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

Consolidated Annual Accounts and Consolidated Directors' Report
(Reissued on 29 May 2012)

31 December 2011

(With the Auditors' Report Thereon)

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

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

Consolidated Statements of Financial Position
at 31 December 2011 and 2010

(Expressed in thousands of Euros)

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

	Note	31/12/2011	31/12/2010
Assets			
Property, plant and equipment	6	200,107	200,010
Intangible assets	7	2,018	2,443
Deferred tax assets	20	-	16,893
Trade receivables	11	5,734	5,042
Other non-current financial assets	10	4,416	145
Total non-current assets		**212,275**	**224,533**
Current assets			
Inventories	13	79,362	135,662
Trade and other receivables	11	25,816	51,756
Other current financial assets	10	12,836	10,602
Other current assets		295	1,180
Cash and cash equivalents	14	8,936	18,914
Total current assets		**127,245**	**218,114**
TOTAL ASSETS		**339,520**	**442,647**

Solaria

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

Consolidated Statements of Financial Position
at 31 December 2011 and 2010

(Expressed in thousands of Euros)

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

	Note	31/12/2011	31/12/2010
Equity and Liabilities			
Share capital		997	997
Share premium		211,558	211,558
Other reserves		5,311	5,311
Own shares		(2,480)	(1,146)
Retained earnings		(83,607)	16,026
Other comprehensive income	16	(4,879)	(353)
Total equity	**15**	**126,900**	**232,393**
Non-current provisions	4.16	515	-
Debt with financial institutions	17	123,927	74,333
Other financial liabilities	18	3,103	3,634
Total non-current liabilities		**127,545**	**77,967**
Debt with financial institutions	17	21,206	57,155
Derivative financial instruments	12	7,672	2,345
Trade and other payables	19	55,122	72,670
Other current liabilities		1,075	117
Total current liabilities		**85,075**	**132,287**
TOTAL EQUITY AND LIABILITIES		**339,520**	**442,647**

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

Consolidated Income Statements
for the years ended
31 December 2011 and 2010

(Expressed in thousands of Euros)

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

	Note	2011	2010
CONTINUING OPERATIONS			
Revenues	21 (a)	111,169	161,335
Other income		570	1,396
Changes in inventories of finished goods and work in progress	13	(26,241)	88,157
Self-constructed non-current assets		-	2,095
Raw materials and consumables used	21 (b)	(82,288)	(197,964)
Impairment of raw materials and other	13	(2,646)	-
Personnel expenses	21 (c)	(19,036)	(23,468)
Amortisation and depreciation	6 and 7	(8,128)	(9,082)
Non-financial and other capital grants	21 (d)	532	532
Impairment and gains/(losses) on disposal of fixed assets	6	(22,076)	-
Impairment losses (reversed) on current assets	11	(5,393)	-
Other expenses	21 (c)	(17,932)	(14,034)
Net operating profit (loss)		**(71,469)**	**8,967**
Finance income	21 (f)	3,276	1,936
Finance expenses	21 (f)	(9,807)	(5,975)
Net finance expense		**(6,531)**	**(4,039)**
Profit/(loss) before tax from continuing operations		**(78,000)**	**4,928**
Income tax income	20	(18,320)	1,576
Profit/(loss) for the year of continuing activities		**(96,320)**	**6,504**
Profit/(loss) for the year		**(96,320)**	**6,504**
Attributable to:			
Equity holders of the parent	15	**(96,320)**	**6,504**
Basic and diluted earnings per share (Euros)	24	(0.97)	0.07

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

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2011 and 2010

(Expressed in thousands of Euros)

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

	Note	2011	2010
Profit/(loss) for the year		**(96,320)**	**6,504**
Other comprehensive income:			
Cash flow hedges	12 and 16	(5,776)	(223)
Tax effect		1,250	67
Total comprehensive income for the year		**(100,846)**	**6,349**
Total comprehensive income attributable to equity holders of the Parent		**(100,846)**	**6,349**

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

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2011 and 2010

(Expressed in thousands of Euros)

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

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

Consolidated Statements of Changes in Equity
for the years ended
31 December 2011 and 2010

(Expressed in thousands of Euros)

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

	Share capital	Share premium	Other reserves	Retained earnings	Own shares	Other comprehensive income	Total equity
Balances at 1 January 2010	**1,011**	**213,586**	**5,311**	**14,564**	**(5,016)**	**(198)**	**229,258**
Total comprehensive income for the year	-	-	-	6,504	-	(155)	6,349
Operations with equity holders or owners							
Distribution of dividends	-	(2,022)	-	-	-	-	(2,022)
Own shares acquired	-	(6)	-	-	(1,146)	-	(1,152)
Redemption of own shares	(14)	-	-	(5,002)	5,016	-	-
Other movements	-	-	-	(40)	-	-	(40)
Balances at 31 December 2010	**997**	**211,558**	**5,311**	**16,026**	**(1,146)**	**(353)**	**232,393**
Total comprehensive income for the year	-	-	-	(96,320)	-	(4,526)	(100,846)
Operations with equity holders or owners	-	-	-	(3,313)	(1,334)	-	(4,647)
Distribution of dividends	-	-	-	(3,442)	-	-	(3,442)
Own shares acquired	-	-	-	-	(1,601)	-	(1,601)
Own shares sold	-	-	-	119	267	-	386
Other movements	-	-	-	10	-	-	10
Balances at 31 December 2011	**997**	**211,558**	**5,311**	**(83,607)**	**(2,480)**	**(4,879)**	**126,900**

The accompanying consolidated notes form an integral part of the consolidated annual accounts for 2011.

Consolidated Statements of Cash Flows
for the years ended
31 December 2011 and 2010
(Expressed in thousands of Euros)

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

Cash flows from operating activities	2011	2010
Profit/(loss) for the year before taxes	**(78,000)**	**6,504**
Adjustments for:	**46,612**	**11,955**
Amortisation and depreciation	8,128	9,082
Recognition of grants	(532)	(532)
Impairment losses	23,697	-
Change in provisions	515	-
Finance income	(3,276)	(936)
Finance expenses	9,807	3,732
Change in fair value of financial instruments	449	609
Gains/losses on disposals of fixed assets	7,824	-
Income tax	-	(1,576)
Changes in operating assets and liabilities	**25,293**	**(69,164)**
Inventories	23,826	(105,582)
Trade and other receivables	20,098	(13,454)
Other current assets	(1,349)	159
Trade and other payables	(17,548)	49,283
Other current liabilities	958	430
Other non-current assets and liabilities	(692)	-
Other cash flows used in operating activities	**(6,531)**	**(943)**
Interest paid	(9,807)	(3,732)
Interest received	3,276	936
Other payments (collections)	-	1,853
Cash flows used in operating activities	**(12,626)**	**(53,224)**
Cash flows from investing activities		
	(5,723)	**(14,353)**
Acquisition of intangible assets	(97)	(1,377)
Acquisition of property, plant and equipment	(1,355)	(12,955)
Acquisition of other financial liabilities	(4,271)	(21)
	-	**2,548**
Non-current receivables	-	2,548
Cash flows used in investing activities	**(5,723)**	**(11,805)**
Cash flows from financing activities		
Payments for the acquisition of own shares and other equity instruments	(1,601)	(1,146)
Collections for the disposal of own shares and equity instruments	267	-
Issue of	**49,595**	**69,608**
Debt with financial institutions	49,595	69,608
Redemption and repayment of	**(36,448)**	**-**
Debt with financial institutions	(36,448)	-
Payments for dividends and remuneration for other equity instruments	(3,442)	(2,022)
Dividends	(3,442)	(2,022)
Net cash generated by financing activities	**8,371**	**66,440**
Net increase (decrease) in cash and cash equivalents	**(9,948)**	**1,411**
Cash and cash equivalents at 1 January 2011	**18,914**	**17,503**
Cash and cash equivalents at 31 December 2011	**8,936**	**18,914**

Solaria

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

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

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SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts
31 December 2011
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

1. Nature, Activities and Composition of the Group

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

Its statutory activity primarily consists of:

1. Installation and repair of solar, thermal, photovoltaic and wind energy plants, as well as any other type of renewable energy 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 2010 and 2011 was the production of photovoltaic modules for their sale to third parties and use in turnkey projects. These projects consist of designing and carrying out photovoltaic solar energy installations through contracts for the construction, installation and start-up of photovoltaic solar plants.

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

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

Solaria is the Parent of a Group formed by 44 subsidiaries at 31 December 2011 and 41 at 31 December 2010. Most of these subsidiaries are 100% owned by the Company, while the remaining companies are jointly owned with third parties. The statutory and principal activity of all Solaria Group companies is the operation of photovoltaic solar plants, both in Spain and the other countries where these are located. The information relating to investments in Group companies at 31 December 2011 and 2010 is presented in Appendix I to this note.

During 2011, the Group directly purchased 100% of the share capital of Sarener, S.L. and Ollastra Energia, S.r.l. (for amounts of Euros 3 thousand and Euros 10 thousand, respectively), and, through Solaria Aleph, F.C.R., indirectly acquired 100% of the share capital of Solar One, S.r.l., and Energia, S.r.l. (for amounts of Euros 5 thousand each).

During 2010, the Group acquired the total share capital of Sudero, s.r.o. (for Euros 1,234 thousand), L-Contact Cej s.r.o. (for Euros 1,843 thousand), Marche Energía S.r.l. (for Euros 1,660 thousand) and Solaria Stalldorf GmbH (for Euros 27 thousand). The Group also acquired a 55% interest in Solaria Brasil-Comercializaçao Fornecimento Productos e Soluçoes Energeticas LTDA (Solaria Brasil) for Euros 180 thousand, and, indirectly,

through El Fondo Solaria Aleph, F.C.R., a 50% interest in Venusia, S.r.l. for Euros 1,282 thousand.

During 2011 the Group sold its interest in Solaria Stalldorf GmbH to the principal shareholder DTL Corporación, S.L. for Euros 6,500 thousand (see note 25 (b)).

Also during 2011, Solaria Energia y Medio Ambiente, S.A. acquired the 100% interest in Solarpark Halle-Bruckford GmbH, and the subsidiary Solaria Energía Generación Renovable, S.L.U. purchased 100% of the shares of Solaria Thale GmbH and Solaria Thale Real Estate GmbH. On 30 December 2011 these three subsidiaries were sold to DTL Corporación, S.L., the principal shareholder of Solaria Energía y Medio Ambiente, S.A.

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

The Parent is controlled by DTL Corporación, S.L. (see note 15), which has its registered offices in Madrid and is the ultimate parent of the Group. The consolidated annual accounts of DTL Corporación, S.L. for 2011 will be authorised for issue and filed at the Mercantile Registry of Madrid. The consolidated annual accounts for 2010 were authorised for issue on 30 June 2011 and presented a consolidated profit of Euros 6,897 thousand and consolidated equity of Euros 265,358 thousand.

2. Basis of Presentation

2.1. Fair presentation

These reissued consolidated annual accounts have been prepared based on the accounting records of Solaria Energía y Medio Ambiente, S.A. and the consolidated entities in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with other applicable provisions of the regulatory framework relating to financial reporting to present fairly the consolidated equity and consolidated financial position of the Group at 31 December 2011, as well as the consolidated results of its operations and changes in consolidated equity and consolidated cash flows for the year then ended.

The directors of the Parent have reissued these consolidated annual accounts by making adjustments to the accounts authorised for issue on 30 March 2012 to include the following corrections:

	Thousands of Euros			
	Statement of Financial Position		Income statement	
	Debit	Credit	Debit	Credit
Non-recognition of tax credits (note 2(e))	(38,256)	-	38,256	-
Partial impairment of the cell factory (note 2.5(f))	(14,252)	-	14,252	-
Elimination of a sale between Group companies	-	-	11,078	(11,078)
Reduction of capitalised inventory costs	(2,600)	-	2,600	-

Recognition of derivatives	-	1,445	-	-
	(55,108)	**1,445**	**66,186**	**(11,078)**

The directors of the Parent consider that the consolidated annual accounts for 2011, reissued on 29 May 2012, will be approved with no changes by the shareholders at their annual general meeting.

2.2. Basis of preparation of the consolidated annual accounts

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

2.3 Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2011 include comparative figures for 2010, which formed part of the consolidated annual accounts approved by shareholders at the annual general meeting held on 17 May 2011.

2.4. Functional and presentation currency

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

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

In preparing the consolidated annual accounts under EU-IFRS, the directors of the Parent have made relevant estimates, assumptions and judgements in their application of the Group's accounting policies based on historical experience and other factors considered reasonable in light of the current circumstances and that constitute the basis for establishing the carrying amounts of assets and liabilities not easily determinable through other sources. The Company reviews its estimates on a continuous basis.

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

To efficiently manage the expansion of its activities, the Company strives to make continual improvements to its operating and financial systems and its procedures and

controls, to increase the efficiency of its production lines.

The strategy pursued by Solaria since the end of 2008 is enabling it to increase its capacity to generate revenues, both in the photovoltaic market and from the construction of solar plants.

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

a) Recognition of revenue

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

b) Useful lives of property, plant and equipment

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

c) Warranties

In accordance with usual sector practice, the Group extends warranties to both its module sale and turnkey project customers for a specified number of years. Taking into account the lack of significant claims on warranties to date, Group management has calculated the provisions for warranties based on relevant experience and on the percentage of errors arising from the effectiveness testing carried out on the modules produced to assess its commitments with regard to existing warranties. However, the directors of the Parent do not consider that the warranties extended will generate any significant liabilities (see note 26 (d)).

d) Valuation allowance for trade receivables

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

is based on analysis of historical bad debts.

e) Deferred tax assets

The Group has not recognised net deferred tax assets at 31 December 2011 (Euros 16,893 thousand at 31 December 2010). Due to the need to adopt conservative and prudent criteria, given the global economic crisis and the new Spanish and international photovoltaic market, deferred tax assets recognised in prior years have been adjusted and none have been recognised in 2011.

f) Impairment of non-current assets

The Group detected indications of impairment in some of its non-current assets, especially those relating to the module and cell production activity.

Management of the Parent therefore carried out impairment testing to verify whether it was necessary to recognise impairment allowances for non-current assets. To this end it used estimates and independent expert appraisals to determine the recoverable amount of the non-current assets of the factories that manufacture the photovoltaic modules and cells. The recoverable amount is the higher of fair value less costs to sell and value in use.

The Parent calculated the recoverable amount of photovoltaic module factories by discounting cash flows based on five-year projections in approved budgets. The flows take into consideration past experience and represent the best estimate of future market performance. From the fifth year cash flows are extrapolated using individual growth rates. The key assumptions employed to calculate the 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 the values and the impairment loss. No impairment was recognised as a result of these tests.

Based on appraisals by independent experts, the Parent calculated the recoverable amount of the cell factory as fair value less costs to sell, as it was not possible to calculate value in use because this factory has yet to begin operating. As a result of these calculations, at 31 December 2011 the Company has recognised a Euros 14,252 thousand provision for impairment of the non-current assets involved in the cell production activity (see note 6).

2.6. Going concern basis

The need to adopt conservative and prudent criteria, given the global economic crisis and the new Spanish and international photovoltaic market, has resulted in conservative adjustments to the value of assets. The Group has also drawn up an operating cost optimisation plan and new sales policy based on fully guaranteed sales and greater profitability, despite a decrease in industrial activities aimed at maintaining the Group's profitability ratios.

Direct consequences of these initiatives include i) the results reported at 31 December 2011; ii) the reduction in working capital compared with 31 December 2010; iii) the adverse impact on current cash, as the payment cycles of the Group's obligations are shorter than those to realise current assets, resulting in a decline in current financing; and iv) exceeding the average payment terms, leading to bilateral agreements with suppliers. Together with the current economic scenario, these circumstances point towards a degree of uncertainty which the Group aims to limit through a positioning strategy based on guaranteed revenues.

The Parent's directors have prepared these consolidated annual accounts for 2011 on a going concern basis, as they consider that the Group will generate sufficient future profits in the short and medium term to not only maintain but also improve its activities.

The Group has undertaken the following initiatives (and subsequent actions) as well as an ambitious business plan aimed at the Group's relaunch and adaptation to expected developments in the short and medium term within the sector:

- The Group's order book for the first half of 2012 has grown particularly significantly, due to consolidation in the European market, specifically Germany and Italy, where major distribution agreements have been signed for sales of equipment. This increase is the result of the Company's strategy implemented in 2011 to focus on the residential/commercial segment which, following the arrival of net metering, is expected to present sustained long-term growth.

- Negotiations are at an advanced stage for the development of a photovoltaic farm, representing an investment in excess of Euros 55 million. Construction is expected to begin in June 2012.

- Fostering of the turnkey projects development business in emerging markets, specifically Latin America and the Middle East, where double-digit growth is forecast for coming years. Solaria has already commenced its first project to construct a photovoltaic plant with CEMIG and negotiations are underway for a pipeline with a capacity exceeding 150 MW.

- The Group is in negotiations to sell certain completed developments with a view to rotating its assets so as to improve its cash flow position and be able to undertake new projects in the short term. One operation is expected to be completed by the end of June.

- Strategic partnerships may be embarked upon in generation and development activities, with a view to strengthening these divisions, and negotiations are expected to successfully conclude during 2012.

- Photovoltaic solar technology continues to advance in the global energy mix, with investments expected to surpass US Dollar 1 trillion over the next decade as a result of power grid balancing.

- Ongoing financial support of its main shareholder DTL Corporación, S.L.

- Awarding of grants. The Group has been awarded grants in prior years and expects to receive further grants from certain public entities in the short term.

- Prospects of obtaining and/or renewing credit facilities and other types of financing, such as those arranged under project finance contracts.

- Geographical diversity and negotiating power with customers and suppliers.

- Ability to reduce expenses without affecting Group activities. To efficiently manage the development and expansion of its activities, the Group strives to make continual improvements to its operating and financial systems and its procedures and controls, to increase the efficiency of its production lines.

2.7. Standards, amendments and interpretations effective from 1 January 2011 applicable to the accounts of the Group

None of the regulations that have entered into force since 1 January 2011 have had a significant impact on the consolidated annual accounts of the Solaria Group.

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

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

3. Distribution of Profit/Application of Losses of the Parent

At the general meeting held on 17 May 2011 the shareholders of the Parent agreed that Euros 3,442 thousand of the Euros 28,053 thousand profit for 2010 be distributed as dividends, whilst the remainder be used to offset prior years' losses.

The Parent's directors will propose to the shareholders that the Euros 92,052 thousand loss for 2011 be carried forward in full as prior years' losses.

4. Significant Accounting Principles

4.1. Subsidiaries

Subsidiaries are entities over which the Parent exercises control, either directly or indirectly, through subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control potential voting rights held by the Group or other entities that are exercisable or convertible at the end of each reporting period are considered.

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

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

Transactions and balances with group companies and unrealised gains or losses have been eliminated upon consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

Accounting policies of subsidiaries have been adapted to Group accounting policies, for like transactions and other events in similar circumstances.

The annual accounts or financial statements of the parent and its subsidiaries used in the consolidation process shall be prepared as of the same date and period.

4.2. Business combinations

The Solaria Group was incorporated in 2008. The Group has not acquired any businesses during 2011 and 2010.

4.3. Joint ventures

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

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

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

Details of jointly controlled entities are provided in Appendix I.

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

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

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

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

4.4. Foreign currency transactions, balances and cash flows

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

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

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

4.5. Property, plant and equipment

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

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

After initial recognition of the asset, only those costs which increase capacity or

productivity or lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit or loss as incurred.

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

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

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

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

The Group recognises borrowing costs directly attributable to the purchase, construction or production of qualifying assets as an increase in the value of these assets. Qualifying assets are those which require a period of one year before they can be used. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined as the actual borrowing costs incurred, less any investment income on the temporary investment of those funds. Capitalised borrowing costs corresponding to general borrowing are calculated by applying a weighted average interest rate to the investment in qualifying assets. Capitalised borrowing costs cannot exceed total borrowing costs incurred during that period. When determining borrowing costs eligible for capitalisation, adjustments to the carrying amount of financial liabilities corresponding to the effective portion of hedges entered into by the Group are considered.

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

4.6. Intangible assets

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

Research and development expenses

Expenditure on research is recognised as an expense when incurred. The costs incurred in development projects are recognised as intangible assets when the following requirements are met:

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

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

Computer software

Computer 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 five years.

Computer software maintenance costs are charged as expenses when incurred.

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

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation, to verify whether the carrying amount of these assets exceeds the recoverable amount. Consequently, an impairment loss is recognised when the carrying amount of an asset is higher than its recoverable amount, understood as the higher of the fair value of the asset less costs to sell and the value in use.

An asset's value in use is measured based on the future cash flows the Group expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in measuring the future cash flows the Group expects to derive from the asset.

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

The Group has calculated this recoverable amount based mainly on calculations of the value in use. These calculations use cash flow projections based on financial budgets covering a five-year period. Cash flows beyond this five-year period are extrapolated using a growth rate of 1%. The Group determines budgeted gross margins based on past experience and forecast market performance. 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. In certain cases, the recoverable amount has been calculated using the fair value obtained from independent experts.

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

4.8. Leases

- **Lessee accounting records**

a) Finance leases

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

Finance leases are capitalised at the commencement of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Interest is expensed using the effective interest method. Property, plant and equipment acquired under finance leases are subject to the same criteria as in note 4.5.

Reasonable certainty exists that the Parent will obtain ownership of the items acquired under finance leases at the end of the lease term.

b) Operating leases

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

4.9. Financial assets

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

a) Financial assets at fair value through profit or loss

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

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

b) Loans and receivables

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

Provision is made for impairment losses on trade receivables when objective evidence exists that the Group will not be able to collect all the amounts due under the original terms.

Indications that receivables are impaired include major financial difficulties for the debtor, the probability that the debtor will go into administration or require refinancing and defaults or arrears on payments. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the asset is reduced to the extent that the provision is applied and the loss is recognised in the income statement under impairment losses on current receivables. When a receivable is irrecoverable, an adjustment is made in the corresponding provision. Subsequent recoveries of previously derecognised amounts are recognised as credits under impairment losses on current receivables. Current receivables which have no established interest rate are measured at the amount on the original invoice when the effect of discounting is immaterial.

c) Interest

Interest is recognised following the effective interest method.

d) Derecognition of financial assets

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

4.10. Financial liabilities

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

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

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

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables in the consolidated statement of financial position until they have been settled, repaid or have expired.

4.11. Hedge accounting

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

At 31 December 2011 and 2010 the Group has contracted interest rate hedges for loans received.

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

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

4.12. Equity instruments held by the Parent

The Group's acquisition of equity instruments of the parent is recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in equity, irrespective of the reason for the purchase. Any gains or losses on transactions with own equity instruments are not recognised.

The subsequent redemption of parent shares, where applicable, 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 reserves.

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

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

4.13. Inventories

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

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

The photovoltaic solar plants owned by the Company are initially classified as inventories as the directors consider that they are usually earmarked for sale. In those cases in which the decision to operate a plant is made from the outset, it will be classified under fixed assets. However, if a photovoltaic solar plant held for sale has been in operation for more than one year and no sales contract or similar agreement has been reached with a third party, the Company's directors consider that as of that date the plant should be allocated for operation by the Company and therefore classified as an asset and depreciated.

4.14. Cash and cash equivalents

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

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

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the consolidated statement of financial position as financial liabilities from debt with financial institutions.

4.15. Grants

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

(i) Capital grants

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

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

(ii) Operating grants

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

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

(iii) Interest rate grants

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

4.16. Provisions

Provisions are recognised when:

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

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

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

During 2011 the Group recognised provisions totalling Euros 515 thousand, based on the best estimate of obligations relating to litigation and projects.

Provisions for warranties

The Group extends warranties to customers in the turnkey contracts for photovoltaic plants, operating and maintenance contracts and contracts for the sale of photovoltaic modules (see note 26 (d)).

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

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

4.17. Termination benefits

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

4.18. Short-term employee benefits

The Group recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events

and a reliable estimate of the obligation can be made. At 31 December 2011 and 2010 the Group is under no such obligation and therefore no provision has been made

4.19. Income tax

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

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

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

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

Taxable temporary differences

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

Deductible temporary differences

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

Measurement

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

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

4.20. Recognition of revenue

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

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

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

Income and expenses are recognised on an accruals basis.

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. Prompt payment and any other discounts, as well as the interest on the nominal amount of the consideration, are recognised as a reduction in revenues.

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

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

Sales of goods

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

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

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

Services rendered

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

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

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

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

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

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

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

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

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

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months of the end of the reporting period or are cash or a cash equivalent, unless the

assets may not be exchanged or used to settle a liability for at least twelve months from the end of the reporting period.

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

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

4.22. Environment

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

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

5. Segment Reporting

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

At 31 December 2011, the Group is organised into three main business segments:

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

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

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

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

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

The results for each Group segment are as follows:

	Thousands of Euros											
	Photovoltaic		**Projects**		**Generation**		**O&M**		**Other**		**Consolidated**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue from external customers:												
External sales	49,941	109,522	35,284	38,399	25,260	13,752	684	546	-	512	111,169	162,731
Total revenue from external customers	**49,941**	**109,522**	**35,284**	**38,399**	**25,260**	**13,752**	**684**	**546**	**-**	**512**	**111,169**	**162,731**
Amortisation and depreciation	(1,801)	(3,474)	-	-	(6,213)	(4,522)	-	-	(114)	(1,086)	(8,128)	(9,082)
Supplies	(61,396)	(80,934)	(47,354)	(27,476)	(1,939)	-	(486)	-	-	698	(111,175)	(107,712)
Other segment income and expenses	(27,326)	(22,364)	(23,279)	(3,087)	(7,461)	(298)	(464)	(121)	(4,805)	(11,100)	(63,335)	(36,970)
Results from operating activities	**(40,582)**	**2,750**	**(35,349)**	**7,836**	**9,647**	**8,932**	**(266)**	**425**	**(4,919)**	**(10,976)**	**(71,469)**	**8,967**
Net finance expense/income	(35)	-	(739)	-	(6,799)	-	-	-	1,042	-	(6,531)	(4,039)
Pre-tax segment profit or loss	**(40,617)**	**2,750**	**(36,088)**	**7,836**	**2,848**	**8,932**	**(266)**	**425**	**(3,877)**	**(10,976)**	**(78,000)**	**4,928**

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

	Thousands of Euros											
	Photovoltaic		Projects		Generation		O&M		Other		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Segment assets	**82,990**	**138,274**	**71,465**	**125,588**	**141,937**	**121,201**	**227**	252	**10,684**	**4,509**	**307,303**	**389,824**
Property, plant and equipment	60,932	79,621	-	-	135,950	119,917	-	-	5,243	2,825	202,125	202,363
Inventories	18,548	47,888	60,687	81,442	-	-	-	-	127	1,334	79,362	135,622
Trade and other receivables	3,510	10,765	10,778	44,146	5,987	1,285	227	252	5,314	350	25,816	56,798
Undistributed assets	-	-	-	-	-	-	-	-	32,217	60,242	32,217	60,242
Total assets	**82,990**	**138,274**	**71,465**	**125,588**	**141,937**	**121,201**	**227**	**252**	**42,901**	**64,751**	**339,520**	**450,066**

	Thousands of Euros											
	Photovoltaic		Projects		Generation		O&M		Other		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Segment liabilities	43,803	44,051	11,125	20,424	115,353	65,014	-	-	780	14,739	171,061	144,228
Undistributed liabilities	-	-	-	-	-	-	-	-	41,559	-	41,559	73,446
Total liabilities	**43,803**	**44,051**	**11,125**	**20,424**	**115,353**	**65,014**	**-**	**-**	**42,339**	**14,739**	**212,620**	**217,674**

Details of fixed assets by geographical location at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	2011	2010
Spain	170,485	199,058
Italy	28,259	7
Greece	1,032	1,037
Germany	1	2
Czech Republic	2,329	2,329
Brazil	16	17
France	3	3
	202,125	**202,463**

The assets located outside Spain at 31 December 2011 primarily comprise solar plants classified as inventories (see note 13) and a plot of land (see note 6).

Details of customers representing revenues exceeding 10% of the total amount at 31 December 2011 are as follows:

	Thousands of Euros
DTL Corporación. S.L	28,696

6. Property, Plant and Equipment

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

	2011					
	Land	**Buildings**	**Technical installations and machinery**	**Other property, plant and equipment**	**Property, plant and equipment under construction**	**Total**
Cost at 1 January 2011	**9,461**	**39,322**	**135,535**	**1,720**	**25,004**	**211,042**
Additions	-	50	488	12	3,172	**3,722**
Disposals	-	-	(2,223)	-	(7,855)	**(10,078)**
Transfers from inventories	-	-	28,424	-	-	**28,424**
Transfers	-	(12,972)	346	-	12,626	**-**
Cost at 31 December 2011	**9,461**	**26,400**	**162,570**	**1,732**	**32,947**	**233,110**
Accumulated depreciation at 1 January 2011	**-**	**(2,118)**	**(8,331)**	**(583)**	**-**	**(11,032)**
Additions	-	(1,199)	(6,289)	(231)	-	**(7,719)**
Accumulated depreciation at 31 December 2011	**-**	**(3,317)**	**(14,620)**	**(814)**	**-**	**(18,751)**
Impairment at 1 January 2011	**-**	**-**	**-**	**-**	**-**	**-**
Additions (note 2(f))	-	-	-	-	(14,252)	**(14,252)**
Impairment at 31 December 2011	**-**	**-**	**-**	**-**	**(14,252)**	**(14,252)**
Carrying amount at 31 December 2011	**9,461**	**23,083**	**147,950**	**918**	**18,695**	**200,107**

	2010					
	Land	**Buildings**	**Technical installations and machinery**	**Other property, plant and equipment**	**Property, plant and equipment under construction**	**Total**
Cost at 1 January 2010	**7,082**	**38,641**	**133,752**	**1,310**	**25,170**	**205,955**
Additions	2,379	681	5,556	410	2,558	**11,584**
Disposals	-	-	(4,647)	-	-	**(4,647)**
Transfers from inventories	-	-	1,133	-	-	**1,133**
Transfers to inventories	-	-	-	-	(2,983)	**(2,983)**
Transfers	-	-	(259)	-	259	**-**
Cost at 31 December 2010	**9,461**	**39,322**	**135,535**	**1,720**	**25,004**	**211,042**
Accumulated depreciation at 1 January 2010	**-**	**(934)**	**(5,288)**	**(375)**	**-**	**(6,597)**

Additions	-	(1,184)	(7,690)	(208)	-	**(9,082)**
Disposals	-	-	4,647	-	-	**4,647**
Accumulated depreciation at 31 December 2010	**-**	**(2,118)**	**(8,331)**	**(583)**	**-**	**(11,032)**
Carrying amount at 31 December 2010	**9,461**	**37,204**	**127,204**	**1,137**	**25,004**	**200,010**

a) General

During 2011 the Parent invested in machinery and property, plant and equipment under construction that primarily reflect the purchase of machinery for the module and solar cell-manufacturing factory in Puertollano.

Transfers from investments include the investment in four photovoltaic solar plants under lease contracts arranged in 2011 (see note 17).

Property, plant and equipment under construction at 31 December 2011 and 2010 basically reflect the Company's investments in the solar-cell factory.

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

At 31 December 2011, fully depreciated property, plant and equipment amount to Euros 485 thousand (Euros 0 at 31 December 2010).

b) Insurance

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

c) Goods under finance leases

The vehicles, land, buildings and machinery of the Fuenmayor photovoltaic module factory, machinery at the Puertollano solar-cell factory and four photovoltaic plants in Marche (Italy) have been contracted by the Group under finance leases. Details of the cost and accumulated depreciation of these assets are as follows:

	Thousands of Euros	
	2011	2010
Cost	33,803	16,788
Accumulated depreciation	(1,471)	(1,283)
	32,332	15,512

The most significant finance leases are detailed in note 17.

7. Intangible Assets

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

	2011				
	Development	**Industrial property**	**Computer software**	**Software under development**	**Total**
Cost at 1 January 2011	**1,812**	**109**	**45**	**1,076**	**3,042**
Additions	-	-	9	97	**106**
Disposals	-	(109)	(13)	-	**(122)**
Transfers	-	-	1,173	(1,173)	**-**
Cost at 31 December 2011	**1,812**	**-**	**1,214**	**-**	**3,026**
Accumulated depreciation at 1 January 2011	(596)	-	(3)	-	**(599)**
Additions	(346)	-	(65)	-	**(411)**
Disposals	-	-	2	-	**2**
Accumulated depreciation at 31/12/2011	(942)	-	(66)	-	**(1,008)**
Carrying amount at 31 December 2011	**870**	**-**	**1,148**	**-**	**2,018**

	2010				
	Development	**Industrial property**	**Computer software**	**Software under development**	**Total**
Cost at 1 January 2010	**1,495**	**1,593**	**170**	**-**	**3,258**
Additions	317	109	36	946	**1,408**
Disposals	-	-	(31)	-	**(31)**
Transfers	-	(1,593)	(130)	130	**(1,593)**
Cost at 31 December 2010	**1,812**	**109**	**45**	**1,076**	**3,042**
Accumulated depreciation at 1 January 2010	(257)	-	(32)	-	**(289)**
Additions	(339)	-	(2)	-	**(341)**
Disposals	-	-	31	-	**31**
Accumulated depreciation at 31/12/2010	(596)	-	(3)	-	**(599)**
Carrying amount at 31 December 2010	**1,216**	**109**	**42**	**1,076**	**2,443**

In 2010 additions to software primarily reflected the purchase of the SAP programme, which was implemented in 2011.

8. Operating Leases

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

1. The Parent occupies the head offices located on calle Princesa (Madrid) owned by its main shareholder DTL Corporación, S.L. by virtue of the lease contract signed on 1 July 2009 (see note 25).

2. The Group signed various operating lease contracts for company cars for managers in 2011 and 2010.

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

	Thousands of Euros	
	2011	**2010**
Head offices	550	619
Vehicles	270	251
Other	718	-
	1,538	**870**

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

	Thousands of Euros	
	2011	**2010**
Up to 1 year	1,335	870
Between 1 and 5 years	4,266	3,542
	5,601	**4,412**

9. Risk Management Policy

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

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

a) Market risk

i) Currency risk

The Group operates internationally and is therefore exposed to foreign currency risks, especially with regard to the US Dollar. Currency risk is associated with commercial transactions, mainly for the purchase of foreign machinery and raw materials. The Group has constructed photovoltaic plants in non-Euro countries. To minimise the currency risk of the in-flow generated, the Group has financed these plants with loans denominated in that currency.

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

The non-Euro currency in which the Group currently operates is the US Dollar. If at 31 December 2011 and 2010 the Euro had appreciated/depreciated by 5% compared with the US Dollar, the changes in profit or loss and equity at those dates would not have been significant.

ii) Price risk

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

iii) Cash flow interest rate risk

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

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

The Group manages interest rate risks in cash flows through variable to fixed interest rate swaps, where advisable in light of the contractual conditions. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates.

At 31 December 2011 and 2010 the Group's debt, including the effect of interest rate swaps contracted, is structured as follows:

	Thousands of Euros	
	2011	**2010**
Fixed-interest rate payables	63,440	51,484
Variable-interest rate payables	81,693	78,004
Total	**145,133**	**131,488**

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

b) Credit risk

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

At 31 December 2011 and 2010 trade balances receivable from third parties mature as follows:

	Thousands of Euros			
	From 0 to 90 days	**From 90 to 180 days**	**More than 180 days**	**Total debt**
Trade receivables, third parties 2011 (note 11)	6,180	8,553	5,845	**20,578**
Trade receivables, third parties 2010 (note 11)	5,589	454	20,140	**26,183**

At 31 December 2011 and 2010 receivables include a provision for impairment of Euros 8,520 thousand and Euros 3,127 thousand, respectively (see note 11).

Details of the ageing at 31 December 2011 and 2010 of receivables that are past due but unimpaired are as follows:

	Thousands of Euros	
	2011	2010
Less than three months	-	-
From three to six months	-	-
From six to 12 months	3,043	3,043
More than 1 year	2,599	6,984
	5,642	10,027

c) Liquidity risk

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

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

10. Other Financial Assets

Details of other financial assets are as follows:

	Thousands of Euros			
	2011		2010	
	Non-current	Current	Non-current	Current
Bank deposits	4,416	6,010	-	10,377
Current account with group companies (note 25(b))	-	6,747	-	99
Other financial assets	-	79	145	126
	4,416	**12,836**	**145**	**10,602**

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

11. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Thousands of Euros			
	2011		2010	
	Non-current	Current	Non-current	Current
Trade receivables	5,734	14,844	5,042	31,101
Trade receivables from group companies and associates (note 25 (b))	-	52	-	95
Other receivables	-	1,153	-	1,143
Public entities (note 20)	-	9,767	-	19,417
	5,734	**25,816**	**5,042**	**51,756**

Details of current trade receivables are as follows:

	Thousands of Euros	
	2011	**2010**
Trade receivables – discounted notes	286	610
Trade receivables	19,323	25,160
Trade receivables for invoices pending receipt	3,755	8,458
Impairment (note 9.b))	(8,520)	(3,127)
	14,844	**31,101**

At 31 December 2011 current receivables from third parties are largely for sales of photovoltaic solar modules.

At 31 December 2011, the amount recognised under trade receivables for invoices pending issue relates to work carried out on international photovoltaic plant installation projects underway that are pending invoicing.

Non-current trade receivables comprise financing extended to a customer in the sale of several modules. An agreement was reached with this customer in June 2009 for settlement of the outstanding balances through the direct collection by the Group of the amounts received for 66% of the photovoltaic installations based on the power generation of the plant in which the Parent 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	
	2011	**2010**
Less than 1 year	776	2,767
2 to 5 years	5,734	5,042
	6,510	**7,809**

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

	Thousands of Euros	
	2011	**2010**
Balance at 1 January	3,127	3,127
Charges	5,393	220
Reversals	-	(220)
Balance at 31 December	**8,520**	**3,127**

According to internal Group policy, the provision for bad debts relates to balances which are past due by over 6 months and for which management considers recoverability is not probable. Since 2009 the Company has improved the management of the collection of trade receivables.

12. Derivative Financial Instruments

Details of assets and liabilities from derivative financial instruments at 2011 and 2010 year end are as follows:

	Thousands of Euros	
	2011 Liabilities	2010 Liabilities
Fair value of non-hedging financial instruments		
- Interest rate	(1,390)	(1,839)
Fair value of hedging financial instruments		
- Interest rate	(6,282)	(506)
Total	**(7,672)**	**(2,345)**

Financial instruments which do not qualify for hedge accounting are classified as financial liabilities at fair value through consolidated profit or loss. The changes in the fair value of these financial instruments recognised in the consolidated income statement under finance income amount to gains of Euros 449 thousand (losses of Euros 609 thousand in 2010) (see note 21 (f)).

a) Interest rate swaps

- In order to hedge against fluctuations in the interest rate applicable to loans obtained for Euros 1,500 thousand and Euros 4,500 thousand, 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 derivatives are as follows:

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

This hedge matured on 11 December 2011.

- In order to hedge against interest rate fluctuations applicable to a Euros 5,142 thousand (CZK 126,000 thousand) loan received, the Group has contracted an interest rate hedge of which the main characteristics are as follows:

  - Initial notional amount: Euros 3,856 thousand (CZK 94,500 thousand).
  - Maturity date: 31 October 2024
  - Floating rate: 3-month Pribor
  - Fixed rate: 3.25%
  - The maturity dates for the derivatives are as follows:

	Thousands of Euros	
Year	**2011**	**2010**
2011	-	192
2012	187	204
2013	199	217
2014	211	231
2015	224	246
2016 and thereafter	2,823	2,619
	3,644	3,709

- In order to hedge against interest rate fluctuations applicable to a Euros 8,869 thousand (CZK 218,000 thousand) loan received, the Group has contracted an interest rate hedge of which the main characteristics are as follows:

  - Initial notional amount: Euros 6,651 thousand (CZK 163,500 thousand).
  - Maturity date: 31 October 2024
  - Floating rate: 3-month Pribor
  - Fixed rate: 3.125%

  - The maturity dates for the derivatives are as follows:

	Thousands of Euros	
Year	**2011**	**2010**
2011	-	333
2012	323	354
2013	344	376

2014	365	400
2015	388	426
2016 and thereafter	4,811	4,524
	6,231	**6,413**

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

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

- Initial notional amount: Euros 8,500 thousand
- Maturity date: 20 December 2023
- Interest rate: 3.2175%
- Maturity dates for the notional amounts of the derivative: every six months
- The maturity dates for the derivative are as follows:

	Thousands of Euros	
Year	**2011**	**2010**
2011	-	929
2012	1,106	1,106
2013	1,154	1,154
2014	1,203	1,204
2015	1,237	1,237
2016 and thereafter	16,413	16,413
	21,114	**22,043**

- In order to hedge against interest rate fluctuations applicable to a Euros 5,985 thousand loan received, the Group has contracted an interest rate hedge of which the main characteristics are as follows:

  - Initial notional amount: Euros 5,088 thousand
  - Maturity date: 20 June 2023

- Floating rate: 6-month Euribor
- Fixed rate: 3.735%
- The maturity dates for the derivatives are as follows:

	Thousands of Euros	
Year	**2011**	**2010**
2012	251	-
2013	263	-
2014	274	-
2015	282	-
2016 and thereafter	3,807	-
	4,877	-

- In order to hedge against interest rate fluctuations applicable to a Euros 11,212 thousand loan received, in 2011 the Group contracted an interest rate hedge of which the main characteristics are as follows:

  - Initial notional amount: Euros 11,212 thousand
  - Maturity date: 9 September 2021
  - Floating rate: 3-month Euribor
  - Fixed rate: 2.562%
  - The maturity dates for the derivatives are as follows:

	Thousands of Euros	
Year	**2011**	**2010**
2012	379	-
2013	400	-
2014	423	-
2015	447	-
2016 and thereafter	9,472	-
	11,121	-

- In order to hedge against interest rate fluctuations applicable to a Euros 20,000 loan received, in 2011 the Group contracted an interest rate hedge of which the main characteristics are as follows:

  - Initial notional amount: Euros 15,000 thousand
  - Maturity date: 20/12/2027
  - Interest rate: 3.615%
  - Maturity dates for the notional amounts of the derivative: every six months
  - The maturity dates for the derivatives are as follows:

	Thousands of Euros	
Year	**2011**	**2010**
2012	535	-
2013	573	-
2014	610	-
2015	650	-
2016 and thereafter	12,562	-
	14,930	-

- In order to hedge against interest rate fluctuations applicable to a Euros 23,000 thousand loan received, the Group has contracted an interest rate hedge of which the main characteristics are as follows:

  - Initial notional amount: Euros 18,400 thousand
  - Maturity date: 31 December 2026
  - Floating rate: 6-month Euribor
  - Fixed rate: 2.861%
  - The maturity dates for the derivatives are as follows:

	Thousands of Euros	
Year	**2011**	**2010**
2011	-	915
2012	838	838
2013	814	814
2014	852	852
2015	869	869
2016 and thereafter	14,112	14,112
	17,485	**18,400**

- In order to hedge against interest rate fluctuations applicable to a Euros 24,000 thousand loan received, the Group has contracted an interest rate hedge of which the main characteristics are as follows:

  - Initial notional amount: Euros 18,000 thousand
  - Maturity date: 30 June 2027
  - Floating rate: 6-month Euribor
  - Fixed rate: 3.82%
  - The maturity dates for the derivatives are as follows:

	Thousands of Euros	
Year	**2011**	**2010**

2011	-	-
2012	707	707
2013	723	723
2014	730	730
2015	750	750
2016 and thereafter	15,090	15,090
	18,000	**18,000**

b) Currency risk

No foreign currency hedges were contracted in 2011.

c) Derivatives which do not qualify for hedge accounting

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

- Initial notional amount: Euros 16,500 thousand
- Fixed rate: 4.985%
- Floating rate: 12-month Euribor with a floor of 4%.
- The maturity dates for the derivatives are as follows:

	Thousands of Euros	
Year	**2011**	**2010**
2011	-	931
2012	978	978
2013	1,028	1,028
2014	1,075	1,075
2015	1,117	1,117
2016 and thereafter	**10,062**	**10,062**
	14,260	**15,191**

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

13. Inventories

Details of inventories at 31 December 2011 and 2010 are as follows:

	Thousands of Euros							
	2011				2010			
	Thermal	Photovoltaic	Solar plants	Total	Thermal	Photovoltaic	Solar plants	Total
Raw materials and other supplies	846	8,722	1,104	**10,672**	600	24,820	1,714	**27,134**
Finished goods and work in progress	714	12,316	59,583	**72,613**	724	26,328	81,465	**108,517**
Impairment	(1,000)	(3,050)	-	**(4,050)**	-	-	-	-
TOTAL	**560**	**17,988**	**60,687**	**79,235**	**1,324**	**51,148**	**83,179**	**135,651**

Furthermore, advances to suppliers totalled Euros 127 thousand at 31 December 2011 (Euros 11 thousand at 31 December 2010).

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

At 31 December 2011 inventories of finished products comprise both modules and fully-constructed and operating solar plants that had not been sold at year end. Details of these solar plants at 31 December 2011 and 2010 are as follows:

	2011		2010	
Location	MW	Thousands of Euros	MW	Thousands of Euros
Italy	10.9	36,922	13.7	42,686
Spain	1	272	-	-
Czech Republic	7.1	18,666	7.1	18,139
Germany	-	-	6.4	16,254
	19	**55,860**	**27.2**	**77,079**

During 2011 the Group mainly made investments of Euros 4,428 thousand in two 1.7 MW photovoltaic solar plants located in Italy. The SPV which owns the licences and permits to operate these plants is Ollastra Energia S.r.l. The Group also completed the investment in seven photovoltaic plants with a capacity of 8.5 MW in Italy undertaken in 2010 for an amount of Euros 10,439 thousand. The SPVs which hold the licences and permits to operate these plants are Energia S.r.l. and Solar One, S.r.l. (indirect investees through Fondo Solaria Aleph, F.C.R.).
In 2011 the Group arranged an agreement to sell a photovoltaic plant of 6.4 MW in Germany to a then group company, Solaria Stalldorf GmbH (SPV owning the licences and permits to operate this plant) as well as a sale and lease back operation with certain Italian financial institutions for four photovoltaic solar plants with a capacity of 3.9 MW located in Italy. The costs associated with these transactions totalled Euros 16,254 thousand and Euros 10,439 thousand, respectively.

At 31 December 2011, the Group recorded provisions of Euros 2,646 thousand and Euros 1,404 thousand for impairment of raw materials and finished goods, respectively.

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

14. Cash and Cash Equivalents

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

15. Equity

Share capital

At 31 December 2011 and 2010, the subscribed and fully paid share capital of Solaria Energía y Medio Ambiente, S.A. amounts to Euros 997 thousand and is represented by 99,706,032 bearer shares with a par value of Euros 0.01 each, distributed as follows:

	2011		2010	
	Number of shares	**% of ownership**	**Number of shares**	**% of ownership**
DTL Corporación, S.L.	62,237,333	62.42	62,237,333	62.42
Own shares	1,487,283	1.49	733,033	0.74
Electronic trading system	35,981,416	36.09	36,735,666	36.84
Total	**99,706,032**	**100**	**99,706,032**	**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 own shares with a par value of Euros 0.01 each at that date.

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

The quoted price of Parent shares at 2011 year end was Euros 0.965 (Euros 1.45 at 31 December 2010).

The Group manages its capital with the aim of safeguarding the Company's capacity to continue operating as a going concern, enabling it to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital. To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, reimburse capital, or

increase or reduce debt, as required. Parent management monitors the capital structure based on the debt ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as the sum of financial borrowings less cash and cash equivalents. Equity is the sum of the share capital plus reserves, and non-distributed profits, as shown in the consolidated statement of financial position.

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

Debt ratios at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	2011	**2010**
Borrowings (note 17)	145,133	131,488
Less: Cash and cash equivalents (note 14)	(8,936)	(18,914)
Net debt	136,197	112,574
Total equity	**128,345**	**232,393**
Debt/equity ratio	**106%**	**48%**

Own shares

Changes to the portfolio of own shares during 2011 and 2010 are as follows:

	Number	**Average transaction price**	**Amount (thousands of Euros)**
Balance at 01/01/2010	1,440,635		5,016
Acquisitions	733,033	1.56	1,146
Redemptions	(1,440,635)	3.48	(5,016)
Balance at 31/12/2010	**733,033**		**1,146**
Acquisitions	913,313	1.75	1,601
Disposals	(159,063)	1.68	(267)
Balance at 31/12/2011	**1,487,283**		**2,480**

At the annual general meeting held on 30 June 2010 the Parent's shareholders' authorised the board of directors to purchase Parent shares within the limits established by law, rendering the previously extended authorisation null and void.

On 29 July 2010, the board of directors authorised a share repurchase programme pursuant to Commission Regulation (EC) no. 2273/2003 authorising a repurchase of shares up to a

maximum of 10% of outstanding shares. Under these premises the Group acquired a total of 733,033 own shares at 31 December 2010.

With a view to increasing share liquidity and providing additional remuneration to the Parent's shareholders, as authorised by the shareholders at their annual general meeting on 17 May 2011, at its meeting on 17 May 2011 the board of directors agreed to carry out an own share buy-back programme, as provided for by EC Regulation No 2273/2003 and article 146 and concurrent articles of the Spanish Companies Act. The own share buy-back programme will be carried out under the following terms:

- The Parent may acquire own shares equivalent to 10% of share capital in the programme, within the legally stipulated limit.

- The shares will be purchased at market prices in accordance with the price and volume conditions established in article 5 of Commission Regulation (EC) No. 2273/2003 and in the Company's Internal Code of Conduct on Matters related to the Securities Markets.
- The programme will be concluded on the day prior to the annual general meeting at which the Parent's shareholders approve the annual accounts for 2011, unless an announcement is made regarding a change to the term of the programme, in accordance with article 4 of Commission Regulation (EC) No. 2273/2003.
- In accordance with article 3 of Commission Regulation (EC) No. 2273/2003, it is hereby stated that the buy-back programme is aimed at reducing share capital, subsequent to the terms agreed by the Parent's shareholders at their annual general meeting. Nevertheless, any shares purchased may be earmarked for the Parent's duly approved share and share option delivery plans.

At 31 December 2011, the Parent has 1,487,283 shares amounting to Euros 2,480 thousand. In 2010 the shares were valued at Euros 1,146 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. At 31 December 2010 and 2011, the minimum amount required by law has been appropriated to this reserve.

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

Share Premium and Voluntary Reserves

The share premium and voluntary reserves of the Parent are freely distributable except for Euros 870 thousand recognised under development expenses at 31 December 2011 and provided that they do not reduce equity to an amount lower than share capital.

Dividends

Pursuant to the agreement by the shareholders at their annual general meeting held on 17 May 2011, a dividend was approved with a charge to profit for 2010. Consequently, two dividends totalling Euros 3,442 thousand were approved and distributed on 25 May 2011 and 3 October 2011.

Retained earnings

Details and movement during 2011 and 2010 are as follows:

	Thousands of Euros			
	Voluntary reserves	Other reserves	Profit/(loss) for the year	Total
Balances at 1 January 2010	**37,878**	**(23,611)**	**298**	**14,565**
Distribution of profit for 2009	-	298	(298)	-
Own shares redeemed	(5,002)	-	-	(5,002)
Other movements	(41)	-	-	(41)
Profit for 2010	-	-	6,504	6,504
Balances at 31 December 2010	**32,835**	**(23,313)**	**6,504**	**16,026**
Distribution of profit for 2010	-	6,504	(6,504)	-
Distribution of dividends	-	(3,442)	-	(3,442)
Own shares sold	119	-	-	119
Other movements	10	-	-	10
Loss for 2011	-	-	(96,320)	(96,320)
Balances at 31 December 2011	**32,964**	**(20,251)**	**(96,320)**	**(83,607)**

16. Other Comprehensive Income

During 2011 and 2010, changes in other comprehensive income were as follows:

	Thousands of Euros
	Cash flow hedges
Balance at 1 January 2010	**(198)**
Recognition in income statement	(221)
Tax effect	66
Balance at 31 December 2010	**(353)**
Recognition in income statement	(5,776)
Tax effect	1,250
Balance at 31 December 2011	**(4,879)**

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

17. Debt with Financial Institutions

Details of these liabilities at 31 December 2011 and 2010 are as follows:

	Thousands of Euros		
	2011		
Institution	**Current**	**Non-current**	**Total**
Debt with financial institutions	9,772	97,147	106,919
Balances payable to public entities	144	548	692
Finance lease payables	1,807	26,232	28,039
Import facilities	9,483	-	9,483
Total at 31/12/2011	**21,206**	**123,927**	**145,133**

	Thousands of Euros		
	2010		
Institution	**Current**	**Non-current**	**Total**
Debt with financial institutions	21,971	59. 486	81,457
Balances payable to public entities	144	550	694
Finance lease payables	1,030	14,297	15,327
Import facilities	34,010	-	34,010
Total at 31/12/2010	**57,155**	**74,333**	**131,488**

All Group payables are in Euros, except for the balances discussed in bank loans and borrowings.

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

The Group has contracted several financing facilities for the importation of production materials, and in particular photovoltaic cells. These facilities are negotiated to finance the expansion of Group production and have been drawn down in full.

Bank loans and borrowings:

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

The main loans and facilities contracted by the Group and outstanding at 31 December 2011 and 2010, expressed in thousands of Euros, are as follows:

		Amount of loan		
1	**Original**	**31.12.2011**	**31.12.2010**	**Maturity**
2	7,500	0	7,500	2011
3	1,800	0	389	2011
4	10,862	0	10,699	2011
5	1,756	1,133	0	2012
7	38	0	38	2011
8	53	53	0	2011
9	412	0	42	2011
10	2,786	2,786	0	2012
11	547	18	78	2012
12	1,500	321	535	2013
13	6,000	3,000	4,200	2014
14	1,000	846	0	2014
15	2,000	1,690	0	2014
16	500	458	0	2016
17	4500	3,214	3,536	2016
18	26,000	24,218	25,204	2026
19	5,985	5,542	0	2026
20	20,000	19,371	0	2027
21	6,110	4,684	6,110	2024
22	10,920	8,090	10,920	2024
23	581	523	581	2028
24	11,500	10,617	11,500	2028
25	12,000	11,372	0	2029
26	12,850	8,917	0	2029
	Accrued interest payable	66	125	
		106,919	**81,457**	

Loans 21 and 22 are denominated in Czech Korun and have been extended at a variable rate linked to the Euribor plus a spread. All other payables are denominated in Euros.

During 2011 and 2010 the Group entered into several project finance contracts. All "project finance" loans are subject to compliance with certain financial ratios and other conditions. In the event of non-compliance the financial institutions could request the early repayment of these loans. At 31 December 2011 the Group has fully complied with the terms of these loans. Additionally, project finance loans are secured with the plants they are extended to finance. Details of these loans and their main characteristics are as follows:

- Villanueva:

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

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

- Czech Republic:

  LContactCej

  On 14 October 2010, the Company signed a loan contract with a financial institution with a principal of CZK 171,000,000. Tranche A of this amount was earmarked to finance the construction of a photovoltaic solar plant, while tranche B (CZK 41,000 thousand) was allocated to finance the payment of the input VAT relating to the transaction. This financing had equivalent values of Euros 6,556 thousand and Euros 1,675 thousand, respectively. In 2011 an addendum to the loan agreement came into effect, reducing the amount of the loan to CZK 126,000,000.

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

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

- Sudero

  On 14 October 2010, the Company signed a loan contract with a financial institution with a principal of CZK 306,000,000. Tranche A of this amount was earmarked to finance the construction of a photovoltaic solar plant (see note 5), while tranche B (CZK 70,000 thousand) was allocated to finance the payment of the input VAT relating to the transaction. In 2011 an addendum to the loan agreement came into effect, reducing the amount of the loan to CZK 218,000,000.

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

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

- UTA

  On 15 September 2010 the Company signed a loan contract with a financial institution with a principal of Euros 23,000 thousand, earmarked to finance a photovoltaic solar

plant. This loan has a term of 20 years, three months and 15 days, falling due on 30 December 2029.

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

- Stalldorf

  On 14 April 2011, the Company contracted a loan from a financial institution with a principal of Euros 12,700 thousand, earmarked to finance the acquisition of a photovoltaic solar plant. This loan has a term of 18 years, 2 months and 16 days and falls due on 30 June 2029. This loan accrues interest at a fixed rate.

- Villanueva

  On 23 March 2011, the Company arranged an extension of Euros 26 thousand to a loan arranged in 2010 with a financial institution with a principal of Euros 5,985 thousand, earmarked to finance a photovoltaic solar plant. This loan has a term of 15 years, 8 months and 20 days and falls due on 20 December 2026.

  To hedge against the interest rate fluctuations relating to this loan, the Company contracted a interest rate hedging transaction (see note 12).

- Puertollano 6 solar plant

  On 7 July 2011, the Company contracted a loan from a financial institution with a principal of Euros 20,000 thousand, earmarked to finance the acquisition of a photovoltaic solar plant. This loan has a term of 16 years, 4 months and 13 days and falls due on 20 December 2027.

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

- Venusia

  On 15 March 2011, the Company contracted a loan from a financial institution with a principal of Euros 24,000 thousand, earmarked to finance the acquisition of a photovoltaic solar plant. This loan has a term of 18 years, 3 months and 15 days and falls due on 30 June 2029.

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

- Solar One and Energia

  On 2 August 2011, these companies contracted a loan from a financial institution with a principal of Euros 25,700 thousand, earmarked to finance the acquisition of a photovoltaic solar plant. This loan has a term of 18 years, 3 months and 29 days and falls due on 31 December 2029.

Details of future payments by maturity date including interest on debt with financial institutions at 31 December 2011 are as follows:

	Thousands of Euros	
	2011	**2010**
Up to 1 year	20,218	25,418
Between 1 and 5 years	26,085	48,578
More than 5 years	146,692	69,379
	192,994	**143,375**

Payables to public entities:

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

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

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

Finance lease payables

During 2008 the Parent contracted certain vehicles as well as land, buildings and machinery related to the Fuenmayor factory under a finance lease constituting the largest finance lease entered into by the Group at 31 December 2010 and 2009. This Euros 16,500 thousand contract was signed with Banco Popular on 28 March 2008 and has a 15-year term (see note 6). This lease accrues interest at the 1-year Euribor plus a spread, with a floor of 4%. Given that at the contract date the reference interest rate was higher than the interest rate floor in the contract, there is no need to separate the embedded derivative at that date.

In 2011 the Company contracted machinery relating to cell production at the Puertollano factory under a finance lease. This Euros 3,000 thousand contract was signed with Credit Agricole for a seven-year term (see note 6) and has a nominal interest rate of 4.8%.

On 2 September 2011, the subsidiary Marche Energia, S.r.l. arranged a finance lease with three financial institutions with a principal of Euros 11,212 thousand, earmarked to finance the acquisition of four photovoltaic solar plants. This lease has a term of 18 years, and expires on 1 September 2029. To hedge against the interest rate fluctuations relating to these loans, the Company contracted several interest rate hedging transactions (see note 12).

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	
	2011	**2010**
Up to 1 year	3,061	1,669
Between 1 and 5 years	15,308	8,345
More than 5 years	19,944	10,429
Future financial charges for finance leases	(10,274)	(5,116)
Present value of finance lease liabilities	**28,039**	**15,327**

Details of maturities of financial payables to banks and public entities at 31 December 2011 and 2010 are as follows:

	Thousands of Euros			
	2011			
Years	**Finance lease payables**	**Loans, public bodies**	**Banks**	**Total**
Up to 1 year	1,807	144	19,255	21,206
Between 1 and 5 years	10,243	548	24,304	35,095
More than 5 years	15,989	-	72,843	88,832
Total at 31/12/2011	**28,039**	**692**	**116,402**	**145,133**

	Thousands of Euros			
	2010			
Years	**Finance lease payables**	**Loans, public bodies**	**Banks**	**Total**
Up to 1 year	1,030	144	55,981	57,155

Between 1 and 5 years	5,622	550	23,952	30,124
More than 5 years	8,675	-	35,534	42,209
Total at 31/12/2010	**15,327**	**694**	**115,467**	**131,488**

18. Deferred Income

This caption comprises capital grants according to the following details:

Granting entity	Thousands of Euros	Purpose	Date awarded
IDAE (Spanish Institute for Energy Diversification and Saving)	124	Early repayment of the Caja Duero loan (i)	26.10.2004
Andalusian Innovation and Development Agency (IDEA)	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
Andalusian Innovation and Development Agency (IDEA)	29	Reduction rate of interest Caja Duero loan (i)	26.10.2004
Andalusian Innovation and Development Agency (IDEA)	38	Reduction rate of interest Caja Duero loan (ii)	14.04.2005
Ministry of Industry loan	91	Financing of property, plant and equipment and operating expense grants	26.07.2005
CDTI (Spanish Centre for the Development of Industrial Technology) (note 19)	52	Financing of property, plant and equipment and operating expense grants	29.04.2006
Ministry of Industry loan	131	Financing for personnel expenses	09.01.2007
	5,175		

The amounts and movement in the accounts included under this caption during 2011 and 2010 are as follows:

	Thousands of Euros				
	Balance at 01/01/2010	**Recognition in income statement for 2010**	**Balance at 31/12/2010**	**Recognition in income statement for 2011**	**Balance at 31/12/2011**
IDAE (Spanish Institute for Energy Diversification and Saving)	58	(19)	39	(19)	20
IDAE (Spanish Institute for Energy Diversification and Saving)	86	(19)	67	(19)	48
Ministry of Industry	3,706	(433)	3,273	(436)	2,837
IDAE (Spanish Institute for Energy Diversification and Saving)	7	(5)	2	(2)	-
IDAE (Spanish Institute for Energy Diversification and Saving)	12	(4)	8	(4)	4
Ministry of Industry loan	129	(22)	107	(22)	85
Ministry of Industry loan	51	(9)	42	(9)	33
CDTI (Spanish Centre for the Development of Industrial Technology)	26	(7)	19	(7)	12
Ministry of Industry loan	92	(14)	78	(14)	64
	4,167	**(532)**	**3,635**	**(532)**	**3,103**

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

On 17 January 2006, the Ministry of Industry, Tourism and Trade notified the Parent 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 five years.
- At least 25% of the eligible investment should be financed by the Company, which should provide evidence of this funding in the documentation supporting the investment.
- The eligible project should maintain the workforce existing at the date of the grant request and, prior to 28 February 2008, generate ninety jobs which should be maintained until 28 February 2011.

In 2007, the Parent extended a Euros 4,500 thousand guarantee (see note 26 (c)) to the Ministry of Industry, Tourism and Trade to cover collection of 85% of the total grant awarded. On 10 December 2007, the Parent requested an advance of 85% of the total loan, availing of the Ministerial Order of 17 December 2001, which regulates the terms applying

to grants awarded to business projects which generate employment. On 17 January 2008 the Parent was awarded this advance payment, which was collected on 7 February 2008, with the remaining 15% left outstanding at 31 December 2009. This balance was collected in 2010.

At the beginning of February 2010, the Company was informed it had been awarded an outright grant of approximately Euros 12 million as part of the Miner plan for 2009. These grants have been earmarked to create jobs and invest in improvements to the factories which manufacture photovoltaic modules and cells in Puertollano (Ciudad Real). The final terms of the grant were announced on 10 March 2010 and accepted on 18 March 2010. The terms of payment of the grant are subject to the completion of the project, understood as the execution of the investment, the payment of the amounts invested, the provision of evidence supporting the level of self-financing, the creation of the jobs committed and the signing of the corresponding verification certification. The amount of the grant equals 30% of the foreseen investments for 2011, 2012 and 2013.

19. Trade and Other Payables

Details of suppliers and other payables are as follows:

	Thousands of Euros	
	2011	**2010**
Suppliers and other payables	29,711	30,461
Suppliers, Group	128	8
Trade payables advanced by banks	18,192	25,233
Suppliers of property, plant and equipment	166	2,418
Salaries payable	77	-
Advances from customers	4,097	9,441
Current tax liabilities (note 20)	283	97
Public entities, other (note 20)	2,468	5,012
	55,122	**72,670**

The balance payable to suppliers and creditors, which at 31 December 2011 has been deferred beyond the maximum legal payment term (85 days for 2011), the weighted average late payment days and the outstanding amount payable that exceeds the legal payment term at year end, are as follows:

	Payments made and payable at the reporting date	
	Amount	**%**
Within maximum legal payment term	31,809	40%
Rest	47,713	60%
Total payments for the year	**79,522**	**100%**
Weighted average late payment days	47	

Late payments for which the maximum legal payment term has been exceeded at the reporting date	22,458	54%

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

20. Taxation

The income tax expense for 2011 and 2010 is as follows:

	Thousands of Euros	
	2011	**2010**
Profit/(loss) before income tax	(78,000)	4,928
Permanent differences	1	27
Temporary differences	320	320
Consolidation adjustments	(501)	7,501
Offsetting of tax losses	-	(14,058)
Tax loss	**(78,180)**	**(1,282)**
Deductions	(1,760)	(3,177)
Withholdings and payments on account	-	(26)
Income tax expense / (income)	**-**	**(26)**

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

Reconciliation of taxation is as follows:

	Thousands of Euros		
	2011		
	Profit and loss	**Equity**	**Total**
Income and expenses for the year before tax	(78,000)	(4,331)	(82,331)
Tax at the applicable rate	23,400	1,250	24,650
Non-deductible expenses	-	-	-
Deductions and credits for the current year	(41,720)	-	(41,720)
Income tax expense	**18,320**	**1,250**	**17,070**
Effective tax rate	**23%**	**(29%)**	**21%**

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

The Parent 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.

Deferred tax assets and liabilities are as follows:

	Thousands of Euros					
	Assets		**Liabilities**		**Net**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Property, plant and equipment	6,803	6,803	(708)	(804)	6,095	5,999
Transactions with consolidated assets	2,036	2,489	-	-	2,036	2,489
Tax loss carryforwards	28,635	3,373	-	-	28,635	3,373
Tax loss carryforwards, subsidiaries	641	641	-	-	641	641
Deductions and credits	5,945	4,185	-	-	5,945	4,185
Other	230	230	-	(24)	230	206
Total assets/liabilities	**44,290**	**17,721**	**(708)**	**(828)**	**43,582**	**16,893**

As stated in note 2 (e), the Solaria Group has not recognised net deferred tax assets in its statement of financial position at 31 December 2011.

At 31 December 2011 all taxes applicable to Group companies for the current statutory period are open to inspection.

The group companies have recognised certain tax credits in respect of tax loss carryforwards and deductions pending application, which practically all relate to the parent of the tax group, Solaria Energía y Medio Ambiente, S.A. Details by the year in which they were originated, the tax payable and classification between current and non-current based on estimated recovery periods, are as follows:

		Thousands of Euros	
	Year originated	Amount	Maturity
Tax loss carryforwards	2008	3,373	2026
Deductions	2009	1,008	2024
Deductions	2010	3,177	2025
Tax loss carryforwards	2011	25,262	2029
Deductions	2011	1,760	2025

In accordance with Spanish tax legislation, losses declared may be carried forward to be offset against profits of the 18 subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the income tax declarations are filed, without prejudice to the taxation authorities' powers of inspection.

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

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

	Thousands of Euros			
	2011		2010	
	Debtor	Creditor	Debtor	Creditor
VAT	8,742	1,939	14,313	64
Personal income tax	-	204	-	4,491
Social Security	-	282	-	457
Tax withheld on interest	1,025	43	995	-
Other	-	283	-	97
	9,767	**2,751**	**15,308**	**5,109**

21. Income and Expenses

a) Revenues

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

The Group's revenues for 2011 and 2010, distributed by country, are as follows:

	Thousands of Euros	
	2011	2010
Spain	24,713	37,497
Italy	42,596	109,814
Greece	925	1,015
Germany	34,619	11,185
Czech Republic	3,329	-
United Kingdom	1,345	-
Brazil	59	1788
France	3,583	36
	111,169	**161,335**

Sales in the Czech Republic and the United Kingdom are made in their local respective currencies.

b) Raw materials and consumables used

Details of merchandise, raw materials and other supplies are as follows:

	Thousands of Euros	
	2011	2010
Purchases of raw materials and others	65,826	217,729
Change in inventories	16,462	(19,765)
	82,288	**197,964**

c) Other expenses

Details of other expenses at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	2011	**2010**
Leases and royalties	1,538	1,329
Repairs and maintenance	301	582
Independent professional services	1,978	1,297
Transportation	1,288	909
Bank services	1,017	960
Insurance premiums	577	409
Advertising	1,199	2,047
Utilities	910	959
Other services	2,894	2,125
Other taxes	1,088	100
Other	5,142	3,317
	17,932	**14,034**

d) Grants taken to income

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

e) Personnel expenses

Details of these personnel costs are as follows:

	Thousands of Euros	
	2011	**2010**
Salaries and wages	15,423	19,015
Social security payable by the Company	3,613	4,453
	19,036	**23,468**

The average headcount of the Group in 2011 and 2010, distributed by category, is as follows.

	Number	
	2011	**2010**
Engineers	50	49
Graduates	46	40
Factory personnel	447	639
	543	**728**

At 31 December 2011 and 2010 the distribution by gender of Parent personnel and directors is as follows:

	Number			
	2011		**2010**	
	Female	**Male**	**Female**	**Male**
Board members	-	5	-	5
Engineers	5	35	6	53
Graduates	13	20	15	31
Factory personnel	146	231	207	485
	164	**291**	**228**	**574**

The Company has no pension or similar obligations with personnel.

f) Finance income and expense

	Thousands of Euros	
	2011	**2010**
Income from bank interest	1,189	936
Changes in fair value – derivative financial instruments (note 12)	449	-
Impairment and gains/(losses) on disposal of financial instruments	318	-
Exchange gains	1,320	1,000
	3,276	**1,936**
Interest payments	(9,548)	(3,732)
Changes in fair value – derivative financial instruments	-	(609)
Exchange losses	(259)	(1,634)
	(9,807)	**(5,975)**
Finance loss	**(6,531)**	**(4,039)**

g) Foreign currency transactions

In 2011 foreign currency transactions in US Dollars and the Czech Korun comprised purchases of Euros 25,863 thousand and Euros 1,188 thousand, respectively (purchases of Euros 148 million in US Dollars in 2010).

22. Contingencies

Management of the Parent considers that neither the Group 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 Group.

At 31 December 2011 the Group is involved in the following legal proceedings:

- Ordinary procedure filed in Madrid by Solaria Energía y Medio Ambiente, S.A. against a customer, to claim Euros 1,976 thousand for partial non-payment on the sale of a photovoltaic solar plant.

- Appeal against the ruling handed down in the ordinary proceedings filed in Madrid by a customer against the Parent, to claim an amount for modules sold by the Parent to the claimant and a counterclaim filed by the Parent for breach of contract. On 23 March 2011 the Parent and claimant reached an agreement on the payment for the provisional enforcement of the first instance ruling, whereby the Parent made monthly payments until 30 April 2014. These proceedings will be deliberated, voted upon and a ruling will be handed down on 16 May 2012. At 31 December 2011 the balance payable stood at Euros 3,530 thousand.

- Ordinary procedure filed by a customer against the Parent, to claim Euros 1,594 thousand for breach of a module sale contract. At 31 December 2011 the Company recorded a provision of Euros 300 thousand to reflect the estimated impact of the ruling from these proceedings.

  Ordinary proceedings have been filed by the Parent to claim Euros 5,283 thousand in connection with the usual contractual relations with a customer. In turn, this customer has filed ordinary proceedings to claim Euros 17,924 thousand. Both cases relate to breaches of contract.

  The Parent filed interim measure proceedings, requesting the suspension of execution of three guarantees until a definitive ruling has been handed down for the main proceedings. In its order of 8 April 2011, the Court agreed to adopt the interim measure requested by Solaria following delivery of a bond of Euros 200,000. This ruling has been appealed by the customer.

Notwithstanding the above, the Parent and its customer have endeavoured to hold negotiations on several occasions since the beginning of the conflict to reach an agreement that is satisfactory to both parties. As a result, an agreement in principle has been reached on the main premises required by each party, which has yet to be formalised through the

necessary legal and contractual documents. One of the fundamental conditions is that the existing litigation is formally reversed. In light of this agreement, at 31 December 2011 the Parent has recognised a provision of Euros 1,800 thousand under trade receivables from the customer.

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

The directors of the Parent have accrued salaries and wages amounting to Euros 1,128 thousand and non-monetary remuneration totalling Euros 12 thousand in 2011 (Euros 1,455 thousand in 2010). Additionally, the remuneration payable to the Parent's directors for their attendance at board meetings in 2011 totals Euros 450 thousand (Euros 450 thousand in 2010). No other remuneration has been paid to the directors by other group companies. The Group has not extended any advances or loans to members of the board of directors, nor has it undertaken any commitments to them in the form of pension plans, retirement benefits, life insurance policies or special termination benefits.

The Parent has no pension or similar obligations with management personnel, nor has it extended to them any advances, loans, retirement bonuses, life insurance policies or special termination benefits.

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. and their related parties in other companies with similar or complementary statutory activities to that of the Company.

The relevant interests of the members of the board of directors of the Parent 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
	Gas Natural SDG, S.A.	0.005%	
Arturo Díaz-Tejeiro Larrañaga	DTL Corporación, S.L.	20%	Representative of the joint legal representative
Arturo Díaz-Tejeiro Larrañaga	Técnicas Ambientales del Norte, S.A.	0%	Joint and several director
Arturo Díaz-Tejeiro Larrañaga	Magacela Solar 1, S.L.	0%	Joint and several director
Arturo Díaz-Tejeiro Larrañaga	Iberdrola, S.A.	0.009%	-

Miguel Díaz-Tejeiro Larrañaga	Técnicas Ambientales del Norte, S.A.	0%	Joint and several director
Miguel Díaz-Tejeiro Larrañaga	Magacela Solar 1, S.L.	0%	Joint and several director
Miguel 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 and/or representative, or by parties related to them, are presented in the same line as their name.

In 2011 the Parent's senior management personnel received salaries and wages totalling Euros 980 thousand. Senior management personnel have not been paid any additional remuneration by other group companies, nor have they received any advances or loans. No commitments have been undertaken in the form of pension plans, retirement benefits, life insurance policies or special termination benefits. The Parent had no senior management personnel who were not directors in 2010.

Apart from the transactions with related parties disclosed above, during 2011 and 2010, neither the directors, nor senior management personnel nor related parties have carried out any transactions with the Group that were not ordinary business or at arm's length.

24. Earnings per Share

a) Basic

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

	Thousands of Euros	
	2011	**2010**
Profit/(loss) attributable to shareholders	(96,320)	6,504
Weighted average number of ordinary shares in circulation	98,595,889	99,545,669
Basic earnings/(loss) per share (Euros per share)	**(0.97)**	**0.065**

b) Diluted

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

At 31 December 2011 and 2010, no instruments have been issued that could potentially dilute ordinary shares. Consequently, basic earnings per share are equal to the diluted earnings per share.

25. Related Party Balances and Transactions

a) Parent

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

b) Transactions and balances with related parties

In 2011 the Parent arranged a contract to sell a photovoltaic solar plant of 6.4 MW located in Germany to the then-group company Solaria Stalldorf GmbH (the SPV which holds the licenses and permits to operate this plant) for Euros 16,000 thousand. Subsequently, on 30 December 2011 the Parent sold its 100% interest in this company to its main shareholder DTL Corporación S.L. for Euros 6,500 thousand. The sale was carried out on an arm's-length basis and had a total margin of Euros 0.4 million.

During the final quarter of 2011, the Parent arranged two turn-key contracts to construct two photovoltaic plants with capacities of 2.6 MW and 4.2 MW in Germany, as well as the sale of all its interests in the special purpose vehicles which hold the licences and permits for their operation (Solaria Thale GmbH and Solarpark Halle-Bruckford GmbH, respectively) to its main shareholder DTL Corporación S.L. The amount of the operation, made on an arm's-length basis, totalled Euros 5,016 thousand and Euros 7,680 thousand, respectively.

The offices occupied by the Parent in Madrid and the registered offices at calle Princesa 2, Madrid, from which it has run its operations since July 2009, are owned by DTL Corporación, S.L. (see note 6). The Company has paid an amount of Euros 550 thousand for the lease of these offices during 2011 (Euros 619 thousand during 2010).

With a view to implementing the investment plans of the Parent and its principal shareholder DTL Corporación S.L., on 27 July 2011 the two companies arranged a current account credit contract for a maximum amount of Euros 15 million. At 31 December 2011 the Parent has paid interest of Euros 144 thousand in connection with this credit facility.

Furthermore, during 2011 DTL Corporación S.L. has pledged guarantees of Euros 5,263 thousand on behalf of the Parent.

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

26. Other Information

a) Audit fees

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

KPMG Auditores, S.L. rendered professional services to the Group during the years ended 31 December 2011 and 2010, charging the following fees and expenses:

	Thousands of Euros	
	2011	**2010**
Audit services	262	148
Other services	20	24
	282	**172**

The amounts detailed in the above table include the total fees for services rendered in 2011 and 2010, irrespective of the date of invoice.

Other affiliates of KPMG International have invoiced the Group the following fees and expenses (net fees if expenses are invoiced separately) for professional services during the years ended 31 December 2011 and 2010:

	Thousands of Euros	
	2011	**2010**
Audit services	42	3
	42	**3**

b) Environment

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

During 2011 and 2010, the Group has not made any environmental investments nor has it incurred any expenses for the protection or improvement of the environment or considered it necessary to recognise any provision for liabilities and charges of an environmental nature as it has no contingencies relating to the protection or improvement of the environment and no environmental liabilities.

Consequently, the directors consider that no significant contingencies exist in relation to the protection and improvement of the environment, and therefore no provisions for environmental liabilities and charges were recognised in 2011 or 2010.

c) Bank guarantees

The Group has contingent liabilities for bank and other guarantees related with its normal business operations amounting to Euros 17,639 thousand at 31 December 2011 (Euros 17,398 thousand at 31 December 2010). The Parent's directors do not expect any significant liabilities to arise from these guarantees.

d) Warranties

i) Warranties for turnkey contracts.

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

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

ii) Operating and maintenance contract warranties

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

iii) Warranties included in module sale contracts

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

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

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

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

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

27. Subsequent Events

On 25 January 2012 the Parent submitted a request to the labour authority of Castilla la Mancha to implement a temporary workforce restructuring plan affecting solely the employees directly involved in the manufacturing process at the Puertollano work centre. In the first week of February, the Company and legal representatives of the employees reached an agreement, which was ratified by the three trade union centre representatives at the Company and approved by the majority of the workforce. The content of the agreement reached was approved by the labour authority on 16 February and came into effect the following day. At the date of authorisation for issue of these annual accounts, the temporary workforce restructuring plan was being implemented minimally, as the Company's ongoing needs have necessitated the presence of all manufacturing employees (the largest department) at work. Temporary workforce restructuring plans are useful measures for the Company, as they enable salary costs to be adapted to the production needs in each period. Consequently, the use of these restructuring plans is highly valued by the Company.

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Appendix I

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
Information on Subsidiaries at
31 December 2011 and 2010

(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 2011**	**Prior years' losses**	**Total**
Planta Solar Puertollano 3, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	10	(4)	(11)	(2)
Planta Solar Puertollano 4, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	(2)	(5)	(4)
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%		103	12,037	(339)	-	11,801
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	-	277	(22,250)	(21,970)
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	-	-	(14)	(11)
Planta FV 1, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	46	(3)	-	46
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

(**) With the exception of Planta Solar Puertollano 6, S.L., Sudero S.r.o and L-Contact Cej S.r.o., which have been audited, and Serre UTA, S.r.l. and Venusia S.r.l., which have been reviewed, information is from unaudited financial statements at 31 December 2011.

(*) Companies jointly controlled with third parties.

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

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(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 2011**	**Prior years' losses**	**Total**
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.	C/ Princesa nº 2, Madrid	100%	-	85,255	1,865	83,389	1,504	(265)	86,493
Sarener S.L.	C/ Balbino Marrón, Sevilla	-	100%	-	3	-	1	(4)	-
Fondo Solaria Aleph FCR (*)	Plaza de la Lealtad nº4, Madrid	50%	-	-	11,964	(15)	(260)	(74)	11,615
Elassona Solar Energía LLC (*)	2 Mesogion Avenue, Athens	50%	-	-	466	-	61	(15)	512
Serre UTA, S.r.l (*)	Cagliaria,Via Monastir snc. Italy	-	50%	-	5	850	994	141	1,990
Solaria Energía Proyectos Internacionales, S.L.	C/ Princesa nº 2, Madrid	100%	-	3	3	-	(3)	-	-
Globasol Villanueva 1, S.L.	C/ Princesa nº 2, Madrid	-	100%		795	15,146	1,218	-	17,159
Solaria Deustchland GmbH	Basler Strabe 115,79115 Freiburg im Breisgau	100%	-	27	25	-	(230)	(285)	(490)
Solaria Italia S.r.l.	Largo F. Richini 6, Milan	100%	-	10	10	4	(61)	-	(47)
Solaria Francia SAS	Inmeuble Plaza 93, Rue de la Villete 69003, Lyon	100%	-	60	60	-	(302)	(443)	(685)
Sudero s.r.o.	Praha 1 klimentská 1216/46	10%	90%	183	8	1,909	559	(173)	2,303
L-Contact Cej s.r.o.	Praha 1 klimentská 1216/46	10%	90%	29	8	588	319	(69)	846
Marche Energia S.r.l.	Via 6 Bocaccio 15/A, Milan	-	100%	-	10	606	850	(2)	1,466
Venusia S.r.l. (*)	Piazzañe Accursio 14, Milan	-	50%	-	5	850	840	(18)	1,695
Ollastra Energia S.r.l.	Via Cagliari 70, San Sperate	-	100%	-	10	-	-	-	10
Solar One S.r.l. (*)	Via Nitti 34, Pesaro	-	50%	-	5	-	15	-	20
Energia S.r.l. (*)	Via Abbazia 64, Morciano di Romagna	-	50%	-	5	-	308	-	313
Solaria Brasil (*)	Alameda Santos 2224,Conjunto 82, Sao Paulo	55%	-	-	308	5	(128)	(181)	4

(**) With the exception of Planta Solar Puertollano 6, S.L., Sudero S.r.o and L-Contact Cej S.r.o., which have been audited, and Serre UTA, S.r.l. and Venusia S.r.l., which have been reviewed, information is from unaudited financial statements at 31 December 2011.
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Information on Subsidiaries at
31 December 2011 and 2010
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Investee	Tax offices	% direct ownership	% indirect ownership	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

(**) Information included in the unaudited financial statements at 31 December 2010.
(*) Companies jointly controlled with third parties.

Thousands of Euros

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

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31 December 2011 and 2010

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

Investee	Tax offices				Carrying amount (**)				
		% direct ownership	% indirect ownership	Cost	Share capital	Reserves	Profit/(loss) for 2010	Prior years' losses	Total
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
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. Italy	-	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%	-	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%	-	8	1,198	(173)	-	1,033
L-Contact Cej s.r.o.	Praha 1 klimentská 1216/46	-	100%	-	8	74	(69)	-	13
Solaria Stalldorf GmbH	Prinzregentenstr 11 Munchen	-	100%	-	27	-	-	-	27
Marche Energia S.r.l.	Via 6 Bocaccio 15/A, Milan	-	100%	-	10	-	-	-	10
Venusia S.r.l. (*)	Piazzañe Accursio 14, Milan	-	50%	-	5	-	-	0	5
Solaria Brasil (*)	Alameda Santos 2224,Conjunto 82, Sao Paulo	55%	-	-	161	4	(123)	-	42

(**) Information included in the unaudited financial statements at 31 December 2010.
(*) Companies jointly controlled with third parties.

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

Appendix II

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Details of the key indicators of Joint Ventures
31 December 2011 and 2010

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

	Thousands of Euros					
	2011					
Name	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Expenses
Solaria Aleph FCR	8,194	4,557	1,135	-	130	390
Elassona Solar Energía, LLC	1,027	59	50	523	147	86
Serre UTA, s.r.l.	13,081	-455	18	10,617	2,920	1,926
Venusia,s.r.l.	14,303	-385	869	11,372	2,094	1,254
Solar One, s.r.l.	5,016	2	751	4,246	102	87
Energia,s.r.l.	5,788	-	804	4,671	671	363
Solaria Brasil	83	98	124	53	114	242
	47,491	**3,876**	**3,752**	**31,482**	**6,178**	**4,348**

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

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

CONSOLIDATED DIRECTORS' REPORT FOR 2011

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 2011 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., Marche Energia, S.r.l., Sarener, S.L. and Ollastra 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., Venusia, S.r.l., Solar One, S.r.l., and Energia, S.r.l.

As in 2009 and 2010, in 2011 there has been 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 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).

With the same objective of reorganising the shareholder structure of the Solaria Group, 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).

On 8 July 2011, the Company's fully owned subsidiary Solaria Energía Generación Renovable, S.L.U. acquired 100% of the shares of the Italian company Ollastra Energia, S.r.l., which holds the necessary licenses, permits and authorisations for the development, construction and operation of two photovoltaic solar plants with a total nominal capacity of 1.7 MWp located on the island of Sardinia (Italy).

On 26 December 2011, the Company's fully owned subsidiary Solaria Generación Renovable, S.L.U. acquired 100% of the shares of the Spanish company Sarener Energía, S.L., which holds the necessary licenses, permits and authorisations for the development, construction and

operation of ten photovoltaic solar plants with a total nominal capacity of 0.92 MWp located in the region of Macael (Almería).

On 7 March 2011 the Company subscribed in full a share capital increase of its fully owned subsidiary Solaria Energía Generación Renovable, S.L.U. through a non-monetary contribution of Euros 5,500 thousand, comprising: (i) Euros 100 thousand through the issue of 100,000 shares of Euros 1 par value each, and (ii) the remaining Euros 5,400 thousand in the form of a share premium.

On 7 July 2011 the Company subscribed in full a share capital increase of its wholly owned subsidiary Solaria Energía Generación Renovable, S.L.U. through a non-monetary contribution of Euros 41,988 thousand, comprising: (i) Euros 100 thousand through the issue of 100,000 shares of Euros 1 par value each, and (ii) the remaining Euros 41,888 thousand in the form of a share premium.

On 7 July 2011 Solaria Energía Generación Renovable, S.L.U. subscribed in full a share capital increase of its fully owned subsidiary Planta Solar Puertollano 6, S.L.U. through a non-monetary contribution of Euros 11,988 thousand, comprising: (i) Euros 100,000 through the issue of 100,000 shares of Euros 1 par value each, and (ii) the remaining Euros 11,888 thousand in the form of a share premium.

On 25 August 2011 the Company subscribed in full a share capital increase of its fully owned subsidiary Solaria Energía Generación Renovable, S.L.U. through a non-monetary contribution of Euros 3,707 thousand, comprising: (i) Euros 101 thousand through the issue of 101,361 shares of Euros 1 par value each, and (ii) the remaining Euros 3,606 thousand in the form of a share premium.

On 16 September 2011 the Company subscribed in full a share capital increase of its fully owned subsidiary Solaria Energía Generación Renovable, S.L.U. through a non-monetary contribution of Euros 3,218 thousand, comprising: (i) Euros 100 thousand through the issue of 100,000 shares of Euros 1 par value each, and (ii) the remaining Euros 3,118 thousand in the form of a share premium.

On 16 September 2011 the Company subscribed in full a share capital increase of its fully owned subsidiary Solaria Energía Generación Renovable, S.L.U. through a non-monetary contribution of Euros 1,555 thousand, comprising: (i) Euros 100 thousand through the issue of 100,000 shares of Euros 1 par value each, and (ii) the remaining Euros 1,455 thousand in the form of a share premium.

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

This Fund was incorporated on 12 November 2009, jointly owned in equal amounts by Solaria Energía Generación Renovable, S.L.U. and a venture capital management company.

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

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. 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).

On 21 January 2011 the venture capital fund Solaria Aleph, F.C.R., which is 50% owned by the subsidiary Solaria Energía Generación Renovable, S.L.U., acquired 100% of the shares in the Italian companies Solar One S.r.l. and Energía, S.r.l. These companies hold the necessary licenses, permits and authorisations for the development, construction and operation of seven photovoltaic solar plants with a total nominal capacity of 8.5 MWp located in the region of Marche (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 y Trasporte Ltda. (Fairway), and the Vice-chairman of the Business Association of the State of Sao Paulo (FIESP). The purpose of this agreement is to develop business opportunities in Brazil's energy sector for the design, installation and

operation of photovoltaic plants using crystalline technology and for the sale of photovoltaic equipment.

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

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

Internationalisation

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

During 2010 the internationalisation process continued with the Group entering the Czech Republic and Brazil, and the United Kingdom and Latin America in 2011. At 31 December 2011 international revenues amounted to approximately 73% of total revenues, compared with 77% the prior year.

Parent management considers that this expansion will continue over the next twelve months, estimating that the levels of revenue generated outside the Spanish market will increase in 2012. The primary targets of this sales drive will be, in addition to the aforementioned countries, Europe (Israel, 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).

Financial report

At 31 December the Solaria Energía y Medio Ambiente Group reported accumulated net sales of Euros 111 million, and net losses of Euros 96 million. These losses were mostly incurred as a result of the need to adopt conservative and prudent criteria given the context of the global economic crisis and the uncertainty surrounding the new Spanish and international photovoltaic market. Consequently, the Group has considered and recorded write downs which, together with the ambitious business plan, are aimed at the Solaria Group's relaunch and adaptation to the expected developments in the short and medium term, with particular focus on appropriate structure, costs and profits.

As in prior years, the seasonality of the sector in which the Solaria Group carries on its commercial activities was once again a factor in sales of photovoltaic modules. The economic crisis and certain regulatory changes in various countries in which the Solaria Group operates has affected the decline in accumulated sales of this business unit on the prior year. Sales of photovoltaic modules continue to be the largest business unit (around 45%) in the Solaria Group's sale mix, although it has lost ground vis-à-vis other business units since 2010 (approximately 67%).

The international projects business unit, launched in the first half of 2010, was strengthened during the year. As a result, this business unit has grown proportionately in the sales mix, from 23% in 2010 to 32% in 2011, and efforts will continue to be made in this area with several portfolio projects in coming years.

The O&M business unit performed particularly soundly and recorded a 25% rise in turnover on the prior year. The resources of and focus on this line of business have gradually been strengthened and this division makes increasingly significant contributions to the Solaria Group's sales and profitability.

The most significant increase was reported by the generation business unit, which posted sales of Euros 25,260 thousand at 31 December 2011, up 84% on the Euros 13,752 thousand in 2010. This unit now represents 21% of the sales mix, compared with 9% the prior year. Such positive figures will only increase exponentially once the Solaria Group has connected all plants constructed during the second half of 2010 (including the allocation of tariffs). Once this line of business begins to bear profitable results, investment will continue to grow in new projects, such as those developed in H2 2011 and those launched in the first quarter of 2012.

As regards the geographical distribution of sales, the Solaria Group continued to strengthen its expansion abroad (78% in 2011 compared with 77% in 2010). Spain and Italy were once again the main markets of the photovoltaic module sales business unit, although the French and German markets started out strong and are expected to maintain momentum throughout the first half of 2012. The geographical diversification of generation activities is particularly notable, with optimal results in Spain, Italy, the Czech Republic and Germany. The projects business unit, mostly operational in Germany, was also successfully maintained in Italy.

Lastly, during the second half of 2011 the Solaria Group closed major strategic agreements in the United Kingdom (GreenTech), China (Dongfang Electric Corporation Group) and France (Akorsol Group).

The sharp drop in the gross margin at 31 December 2011 compared with 2010 year end derives mainly from the write downs made.

In light of the ongoing economic slowdown and global crisis, the Solaria Group's various cost containment and optimisation programmes have led to a reduction in operating costs (personnel expenses and other recurring operating costs). This reduction is particularly significant when taking into account the greater number of subsidiaries and operational plants compared with 2010. The Solaria Group's average headcount comprised 543 employees in 2011.

Furthermore, the observable increase in depreciation, amortisation and provisions expenses derives basically from the aforementioned adoption of measurement criteria within the context of the global economic crisis and the new situation of the photovoltaic market.

Financial losses increased on the prior year, mostly due to the financing arranged for the Solaria Group's various investments made at its plants as part of its strategy to consolidate the generation business. Finance expenses resulting from this strategy rose by approximately Euros 4.7 million on 2010, which was partially offset by the sound overall performance of derivatives and exchange rates.

During the final quarter of 2011, the Solaria Group arranged two turn-key contracts with DTL Corporación S.L. to operate two photovoltaic plants with capacities of 2.6 MW and 4.2 MW in Germany. The amount of the operation, made on an arm's-length basis, totalled more than Euros 13 million.

On 30 December 2011 the Solaria Group sold a photovoltaic plant located in Germany to DTL Corporación S.L. The amount of the sale, which was made on an arm's-length basis, totalled more than Euros 18 million.

Non-current assets, which total Euros 212 million, have decreased by around 5% compared to 2010. During 2010 the Solaria Group carried out investments in the purchase and development of the SAP integrated system. The system was implemented on 1 May 2011 and the related process optimisation is already bearing fruit.

At 31 December 2011 inventories amount to Euros 79 million, comprising notably assets relating to projects in progress and photovoltaic plants (the latter of which totalling Euros 56 million). Further efforts were also made in the vertical integration of the production processes at the Puertollano and Fuenmayor factories and the improvement in the Solaria Group's cost structure during 2011.

The level of leverage increased in 2011 as a result of the Group's efforts to carry out the aforementioned activities (essentially at investment level).

On 3 March 2011, Solaria Stalldorf GmbH, a fully owned subsidiary of the Solaria Group, arranged a loan of Euros 12.7 million with Deutsche Kreditbank Aktiengesellschaft to finance the plant of 6.36 MWp owned by this subsidiary in Stalldorf (Germany).

On 16 March 2011, 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 "Lazio 8 MW", receiving project finance of Euros 24 million. This solar plant comprises a series of ground-level facilities located in the surrounding area of Orte (Viterbo, Venusia). This project was financed by Banca Infrastrutture e Sviluppo (BIIS) of the Intesa San Paolo Group.

On 23 March 2011 the Solaria Group contracted a Euros 6 million increase in its project finance in connection with its solar plant "Villanueva 11 MW", originally financed by Dexia Sabadel and Caixanova on 28 July 2010. This solar plant is subject to the tariff set forth in Royal Decree 661/2007 and was financed by Bankinter.
On 7 July 2011, the Solaria Group contracted financing for its solar plant "Fuenmayor 10 MW", receiving project finance of Euros 20 million. This solar plant is subject to the tariff set forth in Royal Decree 661/2007 and was financed by Bankinter.

Between August and September 2011, the Solaria Group received the final instalment of financing totalling Euros 27 million for its solar plants "Marche I" and "Marche II" of 8.2 MW in Italy. This project was financed by Natixis Lease, S.A. Succursale Italia, Monte Paschi Leasing & Factoring S.p.a. and the UBI Group.

On 14 October 2011 the Solaria Group reached an agreement with Chartis UK through the intermediary Marsh to issue bond guarantees and/or warranty certificates totalling Euros 25 million. This facility will be used to develop, implement and finance new projects and markets in Spain and abroad.

Equity has dropped by 45% on 2010 as a result of losses incurred in the year and the dividends distributed by the Solaria Group to boost shareholder confidence.

Pursuant to the agreement by the shareholders at their annual general meeting held on 17 May 2011 a gross dividend of Euros 0.035 per share was approved with a charge to profits for 2010. Consequently, two dividends of Euros 0.015 (gross) and Euros 0.02 per share were approved and distributed on 25 May 2011 and 3 October 2011, respectively.

R&D activities

Technological innovation by the Group during 2011 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

With a view to increasing share liquidity and providing additional remuneration to the Company's shareholders, as authorised by the shareholders at their annual general meeting on 17 May 2011, at its meeting on 17 May 2011 the board of directors agreed to carry out an own share buy-back programme, as provided for by EC Regulation No 2273/2003 and article 146 and concurrent articles of the Spanish Companies Act. The own share buy-back programme will be carried out under the following terms:

- The Parent may acquire own shares equivalent to 10% of share capital in the programme, within the legally stipulated limit.
- The shares will be purchased at market prices in accordance with the price and volume conditions established in article 5 of Commission Regulation (EC) No. 2273/2003 and in the Company's Internal Code of Conduct on Matters related to the Securities Markets.
- The programme will be concluded on the day prior to the annual general meeting at which the Parent's shareholders approve the annual accounts for 2011, unless an announcement is made regarding a change to the term of the programme, in accordance with article 4 of Commission Regulation (EC) No. 2273/2003.
- In accordance with article 3 of Commission Regulation (EC) No. 2273/2003, it is hereby stated that the buy-back programme is aimed at reducing share capital, subsequent to the terms agreed by the Parent's shareholders at their annual general meeting. Nevertheless, any shares purchased may be earmarked for the Parent's duly approved share and share option delivery plans.

During 2011 the Parent has purchased and disposed of 913,313 and 159,063 own shares at average prices of Euros 1.75 and Euros 1.68, respectively.

At 31 December 2011, the Parent holds 1,487,283 shares amounting to Euros 2,479 thousand. In 2010 the 733,033 shares held were valued at Euros 1,146 thousand.

Outlook for the Group

The Group continues to focus its strategy on positioning and strengthening itself as a leading company in the national and international solar energy market.

The Group's principal objectives are as follows:

- To consolidate, optimise and profit from Solaria's position throughout the value chain of the photovoltaic solar energy market. The Group plans to achieve this objective by means of the following:
    - Focusing closely on turnkey solar plant projects, participating in the entire management process, from the procurement of licences to the start-up of the solar plants.

- Continuing with the aforementioned international expansion of the Company.
- Promoting the turnkey projects line of business through the operation and maintenance of both Group-owned solar plants and plants owned by third parties.
- Commencing production of solar cells to reduce exposure to fluctuations in the price of raw materials and obtaining savings on transaction costs throughout the photovoltaic value chain, reducing dependence on suppliers in terms of purchase prices or changes in production capacity and securing greater control over the quality of own products.
- Increasing the production of photovoltaic modules as well as the Group's market share in the photovoltaic solar sector.

Main perceived risks

Market risk

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

Although the outlook is favourable considering the 348 MW awarded between the first three licences extended, very few developers have commenced works or acquired photovoltaic modules. Recovery in demand may remain uncertain in the immediate future due to the reduction in tariffs for ground-level plants and the difficulty of obtaining financing.
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 Group in its production processes are monocrystalline and polycrystalline silicon cells. The fall in demand and the international economic crisis have led the Group to renegotiate its delivery and payment terms with its suppliers. The Group negotiates terms through its purchasing department on a short-term basis to minimise both raw material price risk and currency risk.

Liquidity risk

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

The Group has sufficient financing to meet all its obligations.

Capital management

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

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

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

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

Risks related to financial instruments

a) Market risk

i) Currency risk

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

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

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

ii) *Price risk*

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

iii) Cash flow interest rate risk

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

Interest rate risk arises from non-current debt with financial institutions. Debt with financial institutions at variable interest rates expose the Group to cash flow interest rate risks. The Solaria Group contracts derivatives to hedge interest rate risk on loans with a variable interest rate. All of the Group's debt with financial institutions at variable interest rates is denominated in Euros.

The Group manages interest rate risks in cash flows through variable to fixed interest rate swaps, where advisable in light of the contractual conditions. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates.

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

b) Credit risk

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

c) Liquidity risk

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

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

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2011

At their meeting held on 30 March 2012, 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. authorised for issue the consolidated annual accounts comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the consolidated notes thereto, as well as the Directors' Report for the year commenced 1 January 2011 and ended 31 December 2011. The consolidated annual accounts comprise the documents that precede this certification.

SIGNATORIES **SIGNATURE**

Mr. Enrique Diaz-Tejeiro Gutiérrez
Chairman

Mr. Manuel Azpilicueta Ferrer
Director

Mr. Iñigo Sagardoy Simón
Director

Corporación Arditel, S.L.U.
Vice-chairman

Inversiones Miditel, S.L.U.
Vice-chairman

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