Maturity date: 31 October 2024
  - Floating rate: 3-month Pribor
  - Fixed rate: 3.25%
  - The maturity dates for the derivatives are as follows:

	Thousands of Euros	
Year	2010	2009
2011	333	-
2012	354	-
2013	376	-
2014	400	-
2015 and thereafter	4,950	-
	6,413	-

- In order to hedge against interest rate fluctuations applicable to a Euros 8,699 thousand loan received, the Group has contracted an interest rate hedge of which the main characteristics are as follows:

  - Initial notional amount: Euros 3,709 thousand
  - Maturity date: 31 October 2024
  - Floating rate: 3-month Pribor
  - Fixed rate: 3.125%

  The maturity dates for the derivatives are as follows:

	Thousands of Euros	
Year	2010	2009
2011	192	-
2012	204	-
2013	217	-
2014	231	-
2015 and thereafter	2.865	-
	3.709	-

- In order to hedge against interest rate fluctuations applicable to a Euros 26,000 thousand loan received (see note 12), the Group contracted two interest rate hedges in 2010, of which the main characteristics are as follows:

  - Initial notional amount: 13,600,000
  - Maturity date: 20 December 2023
  - Interest rate: 3.2175%
  - Maturity dates for the notional amounts of the derivative: every six months

- Initial notional amount: 8,500,000
- Maturity date: 20 December 2023
- Interest rate: 3.2175%
- Maturity dates for the notional amounts of the derivative: every six months

The maturity dates for the derivative are as follows:

	Thousands of Euros	
Year	2010	2009
2011	929	-
2012	1,106	-
2013	1,154	-
2014	18,854	-
	22,044	-

b) Foreign currency hedges

No foreign currency hedges were contracted in 2010.

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

- Initial notional amount: USD 8 thousand
- 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 Group 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 derivatives are as follows:

	Thousands of Euros	
Year	**2010**	**2009**
2010	-	503
2011	931	896
2012	978	942
2013	1,028	991
2014	12,254	13,168
	15,191	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.

13. Inventories

Details of inventories at 31 December 2010 and 2009 and at 1 January 2009 are as follows:

	Thousands of Euros							
	2010				**2009**			
	Thermal	**Photovoltaic**	**Solar plants**	**Total**	**Thermal**	**Photovoltaic**	**Solar plants**	**Total**
Raw materials and other supplies	600	29,545	6,521	**36,245**	600	9,620	6,260	**16,480**
Finished products	724	22,873	75,809	**99,406**	724	10,525	-	**11,249**
TOTAL	**1,324**	**52,418**	**81,909**	**135,651**	**1,324**	**20,145**	**6,260**	**27,729**

	Thousands of Euros			
	01/01/09			
	Thermal	**Photovoltaic**	**Solar plants**	**Total**
Raw materials and other supplies	589	8,881	5,286	**14,756**
Finished products	724	9,341	158,405	**168,470**
Advances to suppliers	-	7,964	-	**7,964**
	1,313	**26,186**	**163,691**	**191,190**

Raw material inventories are mainly cells, glass, aluminium and other materials required to manufacture photovoltaic modules. The Group has prepared a specific marketing plan for the thermal segment.

At 31 December 2010 inventories of finished products comprise both modules and fully-constructed and operating solar plants that had not been sold at year end. These plants are located in Italy, Germany and the Czech Republic and have a joint capacity of 27 MWp and are recognised at Euros 42,253 thousand, Euros 16,254 thousand and Euros 18,067 thousand, respectively (see note 5).

During 2009 there were significant derecognitions of inventories due to the sale of solar plants. The most significant changes in inventories were 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 excluding the value of the investment in Alhama Solar, S.L. amounted to Euros 35,971 thousand (see note 5).

- 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 sales price of the transaction was Euros 6,221 thousand.

- On 30 September 2009 the Company and 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 undertook to hand over the 10 MWp plant owned by Magacela Solar 1, S.L. (see note 1) 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. The cost of the plant sold amounted to Euros 51,675 thousand.

- During 2009 the photovoltaic solar plants located in Villanueva de la Serena (Badajoz), Fuenmayor (La Rioja) and Rueda (Valladolid) were transferred from inventories to property, plant and equipment in an amount of Euros 116,918 thousand (see note 6) as 12 months had elapsed since their completion and it is Group 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.

14. Cash and Cash Equivalents

This item comprises balances in current accounts in banks and cash.

15. Equity

Share capital

At 31 December 2010 the subscribed and fully paid share capital of Solaria Energía y Medio Ambiente, S.A. amounts to Euros 977 thousand (Euros 1,011 thousand at 31 December 2009) and is represented by bearer shares with a par value of Euros 0.01 each, distributed as follows:

	2010		2009	
	Number of shares	% of ownership	Number of shares	% of ownership
DTL Corporación, S.L.	62,235,544	62.42	62,235,544	61.53
Own shares	733,033	0.74	1,440,635	1.45
Electronic trading system	36,737,455	36.84	37,470,488	37.02
Total	**99,706,032**	**100.00**	**101,146,667**	**100.00**

At the general meeting held on 30 June 2010 the Company's shareholders agreed to reduce share capital by Euros 14 thousand Euros by redeeming 1,440,635 own shares with a par value of Euros 0.01 each at that date.

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 end of 2010 was Euros 1.45 (Euros 2.52 at 31 December 2009).

The Group's capital management objective is to safeguard the Company's capacity to continue operating as a going concern, enabling it to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital. To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, reimburse capital, or increase or reduce debt, as required. Parent company management monitors the capital structure based on 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 consolidated statement of financial position.

The Group'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 2010 and 2009 are as follows:

	Thousands of Euros	
	2010	**2009**
Borrowings (note 17)	129,488	64,225
Less: Cash and cash equivalents (note 14)	(18,914)	(17,503)
Net debt	110,574	46,722
Total equity	**232,393**	**229,258**
Debt/equity ratio	**48%**	**20%**

Own shares

Changes to the portfolio of own shares during 2009 and 2010 are as follows:

	Thousands of Euros		
	No. of shares	**Average transaction price**	**Amount**
Balance at 01.01.09	1,462,163		8,540
Acquisitions	1,434,114	1.91	2,738
Disposals	(1,455,642)	4.3	(6,262)
Balance at 31.12.09	**1,440,635**		**5,016**
Acquisitions	733,033	1.56	1,146
Redemptions	(1,440,635)	3.48	(5,016)
Balance at 31.12.10	**733,033**		**1,146**

On 18 February 2008, executing the agreements adopted by the shareholders' of the Parent company at the extraordinary general meeting held on 24 May 2007, the board of directors unanimously agreed to purchase Parent company shares, in one or various transactions, in accordance with the terms and conditions agreed by the shareholders at that 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 in the latter 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 30 June 2010 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.

On 29 July 2010, the board of directors authorised a share repurchase programme pursuant to Commission Regulation (EC) no. 2273/2003 authorising a repurchase of shares up to a maximum of 10% of outstanding shares. Under these premises the Group has acquired a total of 733,033 own shares at 31 December 2010.

At 31 December 2010, the Company holds 733,033 shares amounting to Euros 1,146 thousand. In 2009 the shares were valued at Euros 5,016 thousand.

Legal reserve

The legal reserve has been appropriated in compliance with article 274 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 of the Parent company are freely distributable except for Euros 1,216 thousand recognised under development expenses at 31 December 2010.

As authorised by the shareholders at their annual general meeting of 30 June 2010, at the meeting held on 29 July 2010 the Company's board of directors agreed to repay contributions received from Company shareholders, with a charge to the share premium account, in an amount of two Euro cents per share. These amounts were disbursed during 2010.

Retained earnings

Details and movement during 2009 and 2010 are as follows:

	Thousands of Euros			
	Voluntary reserves	Other reserves	Profit/(loss) for the year	Total
Balance at 31 December 2008	**41,171**	**3,313**	**(21,462)**	**23,022**
Changes in accounting policy	**-**	**-**	**(3,564)**	**(3,564)**
Balances at 1 January 2009	**41,171**	**3,313**	**(25,025)**	**19,458**
Application of 2008 loss	-	(25,025)	25,025	-
Own shares sold	(3,293)	-	-	(3,293)
Other movements	-	(1,899)	-	(1,899)
Profit for 2009	-	-	298	298
Balance at 31 December 2009	**37,878**	**(23,611)**	**298**	**14,564**
Distribution of profit for 2009	-	298	(298)	-
Own shares redeemed	(5,002)	-	-	(5,002)
Other movements	(40)	-	-	(40)
Profit for 2010	-	-	6,504	6,504
Balance at 31 December 2010	**32,836**	**(23,313)**	**6,504**	**16,026**

16. Other Comprehensive Income

During 2010 and 2009, changes in other comprehensive income were as follows:

	Thousands of Euros
	Cash flow hedges
Balance at 1 January 2009	**(509)**
Recognition in income statement	444
Tax effect	(133)
Balance at 31 December 2009	**(198)**
Recognition in income statement	(221)
Tax effect	66
Balance at 31 December 2010	**(353)**

This caption includes the effect on equity of derivative financial instruments to which the Group applies hedge accounting (see note 12).

17. Loans and Borrowings

Details of these liabilities at 31 December 2010 and 2009 are as follows:

	Thousands of Euros		
	2010		
Institution	**Current**	**Non-current**	**Total**
Loans and borrowings	21,971	59, 486	81,457
Balances payable to public entities	144	550	694
Finance lease payables	1,030	14,297	15,327
Import facilities	34,010	-	34,010
Total at 31 December 2010	**57,155**	**74,333**	**131,488**

	Thousands of Euros		
	2009		
Institution	**Current**	**Non-current**	**Total**
Loans and borrowings	2,546	8,793	11,339
Balances payable to public entities	144	916	1,060
Finance lease payables	991	15,320	16,311
Import facilities	35,515	-	35,515
Total at 31 December 2009	**39,196**	**25,029**	**64,225**

All Group payables are in Euros.

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

The Group 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 Group production.

Bank loans and borrowings:

Bank loans and borrowings comprise loans which are largely earmarked for financing investment projects. The Group is required to maintain the financed investment in equity for at least five years after signing the contract. As a result of these projects, the Spanish Institute for the Diversification and Saving of Energy has extended certain grants to the Parent company (see note 18).

The main loans contracted by the Company and outstanding at 31 December 2010 and 31 December 2009, expressed in thousands of Euros, are as follows:

		Amount of loan			
		Original	31.12.2010	31.12.2009	Maturity
1		412	42	79	2011
2		547	78	127	2012
3		1,500	535	750	2013
4		4,500	3,536	4,179	2016
5		1,800	389	770	2011
6		6,000	4,200	5,400	2024
7		4,500	3,536	4,179	2016
8		1,800	389	770	2011
9		6,000	4,200	5,400	2024
10		6,110	6,110	-	2024
11		10,920	10,920	-	2024
12		26,000	25,204	-	2026
13		581	581	-	2028
14		11,500	11,500	-	2028
	Accrued interest payable		125	567	
			81,457	**11,872**	

Loans 1 to 6 are denominated in Euros, while loans 7 and 8 are denominated in Czech crowns and have been extended at a variable rate linked to the Euribor plus a spread and are subject to market terms.

During 2010 the Group entered into several project finance contracts. All "project finance" loans are subject to compliance with certain financial ratios and other conditions. In the event of non-compliance the financial institutions could request the early repayment of these loans. At 31 December 2010 the Group has fully complied with the terms of these loans. Additionally, project finance loans are secured with the plants they are extended to finance. Details of these loans and their main characteristics are as follows:

- Villanueva:

  On 28 July 2010, the Company contracted a loan from two financial institutions with a principal of Euros 26,000 thousand, earmarked to finance the acquisition of the Villanueva photovoltaic solar plant. This loan has is for a term of 16.5 years, and falls due on 20 December 2026.

  To hedge against the interest rate fluctuations relating to these loans, the Company contracted several interest rate hedging transactions (see note 12).

- Czech Republic:

  L-ContactCej, S.r.o.

  On 14 October 2010 the Company signed a loan contract with a financial institution with a principal of CZK 160,414,806, most of which was earmarked to finance the construction of a photovoltaic solar plant (tranche A), and CZK 41,000 thousand to finance the payment of the input VAT related to the aforementioned transaction (tranche B). The Euro values of the two tranches total Euros 6,556 thousand and Euros 1,675 thousand, respectively.

  Tranche A has an established term of 14 years and 17 days, falling due on 31 October 2024. Tranche B has a term of 5.5 months, falling due on 31 March 2011.

  To hedge against the interest rate fluctuations relating to these loans, the Company contracted several interest rate hedging transactions (see note 12).

- Sudero, S.r.o.

  On 14 October 2010, the Company signed a loan contract with a financial institution with a principal of CZK 285,095,220. Tranche A of this amount was earmarked to finance the construction of a photovoltaic solar plant (see note 5), while tranche B (CZK 70,000 thousand) was allocated to finance the payment of the input VAT relating to the transaction.

  Tranche A has an established term of 14 years and 17 days, falling due on 31 October 2024, while tranche B has a term of 5.5 months, falling due on 31 March 2011.

  The Company has contracted several interest rate hedges to cover the interest rate fluctuations relating to these loans.

- UTA

  On 15 September 2010 the Company signed a loan contract with a financial institution with a principal of Euros 11,500 thousand, earmarked to finance a photovoltaic solar plant. This loan has a term of 20 years, three months and 15 days, falling due on 30 December 2030. The Group has contracted an interest rate hedge to cover the interest rate fluctuations relating to this loan.

Details of future payments by maturity date including interest on loans and borrowings at 31 December 2010 are as follows:

	Thousands of Euros
	2010
Up to 1 year	25.418
Between 1 and 5 years	48.578
More than 5 years	69.379
	143.375

The future financial charges of the loans at 31 December 2009 amount to Euros 534 thousand.

Payables to public entities:

Since the Parent 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 Parent company has been required to earmark the financing received solely and exclusively for the associated investment project.

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

Finance lease payables

During 2008 the Parent company contracted certain vehicles as well as land, buildings and machinery related to the Fuenmayor factory under a finance lease constituting the largest finance lease entered into by the Group at 31 December 2010 and 2009. This Euros 16,500 thousand contract was signed with Banco Popular on 28 March 2008 and has a 15-year term (see note 6).

This lease accrues interest at the 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	
	2010	**2009**
Up to 1 year	1,669	1,711
Between 1 and 5 years	8,345	9,102
More than 5 years	10,429	11,398
Future financial charges for finance leases	(5,116)	(5,900)
Present value of finance lease liabilities	**15,327**	**16,311**

Details of maturities of financial payables to banks and public entities at 31 December 2010 and 2009 are as follows:

	Thousands of Euros			
	2010			
Years	**Finance lease payables**	**Loans, public bodies**	**Banks**	**Total**
Up to 1 year	1,030	144	55,981	57,155
Between 1 and 5 years	5,622	550	23,952	30,124
More than 5 years	8,675	-	35,534	42,209
Total at 31 December 2010	**15,327**	**694**	**115,467**	**131,488**

	Thousands of Euros			
	2009			
Years	**Finance lease payables**	**Loans, public bodies**	**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 December 2009	**16,311**	**1,060**	**46,831**	**64,202**

18. Deferred Income

This caption mainly comprises capital grants according to the following details:

Granting entity	Thousands of Euros	Objective	Date awarded
IDAE (Spanish Institute for Energy Diversification and Saving)	124	Early repayment of the Caja Duero loan (i)	26.10.2004
IDAE (Spanish Institute for Energy Diversification and Saving)	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 (Spanish Institute for Energy Diversification and Saving)	29	Reduction rate of interest Caja Duero loan (i)	26.10.2004
IDAE (Spanish Institute for Energy Diversification and Saving)	38	Reduction rate of interest Caja Duero loan (ii)	14.04.2005
Ministry of Industry loan	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	131	Financing for personnel expenses	09.01.2007
	5.175		

The amounts and movement in the accounts included under this caption during 2009 and 2010 are as follows:

	Thousands of Euros				
	Balance at 01.01.09	**Recognition in income statement for 2009**	**Balance at 31.12.09**	**Recognition in income statement 2010**	**Balance at 31.12.10**
IDAE (Spanish Institute for Energy Diversification and Saving)	77	(19)	58	(19)	39
IDAE (Spanish Institute for Energy Diversification and Saving)	105	(19)	86	(19)	67
Ministry of Industry	4,546	(840)	3,706	(433)	3,273
IDAE (Spanish Institute for Energy Diversification and Saving)	12	(5)	7	(5)	2
IDAE (Spanish Institute for Energy Diversification and Saving)	17	(5)	12	(4)	7
Ministry of Industry loan	151	(22)	129	(22)	107
Ministry of Industry loan	60	(9)	51	(9)	42
CDTI (Spanish Centre for the Development of Industrial Technology)	33	(7)	26	(7)	19
Ministry of Industry loan	106	(14)	92	(14)	78
	5,107	**(940)**	**4,167**	**(532)**	**3,634**

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

On 17 January 2006, the Ministry of Industry, Tourism and Trade notified the Parent 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 Parent company extended a Euros 4,500 thousand guarantee (see note 26 (c)) to the Ministry of Industry, Tourism and Trade to cover collection of 85% of the total grant awarded. On 10 December 2007, the Parent 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 Parent company was awarded this advance payment, which was collected on 7 February 2008, with the remaining 15% left outstanding at 31 December 2009. This balance was collected in 2010.

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). The final terms of the grant were announced on 10 March 2010 and accepted on 18 March 2010. The terms of payment of the grant are subject to the completion of the project, understood as the execution of the investment, the payment of the amounts invested, the provision of evidence supporting the level of self-financing, the creation of the jobs committed and the signing of the corresponding verification certification. The amount of the grant equals 30% of the foreseen investments for 2011, 2012 and 2013.

19. Trade and Other Payables

Details of suppliers and other payables are as follows:

	Thousands of Euros		
	2010	**2009**	**01/01/09**
Suppliers and other payables	30,461	15,191	49,061
Suppliers, Group	8	-	-
Trade payables advanced by banks	25,233	571	-
Suppliers of property, plant and equipment	2,418	3,215	3,289
Salaries payable	-	148	412
Advances from customers	9,441	8,863	8,863
Current tax liabilities	97	-	-
Public entities, other (note 20)	5,012	1,267	1,170
	72,670	**29,255**	62,795

At 31 December 2010 the Group had balances payable in foreign currency totalling Euros 16,565 thousand (Euros 445 thousand in 2009), mainly in US Dollars.

The balance payable to suppliers and creditors, which at 31 December 2010 has been deferred beyond the legal deadline (85 days for 2010), amounts to Euros 23,005 thousand.

20. Taxation

The income tax expense for 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	**2009**
Profit/(loss) before income tax	4,928	(981)
Permanent differences	27	79
Temporary differences	320	320
Consolidation adjustments	7,501	-
Offsetting of tax losses	(14,058)	-
Taxable income	**(1,282)**	**(582)**
Deductions	(3,177)	(1,008)
Withholdings and payments on account	(26)	(39)
Income tax expense / (receivable)	**(26)**	**(39)**

In 2010 the Group began filing consolidated tax returns, with Solaria Energía y Medio Ambiente, S.A. as the parent of tax group 191/10. This tax group is formed by the Group's fully-owned Spanish subsidiaries.

Reconciliation of taxation is as follows:

	Thousands of Euros		
	2010		
	Profit and loss	Equity	Total
Income and expenses for the year before tax	4,928	(223)	4,705
Tax at the applicable rate	1,478	(67)	1,411
Non-deductible expenses	123	-	123
Deductions and credits for the current year	(3,177)	-	(3,177)
Income tax expense	**(1,576)**	**(67)**	**(1,643)**
Effective tax rate	**(32%)**	**30%**	**35%**

	Thousands of Euros		
	2009		
	Profit and loss	Equity	Total
Income and expenses for the year before tax	(981)	(444)	(1,425)
Tax at the applicable rate	(294)	(133)	(427)
Non-deductible expenses	24	-	24
Deductions and credits for the current year	(1,008)	-	(1,008)
Income tax expense	**(1,278)**	**(133)**	**(1,411)**
Effective tax rate	**130%**	**30%**	**99%**

The Parent company has recognised a deduction for environmental investment at 31 December 2010 for investments in assets allocated for use in renewable energy sources as permitted by article 39.3 of the revised Spanish Income Tax Act. This deduction is applicable to 2009 for the two solar plants built in Villanueva de la Serena and Fuenmayor (La Rioja). The investment made to build both plants totalled approximately Euros 101 million.

As permitted by article 109 of the Spanish Income Tax Act, in 2007 the Group 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. The items to which these accelerated depreciation rates were applied amount to Euros 3,329 thousand, generating associated deferred tax.

Deferred tax assets and liabilities are as follows:

	Thousands of Euros								
	Assets			Liabilities			Net		
	2010	2009	1/1/09	2010	2009	1/1/09	2010	2009	1/1/09
Property, plant and equipment	6,803	6,803	6,803	(804)	(897)	(993)	5,999	5,906	5,810
Transactions with consolidated assets, international subsidiaries	2,489	-	-	-	-	-	2,489	-	-
Hedging operations	176	85	218	-	-	-	176	85	-
Tax loss carryforwards, SEMA	923	5,454	4,179	-	-	-	923	5,454	218
Tax loss carryforwards, Spanish subsidiaries	106	-	-	-	-	-	106	-	4,179
Tax loss carryforwards, international subsidiaries	535	-	-	-	-	-	535	-	-
Deductions and credits, SEMA	4,185	1,008	-	-	-	-	4,185	1,008	-
Others (note 2.3)	2,450	2,450	1,528	-	-	-	2,450	2,450	1,528
Other	54	306	2,271	(24)	-	-	38	306	2,271
Total assets/liabilities	**17,721**	**16,106**	**14,999**	**(828)**	**(897)**	**(993)**	**16,893**	**15,209**	**14,006**

At 31 December 2010 all taxes applicable to Group companies for the current statutory period are open to inspection.

The companies forming the Group have recognised tax credits in respect of loss carryforwards and deductions pending application which relate almost entirely to the Parent of the tax group, Solaria Energía y Medio Ambiente, S.A. Details of these tax credits by year of origination, tax base and classification between current and non-current in accordance with estimated recovery periods are as follows:

		Thousands of Euros	
	Year originated	Amount	Maturity
Tax loss carryforwards	2008	923	2023
Deductions	2009	1,008	2004
Deductions	2010	3,177	2025

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 income tax declarations are filed, without prejudice to the taxation authorities' powers of inspection.

Due to the different possible interpretations of the prevailing tax legislation, additional tax liabilities could arise in the event of inspection. However, basing their conclusions on an independent expert's report on certain transactions, the directors of the Parent company consider it unlikely that there will be an outflow of resources that could significantly affect these annual accounts.

Balances included under public entities (see notes 11 and 19) are as follows:

	Thousands of Euros			
	2010		2009	
	Debtor	Creditor	Debtor	Creditor
VAT	14,313	64	22,615	680
Personal income tax	-	4,491	-	-
Social Security	-	457	-	288
Tax withheld on interest	995	-	443	299
Other	-	97	-	-
	15,308	**5,109**	**23,058**	**1,267**

21. Income and Expenses

a) Revenues

Details of revenues are included in segment reporting (see note 5).

The Group's revenues for 2010, distributed by country, are as follows:

	Thousands of Euros
	2010
Spain	37,497
Italy	109,814
Greece	1,015
Germany	11,185
Brazil	1,788
France	36
	161,335

Almost all the Group's revenues for 2009 were generated in Spain, with Euros 10 million generated in other countries.

b) Raw materials and consumables used

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

	Thousands of Euros	
	2010	**2009**
Purchases of raw materials and others	217,729	14,351
Change in inventories	(19,765)	(1,723)
	197,964	**12,628**

c) Other expenses

Details of other expenses at 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	2010	**2009**
Leases and royalties	1,329	766
Repairs and maintenance	582	192
Independent professional services	1,297	2,145
Bank services	960	746
Insurance premiums	409	797
Advertising	2,047	2,276
Utilities	959	705
Other	6,451	6,113
	14,034	**13,740**

d) Grants taken to income

During 2010 the Company recognised income of Euros 532 thousand for grants received from different awarding bodies, as detailed in note 18 (Euros 940 thousand at 31 December 2009).

e) Personnel expenses

Details of these personnel costs are as follows:

	Thousands of Euros	
	2010	**2009**
Wages and salaries	19,015	12,356
Social security payable by the Company	4,453	2,910
	23,468	**15,267**

The average headcount of the Group during 2010 and 2009, distributed by category, is as follows:

	No. of shares	
	2010	**2009**
Engineers	49	28
Graduates	40	39
Factory personnel	639	438
	728	**505**

At 31 December 2010 and 2009 the distribution by gender of Parent company personnel and directors is as follows:

	No. of shares			
	2010		**2009**	
	Female	**Male**	**Female**	**Male**
Directors	-	5	-	5
Engineers	6	53	4	20
Graduates	15	31	19	44
Factory personnel	207	485	158	241
	228	**574**	**181**	**310**

The Company has no pension or similar obligations with personnel.

f) Finance income and expense

	Thousands of Euros	
	2010	**2009**
Income from bank interest	936	444
Exchange gains	1,000	708
	1,936	**1,152**
Interest payments	(3,732)	(3,402)
Changes in fair value – derivative financial instruments	(609)	(593)
Exchange losses	(1,634)	(1,100)
	(5,975)	**(5,095)**
Finance loss	**(4,039)**	**(3,942)**

g) Foreign currency transactions

Foreign currency transactions amounted to Euros 148 thousand in 2010 (Euros 85 thousand in 2009).

22. Contingencies

Management of the Parent company considers that neither the Company nor 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 2010 the Group is involved in the following legal proceedings:

a. 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.

b. Claim filed in Madrid by Fotovoltaica Los Navalmorales, S.L. against Solaria Energía y Medio Ambiente, S.A. for modules sold by the Company to the claimant. The Company has filed a counterclaim for breach of contract (see note 2.3).

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

The directors of the Parent company have accrued wages and salaries amounting to Euros 1,455 in 2010 (Euros 1,704 thousand in 2009). Additionally, the remuneration payable to the directors for their attendance at board meetings in 2010 totals Euros 450 thousand (Euros 483 thousand in 2009).

The Group 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 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 229 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 and related parties 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 of ownership	Office or duties
Enrique Díaz-Tejeiro Gutiérrez	DTL Corporación, S.L	40%	Joint director
Arturo Díaz-Tejeiro Larrañaga	DTL Corporación, S.L.	20%	Joint representative
Mr. Miguel Diaz-Tejeiro Larrañaga	DTL Corporación, S.L.	20%	Joint director
Enrique Díaz-Tejeiro Larrañaga	DTL Corporación, S.L.	20%	Joint director
Iñigo Sagardoy Simón	-		
Manuel Azpilicueta Ferrer	-		

(*) The percentage of ownership and office held by each director, or by parties related to them, are presented in the same line as their name.

During 2010 and 2009, neither the directors nor related parties have carried out any transactions with the Group that were not ordinary business or at arm's length.

24. Earnings per Share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to Solaria's shareholders by the weighted average number of ordinary shares in circulation during the year, excluding own shares acquired by Solaria and held in its portfolio (see note 15). Details are as follows:

	Thousands of Euros	
	2010	2009
Profit attributable to shareholders	6,504	298
Weighted average number of ordinary shares in circulation	99,545,669	99,660,078
Basic earnings per share (Euros per share)	**0.065**	**0.003**

b) Diluted

Diluted earnings per share are calculated by adjusting the profit for the year attributable to the shareholders of Solaria and the weighted average number of ordinary shares in circulation for the inherent diluting effects of potential ordinary shares.

At 31 December 2010 and 2009, no instruments have been issued that could potentially dilute ordinary shares. Consequently, basic earnings per share are equal to the diluted earnings per share.

25. Balances and Transactions with Related Parties

a) Parent company

The shares of Solaria Energía y Medio Ambiente, S.A. are quoted on the Madrid, Barcelona, Valencia and Bilbao stock exchanges through the electronic trading system. The main and controlling shareholder of Solaria Energía y Medio Ambiente, S.A. is DTL Corporación, S.L., which holds 62.42% of Company shares. DTL Corporación, S.L. is owned by the Díaz-Tejeiro family. Instalaciones Díaz Tejeiro, S.L. is a related company.

b) Transactions and balances with related parties

The main transactions carried out by the Group with related parties during 2010 are as follows:

- During 2009 the Group signed two contracts for the sale of solar plants, including the licences and permits to operate these plants, with its Parent company Solaria DTL Corporación, S.L. These contracts amounted to Euros 6,221 thousand, as explained in notes 1 and 13.

- The offices located at calle Velázquez 47, Madrid, which were occupied by the Parent company 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 Parent company has paid an amount of Euros 629 thousand for the lease of these offices, in accordance with the contracts signed between the parties (Euros 412 thousand at 31 December 2009).

- The Parent company signed development and construction contracts for photovoltaic plants for which it recognised sales of Euros 49,359 thousand at 31 December. 2010. 50% of this amount was eliminated in the consolidation process.

Details of balances with related parties are as follows:

	Thousands of Euros	
	2010	**2009**
Trade receivables		
DTL Corporación, S.L.	167	1,404
Magacela Solar 1, S.L.	24	554
Serre UTA Srl	-	3,775
Técnicas Ambientales del Norte S.L.	3	-
	194	**5,733**

26. Other Information

a) Audit 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. rendered professional services to the Group during the years ended 31 December 2010 and 2009, charging the following fees and expenses:

	Thousands of Euros	
	2010	**2009**
Audit services	148	125
Other services	24	25
	172	**150**

The amounts reflected in the table above comprise the total fees for services rendered in 2010 and 2009, irrespective of the date of invoice.

b) Environment

The Group 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 2010 and 2009, the Group 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 2010 or 2009.

c) Bank guarantees

The Group has contingent liabilities for bank and other guarantees relating to its normal business operations amounting to Euros 17,398 thousand at 31 December 2010 (Euros 38,612 thousand at 31 December 2009). The directors of the Parent company do not expect any significant liabilities to arise from these guarantees.

d) Guarantees

i) Warranties for turnkey contracts.

The Parent 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 Parent 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 Parent company will pay for the amount not generated up to the guaranteed 90% output level.

iii) Warranties included in module sale contracts

The Parent 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 Parent 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 Parent 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 since the supply date	Guaranteed output capacity
Up to 25 years	80%
Up to 10 years	90%

The Parent company considers that no liabilities will arise as a result of the warranties extended given that historical experience shows that no significant payments have been made for this item, or are expected in the future. Consequently, no provision has been recognised in this respect (see note 2.5 (c)).

e) Temporary workforce restructuring plan

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 approved this agreement, which entered into force on 25 February 2010. On 18 May 2010, due to the increase in the Company's manufacturing activity, 100% of the employees affected by the aforementioned agreement resumed their normal working hours.

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. On 20 May 2010, due to the increase in the Company's manufacturing activity, 100% of the employees affected by the aforementioned agreement resumed their normal working hours. 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.

27. Subsequent Events

No significant events have occurred since 31 December 2010.

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Appendix I

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
Information on Subsidiaries at
31 December 2010 and 2009
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

				Thousands of Euros					
					Equity(*)				
Investee	**Tax offices**	**% direct ownership**	**% indirect ownership**	**Cost**	**Share capital**	**Reserves**	**Profit/(loss) for 2010(*)**	**Prior years' losses**	**Total**
Planta Solar Puertollano 3, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	0	(2)	1
Planta Solar Puertollano 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	(3)	(2)	(2)
Planta Solar Puertollano 5, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	3	0	-	6
Planta Solar Puertollano 6, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	40	1,346	(64)	1,325
Planta Solar Puertollano 7, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 8, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	516	(22,626)	(22,107)
Planta Solar Puertollano 9, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 10, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	(20)	(17)
Planta FV 1, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	66	-	69
Planta FV 2, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 3, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 5, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 6, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 7, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 8, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 9, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 10, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 11, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 12, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 13, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3

(*) These financial statements at 31 December 2010 have not been audited at the date of preparing these consolidated annual accounts.
(**) Companies jointly controlled with third parties.

This Appendix forms an integral part of note 1 to the consolidated annual accounts, in conjunction with which it should be read.

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Appendix I

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
Information on Subsidiaries at
31 December 2010 and 2009
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

				Thousands of Euros					
					Carrying amount				
Investee	**Tax offices**	**% direct ownership**	**% indirect ownership**	**Cost**	**Share capital**	**Reserves**	**Profit/(loss) for 2010 (*)**	**Prior years' losses**	**Total**
Planta FV 14, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 15, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 16, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 17, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 18, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Solaria Energía Generación Renovable, S.L.U.	C/ Princesa nº 2, Madrid	100%	-	1,228	1,228	-	(17)	-	1,211
Fondo Solaria Aleph FCR	Plaza de la Lealtad nº4, Madrid	-	50%	-	1,226	15	(43)	-	1,198
Elassona Solar Energía LLC	2 Mesogion Avenue, Athens	-	50%	-	149	-	(92)	-	57
Serre UTA, S.r.l	Cagliaria,Via Monastir snc. Italia	-	50%	-	5	-	-	-	5
Solaria Energía Proyectos Internacionales, S.L.U.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Globasol Villanueva 1, S.L.	C/ Princesa nº 2, Madrid	-	100%	4,950	3	13	53	-	69
Solaria Deustchland GmbH	Basler Strabe 115,79115 Freiburg im Breisgau	100%	-	27	25	-	(44)	-	(19)
Solaria Italia SRL	Largo F. Richini 6, Milan	100%	-	10	10	-	(49)	-	(39)
Solaria Francia SAS	Inmeuble Plaza 93, Rue de la Villete 69003, Lyon	100%	-	60	60	-	(13)	-	47
Sudero s.r.o.	Praha 1 klimentská 1216/46	10%	90%	1,234	8	1,198	(173)	-	1,033
L-Contact Cej s.r.o.	Praha 1 klimentská 1216/46	10%	90%	1,843	8	74	(69)	-	13
Solaria Stalldorf GmbH	Prinzregentenstr 11 Munchen	-	100%	27	27	-	-	-	27
Marche Energia S.r.l.	Via 6 Bocaccio 15/A, Milan	-	100%	1,660	10	-	-	-	10
Venusia S.r.l.	Piazzañe Accursio 14, Milan	-	50%	1,282	5	-	-	-	5
Solaria Brasil	Alameda Santos 2224,Conjunto 82, Sao Paulo	-	55%	180	161	4	(123)	-	42
TOTAL				**12,582**					

(**) Information included in the unaudited financial statements at 31 December 2009.
(*) Companies jointly controlled with third parties.

This Appendix forms an integral part of note 1 to the consolidated annual accounts, in conjunction with which it should be read.

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Appendix I

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
Information on Subsidiaries at
31 December 2010 and 2009
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

				Thousands of Euros					
					Carrying amount				
Investee	Tax offices	% direct ownership	% indirect ownership	Cost	Share capital	Reserves	Profit/(loss) for 2009 (*)	Prior years' losses	Total
Planta Solar Puertollano 3, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	10	-15	-	-2
Planta Solar Puertollano 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-5	-	-2
Planta Solar Puertollano 5, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 6, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	40	-18	-46	-21
Planta Solar Puertollano 7, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 8, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	50	-22.676	-22.623
Planta Solar Puertollano 9, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 10, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-20	-	-17
Planta FV 1, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 2, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 3, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 5, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 6, S.L.	C/ Princesa nº 2, Madrid	-	100%	3	3	-	-	-	3
Planta FV 7, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 8, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 9, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 10, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 11, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 12, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 13, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 14, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3

(**) Information included in the unaudited financial statements at 31 December 2009.
(*) Companies jointly controlled with third parties.

This Appendix forms an integral part of note 1 to the consolidated annual accounts, in conjunction with which it should be read.

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Appendix I

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
Information on Subsidiaries at
31 December 2010 and 2009
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

				Thousands of Euros					
					Carrying amount				
Investee	Tax offices	% direct ownership	% indirect ownership	Cost	Share capital	Reserves	Profit/(loss) for 2009 (*)	Prior years' losses	Total
Planta FV 15, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 16, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 17, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Planta FV 18, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Solaria Energía Generación Renovable, S.L.U.	C/ Princesa nº 2, Madrid	100%	-	1,228	1,228	-	(17)	-	1,211
Fondo Solaria Aleph FCR	Plaza de la Lealtad nº4, Madrid	-	50%	-	1,226	15	(43)	-	1,198
Elassona Solar Energía LLC	2 Mesogion Avenue, Athens	-	50%	-	149	-	(92)	-	57
Serre UTA, S.r.l	Cagliaria,Via Monastir snc. Italia	-	50%	-	5	-	-	-	5
Solaria Energía Proyectos Internacionales, S.L.U.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	-	-	3
Globasol Villanueva 1, S.L.	C/ Princesa nº 2, Madrid	100%	-	4,950	3	13	53		69
Solaria Deustchland GmbH	Basler Strabe 115,79115 Freiburg im Breisgau	100%	-	27	25	-	(44)	-	-19
Solaria Italia SRL	Largo F. Richini 6, Milan	100%	-	10	10	-	(49)	-	-39
Solaria Francia SAS	Inmeuble Plaza 93, Rue de la Villete 69003, Lyon	100%	-	60	60	-	(13)	-	47
TOTAL				**6,356**					

(**) Information included in the unaudited financial statements at 31 December 2009.
(*) Companies jointly controlled with third parties.

This Appendix forms an integral part of note 1 to the consolidated annual accounts, in conjunction with which it should be read.

Appendix II

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Details of the key indicators of Joint Ventures at 31 December 2010 and 2009

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

	Thousands of Euros					
	2010					
Name	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Expenses
Solaria Aleph FCR	453	16,372	7,503	-	204	337
Elassona Solar Energía, LLC	45	956	57	581	18	15
Serre UTA, s.r.l.	16,504	69	3,937	11,500	275	44
Solaria Brasil	18	70	9	-	16	191
	17,020	**14,470**	**11,497**	**12,081**	**513**	**587**

	Thousands of Euros					
	2009					
Name	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Expenses
Solaria Aleph FCR	1,163	5	12	-	-	30
Elassona Solar Energía, LLC	57	1,254	25	-	-	64
Serre UTA, s.r.l.	148	4,815	5,513	-	-	-
	1,368	**6,074**	**5,550**	**-**	**-**	**94**

This Appendix forms an integral part of note 4.3 to the consolidated annual accounts, in conjunction with which it should be read.

CONSOLIDATED DIRECTORS' REPORT
2010

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

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

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. The group formed in 2008 has continued to grow throughout 2009 and 2010.

At 31 December 2010 the Group is formed by the following companies:

Fully-owned subsidiaries - direct interests:

Planta Solar Puertollano 3, S.L.U., Planta Solar Puertollano 4, S.L.U., Planta Solar Puertollano 5, 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.

Fully-owned subsidiaries – indirect interests:

Globasol Villanueva 1, S.L., Planta Solar Puertollano 6, S.L.U., Solaria Stalldorf GmbH and Marche Energia, S.r.l.

90%-owned subsidiaries – indirect interests:

Sudero S.R.O. and L-Contact Cej. S.R.O. (the remaining 10% is owned through the Parent company).

50%-owned subsidiaries – direct interests:

Solaria Aleph Generación FCR, Elassona Solar Energía LLC, Serre UTA, S.r.l. and Venusia, S.r.l.

55%-owned subsidiaries – indirect interests:

Solaria Brasil-Comercializaçao Fornecimento Productos e Soluçoes Energeticas Ltda.

As in 2009, in 2010 there has been considerable movement in the Solaria Group's investment portfolio, reflecting the combined effect of the following factors: (i) the internationalisation of the lines of business that commercialise solar modules and carry out projects for the development and commercialisation of photovoltaic plants, and (ii) the extension of the sub-group specialised in power generation.

i. Solaria Energía Generación Renovable, S.L.U.:

The principal activity of this company, which was incorporated as "Planta FV 19 S.L.U" (FV 19) and changed its name to the present one in 2009, is the acquisition of interests in entities engaged in the development and operation of photovoltaic plants.

On 13 May 2010, this company acquired a 90% interest in the Czech company Sudero S.R.O., with the Parent company Solaria Energía y Medio Ambiente, S.A. purchasing the remaining 10%. Sudero, S.R.O. holds the necessary licenses, permits and authorisations for the development, construction and operation of a photovoltaic solar plant with a nominal capacity of 4.54 MWp located in the district of Benatky nad Jizerou (Czech Republic).

On 1 June 2010, this company acquired a 90% interest in the Czech company L-Contact Cej S.R.O., with the Parent company Solaria Energía y Medio Ambiente, S.A. purchasing the remaining 10%. L-Contact Cej, S.R.O. holds the necessary licenses, permits and authorisations for the development, construction and operation of a photovoltaic solar plant with a nominal capacity of 2.534 MWp located in the district of Cejetice (Czech Republic).

On 9 July 2010, this company acquired 100% of the shares of the Italian company Marche Energía, S.r.l., which holds the necessary licenses, permits and authorisations for the development, construction and operation of five photovoltaic solar plants with a total nominal capacity of 5 MWp located in the region of Marche (Italy).

With the objective of reorganising the shareholder structure of the Solaria Group, on 28 July 2010 the Parent company Solaria Energía y Medio Ambiente, S.A. increased the share capital of the subsidiary Solaria Energía Generación Renovable, S.L.U. through a non-monetary contribution of 100% of the shares of the subsidiary Globasol Villanueva 1, S.L.U., which owns a photovoltaic solar plant with a nominal capacity of 11 MWp in the municipal district of Villanueva de la Serena (Badajoz).

On 2 September 2010, this subsidiary acquired 100% of the shares of the German company Solaria Stalldorf Gmbh, which holds the necessary licenses, permits and authorisations for the development, construction and operation of a photovoltaic solar plant with a nominal capacity of 6.1 MWp located in the state of Bavaria (Germany).

With the same objective of reorganising the shareholder structure of the Solaria Group, on 29 December 2010 the Parent company Solaria Energía y Medio Ambiente, S.A. increased the share capital of the subsidiary Solaria Energía Generación Renovable, S.L.U. through a non-monetary contribution of 100% of the shares of the subsidiary Planta Solar Puertollano 6, S.L.U., which owns a photovoltaic solar plant with a nominal capacity of 9.9 MWp in the municipal district of Fuenmayor (La Rioja).

(ii) Fondo Solaria Aleph Generación F.C.R.:

This Fund was incorporated on 12 November 2009, jointly owned in equal amounts 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 period of three years commencing from its development. 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 has an investment potential amounting to a nominal installed capacity of up to 50MW.

The Fund signed a collaboration agreement with the Company whereby the latter is 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.

In 2009 the Fund acquired the Italian company Serre UTA, S.r.l., which built a rooftop solar installation that commenced power generation activity in 2010.

On 27 July 2010, the Fund acquired 100% of the shares of the Italian company Venusia, S.r.l. Venusia S.r.l. which owns the necessary licences, permits and authorisations for the development, construction and operation a photovoltaic solar plant with a nominal capacity of 8,026 MWp, located in the region of Lazio (Italy).

iii) Elassona LLC.:

In 2009 this 50%-owned investee was incorporated by the Solaria Group in Greece. Elassona LLC carries out its power generation activity through a plant with a nominal installed capacity of 400 kW.

iv) Solaria Energía Proyectos Internacionales, S.L.U.:

This company, originally incorporated as Planta FV 20, S.L., changed its name to the present one in 2009. Its statutory activity remains unchanged.

On 18 November 2009 the Parent company Solaria Energía y Medio Ambiente, S.A. signed a strategic agreement with the Chairman of the private group Fairway Logística e 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.

On 9 February 2010, Solaria Energía Proyectos Internacionales, S.L.U. acquired 55% of the shares of the Brazilian company Solaria Brasil-Comercializaçao Fornecimento Productos e Soluçoes Energeticas LTDA.

On 9 November 2010, Solaria Brasil signed an intention agreement with Companhia Energetica de Minas Gerais (CEMIG), the largest integrated electricity company in Brazil and listed on the Sao Paulo and New York stock exchanges. This collaboration, in which the Group will contribute its knowledge of photovoltaic technology and CEMIG its experience in the Brazilian energy market, will commence with a joint venture in 2011 to construct a 3 MW photovoltaic plant in the state of Minas Gerais, in what will be the largest network-connected photovoltaic energy installation in Brazil.

Internationalisation

In 2009 the Solaria Group set in motion an international expansion plan to break into new markets, incorporating the aforementioned international companies in Italy, Germany, France and Greece.

During 2010 the internationalisation process continued with the Group entering the Czech Republic and Brazil. At 31 December 2010 international revenues amounted to approximately 73% of total revenues, compared with 7% the prior year.

Parent company management considers that this expansion will continue over the next twelve months, estimating that the levels of revenue generated outside the Spanish market will increase in 2011. The primary targets of this sales drive will be, in addition to the aforementioned countries, Europe (UK, Belgium, Bulgaria, Romania and the Balkan states), ,America (Peru, Chile, Colombia and USA), Africa (Morocco and Algeria) and Asia (Saudi Arabia, Turkey, China and India, Israel).

Financial report

Revenues for the year total Euros 161 million, representing an 81% increase compared with the prior year and demonstrating the positive performance and future potential of the Solaria Group.

Module sales constituted the main component of turnover for 2010, amounting to Euros 109 million and representing approximately 67% of total sales. 76% of module sales for the year were made in Italy and Germany, demonstrating the international expansion of the Group. The projects line has also performed positively in terms of revenues, with a contribution of Euros 38 million from projects carried out in Italy. Power generation, with a contribution of Euros 14 million, temporarily occupies third place in the proportional distribution between lines of business. Taking into account that construction of photovoltaic plants with a capacity of approximately 25 MWp was completed in the last quarter of 2010 (including their connection and the allocation of tariffs), the revenues generated by this line of business can be expected to multiply in 2011.

The different programmes implemented to contain and optimise costs have enabled the Company to increase EBITDA by Euros 19 million and PBT by Euros 6 million compared with 2009, despite the global economic climate of stagnation and crisis.

Despite the exponential growth in manufacturing activity, required to cover the significant demand seen by the Group's lines of business, other operating expenses have remained in line with 2009 figures (increasing only 2%). Personnel expenses are up approximately 54% due to the considerable additional human resources required (the average headcount is up by 223 employees compared with 2009). At 31 December 2010 the Group's headcount totals 802 employees.

The depreciation/amortisation charge for 2010 amounts to approximately Euros 9 million, a direct consequence of the increase in the volume of fixed assets that entered into service during the year.

The net financial expense totals Euros 4 million, up approximately 2% compared with 2009. This figure is highly relevant taking into account the significance of the growth in activity and the investments made by the Group in 2010.

Both profit as a percentage of sales and profit as a percentage of total assets have increased significantly compared with the prior year (by 46% and 100%, respectively).

Non-current assets, which total Euros 224 million, have increased slightly compared to 2009. During 2010 the Group carried out investments in the purchase and development of the SAP integrated system, which will be implemented in the first few months of 2011.

At 31 December 2010 inventories amount to Euros 136 million due to the growth in activity which has increased the capacity of the Puertollano and Fuenmayor factories and the volume of assets relating to projects in progress and photovoltaic plants (with the latter two items totalling Euros 76 million). Notable in this regard are the vertical integration of the production processes and the improvement in the Group's cost structure.

At 31 December 2010 the Group presents working capital of Euros 86 million, compared with the Euros 41 million with which it closed the prior year, demonstrating the robustness of the Group's expansion process.

The level of leverage increased in 2010 as a result of the Group's efforts to carry out the aforementioned activities.

On 28 July 2010, Solaria Energía Medio Ambiente, S.A. contracted financing for its solar plant "Villanueva 11 MW", receiving Project Finance of Euros 26 million. This solar plant is subject to the tariff set forth in Royal Decree 661/2007 and was financed by Dexia Sabadell and Caixanova.

On 14 October 2010, the fund Solaria Aleph Generación F.C.R., which is 50%-owned by Solaria Energía Medio Ambiente, S.A., contracted financing for its solar plant "Sardinia 5.8 MW" (Serre Uta 1 Srl), receiving Project Finance of Euros 23 million. This solar plant, located in the Italian town of Uta (Cerdeña) is a greenhouse rooftop installation. This project was financed by Banca Infrastrutture e Sviluppo (BIIS) of the Intesa San Paolo Group.

On 14 October 2010, Solaria Energía Medio Ambiente, S.A. contracted financing for its two solar plants located in the Czech Republic, "N. Bohemia 4.5 MWp" (Sudero s.r.o.) and "S. Bohemia 2.5 MWp" (L-Contact Cej, s.r.o.), receiving Project Finance of CZK 588 million (approximately Euros 23.5 million). Both solar plants were financed by Ceskoslovenska Obchodni Banka, A.S. (CSOB).

Finally, and despite the distribution of dividends carried out by the Group to reward the trust shown by its shareholders, equity has increased by 1.4% compared with the figures for 2009.

Pursuant to the agreement by the shareholders at their annual general meeting held on 30 June 2010, the directors partially executed the fourth agreement adopted at the aforementioned meeting to return contributions made by the Parent company's shareholders with a charge to the share premium account, in an amount of two Euro cents per share. These reimbursements of contributions were made in 2010.

R&D activities

Technological innovation by the Group during 2010 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.

Own shares

At 31 December 2010, the Parent company Solaria Energía y Medio Ambiente, S.A. holds a total of 733,033 shares amounting to Euros 1,146 thousand. In 2009, 1,462,163 shares were held valued at Euros 5,016 thousand.
In accordance with the programme to repurchase Parent company shares, authorised by the shareholders at the general meeting held on 30 June 2010 and announced by the board of directors (at the meeting held on 29 July 2010), a total of 450,500 Parent company shares were acquired on the stock markets, as per the following details:

- 2 August: purchase of 15,000 shares at an average price of Euros 1.63 per share.
- 3 August: purchase of 7,798 shares at an average price of Euros 1.65 per share.
- 4 August: purchase of 18,000 shares at an average price of Euros 1.79 per share.
- 5 August: purchase of 18,202 shares at an average price of Euros 1.76 per share.
- 6 August: purchase of 13,000 shares at an average price of Euros 1.72 per share.
- 9 August: purchase of 15,000 shares at an average price of Euros 1.75 per share.
- 10 August: purchase of 16,000 shares at an average price of Euros 1.74 per share.
- 11 August: purchase of 18,500 shares at an average price of Euros 1.70 per share.
- 12 August: purchase of 15,587 shares at an average price of Euros 1.64 per share.
- 13 August: purchase of 12,913 shares at an average price of Euros 1.66 per share.
- 16 August: purchase of 15,800 shares at an average price of Euros 1.68 per share.
- 17 August: purchase of 16,954 shares at an average price of Euros 1.69 per share.
- 18 August: purchase of 20,224 shares at an average price of Euros 1.68 per share.
- 19 August: purchase of 6,361 shares at an average price of Euros 1.67 per share.
- 20 August: purchase of 15,661shares at an average price of Euros 1.68 per share.
- 30 August: purchase of 10,000 shares at an average price of Euros 1.59 per share.
- 31 August: purchase of 19,205 shares at an average price of Euros 1.60 per share.
- 1 September: purchase of 14,671 shares at an average price of Euros 1.62 per share.
- 2 September: purchase of 16,124 shares at an average price of Euros 1.63 per share.
- 3 September: purchase of 15,000 shares at an average price of Euros 1.64 per share.
- 20 September: purchase of 22,027 shares at an average price of Euros 1.63 per share.
- 21 September: purchase of 11,973 shares at an average price of Euros 1.63 per share.
- 22 September: purchase of 15,574 shares at an average price of Euros 1.63 per share.
- 23 September: purchase of 10,171 shares at an average price of Euros 1.62 per share.
- 24 September: purchase of 15,255 shares at an average price of Euros 1.64 per share.

- 27 September: purchase of 15,201 shares at an average price of Euros 1.63 per share.
- 28 September: purchase of 18,295 shares at an average price of Euros 1.62 per share.
- 29 September: purchase of 25,000 shares at an average price of Euros 1.57 per share.
- 30 September: purchase of 7,504 shares at an average price of Euros 1.57 per share.
- 1 October: purchase of 9,000 shares at an average price of 1.54 per share.

Pursuant to the agreement adopted by the shareholders of Solaria Energía y Medio Ambiente, S.A. at the ordinary general meeting held on 30 June 2010, the board of directors agreed to reduce the share capital of the Parent company by redeeming own shares. The corresponding deed recording the reduction in share capital was filed at the Mercantile Registry of Madrid on 14 September 2010. 1,440,635 own shares were redeemed, thereby reducing share capital in an amount of Euros 14,406.35, and giving rise to the redrafting of article 5 of the Company's articles of association, relating to share capital, which was valued at Euros 997,060.32, comprising 99,706,032 ordinary shares of a single series and with a par value of Euros 0.01 each, fully paid. The reduction in share capital was carried out with a charge to voluntary reserves and did not entail the reimbursement of any contributions, as the Parent company itself was the owner of the redeemed shares and the objective of the transaction was to redeem own shares.

Outlook for the Group

The Group 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 Group'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 Group 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 Group's market share in the photovoltaic solar sector.

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 reduction in tariffs for ground-level plants 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. The Group negotiates terms through its purchasing department 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 Group ensures its solvency and flexibility through non-current loans and available cash.

The Group has sufficient financing to meet all its obligations.

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.

The Group 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 Group'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 Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits by using derivatives to hedge currency risk and interest rate risk.

Risk management is controlled by the finance department of the Parent company. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units.

Risks related to financial instruments

a) Market risk

i) Currency risk

The Group operates internationally and is therefore exposed to currency risks when operating with foreign currencies, especially with regard to the US Dollar. Exchange rate risk arises from commercial transactions, mainly derived from purchases of foreign machinery and raw materials.

The finance department has established procedures which require hedging the currency risk of all operations carried out by the Group in foreign currency due in a period over 30 days, provided that this is recommended in light of the prevailing market conditions at the date of the transaction.

The non-Euro currency in which the Group currently operates is the US Dollar.

ii) *Price risk*

The Group is exposed to market price risk on raw materials. Management controls this risk by considering the market conditions prevailing at the date of the transaction and signing fixed-price contracts.

iii) Cash flow interest rate risk

As the Group 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 Group to cash flow interest rate risks. The Solaria Group contracts derivatives to hedge interest rate risk on loans with a variable interest rate. All of the Group's bank borrowings at variable interest rates are denominated in Euros.

The Group manages interest rate risks in cash flows through variable to fixed interest rate swaps. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates.

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

a) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and guarantees with banks and financial institutions, as well as customers, including outstanding receivables and committed transactions. With regard to banks and financial institutions, transactions are only performed with institutions with high credit ratings, taking into account past experience and other factors. When there is no independent assessment of the customer's credit rating, the finance department carries out an 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.

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 Parent company's finance department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

Management monitors cash forecasts for the Group 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.

Pursuant to articles 5 and 6 of its articles of association, at 31 December 2010 the share capital of Solaria Energía y Media Ambiente, S.A. amounts to Euros 9,971 thousand and is represented by 99,706,032 bearer shares with a par value of Euros 0.01 each, distributed as follows:

	2010		**2009**	
	Number of shares	**% of ownership**	**Number of shares**	**% of ownership**
DTL Corporación, S.L.	62,235,544	62.42	62,235,544	61.53
Own shares	733,033	0.74	1,462,163	1.45
Electronic trading system	36,737,485	36.84	37,448,960	37.02
Total	**99,706,032**	**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 Parent company shares at 2010 year end was Euros 1.45 (Euros 2.52 at 31 December 2009).

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 detailed above.

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

- It is the responsibility of the shareholders to establish the number of directors. This should either be decided 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 with 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 nomination 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 nor 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. 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 in the call 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 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:

FORMULATION OF THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2010

At their meeting held on 22 February 2011, 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 publication the consolidated annual accounts comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the consolidated notes thereto, as well as the Directors' Report for the year commenced 1 January 2010 and ended 31 December 2010. The consolidated annual accounts comprise the documents that precede this certification.

SIGNATORIES **SIGNATURE**

Mr. Enrique Díaz-Tejeiro Gutierrez
Chairman

Mr. Manuel Azpilicueta Ferrer
Director

Mr. Iñigo Sagardoy Simón
Director

Mr. José Arturo Díaz-Tejeiro Larrañaga
Director

Mr. Miguel Díaz-Tejeiro Larrañaga
Director

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