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

Consolidated Annual Accounts and Consolidated Directors' Report

31 December 2009

(With the Auditors' Report Thereon)

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

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

Auditors' Report on the Consolidated Annual Accounts

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

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

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

In accordance with prevailing Spanish legislation, these consolidated annual accounts for 2009 also include, for each individual caption in the consolidated balance sheet, consolidated income statement, the consolidated statements of changes in equity, the consolidated statements of cash flows and the consolidated notes thereto comparative figures for the previous year. We express our opinion solely on the consolidated annual accounts for 2009. On 31 March 2009 other auditors issued their unqualified audit report on the consolidated annual accounts for 2008.

In our opinion, the accompanying consolidated annual accounts for 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of Solaria Energía y Medio Ambiente, S.A. and subsidiaries at 31 December 2009 and the consolidated results of their operations and changes in consolidated equity and consolidated cash flows for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with international financial reporting standards adopted by the European Union applied on a basis consistent with that of the preceding year.

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

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Carlos Peregrina García
Partner

26 February 2010

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

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Consolidated Balance Sheets
at 31 December 2009 and 2008
(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.

Assets	Note	2009	2008
Property, plant and equipment	6	199,358	70,099
Intangible assets	7	2,969	18
Trade receivables	11	7,590	-
Deferred tax assets	20	13,656	13,471
Other non-current financial assets		124	34
Total non-current assets		**223,696**	**83,622**
Inventories	13	23,231	183,618
Trade and other receivables	11	50,388	103,962
Other current financial assets	10	11,097	-
Current prepayments		844	-
Current tax assets	20	-	7,603
Cash and cash equivalents	14	17,503	10,142
Total current assets		**103,063**	**305,325**
TOTAL ASSETS		**326,759**	**388,947**

Liabilities and Equity	Note	2009	2008
Share capital		1,011	1,011
Share premium		213,586	213,586
Other reserves		5,311	5,311
Retained earnings		20,279	23,022
Own shares		(5,016)	(8,540)
Other comprehensive income	16	(198)	(509)
Total equity	15	**234,973**	**233,881**
Loans and borrowings	17	25,029	29,374
Other financial liabilities	18	4,167	5,107
Deferred tax liabilities	20	897	993
Total non-current liabilities		**30,093**	**35,474**
Loans and borrowings	17	39,196	63,704
Trade and other payables	19	20,392	53,931
Derivative financial instruments	12	2,105	1,957
Total current liabilities		**61,693**	**119,592**
TOTAL LIABILITIES AND EQUITY		**326,759**	**388,947**

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

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

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

	Note	2009	2008
Revenues	21 (a)	**88,892**	**109,685**
Other income		**1,595**	**2,315**
Changes in inventories of finished goods and work in progress	13	**(154,146)**	**153,646**
Self-constructed non-current assets		**116,918**	**-**
Raw materials and other consumables used	21 (b)	**(12,628)**	**(243,014)**
Personnel expenses	21 (c)	**(15,267)**	**(15,935)**
Amortisation and depreciation	6 and 7	**(4,402)**	**(1,728)**
Recognition of grants			
Non-financial and other capital grants	21 (d)	**940**	**80**
Impairment losses on current assets	11	**(2,127)**	**(23,676)**
Other expenses	21 (c)	**(13,740)**	**(8,027)**
Operating profit		**6,035**	**(26,654)**
Finance income	21 (f)	**1,152**	**10,244**
Finance expenses	21 (f)	**(5,095)**	**(14,248)**
Profit/(loss) before tax from continuing operations		**2,092**	**(30,658)**
Income tax expense/(recoverable tax)	20	**357**	**9,196**
Profit /(loss) for the year from continuing operations		**2,449**	**(21,462)**
Attributable to:			
Equity holders of the parent		**2,449**	**(21,462)**
Basic and diluted earnings/(loss) per share (Euros)	24	**0.02**	**(0.21)**

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

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

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2009 and 2008

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

	Note	2009	2008
Profit/(loss) for the year		**2,449**	**(21,462)**
Other comprehensive income:			
Cash flow hedges	12	**444**	**6,518**
Tax effect		**(133)**	**(1,955)**
Total comprehensive income for the year		**2,760**	**(16,899)**
Total comprehensive income attributable to equity holders of the Parent		**2,760**	**(16,899)**

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

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

Consolidated Statements of Changes in Equity for the years ended 31 December 2009 and 2008

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

	Equity attributable to equity holders of the parent						
	Share capital	Share premium	Other reserves	Retained earnings	Own shares	Other comprehensive income	Total equity
Balances at 1 January 2008	1,011	213,586	561	51,119	-	**(5,081)**	**261,196**
Total comprehensive income for the year	-	-	-	(21,462)	-	**4,563**	**(16,899)**
Own shares redeemed	-	-	-	-	(27,472)	**-**	**(27,472)**
Own shares sold	-	-	-	(1,966)	18,932	**-**	**(16,966)**
Other movements	-	-	-	81	-	**9**	**90**
Distribution of profit/(Application of loss) for the year	-	-	4,750	(4,750)	-	**-**	**-**
Balance at 31 December 2008	**1,011**	**213,586**	**5,311**	**23,022**	**(8,540)**	**(509)**	**233,881**
Total comprehensive income for the year	-	-	-	2,449	-	**311**	**2,760**
Own shares redeemed	-	-	-	-	(2,738)	**-**	**(2,738)**
Own shares sold	-	-	-	(3,293)	3,524	**-**	**2,969**
Other movements	-	-	-	(1,899)	-	**-**	**(1,899)**
z							
Balances at 31 December 2009	**1,011**	**213,586**	**5,311**	**20,279**	**(5,016)**	**(198)**	**234,973**

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

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

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

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

	2009	2008
Cash flows from operating activities		
Profit/(loss) for the year before tax	2,092	(30,658)
Adjustments for:		
Amortisation and depreciation	4,353	1,728
Recognition of grants	(940)	80
Impairment loss on trade receivables	2,127	23,676
Finance income	(444)	(10,244)
Finance expenses	3,401	14,248
Change in fair value of financial instruments	148	
	8,645	(1,170)
Changes in operating assets and liabilities		
Inventories	41,608	(148,832)
Trade and other receivables	51,798	50,364
Other current assets	6,759	-
Trade and other payables	(29,210)	(1,722)
Other non-current assets and liabilities	180	-
	71,135	(100,190)
Other cash flows from operating activities		
Interest paid	(4,503)	(11,888)
Income tax paid	-	(22,624)
Interest received	444	-
	(4,059)	(34,512)
Net cash from/(used in) operating activities	**77,813**	**(135,872)**
Cash flows from investing activities		
Proceeds from sale of intangible assets	2	
Proceeds from sale of financial assets	403	508
Interest received	-	8,272
Acquisition of subsidiaries, net of cash and cash equivalents	-	(22,629)
Acquisition of property, plant and equipment	(17,800)	
Acquisition of intangible assets	(3,242)	(23)
Non-current receivables	(7,590)	-
Acquisition of other financial assets	(11,097)	(55)
Net cash from/(used in) investing activities	**(39,324)**	**(13,927)**
Cash flows from financing activities		
Proceeds from the disposal of own shares and equity instruments	7,673	-
Proceeds from other financial liabilities	-	3,806
Payments for the acquisition of own shares and other equity instruments	(7,442)	(10,506)
Payments on loans and borrowings and finance leases	(27,751)	(735)
Other payments	(3,608)	-
Net cash generated by financing activities	**(31,128)**	**6,778**
Net increase (decrease) in cash and cash equivalents	**7,361**	**(143,021)**
Cash and cash equivalents at 1 January 2009	**10,142**	**153,163**
Cash and cash equivalents at 31 December 2009	**17,503**	**10,142**

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

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

Notes to the Consolidated Annual Accounts

31 December 2009

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

1. Nature, Activities and Composition of the Group

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

Its statutory activity primarily consists of:

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

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

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

Solaria is the Parent company of a Group formed by 35 subsidiaries at 31 December 2009 and 34 at 31 December 2008. Most of these subsidiaries are 100% owned by the Company, while the remaining companies are jointly owned. The statutory and principal activity of all Solaria Group companies is the operation of photovoltaic solar plants, both in Spain and the other countries where these are located. The information relating to investments in Group companies at 31 December 2009 is presented in Appendix I to this note.

During 2009 the Group has incorporated or acquired at par value the total share capital of Solaria Deutschland GmbH, Solaria Italia, S.r.l and Solaria Francia, S.A.S. and 50% of the share capital of El Fondo Solaria Aleph, F.C.R., Elassona Solar Energía, L.L.C. and Serra UTA, S.r.l. All Group companies are incorporated or acquired at their start-up stage for the purpose of constructing solar plants and do not constitute business acquisitions.

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

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

The Parent company is controlled by Solaria DTL Corporación, S.L. (see note 15), which has its registered offices in Madrid and is the ultimate Parent company of the Group. The consolidated annual accounts of Solaria DTL Corporación, S.L. for 2009 will be prepared and filed at the Mercantile Registry of Madrid. The consolidated annual accounts for 2008 were prepared on 31 March 2009 and presented consolidated losses of Euros 29,076 thousand and consolidated equity of Euros 262,551 thousand.

2. Basis of Preparation

2.1. Fair view

The 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) to present fairly the consolidated equity and consolidated financial position of the Group at 31 December 2009, as well as the consolidated results of its operations and changes in consolidated equity and consolidated cash flows for the year then ended.

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

2.2. Basis of preparation of the consolidated annual accounts

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

2.3 Comparison of information

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

2.4. Functional and presentation currency

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

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

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

The future success of the 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.

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

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

A summary of the items requiring a greater degree of judgement or complexity, or where the assumptions and estimates made are significant to the preparation of the 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 company do not consider that the warranties extended will generate any significant liabilities (see note 26 (d)).

d) Valuation allowance for trade receivables

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

e) Deferred tax assets

At 31 December 2009, the Group has recognised deferred tax assets amounting to Euros 13,656 thousand, of which Euros 6,462 thousand comprises tax credits and the remaining amount reflects deductible temporary differences (see note 20). The determination of the recoverable amount of the aforementioned deferred tax assets requires the use of estimates by management. The estimates made at the date of preparing these consolidated annual accounts consider the total recoverability of these tax assets in a period of less than 3-5 years.

f) Impairment of non-current assets

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

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

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

2.6. Standards, amendments and interpretations effective from 1 January 2009 applicable to the accounts of the Group

1. *IAS 1 Presentation of Financial Statements (revised 2007) (annual periods beginning on or after 1 January 2009). This revised standard amends the presentation requirements of financial statements, incorporating the statement of comprehensive income which includes the profit/(loss) for the year and other comprehensive income. The revised standard also provides the option of separately presenting an income statement which only presents the profit/(loss) for the year and another statement of comprehensive income including the profit/(loss) for the year and other comprehensive income. The Company has taken this second option.*
2. *IFRS 8 Operating Segments (annual periods beginning on or after 1 January 2009). Changes in accounting policy must be recognised retroactively in accordance with IAS 8, unless the necessary information is unavailable and the cost of obtaining it is excessive.*
3. *IAS 23 Borrowing Costs (revised 2007) (annual periods beginning on or after 1 January 2009). When the application of the standard constitutes a change in accounting policy, the entity must apply the standard to any borrowing costs related to qualifying assets whose initial capitalisation date falls on or after 1 January 2009. The revised standard eliminates the option of recognising borrowing costs as an expense and requires the capitalisation of borrowing costs directly related to the acquisition, construction or production of qualifying assets as part of the cost thereof.*
4. *Improvements to IFRS. This standard amends different standards. Any amendment that could have a significant impact should be defined and the impacts estimated. Specifically, significant impacts could arise from: the accounting treatment of assets leased in the normal course of business that are subsequently sold; the classification of investment property under construction; the amortisation criteria applied to intangible assets; and the classification of certain investments as held for sale.*
5. *IFRS 7 – changes in disclosure requirements (annual periods beginning on or after 1 January 2009). In the first year of application it is not necessary to include comparative information. Pending adoption by the EU.*

None of the aforementioned standards and amendments has a significant impact on the consolidated annual accounts of the Solaria Group.

2.7. Standards, amendments and interpretations effective from 1 January 2009, the application of which has no impact on the Group's accounts

1. *IFRIC 13 Customer Loyalty Programmes (annual periods beginning on or after 1 July 2008. Annual periods beginning after 31 December 2008 for IFRS-EU). Changes in accounting policy must be carried out in accordance with IAS 8.*

2. *IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction" (effective for annual periods beginning on or after 1 January 2008. Annual periods beginning after 31 December 2008 for IFRS-EU). The entity is required to apply the interpretation from the beginning of the first period presented since the interpretation was applied. The entity must recognise the initial adjustment deriving from the application of the interpretation in retained earnings at the beginning of that period (i.e., with a charge against reserves for 1 January 2008).*

3. *IFRS 2 Share-based Payment: Amendments to non-vesting conditions and cancellations. The amendments are applicable with retroactive effect. The amendment clarifies the definition of accrual conditions, includes the concept of conditions other than accrual, requires that the latter be measured at fair value on the grant date and develops the accounting treatment thereof and that of cancelations. The Group has yet to evaluate the impact of amendments (applied retroactively to annual periods beginning on or after 1 January 2009)*

4. *•IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements: Amendments related to the valuation of investments in separate financial statements. The standard refers in general to the valuation of investments in separate financial statements. However, the standard amends IAS 18 Revenue and IAS 21 The Effects of Changes in Foreign Exchange Rates, establishing that the dividends received on equity instruments following acquisition should be recognised as revenue in the income statement and in no case constitute a recovery of the investment. The standard must be applied prospectively for annual periods beginning on or after 1 January 2009.*

5. *IFRS 1 First-time Adoption of IFRSs. This is a revised and improved version of the standard, but does not include any change in accounting treatment. This standard is applicable for annual periods beginning on or after 1 January 2009 and is pending adoption by the EU.*

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

The main standards and amendments that are not yet effective and which could foreseeably have an impact on the consolidated annual accounts of Solaria are presented below. The Company has not opted for early adoption of any of these standards.

1. *IFRS 3 Business Combinations (revised 2008) and amendments to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in Joint Ventures and IAS 21 The Effects of Changes in Foreign Exchange Rates. This standard is applicable prospectively to business combinations in which the date of acquisition is on or after the first annual period beginning on or after 1 July 2009. These standards include the following amendments, which will be relevant to the Group:*

   - *The definition of what constitutes a business has been broadened and consequently it is possible that more transactions will be classified as business combinations*
   - *Contingent payments subjects to future events will be recognised at fair value, recognising any subsequent variations in the consolidated income statement (consolidated statement of comprehensive income)*
   - *Transaction costs, other than debt or equity issuance costs, will be recognised as an expense when incurred*

- *Any prior investment in the business acquired will be stated at fair value on the date of acquisition, recognising any variations in the consolidated income statement (consolidated statement of comprehensive income)*
- *The minority interest will be stated transaction by transaction at fair value or at the interest in the fair value of the net assets acquired*
- *The minority interest incurs an equal part of the losses of the business in excess of the value of the investment*
- *Acquisitions of interests in businesses after control has been obtained and partial sales that do not represent a loss of control are recognised as equity transactions with shareholders*
- *Investments held in the business in a transaction resulting in a loss of control are recognised at fair value, recognising the variation in the consolidated income statement (consolidated statement of comprehensive income)*

2. *IAS 39 Financial Instruments: Measurement. This amendment relates to items that could be designated as hedged. The amendment clarifies the types of risk that may be designated as hedged. The amendment should be applied with retroactive effect to annual periods beginning on or after 1 July 2009.*
3. *IAS 24 Related party disclosures. Effective for annual periods beginning on or after 1 January 2011 (pending adoption by the European Union)*
4. *Amendment to IFRS 1 First-time Adoption of IFRSs: Additional exemptions for first- time adopters. Effective for annual periods beginning on or after 1 January 2010 (Pending adoption by the EU).*
5. *Amendment to IAS 32 - classification of rights issues by the issuer. Effective for annual periods beginning on or after 1 February 2010. (Pending adoption by the EU).*

3. Application of Loss/Distribution of Profit

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

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

4. Significant Accounting Principles

4.1 Subsidiaries

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

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

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

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

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

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

4.2Business combinations

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

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.

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

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

Details of jointly controlled entities are provided in Appendix II.

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

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

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

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

4.4 Foreign currency transactions, balances and cash flows

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

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

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occurred.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4.5 Property, plant and equipment

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

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

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

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

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

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

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

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

The Group begins capitalising borrowing costs as part of the cost of a qualifying asset when it incurs expenditures for the asset, interest is accrued, and it undertakes activities that are necessary to prepare the asset for its intended use or sale, and ceases capitalising borrowing costs when all or substantially all the activities necessary to prepare the qualifying asset for use are complete. Nevertheless, capitalisation of borrowing costs is suspended when 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 balance sheet at their cost value less any accumulated amortisation.

Research and development expenses

Expenditure on research is recognised as an expense when incurred.

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

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

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

Software

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

Software maintenance costs are charged as expenses when incurred.

4.7 Impairment of non-financial assets subject to amortisation

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

Each lease payment is distributed between liabilities and finance expenses, obtaining a constant interest rate on the outstanding balance of the debt. Interest is expensed using the effective interest method. Property, plant and equipment acquired under finance leases are subject to the same criteria as in note 4.6.

In application of this type of financing, the Parent company is the lessee of several vehicles as well as the land, building and machinery of the factory used to manufacture photovoltaic modules in

Fuenmayor (La Rioja) acquired in March 2008. Lease contracts for PP&E in which the contract substantially transfers to the Parent company all the risks and rewards of ownership of the assets are classified as finance leases, otherwise they are classified as operating leases.

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

b) Operating leases

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

4.9 Financial assets

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

a) Financial assets at fair value through profit or loss

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

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

b) Loans and receivables

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

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

c) Interest

Interest is recognised following the effective interest method.

d) Derecognition of financial assets

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

4.10 Financial liabilities

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

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.
A financial liability, or part of it, is derecognised when the Group either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The Group has contracted payables discounting facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables in the consolidated balance sheet 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 2009 and 2008 the Group has contracted interest rate hedges for loans received and at 31 December 2008 it also contracted USD/Euro currency hedges (see note 12).

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).

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

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 Own equity instruments held by the Parent company

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

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

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

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

4.13 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 design costs, the cost of raw materials, direct labour and other direct costs and manufacturing overheads (based on normal operating capacity) in addition to borrowing costs, provided the production period exceeds one year. The net realisable value is the estimated selling price in the Group's normal business operations less costs to sell.

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

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 balance sheet as financial liabilities from bank borrowings.

4.15 Grants

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

(i) Capital grants

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

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

(ii) Operating grants

Operating grants are recognised under other income in the consolidated income statement.

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

(iii) Interest-rate grants

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

4.16 Provisions

Provisions are recognised when:

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

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

Contingent liabilities are considered to be potential obligations deriving from past events, which are subject to the occurrence of one or more future events outside the control of the directors of the Parent company. These contingent liabilities are not recognised in the consolidated accounts but are described in the notes (see note 22).

Provisions for warranties

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

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

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

4.17 Compensation for termination of employment

The Group recognises termination benefits for employees in the consolidated income statement when Group management has decided to terminate an employment contract before the employee's normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits, provided that the Group has demonstrably undertaken to terminate the contracts of current employees in accordance with a formal, detailed and binding agreement, the main characteristics of which have been announced. Benefits that will not be paid within 12 months from the consolidated balance sheet date 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 2009 the Company 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 the balance sheet date.

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

- *Taxable temporary differences*

  Taxable temporary differences are recognised in all cases except where:

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

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

- *Deductible temporary differences*

Deductible temporary differences are recognised provided that:

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

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

- *Measurement*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the 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 balance sheet 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. Volume rebates, prompt payment and any other discounts, as well as the interest added to the nominal amount of the consideration, are recognised as a reduction therein.

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

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

<u>Sales of goods</u>

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 the consolidated balance sheet date when the outcome of the transaction can be estimated reliably; i.e., when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Group.

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

(a) There is a specific customer with a firm obligation
(b) The amount of revenue can be reliably measured
(c) The 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 balance sheet under trade and other payables.

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

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

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

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

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

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the 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 balance sheet date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months from the balance sheet date.

- Liabilities are classified as current when they are expected to be settled in the 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 balance sheet date 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 technologies and market strategies.

At 31 December 2009, 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 Generation. Revenues from power generation from the plants directly operated by the Group.

- Segment 3 Projects. Development and sale of photovoltaic plants through turnkey projects including the construction and installation of modules and the start-up of the plants.

The results for each Group segment are as follows:

	Thousands of Euros									
	Photovoltaic		**Projects**		**Generation**		**Other**		**Consolidated**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Revenue from external customers:										
External sales	23,325	77,788	45,388	30,892	20,149	-	-	1,005	88,892	109,685
Other income	1,595	-	-	-	-	2,241	-	-	1,595	2,241
Total revenue from external customers	**24,950**	**77,862**	**45,388**	**30,892**	**20,149**	**2,241**	**-**	**1,005**	**90,487**	**112,000**
Inter-segment revenue	-	32,212	-	(32,212)	-	-	-	-	-	-
Total revenue	**24,950**	**100,000**	**45,388**	**(1,320)**	**20,149**	**2,241**	**-**	**1,005**	**90,487**	**112,000**
Work performed by the Group and capitalised	-	-	116,918	-	-	-	-	-	116,918	-
Amortisation and depreciation	(3,152)	(1,400)	-	-	(1,105)	-	(145)	(40)	(4,402)	(1,440)
Supplies	(7,341)	-	(6,998)	-	(12)	-	-	-	(14,351)	-
Other segment income and expenses	(8,656)	(104,538)	(7,913)	(7,814)	(3,254)	(141,052)	(8,183)	(927)	(28,066)	(254,331)
Changes in inventories	(14,201)	(12,779)	(138,222)	-	-	153,646	-	-	(152,423)	140,867
Provision	-	-	(2,128)	(23,676)	-	-	-	-	(2,128)	(23,676)
Operating income/expenses	**(8,400)**	**(8,717)**	**6,985**	**(32,810)**	**15,778**	**14,835**	**(8,328)**	**38**	**6,035**	**(26,654)**
Finance income									444	5,394
Finance expenses									(4,387)	(9,398)
Pre-tax segment profit or loss									**2,092**	**(30,658)**
Income tax expense/(recoverable tax)									**357**	**9,196**
Profit/(loss) for the year									**2,449**	**(21,462)**

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

	Thousands of Euros									
	Photovoltaic		**Projects**		**Generation**		**Others**		**Consolidated**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Segment assets	123,003	109,441	12,099	209,439	123,874	-	-	-	258976	318,880
Property, plant and equipment	79,420	70,117	-	-	122,907	-	-	-	202,327	70,117
Inventories	16,971	19,927	6,260	6,260	-	-	-	-	23,231	183,618
Trade receivables	26,612	19,397	5,839	5,839	967	-	-	-	33,418	65,145
Undistributed assets									67,783	70,067
Total assets									**326,759**	**388,947**

	Photovoltaic		**Projects**		**Generation**		**Others**		**Consolidated**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Segment liabilities	22,748	26,469	9,394	24,686	736	106	1,837	1,331	34,715	52,592
Undistributed liabilities									57,071	102,474
Total liabilities									**91,487**	**155,066**

During 2009 the Company has sold a solar plant from the projects segment to a third party for Euros 35,971 thousand (see note 13).

6. Property, Plant and Equipment

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

	Land	Buildings	Plant and machinery	Other assets	Property, plant and equipment under construction	Total
Cost	2,830	2,263	8,101	782	19,669	33,645
Accumulated depreciation	-	(80)	(734)	(88)	-	(902)
Carrying amount at 1 January 2008	**2,830**	**2,183**	**7,367**	**694**	**19,669**	**32,743**
Additions	6,517	10,993	3,717	129	17,807	39,163
Disposals	-		(2)	(3)	(181)	(186)
Transfers	-		598	-	(598)	-
Depreciation	-	(383)	(1,167)	(72)	-	(1,622)
Balance at 31 December 2008	**9,347**	**12,793**	**10,513**	**749**	**36,697**	**70,099**
Additions	-	1,527	4,794	429	10,059	16,809
Disposals	-	-	(403)	-	-	(403)
Transfers	-	21,593	132,770	-	(37,446)	116,917
Depreciation	-	(471)	(3,378)	(215)	-	(4,064)
Carrying amount at 31 December 2009	**9,347**	**35,442**	**144,296**	**963**	**9,310**	**199,358**

a) General

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

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

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

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

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

During the final quarter of 2009, the Group transferred the manufacturing costs incurred by the three photovoltaic solar plants located in Villanueva de la Serena, La Rioja and Rueda (see note 13) from inventories in amounts of Euros 60,324 thousand, Euros 48,664 thousand and Euros 7,929 thousand, respectively, as no new sales agreements have been signed with third parties during the last twelve months. The Company has begun to depreciate these plants since their transfer to property, plant and equipment because they are operational and generate power. The first two plants have an installed capacity of 22 MWp, and the total cost of these plants in Group property, plant and equipment at 31 December 2009 and 2008 amounts to Euros 60,324 thousand and Euros 50,653 thousand respectively. The accumulated depreciation for the two plants, relating entirely to 2009, amounts to Euros 598 thousand and 507 thousand, respectively. These transfers reflect the Group's strategy of constructing solar plants to obtain higher recurring income from power generation (see note 25).

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

b) Insurance

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

c) Goods under finance leases

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

	Thousands of Euros	
	2009	**2008**
Capitalised finance lease costs	16,787	16,783
Accumulated depreciation	(477)	(317)
	16,310	**16,466**

The most significant finance leases are detailed in note 17.

d) Capitalised finance expenses

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

7. Intangible Assets

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

	Software	Industrial property	Development expenses	Total
Cost	28	-	-	28
Accumulated amortisation	(11)	-	-	(11)
Net carrying amount at 1 January 2008	**17**	**-**	**-**	**17**
Additions	22	-	-	22
Amortisation	(21)	-	-	(21)
Balance at 31 December 2008	**18**	**-**	**-**	**18**
Additions	154	1,593	1,495	3,242
Disposals	(2)	-	-	(2)
Amortisation	(32)	-	(257)	(289)
Balance at 31 December 2009	**138**	**1,593**	**1,238**	**2,969**

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

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

8. Operating Leases

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

1. The Parent company's head offices, owned by its main shareholder Solaria DTL Corporación, S.L., are located on calle Princesa (Madrid) and occupied by virtue of the lease contract signed on 1 July 2009. Prior to this date, the Company leased two office floors on calle Velazquez (Madrid), which were also owned by its Parent company (see note 24(b)).

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

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

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

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

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

9. Risk Management Policy

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

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

a) Market risk

i) Currency risk

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

The 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 time of transaction.

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

ii) Price risk

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

iii) Cash flow interest rate risk

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

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

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

At 31 December 2009 and 2008, and including the effect of the interest rate swaps contracted, the Group's debt is structured as follows:

	Thousands of Euros	
	2009	2008
Fixed-interest rate payables	10,328	11,464
Variable-interest rate payables	53,874	81,614
Total	64,225	93,078

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

c) Liquidity risk

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

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

10. Other Current Financial Assets

Details of other current financial assets are as follows:

	Thousands of Euros	
	2009	**2008**
Bank deposits	10,300	-
Current account with group companies	741	-
Other financial assets	56	-
	11,097	**-**

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

11. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Thousands of Euros			
	2009		**2008**	
	Non-current	**Current**	**Non-current**	**Current**
Trade receivables	7,590	20,396	-	28,530
Loans to group companies and associates (note 25 (b))	-	5,733	-	42,244
Other receivables	-	1,201	-	453
Public entities (note 20)	-	23,058	-	32,735
	7,590	**50,388**	**-**	**103,962**

Details of trade receivables are as follows:

	Thousands of Euros	
	2009	**2008**
Trade receivables for invoices pending receipt	-	8,044
Trade receivables for withholdings on warranties	-	643
Trade receivables – discounted notes	4,411	4,621
Trade receivables	19,112	16,222
Impairment	(3,127)	(1,000)
	20,396	**28,530**

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

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

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

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

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

	Thousands of Euros	
	2009	2008
Balance at 1 January	1,000	-
Charges	2,127	1,000
Balance at 31 December	**3,127**	**1,000**

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. During 2009 measures have been fast-tracked to improve recovery of trade receivables.

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

12. Derivative Financial Instruments

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

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

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

a) Interest rate hedges

In order to hedge against fluctuations in the interest rate applicable to loans obtained for Euros 1,500 thousand and Euros 4,500 thousand, respectively (see note 17), the Group has contracted an interest rate hedge, the main characteristics of which are as follows:

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

Maturity dates for the notional amount of the derivative are as follows:

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

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

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

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

b) Foreign currency hedges

In order to hedge against exchange rate fluctuations between the Euro and the US Dollar in certain production machinery purchases foreseen for 2009, the Group contracted a hedging transaction with a financial institution in 2008 (see note 4.11), in the form of a currency option with a knock-out barrier of 1.110. The main characteristics of this transaction were:

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

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

c) Derivatives which do not qualify for hedge accounting

The 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:

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

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

13. Inventories

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

	Thousands of Euros							
	2009				2008			
	Thermal	Photovoltaic	Solar plants	Total	Thermal	Photovoltaic	Solar plants	Total
Raw materials and other supplies	600	9,620	6,260	16,480	589	8,881	5,286	14,757
Finished products	724	6,027	-	6,751	724	1,769	158,405	160,897
Pre-payments to suppliers	-	-	-	-	-	7,964	-	7,964
TOTAL	**1,324**	**15,647**	**6,260**	**23,231**	**1,313**	**18,614**	**163,691**	**183,618**

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

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

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

- On 21 January 2009, a solar plant with a nominal capacity of approximately 6 MWp located in Alhama (Murcia) was sold to a third party. The cost in inventories of this installation amounted to Euros 26,122 thousand and its sales price excluding the value of the investment in Alhama Solar, S.L. amounted to Euros 35,971 thousand (see note 5).

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

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

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

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

14. Cash and Cash Equivalents

The total balance reflects cash in hand and at banks.

15. Equity

Share capital

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

	2009		2008	
	Number of shares	**% de Percentage of ownership**	**Number of shares**	**% de Percentage of ownership**
Solaria DTL Corporación, S.L.	62,235,544	61,53	62,235,544	61,53
Own shares	1,440,635	1,45	1,462,163	1,45
Electronic trading system	37,470,488	37,02	37,448,960	37,02
Total	101,146,667	100	101,146,667	100

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

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

The Group's capital management objective is to safeguard the Company's capacity to continue operating as a going concern, enabling it to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital. To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, reimburse capital, issue shares or dispose of assets to reduce debt. Parent company management monitors the capital structure based on the debt ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as the sum of financial borrowings less cash and cash equivalents. Equity is the sum of the share capital plus reserves, and non-distributed profits, as shown in the consolidated balance sheet.

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 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	**2008**
Borrowings (note 17)	64,225	93,078
Less: Cash and cash equivalents (note 15)	(17,503)	(10,142)
Net debt	46,722	82,936
Total equity	**234,973**	**233,881**
Debt/equity ratio	**20%**	**35%**

Own shares

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

	Thousands of Euros		
	No. of shares	**Average purchase price**	**Amount**
Balance at 1.1.2008	**-**	**-**	**-**
Acquisitions	3,289,681	8,35	27,472
Disposals	(1,827,518)	10,36	(18,932)
Balance at 31.12.2008	**1,462,163**		**8,540**
Acquisitions	1,434,114	1,91	2,738
Disposals	(1,455,642)	4,30	(6,262)
Balance at 31.12.2009	**1,440,635**		**5,016**

As agreed at the shareholders' general meeting held on 24 May 2007, the board of directors was authorised to purchase Company shares for a cash consideration, in one or several transactions, within a period of no longer than 18 months, up to a maximum of 5% of share capital. The minimum price should be the nominal value of the shares and the maximum price should be 100% of the share value quoted in the electronic trading system at the time of purchase.

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

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

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

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

At 31 December 2009, the Company has 1,440,635 shares amounting to Euros 5,016 thousand. At 31 December 2008, the cost of purchasing own shares amounted to Euros 8,540 thousand.

Legal reserve

The legal reserve, amounting to Euros 5,311 thousand, has been appropriated in compliance with article 214 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

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

Share Premium and Voluntary Reserves

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

Retained earnings

Details and movement during 2008 and 2009 are as follows:

	Thousands of Euros			
	Voluntary reserves	Other reserves	Profit/(loss) for the year	Total
Balance at 1 January 2008	(4,361)	7,080	48,400	51,119
Distribution of 2007 profit	47,498	(3,848)	(48,400)	(4,750)
Own shares sold	(1,966)	-	-	(1,966)
Other movements	-	81	-	81
Loss for 2008	-	-	(21,462)	(21,462)
Balance at 31 December 2008	41,171	3,313	(21,462)	23,022
Application of 2008 loss	-	(21,462)	21,462	-
Own shares sold	(3,293)	-	-	(3,293)
Other movements	-	(1,899)	-	(1,899)
Profit for 2009	-	-	2,449	2,449
Balance at 31 December 2009	37,878	(20,048)	2,449	20,279

16. Other Comprehensive Income

During 2009 and 2008, changes in other comprehensive income have been as follows:

	Thousands of Euros
	Cash flow hedges
Balance at 1 January 2008	**5,072**
Increases	716
Recognised as profit or loss	(7,234)
Tax effect	1,955
Balance at 31 December 2008	**509**
Balance at 1 January 2009	**509**
Recognised as profit or loss	(444)
Tax effect	133
Balance at 31 December 2009	**198**

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

17. Loans and Borrowings

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

	Thousands of Euros		
	2009		
Institution	**Current**	**Non- current**	**Total**
Loans and borrowings	2,546	8,793	11,339
Balances payable to public entities	144	916	1,060
Finance lease payables	991	15,320	16,311
Import facilities	35,515	-	35,515
Total at 31.12.09 (note 15)	**39,196**	**25,029**	**64,225**

	Thousands of Euros		
	2008		
Institution	**Current**	**Non-current**	**Total**
Loans and borrowings	2,695	11,311	14,006
Balances payable to public entities	234	1,706	1,940
Finance lease payables	340	16,357	16,697
Import facilities	60,435	-	60,435
Total at 31.12.08 (note 15)	**63,704**	**29,374**	**93,078**

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. At 31 December 2009 the available balance of the import facilities amounts to Euros 12,465 thousand (Euros 53,656 thousand at 31 December 2008).

All Group payables are in Euros.

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

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 5 years after signing the contract. As a result of these projects, the Spanish Institute for the Diversification and Saving of Energy has extended the Parent company certain grants. Details are provided as follows and are expressed in thousands of Euros.

	Amount of loan				Grants	
	Original	**31.12.2009**	**31.12.2008**	**Maturity**	**Loan repayment**	**Payment of interest**
1	412	79	118	2011	124	29
2	547	127	178	2012	164	38
3	1,500	770	964	2013	-	-
4	4,500	4,179	4,501	2016	-	-
5	1,800	750	1,132	2011	-	-
6	6,000	5,400	6,000	2024	-	-
	Accrued interest payable	11	1,113		-	-
		11,316	**14,006**		**288**	**67**

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

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

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

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

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

Payables to public entities:

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

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

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

Finance lease payables

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

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

Other items acquired by this method are not significant.

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

	Thousands of Euros	
	2009	**2008**
Up to 1 year	1,711	1,159
Between 1 and 5 years	9,102	6,818
More than 5 years	11,398	15,439
Future financial charges for finance leases	(5,900)	(6,719)
Present value of finance lease liabilities	**16,311**	**16,697**
The present values of finance lease liabilities are as follows:		
Current	991	340
Non-current	15,320	16,357
	16,311	**16,697**

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

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

	Thousands of Euros			
	2008			
Years	**Finance lease payables**	**Loans, public bodies**	**Banks**	**Total**
Up to 1 year	340	234	63,130	63,704
Between 1 and 5 years	142	1,206	7,133	8,481
More than 5 years	16,215	500	4,178	20,893
Total at 31.12.08	**16,697**	**1,940**	**74,441**	**93,078**

18 Deferred Income

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

Granting entity	**Thousands of Euros**	**Objective**	**Concession date**
IDAE (Note 17)	124	Early repayment of the Caja Duero loan (i)	26.10.2004
IDAE (Note 17)	164	Early repayment of Caja Duero loan (ii)	14.04.2005
Ministry of Industry	4,546	Financing for property, plant and equipment	17.01.2006
IDAE (Note 17)	29	Reduction rate of interest Caja Duero loan (i)	26.10.2004
IDAE (Note 17)	38	Reduction rate of interest Caja Duero loan (ii)	14.04.2005
Ministry of Industry Loan (Note 17)	91	Financing for property, plant and equipment and operating expense grants.	26.07.2005
CDTI (Note 19)	52	Financing of property, plant and equipment and operating expense grants	29.04.2006
Ministry of Industry Loan (Note 17)	131	Financing for personnel expenses	09.01.2007
	5,175		

Changes and movement in the accounts included under this caption during 2008 and 2009 are as follows:

	Thousands of Euros		
	Balance at 01.01.09	**Recognition in income statement**	**Balance at 31.12.09**
IDAE	77	(19)	58
IDAE	105	(19)	86
Ministry of Industry	4,546	(840)	3.706
IDAE	12	(5)	7
IDAE	17	(5)	12
Ministry of Industry loan	151	(22)	129
Ministry of Industry loan	60	(9)	51
CDTI	33	(7)	26
Ministry of Industry loan	106	(14)	92
	5,107	**(940)**	**4,167**

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

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

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

The grant awarded is currently subject to the following conditions:

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

In 2007, the Parent company extended a Euros 4,500 thousand guarantee (see note 26 (c)) to the Ministry of Industry, Tourism and Trade to cover collection of 85% of the total grant awarded. On 10 December 2007, the Parent company requested an advance of 85% of the total loan, availing of the Ministerial Order of 17 December 2001, which regulates the terms applying to grants awarded to business projects which generate employment. On 17 January 2008 the Parent company was awarded this advance payment, which was collected on 7 February 2008, with the remaining 15% left outstanding.

19. Trade and Other Payables

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

	Thousands of Euros	
	2009	**2008**
Suppliers and other payables	15,191	49,060
Trade payables advanced by banks	571	-
Suppliers of property, plant and equipment	3,215	3,289
Salaries payable	148	412
Public entities, other (note 20)	1,267	1,170
	20,392	**53,931**

At 31 December 2009 the Group had balances payable totalling Euros 445 thousand (Euros 16,058 thousand in 2008) in foreign currency, mainly US Dollars.

20. Taxation

Income tax expense for 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	**2008**
Profit/(loss) before income tax	2,092	(30,658)
Permanent differences	79	
Differences for expenses recognised directly in equity	-	(10,719)
Temporary differences	320	29,579
Taxable income	2,491	(11,798)
Deductions	(1,008)	-
Withholdings and payments on account	(39)	(7,574)
Income tax expense / (receivable)	**(39)**	**(7,574)**

Reconciliation of taxation is as follows:

Thousands of Euros

	2009	2008
Accounting profit / (loss) before tax	2,092	(30,658)
Expense / (income) from applicable tax rates	628	(9,196)
Adjustments to taxable income	24	-
Deductions	(1,008)	-
Income tax expense/(recoverable tax)	(356)	(9,196)
Effective tax rate	**(17%)**	**30.00%**

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

Deferred tax assets and liabilities are as follows:

	Thousands of Euros	
	2009	**2008**
Deferred tax liabilities	897	993
Deferred tax assets	13,656	13,471

Details of changes in deferred tax assets and liabilities during the year are as follows:

	Thousands of Euros			
Deferred tax liabilities	**Subject to accelerated deprecation**	**Derivative financial instruments**	**Deferred income**	**Total**
At 31 December 2007	**1,089**	**4**	**78**	**1,171**
Debit / (credit) to income statement	(96)	(4)	(78)	(178)
At 31 December 2008	**993**	**-**	**-**	**993**
Debit / (credit) to income statement	(96)	-	-	(96)
At 31 December 2009	**897**	**-**	**-**	**897**

Deferred tax assets	**Derivative financial instruments**	**Property, plant and equipment**	**Other temporary differences**	**Increase in share capital expenses**	**Tax loss carryforwards and deductions**	**Total**
At 31 December 2007	**2,474**	**-**	**-**	**3,216**	**-**	**5,690**
Charge / (debit) in income statement	(296)	6,803	2,271	-	4,179	12,957
Debit / (credit) to equity	(1,960)	-	-	(3,216)	-	(5,176)
At 31 December 2008	**218**	**6,803**	**2,271**	**-**	**4,179**	**13,471**
Debit / (credit) to income statement	-	-	(1,965)		1,275	318
Debit / (credit) to equity	(133)	-	-	-	-	(133)
At 31 December 2009	**85**	**6,803**	**306**	**-**	**5,454**	**13,656**

Deferred tax assets and liabilities are only offset if the right to offset current tax assets and liabilities has been legally recognised and the deferred tax assets and liabilities are assessed by the same taxation authority. At 31 December 2009 and 2008 differences exist between the tax and accounting values of certain items of property, plant and equipment amounting to Euros 22,677 thousand.

At 31 December 2009 all taxes applicable to Group companies for the current statutory period are open to inspection.

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

Details of current tax assets with public entities at year end 2009 and 2008 are as follows:

	Thousands of Euros			
	2009		**2008**	
	Debtor	**Creditor**	**Debtor**	**Creditor**
Income tax 2008	-	-	7,574	-
Income tax 2006	-	-	17	-
Income tax 2005	-	-	12	-
Current tax	-	-	7,603	-

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

	Thousands of Euros			
	2009		2008	
	Debtor	**Creditor**	**Debtor**	**Creditor**
VAT	22,615	680	32,428	53
Personal income tax	-	-	-	202
Social Security	-	288	-	307
Tax withheld on interest	443	299	307	608
	23,058	**1,267**	**32,735**	**1,170**

21. Income and Expenses

a) Revenues

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

Group revenues have mainly been generated in Spain, although they do include revenue from other European countries amounting to Euros 10,539 thousand and Euros 171 thousand for 2009 and 2008, respectively.

b) Raw materials and consumables used

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

	Thousands of Euros	
	2009	**2008**
Purchases of raw materials and others	14,351	230,235
Change in inventories	(1,723)	12,779
	12,628	200,290

c) Other expenses

Details at 31 December are as follows:

	Thousands of Euros	
	2009	2008
Leases and royalties	766	501
Repairs and maintenance	192	341
Independent professional services	2,145	1,795
Bank services	746	1,220
Insurance premiums	797	511
Advertising	2,276	1,040
Utilities	705	457
Other	6,113	992
	13,740	8,027

d) Grants taken to income

During the year the Company has recognised income of Euros 940 thousand for grants received from different awarding bodies, as detailed in note 18.

e) Personnel expenses

Details of these personnel costs are as follows:

	Thousands of Euros	
	2009	**2008**
Wages and salaries	12,356	12,892
Employee benefits expense	2,910	3,038
	15,267	15,930

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

	No. of shares	
	2009	**2008**
Engineers	28	22
Graduates	39	28
Factory personnel	438	503
	505	**553**

At year end 2009 and 2008 the distribution by gender of Parent company personnel and directors is as follows:

	No. of shares			
	2009		2008	
	Female	Male	Female	Male
Directors	-	5	-	6
Engineers	4	20	4	18
Graduates	19	44	20	26
Factory personnel	158	241	168	299
	181	**310**	**192**	**349**

The Company has no pension or similar obligations with personnel.

f)Finance income and expense

	Thousands of Euros	
	2009	**2008**
Income from bank interest	444	5,394
Changes in fair value – derivative financial instruments	-	986
Exchange gains	708	3,864
	708	4,850
	1,152	10,244
Interest payments	3,402	5,498
Changes in fair value – derivative financial instruments	593	1,229
Exchange losses	1,100	7,521
	5,095	14,248
Finance profit/(loss)	**(3,942)**	**(4,004)**

g) Foreign currency transactions

Foreign currency transactions (US Dollars) during 2009 amount to Euros 85 thousand (Euros 127,523 thousand in 2008).

22. Contingencies

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

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

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

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

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

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

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

For the purposes of complying with Article 127 ter 4 of the revised Spanish Companies Act, these notes to the annual accounts include information relating to interests and positions held by members of the board of directors of Solaria Energía y Medio Ambiente, S.A. in other companies with similar or complementary statutory activities to that of the Company.
The relevant interests of the members of the board of directors of the Parent company in the capital of entities with identical, similar or complementary statutory activities to those of the Company and its Group, and of which Solaria has been informed, are detailed below, indicating the positions held or the duties carried out in these companies:

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

		several director
Iñigo Sagardoy Simón	-	
Manuel Azpilicueta Ferrer	-	

During 2009 and 2008, neither the Company's directors or related parties have carried out any transactions with the 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	
	2009	**2008**
Profit/(loss) attributable to shareholders	2,449	(21,462)
Weighted average number of ordinary shares in circulation	99,660,078	100,797,095
Basic earnings/(losses) per share (Euros per share)	**0.025**	**(0.213)**

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 2009 and 2008, no instruments have been issued that could be potentially diluting ordinary shares. Consequently, basic earnings per share are equal to the diluted earnings per share.

25. Balances and Transactions with Related Parties

a) Parent company

Solaria Energía y Medio Ambiente, S.A. is controlled by Solaria DTL Corporación, S.L., which holds a 61.53% interest in Solaria Energía y Medio Ambiente, S.A. All other shares of Solaria Energía y Medio Ambiente, S.A. are included in the electronic trading system. Solaria DTL Corporación, S.L. is owned by the Díaz-Tejeiro family. Instalaciones Díaz Tejeiro, S.L is a related company.

b) Transactions and balances with related parties

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

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

- The offices located at calle Velázquez 47, Madrid, which were occupied by the Parent company from January to June 2009, and the registered offices at calle Princesa 2, Madrid, from which it has run its operations since July 2009, are owned by Solaria DTL Corporación, S.L. The Parent company has paid an amount of Euros 412 thousand for the lease of these offices, in accordance with the contracts signed between the parties.

- During 2009 the Parent company has signed a development and construction contract for a photovoltaic plant for which it has recognised sales of Euros 7,550 thousand at 31 December. 50% of this amount was eliminated in the consolidation process.

Details of balances with related parties are as follows:

	Thousands of Euros	
	2009	**2008**
Trade receivables		
Solaria DTL Corporación, S.L.	1,404	42,244
Magacela Solar 1, S.L.	554	-
Serre UTA Srl	3,775	-
	5,733	**42,244**

At 31 December 2008 trade receivables, group included an amount of Euros 42,244 thousand due from Solaria DTL Corporación, S.L., the Parent company of Solaria, in respect of the contract signed in 2007 for the engineering and construction work for a photovoltaic solar plant with a nominal capacity of 10 MW (see note 13). The reassigned plant was handed over on 30 September 2009. This transaction was carried out at arm's length and the corresponding balance has been received in full from this company at 31 December 2009.

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. has rendered professional services to the Group during the year ended 31 December 2009, charging the following fees and expenses:

	Thousands of Euros
	2009
Audit services	125
Other services	25
	150

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

Other entities affiliated to KPMG International have invoiced the Group for fees and expenses for professional services amounting to Euros 15 thousand in 2009.
The fees invoiced in 2008 by the former auditor of the Company for the audit of the annual accounts for that year and other audit-related services amounted to Euros 224 thousand and Euros 3 thousand, respectively.

b) Environmental issues

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 2009 and 2008, 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 2009 or 2008.

c)Bank guarantees

The Group has contingent liabilities for bank and other guarantees relating to its normal business operations amounting to Euros 38,612 thousand at 31 December 2009 (Euros 46,147 thousand at 31 December 2008). The directors of the Parent company do not expect any significant liabilities to arise from these guarantees.

d) Guarantees

i) Warranties for turnkey contracts.

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

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

ii) Operating and maintenance contract warranties

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

iii) Warranties included in module sale contracts

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

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

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

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

The Parent company considers that no liabilities will arise due to the warranties extended and consequently has not recognised a provision to that effect (see note 2.5 (c)).

e) Temporary workforce restructuring plan

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

This suspension was established for a total of 10 months.

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

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

27. Subsequent Events

The following significant events have occurred since year end.

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

- At the beginning of February 2010, the Parent 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 are earmarked for creating jobs and investing in improvements at the factories which manufacture photovoltaic modules and cells in Puertollano (Ciudad Real).

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

Diligencia de Firmas

31 December 2009

FORMULATION OF THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2009

At their meeting held on 26 February 2010, pursuant to the requirements of article 171.2 of the Revised Spanish Companies Act and article 37 of the Spanish Code of Commerce, the Directors of Solaria Energía y Medio Ambiente, S.A. formulate the consolidated annual accounts comprising the consolidated balance sheet, 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 2009 and ended 31 December 2009. The consolidated annual accounts comprise the documents that precede this certification.

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

Appendix I

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
Information on Subsidiaries at
31 December 2009 and 2008

			Thousands of Euros					
				Equity (**)				
Investee	% % direct ownership	% Indirect ownership	Cost	Share capital	Reserves	Result 2009	Prior years' losses	Total
Planta Solar Puertollano 3, S.L.	100%	-	3	3	10	(15)	-	(2)
Planta Solar Puertollano 4, S.L.	100%	-	3	3	-	(5)	-	(2)
Planta Solar Puertollano 5, S.L.	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 6, S.L.	100%	-	3	3	40	(18)	(46)	(21)
Planta Solar Puertollano 7, S.L.	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 8, S.L.	100%	-	3	3	-	50	(22,676)	(22,623)
Planta Solar Puertollano 9, S.L.	100%	-	3	3	-	-	-	3
Planta Solar Puertollano 10, S.L.	100%	-	3	3	-	(20)	-	(17)
Planta FV 1, S.L.	100%	-	3	3	-	-	-	3
Planta FV 2, S.L.	100%	-	3	3	-	-	-	3
Planta FV 3, S.L.	100%	-	3	3	-	-	-	3
Planta FV 4, S.L.	100%	-	3	3	-	-	-	3
Planta FV 5, S.L.	100%	-	3	3	-	-	-	3
Planta FV 6, S.L.	100%	-	3	3	-	-	-	3
Planta FV 7, S.L.	100%	-	3	3	-	-	-	3
Planta FV 8, S.L.	100%	-	3	3	-	-	-	3
Planta FV 9, S.L.	100%	-	3	3	-	-	-	3
Planta FV 10, S.L.	100%	-	3	3	-	-	-	3
Planta FV 11, S.L.	100%	-	3	3	-	-	-	3
Planta FV 12, S.L.	100%	-	3	3	-	-	-	3
Planta FV 13, S.L.	100%	-	3	3	-	-	-	3
Planta FV 14, S.L.	100%	-	3	3	-	-	-	3
Planta FV 15, S.L.	100%	-	3	3	-	-	-	3
Planta FV 16, S.L.	100%	-	3	3	-	-	-	3
Planta FV 17, S.L.	100%	-	3	3	-	-	-	3
Planta FV 18, S.L.	100%	-	3	3	-	-	-	3
Solaria Energía Generación Renovable, S.L.	100%	-	1,228	1,228	-	(17)	-	1,211
Fondo Solaria Aleph FCR (*)	-	50%	-	1,226	15	(43)	-	1,183
Elassona Solar Energía LLC (*)	-	50%	-	149	-	(92)	-	57
Serre UTA, S.r.l (*)	-	50%	-	5	-	-	-	5
Solaria Energía Proyectos Internacionales, S.L.	100%	-	3	3	-	-	-	3
Globasol Villanueva 1, S.L.	100%	-	4,950	3	13	53		69
Solaria Deustchland Gmbh	100%	-	27	25	-	(44)	-	(19)
Solaria Italia SRL	100%	-	10	10	-	(49)	-	(39)
Solaria Francia SAS	100%	-	60	60	-	(13)	-	47
TOTAL			**6,356**					

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

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

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. AND SUBSIDIARIES
Details of the key indicators of Joint Ventures
31 December 2009 and 2008
(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

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

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

CONSOLIDATED DIRECTORS' REPORT FOR 2009

26 February 2010

Changes in the composition of the Group

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

Solely-owned subsidiaries:

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

50%-owned subsidiaries:

Solaria Aleph Generación FCR and Elassona Solar Energía LLC.

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

i. Transfers of investees:

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

(ii) Commercial expansion in Europe:

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

(iii) Generation sub-holding:

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

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

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

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

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

Internationalisation

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

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.

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

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

Financial report

Sales for the year amount to Euros 88.9 million. This represents an 18% decrease compared with the prior year, reflecting the fall in demand for photovoltaic equipment in Spain following the approval of Royal Decree 1578 in September 2008.

Compared with 2008, the main driver of revenue for the year has been the delivery of photovoltaic plants, representing approximately 51% of total revenue. Generation revenue has also performed positively, amounting to Euros 20.1 million in 2009 (compared with Euros 2.2 million in 2008). The different cost-containment programs together with the greater weight of these two activities (both with higher EBITDA margins) have enabled the Company to increase both EBITDA (by Euros 17.7 million) and PBT (by 33 million) compared with 2008 despite the stagnation in domestic demand for panels.

The depreciation and amortisation expense for 2009 is approximately Euros 4 million, while trade provisions amount to Euros 2.1 million and operating revenue totals Euros 6.0 million

The net financial expense totals Euros 3.7 million (including an expense of Euros 593 thousand for transactions with derivatives). At 31 December 2009 net debt is Euros 46.7 million, although the net debt/equity ratio is low at only 20%.

After incurring losses in 2008, the Solaria Group has generated a profit in all income statement entries in 2009, with EBITDA of Euros 10.4 million and a net profit before tax of Euros 2,092 thousand attributable to the Group.

The balance sheet reflects a Euros 129 million increase in property, plant and equipment which is primarily due to the reclassification of the assets of the Fuenmayor and Villanueva plants, which were previously included as inventories. The growth in capacity of the Puertollano and Fuenmayor factories, as well as the opening of the cell manufacturing factory at the Puertollano plant, represents a step forward in the vertical integration of our production processes, and an improvement in our cost structure. The current corporate strategy is to maintain inventories at plants to be used in their operating activities.

At 31 December 2009, inventories amount to Euros 23.2 million, down 87% compared with 31 December 2008 (a Euros 184 million decrease) due to the aforementioned transfers to property, plant and equipment, as well as the higher volume of sales in the final months of the year and the Company's policy of optimising inventory to contain warehousing costs. Furthermore, the sale of plants has resulted in the derecognition of inventories amounting to approximately Euros 33 million in 2009.

At 31 December 2009 the Group has working capital of Euros 41.3 million, compared with Euros 185 million at the end of the prior year, which is primarily due to the decrease in inventories. However, it should be taken into account that, in view of the fall in turnover, the Solaria Group has allocated a large part of the funds generated (efficient collection of trade receivables in 2009) to reducing its financial and commercial debt (of approximately Euros 28 million and Euros 34 million, respectively).

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

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

R&D activities

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

Own shares

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

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

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

Outlook for the Company

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

The Company's principal objectives are as follows:

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

Subsequent Events

The following significant events have occurred since 31 December 2009:

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

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

Main perceived risks

Market risk

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

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

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

Raw material price risk

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

Liquidity risk

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

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

Capital management

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

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

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

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

Risks related to financial instruments

a) Market risk

i)Currency risk

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

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

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

ii) Price risk

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

iii) Cash flow interest rate risk

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

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

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

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

	Thousands of Euros	
	2009	2008
Fixed-interest rate payables	10.328	11.464
Variable-interest rate payables	53.874	81.614
Total	64.225	93.078

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 a customer's credit rating, the finance department carries out the evaluation, considering the financial position of the customer, past experience and other factors. The Group does not extend non-current loans to its customers except in very exceptional circumstances.

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

c) Liquidity risk

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

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

Information regarding article 116 bis of the Securities Market Act

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

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

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

2) Restrictions on the transfer of securities:

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

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

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

3) Significant direct or indirect interests in share capital.

Interests in share capital are mentioned in note 12.

4) Restrictions on voting rights:

There are no restrictions on voting rights.

5) Shareholder agreements:

No shareholder agreements are in place.

6) Regulations applying to the appointment and removal of directors and modification of the Company's articles of association.

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

<u>Board of Directors</u>

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

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

<u>Appointment of Board Members</u>

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

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

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

- The directors will be appointed, subject to the prior report and proposal from the nomination and remuneration committee in the case of independent directors, by the shareholders at their general meeting or by the board of directors in accordance with the Spanish Companies Act.

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

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

Re-election

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

Duration and co-optation

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

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

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

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

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

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

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

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

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

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

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

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

<u>General Meetings</u>

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

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

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

Special majorities

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

Modification of articles of association

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

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

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

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

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

Shareholder powers

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

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

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

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

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

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

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

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