SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Annual Accounts and 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 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 annual accounts of Solaria Energía y Medio Ambiente, S.A. (the "Company"), which comprise the balance sheet at 31 December 2010, the income statement, the statement of changes in equity, the statement of cash flows for the year then ended and the notes thereto. In accordance with legislation governing financial information applicable to the entity (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein, preparation of the annual accounts is the responsibility of the Company's directors. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the 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 annual accounts for 2010 present fairly, in all material respects, the equity and financial position of Solaria Energía y Medio Ambiente, S.A. at 31 December 2010, and the results of its operations and its cash flows for the year then ended, in accordance with applicable legislation governing financial information and, in particular, with the accounting principles and criteria set forth therein.

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

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Carlos Peregrina García
Partner

22 February 2011

KPMG Auditores S.L., sociedad española de responsabilidad limitada, es una entidad afiliada a KPMG Europe LLP y firma miembro de la red KPMG de firmas independientes afiliadas a KPMG International Cooperative ("KPMG International"), sociedad suiza.

Inscrita en el Registro Oficial de Auditores de Cuentas con el nº.S0702, y en el Registro de Sociedades del Instituto de Censores Jurados de Cuentas con el nº.10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9, N.I.F. B-78510153

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

Informe de Auditoría de Cuentas Anuales

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

Hemos auditado las cuentas anuales de Solaria Energía y Medio Ambiente, S.A. (la "Sociedad") que comprenden el balance de situación al 31 de diciembre de 2010, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio anual terminado en dicha fecha. Los Administradores son responsables de la formulación de las cuentas anuales de la Sociedad, de acuerdo con el marco normativo de información financiera aplicable a la entidad (que se identifica en la nota 2 de la memoria adjunta) y, en particular, con los principios y criterios contables contenidos en el mismo. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales 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 y la evaluación de si su presentación, los principios y criterios contables utilizados y las estimaciones realizadas están de acuerdo con el marco normativo de información financiera que resulta de aplicación.

En nuestra opinión, las cuentas anuales del ejercicio 2010 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de Solaria Energía y Medio Ambiente, S.A. al 31 de diciembre de 2010 así como de los resultados de sus operaciones y de los flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación y, en particular, con los principios y criterios contables contenidos en el mismo.

El informe de gestión adjunto del ejercicio 2010 contiene las explicaciones que los Administradores consideran oportunas sobre la situación de Solaria Energía y Medio Ambiente, S.A., la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales del ejercicio 2010. Nuestro trabajo como auditores se limita a la verificación del informe de gestión 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.

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 01/11/01908
IMPORTE COLEGIAL: 90,00 EUR

Este informe está sujeto a la tasa aplicable establecida en la Ley 44/2002 de 22 de noviembre.

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Balance sheets
at 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.)

Assets	Note	2010	2009 (*)
Intangible assets	5	**2,333**	**1,376**
Development		1,216	1,238
Software		1,117	138
Property, plant and equipment	6	**81,805**	**181,730**
Land and buildings		44,300	44,799
Machinery		14,497	22,836
Technical installations		4,819	106,830
Other property, plant and equipment		1,135	958
Under construction and advances		17,054	6,307
Non-current investments in Group companies and associates		**118,769**	**6,356**
Equity instruments	9	15,841	6,356
Loans to Group companies	11	102,928	-
Investments	11	**88**	**124**
Trade and other receivables	12	**5,042**	**7,590**
Deferred tax assets	21	**14,497**	**15,800**
Total non-current assets		**222,534**	**212,976**
Inventories	14	**86,772**	**27,729**
Materials and other supplies		36,244	16,480
Finished products		50,517	11,249
Advances to suppliers		11	-
Trade and other receivables	12	**56,832**	**62,165**
Trade receivables		21,141	15,628
Group companies and associates		34,058	27,652
Other receivables		789	1,187
Public entities, other		11	-
Current tax assets		833	17,698
Current investments		**10,433**	**10,356**
Other financial assets	11	10,433	10,356
Investments in Group companies and associates	11	**12,551**	**-**
Prepayments for current assets		**383**	**844**
Cash and cash equivalents	15	**11,084**	**14,302**
Total current assets		**178,255**	**115,396**
Total assets		**400,789**	**328,372**

(*) *Restated figures*

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

Balance sheets
at 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.)

Liabilities and Equity	Note	2010	2009 (*)
Equity	**16**	**255,051**	**230,171**
Share capital		997	1,011
Share premium		219,911	221,939
Reserves		32,876	37,878
Legal		5,311	5,311
Other reserves		27,565	32,567
Own shares		(1,146)	(5,016)
Prior years' losses		(25,640)	(28,128)
Profit for the year		28,053	2,488
Valuation adjustments	**17**	**(71)**	**(198)**
Grants, donations and legacies received	**18**	**2,544**	**2,917**
Total equity		**257,524**	**232,890**
Non-current payables	**19**	**21,093**	**25,006**
Loans and borrowings		6,796	9,687
Finance lease payables		14,297	15,319
Non-current payables to Group companies		**5,217**	**-**
Deferred tax liabilities		**8,510**	**2,173**
Total non-current liabilities		**34,820**	**27,179**
Current payables		**42,060**	**44,516**
Loans and borrowings	19	36,743	38,205
Finance lease payables	19	1,030	992
Derivatives	13	1,941	2,105
Other financial liabilities		2,346	3,214
Trade and other payables	**20**	**66,268**	**23,787**
Suppliers		43,333	8,131
Suppliers, Group companies and associates		4,190	59
Other payables		8,148	5,999
Personnel		-	148
Public entities, other	21	1,733	586
Advances from customers		8,864	8,864
Accruals		**117**	**-**
Total current liabilities		**108,445**	**68,303**
Total equity and liabilities		**400,789**	**328,372**

(*) *Restated figures*

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

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Income Statements
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(*)
Revenues	22 (a)	**202,242**	**94,256**
Sales		192,330	73,254
Services rendered		9,912	21,002
Change in inventories of finished products and work in progress	14	**39,268**	**(130,513)**
Self-constructed non-current assets		**2,108**	**102,249**
Supplies	22 (b)	**(186,199)**	**(28,135)**
Raw materials and consumables used		(153,250)	(22,661)
Subcontracted work		(32,949)	(5,474)
Other operating income		**1,176**	**1,544**
Personnel expense	22 (d)	**(22,445)**	**(15,195)**
Wages and salaries		(18,081)	(12,285)
Employee benefits expense		(4,364)	(2,910)
Other operating expenses		**(12,998)**	**(14,884)**
External services		(10,823)	(9,561)
Local taxes		(65)	(268)
Losses, impairment and changes in trade provisions	10	-	(2,127)
Other administrative expenses		(2,110)	(2,928)
Depreciation and amortisation expense	5 and 6	**(7,862)**	**(4,292)**
Non-financial and other capital grants	22 (c)	**532**	**940**
Gains on disposal of fixed assets		**22,084**	**-**
Results from operating activities		**37,906**	**5,970**
Finance income		**1,557**	**290**
Dividends		785	-
Other investment income		772	290
Finance expenses		**(3,350)**	**(3,127)**
Group companies and associates		(2)	(3,127)
Other		(3,348)	-
Change in fair value of financial instruments	13	**(17)**	**(593)**
Exchange losses	22 (e)	**(409)**	**(392)**
Net finance expense		**(2,219)**	**(3,822)**
Profit before income tax		**35,687**	**2,148**
Income tax	21	(7,634)	340
Profit for the year from continuing operations		**28,053**	**2,488**
Profit for the year		**28,053**	**2,488**

(*) *Restated figures*

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

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

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.)

A) Statement of Recognised Income and Expense

	Note	2010	2009
Profit for the year		**28,053**	**2,488**
Income and expenses recognised directly in equity	13 and 17	**127**	**311**
Cash flow hedges		181	444
Tax effect		(54)	(133)
Income and expense recognised in the income statement	18	**(373)**	**(658)**
Grants, donations and legacies received		(532)	(940)
Tax effect		160	282
Total recognised income and expense		**27,807**	**2,141**

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

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

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.)

B) Statement of Total Changes in Equity

	Registered share capital	Share premium	Reserves	Own shares	Prior years' profit and loss	Profit/(loss) for the year	Valuation adjustments	Grants, donations and legacies received	Total
Balances at 1 January 2009 (*)	**1,011**	**221,939**	**41,171**	**(8,540)**	**-**	**(28,128)**	**(509)**	**3,575**	**230,519**
Application of 2008 loss	-	-	-	-	**(28,128)**	**28,128**	-	-	-
Operations with equity holders or owners									
Own shares redeemed	-	-	-	(2,738)	-	-	-	-	**(2,738)**
Own shares sold	-	-	(3,293)	6,262	-	-	-	-	**2,969**
Recognised income and expense for 2009	-	-	-	-	-	**2,488**	**311**	**(658)**	**2,141**
Balance at 31 December 2009	**1,011**	**221,939**	**37,878**	**(5,016)**	**(28,128)**	**2,488**	**(198)**	**2,917**	**232,890**
Recognised income and expense for 2010	**-**	**-**	**-**	**-**	**-**	**28,053**	**127**	**(373)**	**27,807**
Distribution of profit for 2009	-	-	-	-	2,488	(2,488)	-	-	-
Operations with equity holders or owners									
Capital reductions	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	(2,022)	-	-	-	-	-	-	**(2,022)**
Own shares redeemed	(14)	-	(5,002)	5,016	-	-	-	-	-
Own shares redeemed	-	(6)	-	(1,146)	-	-	-	-	**(1,152)**
Balance at 31 December 2010	**997**	**219,911**	**32,876**	**(1,146)**	**(25,640)**	**28,053**	**(71)**	**2,544**	**257,524**

(*) *Restated figures*

Solaria

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Statements of Cash Flows
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
Cash flows from operating activities			
Profit for the year before tax		**35,687**	**2,148**
Adjustments for:		**9,140**	**8,464**
Depreciation and amortisation expense		7,862	4,292
Recognition of grants		(532)	2,127
Finance income		(1,557)	(940)
Finance expenses		2,758	(290)
Change in fair value of financial instruments		609	3,127
Exchange gains/losses		-	148
Changes in operating assets and liabilities		**(23,957)**	**56,151**
Inventories		(57,910)	34,489
Trade and other receivables		1,030	61,013
Other current assets		(11,950)	(844)
Trade and other payables		45,788	(38,417)
Other current liabilities		(915)	(90)
Other cash flows from operating activities		**(385)**	**(3,939)**
Interest paid		(2,758)	(4,229)
Interest received		1,557	290
Other payments and collections		1,586	-
Cash flows from operating activities		**21,255**	**62,824**
Cash flows used in investing activities			
Payments for investments		**(18,516)**	**(34,365)**
Group companies and associates		(9,485)	-
Intangible assets		(1,298)	(1,649)
Property, plant and equipment		(7,733)	(14,825)
Non-current receivables		-	(7,590)
Other financial assets		-	(10,301)
Proceeds from sale of investments		**2,548**	**6,971**
Group companies and associates		-	6,566
Other financial assets		-	2
Non-current receivables		2,548	403
Cash flows used in investing activities		**(15,968)**	**(27,394)**
Cash flows from /(used in) financing activities			
Proceeds from and payments for equity instruments		**(1,146)**	**231**
Acquisition of own equity instruments		(1,146)	(7,442)
Sale of own equity instruments		-	7,673
Proceeds from and payments for financial liability instruments			
Issue of proceeds from and payments for deferred financial liability instruments		**(5,337)**	**(31,382)**
Loans and borrowings		(5,337)	(31,382)
Group companies and associates			
Redemption and repayment of		**-**	**(27)**
Loans and borrowings			(27)
Payments for dividends and remuneration of other equity instruments			
Dividends		(2,022)	
Cash flows from /(used in) financing activities		**(8,505)**	**(31,178)**
Effect of exchange rate fluctuations		-	-

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

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Statements of Cash Flows
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.)

Net increase/decrease in cash and cash equivalents	**(3,218)**	**4,252**
Cash and cash equivalents at beginning of year	**14,302**	**10,050**
Cash and cash equivalents at year end	**11,084**	**14,302**

Solaria

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

CONTENTS OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2010

Note		Page
1	Nature and Activities of the Company and Composition of the Group	1
2	Basis of Preparation	2
	2.1 Fair presentation	2
	2.2 Comparison of information	2
	2.3 Functional and presentation currency	3
	2.4 Relevant accounting estimates, assumptions and judgements used when applying accounting principles	3
3	Distribution of Profit	6
4	Significant Accounting Policies	6
	4.1 Foreign currency transactions, balances and cash flows	6
	4.2 Intangible assets	6
	4.3 Property, plant and equipment	7
	4.4 Impairment losses on non-financial assets subject to amortisation or depreciation	8
	4.5 Leases	9
	4.6 Financial assets	10
	4.7 Financial liabilities	12
	4.8 Hedge accounting	12
	4.9 Equity instruments held by the Company	13
	4.10 Inventories	13
	4.11 Cash and cash equivalents	14
	4.12 Grants	14
	4.13 Provisions	15
	4.14 Compensation for termination of employment	16
	4.15 Short-term employee benefits	16
	4.16 Income tax	16
	4.17 Recognition of revenue	18
	4.18 Classification of assets and liabilities as current and non-current	20
	4.19 Environment	21
	4.20 Related-party transactions	21
5	Intangible Assets	21
6	Property, Plant and Equipment	23
7	Operating Leases	25
8	Risk Management Policy	26
	8.1 Financial risk factors	26
	8.2 Equity management and debt ratios	29
9	Interests in Group companies and Jointly controlled Entities	30
10	Financial Assets by Category	33
11	Investments	34
12	Trade and Other Receivables	34
13	Derivative Financial Instruments	36
14	Inventories	39
15	Cash and Cash Equivalents	40
16	Equity	40
17	Valuation Adjustments	42
18	Grants	43
19	Loans and Borrowings	44
20	Trade and Other Payables	47
21	Taxation	47
22	Income and Expenses	50
23	Contingencies	52
24	Relevant Information regarding the Board of Directors and Senior Management	53
25	Other Related Party Transactions	54
26	Environmental Information	56
27	Auditors' Fees	56
28	Other Information	56
29	Subsequent Events	58
30	APPENDICES. Information on subsidiaries	59

Notes to the Annual Accounts
31 December 2010

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

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

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

Its statutory activity primarily consists of:

1. Installation and repair of solar, thermal, photovoltaic and wind energy plants, as well as any other type of renewable energy plant
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 2009 and 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.

As indicated in Appendices I and II, Solaria is the Parent company of a Group formed by 41 subsidiaries at 31 December 2010 (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. Consequently, Solaria is the Parent of a group of companies, as defined by prevailing legislation. The presentation of consolidated annual accounts is required by generally accepted accounting principles and standards, to present fairly the financial position of the Group and the results of its operations, changes in equity and cash flows.

On 21 February 2011 the Company's directors prepared the consolidated annual accounts of Solaria Energía y Medio Ambiente, S.A. and subsidiaries for 2010 which present consolidated profits of Euros 6,504 thousand and consolidated equity of Euros 232,393 thousand (consolidated profits of Euros 298 thousand and consolidated equity of Euros 229,258 thousand at 31 December 2009).

The Company is controlled by DTL Corporación, S.L. (see note 16), which has its registered offices in Madrid and is the ultimate Parent company. The consolidated annual accounts of DTL Corporación, S.L. for 2010 will be authorised for issue and filed at the Mercantile Registry of Madrid. The annual accounts for 2009 were approved on 30 June 2010 and presented consolidated profits of Euros 5,911 thousand and consolidated equity of Euros 271,225 thousand.

2. Basis of Preparation

2.1. Fair presentation

The annual accounts have been prepared based on the accounting records of the Company in the format established by prevailing Spanish legislation and the Spanish General Chart of Accounts, to present fairly the equity and financial position of the Company at 31 December 2010, as well as the results of its operations, changes in equity and the cash flows for the year then ended.

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

2.2. Comparison of information

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

Nevertheless, in 2007 the Company 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 Company'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 23) 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 balance sheets	Thousands of Euros	
	01/01/09	31/12/09
Assets		
Deferred tax assets	1,528	2,450
Inventories	7,572	4,499
Trade and other current receivables	(3,800)	(3,800)
	5,300	3,149
Liabilities and equity		
Other reserves	(3,564)	(5,715)
Trade and other current 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	-	922
Profit/(loss) for the year	-	(2,151)

2.3. Functional and presentation currency

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

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

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

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

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

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 annual accounts, are as follows:

a) Revenue recognition

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

b) Useful lives of property, plant and equipment

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

c) Warranties

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

d) Valuation allowance for trade receivables

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

e) Deferred tax assets

At 31 December 2010, the Company has recognised deferred tax assets amounting to Euros 14,497 thousand, of which Euros 5,214 thousand comprises tax credits and the remainder deductible temporary differences (see note 21).
At the aforementioned date, the Company has deferred tax liabilities totalling Euros 8,510 thousand. Determining the recoverable amount of these deferred tax assets requires the use of management estimates, which at the date of these annual accounts consider a recovery period of no more than three-to-five years.

f) Impairment of non-current assets

The Company 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 Company has consolidated a new sales structure through which to internationalise its sales, signing and carrying out contracts in Italy, the Czech Republic, Germany, Greece and Brazil, 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 approved 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.

3. Application of Loss/Distribution of Profit

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

The directors of the 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 2.2) be recorded as accumulated losses.

4. Significant Accounting Policies

4.1. Foreign currency transactions, balances and cash flows

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

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

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

4.2. Intangible assets

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

Research and development expenses

Expenditure on research is recognised as an expense when incurred.

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

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

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

Software

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

Software maintenance costs are charged as expenses when incurred.

4.3. Property, plant and equipment

Property, plant and equipment primarily comprise the technical installations and machinery necessary to manufacture the photovoltaic modules, as well as the photovoltaic solar plants owned and operated by the Company (see note 4.10).

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

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

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

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

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

The Company reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

Borrowing costs related to specific and general financing that are directly attributable to the acquisition, construction or production of property, plant and equipment which will not be available for use, capable of operating or available for sale for more than one year are included in the cost of the asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined as the actual borrowing costs incurred. Borrowing costs eligible for capitalisation corresponding to non-commercial general borrowing are calculated as the weighted average of the borrowing costs applicable to the borrowing of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset and the part financed using equity. The amount of borrowing costs capitalised cannot exceed the amount of borrowing costs incurred during that period.

The Company 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, or a component of the asset, for its intended use or for sale, and ceases capitalising borrowing costs when all or substantially all the activities necessary to prepare the qualifying asset or a component of the asset for its intended use are complete. However, the capitalisation of borrowing costs is discontinued whenever the Company's activities are suspended for a significant period of time.

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

Assets subject to amortisation or depreciation are tested for impairment whenever any event or change in circumstances indicates that the carrying amount may not be recoverable. An impairment loss is recognised when the carrying amount of an asset is higher than its recoverable amount, understood as the higher of the fair value of the asset less costs to sell and 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 Company 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 Company 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 income statement.

4.5. Leases

- **Lessee accounting records**

a) Finance leases

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

Finance leases are capitalised at the commencement of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments. 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 4.3.

Reasonable certainty exists that the 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 profit and loss on a straight-line basis over the term of the lease.

•**Lessor accounting records**

a) Operating leases

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

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

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

4.6. Financial assets

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

a) Financial assets at fair value through profit or loss

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

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

b) Loans and receivables

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

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

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

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

Investments in Group companies and jointly controlled entities are initially recognised at cost, which is equivalent to the fair value of the consideration paid, including for jointly controlled entities the transaction costs incurred, and are subsequently measured at cost net of any accumulated impairment losses. The cost of acquisition of investments in Group companies made before 1 January 2010 includes the transaction costs incurred.

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

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

d) Interest

Interest is recognised following the effective interest method.

e) Derecognition of financial assets

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

4.7. Financial liabilities

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

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

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

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

4.8. Hedge accounting

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

At 31 December 2010 and 2009 the Company has contracted interest rate hedges for loans received.

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

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

4.9. Equity instruments held by the Company

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

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

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

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

4.10. Inventories

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

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

4.11. Cash and cash equivalents

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

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

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

4.12. Grants

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

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

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

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

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

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

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

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

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

4.13. Provisions

Provisions are recognised when:

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

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

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

Provisions for warranties

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

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

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

4.14. Compensation for termination of employment

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

4.15. Short-term employee benefits

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

4.16. Income tax

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

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

Current and deferred tax is 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.

In 2010 Solaria Energía y Medio Ambiente, S.A. and its fully-owned Spanish subsidiaries began filing consolidated tax returns, with the Company registered as the Parent company of tax group 191/10 (see note 21).

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies forming the consolidated tax group:

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.

- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the deduction or tax credit.

Temporary differences deriving from eliminations of results between companies of the same tax group are recognised in the company which generated the result and valued using the tax rate applicable to that entity.

Tax losses are recognised as a credit by the companies that contribute the losses to the consolidated Group and as a debit by the companies that offset these losses. Where a tax loss cannot be offset by the other companies of the consolidated tax group, these tax credits for loss carryforwards are recognised as deferred tax assets using the applicable recognition criteria, considering the tax group as a taxable entity.

The Parent company of the tax group recognise the total consolidated income tax payable (recoverable) with a debit (credit) to receivables from (payables to) Group companies and associates.

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 at the date of the transaction, affects neither accounting profit nor taxable income.

Deductible temporary differences

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

Measurement

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

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

4.17. Recognition of revenue

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

(i)Sales of goods

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

(ii) Services rendered

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

Income and expenses are recognised on an accruals basis.

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. 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 Company commits to multi-item contracts (those including several implicit transactions), specific income recognition criteria is applied to each transaction.

Sales of goods

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

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

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

Services rendered

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

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

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

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

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

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered, 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 the balance sheet date when the outcome of the transaction can be estimated reliably. i.e., when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Company.

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

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

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

- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months of the balance sheet date or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting period, even if the original term was for a period longer than twelve months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting period and before the annual accounts are authorised for issue.

4.19. Environment

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

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

4.20. Related-party transactions

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

5. Intangible Assets

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

	2010			
	Development	**Software**	**Software under development**	**Other Total**
Cost at 1 January 2010	**1,495**	**170**	**-**	**1,665**
Additions	317	37	944	1,298
Disposals	-	(31)	-	**(31)**
Transfers	-	(130)	**130**	-
Cost at 31 December 2010	**1,812**	**46**	**1,074**	**2,932**
Accumulated amortisation at 01.01.10	(257)	(32)	-	(289)
Additions	(339)	(2)	-	(341)
Disposals	-	31	-	31
Accumulated amortisation at 31.12.10	(596)	(3)	-	(599)
Net carrying amount at 31.12.10	**1,216**	**43**	**1,074**	**2,333**

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

Additions to software in 2010 primarily reflect the purchase of the SAP program, which is scheduled for implementation during the first quarter of 2011.

During 2009 the Company 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 Company's continuing improvement in that it reduces manufacturing costs for photovoltaic modules. An additional Euros 317 thousand was capitalised in 2010.

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	Machinery	Other assets	Property, plant and equipment under construction	Total
Cost at 1 January 2010	**9,347**	**36,376**	**108,529**	**26,375**	**1,332**	**6,307**	**188,266**
Additions	-	685	1,037	2,274	385	3,356	7,737
Disposals	-	-	(104,749)	-	-	(798)	(105,547)
Transfers from inventories	-	-	1,133	-	-	-	1,133
Transfers	-	-	-	(8,189)	-	8,189	-
Cost at 31 December 2010	**9,347**	**37,061**	**5,950**	**20,460**	**1,717**	**17,054**	**91,589**
Accumulated depreciation at 1 January 2010	**-**	**(924)**	**(1,699)**	**(3,539)**	**(374)**	**-**	**(6,536)**
Additions	-	(1,184)	(3,708)	(2,424)	(208)	-	(7,524)
Disposals	-	-	4,276	-	-	-	4,276
Accumulated depreciation at 31 December 2010	**-**	**(2,108)**	**(1,131)**	**(5,963)**	**(582)**	**-**	**(9,784)**
Net carrying amount at 31 December 2010	**9,347**	**34,953**	**4,819**	**14,497**	**1,135**	**17,054**	**81,805**

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

a) General

In 2010 additions to machinery and property, plant and equipment under construction reflect the purchase of machinery for the module factory in Puertollano (Ciudad Real).

On 28 July 2010 the 11 MWp solar plant located in Villanueva de la Serena (Badajoz) was sold to the subsidiary Globasol Villanueva 1 S.L. for Euros 63,000 thousand. The total cost of this plant in the property, plant and equipment of the Company amounted to Euros 53,852 thousand and the corresponding accumulated depreciation to Euros 1,762 thousand. This transaction generated a profit of Euros 11,175 thousand.
On 29 December 2010 the 9.9 MWp solar plant located in Fuenmayor (La Rioja) was sold to the subsidiary Planta Solar Puertollano 6 S.L. This plant was classified under technical installations and property, plant and equipment under construction in an amount of Euros 50,897 thousand and Euros 798 thousand, respectively, while the corresponding accumulated depreciation amounted to Euros 2,527 thousand. The sale price was Euros 60,343 thousand and the transaction generated a profit of Euros 10,910 thousand.

Transfers of machinery to property, plant and equipment under construction reflect the investment made for the factory manufacturing photovoltaic solar cells during 2009 with the objective of starting it up in 2010 and having it functioning at full capacity by the end of that year. Due to several changes and improvements to the project, it has not yet been completed. Consequently, Euros 8,189 thousand of the aforementioned investment has been reclassified under property, plant and equipment under construction. At the end of 2010 a supply contract for machinery was signed to start up the factory in the second quarter of 2011.

Additions to technical installations in 2009 mainly related to panelling construction work at the 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 which the Company owns and equipped with modules manufactured by the Company, which have a capacity of approximately 2 MWp. Transfers to machinery comprised the new module manufacturing lines in Puertollano.

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

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

b) Insurance

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

c) Goods under finance leases

The vehicles, land, buildings and machinery of the Fuenmayor photovoltaic module factory acquired in 2008, have been contracted by the 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 land and buildings corresponding to this contract amount to Euros 16,500 thousand.

The most significant finance leases are detailed in note 19.

d) Capitalised borrowing costs

The Company 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. Operating Leases

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

a) The Company's head offices, owned by its main shareholder DTL Corporación, S.L., are located on calle Princesa (Madrid) and occupied by virtue of the lease contract signed on 1 July 2009 (see note 25).

b) The Company 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
	870	**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**

In 2009 the Company signed a contract to lease photovoltaic installations to subsidiaries (see note 25). These lease contracts are subject to annual renewal and the corresponding revenue, which is linked to the revenue deriving from the power generated by these plants, amounted to Euros 9,439 thousand and Euros 17,476 thousand in 2010 and 2009, respectively. During 2010 the two main photovoltaic plants were sold to subsidiaries (see note 6).

8. Risk Management Policy

8.1. Financial risk factors

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

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

a) Market risk

(i) Currency risk

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

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

The non-Euro currency in which Solaria 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

Solaria is exposed to market price risk of raw materials. Management manages 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 Company does not have a considerable amount of remunerated assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

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

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

At 31 December 2010 and 2009, and including the effect of contracted interest rate swaps, the debt structure of Solaria is as follows:

	Thousands of Euros	
	2010	**2009**
Fixed-interest rate payables	9,844	10,328
Variable-interest rate payables	49,023	53,874
Total	**58,867**	**64,202**

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

b) Credit risk

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

At 31 December 2010 and 2009 trade balances receivable from third parties:

	Thousands of Euros			
	From 0 to 90 days	**From 90 to 180 days**	**Over 180 days**	**Total debt**
Trade receivables, third parties (note 12)	5,589	454	20,140	**26,183**
Trade receivables, third parties 2009 (note 12)	15,628	-	7,590	**23,218**

At 31 December 2010 and 2009 receivables include a provision for impairment of Euros 3,127 thousand.

c) Liquidity risk

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

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

8.2. Equity management and debt ratios

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

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

Debt ratios at 31 December 2010 and 2009 are as follows:

	Thousands of Euros		
	Note	**2010**	**2009**
Borrowings	19	58,867	64,202
(-) Cash and cash equivalents	11 and 15	(11,084)	(14,302)
Net debt		47,783	49,900
Total equity		**257,524**	**232,890**
Debt/equity ratio		**19%**	**21%**

9. Interests in Group companies and Jointly controlled Entities

Movement in this caption during 2010 and 2009 has been as follows:

	Thousands of Euros							
Investee	**Balance at 01.01.09**	**Additions**	**Disposals**	**Balance at 31.12.09**	**Additions**	**Disposals**	**Transfers**	**Balance at 31.12.10**
Técnicas Ambientales del Norte, S.A.	303		(303)	-	-	-	-	-
Planta Solar Puertollano 1, S.L.	3	-	(3)	-	-	-	-	-
Planta Solar Puertollano 2, S.L.	3	-	(3)	-	-	-	-	-
Planta Solar Puertollano 3, S.L.	3	-	-	3	-	-	-	3
Planta Solar Puertollano 4, S.L.	3	-	-	3	-	-	-	3
Planta Solar Puertollano 5, S.L.	3	-	-	3	-	-	-	3
Planta Solar Puertollano 6, S.L.	3	-	-	3	-	-	(3)	-
Planta Solar Puertollano 7, S.L.	3	-	-	3	-	-	-	3
Planta Solar Puertollano 8, S.L.	3	-	-	3	-	-	-	3
Planta Solar Puertollano 9, S.L.	3	-	-	3	-	-	-	3
Planta Solar Puertollano 10, S.L.	3	-	-	3	-	-	-	3
Planta FV 1, S.L.	3	-	-	3	-	-	-	3
Planta FV 2, S.L.	3	-	-	3	-	-	-	3
Planta FV 3, S.L.	3	-	-	3	-	-	-	3
Planta FV 4, S.L.	3	-	-	3	-	-	-	3
Planta FV 5, S.L.	3	-	-	3	-	-	-	3
Planta FV 6, S.L.	3	-	-	3	-	-	-	3
Planta FV 7, S.L.	3	-	-	3	-	-	-	3
Planta FV 8, S.L.	3	-	-	3	-	-	-	3
Planta FV 9, S.L.	3	-	-	3	-	-	-	3
Planta FV 10, S.L.	3	-	-	3	-	-	-	3
Planta FV 11, S.L.	3	-	-	3	-	-	-	3
Planta FV 12, S.L.	3	-	-	3	-	-	-	3
Planta FV 13, S.L.	3	-	-	3	-	-	-	3
Planta FV 14, S.L.	3	-	-	3	-	-	-	3
Planta FV 15, S.L.	3	-	-	3	-	-	-	3
Planta FV 16, S.L.	3	-	-	3	-	-	-	3
Planta FV 17, S.L.	3	-	-	3	-	-	-	3
Planta FV 18, S.L.	3	-	-	3	-	-	-	3
Solaria Energía Generación Renovable S.L.	3	1,225	-	1,228	9,273	-	4,953	15,454
Solaria Energía Proyectos Internacionales S.L.	3	-	-	3	-	-	-	3
Magacela Solar 1, S.L.	4,850	1,401	(6,251)	-	-	-	-	-
Globasol Villanueva 1, S.L.	4,950	-	-	4,950	-	-	(4,950)	-
Alhama Solar, S.L.	2,729	-	(2,729)	-	-	-	-	-
Solaria Deutschland GmbH	-	27	-	27	-	-	-	27
Solaria Italia, S.R.L.	-	10	-	10	-	-	-	10
Solaria Francia, S.A.S.	-	60	-	60	-	-	-	60
Sudero S.R.O.	-	-	-	-	183	-	-	183
L- Contact Cej S.R.O.	-	-	-	-	29	-	-	29
TOTAL	**12,922**	**2,723**	**(9,289)**	**6,356**	**9,485**	**-**	**-**	**15,841**

During 2010, the main transactions relating to interests in subsidiaries were as follows:

- On 9 February 2010, Solaria Energía Proyectos Internacionales, S.L., a fully-owned subsidiary, acquired a 55% interest in the Brazilian company Solaria Brasil-Comercializaçao Fornecimento Productos e Soluçoes Energeticas LTDA.

- On 13 May 2010, the Company acquired a 10% interest in the Czech company Sudero s.r.o., while the remaining 90% was acquired by the subsidiary Solaria Energía Generación Renovable, S.L.U. Sudero, s.r.o. holds the necessary licences, 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 municipality of Benatky nad Jizerou (Czech Republic).

- On 1 June 2010, the Company acquired a 10% interest in the Czech company L-Contact Cej s.r.o., while the remaining 90% was purchased by the subsidiary Solaria Energía Generación Renovable, S.L.U. L-Contact Cej, s.r.o. holds the necessary licences, 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 municipality of Cejetice (Czech Republic).

- On 9 July 2010, the fully-owned subsidiary Solaria Energía Generación Renovable, S.L.U. acquired 100% of the shares of the Italian company Marche Energía, S.r.l., which owns the necessary licences, 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). The Company is the sole shareholder of Solaria Energía Generación Renovable, S.L.U.; the principal activity of which is the acquisition of shares in companies whose statutory activity is the development and operation of photovoltaic solar plants.

- On 27 June 2010 the venture capital fund Solaria Aleph, F.C.R., 50%-owned by the subsidiary Solaria Energía Generación Renovable, S.L.U., acquired 100% of the shares of the Italian company Venusia, S.r.l., which holds the necessary licences, permits and authorisations for the development, construction and operation of a photovoltaic solar plant with a nominal capacity of 8,026 MWp located in the region of Lazio (Italy).

- On 28 July 2010, the Company 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, the fully-owned subsidiary Solaria Energía Generación Renovable, S.L.U. acquired 100% of the shares of the German company Solaria Staldorf GmbH, which holds the necessary licences, permits and authorisations for the development, construction and operation of a photovoltaic solar plant with a nominal capacity of 6.1 MWp located in Bavaria (Germany).

- On 29 December 2010, the Company 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).

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Financial Assets by Category

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

		Thousands of Euros			
		2010		2009	
	Note	Non-current	Current	Non-current	Current
Loans and receivables					
Loans to Group companies	11	102,928	12,551	-	-
Other financial assets	11	88	10,433	124	10,356
Trade receivables		5,042	21,141	7,590	15,628
Trade receivables, Group companies	12	-	34,058	-	27,652
Other receivables	12	-	789	-	1,187
Total financial assets		**108,058**	**79,172**	7,714	**54,823**

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

Net gains and losses by category of financial asset comprise the impairment of receivables (Euros 2,127 thousand in 2009) and finance income at amortised cost (Euros 1,531 thousand in 2010 and Euros 290 thousand in 2009).

11. Investments

Details of investments are as follows:

	Thousands of Euros			
	2010		2009	
	Non-current	Current	Non-current	Current
Group				
Loans to companies (note 25)	102,928	12,551	-	-
Non-group				
Other financial assets	88	56	124	56
Bank deposits	-	10,377	-	10,300
	88	**10,443**	**124**	**10,356**
		note 10		**note 10**

Details of non-current loans to Group companies are as follows:

	Thousands of Euros		
	Original	31.12.2010	Maturity
Solaria Energía Generación Renovable, S.L.U.	39,454	39,454	2026
Solaria Energía Generación Renovable, S.L.U.	60,343	60,343	2027
Solaria Energía Generación Renovable, S.L.U.	2,855	2,855	2024
Solaria Energía Generación Renovable, S.L.U.	276	276	2014
	102,928	102,928	

These loans bear interest at Euribor plus a spread and are subject to market conditions.

Current loans to Group companies relate to a current account with the Group.

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

12. Trade and Other Receivables

Details of trade and other receivables are as follows:

		Thousands of Euros			
		2010		2009	
	Note	Non-current	Current	Non-current	Current
Trade receivables	8.1 and 10	5,042	21,141	7,590	15,628
Group companies and associates	10 and 25	-	34,058	-	27,652
Other receivables (note 10)	10	-	789	-	1,187
Public entities (note 21)	21	-	844	-	17,698
		5,042	**56,832**	**7,590**	**62,165**

Details of trade receivables are as follows:

	Thousands of Euros	
	2010	**2009**
Trade receivables for invoices pending issue	6,129	1,733
Trade receivables for withholdings on warranties	-	-
Trade receivables – discounted notes	**611**	**611**
Trade receivables	**22,570**	**24,001**
Impairment	**(3,127)**	**(3,127)**
	26,183	**23,218**

At 31 December 2010 and 2009, the amount recognised under trade receivables for invoices pending issue relates to work carried out on photovoltaic plant installation projects underway that are pending invoicing.

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

Non-current trade receivables comprise financing extended to a customer in the sale of several modules. 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
2 to 5 years	5,042	7,590
	7,809	**7,996**

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

	Thousands of Euros	
	2010	**2009**
Trade receivables, Group companies	57,074	50,328
Impairment	(22,676)	(22,676)
	34,398	**27,652**

At 31 December 2010 and 2009 "Trade receivables, Group companies" include balances of Euros 30,500 thousand and Euros 34,800, respectively, receivable from the Group company Planta Solar Puertollano 8, S.L. in respect of the return of a project commenced by the Company for a customer in 2007 and subsequently taken over by this Group subsidiary.

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

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

	Thousands of Euros			
	2010		2009	
	Trade receivables	Trade receivables, Group companies	Trade receivables	Trade receivables, Group companies
Balance at 1 January	3,127	22,676	1,000	22,676
Charges	(220)	-	2,127	-
Reversals	220	-	-	-
Balance at 31 December	**3,127**	**22,676**	**3,127**	**22,676**

According to internal Company policy, the provision for bad debts relates to balances which are past due by over six months and for which management considers recovery is not probable. Since 2009 the Company has improved the management of the collection of trade receivables.

At 31 December 2010 and 2009 the provision for bad debts from Group companies relates entirely to a part of the balance receivable from Planta Solar Puertollano 8. S.L.

13. 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	2009
	Liabilities	Liabilities
Fair value of non-hedging financial instruments		
Interest rate	(1,839)	(1,822)
	(1,839)	(1,822)
Fair value of hedging financial instruments		
Interest rate	(102)	(283)
	(102)	(283)
Total	**(1,941)**	**(2,105)**

Financial instruments which do not qualify for hedge accounting are classified as financial liabilities at fair value through profit or loss. The changes in the fair value of these financial instruments recognised in the income statement amount to Euros 17 thousand at 31 December 2010 (Euros 593 thousand in 2009). During 2010 the Company recognised Euros 592 thousand deriving from the settlement of the derivative in the income statement.

a) Interest rate hedges

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

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

The maturity dates for the derivative notional are as follows:

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

In order to hedge against interest rate fluctuations applicable to a Euros 6,000 thousand loan received (see note 17), the Group has contracted an interest rate hedge, the main characteristics of which are as follows:

- Initial notional amount: Euros 6,000 thousand
- Fixed rate payer: Solaria Energía y Medio Ambiente, S.A.
- Fixed rate: 4.63%
- Floating rate: 6-month Euribor

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 operation to hedge the Euros 6,000 thousand loan expired.

b) Foreign currency hedges

No 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 are as follows:

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

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

The maturity dates for the derivative notional are as follows:

	Thousands of Euros	
Year	**2010**	**2009**
2010	-	503
2011	931	896
2012	978	942
2013	1,028	991
2014 and thereafter	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.

14. Inventories

Details of inventories at 31 December 2010 and 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	30,838	4,807	**36,245**	600	9,620	6,260	**16,480**
Finished products	724	21,628	28,165	**50,517**	724	10,525	-	**11,249**
TOTAL	**1,324**	**52,466**	**32,972**	**86,762**	**1,324**	**20,145**	**6,260**	**27,729**

Raw material inventories are mainly cells, glass, aluminium and other materials required to manufacture photovoltaic modules. The Company has developed a specific marketing plan to free up and develop inventories of thermal raw materials and finished products for 2011, projected incrementally over a period of three years.

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

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 of this installation in inventories was Euros 26,122 thousand and its sales price, including the value of the investment in Alhama Solar, S.L. amounted to Euros 38,700 thousand.

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

- On 30 September 2009 the Company and 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 handed over the 10 MWp plant owned by Magacela Solar 1, S.L. to substitute the previously assigned plant located in La Rioja, which has similar characteristics and the same Euros 67,100 thousand price, which was recognised as revenue prior to 2009, following the percentage of completion method. The objective of this agreement was to hand over a fully operational plant and collect the outstanding amounts included in the aforementioned contract. 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) and Fuenmayor (La Rioja) were transferred from inventories to property, plant and equipment in an amount of Euros 102,248 thousand as 12 months had elapsed since their completion and it is Company policy to reclassify solar plants included under inventories when they have been completed.

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

15. Cash and Cash Equivalents

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

16. Equity

Share capital

At 31 December 2010 the share capital of Solaria Energía y Medio Ambiente, S.A. amounts to Euros 997 thousand represented by 99,706,032 bearer shares with a par value of Euros 0.01 each, subscribed and fully paid. At 31 December 2009 Company share capital amounted to Euros 1,011 thousand represented by 101,146,667 bearer shares of the same par value. The distribution of these shares for the two years is as follows:

	2010		2009	
	Number of shares	**Percentage ownership**	**Number of shares**	**Percentage 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	**99,706,062**	**100**	**101,146,667**	**100**

At the general meeting held on 30 June 2010 the Company's shareholders agreed to reduce share capital by Euros 14 thousand by redeeming 1,440,635 shares with a par value of Euros 0.01 each, comprising the total amount of own shares 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 2010 balance sheet date was Euros 1.45 (Euros 2.52 at 31 December 2009).

Own shares

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

	Thousands of Euros		
	Number	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)	4,30	(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 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 held 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 Company 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 are freely distributable except for the net amount of Euros 1,216 thousand recognised under development expenses at 31 December 2010.

As authorised by the shareholders at their 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.

17. Valuation Adjustments

During 2010 and 2009, changes in this caption have been 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	181
Tax effect	(54)
Balance at 31 December 2010	**(71)**

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

18. Grants

At 31 December 2010 details of outright grants included in the balance sheet under "Grants, donations and legacies received" are as follows:

Granting entity	Thousands of Euros	Objective	Concession date
IDAE (Spanish Institute for Energy Diversification and Saving)	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 of interest rate Caja Duero loan (i)	26.10.2004
IDAE (Spanish Institute for Energy Diversification and Saving)	38	Reduction of interest rate 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)	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		

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

	Thousands of Euros				
	Balance at 01.01.09	Recognition in income statement 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)	8
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)**	**3,635**
		(note 22 (c))		**(note 22 (c))**	

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

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

The grant awarded is currently subject to the following conditions:

- The Company should execute at least 10% of the eligible investment prior to 31 December 2005.
- Deadline for the whole investment: 31 December 2007.

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

In 2007, the Company extended a Euros 4,500 thousand guarantee (see note 28 (a)) to the Ministry of Industry, Tourism and Trade to cover collection of 85% of the total grant awarded. On 10 December 2007, the Company requested an advance of 85% of the total loan, availing of the Ministerial Order of 17 December 2001, which regulates the terms applying to grants awarded to business projects which generate employment. On 17 January 2008 the Company was awarded this advance payment, which was collected on 7 February 2008. At 31 December 2009 the remaining 15% was receivable. 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 issued 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. Loans and borrowings and balances payable to public entities

Details of these payables by institution at 31 December 2010 and 2009 are as follows:

	Thousands of Euros		
	2010		
Institution	Current	Non-current	Total
Loans and borrowings	2,659	6,246	8,905
Balances payable to public entities	144	550	694
Finance lease payables	1,030	14,297	15,327
Import facilities	33,940	-	33,941
Total at 31.12.10	**37,773**	**21,093**	**58,867**

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

All Company payables are in Euros.

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

The Company has contracted several financing facilities for the importation of production materials, and in particular photovoltaic cells. These facilities are negotiated to finance the expansion of Company production. At 31 December 2010 the available balance of the import facilities amounts to Euros 21,451 thousand (Euros 12,465 thousand at 31 December 2009).

Loans and borrowings

Bank loans and borrowings comprise loans which are largely earmarked for financing investment projects. The Company is required to maintain the financed investment in equity for at least 5 years after signing the contract. As a result of these projects, the Spanish Institute for Energy Diversification and Saving has extended the Company certain grants. The main loan contracts entered into by the Company and outstanding at 31 December 2010 and 31 December 2009 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
	Accrued interest payable	125	567	
		8,905	**11,872**	

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

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

Balances payable to public entities

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

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

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

Finance lease payables

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

This finance lease accrues interest at a 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	10,428	11,398
Future financial charge for finance leases	(5,116)	(5,900)
Present value of finance lease liabilities	**15,326**	**16,311**

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

	Thousands of Euros			
	2010			
Years	**Finance lease payables**	**Loans, public entities**	**Banks**	**Total**
Up to 1 year	1,030	144	36,600	37,774
Between 1 and 5 years	8,345	550	6,246	15,141
More than 5 years	5,952	-	-	5,952
Total at 31.12.10	**15,327**	**694**	**42,846**	**58,867**

	Thousands of Euros			
	2009			
Years	**Finance lease payables**	**Loans, public entities**	**Banks**	**Total**
Up to 1 year	991	144	38,061	39,196
Between 1 and 5 years	5,410	916	8,449	14,775
More than 5 years	9,910	-	321	10,231
Total at 31.12.09	**16,311**	**1,060**	**46,831**	**64,202**

20. Trade and Other Payables

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

	2010	**2009**
Suppliers	43,333	8,131
Suppliers, Group companies (note 25)	4,190	59
Other payables	8,148	5,999
Salaries payable	-	148
Advances from customers (note 2.2)	8,864	8,864
	64,535	**23,201**
Public entities, other	1,733	586
	66,268	**23,787**

Other payables at 31 December 2010 and 2009 comprise balances payable to suppliers of engineering and assembly work for solar plants.

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.

21. Taxation

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

The Company began filing consolidated tax returns in 2010 (see note 4.16).

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed At 31 December 2010 the Company has open to inspection by the taxation authorities all main applicable taxes since 1 January 2006.

The reconciliation between accounting profit for 2010 with the taxable income for the year is as follows:

	Thousands of Euros		
	2010		
	Income statement		
	Increases	Decreases	Net
Income and expenses for the period	28,053	-	28,053
Income tax	(7,634)	-	(7,634)
Profit before income tax	35,687	-	35,687
Permanent differences			
Individual company	27	-	27
Temporary differences:			
Individual company			
originating in current year	320	-	320
From consolidation adjustments:			
originating in current year	-	(21,977)	(21,977)
Offsetting of loss carryforwards	-	(14,058)	(14,058)
Taxable income/(Tax loss)			-

Details of the income tax expense related to profit for 2010 and 2009 are as follows:

	Thousands of Euros		
	2010		
	Profit and loss	Equity	Total
Income and expenses for the year before tax	35,687	(351)	35,337
Tax at 30%	10,706	(106)	10,600
Non-deductible expenses and others	105	-	105
Deductions and credits for the current year	(3,177)	-	3,177
Income tax expense	**7,634**	-	**7,528**

	Thousands of Euros		
	2009		
	Profit and loss	Equity	Total
Income and expenses for the year before tax	2,148	(214)	1,934
Tax at 30%	644	(64)	580
Non-deductible expenses	24	-	24
Deductions and credits for the current year	(1,008)	-	(1,008)
Recoverable tax	**(340)**	**(64)**	**(404)**

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 Company opted to apply accelerated depreciation rates to its new items of property, plant and equipment. The aforementioned law permits companies to apply accelerated depreciation rates provided that, during the 24 months following the start date of the taxation period in which the assets acquired entered into service, the total average headcount of the Company increases in comparison with the average for the prior 12 months, and that this increase is maintained during an additional 24 months. The items subject to accelerated depreciation amounted to Euros 3,329 thousand, generating the corresponding deferred tax balance.

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

	Thousands of Euros			
	Assets		Liabilities	
	2010	2009	2010	2009
Property, plant and equipment	-	-	(804)	(897)
Grants	-	-	(1,114)	(1,275)
Transactions with assets in consolidation	-	-	(6,592)	-
Hedging operations	30	85	-	-
Provisions for bad debts	6,803	6,803	-	-
Tax loss carryforwards SEMA, S.A.	923	5,454	-	-
Tax loss carryforwards SUBSIDIARIES	106	-	-	-
Deductions and credits	4,185	1,008	-	-
Others (note 2.2)	2,450	2,450	-	-
Total assets/liabilities	**14,497**	**15,800**	**(8,510)**	**(2,172)**

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

The Company has recognised certain tax credits in respect of tax loss carryforwards and deductions pending application. Details of these balances by the year in which they were originated, tax base and estimated recovery periods, are as follows:

		Thousands of Euros	
	Year originated	Amount (tax base)	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 tax declarations are filed, without prejudice to the taxation authorities' power 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 Company's directors consider it unlikely that there will be an outflow of resources that could significantly affect these annual accounts.

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

	Thousands of Euros			
	2010		**2009**	
	Debtor	**Creditor**	**Debtor**	**Creditor**
VAT	-	938	17.219	-
Personal income tax	-	241	40	298
Social Security	-	457	-	288
Tax withheld on interest	833	-	439	-
Other	11	97	-	-
	844	**1.733**	**17.698**	**586**
	note 12	note 20	note 12	note 20

22. Income and Expenses

a) Revenue

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

	Thousands of Euros					
	Domestic		Rest of Europe		Total	
	2010	2009	2010	2009	2010	2009
Revenue from the sale of photovoltaic modules	22,982	29,383	81,534	6,764	104,516	36,147
Revenue from the sale of solar plants	-	23,918	-	-	-	23,918
Revenue from turnkey contracts	-	-	84,193	7,550	84,193	7,550
Generation revenue	10,614	5,639	-	-	10,614	5,639
Other income	2,919	21,002	-	-	2,919	21,002
TOTAL	**36,515**	**79,942**	**165,727**	**14,314**	**202,242**	**94,256**

Generation revenue comprises revenue from leases and from the operation and maintenance services rendered to the plants of Globasol Villanueva S.L., Planta Solar Puertollano 6 S.L. and Planta Solar Puertollano 4 S.L.

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	173,015	24,401
Change in inventories	(19,765)	(1,740)
	153,250	**22,661**

c) Operating grants taken to income

During the year the Company has 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).

d) Personnel expense

Details of personnel expenses are as follows:

	Thousands of Euros	
	2010	2009
Salaries and wages	18,081	12,285
Employee benefits expense	4,364	2,910
	22,445	**15,195**

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

	Thousands of Euros	
	2010	**2009**
Engineers	44	28
Graduates	34	39
Factory personnel	637	438
	715	**505**

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

	Number			
	2010		**2009**	
	Female	**Male**	**Female**	**Male**
Directors	-	5	-	5
Engineers	6	38	4	17
Graduates	12	22	19	44
Factory personnel	200	437	158	241
	218	**502**	**181**	**307**

The Company has no pension or similar obligations with personnel.

e) Exchange gains/losses

	Thousands of Euros	
	2010	**2009**
Exchange gains	1,000	708
Exchange losses	(1,409)	(1,100)
	(409)	**(392)**

f) Foreign currency transactions

Transactions carried out in foreign currency (US dollars) during 2010 amounted to Euros 148 million (Euros 85 thousand in 2009).

23. Contingencies

Company management 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 Company 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. Appeal against the ruling on the 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 filed a counterclaim for breach of contract (see note 2.2).

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

The directors of the Company have accrued salaries and wages amounting to Euros 1,455 thousand in 2010 (Euros 1,704 thousand in 2009). The remuneration payable to the directors for their attendance at board meetings in 2010 totals Euros 450 thousand (Euros 483 thousand in 2009). The Company has not extended any advances or loans to members of the board of directors, nor has it undertaken any commitments to them in the form of pension plans, retirement benefits, life insurance policies or special termination benefits.

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

For the purposes of complying with article 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 Company's board of directors 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 ownership	Office or duties
Enrique Díaz-Tejeiro Gutiérrez	DTL Corporación, S.L	60%	Joint director
Arturo Díaz-Tejeiro Larrañaga	DTL Corporación, S.L.	20%	Joint representative
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 Company's directors nor related parties have carried out any transactions with the Company that were not ordinary business or at arm's length.

25. Other Related Party Transactions

Details of balances receivable from and payable to Group companies and related parties, including members of senior management and directors, and the main characteristics are disclosed in notes 12, 11 and 20. A grouping of these transactions is as follows:

	Thousands of Euros			
	2010			
	Parent company	Group companies	Related companies	Total
Loans to Group companies (note 11)	-	102,928	-	102,928
Trade and other receivables (note 12)	-	33,928	130	34,058
Current investments	-	9,500	-	9,500
Total assets	**-**	**146,356**	**130**	**146,486**
Payables to Group companies	-	5,217	-	5,217
Trade and other payables (note 20)	-	4,190	-	4,190
Total liabilities	**-**	**9,317**	**-**	**9,317**

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

Details of transactions carried out with related parties during 2010 and 2009 are as follows:

	Thousands of Euros			
	2010			
	Parent company	Group companies	Related companies	Total
Net sales and other revenues	-	52,668	351	53,019
Total revenues	**-**	**52,668**	**351**	**53,019**
Subcontracted work (third parties)	-	25,632	-	25,632
Leases	634	-	-	634
Total expenses	**634**	**25,632**	**-**	**26,266**

	Thousands of Euros			
	2009			
	Parent company	Group companies	Related companies	Total
Net sales and other revenues	6,221	24,429	-	30,650
Total revenues	**6,221**	**24,429**	**-**	**30,650**
Leases	412	-	-	412
Total expenses	**412**	**-**	**-**	**412**

In 2010 the Company transferred two solar plants to the Group companies Globasol Villanueva 1, S.L. and Planta Solar Puertollano 8, S.L. (see note 6).

The offices at calle Princesa, 2, Madrid, from which the Company carries out its operations and at which it has been registered since July 2009, are owned by DTL Corporación, S.L. The Company paid Euros 619 thousand for the rental of these offices in 2010 (Euros 412 thousand in 2009, including six months' rent for the offices on calle Velázquez, which are also owned by DTL Corporación, S.L.

During 2009 the Company signed a contract to sell a solar plant, together with the SPV owning the licences and permits to operate the plant, to its Parent company DTL Corporación, S.L., by virtue of the contract signed between the parties in December 2007, as explained in note 14. In 2009 invoices were issued for 100% of the special purpose vehicle owning the permits and licences for the aforementioned photovoltaic solar plant.

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

In 2009 the Company signed lease contracts for the photovoltaic installations operated by its power-generating subsidiaries. The Company owns the plants, while the subsidiaries own the related permits, licences and authorisations (see notes 4.6 and 7). By virtue of these contracts, the Company authorises the use of the plants by the following Group companies: Globasol Villanueva 1, S.L., Magacela Solar, S.L., Planta Solar Puertollano 3, S.L., Planta Solar Puertollano 4, S.L., Planta Solar Puertollano 6, S.L; and until the date of their sale, the companies: Técnicas Ambientales del Norte, S.L., Planta Solar Puertollano 1, S.L. and Planta Solar Puertollano 2, S.L. In addition to the lease of the plants, these contracts also include operating and maintenance services for the installations and administration and management services rendered to the subsidiaries. The Company invoiced Euros 9,439 thousand and Euros 17,476 thousand for these contracts in 2010 and 2009, respectively.

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

26. Environmental Information

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

During 2010 and 2009, the Company has not made any environmental investments nor has it incurred any expenses for the protection or improvement of the environment or considered it necessary to recognise any provision for liabilities and charges of an environmental nature as it has no contingencies relating to the protection or improvement of the environment and no environmental liabilities.

Consequently, the directors consider that no significant contingencies exist in relation to the protection and improvement of the environment, and therefore no provisions for environmental liabilities and charges were recognised in 2010 or 2009.

27. Auditors' Fees

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

KPMG Auditores, S.L. rendered professional services to the Company during the years ended 31 December 2010 and 2009, charging the following fees and expenses:

	Thousands of Euros	
	2010	**2009**
Audit services	115	100
Other services	8	25
	123	**125**

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

28. Other Information

a) Bank guarantees

The Company has contingent liabilities for bank and other guarantees relating to its normal business operations amounting to Euros 17,398 thousand at 31 December 2010 (Euros 38,612 thousand at 31 December 2009). Company management does not expect any significant liabilities to arise from these guarantees.

b) Warranties

i) Warranties for turnkey contracts.

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

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

ii) Operating and maintenance contract warranties

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

iii) Warranties included in module sale contracts

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

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

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

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

The Company considers that no liabilities will arise 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 (c)).

c) 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). 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.

This suspension was established for a total of 10 months.

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

d) Business segments

At 31 December 2010 and 2009, the Company's activity is divided among three main business segments:

(i) Segment 1 Photovoltaic

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

(ii) Segment 2 Generation

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

(iii) Segment 3 Projects

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

29. Subsequent Events

No significant events have occurred since 31 December 2010.

Solaria

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Information on subsidiaries at 31 December 2010

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

Investee	Tax addresses	% direct ownership	% indirect ownership	Thousands of Euros					
				Cost	Carrying amount (**)				
					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	-	-	(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	-	-	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
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

None of the Group companies in which the Company holds interests is listed on the stock exchange.
(**) Information on the unaudited financial statements at 31 December 2010.
(*) Companies jointly controlled with a third party in each case.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Information on subsidiaries at
31 December 2010
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Investee	Tax addresses	% direct ownership	% indirect ownership	Thousands of Euros					
					Carrying amount (**)				
				Cost	Share capital	Reserves	Profit/ (loss) for 2010 (*)	Prior years' losses	Total
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	-	100%	1.234	8	1.198	(173)	-	1.033
L-Contact Cej s.r.o.	Praha 1 klimentská 1216/46	-	100%	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	-	50%	180	161	4	(123)	-	42
TOTAL				**12.582**					

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

(**) Information on the unaudited financial statements at 31 December 2010.
(*) Companies jointly controlled with a third party in each case.

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

				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

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

(**) Information on the unaudited financial statements at 31 December 2009.
(*) Companies jointly controlled with a third party in each case.

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

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

				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, Milán	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**	**1.407**	**63**	**(78)**	**(22.722)**	**(21.330)**

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

(**) Information on the unaudited financial statements at 31 December 2009.
(*) Companies jointly controlled with a third party in each case.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

DIRECTORS' REPORT
FOR 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.)

Situation and 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 Solaria Energía y Medio Ambiente, S.A. (hereinafter the Company). 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., Sudero S.R.O., L-Contact Cej S.R.O., Stalldorf GmbH and Marche Energia, S.r.l.

50%-owned subsidiaries - direct interests:

Solaria Aleph Generación FCR, Elassona Solar Energía LLC and Solaria Brasil-Comercializaçao Fornecimento Productos e Soluçoes Energeticas Ltda.

50%-owned subsidiaries – indirect interests:

Serre UTA, S.r.l. and Venusia, S.r.l.

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 Company 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 Company 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 Company increased the share capital of its 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 Company increased the share capital of its 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 incorporation. 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 Company 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 Company 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 Company 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.

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 be maintained if not increased 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

Sales for the year total Euros 202 million, representing a 115% increase compared with the prior year and demonstrating the positive performance and future potential of the Company.

Module sales constituted the main component of turnover for 2010, amounting to Euros 109 million and representing approximately 54% of total sales. 76% of module sales for the year were made in Italy and Germany, demonstrating the international expansion of the Company. The projects line has also performed positively in terms of revenues, with a contribution of Euros 83 million from projects carried out in Italy and the Czech Republic. Power generation, with a contribution of Euros 10 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 12 million and PBT by Euros 32 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 Company's lines of business, other operating expenses have not increased by the same proportion. Personnel expenses are up approximately 48% due to the considerable additional human resources required (the average headcount is up by 210 employees compared with 2009). At 31 December 2010 the Company's headcount totals 785 employees.

The depreciation/amortisation charge for 2010 amounts to approximately Euros 8 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 2 million. This figure is highly relevant taking into account the significance of the growth in activity and the investments made by the Company in 2010.

Gains on the disposal of fixed assets amount to Euros 22 million at 31 December 2010, reflecting the profit generated on the sale of the Villanueva and Fuenmayor plants, which formed part of the shareholder reorganisation process within the Group.

Both profit as a percentage of sales and profit as a percentage of total assets have increased significantly compared with the prior year.

Non-current assets, which total Euros 221 million, show a slight increase compared to 2009. During 2010 the Company 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 83 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 28 million). Notable in this regard are the vertical integration of the production processes and the improvement in the Company's cost structure.

At 31 December 2010 the Company presents working capital of Euros 75 million, compared with the Euros 56 million with which it closed the prior year, demonstrating the robustness of the Company's expansion process.

The level of leverage increased in 2010 as a result of the Company'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 37.3 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 Company to reward the trust shown by its shareholders, equity has increased 10% 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 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 Company 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, Solaria Energía y Medio Ambiente, S.A. holds a total of 733,044 shares amounting to Euros 1,146 thousand. In 2009, the shares were valued at Euros 5,016 thousand.

In accordance with the programme to repurchase 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 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 Company itself was the owner of the redeemed shares and the objective of the transaction was to redeem own shares.

Outlook for the Company

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

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

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 for 2009 and the difficulty of obtaining financing. The decision to implement the aforementioned temporary workforce restructuring plan was due to the current state of the photovoltaic market.

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

Raw material price risk

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

Liquidity risk

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

The Company has sufficient financing to meet all its obligations.

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

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

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

Risks related to financial instruments

a) Market risk

i) Currency risk

The Company operates internationally and is therefore exposed to currency risks when operating with foreign currencies, especially with regard to the US Dollar. Currency risk is associated with commercial transactions, mainly for the purchase of foreign machinery and raw materials.
Financial management has established procedures which hedge against currency risk for transactions performed by the Company in foreign currency due in over 30 days, provided that this is recommended in light of the prevailing market conditions at the time of transaction.

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

ii) *Price risk*

The Company is exposed to market price risk of raw materials. Management manages 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 Company does not have a considerable amount of remunerated assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

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

The Company manages interest rate risks in cash flows through variable to fixed interest rate swaps when the terms of the agreements entered into make this advisable. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates.

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

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as trade receivables, including outstanding receivables and committed transactions. The Company only carries out transactions with banks and financial institutions of a recognised high quality and taking into account past experience and other factors. When there is no independent assessment of a customer's credit rating, the finance department carries out the evaluation, considering the financial position of the customer, past experience and other factors. The Company does not extend non-current loans to its customers except in very exceptional circumstances.

c) Liquidity risk

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

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

Information regarding article 116 bis of the Securities Market Act

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

In accordance with articles 5 and 6 of the Company's articles of association, the share capital of Solaria Energía y Media Ambiente, S.A. at 31 December 2010 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	**Percentage ownership**	**Number of shares**	**Percentage 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 Company shares at the close of 2010 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 appointments and remuneration committee in the case of independent directors, by the shareholders at their general meeting or by the board of directors in accordance with the Spanish Companies Act.

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

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

Re-election

- Before proposing the re-election of a director to the shareholders at their general meeting, the board of directors will evaluate, in the absence of the individual in

question, the quality of the work and the dedication to the position demonstrated by the candidate during the previous term.

Duration and co-optation

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

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

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

- Neither the directors 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:

AUTHORISATION OF THE 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 issue the annual accounts comprising the balance sheet, the income statement, the statement of changes in equity, the statement of cash flows and the notes thereto, as well as the Directors' Report for the year commenced 1 January 2010 and ended 31 December 2010. The annual accounts and directors' report comprise the documents that precede this certification.

SIGNATORIES **SIGNATURE**

Mr. Enrique Diaz-Tejeiro Gutierrez
Chairman

Mr. Manuel Azpilicueta Ferrer
Director

Mr. Iñigo Sagardoy Simón
Director

Mr. José Arturo Diaz-Tejeiro Larrañaga
Director

Mr. Miguel Diaz-Tejeiro Larrañaga
Director

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