

Fotowatio, S.L. And Subsidiaries

**Consolidated Financial Statements
And Consolidated Directors' Report
for 2010, together with Auditors'
Report**

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Fotowatio, S.L.:

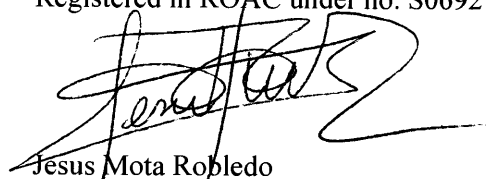
We have audited the consolidated financial statements of Fotowatio, S.L. ("the Company") and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2010 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying consolidated financial statements for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of Fotowatio, S.L. and Subsidiaries at 31 December 2010, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

The accompanying consolidated directors' report for 2010 contains the explanations which the directors of Fotowatio, S.L. consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2010. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Fotowatio, S.L. and Subsidiaries.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Jesus Mota Robledo

31 March 2011

Fotowatio, S.L. and Subsidiaries

**Consolidated Financial Statements and
Consolidated Directors' Report for 2010,
together with Auditors' Report**

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

FOTOWATIO, S.L. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2010 AND 2009

(In Thousand of Euros)

<u>ASSETS</u>	Notes	<u>2010</u>	<u>2009</u>
Intangible assets	6	47.246	39.937
Property, plant and equipment	7	728.439	519.808
Investments accounted for using the equity method	10	256	448
Non-current financial assets	9	2.825	1.119
Non-current tax assets	17	29.484	15.885
NON-CURRENT ASSETS		<u>808.250</u>	<u>577.197</u>
Inventories		267	124
Trade and other receivables		39.623	23.729
Trade receivables for sales and services	11	16.354	15.580
Sundry accounts receivable		1.116	535
Current tax assets	17	22.153	7.614
Current financial assets	9	39.274	29.275
Current prepayments and accrued income		770	965
Cash and cash equivalents	14	47.928	62.529
CURRENT ASSETS		<u>127.862</u>	<u>116.622</u>
Non-current assets classified as held for sale	5-g	-	693
TOTAL ASSETS		<u>936.112</u>	<u>694.512</u>
<u>EQUITY AND LIABILITIES</u>	Notes	<u>2010</u>	<u>2009</u>
Share capital		4.806	4.806
Share premium		48.783	48.783
Other reserves		28.019	10.830
Other reserves of the Parent		28.494	11.184
Other reserves contributed by Group companies		(475)	(354)
Consolidation reserves		(16.342)	1.239
Translation differences		(517)	(1.680)
Consolidated loss for the year		(34.224)	(15.577)
Valuation adjustments (hedging transactions)		(22.702)	(15.866)
Non-controlling interests		2.283	980
TOTAL EQUITY	13	<u>10.106</u>	<u>33.515</u>
Long-term provisions		46	129
Non-current liabilities		687.531	508.199
Bank borrowings	15.1	524.138	397.635
Non-current payables to related companies	15.1 y 18	133.241	90.777
Other payables		216	-
Hedging derivatives	16	29.936	19.787
Equity instruments with characteristics of financial liabilities	15.2	16.326	21.920
Non-current tax liabilities	17	42.974	32.259
Non-current accruals and deferred income	15.3	56.423	50.641
NON-CURRENT LIABILITIES		<u>803.300</u>	<u>613.148</u>
Current liabilities		88.460	23.218
Bank borrowings	15.1	30.698	19.654
Current payables to related companies	15.1 y 18	37	25
Other payables	15.1	57.725	3.539
Current payables to related parties	18	498	495
Trade and other payables		28.688	17.779
Payable to suppliers and trade payables		28.444	17.444
Current tax liabilities	17	244	335
Current accruals and deferred income	15.3	5.060	6.357
CURRENT LIABILITIES		<u>122.706</u>	<u>47.849</u>
TOTAL EQUITY AND LIABILITIES		<u>936.112</u>	<u>694.512</u>

The accompanying Notes 1 to 26 are an integral part of the consolidated statement of financial position for 2010.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

FOTOWATIO, S.L. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR 2010 AND 2009

(In Thousands of Euros)

	Notes	2010	2009
Income		98.759	88.208
Revenue	19-a	90.517	81.477
Other income		3.458	2.933
Work on non-current assets		4.784	3.798
Procurements	19-c	(8.220)	(8.337)
Staff costs	19-d	(11.521)	(9.249)
Other operating expenses	19-e	(35.088)	(31.887)
Depreciation and amortisation charge	19-f	(37.605)	(29.349)
Impairment and gains or losses on disposals of non-current assets	19-g	(14.704)	(445)
PROFIT (LOSS) FROM OPERATIONS		(8.379)	8.941
Finance income	19-h	482	940
Finance costs	19-h	(42.755)	(29.189)
Exchange differences		-	(149)
FINANCIAL LOSS		(42.273)	(28.398)
RESULTS OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD		0	(36)
LOSS BEFORE TAX		(50.652)	(19.493)
Income tax	17	16.298	3.695
LOSS AFTER TAX		(34.354)	(15.798)
LOSS FOR THE YEAR		(34.354)	(15.798)
Profit for the year attributable to non-controlling interests	13	130	221
LOSS FOR THE YEAR ATTRIBUTABLE TO THE PARENT		(34.224)	(15.577)

	Notes	2010	2009
Income and expense recognised directly in equity	16	(21.116)	(7.236)
Arising from cash flow hedges		(30.246)	(10.338)
Tax effect		9.130	3.102
Transfers to profit or loss		14.280	3.996
Arising from cash flow hedges		20.400	5.709
Tax effect		(6.120)	(1.713)
Translation differences		1.163	(1.680)
LOSS RECOGNISED DIRECTLY IN EQUITY		(5.673)	(4.920)
COMPREHENSIVE INCOME RECOGNISED IN THE YEAR		(39.897)	(20.497)
Comprehensive income attributable to the Parent		(40.027)	(20.718)
Comprehensive income attributable to non-controlling interests		130	221
Basic and diluted loss per share (euros/share)	13	(7,1211)	(3,2412)

The accompanying Notes 1 to 26 are an integral part of the consolidated statement of comprehensive income for 2010.

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FOTOWATIO S.L. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR 2010 AND 2009

(In Thousands of Euros)

	Share Capital		Share Premium	Other Reserves of the Parent	Other Reserves	Consolidation Reserves	Translation Differences	Loss for the Year	Valuation Adjustments	Non-Controlling Interests	TOTAL
	Registered	Uncalled									
BALANCE AT BEGINNING OF 2009	4.806	-	48.783	(275)	(292)	6.036	-	(7.979)	(12.626)	-	38.453
Comprehensive loss for the year	-	-	-	-	-	-	(1.680)	(15.577)	(3.240)	-	(20.497)
- Loss for the year	-	-	-	-	-	-	-	(15.577)	-	-	(15.577)
- Other	-	-	-	-	-	-	(1.680)	-	(3.240)	-	(4.920)
Transactions with shareholders	-	-	-	14.641	(62)	-	-	-	-	-	14.579
- Capital increases (Note 11)	-	-	-	14.641	(62)	-	-	-	-	-	(62)
- Uncalled capital paid	-	-	-	(3.182)	-	(4.797)	-	7.979	-	-	14.641
Other changes in equity	-	-	-	(3.182)	-	(4.797)	-	7.979	-	980	980
- Transfer of loss to reserves	-	-	-	(3.182)	-	(4.797)	-	7.979	-	-	-
- Transfer of loss to profits not specifically appropriated	-	-	-	-	-	-	-	-	-	980	980
- Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	980	980
2009 ENDING BALANCE	4.806	-	48.783	11.184	(354)	1.239	(1.680)	(15.577)	(15.866)	980	33.515
Comprehensive loss for the year	-	-	-	-	-	-	1.163	(34.224)	(6.836)	130	(39.767)
- Loss for the year	-	-	-	-	-	-	-	(34.224)	-	130	(34.094)
- Other	-	-	-	-	-	-	1.163	-	(6.836)	-	(5.673)
Transactions with shareholders	-	-	-	15.306	(121)	-	-	-	-	-	15.185
- Capital increases	-	-	-	15.306	(121)	-	-	-	-	-	(121)
- Additional disbursements (Note 13)	-	-	-	-	-	-	-	-	-	-	15.306
Other changes in equity	-	-	-	2.004	-	(17.581)	-	15.577	-	1.173	1.173
- Transfer of loss to reserves	-	-	-	2.004	-	(17.581)	-	15.577	-	-	-
- Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	1.173	1.173
2010 ENDING BALANCE	4.806	-	48.783	28.494	(475)	(16.342)	(517)	(34.224)	(22.702)	2.283	10.106

The accompanying Notes 1 to 26 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2010

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

FOTOWATIO, S.L. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2010 AND 2009

(In thousands of euros)

	Notes	2010	2009
Accounting loss before tax		(50.652)	(19.493)
Depreciation and amortisation charge	6 y 7	42.423	32.420
Finance costs		42.755	29.338
Finance income		(482)	(940)
Change in fair value of financial instruments		303	539
Change in provisions		(83)	129
Loss attributable to non-controlling interests		130	221
Impairment and gains or losses on disposals of non-current assets		14.704	445
Other		689	656
Adjustments for:		100.439	62.808
Inventories		(143)	(124)
Trade and other receivables		(15.894)	7.914
Other current assets		(9.804)	6.874
Trade and other payables		65.110	7.649
Changes in working capital		39.269	22.313
Interest received		482	940
Cash flows from operating activities		482	940
CASH FLOWS FROM OPERATING ACTIVITIES		89.538	66.568
Payments due to investment		(221.081)	(112.420)
Intangible assets and property, plant and equipment		(203.087)	(100.318)
Business combinations		(17.042)	(10.974)
Non-current assets classified as held for sale		-	(693)
Other financial assets		(952)	(435)
Proceeds from disposals		4.713	642
Intangible assets and property, plant and equipment		3.786	642
Non-current assets classified as held for sale		735	-
Investments accounted for using the equity method		192	-
CASH FLOWS FROM INVESTING ACTIVITIES		(216.368)	(111.778)
Proceeds and payments relating to equity instruments		15.315	14.579
Proceeds from issue of equity instruments		15.315	14.579
Proceeds and payments relating to equity liability instruments		96.002	32.450
Proceeds from debt issues	15	109.105	49.903
Proceeds from debt issued to members		30.682	29.360
Proceeds from issue of bank borrowings		(43.785)	(46.813)
CASH FLOWS FROM INVESTING ACTIVITIES		111.317	47.029
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		912	(1.829)
CASH FLOW FOR THE YEAR		(14.601)	(10)
Cash at beginning of year	14	62.529	62.539
Cash at end of year	14	47.928	62.529
Changes in cash		(14.601)	(10)

The accompanying Notes 1 to 26 are an integral part of the consolidated statement of cash flows for 2010 .

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

Fotowatio, S.L. and Subsidiaries

Notes to the Consolidated Financial Statements for 2010

1. Group companies and activities

Fotowatio, S.L. and its subsidiaries and investees compose a group of companies ("the Group"), the main activities of which comprise the development, construction and operation of solar farms.

Appendix I includes a list of the subsidiaries, associates and direct or indirect investees of Fotowatio, S.L., together with the most relevant data thereon.

Group activities

The Group's business model is focused on the generation of electricity based on solar energy. The Group currently uses photovoltaic technology, although it is also in the process of developing solar thermal projects. At 31 December 2010, the Group's installed capacity exceeded 176 MW, with 43 MW under construction and a development portfolio of more than 1,750 MW.

The Group carries on its business mainly in three geographical markets, namely Spain, Italy and the US, and it has also commenced activities in the Australian and French markets.

The Group's business in Spain

The Group currently operates the following solar PV farms (see Notes 7 and 8):

- A 23-MW solar PV farm located in Trujillo (Cáceres) owned by the Group company Fotowatio Energía Solar, S.L.
- An 11.5-MW solar PV farm located in Trujillo (Cáceres) owned by the Group company Fotowatio Trujillo, S.L.
- An 11.5-MW solar PV farm located in Olmedilla de Alarcón (Cuenca) held under an operating lease by the Group company Olmedilla Energía, S.L.
- An 11.5-MW solar PV farm located in Arroyo San Serván (Badajoz) owned by the Group company Serrezuela Solar VIII, S.L.
- Two solar PV farms of 6.7 MW and 6.6 MW located in Calasparra (Murcia) held under operating leases by the Group company Calasparra Renovables, S.L.
- Two solar PV farms of 10.3 MW and 8.9 MW located in Fuente Álamo de Murcia (Murcia) held under operating leases by the Group companies Fuentealamo Solar 2, S.L. and Fuentealamo Solar 3, S.L.
- A 6.3 MW solar PV farm located in Alhama de Murcia (Murcia) owned by the Group company Fotowatio Energía Renovable I, S.L.
- Two solar PV farms with an aggregate capacity of 2.6 MW located in Ibi and Onil (Alicante) held under finance leases by Ibi Solar, S.L.
- A 7 MW solar PV farm located in Rioja (Almería) owned by the Group company Helienergía, S.L.
- A 7 MW solar PV farm located in Blanca (Murcia) owned by the Group company Fotoblan, S.L.
- A 10.9 MW solar PV farm located in Los Martínez del Puerto (Murcia) owned by the Group company Planta Solar Fotovoltaica Valdelaguna A45, S.L.

- A 6 MW solar PV farm located in San Vicente del Palacio (Valladolid) owned by the Group company La Olmeda Planta Solar, S.L.
- In addition to the aforementioned solar PV farms, the Group is developing various other projects which most notably include two solar thermal facilities of 50 MW each, the construction of which will foreseeably commence in 2011. At the date of preparation of the accompanying consolidated financial statements, the two solar thermal projects had been registered in the Remuneration Pre-assignment Register of the Ministry of Industry, Tourism and Trade, and are being developed by the Group companies Arenales Solar PS, S.L and Serrezuela Solar II, S.L.

The Group's business in Italy

The Group currently owns and operates five 1 MW solar PV farms in Puglia (see Note 7)

At 31 December 2010, the Group had an additional 43 MW under construction, which are expected to come into service in 2011. The Group is developing more than 200 MW, thereby allowing it to increase its production capacity.

The Group's business in the US

The Group currently operates the following solar PV farms (see Note 7):

- A 14-MW solar PV farm owned by the Group, located in Las Vegas (Nevada).
- A 2-MW solar PV farm owned by the Group, located in Denver (Colorado).
- A 5.7-MW solar PV farm owned by the Group, located in California.
- A 1.9-MW solar PV farm owned by the Group, located in Palmdale (California).
- A 1.7-MW solar PV farm owned by the Group, located in Lakewood (California).
- Two solar PV farms of 1.2 MW and 1.1 MW, respectively, owned by the Group, located in Fresno (California).
- A 1.2-MW solar PV farm owned by the Group, located in Los Angeles (California).
- Two solar PV farms of 3.3 MW and 2 MW owned by the Group, located in Fort Collins (Colorado).
- A 1.2-MW solar PV farm owned by the Group, located in Sacramento (California).
- A number of smaller farms of less than 1 MW each, with a combined capacity of 5.9 MW.

The Group is developing more than 1,300 MW, thereby allowing it to increase its production capacity.

The Parent

Fotowatio, S.L. ("the Parent") (formerly Fotowatio, S.A., a venture capital company under the simplified regime), was incorporated for an indefinite period of time on 31 January 2007 under the name Fotowatio, S.A., and was registered at the Mercantile Registry on 1 March 2007. In 2007 the Company was transformed into a venture capital company under the simplified regime, as provided for in Law 25/2005, of 24 November. The shareholders at the Extraordinary General Meeting held on 25 June 2008 resolved to transform the Company into a limited liability company and, consequently, amended the bylaws.

Accordingly, in 2008 the company object of the Parent was changed and, in accordance with its bylaws, it is the development and promotion of energy projects and the purchase, sale, import, export, distribution, supply and marketing of the equipment required for electricity production. Should, for the purposes of engaging in any of the activities included in the company object, legal provisions require any professional license, administrative authorisation or registration in Public Registers, such activities shall be performed by a person in possession of the aforementioned professional license and, as the case may be, the aforementioned activities shall not be initiated prior to the fulfilment of the administrative requirements. The

Parent may engage in the activities included in its company object, partially or in full, directly or indirectly through the ownership of equity interests in companies with an identical or similar company object.

The Parent's registered office is at calle Rafael Calvo 42, Madrid.

The Parent is the head of a group of subsidiaries. The consolidated financial statements for 2010 of the Fotowatio Group were prepared by the directors at the Board of Directors Meeting held on 31 March 2011. The consolidated financial statements for 2009 were approved by the shareholders at the Annual General Meeting on 30 June 2010.

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Accordingly, these Notes to the consolidated financial statements do not contain any specific disclosures relating to environmental issues.

2. Basis of presentation of the consolidated financial statements

1) *Regulatory financial reporting framework applicable to the Group*

The consolidated financial statements for 2010 of the Fotowatio Group, which were formally prepared by the directors on 31 March 2011, are presented in accordance with International Financial Reporting Standards at 31 December 2010 ("IFRSs") as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and the legislation established in commercial code, Spanish Limited Liability Companies Law and any remaining applicable legislation.

The consolidated financial statements were prepared on a historical cost basis, except in the case of the derivative financial instruments, which were measured at fair value.

As required by IFRSs, the Group presents, for comparison purposes, the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for 2009, prepared in accordance with IFRSs.

Pursuant to IAS 8, the accounting policies and measurement bases applied by the Group were uniformly applied to all transactions, events and items in 2010 and 2009.

In 2010 new accounting standards came into force which, accordingly, were taken into account when preparing the accompanying consolidated financial statements. These standards, which were applied in these consolidated financial statements without giving rise to significant impacts on either the figures reported or on the presentation and disclosures of these consolidated financial statements, were as follows:

- Revision of IFRS 3, Business Combinations.
- Amendments to IAS 27, Consolidated and Separate Financial Statements.
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items.
- Amendments to IFRS 2, Group Cash-settled Share-based Payment Transactions.
- IFRIC 12, Service Concession Arrangements.
- IFRIC 15, Agreements for the Construction of Real Estate.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation.
- IFRIC 17, Distributions of Non-cash Assets to Owners.
- IFRIC 18, Transfers of Assets from Customers.
- Improvements to IFRSs (published in May 2008)
- Improvements to IFRSs (published in April 2009)

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union:

Standards, Amendments and Interpretations			Obligatory Application in Annual Reporting Periods Beginning On or After
Approved for use by the European Union			
Amendments to IAS 32	Financial Instruments: Presentation - Classification of Rights Issues	Amends the accounting treatment of the rights, options and warrants denominated in a currency other than the functional currency	Annual reporting periods beginning on or after 1 February 2011
Revision of IAS 24	Related Party disclosures	Amends the definition of "related party" and provides a partial exemption from the disclosure requirements for entities that are related parties only because they are under the control, joint control or significant influence of the same government	Annual reporting periods beginning on or after 1 January 2011
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	The prepayment of minimum funding requirement contributions may give rise to an asset	Annual reporting periods beginning on or after 1 January 2011
IFRIC 19	Financial Instruments	Treatment of the extinguishment of financial liabilities through the issue of equity instruments.	Annual reporting periods beginning on or after 1 July 2010
Not yet approved for use by the European Union			
IFRS 9	Financial instruments: Classification and Measurement	Replaces the IAS 39 classification and measurement requirements for financial assets and liabilities	Annual reporting periods beginning on or after 1 January 2013
Amendments to IFRS 7	Financial instruments: Disclosures – Transfers of Financial Assets	Extends and reinforces the disclosures on transfers of financial assets	Annual reporting periods beginning on or after 1 January 2011
2010 Improvements to IFRSs		Amendments to a series of standards	Mostly obligatory for reporting periods beginning on or after 1 January 2011; some obligatory for reporting periods beginning on or after 1 July 2010.

The directors have assessed the potential impact of the future application of the aforementioned standards, amendments and interpretations and conclude that their entry into force will not have a material impact on the consolidated financial statements.

IFRSs provide for certain alternatives, including most notably:

- Both intangible assets and assets classified under “Plant and Other Items of Property, Plant and Equipment” may be measured at market value or at acquisition cost less any accumulated depreciation and amortisation and any accumulated impairment losses. The Group opted to recognise the aforementioned assets at adjusted acquisition cost.
- Under IFRSs, grants related to assets may be accounted for in two ways: by deducting the amount of the grants from the carrying amount of the asset or by recognising the grants as deferred income on the liability side of the statement of financial position. The Group chose the second option.

2) Fair presentation and basis of presentation

These consolidated financial statements present fairly the Fotowatio Group's consolidated equity, the results of its operations, the changes in consolidated equity and the consolidated cash flows in 2010 and 2009.

The consolidated financial statements of the Fotowatio Group are presented in thousands of euros and were prepared on the basis of the accounting records kept by the Parent and by the other Fotowatio Group companies. Each company prepares its financial statements in accordance with the accounting policies and methods in force in the country in which it operates and, therefore, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with IFRSs as adopted by the EU.

3) Basis of consolidation

The Parent's subsidiaries and associates detailed in Appendix I were consolidated.

The criteria used to determine the consolidation method applicable to each of the companies composing the Group were as follows:

- The companies over which effective control is exercised by virtue of ownership of a majority of the voting power in their representation and decision-making bodies were fully consolidated. At 31 December 2010, substantially all the companies composing the Fotowatio Group were consolidated by this method, except for the investments indicated in Note 10 which were accounted for using the equity method.

The interest of non-controlling shareholders is stated at their proportion of the fair values of the assets and liabilities recognised. Also, the share of third parties of:

- The equity of the Fotowatio Group is presented within the Group's equity under “Non-Controlling Interests” in the consolidated statement of financial position.
- Profit for the year is presented under “Profit for the Year Attributable to Non-Controlling Interests” in the consolidated statement of comprehensive income.
- The companies over which effective control is not exercised are accounted for using the equity method and are considered to be those in which significant management influence is exercised, i.e. the power to participate in the investee's financial and operating policy decisions, but not control or joint control. Significant influence is presumed to exist for companies in which an ownership interest of 20% or more is held. Under this method of accounting, the investment is recognised at cost, including any goodwill arising on the acquisition, and is subsequently adjusted on the basis of the changes in its equity, in proportion to the percentage of ownership that corresponds to the Group. The Group's share of the results of these companies is recognised, net of the related tax effect, under “Result of Companies Accounted for Using the Equity Method” in the consolidated statement of comprehensive income and the dividends received from these companies are deducted from the value of the investment.

Any accumulated impairment losses are deducted from investments accounted for using the equity method. These impairment losses are calculated as the difference between their carrying amount and their recoverable amount (the higher of fair value less costs to sell and the present value of the future cash flows from the investment).

The operations of the Parent and of the consolidated subsidiaries are consolidated in accordance with the following basic principles:

- The acquisition by the Parent of control over a subsidiary constitutes a business combination which will be accounted for using the purchase method. In subsequent consolidations, the elimination of the equity investment in subsidiaries will generally be performed on the basis of the results of applying the purchase method at the date on which control is obtained, as described below.

Business combinations are recognised using the purchase method for which the purchase date is determined and the cost of the combination is calculated, with the identifiable assets acquired and the liabilities assumed measured at their fair value at that date. Consequently -at certain Group companies- the fair values of operating rights acquired (rights not recognised in the separate financial statements of these companies), corresponding to the licences and administrative procedures required to develop a project acquired from third parties (see Notes 3 and 6), were recognised. The operating rights acquired relate to administrative requirements (concessions, permits, licences, etc.) necessary for the ultimate development of the project in question and are an essential requirement for the construction and start-up of the assets associated with each project and, therefore, they are amortised over the useful life of the project assets.

The goodwill or negative goodwill arising on a business combination is calculated as the difference between the fair values of the assets acquired and liabilities assumed and the cost of the business combination, all at the date of acquisition. Any changes (investments bought from or sold to non-controlling interests) occurring after the obtainment of control which do not give rise to changes in control will not qualify as a business combination and, therefore, will not modify the first-time consolidation differences recognised.

The cost of the combination is determined by the aggregation of:

- The fair values at the date of acquisition of assets given, liabilities incurred or assumed and equity instruments issued.
- The fair value of any contingent consideration that depends on future events or on compliance with predetermined conditions.

The expenses related to the issue of equity instruments or financial liabilities delivered in exchange for the items acquired are not included as part of the cost of the combination.

If the business combination is achieved in stages, such that prior to the date of acquisition (the date on which control is obtained) there is a previously held investment, the goodwill or negative goodwill is calculated as the difference between:

- The cost of the business combination plus the fair value at the date of acquisition of any previously held interests of the acquirer in the acquiree, and
- The value of the identifiable assets acquired less the value of the liabilities assumed, determined in accordance with the foregoing.

Any gain or loss arising as a result of fair value measurement, on the date control is obtained, of the existing investment in the acquiree must be recognised in profit or loss. If the investment in this investee had previously been measured at fair value, the valuation adjustments not yet allocated to profit or loss for the year should be recognised in the consolidated income statement. It is assumed that the cost of the business combination is the best benchmark for estimating the fair value at the date of acquisition of any previously held interests.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and translated to euros at the exchange rates prevailing at the date of the consolidated balance sheet.

Goodwill is not amortised and is subsequently measured at cost, less impairment losses. Impairment losses recognised for goodwill must not be reversed in a subsequent period.

In the unlikely event of negative goodwill arising on the business combination, such negative goodwill should be recognised as income in the income statement.

If at the end of the year in which the business combination occurs the measurement procedures required for applying the aforementioned purchase method cannot be completed, this accounting will be considered provisional, and these provisional values may be adjusted within the timeframe required to obtain the necessary information which, in no case, may exceed one year. The effect of the adjustments performed in this period will be accounted for retroactively and the comparative information will be modified if so required.

Subsequent changes in the fair value of the contingent consideration are adjusted against income, unless this consideration is classified as equity, in which case subsequent changes in its fair value are not recognised.

- The financial statements of investees with a functional currency other than the presentation currency, the euro, were translated in accordance with the following procedures:
 - The assets and liabilities on their balance sheets are translated at the exchange rates prevailing at the related balance sheet dates.
 - The income and expenses of each income statement item are translated at the average yearly exchange rates for the period in which they arose.
 - Any exchange differences arising as a result of the foregoing will be recognised as a separate equity component under "Valuation Adjustments – Translation Differences".

When control, joint control or significant influence is lost in a company with a functional currency other than the euro, the exchange differences related to that company recognised as an equity component are recognised in the income statement at the same time as the gain or loss arising on disposal. If the investee with a functional currency other than the euro is a jointly-controlled entity or associate and it is partially disposed of, without giving rise to a change in its classification as an investee or the jointly-controlled entity becomes an associate, only the proportional amount of the translation difference is recognised in income.

- Balances, gains/losses and transactions between fully consolidated companies were eliminated upon consolidation.
- The accounting policies and procedures used by the Group companies were unified in order to present the consolidated financial statements with uniform measurement bases.

4) Non-obligatory accounting principles applied

No non-obligatory accounting principles were applied. Also, the Parent's directors formally prepared these consolidated financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

5) Changes in the scope of consolidation

The main changes in the scope of consolidation in 2010 and 2009, in chronological order, were as follows:

2010

- **Acquisition of the La Olmeda Project (6 MW):** On 16 February 2010, Fotowatio Energía Renovable VII, S.L. completed the acquisition of all the shares of Solarfin Gestao de Proyectos, S.A. and subsidiaries. This purchase was executed in two payments. The first payment of EUR 2,250 thousand at the date when the purchase and sale agreement was entered into and the second payment of EUR 2,250 thousand 30 days later, giving a total of EUR 4,500 thousand, of which EUR 2,120 thousand relate to the acquisition of debts held by the acquired business with its former shareholders. In 2010 these companies developed the la Olmeda solar PV farm with a total capacity of 6 MW, which is registered in the Remuneration Pre-assignment Register of the Ministry of Industry, Tourism and Trade and produces under the special regime established in Royal Decree 1578/2008.
- **Acquisition of Planta Solar Fotovoltaica Valdelaguna A45 (10.9 MW):** On 4 March 2010, Serrezuela Solar XI, S.L. entered into a share purchase and sale agreement with Planta Solar Fotovoltaica Valdelaguna A45, S.L. In 2010 this company developed the Valdelaguna solar PV farm with a total capacity of 10.9 MW (a capacity ground-mounted project, definitively registered

at the Administrative Registry of Special Regime Production Facilities (RAIPRE) on 19 February 2010). This farm is registered in the Remuneration Pre-assignment Register of the Ministry of Industry, Tourism and Trade and produces under the special regime established in Royal Decree 1578/2008.

- **Acquisitions in Italy:** The Group exercised the purchase option on 7% of the shares of Secondasun, S.r.L., Terzasun, S.r.L. and Quartasun, S.r.L. On 11 February 2010, the purchase of the aforementioned 7% of the shares was completed for a total of EUR 2,680 thousand. The total acquisition cost of 75% of the shares of the aforementioned companies was EUR 3,941 thousand (see Note 3).

In addition, Free Energy S.r.L was included in the scope of consolidation through the acquisition on 9 June 2010 by Fotododici, S.r.L., (wholly owned by the Fotowatio Group through Fotowatio Italia, S.r.L.) of 51% of the shares of Free Energy S.r.L. The acquisition of the remaining 49% was completed on 29 September 2010, giving the Group a full ownership interest at 31 December 2010.

On 7 December 2010, Fotodue, S.r.L, which is wholly owned by the Fotowatio Group (through Fotowatio Italia, S.r.L.), acquired the remaining 5% of the shares of Fotostar 2, S.r.l for EUR 813 thousand.

- In 2010 the Company incorporated Fotowatio France, S.A.R.L., thereby launching the Group's activities in the French market.
- Various companies were incorporated which at the date of the 2010 consolidated financial statements were either dormant or had limited activity and, therefore, are not material with respect to the consolidated financial statements.

2009

- **Acquisition of Alhama Solar, S.L.** On 21 January 2009, Fotowatio Energía Renovable I, S.L. (Sole-Shareholder Company), a company wholly owned by Fotowatio, S.L., acquired all the shares of Alhama Solar, S.L. from Solaria Energía y Medioambiente, S.A.
- **Acquisition of MMA.** On 19 February 2009, Fotowatio Renewable Ventures, Inc. was incorporated (a company wholly owned by Fotowatio, S.L. through Fotowatio Renewable Ventures, S.L.). This company acquired some of the investments held by the US Group Municipal Mortgage & Equity, LLC (OTC: MMAB.PK) in various companies, which included, inter alia, the shares held by this group in MMA Solar Fund IV G.P., Inc and MMA Solar Fund III GP, Inc. In turn, these companies hold interests in various companies engaging in the operation of solar power generation facilities. The aforementioned acquisition gave rise to the consolidation of the Group in the US market.
- **Acquisition of Helienergía, S.A.** On 10 December 2009, Fotowatio Energía Renovable II, S.L. (Sole-Shareholder Company), a company wholly owned by Fotowatio, S.L., acquired all the shares of Helienergía, S.A. from the German company EEPro GmbH - Erneuerbare Energie Projektentwicklung.
- **Acquisition of Fotoblan Solar, S.L.** On 18 December 2009, Fotowatio Energía Renovable IV, S.L. (Sole-Shareholder Company), a company wholly owned by Fotowatio, S.L., acquired all the shares of Fotoblan, S.L. from Siliken Energy, S.L.
- **Acquisition of IBI Solar Fotovoltaica, S.L.** On 17 December 2009, Fotowatio Energía Renovable V, S.L. (Sole-Shareholder Company), a company wholly owned by Fotowatio, S.L., acquired all the shares of IBI Solar Fotovoltaica, S.L. from Dalkia Solar, S.L.
- **Acquisitions in Italy:** On 21 December 2009, the Group companies Fotoquattro, S.r.L., Fotocinque, S.r.L. and Fotosei, S.r.L., companies wholly owned by Fotowatio, S.L. (through Fotowatio Italia, S.r.L.) acquired 68% of the shares of Secondasun, S.r.L., Terzasun, S.r.L. and Quartasun, S.r.L., respectively.
- In 2009 the Parent incorporated various companies which at the date of the 2009 consolidated financial statements were dormant or had limited activity and, therefore, are not material with respect to the consolidated financial statements.

6) Key issues in relation to the measurement and estimation of uncertainty

In preparing the consolidated financial statements estimates were made by the Parent's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.
- The useful life of intangible assets and property, plant and equipment (see Notes 6 and 7).
- The market value of certain financial instruments (see Note 16).

Although these estimates were made on the basis of the best information available at 2010 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

These consolidated financial statements were prepared on the basis of the going-concern principle of accounting. In 2010 the Group recognised losses amounting to EUR 34,354 thousand (2009: EUR 15,798 thousand). Leaving aside the impairment losses recognised by the Group in 2010 (see Notes 6 and 7), it should be noted that losses are commonly incurred in projects financed under project finance arrangements because, during the first few years, finance costs and depreciation and amortisation have an adverse effect on profit or loss. However, such projects generally give rise to positive cash flows from the commencement of operations and, therefore, the Group is not expected to have any liquidity problems.

The main characteristics of project finance structures of this type are as follows:

- An independent company is created to carry out a project.
- The Group contributes all of the company's capital, thereby tying project financing to the management thereof.
- The project company enters into comprehensive agreements with various participants (among others the constructor, the supplier, the customer and the bank).
- The project is self-financed, i.e. debt is repaid using the cash flows generated by the project and there are no guarantees or recourse to the shareholders in excess of the capital contributed to the project.
- The project company operates with a high debt-to-equity ratio (between 75% and 90%) so that the lender assumes direct risks in the execution of the project, receiving in exchange as security the shares of the project company and the mortgage on the assets.
- Creation of a reserve set up using surplus cash flows that enable possible contingencies to be covered over the life of the project.

7) Comparative information

The information relating to 2009 contained in these Notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2010.

3 Business combinations

Business combinations in 2010

Acquisition of La Olmeda project (6 MW)

On 23 January 2010, Fotowatio Energía Renovable VII, S.L. (Sole-Shareholder Company) entered into an agreement with Piero Antonio Fernandes Dal Maso and Sergio Jorge da Silva Costa to acquire all the shares of Solarfin Gestao de Proyectos, S.A. At that date, the latter held a 55% ownership interest in Solarfin España Producción de Energía Renovable, S.L., which, in turn, had an ownership interest of 66.6% in La Olmeda Proyectos, S.L. In 2010 these companies developed a solar PV farm with a total

capacity of 6 MW, which is registered in the Remuneration Pre-assignment Register of the Ministry of Industry, Tourism and Trade under the special regime pursuant to Royal Decree 1578/2008.

In order to finance the aforementioned acquisition, the following measures were taken:

- On 4 February 2010, Fotowatio Energía Renovable VII, S.L. increased its share capital by EUR 1,161 thousand through the issuance of 1,161,250 shares of EUR 1 par value each. Fotowatio S.L. paid the capital increase.
- On 11 February 2010, Fotowatio, S.L. entered into a subordinated loan agreement with Fotowatio Energía Renovable VII, S.L.U. maturing on 11 February 2031 which, at the date of preparation of these consolidated financial statements, amounted to EUR 3,725 thousand.

Finally, on 16 February 2010, Fotowatio Energía Renovable VII, S.L. acquired all the shares of Solarfin Gestao de Proyectos, S.A., which at that date had already obtained a 100% holding in the aforementioned companies. The acquisition was performed through two payments, a first payment of EUR 2,250 thousand on the date on which the purchase and sale agreement was entered into and a second payment of EUR 2,250 thousand 30 days later, giving a total of EUR 4,500 thousand, of which EUR 2,120 thousand relate to the acquisition of the debts that the acquired company had with its previous shareholders.

The main accounting aggregates of the acquired company at the acquisition date are as follows:

	Carrying Amount	Fair Value
Non-current assets	86	6,004
Intangible assets	-	5,918
Tangible assets	80	80
Financial assets	6	6
Current assets	62	62
Accounts receivable	20	20
Cash	42	42
Total assets	148	6,006
Non-current liabilities	(172)	(1,538)
Deferred tax	-	(1,366)
Other payables	(172)	(172)
Current liabilities	(28)	(28)
Trade payables	(28)	(28)
Total liabilities	(200)	(1,566)
Total assets-liabilities	(52)	4,500
Purchase price	-	4,500
Goodwill	-	-

The Parent measured the assets and liabilities acquired in accordance with IFRS 3, and the excess paid for the net assets acquired, amounting to EUR 5,918 thousand (including the related tax effect), was assigned to operating rights (see Notes 2 and 6). The aforementioned assets will be amortised over the useful life of the assets in use.

The income and results attributable to the combination from the acquisition date to 2010 year-end are not material, given that the project came into service in the last quarter of the year, and neither would the effect on results have been had the business combination occurred at 1 January 2010.

No commercial relations were maintained with the acquired companies prior to the aforementioned acquisition.

Acquisition of the Valdelaguna project (10.9 MW)

On 4 March 2010, Serrezuela Solar XI, S.L. entered into an agreement with Wurth Elektronik GmbH & Co to acquire shares in Planta Solar Fotovoltaica Valdelaguna A45, S.L. for EUR 7,421 thousand (a 10.9 MW capacity ground-mounted project, definitively registered at the Administrative Registry of Special Regime Production Facilities (RAIPRE) on 19 February 2010), of which EUR 793 thousand had been paid at that date, with the remainder paid in full at 31 December 2010.

In order to finance the aforementioned acquisition, the following measures were taken:

- On 18 March 2010, Serrezuela Solar XI, S.L. increased its share capital by EUR 2,119 thousand through the issuance of 2,119,088 shares of EUR 1 par value each. Fotowatio, S.L., the Group's Parent, paid this capital increase in full.
- On 18 March 2010, Fotowatio, S.L. arranged two subordinated loans with Serrezuela Solar XI, S.L.U. maturing on 17 March 2031, of which EUR 6,357 thousand, had been drawn down at the date of preparation of these consolidated financial statements.

The main accounting aggregates of the acquired company at the acquisition date are as follows:

	Carrying Amount	Fair Value
Non-current assets	39,418	48,574
Intangible assets	-	9,156
Property, plant and equipment	39,416	39,416
Financial assets	2	2
Current assets	914	914
Accounts receivable	873	873
Cash	41	41
Total assets	40,332	49,488
Non-current liabilities	-	(2,113)
Deferred tax	-	(2,113)
Current liabilities	(39,954)	(39,954)
Payables	(38,622)	(38,622)
Trade payables	(1,332)	(1,332)
Total liabilities	(39,954)	(42,067)
Total assets-liabilities	378	7,421
Purchase price		7,421
Goodwill		-

The Parent measured the assets and liabilities acquired in accordance with IFRS 3, and the excess paid for the net assets acquired, amounting to EUR 9,156 thousand (including the related tax effect), was assigned to operating rights (see Notes 2 and 6). The aforementioned assets will be amortised over the useful life of the assets in use.

The income and results attributable to the combination from the acquisition date to 2010 year-end are not material, given that the project came into service in the last four months of the year, and neither would the effect on results have been had the business combination occurred at 1 January 2010.

No commercial relations were maintained with the acquired company prior to the aforementioned acquisition.

Acquisition of the Anagni project (6.7 MW)

On 9 June 2010, Fotododici, S.r.L., a wholly-owned investee of the Fotowatio Group (through Fotowatio Italia, S.r.L.), acquired 51% of the shares of Free Energy S.r.L. with the acquisition of the remaining 49% completed on 29 September for a total of EUR 3,160 thousand.

The object of the acquired company is the design, construction, operation and maintenance of solar PV electricity-generation facilities and the exportation to the grid and sale of the electricity generated. The company is currently under construction of a solar PV facility in the municipality of Anagni (Italy).

The main accounting aggregates of the acquired company at the acquisition date are as follows:

	Thousands of Euros	
	Carrying Amount	Fair Value
Non-current assets	67	4,073
Intangible assets	3	4,009
Property, plant and equipment	64	64
Current assets	14	14
Accounts receivable	12	12
Cash	2	2
Total assets	81	4,087
Non-current liabilities	0	(925)
Deferred tax	0	(925)
Current liabilities	(2)	(2)
Trade payables	(2)	(2)
Total liabilities	0	(927)
Total assets-liabilities	79	3,160
Purchase price		3,160
Goodwill		0

The Parent measured the assets and liabilities acquired in accordance with IFRS 3, and the excess paid for the net assets acquired, amounting to EUR 4,009 thousand (including the related tax effect), was assigned to operating rights (see Notes 2 and 6). The aforementioned assets will be amortised over the useful life of the assets in use.

No commercial relations were maintained with the acquired companies prior to the aforementioned acquisition.

Acquisition of the Minervino Project (8 MW)

On 7 December 2010, Fotodue, S.r.L., a wholly-owned investee of the Fotowatio Group (through Fotowatio Italia, S.r.L.), acquired the remaining 5% of the shares of Fotostar 2, S.r.l. for EUR 813 thousand.

The object of the acquired company is the design, construction, operation and maintenance of solar PV electricity-generation facilities and the exportation to the grid and sale of the electricity generated. The company is currently developing a solar PV facility in the municipality of Minervino (Italy).

The main accounting aggregates of the acquired company at the acquisition date are as follows:

	Thousands of Euros	
	Carrying Amount	Fair Value
Non-current assets	-	1,017
Intangible assets	-	1,017
Property, plant and equipment	-	-
Current assets	39	39
Accounts receivable	39	39
Cash	-	-
Total assets	39	1,056
Non-current liabilities	-	(235)
Deferred tax	-	(235)
Current liabilities	(8)	(8)
Trade payables	(8)	(8)
Total liabilities	0	(243)
Total assets-liabilities	31	813
Purchase price		813
Goodwill		-

The Parent measured the assets and liabilities acquired in accordance with IFRS 3, and the excess paid for the net assets acquired, amounting to EUR 1,017 thousand (including the related tax effect), was assigned to operating rights (see Notes 2 and 6). The aforementioned assets will be amortised over the useful life of the assets in use.

Business combinations in 2009

Alhama Solar, S.L. (Sole-Shareholder Company)

On 21 January 2009, Fotowatio Energía Renovable I, S.L. (Sole-Shareholder Company), a company wholly owned by Fotowatio, S.L., increased its share capital by EUR 100,000 through the issuance of 100,000 shares of EUR 1 par value each. These shares were created with a share premium of EUR 4,472 thousand. Fotowatio, S.L. paid the capital increase and the share premium through a monetary contribution.

On 21 January 2009, Fotowatio Energía Renovable I, S.L. (Sole-Shareholder Company) acquired all the shares of Alhama Solar, S.L. from Solaria Energía y Medioambiente, S.A. for a total of EUR 3,171 thousand.

In order to finance the construction and start-up of the Alhama project, on 21 January 2009, Fotowatio, S.L. entered into a subordinated debt agreement with Fotowatio Energía Renovable I, S.L. (Sole-Shareholder Company) for EUR 4,573 thousand, maturing on 30 April 2028. On that same day, Fotowatio Energía Renovable I, S.L. (Sole-Shareholder Company) entered into a participating loan agreement with Alhama Solar, S.L. (Sole-Shareholder Company) for EUR 4,878 thousand, maturing on 30 April 2028. Also, Alhama Solar, S.L. (Sole-Shareholder Company), entered into a senior loan agreement and a VAT loan agreement with Banco Santander and La Caixa, amounting to EUR 36,575 thousand and EUR 6,326 thousand (the latter amount repaid in full at 31 December 2009), respectively. The maturity dates of these loans were 21 April 2028 and 22 January 2011, respectively.

Alhama Solar, S.L.'s company object is the design, construction, operation and maintenance of solar PV electricity-generation facilities, and the exportation to the grid and sale of the electricity generated. At the date of this business combination the company was constructing a solar facility located in the municipality

of Alhama de Murcia (Murcia/Spain), the installed capacity of which will amount to 6.34 MW. This solar farm is registered in the Remuneration Pre-assignment Register of the Ministry of Industry, Tourism and Trade and produces under the special regime of producers pursuant to Royal Decree 661/2007. This farm came into service in 2010.

The main accounting aggregates of the acquired company at the acquisition date are as follows:

	Thousands of Euros	
	Carrying Amount	Fair Value
Non-current assets	1,239	3,503
Intangible assets	-	2,264
Property, plant and equipment	1,239	1,239
Current assets	193	193
Accounts receivable	190	190
Cash	3	3
Total assets	1,432	3,696
Non-current liabilities	-	(523)
Deferred tax	-	(523)
Current liabilities	(2)	(2)
Trade payables	(2)	(2)
Total liabilities	(2)	(525)
Total assets-liabilities	1,430	3,171
Purchase price		3,171
Goodwill		-

The Parent measured the assets and liabilities acquired in accordance with IFRS 3, and the excess paid for the net assets acquired, amounting to EUR 2,264 thousand (including the related tax effect), was assigned to operating rights (see Notes 2 and 6). The aforementioned assets will be amortised over the useful life of the assets in use.

On 31 December 2009, the operating rights regarding this operation were recorded as intangible assets in progress. In 2010, once the solar plant has entered into operation, the Group has transferred the operating rights to intangible assets in use.

The income and results attributable to the combination from the acquisition date to 2009 year-end are not material and neither would the effect on results have been had the business combination occurred at 1 January 2009.

Prior to the acquisition, Alhama Solar, S.L. (Sole-Shareholder Company) had no relations with the Fotowatio Group and the result for the year prior to acquisition was scanty material.

In 2010 Alhama Solar, S.L. was absorbed by its sole shareholder Energía Renoblave I, S.L. As a result of this merger the intangible assets acquired in 2009 became deductible for tax purposes and, therefore, the deferred tax liability amounting to EUR 522 thousand was eliminated against the increased value of intangible assets (see Note 6).

Acquisition of assets from MMA Renewable Ventures

On 26 February 2009, Fotowatio, S.L., through its wholly-owned subsidiary Fotowatio Renewable Ventures, Inc., entered into an asset purchase and sale agreement in relation to most of the solar energy generation facilities of MMA Renewable Ventures, LLC and MMA Renewable Ventures Finance, LLC, subsidiaries of the listed company, Municipal Mortgage & Equity, LLC (OTC: MMAB.PK).

The cost of the transaction totalled USD 16,528 thousand, of which USD 16,171 thousand were settled in cash. An initial payment of USD 1,500 thousand was made on entering into an agreement to acquire 13 subordinated loans with a total nominal value of USD 4,758 thousand. The remaining cost of the purchase and sale was disbursed on two separate completion dates:

- The first completion, on 1 April, included the main assets (including the employees, solar project backlog and the shares in its Solar Fund III). Fotowatio paid USD 13,636 thousand at the first completion, of which USD 1,364 thousand were left on deposit to cover possible claims against the seller, as stipulated in the purchase and sale agreement.
- The second completion, on 15 April, included the other assets to be acquired. Fotowatio paid the remaining purchase and sale price, USD 1,035 thousand, of which USD 253 thousand were kept on deposit to cover possible claims against the seller, as stipulated in the purchase and sale agreement.

The Hu Honua biomass project was not ultimately included in the acquisition. Fotowatio will have the right, in the event that MMA Renewable Ventures, LLC executes the sale of this project to a third party, to receive a variable portion of the selling price, as established in the purchase and sale agreement.

The assets recognised at the date of acquisition of the line of business were as follows:

	Thousands of US Dollars	
	Carrying Amount	Fair Value
Non-current assets	272,022	252,664
Intangible assets	13,436	13,436
Property, plant and equipment	258,586	239,228
Current assets	25,680	25,680
Accounts receivable	4,941	4,941
Financial assets	11,599	11,599
Cash	9,140	9,140
Total assets	297,702	278,344
Non-controlling interests	1,334	1,334
Non-current liabilities	242,735	240,021
Bank borrowings	240,021	240,021
Other	2,714	-
Current liabilities	20,461	20,461
Trade payables	10,795	10,795
Bank borrowings	9,666	9,666
Total liabilities	264,530	261,816
Total assets-liabilities	33,172	16,528
Purchase price		16,528
Goodwill		-

The income and results attributable to the combination from the acquisition date to 2009 year-end and the effect of the business combination from 1 January 2009 are as follows:

	Thousands of Euros	
	From 1 January 2009	From the Acquisition Date
Income	14,006	11,916
Procurements	(2,852)	(2,556)
Staff costs	(4,722)	(4,722)
Other operating expenses	(6,187)	(6,117)
Depreciation and amortisation charge	(8,638)	(6,472)
Loss from operations	(8,323)	(7,884)
Finance income	222	222
Finance costs	(7,859)	(5,838)
Financial loss	(7,637)	(5,616)
Results of companies accounted for using the equity method	(36)	(36)
Loss before tax	(15,996)	(13,536)
Income tax	3,255	2,505
Loss for the year	(12,742)	(11,031)
Profit attributable to non-controlling interests	420	216
Loss attributable to the Parent	(12,322)	(10,882)

Prior to the acquisition of assets, the Fotowatio Group had no relations with MMA Renewable Ventures.

Heliergía, S.A. (Sole-Shareholder Company)

On 10 December 2009, Fotowatio Energía Renovable II, S.L. (Sole-Shareholder Company), a company wholly owned by Fotowatio, S.L., increased its share capital by EUR 2,151 thousand through the issuance of 2,151,000 shares of EUR 1 par value each. Fotowatio S.L. paid the capital increase.

On 10 December 2009, Fotowatio Energía Renovable II, S.L. (Sole-Shareholder Company) acquired all the shares of Heliergía, S.A. from EEPro GmbH - Erneuerbare Energie Projektenwicklung for a total of EUR 4,020 thousand.

Heliergía, S.A.'s company object is the design, construction, operation and maintenance of solar PV electricity-generation facilities, and the exportation to the network and sale of the electricity generated. At the date of the business combination the company was constructing a solar facility located in the municipality of Rioja (Almería, Spain), the installed capacity of which amounts to 7 MW. This solar farm is registered in the Remuneration Pre-assignment Register of the Ministry of Industry, Tourism and Trade and produces under the special regime of producers pursuant to Royal Decree 1578/2008. This solar farm came into service in 2010.

The main accounting aggregates of the acquired company at the acquisition date are as follows:

	Thousands of Euros	
	Carrying Amount	Fair Value
Non-current assets	206	5,361
Intangible assets	-	5,155
Property, plant and equipment	190	190
Other non-current assets	16	16
Current assets	11	11
Accounts receivable	11	11
Total assets	217	5,372
Non-current liabilities	-	(1,191)
Deferred tax	-	(1,191)
Current liabilities	(161)	(161)
Trade payables	(161)	(161)
Total liabilities	(161)	(1,352)
Total assets-liabilities	56	4,020
Purchase price		4,020
Goodwill		-

The Parent measured the assets and liabilities acquired in accordance with IFRS 3, and the excess paid for the net assets acquired, amounting to EUR 5,155 thousand (including the related tax effect), was assigned to operating rights (see Notes 2 and 6). The aforementioned assets will be amortised over the useful life of the assets in use.

At 31 December 2009, the assigned operating rights were recognised as intangible assets in progress and were transferred to intangible assets in use following the entry into service of the solar farm.

The income and results attributable to the combination from the acquisition date to 2009 year-end are not material and neither would the effect on results have been had the business combination occurred at 1 January 2009.

Prior to the acquisition, Helienergía, S.A. (Sole-Shareholder Company) had no relations with the Fotowatio Group and the result for the year prior to acquisition was scantily material.

Fotoblan Solar, S.L. (Sole-Shareholder Company)

On 18 December 2009, Fotowatio Energía Renovable IV, S.L. (Sole-Shareholder Company), a company wholly owned by Fotowatio, S.L., increased its share capital by EUR 1,560 thousand, through the issuance of 1,560,000 shares of EUR 1 par value each. Fotowatio S.L. paid the capital increase.

On 18 December 2009, Fotowatio Energía Renovable IV, S.L. (Sole-Shareholder Company) acquired all the shares of Fotoblan Solar, S.L. from Siliken Energy, S.L. for a total of EUR 3 thousand.

Fotoblan Solar, S.A.'s company object (Sole-Shareholder Company) is the design, construction, operation and maintenance of solar PV electricity-generation facilities, and the exportation to the network and sale of the electricity generated. At the date of the business combination the company was constructing a solar facility located in the municipality of Blanca (Murcia, Spain), the installed capacity of which amounts to 7 MW. This solar farm is registered in the Remuneration Pre-assignment Register of the Ministry of Industry, Tourism and Trade and produces under the special regime of producers pursuant to Royal Decree 1578/2008. This solar farm came into service in 2010.

The main accounting aggregates of the acquired company at the acquisition date are as follows:

	Thousands of Euros	
	Carrying Amount	Fair Value
Non-current assets	4,194	4,194
Property, plant and equipment in the course of construction	4,194	4,194
Current assets	172	172
Accounts receivable	162	162
Cash	10	10
Total assets	4,366	4,366
Non-current liabilities	(2,224)	(2,224)
Long-term payables	(2,224)	(2,224)
Current liabilities	(2,139)	(2,139)
Trade payables	(2,139)	(2,139)
Total liabilities	(4,363)	(4,363)
Total assets-liabilities	3	3
Purchase price		3
Goodwill		-

The purchase price paid by the Group relates to the carrying amount of the assets and liabilities acquired, which was ultimately considered to be the fair value of the assets and liabilities acquired.

The income and results attributable to the combination from the acquisition date to 2009 year-end are not material and neither would the effect on results have been had the business combination occurred at 1 January 2009.

Prior to the acquisition, Fotoblan Solar, S.A. (Sole-Shareholder Company) had no relations with the Fotowatio Group and the result for the year prior to acquisition was scanty material.

Ibi Solar Fotovoltaica, S.L. (Sole-Shareholder Company)

On 17 December 2009, Fotowatio Energía Renovable, V, S.L., a company wholly owned by Fotowatio, S.L., acquired from Dalkia Solar, S.L. all of the shares of Ibi Solar Fotovoltaica, S.L. (Sole-Shareholder Company) for EUR 1,728 thousand.

Ibi Solar Fotovoltaica, S.L.'s company object is the design, construction, operation and maintenance of solar PV electricity-generation facilities, and the exportation to the network and sale of the electricity generated. At the date of this business combination the company was constructing two solar facilities (housed on rooftops) located in the municipalities of Ibi and Onil (Alicante, Spain), the installed capacity of which amounts to 2.6 MW. These solar farms are registered in the Remuneration Pre-assignment Register of the Ministry of Industry, Tourism and Trade and produces under the special regime of producers pursuant to Royal Decree 1578/2008. This solar farm came into service in 2010.

The main accounting aggregates of the acquired company at the acquisition date are as follows:

	Thousands of Euros	
	Carrying Amount	Fair Value
Non-current assets	1,924	1,924
Intangible assets	1,924	1,924
Current assets	26	26
Accounts receivable	26	26
Total assets	1,950	1,950
Non-current liabilities	(222)	(222)
Short-term payables	(222)	(222)
Total liabilities	(222)	(222)
Total assets-liabilities	1,728	1,728
Purchase price		1,728
Goodwill		-

The purchase price paid by the Group relates to the carrying amount of the assets and liabilities acquired, which was ultimately considered to be the fair value of the assets and liabilities acquired.

The income and results attributable to the combination from the acquisition date to 2009 year-end are not material and neither would the effect on results have been had the business combination occurred at 1 January 2009.

Prior to the acquisition, Ibi Solar Fotovoltaica, S.L. (Sole-Shareholder Company) had no relations with the Fotowatio Group and the result for the year prior to acquisition was scanty material.

Acquisitions in Italy

On 21 December 2009, the Group companies Fotoquattro, S.r.L., Fotocinque, S.r.L. and Fotosei, S.L., which were wholly owned by the Group (through Fotowatio Italia, S.r.L.), acquired 68% of the shares of Secondasum, S.r.L., Terzasum, S.r.L. and Quartasum, S.r.L., respectively. The acquisitions totalled EUR 1,300 thousand. This transaction lies within the framework of the expansion process planned by the Company, in accordance with the guidelines established in its strategic plan.

The acquired companies' object is the design, construction, operation and maintenance of solar PV electricity-generation facilities, and the exportation to the network and sale of the electricity generated. At the date of the business combination the companies were developing solar PV facilities in the municipality of Fiumicino (Italy).

The main accounting aggregates of the acquired companies at the acquisition date are as follows:

	Thousands of Euros	
	Carrying Amount	Fair Value
Non-current assets	18	1,678
Intangible assets	9	1,669
Property, plant and equipment	9	9
Current assets	9	9
Accounts receivable	6	6
Cash	3	3
Total assets	27	1,687
Non-current liabilities	-	(382)
Deferred tax	-	(382)
Current liabilities	(5)	(5)
Short-term payables	(5)	(5)
Total liabilities	(5)	(387)
Total assets-liabilities	22	1,300
Purchase price		1,300
Goodwill		-

At 31 December 2009, the Parent measured the assets and liabilities acquired in accordance with IFRS 3, and the excess paid for the net assets acquired, amounting to EUR 1,660 thousand (including the related tax effect), was assigned to operating rights (see Notes 2 and 6). The aforementioned assets are amortised over the useful life of the assets in use.

The income and results attributable to the combination from the acquisition date to 2009 year-end are not material and neither would the effect on results have been had the business combination occurred at 1 January 2009.

Prior to the acquisition, these companies had no relations with the Fotowatio Group and the result for the year prior to acquisition was scanty material.

In 2010 the Company modified the provisional accounting for the business combination since it was within the timeframe permitted by the applicable regulations. The results of the modifications were as follows:

	Thousands of Euros	
	Carrying Amount	Fair Value
Non-current assets	18	5,113
Intangible assets	9	5,104
Property, plant and equipment	9	9
Current assets	9	9
Accounts receivable	6	6
Cash	3	3
Total assets	27	5,122
Non-current liabilities	-	(1,176)
Deferred tax	-	(1,176)
Current liabilities	(5)	(5)
Short-term payables	(5)	(5)
Total liabilities	(5)	(1,181)
Total assets-liabilities	22	3,941
Purchase price		3,941
Goodwill		-

Following the definitive accounting for the business combination the excess paid for the net assets acquired, amounting to EUR 5,094 thousand (including the related tax effect), was assigned to operating rights (see Notes 2 and 6). The aforementioned assets will be amortised over the useful life of the assets in use.

In 2010 various mergers occurred which led to a portion of the intangible assets acquired in 2009 becoming deductible for tax purposes and, as a result, the related portion of the deferred taxes recognised in 2009 was eliminated against the increased value of intangible assets (see Note 6).

4. Regulations governing the production of energy from renewable sources

The Fotowatio Group carries on its activity in the electricity generation market in Spain, Italy and the US, through the promotion, development and operation of renewable energy-based production facilities (basically solar PV). At the date of the consolidated financial statements, the Group had investments in operation in Spain, Italy and the US.

4.1 Regulatory framework in Spain:

In Spain the regulatory framework of the electricity industry is governed by Electricity Industry Law 54/1997, of 27 November, and by the subsequent implementing regulations.

This Law regulates the activities involved in the supply of electricity, i.e. generation, transmission, distribution, retailing and Intra-community and international exchanges, as well as the economic and technical management of the electricity system.

These activities were provided for in Royal Decree 1955/2000, of 1 December, regulating the transmission, distribution, retailing and supply activities and electricity facility authorisation procedures.

The special regime for electricity producers has been amended on several occasions in order to bring it into line with the objectives of the European Union and with the ongoing development of power generation technologies based on the so-called renewable sources. The currently in-force regulations are included in Royal Decree 661/2007, of 25 May, regulating the production of electricity under the special regime. In order to adapt this legal framework to the realities of renewable energy, the Spanish autonomous community governments have implemented legal provisions, regulations and instructions applicable at autonomous community level, which at all times follow the guidelines set out in Royal Decree 661/2007 and higher-ranking legislation.

Subsequently, the generation of energy based on PV technology was the subject of specific regulations through the publication of Royal Decree 1578/2008, which broadly speaking establishes a mechanism of "pre-registration" of solar PV facilities depending on the degree to which the administrative licences have been obtained. This mechanism is associated with annual capacity quotas. Similarly, a distinction was drawn between ground-mounted and rooftop facilities. The PV facilities that came into operation prior to 30 September 2008 continue to produce under the provisions of Royal Decree 661/2007 as regards the applicable tariff level. Those subsequent to that date are governed by Royal Decree 1578/2008.

It should be noted that in the last quarter of 2010 major solar PV industry changes were introduced by Royal Decree 1565/2010, regulating and modifying certain aspects relating to the production of electricity under the special regime established by Royal Decree 1578/2008 and Royal Decree-Law 14/2010, which established urgent measures to correct the tariff shortfall in the electricity industry, affecting all solar PV plants.

Remuneration framework: tariffs and premiums

- For the facilities governed by Royal Decree 661/2007, of 25 May, the remuneration system is as follows:
 - The system established for PV technology under Royal Decree 661/2007 was articulated through a regulated tariff consisting of a single fixed amount for all programming periods, determined on the basis of the category, group and subgroup to which the facility belongs, and its installed capacity. Namely:
 - Facilities of a capacity of 100 kW or less: regulated tariff EUR 440.381/MWh for 25 years (EUR 352/MWh from then onwards).

- Facilities of a capacity of between 100 kW and 10 MW: regulated tariff EUR 417.50/MWh for 25 years (EUR 334/MWh from then onwards).
 - Facilities of between 10 MW and 50 MW: EUR 229/MWh the first 25 years (EUR 183/MWh from then onwards).
- For facilities constructed under Royal Decree 1578/2008, the remuneration system is as follows:
 - Prior to the publication of Royal Decree 1565/2010: EUR 320/MWh or EUR 340/MWh, if the facilities are mounted on rooftops, irrespective of the size of the facility. Depending on the PV facilities pre-registered in the Remuneration Register of the Ministry of Industry, Tourism and Trade, and the capacity quota achieved, the related tariff is reduced proportionately.
 - Subsequent to the publication of Royal Decree 1565/2010: EUR 176/MWh or EUR 255/MWh, if the facilities are mounted on rooftops, irrespective of the size of the facility. Depending on the PV facilities pre-registered in the Remuneration Register of the Ministry of Industry, Tourism and Trade, and the capacity quota achieved, the related tariff is reduced proportionately.

As mentioned in the previous section, in the last quarter of 2010 a series of measures were established which had a significant impact on the solar PV industry and which can be classified as transitory or permanent:

Transitory measures

Royal Decree-Law 14/2010, of 23 December, which establishes urgent measures to correct the tariff shortfall in the electricity industry, introduced an additional restriction on the electricity production of solar PV facilities built under Royal Decree 661/2007, although solely between 2011 and 2013. The aforementioned restriction, which established the maximum remunerable production under the tariff regime under the latter Royal Decree, resulted in a cut of between 20% and 30% of solar PV farm electricity production, depending on the technology used and the solar radiation zone in which the farms are located. Any excess over the limit stipulated by the Royal Decree will be retained on an arm's length basis.

However, the term for which solar PV facilities are entitled to avail of the regulated tariff was extended to their twenty-eighth year of useful life.

Permanent measures

Royal Decree 1565/2010, of 19 November, regulating and modifying certain aspects relating to the production of electricity under the special regime, established:

- an extraordinary solar PV tariff reduction which will apply from the first call to register in the Remuneration Pre-assignment Register for which the application period begins after the entry into force of this Royal Decree. The reduction ranges from 5% to 45% with respect to the amounts established in the methodology indicated in Royal Decree 1578/2008, depending on the type of facility concerned.
- the elimination of the regulated tariff after the 26th year of useful life of the solar PV facilities that are subject to Royal Decrees 661/2007, 1578/2008 and 1565/2010. As discussed above, Royal Decree-Law 14/2010 subsequently extended the regulated tariff to the 28th year of useful life of the solar PV facilities that are subject to Royal Decree 661/2007.

The aforementioned Royal Decree-Law 14/2010, of 23 December, established a permanent limit on the equivalent operating hours of solar PV facilities, based on certain pre-established solar radiation zones. This limit establishes the maximum remunerable production under the tariff regime set by Royal Decrees 661/2007, 1578/2008 and 1565/2010 and its effect depends on the climatic solar zone in which each solar PV farm is located. Any excess over the limit stipulated by these laws will be retained on an arm's length basis.

4.2 Regulatory framework in Italy

The regulatory framework, which provides for both the required procedures and the operation and management of PV facilities in Italy, is improving and gaining more stability and support, although it continues to be subject to diverse and fragmented rules and local and regional restrictions.

The first measure that led to this improvement was the liberalisation of the market in 1999 ("Bersani Decree"), as a result of which the "Green Certificate" market was created.

The most significant measure was the Decree 387 of 2003, for the application in Italy of European Directive 2001/77/EC, which introduced the first complete legal framework and general rules in the country and the framework that established the energy production regimes using renewable sources in the Italian electricity network. This Decree prioritises -in the Italian energy and electricity industry- support for and promotion of energy production using renewable sources, particularly by:

- Simplifying and unifying authorisation procedures, through the introduction of specific and fixed deadlines and rules.
- Introducing economic incentives.
- Giving priority access to the national network.

The economic incentives established for photovoltaic energy are based on a system of fixed feed-in tariffs for 20 years. It should be noted that for Decree 387 to come into force in the various Italian regions, specifically targeted ministerial decrees and regulations recognised at regional and local level were required which, in certain cases, continue to be nonexistent, thereby giving rise to a certain degree of uncertainty and delays in several Italian regions. Almost all the regions have observed Decree 387, introducing their own objectives and procedures which, in many cases, vary from one region to another (e.g. the region that introduced the most favourable regulations was Puglia, which authorised up to 1 MW for PV facilities through a simplified administrative procedure; other regions, such as Sardinia, have restricted the construction of PV facilities to industrial areas, thereby holding back the progress of the industry as a whole).

It is worth noting that after seven years, the national directives ("Linee Guida") of Decree 387 were approved and came into force following the publication of Official Journal no. 219 of 18/9/2010. In this connection, various regions have observed the national directives, although these became mandatory on 18 December 2010.

The specific decree that regulates PV facilities is called the "Nuovo Conto Energia", approved by Ministerial Decree of 19 February 2007, which stipulates the prices for the portion of revenue obtained under the system of feed-in tariffs. This Decree defines three categories of PV facility: Non-integrated (basically, ground mounted), building applied, and building integrated (basically on rooftops, greenhouses or car parks). The lowest tariff relates to non-integrated systems (ground based) of more than 20 kWp and is applied for 20 years from the date on which the operations commence. An intermediate feed-in tariff is applied to building applied facilities, for example on rooftops or car parks, whereas building integrated systems obtain the highest tariff.

The "Nuovo Conto Energia" sets an overall target of 3,000 MW financed by this mechanism for 2016. The feed-in tariff is assigned directly by the Italian Gestore dei Servizi Energetici (National Directorate of Electricity Services), and there is no associated risk once the facility has been constructed and it has been connected to the network.

The total revenue of the solar facilities is the sum of adding the aforementioned incentive in the form of premiums and the sale of energy to the market. The feed-in tariff system is guaranteed for 20 years from the commencement of operations, although the portion of revenue from the sale of energy to the market is subject to the market fluctuations in this industry.

Due to the rapid expansion of the Italian market, in August 6, 2010 the Environment and Economy Ministries defined, through Ministerial Decree, the following applicable tariffs for 2011-2013:

Power	Farms connected on or after 31/12/10 and before 30/04/11	Farms connected on or after 30/04/11 and before 31/08/11	Farms connected on or after 31/08/11 and before 31/12/11
	Ground based	Ground based	Ground based
[kW]	[EUR/kWh]	[EUR/kWh]	[EUR/kWh]
1≤P≤3	0.362	0.347	0.333
3<P≤20	0.339	0.322	0.304
20<P≤200	0.321	0.309	0.285
200<P≤1000	0.314	0.303	0.266
1000 <P≤5000	0.313	0.289	0.264
P>5000	0.297	0.275	0.251

The foregoing tariffs will be reduced by 6% per year for farms which come into service in 2012 or 2013.

The specific "Nuovo Conto Energia" decree established an additional limit of 3,000 MW for solar PV farms which come into service in this period.

4.3 Regulatory framework in the US

In recent years the US solar energy market has been characterised by significant growth resulting from the increasing acceptance of the fact that renewable energies such as solar energy can mitigate certain of the pollution and climate-related problems faced by communities at local, regional, national and global level. Accordingly, the federal government and state agencies are adopting regulations in the renewable energy markets known as Renewable Portfolio Standards ("RPS"). These regulations do not directly govern electricity tariffs but rather offer economic and tax incentives aimed at ensuring that a specific percentage of electricity consumed is renewable-energy based.

Owing to the incentives and tax benefits offered by the public sector, companies are developing solar projects in which they make sure that risks are reduced and the returns on investment are improved by using the following resources:

- **Renewable Energy Credits (RECs).**

Electricity generation companies using renewable sources obtain certificates for each unit of electricity that they produce, which can be sold -together with the electricity- to electricity supply companies that do not have sufficient sources of renewable energy. These supply companies submit the RECs to the authorities to demonstrate their compliance with established obligations.

- **Business Energy Investment Tax Credit (ITC).**

ITCs are instruments created by the federal government that reduce the fiscal pressure on the owners of electrical facilities through the recognition of tax credits calculated as a percentage of the recognised cost of the investment ("eligible cost"). If an owner does not have a sufficient tax burden at that time, the tax credit can be taken in any of the following 20 years.

The tax credit is generated in the year that the project comes into service –up to 30% until 2016. However, if the owner of the project sells it during the first five years of operation, the tax credit carryforwards are lost and those already used must be returned to the federal government. Thus, the ITCs attempt to encourage long-term investment.

To supplement the ITCs there are state rebates or tax credits that vary depending on the differing strategic objectives of each state, the objective of which is to promote the long-term development of solar energy facilities.

- **Modified Accelerated Cost-Recovery System (MACRS).**

This tax incentive enables companies to recover their investments in certain properties through deductions associated with the accelerated depreciation taken on the property.

The MACRS establishes certain classes of assets for various types of property, with the useful fiscal life of the properties varying from 3 years to 50 years. A significant number of the technologies used with renewable energies are classified as properties with a useful life of five years.

- **Bonus depreciation.**

In 2008 and 2009 the solar farms availed themselves of the benefit provided for in the 2008 Economic Stimulus Law allowing investments in a certain building to be recovered through deductions related to the accelerated depreciation of the property. In this connection, additional depreciation of 50% was taken in the first year (bonus depreciation).

In December 2010, pursuant to the Tax Relief Act, bonus depreciation was extended to 100% for assets coming into service between 9 September 2010 and 31 December 2011. Depreciation of 50% will be available for assets which come into service in 2012.

- **Cash Grant.**

In view of the difficulty of using the ITCs in these years of crisis and of severe reduction in taxable profits, the American Recovery and Reinvestment Act of 2009 made a cash grant available -instead of ITCs- to the solar facilities that meet the related requirements. The amount of the tax deduction that corresponds to an ITC is delivered in cash. The cash amount is delivered at 60 days from remittance of the related application to the Energy Department that administers the programme.

- **Innovative Technology Loan Guarantee Program.**

Article 16 of the Energy Policy Act of 2005 authorised the US Energy Department (DOE) to issue loan guarantees to those projects that "avoid, reduce, or sequester air pollutants or anthropogenic emissions of greenhouse gases; and employ new or significantly improved technologies as compared to commercial technologies in service in the United States at the time the guarantee is issued". The Loan Guarantee Program was authorised to offer more than USD 10 billion of loan guarantees to promote energy efficiency, renewable energies and innovative transmission and distribution projects.

- **Temporary Loan Guarantee Program.**

The American Recovery and Reinvestment Act (ARRA) of 2009, enacted in February 2009, extended the powers of the DOE to be able to issue loan guarantees and granted the program USD 6 billion. Through this Act, the DOE may sign loan guarantees until 30 September 2011.

Both the Innovative Technology Loan Guarantee Program and the Temporary Loan Guarantee Program may be used by the Group in the future to reduce the costs of financing new PV projects.

5. Accounting policies

The principal accounting policies used in preparing the Group's consolidated financial statements for 2010 were as follows:

a) Intangible assets (see Note 6)

As a general rule, intangible assets are initially recognised at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any applicable accumulated impairment losses. These assets are amortised over their useful life.

Operating rights

As indicated in IFRS 3 "Business Combinations", the Group analysed the fair values of the assets and liabilities acquired and recognised them at those values. Accordingly, as discussed in Note 2.3, the Group recognised the fair value of the operating rights acquired in the statements of financial position the amounts that are not recognised in the statements of financial position of the companies acquired. These assets are amortised on a straight-line basis over the useful life of the assets associated with the

corresponding solar PV facility, which ranges from 11 years for facilities operated under operating leases to 15 years for facilities operated by the Group as owner. In summary, the aforementioned assets correspond to the purchase price paid to third parties for the development of the project up to the time of acquisition thereof.

Computer software

The Group recognises under this heading the computer software acquisition and development costs incurred, including the costs of developing websites. Computer software maintenance costs are recognised with a charge to the consolidated statement of comprehensive income for the year in which they are incurred. Computer software is amortised on a straight-line basis over a period of three-five years (see Note 6).

Other intangible assets

Under "Other Intangible Assets" the Group mainly recognises the amounts paid for easements for the passage of electricity. These rights are amortised on a straight-line basis over the useful life of the assets in use (generally 15 years).

Intangible asset items are derecognised when they are sold or disposed of by any other means or when they are not expected to generate future economic benefits or returns. The difference between any amount obtained from an intangible asset, net of the costs to sell, and its carrying amount, will determine the gain or loss arising on disposal thereof, which will be taken to profit or loss in the year in which it occurs.

b) Property, plant and equipment (see Note 7)

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, if any, in accordance with the criterion discussed below.

Property, plant and equipment upkeep and maintenance expenses are recognised in the statement of comprehensive income for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

The amounts recognised under property, plant and equipment relate to the capitalised costs of constructing solar PV electricity production facilities. The capitalised cost includes, as appropriate, the following items, accrued only before the asset is in a state to be brought into use, i.e. is available for use, the market value of the asset being the maximum recognisable amount, in which the following are included as an increase in value:

- a. For items of property, plant and equipment requiring a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans or other specific-purpose or general-purpose borrowings directly attributable to the acquisition or production of the assets.
- b. Staff and other costs relating directly or indirectly to the construction.
- c. The revenue generated by the asset up to its entry into service (revenue arising during the testing period, construction penalties, etc.) are recognised as a reduction in the cost of acquisition of the asset.

Following the procedure indicated above, in 2010 the Group capitalised borrowing costs amounting to EUR 1,478 thousand to plant (2009: EUR 2,402 thousand), as a credit to "Finance Costs" in the consolidated statement of comprehensive income (see Note 7).

The necessary costs of developing the solar facilities and bringing them into operation are recognised as an addition to the value of the facilities.

At the end of the useful life of the solar PV farms, the Group must dismantle them. On initial recognition of property, plant and equipment items, the Group estimated the present value of the future obligations for the dismantling and removal thereof, and restoring the site on which they are located to be scantily material. Based on the materiality principle of and the difficulty of reliably estimating the timing and the present value of the cost of dismantling, the Group did not capitalise the adjusted amount of the

dismantling costs to the related asset. The balancing entry for the aforementioned capitalisation would have been to recognise a provision, which would have been discounted in the accounting periods subsequent to recognition.

The Group transfers items of property, plant and equipment in the course of construction to property, plant and equipment in use when the start-up of the facility has been accredited and once all the rights and obligations associated with the various assets have been transferred to the Group.

The Group depreciates its property, plant and equipment on a straight-line basis over the estimated useful life of the items that compose it, the detail being as follows:

	Years of Estimated Useful Life
Plant	14-15
Furniture	6-10
Computer hardware	4
Transport equipment	3-4
Other items of property, plant and equipment	10

Items of property, plant and equipment are derecognised when they are sold or disposed of by any other means or when they are not expected to generate future economic benefits or returns. The difference between any amount obtained from an item of property, plant and equipment, net of the costs to sell, and its carrying amount, will determine the gain or loss arising on disposal thereof, which will be taken to profit or loss in the year in which it occurs.

c) Impairment of property, plant and equipment and intangible assets (see Notes 6 and 7)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets might have suffered an impairment loss; although in the case of assets with indefinite useful lives and intangible assets that have not yet come into service, this process is performed at least at year-end. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The cash-generating units correspond to each of the projects performed by the Group, i.e. each solar farm or each fund in the case of the US.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is taken to be the present value of the estimated future cash flows. In all cases, value in use is the parameter used by the Company for impairment calculations, and it should also be noted that where the identifiable asset does not generate cash flows independently, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In quantifying value in use, the Group prepares estimates for each cash-generating unit, generally for the useful lives of the assets and, on the basis of the budgets and business plans most recently approved by its directors, it prepares projections of future pre-tax cash flows including the best available estimates of the income and costs of the cash-generating units using reasonable growth rates and macroeconomic assumptions underpinned by corporate projections which, based on industry knowledge, include past business experience and future expectations.

To calculate their present value, these cash flows are discounted at a pre-tax rate that reflects the cost of capital of the business and the geographical area in which it is carried on, which is calculated by taking into account the current time value of money and the risk premiums generally used by analysts and investment banks for each specific business and geographical area. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount and an impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, except in the case of consolidation goodwill, for which any impairment losses are not reversed subsequently.

At the reporting date, no significant variances had been disclosed with respect to the initial business plans for investments in the US and Italy and, therefore, it was not necessary to perform an impairment test. However, the regulatory changes in Spain (see Note 4.1) suggest the Group to perform an impairment test for all the cash-generating units in Spain. The results of this test and the main assumptions used therein are detailed in Note 6. The Group recognises the impairment losses on each cash-generating unit under intangible assets as a reduction of operating rights since it considers that this is the first asset to suffer impairment given that it arises as a result of various business combinations performed by the Group (see Note 3).

d) Leases (see Note 8)

Leases are classified as operating leases whenever the terms of the lease do not transfer all the risks and rewards incidental to ownership of the leased asset to the lessor. All other leases are classified as finance leases.

In general leases are classified as finance leases when:

- The lessor transfers ownership of the asset to the lessee at the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
- The lease term covers most of the economic life of the asset.
- At the inception of the lease, the present value of the minimum lease payments is at least equal to substantially all of the fair value of the leased asset.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Operating leases

Expenses resulting from operating leases are charged to income in the year in which they are incurred.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

At year-end the Group had various operating leases (see Notes 1 and 8).

Finance leases

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the consolidated statement of financial position, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount will be the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when there are no reasonable doubts that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the consolidated statement of comprehensive income for the year in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the period in which it is incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment taken as a whole.

At year-end the Group had one finance lease (see Notes 1 and 8).

e) *Financial instruments (see Notes 9, 15 and 16)*

On initial recognition, financial assets are classified into the following categories on the basis of their nature and purpose: "financial assets at fair value through profit or loss", "held-to-maturity investments", "available-for-sale financial assets" and "loans and receivables". Held-to-maturity investments and loans and receivables are measured at amortised cost using the effective interest method, reduced by any impairment losses. The other categories are measured at fair value.

Derivative instruments related to foreign exchange rates and interest rates

The Group uses certain derivative financial instruments to manage its exposure to changes in foreign exchange rates and interest rates. All these derivatives, whether they are designated as hedges or not, are initially recognised at fair value, and subsequently their carrying amount is adjusted in accordance with the changes in their fair value. Fair value is the market value for listed instruments, or valuations based on option valuation models or discounted cash flows in the case of unlisted instruments.

Any gains or losses arising from changes in the fair value of a derivative are recognised as follows:

- Cash flow hedges: the changes in the fair value of the derivatives that meet the requirements to be designated as hedges of future cash flows are recognised, net of tax, directly in equity until the firm commitment or forecast transaction takes place, at which time they are reclassified to the consolidated statement of comprehensive income. The portion of the hedge considered to be ineffective is recognised directly under "Finance Costs" in the consolidated statement of comprehensive income.
- Recognition of financial instruments not designated as hedges or which do not qualify for hedge accounting: the gains and losses on these financial instruments are recognised directly under "Finance Costs" in the consolidated statement of comprehensive income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Financial instruments related to shares

The investments in companies over which the Group does not exercise significant influence, control or joint control are classified as available-for-sale financial assets and are measured at fair value. To determine fair value the Group uses the market value of listed instruments or valuation methods such as market prices for similar instruments, analysis of discounted cash flows and option valuation models for unlisted instruments. The unrealised gains and losses obtained are recognised, net of taxes, in equity, and the realised gains and losses are recognised in the consolidated statement of comprehensive income. The gains and losses arising from changes in fair value are recognised directly in equity, net of taxes, until the sale of the instrument, at which time they are presented in the consolidated statement of comprehensive income. When there is objective evidence of impairment losses on the asset, the cumulative loss recognised in equity is derecognised and is recognised in the consolidated statement of comprehensive income. Exchange gains and losses are recognised in the consolidated statement of comprehensive income. When the determination of fair value is impracticable, these investments are reflected at amortised cost in the consolidated statement of financial position.

Compound financial instruments (see Note 15)

A compound financial instrument is a non-derivative financial instrument that simultaneously includes liability and equity components. The Group recognises, measures and presents the components of a compound financial instrument separately.

The Group distributes the initial carrying amount on the basis of the following criteria which, unless there is an error, is not subsequently reviewed:

- Recognition of the liability component at the fair value of a similar liability that does not have an associated equity component.
- Allocation to the equity component of the difference between the initial amount and the value allocated to the liability component.
- Distribution of the transaction costs in the same proportion.

Borrowings

Current and non-current loans are presented at repayment value. Any implicit interest paid included either in the nominal value or the repayment value is considered to be a direct reduction in the nominal value of the borrowings. This interest is calculated on a time proportion basis over the life of the bank borrowings. When the borrowings mature, the principal liability is derecognised. Any difference between the liability recognised and the amount repaid is included under "Finance Costs" in the consolidated statement of comprehensive income.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive the cash flows associated with the assets have matured. When the Group retains the contractual rights to receive the cash flows arising from a financial asset, but has simultaneously assumed an obligation to pay these same cash flows to a third party, the financial asset is only derecognised if the assets have been transferred (the Group has an obligation to pay the cash flows to a third party provided the cash flows are collected, there is no significant delay in collection, and the original asset cannot be sold or pledged) and if under the terms and conditions of the contract, substantially all the risks and rewards of the asset have been transferred by the Group.

Financial instruments with characteristics of financial liabilities

The Fotowatio Group has carried out various transactions in the US (see Notes 1 and 3) whereby third parties have been included in certain of its solar PV farm projects in exchange for a consideration in cash.

The main features of these transactions are as follows:

- Irrespective of the percentage of ownership acquired by the third parties, the Group maintains control and management of the farms. It also assumes most of the risks and rewards associated with the various farms. Consequently, and as established in SIC 12, Consolidation - Special Purpose Entities, the farms concerned are fully consolidated.
- The third parties obtain the right to a substantial portion of the earnings and tax incentives generated by the farms until the level of profitability established in the various agreements is attained.
- The third parties retain their ownership interests in the share capital of the farms until the level of profitability initially agreed upon is achieved.
- Once this level of profitability is attained, the Group has the option of acquiring the third parties' ownership interest, upon which the third parties forfeit any earnings associated with the farms.
- The third parties' obtainment of the profits agreed upon depends on the farm's economic performance; however, the third parties are the first to recover their investment (the profit surplus is paid to the Group). Independently of the foregoing, the Group is obliged to operate and maintain the farms.

Following an analysis of the economic substance of these agreements, the Fotowatio Group classifies the balancing item of the consideration received at the inception of the transaction under "Equity Instruments with Characteristics of Financial Liabilities" in the consolidated statement of financial position, except for the consideration received for the ITCs (see Note 4)

which is treated as a grant on the acquisition of the solar PV facilities and, consequently, as mentioned in Note 2, is recognised as deferred income under "Accruals and Deferred Income" on the liability side of the aforementioned statement. "Equity Instruments with Characteristics of Financial Liabilities" is measured at amortised cost.

The fair value of the financial asset and liability instruments not recognised at fair value does not differ significantly from their carrying amount.

f) Cash and cash equivalents (see Note 14)

"Cash and Cash Equivalents" in the consolidated statement of financial position includes cash on hand, demand deposits and other highly liquid short-term investments that mature within less than three months, are readily converted into cash and are not subject to a risk of changes in value.

g) Non-current assets classified as held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value, an active programme to locate a buyer and complete the plan must have been initiated, the actions required to complete the plan indicate that it is improbable that the plan would change significantly or be withdrawn, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except under certain specific circumstances.

At 2009 year-end, the Company had recognised under "Non-Current Assets Classified as Held for Sale" its investment in a wind power project. The sale of this asset, in 2010, gave rise to a gain of EUR 42 thousands.

h) Income tax (see Note 17)

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Group as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), and except for those associated with investments in subsidiaries, associates and joint ventures in 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 not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is considered probable that the Group will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also,

unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

The Parent is the head of a consolidated tax group in Spain that includes the companies included in Appendix 4.

i) Revenue and expense recognition (see Note 19)

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company neither continues to manage the goods nor retains effective control over them.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

Most of the Group's revenue is obtained from the sale of electricity produced by the solar facilities owned by it or operated under operating leases.

j) Provisions and contingencies

When preparing the consolidated financial statements the Company's directors made a distinction between:

- Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Group's control.

The consolidated financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are estimated at each year-end and are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences and, where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

k) Termination benefits

Under current legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The consolidated financial statements do not include material provisions in this connection.

l) Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Group's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Group's business activities do not have a significant environmental impact. In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Accordingly, these Notes to the consolidated financial statements do not contain any specific disclosures relating to environmental issues.

m) Related party transactions (see Note 18)

The Group performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Parent's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future. Transactions with Group companies were eliminated on consolidation.

n) Foreign currency transactions

Transactions in currencies other than the functional currency of each company are recorded in the functional currency of the Parent (euros) by applying the exchange rates prevailing at the date of the transaction. During the year, the differences that arise between the balances translated at the exchange rate prevailing at the date of the transaction and the balances translated at the exchange rate prevailing at the date of collection or payment are recognised as finance costs or finance income in the consolidated statement of comprehensive income.

At each consolidated balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the closing rates. Any resulting gains or losses are recognised directly in the consolidated income statement for the year in which they occur.

o) Current/Non-current classification

Assets and liabilities are classified in the consolidated statement of financial position as current or non-current. For these purposes, assets and liabilities are classified as current when they relate to the Group's cycle of operations and it is expected that they will be sold, used, realised or settled in the course thereof; when they are expected to mature or be disposed of or realised within one year; or when they are assets and liabilities classified as held for trading, except long-term derivatives and cash and cash equivalents. All others are classified as non-current.

As an exception to the above, all deferred tax assets and liabilities are recognised as non-current assets and liabilities.

p) Earnings/Loss per share (see Note 13)

Basic earnings/loss per share are calculated by dividing net profit or loss by the weighted average number of ordinary shares outstanding during the year, excluding the number of shares of the Parent held by the Group companies.

Diluted earnings/loss per share are calculated based on the average number of shares, assuming the conversion into shares of the financial instruments issued by the Company and eliminating from profit or loss for the year the finance cost of these financial instruments. However, any financial instruments issued by the Company which might have a dilutive effect (see Note 15) were excluded from the calculation of diluted loss per share, which is equal to basic loss per share, since the inclusion thereof would have had an antidilutive effect on loss per share.

The Group voluntarily discloses information relating to earnings/loss per share, since the Parent's shares are not listed on any public stock market.

q) Segment reporting (see Note 24)

Operating segments were prepared in accordance with the management approach, which requires that segments be presented on the basis of the internal reports on components of the entity, which are

examined periodically by the “entity’s highest operational decision-making authority” in order to decide upon the resources that should be assigned to each segment and to evaluate its performance.

r) Consolidated statement of cash flows

The following terms are used in the consolidated statements of cash flows with the meanings specified:

Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value

Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

6. Intangible assets

The detail of "Intangible Assets" in the accompanying consolidated statement of financial position and the summary of the transactions performed in 2010 and 2009 are as follows:

2010

	Thousands of Euros					
	Beginning Balance	Changes in the Scope of Consolidation	Additions	Disposals	Transfers	Ending Balance
Cost:						
Operating rights	31,210	15,074	-	(522)	7,419	53,181
Computer software	169	-	11	-	1,028	1,208
Other intangible assets	3,088	-	242	-	-	3,330
Intangible assets in progress						
Operating rights	9,079	5,026	3,434	(1,183)	(7,419)	8,937
Computer software	540	-	591	-	(1,028)	103
Other intangible assets	-	-	428	-	-	428
Total cost	44,086	20,100	4,706	(1,705)	-	67,187
Accumulated amortisation:						
Operating rights	(4,007)	-	(2,882)	-	-	(6,889)
Computer software	(82)	-	(194)	-	-	(276)
Other intangible assets	(60)	-	(81)	-	-	(141)
Total accumulated amortisation	(4,149)		(3,157)	-	-	(7,306)
Net impairment losses	-	-	(12,635)	-	-	(12,635)
Total intangible assets, net	39,937	20,100	(11,096)	(1,705)	-	47,246

2009

	Thousands of Euros					
	Beginning Balance	Changes in the Scope of Consolidation	Additions	Disposals	Transfers	Ending Balance
Cost:						
Operating rights	31,210	-	-	-	-	31,210
Computer software	126	-	55	(12)	-	169
Other intangible assets	1,285	1,924	56	(43)	(134)	3,088
Intangible assets in progress						
Operating rights	-	9,079	-	-	-	9,079
Computer software	-	-	540	-	-	540
Total cost	32,621	11,003	651	(55)	(134)	44,086
Accumulated amortisation:						
Operating rights	(1,433)	-	(2,574)	-	-	(4,007)
Computer software	(36)	-	(46)	-	-	(82)
Other intangible assets	(34)	-	(26)	-	-	(60)
Total accumulated amortisation	(1,503)	-	(2,646)	-	-	(4,149)
Net impairment losses	-	-	-	-	-	-
Total intangible assets, net	31,118	11,003	(1,995)	(55)	(134)	39,937

Operating rights in the accompanying consolidated statement of financial position represent the fair value of the operating rights acquired which are not recognised in the statement of financial position of the

acquired companies (see Note 2.3). The changes in operating rights for each of the solar PV facilities in 2010 and 2009 are as follows:

2010

Company Exercising the Rights	Months of	Operation Commencement Date	Thousands of Euros					
	Useful Life		Beginning Balance	Additions	Transfers from In Progress to in Use	Net Impairment Losses	Disposals	Ending Balance
Cost:								
Fotowatio Energía Solar, S.L.	180	01/09/07	3,420	-	-	-	-	3,420
Olmedilla Energía, S.L.	132	01/01/08	5,042	-	-	-	-	5,042
Serrezuela Solar VIII, S.L.	180	01/08/08	7,451	-	-	-	-	7,451
Calasparra Renovable, S.L.	132	01/09/08	5,612	-	-	-	-	5,612
Fuentealamo Solar 2, S.L.	132	01/09/08	5,196	-	-	-	-	5,196
Fuentealamo Solar 3, S.L.	132	01/09/08	4,489	-	-	-	-	4,489
La Olmeda Planta Solar, S.L.	180	31/12/10	-	5,918	-	-	-	5,918
Planta Solar Fotovoltaica Valdelaguna 45, S.L.	180	01/09/10	-	9,156	-	-	-	9,156
Fotowatio Energía Renovable I, S.L.	180	01/03/10	-	-	2,264	-	(522)	1,742
Helienergía, S.L.	180	01/12/10	-	-	5,155	-	-	5,155
Total operating rights			31,210	15,074	7,419		(522)	53,181
Accumulated amortisation and net impairment losses:								
Fotowatio Energía Solar, S.L.			(532)	(228)	-	-	-	(760)
Olmedilla Energía, S.L.			(917)	(458)	-	-	-	(1,375)
Serrezuela Solar VIII, S.L.			(704)	(497)	-	(735)	-	(1,936)
Calasparra Renovable, S.L.			(680)	(510)	-	(2,318)	-	(3,508)
Fuentealamo Solar 2, S.L.			(630)	(473)	-	(1,772)	-	(2,875)
Fuentealamo Solar 3, S.L.			(544)	(408)	-	(2,489)	-	(3,441)
La Olmeda Planta Solar, S.L.			-	-	-	-	-	-
Planta Solar Fotovoltaica Valdelaguna 45, S.L.			-	(203)	-	(1,925)	-	(2,128)
Fotowatio Energía Renovable I, S.L.			-	(105)	-	(1,449)	-	(1,554)
Helienergía, S.L.			-	-	-	(1,707)	-	(1,707)
Total accumulated amortisation			(4,007)	(2,882)		(12,395)	-	(19,284)
Total operating rights, net			27,203	12,192	7,419	(12,395)	(522)	33,897

Company Exercising the Rights	Months of	Operation Commencement Date	Thousands of Euros			
	Useful Life		Beginning Balance	Additions	Disposals	Ending Balance
Cost:						
Fotowatio Energía Solar, S.L.	180	01/09/07	3,420	-	-	3,420
Olmedilla Energía, S.L.	132	01/01/08	5,042	-	-	5,042
Serrezuela Solar VIII, S.L.	180	01/08/08	7,451	-	-	7,451
Calasparra Renewable, S.L.	132	01/09/08	5,612	-	-	5,612
Fuentealameo Solar 2, S.L.	132	01/09/08	5,196	-	-	5,196
Fuentealameo Solar 3, S.L.	132	01/09/08	4,489	-	-	4,489
Total operating rights			31,210	-	-	31,210
Accumulated amortisation:						
Fotowatio Energía Solar, S.L.			(304)	(228)	-	(532)
Olmedilla Energía, S.L.			(459)	(458)	-	(917)
Serrezuela Solar VIII, S.L.			(207)	(497)	-	(704)
Calasparra Renewable, S.L.			(170)	(510)	-	(680)
Fuentealameo Solar 2, S.L.			(157)	(473)	-	(630)
Fuentealameo Solar 3, S.L.			(136)	(408)	-	(544)
Total accumulated amortisation			(1,433)	(2,574)	-	(4,007)
Total operating rights, net			29,777	(2,574)	-	27,203
Net impairment losses			-	-	-	-

The Group includes the amounts paid for easements for the passage of electricity under "Other Intangible Assets".

At 31 December 2010, the Group had intangible assets in progress amounting to EUR 9,468 thousand (2009: EUR 9,619 thousand) which related mainly to operating rights of solar PV farms which had not yet commenced operations at year-end.

In 2010 various solar PV farms came into service in Spain, giving rise to the transfer of operating rights amounting to EUR 7,419 thousand to intangible assets in use. As indicated in Note 3, in 2010 the Company modified the provisional accounting for the business combination of the Fiumiccino project in Italy. The operating rights recognised at 31 December 2009 for the business combination relating to this project amounted to EUR 1,660 thousand and were ultimately valued at EUR 3,910 thousand and recognised as operating rights in use.

The detail by company of the operating rights recognised as assets in progress is as follows:

Company Exercising the Rights	Thousands of Euros	
	2010	2009
Fotowatio Energía Renewable I, S.L.	-	2,264
Helienergía, S.A.	-	5,155
Secondasum, S.r.L.	871	554
Terzasum, S.r.L.	1,567	553
Quartasun, S.r.l.	1,473	553
Terzasum, S.r.L.	4,009	-
Terzasum, S.r.L.	1,017	-
Total	8,937	9,079

As indicated in Note 4.1, regulations in the Spanish solar PV industry have undergone various changes. On 19 November 2010, Royal Decree 1565/2010 was approved, amending Royal Decrees 661/2007 and 1578/2008. This amendment did not affect the energy sale prices included in the business plans of the

various investees, although, pursuant to the Royal Decree's economic regime, the definition of the concept of substantial modification for certain pre-existing fixtures was altered. Pursuant to Royal Decree 661/2007, a plant was deemed to have been substantially modified if an investment was made exceeding 50% of the initial total investment. As a result of the change in this concept included in Royal Decree 1565/2010, the replacement of generating equipment with new equipment is considered to be a substantial modification. A substantial modification gives rise to changes in the tariff regime.

Also as indicated in Note 4.1, Royal Decree Law 14/2010 introduced modifications to the revenue of solar PV farms by limiting their equivalent operating hours depending on their location, in accordance with the solar climatic zone classification provided for in Royal Decree 314/2006, for facilities subject to the economic regimes established in Royal Decrees 661/200 and 1578/2010. In practice, these modifications mean that any excess over equivalent operating hours will be sold at market prices (electricity pool).

As a result of the aforementioned modifications, the assumptions used to measure the assets associated with cash-generating units in the Spanish market in prior years became invalid. On the one hand, the full replacement of equipment at the end of its useful life would give rise to a substantial modification and, therefore, the assigned tariff would no longer be regulated. In light of this new situation, the residual values became zero at the end of the useful life considered and, consequently, the fair value of the ownership interests was significantly reduced. Additionally, the Group adjusted its revenue assumptions, taking into account the limits on operating hours established in Royal Decree-Law 14/2010 (see Note 4). As a result of all the foregoing, an impairment loss of EUR 12,395 thousand was recognised in 2010 which relates in full to the decline in value of intangible assets.

The fair value at year-end of the Group's assets was calculated using discounted cash flows. These cash flows were discounted at a given pre-tax rate in order to calculate their present value. This rate reflects the cost of capital of the business and the geographical area in which it is carried on. The cash flows are calculated taking into account the time value of money at the measurement date and the risk premiums generally used by analysts for the business and geographical area. Also, the Group used a revenue growth rate and positive EBITDA based on the price revisions established by the regulations and on the loss of solar energy production, which offsets the increase in prices. For measurement purposes, since these assets have finite useful lives, the growth in revenue and the profit/loss for each year was estimated in accordance with the estimated cumulative annual loss of efficiency (using the assumption that solar panels would deteriorate by 0.5% each year), the inflation rate (using the assumption that CPI would remain constant at 2%) and mechanisms established by the law for updating tariffs and costs, throughout the useful life of these assets.

It should be noted that for solar farms in Spain the regulated tariff is updated annually on the basis of the annual CPI: CPI less 50 basis points for the farm's first five years and CPI less 20 basis points as of the sixth year.

The investments held abroad at the end of 2010 and 2009 are disclosed in Appendix 3 to these Notes to the consolidated financial statements.

All of the Group's assets were assigned directly to operations at 31 December 2010 and 2009.

At 31 December 2010 and 2009, there were no assets subject to guarantees and no grants had been received for the acquisition of the assets recognised.

At the end of 2010 and 2009 the Group had no material fully-amortised intangible assets.

Lastly, at 31 December 2010 and 2009, the Group had no firm intangible asset purchase commitments.

7. Property, plant and equipment

The detail of "Property, Plant and Equipment" in the consolidated statement of financial position and the summary of the transactions carried out in 2010 and 2009 are as follows

2010

	Thousands of Euros						
	Beginning Balance	Additions	Changes in the Scope of Consolidation	Disposals	Transfers	Translation Differences	Ending balance
Cost:							
Land and buildings	245	2,293	-	-	1	-	2,539
Plant	495,615	22,096	-	(502)	157,181	15,166	689,556
Furniture	323	45	-	-	17	-	385
Computer hardware	111	37	-	-	(18)	-	130
Transport equipment	56	8	-	-	(1)	2	65
Other items of property, plant and equipment	9	75	-	-	344	-	428
Plant in the course of construction and advances	82,337	177,559	35,983	(1,579)	(157,560)	268	137,008
Total cost	578,696	202,113	35,983	(2,081)	(36)	15,436	830,111
Accumulated depreciation:							
Plant	(58,766)	(39,102)			72	(1,444)	(99,240)
Furniture	(41)	(29)			11		(59)
Computer hardware	(37)	(34)			(2)		(73)
Transport equipment	(39)	(2)			-		(41)
Other items of property, plant and equipment	(5)	(99)			44		(148)
Total accumulated depreciation	(58,888)	(39,266)	-	-	36	(1,444)	(99,561)
Net impairment losses		(2,111)		-			(2,111)
Total property, plant and equipment, net	519,808	160,736	35,983	(2,081)	-	13,992	728,439

2009

	Thousands of Euros					
	Beginning Balance	Additions	Changes in the Scope of Consolidation	Disposals	Transfers	Ending Balance
Cost:						
Land and buildings	32	213	-	-	-	245
Plant	301,228	8,000	186,388	(1)	-	495,615
Plant in the course of construction and advances	901	76,698	5,623	(1,019)	134	82,337
Furniture	269	54	-	-	-	323
Computer hardware	73	38	-	-	-	111
Transport equipment	39	17	-	-	-	56
Other items of property, plant and equipment	21	-	-	(12)	-	9
Total cost	302,563	85,020	192,011	(1,032)	134	578,696
Accumulated depreciation:						
Plant	(18,110)	(29,610)	(11,046)	-	-	(58,766)
Furniture	(24)	(17)	-	-	-	(41)
Computer hardware	(18)	(19)	-	-	-	(37)
Transport equipment	(28)	(11)	-	-	-	(39)
Other items of property, plant and equipment	(5)	-	-	-	-	(5)
Total accumulated depreciation	(18,185)	(29,657)	(11,046)	-	-	(58,888)
Net impairment losses	-	-	-	-	-	-
Total property, plant and equipment, net	284,378	55,363	180,965	(1,032)	134	519,808

The changes in the scope of consolidation in 2010 and 2009 relate to the assets consolidated as a result of the business combinations described in Notes 2.5 and 3.

At 31 December 2010, "Plant" included mainly the cost of constructing the PV facilities mentioned in Note 1 above.

The corresponding depreciation for all these assets is taken over 14 to 15 years, since the directors consider this to be the period of useful life of the facilities.

At 31 December 2010, assets in the course of construction included mainly the following items:

- Costs of developing projects in the backlog in Spain, Italy, Australia and the US, amounting to EUR 3,654 thousand, EUR 5,577 thousand, EUR 827 thousand and EUR 12,666 thousand, respectively.
- Advances given of EUR 103,831 thousand for the construction of various facilities in Italy with an installed capacity of 43 MW.
- Development costs totalling EUR 8,943 thousand for the construction of two solar thermal facilities, which will have an installed capacity of 100 MW.
- Development costs amounting to EUR 1,658 thousand relating to the SCADA system which is being implemented at the solar facilities in Spain.

At 31 December 2009, assets in the course of construction included mainly the following items:

- Cost of developing projects in the backlog in Spain, Italy and the US, amounting to EUR 7,604 thousand.
- Advances given of EUR 36,148 thousand for the construction of a solar PV farm in the municipality of Alhama de Murcia, which will attain an installed capacity of 6.3 MW.

- Development costs totalling EUR 5,206 thousand for the construction of two solar thermal facilities, which will have an installed capacity of 100 MW.
- Advances given of EUR 10,873 thousand for the construction of a solar PV farm in the municipality of Rioja (Almería, Spain). This farm will have a total installed capacity of 7 MW.
- Advances given of EUR 10,598 thousand for the construction of a solar PV farm in the municipality of Blanca (Murcia, Spain). This farm will have a total installed capacity of 7 MW.
- Advances given amounting to EUR 11,908 thousand for the construction in the region of Puglia (Italy) of five solar PV farms. These farms will have a combined total installed capacity of 5 MW.

The investments held abroad at year-end are described in Appendix III to these Notes to the consolidated financial statements.

In 2010 the Group capitalised borrowing costs amounting to EUR 1,478 thousand (2009: EUR 2,402 thousand). The Group calculates these costs by capitalising the borrowing cost associated with facilities under construction and ceases to capitalise this cost from the time the solar farm comes into operation.

All the Group's assets were directly related to operations at 31 December 2010 and 2009.

At 2010 and 2009 year-end the Group had no material fully depreciated items of property, plant and equipment.

At 2010 and 2009 year-end, the Group had the following investment commitments:

2010

	Thousands of Euros			
	Type of Asset	Total Commitment	Total Investment	Amount yet to be Invested
Fototre, S.r.l.	Solar facility	18,479	16,157	2,332
Fiumiccino (*)	Solar facility	24,436	9,196	15,240
Free Energy, S.r.L	Solar facility	21,095	15,266	5,829
Fotouno, S.r.L y Fotowatio Galatina S.r.L	Solar facility	98,631	68,622	30,009
Arenales Solar PS, S.L.	Evacuation line	4,604	2,762	1,842
Total cost		167,245	112,003	55,252

(*) Secondasun, S.r.L., Terzasun, S.r.L. y Quartasun, S.r.L

2009

	Thousands of Euros			
	Type of Asset	Total Commitment	Total Investment	Amount yet to be Invested
Helienergía, S.A.	Solar facility	23,166	10,425	12,741
Fotoblan Solar, S.L.	Solar facility	21,356	7,432	13,924
Ibi Solar Fotovoltaica, S.L. (Note 8)	Lease	15,019	-	15,019
Fototre, S.r.L.	Solar facilities	18,479	9,872	8,607
Arenales Solar PS, S.L.	Evacuation line	4,604	1,381	3,223
Total cost		82,624	29,110	53,514

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 2010 year-end the property, plant and equipment were fully insured against these risks.

The Group has entered into a mortgage commitment on its financed plant. This guarantee covers the borrowings under the bank loan agreements entered into by the Group (see Notes 2.6 and 15).

8. Leases

Operating leases

At year-end the Group had arranged the following operating leases:

Leases arranged by Olmedilla Energía, S.L.

As lessee, on 5 December 2007, EGM Proyectos Energéticos, S.L. (Sole-Shareholder Company) - a company absorbed by the Group company Olmedilla Energía, S.L. - arranged an operating lease (with Olmedilla Planta Solar, A.I.E., the lessor) over 100 solar PV facilities in the municipality of Olmedilla de Alarcón, each with a rated capacity of 100 kW to achieve a total installed capacity of 11.5 MW. The main terms and conditions of the lease are as follows:

- i. Term: 11 years from entry into operation.
- ii. Six-monthly lease payments.
- iii. On termination of the lease, the Group may opt to exercise or not exercise an option to purchase the assets or the shares of the lessor. Accordingly, mainly the following mechanisms are envisaged in this connection:
 1. Option for the Group to purchase assets amounting to EUR 50,477 thousand.
 2. Option for the Group to purchase the shares of the lessor, with the Group assuming responsibility for the outstanding debt incurred by the lessor.
 3. Option for the lessor to purchase the shares of Olmedilla Energía, S.L.

At the date of preparation of these consolidated financial statements the Parent's directors state that they do not intend to exercise the purchase option envisaged in the operating lease arranged by the lessor (Olmedilla Planta Solar, A.I.E.) and the Group company, or any of the purchase options governed by the framework agreement entered into on that same date.

The rental costs incurred in 2010 as a result of the operating lease amounted to EUR 5,795 thousand (2009: EUR 5,739 thousand) and are recognised under "Other Operating Expenses" in the accompanying consolidated statement of comprehensive income. The outstanding balance at 31 December 2010 was EUR 461 thousand (31 December 2009: EUR 477 thousand). Both these accounts payable are carried under "Payable to Suppliers and Trade Payables" on the liability side of the consolidated statement of financial position.

The list of the agreements executed in relation to this transaction, to which the Group company Olmedilla Energía, S.L. is party, is as follows:

- a) Framework agreement with Banco Español de Crédito, S.A., Olmedilla Planta Solar, A.I.E., Poal Investments XXIII, S.A., Olmedilla Energía, S.L., Qualitas Venture Capital, S.A., S.C.R. and Fotowatio, S.A., S.C.R. de Régimen Simplificado, which sets out the terms and conditions under which an operating lease transaction will be performed, structured around all the assets that constitute a solar PV electricity production facility located in Olmedilla de Alarcón (Cuenca).
- b) Pledge on the collection rights arising from the power purchase and sale agreements, from the O&M agreement, from the management agreement, from the land lease agreement, from the insurance contracts, from the unassigned EPC guarantees, from the VAT refunds and from the accounts receivable by Olmedilla Planta Solar, A.I.E. The Company acts as guarantor of the transaction and pledges its shares.
- c) Operating lease with Olmedilla Planta Solar, A.I.E.

Leases arranged by Serrezuela Solar VI, S.L.

As lessee, on 24 July 2008 the Group company, Serrezuela Solar VI, S.L. (Sole-Shareholder Company) arranged an operating lease (with RA Parque Solar, A.I.E.) over 4 solar PV facilities in the municipalities of Fuente Álamo de Murcia and Calasparra (Murcia) with a total rated capacity of 32.56 MW. The main terms and conditions of the lease are as follows:

- i. Term: 11 years from entry into operation.
- ii. Six-monthly lease payments (except for the first payment, which was at 18 months).
- iii. On termination of the lease, the Group may opt to exercise or not exercise an option to purchase the assets or the shares of the lessor. Accordingly, the following mechanisms are envisaged in this connection:
 1. Option for the Group to purchase assets amounting to EUR 158,263 thousand.
 2. Option for Serrezuela Solar VI, S.L. to purchase the shares of the AIE (Economic Interest Grouping - "EIG"), with Serrezuela Solar VI, S.L. assuming responsibility for the outstanding debt incurred by the EIG.
 3. Option for the lessor to purchase the shares of Serrezuela Solar VI, S.L., with the EIG assuming the obligations of Serrezuela Solar VI, S.L.

At the date of preparation of these consolidated financial statements the Parent's directors state that they do not intend to exercise the purchase option envisaged in the operating lease arranged by the lessor (RA Parque Solar, A.I.E.) and the Group, or any of the purchase options governed by the framework agreement entered into on that same date.

The rental costs incurred in 2010 as a result of the operating lease amounted to EUR 17,405 thousand (2009: EUR 16,293 thousand) and are recognised under "Other Operating Expenses" in the accompanying consolidated statement of comprehensive income. The outstanding balance at 31 December 2010 was EUR 589 thousand (31 December 2009: EUR 573 thousand). The two accounts payable are recognised under "Payable to Suppliers and Trade Payables" on the liability side of the consolidated statement of financial position.

The list of the agreements executed in relation to this transaction, to which the Group is party, is as follows:

- i. Framework agreement with Banco Español de Crédito, S.A., RA Parque Solar, A.I.E., Caixa d'Estalvis i Pensions de Barcelona, Serrezuela Solar VI, S.L. and Fotowatio, S.L., which sets out the terms and conditions under which an operating lease transaction will be performed, structured around all the assets that constitute four solar PV electricity production facilities located in Fuente Álamo de Murcia and Calasparra (both in Murcia).
- ii. Pledge on the collection rights arising from the power purchase and sale agreements, from the O&M agreement, from the management agreement, from the land lease agreement, from the insurance contracts, from the unassigned EPC guarantees, from the VAT refunds and from the accounts receivable by RA Parque Solar, A.I.E., and on the shares of Serrezuela Solar VI, S.L. and the companies operating the facilities.
- iii. Operating lease with RA Parque Solar, A.I.E.
- iv. Sub-lease agreement between Serrezuela Solar VI, S.L., and its subsidiaries (Calasparra Renovables, S.L., Fuentealampo Solar 2, S.L. and Fuentealampo Solar 3, S.L.).
- v. Assignment agreement entered into by Banesto, Asetym Renova, S.A., UTE Construcción Fuentealampo, Serrezuela Solar VI, S.L. and RA Parque Solar, A.I.E.

At 31 December 2010 and 2009, the Group had arranged with the lessors the following minimum lease payments, based on the agreements currently in force, disregarding passed-on common expenses, CPI-linked increases and future contractually-stipulated rent reviews:

	Thousands of Euros					
	Olmedilla Energía, S.L.		Serrezuela Solar VI, S.L.		Total	
	2010	2009	2010	2009	2010	2009
Within one year	5,636	5,830	17,861	17,389	23,497	23,219
Between one and five years	22,433	22,447	74,186	73,692	96,619	96,139
After five years	17,157	22,780	65,645	84,001	82,802	106,781
Total	45,226	51,057	157,692	175,082	202,918	226,139

The amount of the operating lease payments recognised as an expense in 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Minimum lease payments		
Olmedilla Energía, S.L.	5,795	5,739
Serrezuela Solar VI, S.L.	17,405	16,293
Total	23,200	22,002

In addition to the basic obligation to pay the lease payments, the Group undertook to comply with certain obligations throughout the term of the operating leases. These obligations are similar to those established in the project finance agreements entered into in Spain (see Note 15). However, mention must be made of the obligation to comply with a certain operating lease service coverage ratio (RCSAO) and to set up restricted funds to cover the lease payments over the following six months.

Finance leases

As lessee, on 17 December 2009, the Group company Ibi Solar Fotovoltaica, S.L., Sole-Shareholder Company, arranged a finance lease, with Credit Agricole Leasing, S.E. and Natixis Lease, S.A. as lessors, for 13 rooftop solar PV facilities, each with a rated capacity of 100 kW and a total rated capacity of 1.4 MW, located in the municipality of Onil, and for 11 rooftop solar PV facilities, each with a rated capacity of 100 kW and a total rated capacity of 1.2 MW, located in the municipality of Ibi. The main terms and conditions of the lease are as follows:

- i. Term: 16 years from 03/05/10.
- ii. Quarterly lease payments.
- iii. Residual value at 03/05/26: EUR 1.00 (net payment)

The list of the agreements executed in relation to this transaction, to which the Group company Ibi Solar Fotovoltaica, S.L. Sole-Shareholder Company is party, is as follows:

- a) Project purchase and sale agreement between JJ Team Inmuebles, S.L., Cartera Industrial Sarganella, S.L. and Ibi Solar Fotovoltaica, S.L.U., by virtue of which all the licences and authorisations in relation to the facilities were transferred to Ibi Solar Fotovoltaica, S.L.U. on 23 February 2009.
- b) Onil rooftop facility lease agreement between Ibi Solar Fotovoltaica, S.L.U. as the lessee and Cartera Industrial Sarganella, S.L. as the lessor on 23 February 2009.
- c) Ibi rooftop facility lease agreement between Ibi Solar Fotovoltaica, S.L.U. as the lessee and Cartera Industrial Sarganella, S.L. as the lessor on 23 February 2009.
- d) Construction agreements expressly commissioned by Ibi Solar Fotovoltaica, S.L.U. among the lessors and Fotowatio Energía Renovable V, S.L.U. with Dalkia Solar, S.L. as the contractor. In

this respect, each of the lessors acquires 50% of the ownership of each of the assets (of the Ibi and Onil rooftop facilities) included in the construction agreements dated 17 December 2009.

- e) O&M agreements of Ibi Solar Fotovoltaica, S.L.U. with Dalkia Solar, S.L. dated 17 December 2009.
- f) Pledge on the collection rights arising from the power purchase and sale agreements, the O&M agreement, the management agreement, the rooftop facility lease agreements, the insurance contracts, the guarantees not transferred from the EPC, VAT refunds and accounts receivable by Ibi Solar Fotovoltaica, S.L.U. Ibi Solar Fotovoltaica, S.L. acts as the guarantor for the transaction and pledges its shares.

At 2010 year-end, the Company, as the finance lessee, had recognised the following leased assets (in thousands of euros):

	Assets Recognised at the Present Value of Minimum Payments
Property, plant and equipment (gross amount)	8,741
Accumulated amortisation	(234)
Investment property	-
Intangible assets	-
Total	8,507

At 31 December 2010 and 2009, the Group had arranged with the lessors for the following minimum lease payments (including any purchase options), based on the leases currently in force, without taking into account the charging of common expenses, future increases in the CPI or future contractual lease payment revisions:

Minimum Finance Lease Payments	Thousands of Euros					
	2010			2009		
	Capital	Interest	Charge	Capital	Interest	Charge
Within one year	231	582	813	42	294	336
Between one and five years	1,431	2,217	3,558	1,242	2,206	3,448
After five years	7,376	2,937	10,312	7,795	3,440	11,235
Total	9,038	5,646	14,683	9,079	5,940	15,019

The detail of the lease payments recognised as period expenses is as follows (in thousands of euros):

	2010
Lease payments recognised during the year	336

In addition to the basic obligation to pay the lease payments, the Group undertook to comply with certain obligations throughout the term of the operating leases. These obligations are similar to those established in the project finance agreements entered into in Spain (see Note 15). However, mention must be made of the obligation to comply with a certain finance lease service coverage ratio (RCSAO) and to set up restricted funds to cover the lease payments over the following six months.

9. Financial assets

The detail of the financial instruments (assets) at 31 December 2010 and 2009 is as follows:

31 December 2010

	Thousands of Euros	
	Non-Current Financial Instruments	Current Financial Instruments
Financial assets	934	-
Investments in equity instruments	934	-
Financial assets	1,891	39,274
Loans and receivables	1,891	39,274
Total	2,825	39,274

31 December 2009

	Thousands of Euros	
	Non-Current Financial Instruments	Current Financial Instruments
Financial assets	180	-
Investments in equity instruments	180	-
Financial assets	939	29,275
Loans and receivables	939	29,275
Total	1,119	29,275

Non-current financial assets

Investments in equity instruments

At 31 December 2009, the Group had a 50% ownership interest in an Economic interest Grouping (EIG), Línea de Evacuación Compartida FWIE, AIE, through its subsidiary Arenales Solar PS, S.L. (Sole-Shareholder Company). This EIG was created on 23 January 2008 and was not consolidated in the Group since it was dormant. Its company object consists of, inter alia, the design, financing, planning, construction, bringing into service, execution, management, operation, maintenance and dismantling of, and the acquisition of land and the obtainment of permits required for, the connection facilities that are common to the electricity generation plants and are used to transmit the output of these plants to the Red Electrica de España, S.A. network through the node in which Arenales Solar PS, S.L. is developing a thermoelectric power plant, for feed-off and delivery to this network .

In 2010 a total contribution of EUR 1,508 thousand was made to the EIG, which included EUR 754 thousand provided by the Group. The ownership interest at 31 December 2010 remained unchanged at 50%.

Current financial assets

"Current Financial Assets" at 31 December 2010 includes a balance of EUR 33,572 thousand (31 December 2009: EUR 21,559 thousand), corresponding to the balances at banks in relation to the "Debt Service Reserve Fund", which represents the restricted amounts which will be held by the subsidiaries in accordance with the requirements of the project finance framework agreements (see Notes 2.6 and 15) to secure payments to be made in future months. These accounts earn interest at market rates.

Additionally, at 31 December 2010 the Group had deposited EUR 4,559 thousand (31 December 2009: EUR 7,264 thousand) in bank accounts, which earned interest at market rates. These accounts

were pledged to various banks to cover the risk of enforcement of the guarantees that these banks had provided for various Fotowatio Group companies to diverse public authorities.

Lastly, on 31 December 2010, the Group held guarantees amounting to EUR 1,077 thousand (31 December 2009: EUR 837 thousand) and interest on current loans amounting to EUR 66 thousand.

10. Investments accounted for using the equity method

The detail of the value of the investments in companies accounted for using the equity method recognised under "Investments Accounted for Using the Equity Method" at 31 December 2010 and 2009, and of the main aggregates of these investments is as follows:

2010

Company	Thousands of Euros						
	Investment Value	Profit/Loss Contributed	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Net Profit (Loss)
Evacuación Valdecaballeros, S.L.	256	-	1,266	1,366	74	-	-
Total	256	-	1,266	1,366	74	-	-

Evacuación Valdecaballeros, S.L. is 9.99% owned by the Group. Its company object consists of, inter alia, the design, financing, planning, construction, start-up, execution, management, operation, maintenance and dismantling of, and the acquisition of land and the obtainment of permits required for, the connection systems that are common to the electricity generation plants and are used to transfer the output of these plants to the Valdecaballeros 400 kV node of the Red Eléctrica de España, S.A. network, for further evacuation and delivery to this network.

2009

Company	Thousands of Euros						
	Investment Value	Profit/Loss Contributed	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Net Profit (Loss)
RV Solar Development Company, LLC	447	(36)	354	698	156	-	(69)
Total	447	(36)	354	698	156	-	(69)

In 2009 the Group had a 50% ownership interest in RV Solar Development Company, LLC. In 2010 the Group acquired the remaining 50% of this company. This purchase did not have a material effect on the Group.

11. Trade receivables for sales and services

"Trade Receivables for Sales and Services" includes mainly the amount receivable as a result of the sale of the electricity produced by the solar facilities. It also includes the account receivable arising from the sale of RECs in the US (see Note 4.3).

The Spanish subsidiaries' accounts receivable recognised under "Trade Receivables for Sales and Services" relate to the sale of electricity generated to electricity distribution companies (Endesa and Iberdrola). These accounts are settled by the Spanish National Energy Commission.

Also, at 31 December 2010, an account receivable was recognised in relation to a penalty established in the contract with the builder of two solar PV facilities, and which arose since the solar panels had not achieved a specified production volume.

At 31 December 2010 and 2009, no impairment loss was recognised in the accounts receivable.

12. Financial risk management policy

The Fotowatio Group manages financial risks from both the economic perspective, in which the relationship between exposure and the present value of the cash flows arising from an investment is assessed by reviewing the business plans, and from the accounting perspective, in which it assesses the status and evolution of the various risk situations.

This policy, approved by the Group's supervisory bodies, is established on the basis of full transparency at all times of the information on the major risks affecting the Group's business activities and the systems developed to control them, compliance with the applicable regulations and legislation in force and the best business practices for risk control, management and supervision.

Following are the general exposures or adverse situations which could trigger downturns in the Group's results or financial growth and thus generate risks which must be managed to mitigate their effects:

- **Foreign currency exposure.** All financing must be in the functional currency of the businesses and only in cases where this is not possible will the investment be financed in the Parent's functional currency, i.e. euros.
- **Interest rate exposure.** The volatile nature of interest rates must be considered when managing the associated risk. The Group arranges interest rate hedges to minimise such risks.
- **Investment exposure.** Investment exposure includes the highest potential loss that could occur for the Group due to its investment in each of the businesses in which it has interests. To reduce the corresponding exposure from international businesses, decisions are made concerning either the repatriation of income or the elimination of guarantees provided by the Group.
- **Liquidity risk**
- **Credit risk**
- **Other market risks:** Price risk

These risks are monitored and controlled regularly as follows:

a) Foreign currency exposure

Fluctuations in the exchange rate of the currency in which a certain business transaction is performed vis-à-vis the currency used for accounting purposes can have an adverse effect on the finance cost and profit for the year, specifically affecting the financial management of assets, liabilities and results of operations. The Group finances its investments whenever possible and economically viable, in the functional currency (that in which its main monetary flows are realised) of the country of the investment. In the current year, in order to hedge foreign currency risks, the Group has arranged various euro/US dollar exchange hedges which guarantee it a future return on the flows invested. At 31 December 2010, no US dollar balance had been hedged; however, the balances of transactions denominated in US dollars are not material.

The main currency other than the euro in which the Group operates is the US dollar. The Group's main balances in this currency relate to the assets and liabilities contributed by its US investments to the consolidated figures. At 31 December 2010, assets denominated in US dollars totalled USD 293,904 thousand (31 December 2009: USD 278,180 thousand) and liabilities denominated in US dollars totalled USD 266,016 thousand (31 December 2009: USD 262,580 thousand). The sensitivity of its consolidated loss for the year and consolidated equity to possible changes in the USD/EUR exchange rate is as follows (in thousands of euros):

	Change in the USD/EUR Exchange Rate	Thousands of Euros	
		Effect on Loss before Tax	Effect on Equity before Tax
2010	+5%	(656)	1,054
	-5%	656	(1,054)
2009	+5%	(680)	356
	-5%	680	(356)

In order to carry out the foregoing sensitivity analysis the Group assumed changes of +/- 5% in the average closing exchange rate for each year and applied the new exchange rates when translating the financial statements of investees whose functional currency is the US dollar.

b) Exposure to interest rate risk

The risk management policy establishes that the volatility of the financing cost must be low with respect to fluctuations in interest rates. The Group, to the extent that changes in interest rates can affect the cash flows associated with certain items of its consolidated statement of financial position, mitigates this risk by using interest rate derivatives, in keeping with the Group's general risk policy.

At 31 December 2010, 73% of the debt had been hedged (31 December 2009: 74%)

The floating rate debt is basically tied to Euribor.

The sensitivity of the Group's consolidated loss for the year and consolidated equity to possible changes in the interest rate is as follows:

	Change in the Interest Rate	Thousands of Euros	
		Effect on Loss before Tax	Effect on Equity before Tax
2010	+1%	(854)	(854)
	-1%	854	854
2009	+1%	(939)	(939)
	-1%	939	939

In order to carry out the foregoing sensitivity analysis the Group assumed an increase/decrease in interest rates effectively paid of +/- 1%, which was applied to the interest rates applicable to the Group in 2010 and 2009.

c) Liquidity risk

Liquidity risk is defined as a company's inability to meet its obligations, as a result of adverse situations in debt and/or capital markets that impede or make it difficult to obtain the necessary finance to do so. The Group manages liquidity risk by ensuring that sufficient amounts are available to negotiate in the best conditions possible the replacement of transactions nearing maturity with new transactions and to meet short-term cash needs, thus avoiding having to resort to seeking funds in potential unfavourable conditions. Liquidity risk is considered to be adequately covered when the minimum amount of financing available is equivalent to six months of debt servicing.

The Parent has no bank borrowings.

d) Credit risk

In the area of financial transactions, credit risk arises due to the counterparty's inability to fulfil the obligations established in the contract. In cases where the transactions arranged are likely to generate a counterparty risk for a subsidiary, the Group ensures that the counterparty has a credit rating equal to or higher than that of the Group itself. In 2010 and 2009, the Group had accounts receivable from highly solvent companies as follows:

- Electricity produced in Spain: electricity distribution companies to which it sells its electricity output which is, however, billed to and collected from the Spanish National Energy Commission, within an average collection period of 30 to 60 days.
- Electricity produced in Italy: electricity distribution companies to which it sells its electricity output, and for which the average collection period ranges from 30 to 60 days.
- Electricity produced in the US: companies or organisations of renowned prestige with which the Group has entered into long-term power sale and REC agreements. The average payment period in the US is similar to that in Europe and no major collection delays were recorded.

Consequently, the Parent's directors consider that this credit risk is remote.

At 31 December 2010, there were no financial assets of a significant amount that were in arrears and were not classified as impaired.

e) Other market risks: price risk

In addition to the foregoing financial risks, there are operational risks which are principally linked to the risk of changes in the sale prices of the electricity generated. In view of the specifications of the Group's business, the sale price of each of the facilities in operation is regulated during the lifetime of the project (see Note 4).

13. Equity

a) Share capital

At 31 December 2010 and 2009, the Parent's share capital was represented as follows:

	Shares	Par Value (Euros)	Share Capital (Euros)	Voting Rights (per Share)
Class A shares	3,561,143	1	3,561,143	0.68
Class B shares	100	1	100	15,307.04
Class C shares	1,244,736	1	1,244,736	0.68
Total	4,805,979		4,805,979	

The Class B shares have dividend rights 30 times lower than the rights of the Class A and C shares.

The detail of the shareholders of the Parent at 31 December 2010 and 2009 is as follows:

	Voting Power	% of Ownership
Qualitas Venture Capital, S.A. S.C.R. de R.S. (Timón Group)	33.5%	49.129%
EFS Spain Solar C.V. (General Electric Group)	31.9%	0.002%
Landon Investments, S.A. S.C.R. de R.S. (Landon Group)	8.8%	12.950%
Grupo Plafin, S.A. (Landon Group)	8.8%	12.950%
The Benjumea family	14.2%	20.850%
Other	2.8%	4.119%
Total	100.0%	100.000%

For management purposes, the Group treats the equity attributable to the Parent as capital. The only external requirements to which this capital for management purposes is subject are those contained in current Spanish corporate law, and there are no contractual restrictions thereon. In this respect, it should be mentioned that the financial instruments issued by the Parent have no dilutive effect on the capital.

The ultimate purpose of the capital is solely to finance the development plan defined by the Parent's directors and to implement an appropriate shareholder remuneration policy. The capital management policies and processes implemented by the Parent's directors enable them to meet this objective without jeopardising the Group's financial and equity position.

Additional disbursements

In accordance with the Parent's bylaws, holders of Class C shares are obliged to make an additional monetary contribution of EUR 39.06 for each Class C share on 17 July 2014, or prior to this date when requested by the Parent's Board of Directors or representative of this body.

In 2010 shareholders with Class C shares made additional contributions of EUR 15,306 thousand (2009: EUR 14,641 thousand) and EUR 18,673 thousand (2009: 33,979 thousand) are pending payment in this connection.

Earnings per share

Earnings per share are calculated by dividing net profit or loss attributable to the Group in a given year by the weighted average number of treasury shares held during the same year. Accordingly:

Earnings per Share	2010	2009
Net loss for the year (thousands of euros)	(34,224)	(15,577)
Average number of shares outstanding	4,805,979	4,805,979
Loss per share (euros)	(7.1)	(3.2)

Earnings per Class of Share	Euros	
	2010	2009
Class A shares	(7.1)	(3.2)
Class B shares	(0.2)	(0.1)
Class C shares	(7.1)	(3.2)

Diluted earnings/loss per share are calculated based on the average number of shares, assuming the conversion into shares of the financial instruments issued by the Company and eliminating from profit or loss for the year the interest cost of these finance instruments. However, the financial instruments issued by the Company were excluded from the calculation of diluted loss per share which is equal to basic loss per share, since the inclusion thereof would have had an antidilutive effect on loss per share.

b) Share premium

The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

c) Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

d) Distribution of profit/loss and reserves by company

Appendix II to these Notes to the consolidated financial statements includes a detail of the reserves and the profit or loss for 2010 and 2009 of each of the companies included in the scope of consolidation.

e) Reserves for translation differences

"Reserves for Translation Differences" in the consolidated statement of financial position includes the net exchange differences arising on the translation to euros of the balances in the functional currencies of the consolidated companies whose functional currency is not the euro. All the translation differences at 31 December 2010 and 2009 arose due to the translation to euros of the consolidated financial statements of the businesses in the US.

f) Non-controlling interests

The detail, by company, of "Non-Controlling Interests" in the consolidated statement of financial position at 31 December 2010 and 2009 and of the profit or loss attributable to non-controlling interests in 2010 and 2009 is as follows:

Company	Thousands of Euros			
	2010		2009	
	Non-Controlling Interests	Profit or Loss Attributable to Non-Controlling Interests	Non-Controlling Interests	Profit or Loss Attributable to Non-Controlling interests
MMA Solar Fund III GP, Inc.	942	(108)	974	215
Secondasun, S.r.L.	299	(6)	2	2
Terzasun, S.r.L.	535	(6)	2	2
Quartasun, S.r.L.	507	(6)	2	2
Foto Tarsia, S.r.L.	-	(1)	-	-
Foto Altamonte, S.r.L.	-	(1)	-	-
Foto Candidoni, S.r.L.	-	(1)	-	-
Fotostar 1, S.r.L.	-	(1)	-	-
Fotostar 3, S.r.L.	-	(1)	-	-
Total	2,283	(130)	980	221

14. Cash and cash equivalents

The detail of "Cash and Cash Equivalents" in the consolidated statements of financial position at 31 December 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Cash on hand and at banks	47,928	62,529
Total	47,928	62,529

In general, the accumulated cash balances earn interest at market rates. There are no significant amount restrictions on the availability of cash, nor are there any significant differences between the market value and the carrying amount of the cash and cash equivalents.

15. Financial liabilities

15.1 Financial debt

The detail of the financial debt at 31 December 2010 and 2009 is as follows:

31 December 2010

	Thousands of Euros	
	Non-Current Financial Instruments	Current Financial Instruments
Payable to related companies	133,241	37
Bank borrowings	524,138	30,698
Other payables	-	57,725
Total	657,379	88,460

31 December 2009

	Thousands of Euros	
	Non-Current Financial Instruments	Current Financial Instruments
Payable to related companies	90,777	25
Bank borrowings	397,635	19,654
Other payables	-	3,539
Total	488,412	23,218

At 31 December 2010, the Group had long-term financial debts to related companies amounting to EUR 133,241 thousand, bank borrowings totalling EUR 554,836 thousand and other payables amounting to EUR 57,725 thousand.

The "Other Payables" amount relates to the account payable to the construction companies building the plants under construction in Italy. These accounts payable are secured by the associated construction assets. At the date of preparation of the consolidated financial statements, the Group was in the process of renegotiating this debt to long-term debt with various banks.

Payable to related companies

On 17 July 2008, the Group's shareholder EFS Spain Solar C.V. arranged a participating loan with the former against which EUR 133,241 thousand had been drawn down at 31 December 2010 (31 December 2009: EUR 90,777 thousand), including the capitalised interest.

The accrued interest payable at 31 December 2010 amounted to EUR 37 thousand (31 December 2009: EUR 25 thousand). At 31 December 2010, EUR 11,770 thousand of interest accrued in 2010 was capitalised (31 December 2009: EUR 6,473 thousand of interest accrued in 2009), increasing the nominal amount of the debt.

The main characteristics of this participating loan are as follows:

- Maximum drawable limit: EUR 149,994 thousand. The drawdown period ends on 17 July 2012. At 31 December 2010 and 2009 the undrawn amount was EUR 37,446 thousand and EUR 68,140 thousand, respectively. Interest capitalised to the principal of the debt is not recognised as drawn down.

- Maturity date: 17 July 2012, although the lender, at its own discretion, has the right to capitalise up to a maximum of 90% of the amount drawn down at any time before the maturity date.
- The loan will bear interest at an equivalent annual effective fixed rate (APR) of 10% per year. The interest borne on the loan will be capitalised and added to the loan principal at the end of the calendar year.
- If the debt coverage ratio envisaged in all the project financing agreements arranged by the Parent exceeds 3, the lender will be entitled to receive an amount equal to 1% of the Group's after-tax consolidated earnings. In 2010 and 2009 no amount was paid in this connection.
- Repayment or conversion: in the event of default (debt repayment), the lender may opt to convert up to 90% of the amounts owed into Class A shares.

The participating loan is governed by the terms and conditions established in the agreement and by the provisions of Article 20 of Royal Decree-Law 7/1996, of 7 June, on urgent tax measures and measures to foster and deregulate economic activities, partially amended by Law 10/1996, of 18 December, on urgent tax measures to correct intercompany domestic double taxation and on incentives to internationalise companies.

Pursuant to the aforementioned Royal Decree, participating loans are treated as equity for the purposes of capital reductions and the liquidation of companies provided for in Spanish company law.

The aforementioned participating loan was considered to be a compound financial instrument and, therefore, the difference between the drawdowns made and the value assigned to the liability component should, in principle, be recognised as equity.

Assumptions used in the measurement of the compound financial instrument when the participating loan agreement was signed

In view of the characteristics of the conversion that the granting of the participating loan by one of the shareholders gives entitlement to, the Parent's directors used a convertible bond measurement model based on the Financial Cad software application, which is a derivative measurement system developed by a third party and widely used by financial institutions.

To determine the two components (debt component and equity component), firstly, the value of the debt was measured at 10%, discounted at a similar interest rate without a conversion option. The value of the conversion option was calculated as the difference between the compound instrument (participating loan) and the debt component.

Since this was a company that was commencing its business activity and would foreseeably not generate profit in the short or medium terms (at least 5 years), the Parent's directors considered that 1% of total earnings was not an amount relevant to the measurement.

According to available market data, the solar-farm minimum and maximum rates of return at the time of signing the participating loan agreement were at values reflecting percentage differences of up to 4 points.

In view of the impossibility of determining the specific rate of return and the significant variations in the measurement of the equity instrument as a result of small changes in the rate of return considered, and bearing in mind the existence at the time of market financing options without an equity component and with interest rates similar to that of the participating loan, the Parent's directors considered it reasonable to measure the participating loan granted by EFS Spain Solar C.V. at amortised cost, without recognising the value of the conversion option in equity. This criterion has been maintained up to the present time.

Bank borrowings

The balance of "Bank Borrowings" at 31 December 2010 and 2009 was as follows:

31 December 2010

Non-current balance

Financial Liability	Group Company	Thousands of Euros			
		Balance	Limit	Maturing on	Interest Rate
Senior loan	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	131,588	131,588	31/12/28	Euribor+1.25%
Subordinated loan	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	6,918	6,918	31/12/29	Euribor+2.50%
Senior Loan arrangement fees	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	(2,028)	-	-	-
Senior loan	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	76,046	76,046	21/09/29	Euribor+1.15
Subordinated loan	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	3,973	3,973	21/09/30	Euribor+2.50
Senior loan arrangement fees	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	(1,182)	-	-	-
Senior loan	Serrezueta Solar VIII, S.L. (Sole-Shareholder Company)	65,916	65,916	14/09/29	Euribor+1.25
Subordinated loan	Serrezueta Solar VIII, S.L. (Sole-Shareholder Company)	3,472	3,472	14/09/30	Euribor+2.50
Senior loan arrangement fees	Serrezueta Solar VIII, S.L. (Sole-Shareholder Company)	(1,031)	-	-	-
Senior loan	Fotowatio Energía R I, S.L. (Sole-Shareholder Company)	31,798	31,798	21/04/28	Euribor+2.00
Senior loan arrangement fees	Fotowatio Energía R I, S.L. (Sole-Shareholder Company)	(976)	-	-	-
Senior loan	Helienergía, S.L. (Sole-Shareholder Company)	21,210	25,820	30/09/28	Euribor+3.00
Senior loan arrangement fees	Helienergía, S.L. (Sole-Shareholder Company)	(696)	-	-	-
Senior loan	Fotoblan Solar, S.L. (Sole-Shareholder Company)	24,542	24,542	15/12/28	Euribor+2.90
Senior loan arrangement fees	Fotoblan Solar, S.L. (Sole-Shareholder Company)	(790)	-	-	-
Finance lease	IBI Solar Fotovoltaica, S.L. (Sole-Shareholder Company)	8,806	-	03/05/26	6.50
Finance lease arrangement fees	IBI Solar Fotovoltaica, S.L. (Sole-Shareholder Company)	(113)	-	-	-
Senior loan	La Olmeda Proyectos, S.L. (Sole-Shareholder Company)	16,839	19,250	28/02/30	Euribor+2.80
Senior loan arrangement fees	La Olmeda Proyectos, S.L. (Sole-Shareholder Company)	(635)	-	-	-
Senior loan	Planta F.Valdelaguna A45, S.L. (Sole-Shareholder Company)	43,452	43,452	30/06/30	Euribor+2.75
Senior loan arrangement fees	Planta F.Valdelaguna A45, S.L. (Sole-Shareholder Company)	(710)	-	-	-
Finance leases	Fotowatio Desarrollos Renovables, S.L. (Sole-Shareholder Company)	1	-	12/01/12	-
Senior loan	Fototre S.r.l. (Sole-Shareholder Company)	13,432	19,250	31/12/27	Euribor+3.00
VAT loan	Fototre S.r.l. (Sole-Shareholder Company)	1,714	2,400	-	Euribor+2.00
Senior loan arrangement fees	Fototre S.r.l. (Sole-Shareholder Company)	(500)	-	-	-
Senior loan	Secondasun S.r.l. (75% owned)	2,405	7,772	31/12/28	Euribor+3.00
VAT loan	Secondasun S.r.l. (75% owned)	226	743	-	Euribor+2.00
Senior loan arrangement fees	Secondasun S.r.l. (75% owned)	(236)	-	-	-
Senior loan	Terzasun S.r.l. (75% owned)	4,298	13,807	31/12/28	Euribor+3.00
VAT loan	Terzasun S.r.l. (75% owned)	399	1,326	-	Euribor+2.00
Senior loan arrangement fees	Terzasun S.r.l. (75% owned)	(419)	-	-	-
Senior loan	Quartasun S.r.l. (75% owned)	4,047	13,041	31/12/28	Euribor+3.00
VAT loan	Quartasun S.r.l. (75% owned)	380	1,249	-	Euribor+2.00
Senior loan arrangement fees	Quartasun S.r.l. (75% Shareholder)	(396)	-	-	-
Senior loan	MMA Solar Fund III, LLC and Subsidiaries	25,620	25,620	30/12/28	Fixed (5.85%-8%)
Senior loan	MMA NAFB Power, LLC and Subsidiaries	35,888	35,888	30/09/27	Fixed 6.69%
Senior loan	Renewable Ventures Solar Fund V, LLC and Subsidiaries	10,880	10,881	11/12/29	Fixed 8.29%
Total		524,138			

Current balance

Financial Liability	Group Company	Thousands of Euros			
		Balance	Limit	Maturing on	Interest Rate
Senior loan	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	5,282	5,282	31/12/11	Euribor+1.25
Subordinated loan	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	384	384	31/12/11	Euribor+2.50
Interest and fees	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	19	-	-	-
Senior loan	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	2,021	2,021	21/09/11	Euribor+1.25
Subordinated loan	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	210	210	21/09/11	Euribor+2.30
Interest and fees	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	1,182	-	-	-
Senior loan	Serrezueta Solar VIII, S.L. (Sole-Shareholder Company)	2,036	2,036	14/09/11	Euribor+1.25
Subordinated loan	Serrezueta Solar VIII, S.L. (Sole-Shareholder Company)	183	183	14/09/11	Euribor+2.50
Interest and fees	Serrezueta Solar VIII, S.L. (Sole-Shareholder Company)	1,106	-	-	-
Senior loan	Fotowatio Energía R I, S.L. (Sole-Shareholder Company)	1,020	1,020	21/10/11	Euribor+2.00
Interest and fees	Fotowatio Energía R I, S.L. (Sole-Shareholder Company)	343	-	-	-
Senior loan	Helienergía, S.L. (Sole-Shareholder Company)	604	604	30/09/11	Euribor+3.10
VAT loan	Helienergía, S.L. (Sole-Shareholder Company)	131	131	2011	Euribor+2.00
Interest and fees	Helienergía, S.L. (Sole-Shareholder Company)	392	-	-	-
Finance lease	Ibi Solar Fotovoltaica, S.L. (Sole-Shareholder Company)	231	231	03/11/11	-
Senior loan	La Olmeda Proyectos, S.L. (Sole-Shareholder Company)	128	128	28/08/11	Euribor+2.80
VAT loan	La Olmeda Proyectos, S.L. (Sole-Shareholder Company)	2,845	2,845	2011	Euribor+2.00
Interest and fees	La Olmeda Proyectos, S.L. (Sole-Shareholder Company)	102	-	-	-
Senior loan	Planta F.Valdelaguna A45, S.L. (Sole-Shareholder Company)	1,049	1,049	30/12/11	Euribor+2.75
VAT loan	Planta F.Valdelaguna A45, S.L. (Sole-Shareholder Company)	500	500	2011	Euribor+2.00
Interest and fees	Planta F.Valdelaguna A45, S.L. (Sole-Shareholder Company)	7	-	-	-
Senior loan	Fotoblan, S.L. (Sole-Shareholder Company)	425	425	15/12/11	Euribor+2.90
VAT loan	Fotoblan, S.L. (Sole-Shareholder Company)	3,112	3,112	2011	Euribor+2.00
Interest and fees	Fotoblan, S.L. (Sole-Shareholder Company)	176	-	-	-
Senior loan	Fototre, S.r.L.	722	722	30/12/11	Euribor+3.00
Senior loan	MMA Ren. Ventures Solar Fund III, LLC and Subsidiaries	3,219	3,219	31/12/11	Fixed (5.85%-8%)
Interest and fees	MMA Ren. Ventures Solar Fund III, LLC and Subsidiaries	498	-	-	-
Senior loan	MMA NAFB Power, LLC and Subsidiaries	1,602	1,602	30/09/11	Fixed 6.69%
Interest and fees	MMA NAFB Power, LLC and Subsidiaries	627	-	-	-
Senior loan	Ren. Ventures Solar Fund V, LLC and Subsidiaries	389	389	11/12/11	Fixed 8.29%
Interest and fees	Ren. Ventures Solar Fund V, LLC and Subsidiaries	135	-	-	-
Other		18	-	-	-
Total		30,698			

31 December 2009

Non-current balance

Financial Liability	Group Company	Thousands of Euros			
		Balance	Limit	Maturing on	Interest Rate
Senior loan	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	136,870	136,870	31/12/28	Euribor+1.25
Subordinated loan	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	7,301	7,301	31/12/29	Euribor+2.50
Senior loan arrangement fees	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	(2,113)	-	-	-
Senior loan	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	78,067	78,067	21/09/29	Euribor+1.15
Subordinated loan	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	4,182	4,182	21/09/30	Euribor+2.50
Senior loan arrangement fees	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	(1,216)	-	-	-
Senior loan	Serrezuela Solar VIII, S.L. (Sole-Shareholder Company)	67,952	67,952	14/09/29	Euribor+1.25
Subordinated loan	Serrezuela Solar VIII, S.L. (Sole-Shareholder Company)	3,655	3,655	14/09/30	Euribor+2.50
Senior loan arrangement fees	Serrezuela Solar VIII, S.L. (Sole-Shareholder Company)	(1,063)	-	-	-
Senior loan	Alhama Solar, S.L. (Sole-Shareholder Company)	31,428	31,428	30/04/28	Euribor+2.00
Senior loan arrangement fees	Alhama Solar, S.L. (Sole-Shareholder Company)	(997)	-	-	-
Senior loan	Fototre, S.r.L.	1,282	19,250	31/08/28	Euribor+3.00
Senior loan	Heliergia, S.L. (Sole-Shareholder Company)	4,785	25,820	30/09/18	Euribor+3.00
Senior loan arrangement fees	Heliergia, S.L. (Sole-Shareholder Company)	(707)	-	-	-
Senior loan	Fotoblan Solar, S.L. (Sole-Shareholder Company)	4,300	24,966	15/12/28	Euribor+2.90
Senior loan arrangement fees	Fotoblan Solar, S.L. (Sole-Shareholder Company)	(816)	-	-	-
Finance lease arrangement fees	IBI Solar Fotovoltaica, S.L. (Sole-Shareholder Company)	(113)	-	-	-
Senior loan	MMA Solar Fund III GP, Inc and Subsidiaries	26,492	26,492	30/12/28	Fixed (5.85%-8%)
Senior loan	MMA Solar Fund IV GP, Inc. and Subsidiaries	34,634	34,634	30/09/27	Fixed 6.69%
Senior loan	Renewable Ventures Solar Fund V GP, LLC and Subsidiaries	3,702	3,702	11/12/29	Fixed 8.29%
Finance leases	Fotowatio Desarrollos Renovables, S.L. (Sole-Shareholder Company)	10	-	12/01/12	-
Total		397,635			

Current balance

Financial Liability	Group Company	Thousands of Euros			
		Balance	Limit	Maturing on	Interest Rate
Senior loan	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	5,012	5,012	31/12/10	Euribor+1.25
Subordinated loan	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	384	383	31/12/10	Euribor+2.50
Interest and fees	Fotowatio Energía Solar, S.L. (Sole-Shareholder Company)	29	-	-	-
Senior loan	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	1,924	1,923	30/09/10	Euribor+1.15
Subordinated loan	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	209	209	30/09/10	Euribor+2.30
Interest and fees	Fotowatio Trujillo, S.L. (Sole-Shareholder Company)	1,207	-	-	-
Senior loan	Serrezuela Solar VIII, S.L. (Sole-Shareholder Company)	1,837	1,837	30/09/10	Euribor+1.25
Subordinated loan	Serrezuela Solar VIII, S.L. (Sole-Shareholder Company)	183	183	30/09/10	Euribor+2.50
Interest and fees	Serrezuela Solar VIII, S.L. (Sole-Shareholder Company)	1,128	-	-	-
Senior loan	Alhama Solar, S.L. (Sole-Shareholder Company)	743	743	21/10/10	Euribor+2.50
Interest and fees	Alhama Solar, S.L. (Sole-Shareholder Company)	349	-	-	-
Senior loan	Fototre, S.r.L.	441	802	31/08/10	Euribor+3.00
Senior loan	Fotoblan, S.L. (Sole-Shareholder Company)	1,192	1,192	15/12/10	Euribor+3.10
Interest and fees	Fotoblan, S.L. (Sole-Shareholder Company)	3	-	-	-
Senior loan	MMA Solar Fund III GP, Inc and Subsidiaries	2,415	2,415	31/12/10	Fixed (5.85%-8%)
Interest and fees	MMA Solar Fund III GP, Inc and Subsidiaries	500	-	-	-
Senior loan	MMA Solar Fund IV GP, Inc. and Subsidiaries	1,375	1,375	30/09/10	Fixed 6.69%
Interest and fees	MMA Solar Fund IV GP, Inc. and Subsidiaries	603	-	-	-
Senior loan	Renewable Ventures Solar Fund V GP, LLC and Subsidiaries	93	93	11/12/10	Fixed 8.29%
Interest and fees	Renewable Ventures Solar Fund V GP, LLC and Subsidiaries	17	-	-	-
Finance leases	Fotowatio Desarrollos Renovables, S.L. (Sole-Shareholder Company)	8	-	-	-
Other		2	-	-	-
Total		19,654			

The detail of the maturities of the aforementioned agreements at 31 December 2010 and 2009 is as follows:

31 December 2010

	Thousands of Euros					
	2012	2013	2014	2015	2016 and Subsequent Years	Total
Senior loans (syndicated)	20,333	21,966	22,359	23,773	428,336	516,767
Subordinated loans	776	776	776	776	11,259	14,363
VAT loans	2,719	-	-	-	-	2,719
Total	23.828	22.742	23.135	24.549	439.595	533.849

31 December 2009

	Thousands of Euros				
	2011	2012	2013	2014 and Subsequent Years	Total
Senior loans (syndicated)	14,553	15,067	15,272	344,620	389,512
Subordinated loans	722	722	722	12,973	15,139
Total	15,255	15,789	15,994	357,593	404,651

Description of borrowings in Europe (Spain and Italy)

The Group secured the borrowings from the various banks by arranging the following guarantees, usual in this type of financing without recourse or project finance arrangements:

- Security interest on the balances of the following project accounts:
 - Principal account
 - Debt service reserve account
 - Maintenance reserve account
 - Clearing account
 - VAT account
- Security interest on the collection rights held by the Group under project agreements.
- Mortgage commitment on project assets.
- Security interest on the collection rights held by the Group vis-à-vis the tax authorities for the refund of input VAT not charged.

In addition to the basic obligation of repaying the principal and paying interest, commissions, taxes and expenses, the Group undertakes, throughout the term of the financing agreements, to fulfil certain obligations, mainly:

- a) Reporting obligations
 - Audited financial statements,
 - Annual debt service coverage ratio (ADSCR),
 - disclose any relevant circumstance that could affect the execution and operation of the project,
 - communicate any change in the composition of its share capital,
 - communicate any other information of a financial or technical nature relative to project licences,
 - communicate the existence of any circumstance which could materially affect the solvency or equity position of the Company or the shareholders,
 - provide copies of (i) each of the provisional or final acceptance certificates issued to the constructor in accordance with the provisions of the construction contract, (ii) the commissioning certificate, and (iii) the documents providing proof of both provisional and final registration under the special regime of electricity production.
- b) Performance obligations for each project
 - The Group shall not grant new project agreements, nor permit or agree to amendments or waivers of any of the terms and conditions of the project

agreements. In addition, the Group shall not amend, renew or extend the project agreements, increasing the cost thereof above the level envisaged in the base case,

- obtain all manner of project-related licences and maintain them in full force and effect and renew them when required,
- take out the required insurance policies for the construction and operation of the project with insurance companies and maintain such policies in effect, and maintain all project assets, equipment and facilities insured at all times,
- until the date on which the project enters service, refrain from alienating, selling, assigning or in any other way disposing of or encumbering project assets, or the assets or rights conferred for the development of the project,
- refrain from entering into new agreements, especially leases or any other formula for the transfer of the use of the facilities that make up the project,
- limit business activity to the operation of the project,
- refrain from arranging other credit lines or loans, or any other type of non-commercial financing,
- comply with the established shareholder contribution ratio on the date of expiration of the drawdown period,
- to be current in the payment of all taxes, duties, special contributions and civil, administrative, labour, social security and commercial obligations arising from the operation of the project,
- from the first full year of project operation onwards, comply with the stipulated annual debt service coverage ratio (ADSCR),
- enter into O&M and management agreements,
- arrange a financial derivative to avoid the risk of fluctuations in reference interest rates.

c) Restrictions on distributions to shareholders

d) Cash management and distribution obligations

The Group shall designate the principal account as the place of payment for all amounts received for power sales under the electricity purchase and sale agreements, and pursuant to the agreements entered into in accordance with its company object, and arrange all deposits and payments in relation to each project into and from this principal account.

e) Debt service reserve fund (DSRF)

The initial provision to the DSRF shall be made prior to the expiration of the drawdown period, with a charge to the last drawdown made against the loan. The amounts allocated to provide for the DSRF shall be deposited into the Debt Service Reserve Account (DSRA), and shall be restricted.

f) Maintenance reserve fund

From the first complete year onwards up to and including the tenth year of operation of each project, the Group must recognise provisions to the maintenance reserve fund on a yearly basis, charged to the funds available in the account. The amounts allocated to provide for the maintenance reserve fund shall be deposited into the maintenance reserve account, and shall be restricted.

g) Clearing account

The Group shall designate the clearing account as the place of payment or, in the absence thereof, immediately deposit into the aforementioned account, those amounts from:

- Penalties, compensations or indemnity payments.
- Grants received in relation to each project.

- The sale or disposal of the assets of each project.

The Parent's directors consider that in 2010 and 2009 all the obligations arising from the agreement were being met.

The Group entered into various financial-transaction framework agreements with diverse banks under which various financial derivatives were arranged, through the execution of the corresponding "Confirmations". The object thereof is to reduce the effects of the possible fluctuations in the reference interest rates on the various loans (see Note 16).

Description of borrowings in the US

For its US investments, the Group secured its bank borrowings by arranging the following guarantees, similar to those described for the businesses in Spain and Italy:

- Security interest on the balances of the following project accounts:
 - Income account
 - Debt service reserve account
 - Operation and maintenance account
 - Fixed project operating expenses account
 - Debt (senior) service account
- Security interest on the collection rights held by the Group under project agreements.
- Mortgage commitment on project assets.

In addition to the basic obligation of repaying the principal and paying interest, commissions, taxes and expenses, the Group undertakes, throughout the term of the financing agreements, to fulfil certain obligations, mainly:

a) Reporting obligations

- Audited financial statements,
- unaudited monthly financial statements,
- unaudited quarterly financial statements,
- annual debt service coverage ratio (half-yearly report),
- annual operating budget,
- monthly progress of the project,
- disclosure of any relevant circumstance that could affect the execution and operation of the project,
- reporting of any other information of a financial or technical nature concerning the project,
- notification of the existence of any circumstance which could materially affect the solvency or equity position of the Company or the shareholders,

b) Performance obligations for each project

- The Group shall not grant without consent any new project agreements, nor permit or agree to amendments or waivers of any of the terms and conditions of the project agreements,
- obtain all manner of project-related licences and maintain them in full force and effect and renew them as and when required,

- take out the required insurance policies for the construction and operation of the project with insurance companies and maintain such policies in effect, and maintain all the project assets, equipment and facilities insured at all times,
- refrain from entering into new agreements, especially leases or any other formula for the transfer of the use of the facilities that make up the project,
- limit business activity to the commercial operation of the project,
- refrain from arranging other credit lines or loans, or any other type of non-commercial financing,
- be current in the payment of all taxes, duties, special contributions and civil, administrative, labour, social security and commercial obligations arising from the operation of the project,
- from the first full year of project operation onwards, comply with the stipulated annual debt service coverage ratio,
- enter into O&M and management agreements.

c) Restrictions on distributions to shareholders

d) Cash management and distribution obligations

The Group shall designate the income account as the destination of payment for all amounts received for power sales under the power purchase and sale agreements, and pursuant to the agreements entered into in accordance with its company object, and arrange all deposits and payments in relation to each project into and from this income account.

e) Debt service reserve fund (DSRF)

The initial appropriation to the DSRF shall be made in accordance with the provisions approved in the loan agreement. The amounts allocated to provide for the DSRF shall be deposited in the debt service reserve account and shall be available only in the event of a delay in payment of the principal or interest associated with the debt.

f) O&M account

The amounts allocated to operation and maintenance activities shall be deposited quarterly in the O&M account. This account shall be restricted and provisions thereto shall be based on the annual budget and the reports of independent engineers in relation to expected costs.

g) Fixed project operating expense account

This account shall be used to pay the usual expenses such as bank fees, insurance, property taxes, lease payments, etc.

h) Debt service account

Monthly or quarterly deposits shall be made into this account of the amounts required to meet the loan principal and interest payment obligations.

The Parent's directors consider that in 2010 and until the date of preparation of these Group financial statements, all the obligations arising from the agreements were being met.

15.2 Equity instruments with characteristics of financial liabilities

The changes under "Equity Instruments with Characteristics of Financial Liabilities" in 2010 and 2009 were as follows:

	Thousands of Euros
Balance at 1 January 2009	-
Changes in the scope of consolidation	33,725
Setting up of Fund V	2,763
Payments	(1,733)
Finance costs	2,863
Offset of tax losses	(16,121)
Translation differences	423
Balance at 31 December 2009	21,920
Additions to Fund V	4,164
Payments	(2,871)
Finance costs	2,217
Offset of tax losses	(10,874)
Translation differences	1,770
Balance at 31 December 2010	16,326

On 1 April 2009, the Group acquired certain ownership interests from MMA (see Notes 2 and 3) which included contributions from third parties that were treated as equity instruments with characteristics of financial liabilities (see Note 5-e). Also, in December 2009 the Group and Wells Fargo entered into an agreement of the same characteristics indicated in Note 5-e.

The rates of return on the balances recognised under "Equity Instruments with Characteristics of Financial Liabilities" range from 6% to 12%.

15.3 Current accruals and deferred income and non-current accruals and deferred income

The changes under these headings in 2010 and 2009 were as follows:

	Thousands of Euros
Balance at 1 January 2009	-
Changes in the scope of consolidation	57,226
Additions (Setting up of Fund V)	2,902
Transfers to profit or loss (Note 19-f)	(3,268)
Translation differences	138
Balance at 1 January 2010	56,998
Additions to Fund V	4,579
Transfers to profit or loss (Note 19-f)	(4,818)
Translation differences	4,724
Balance at 31 December 2010	61,483

The additions relate to the subsidies provided in the form of ITCs (see Note 4.3) for the solar PV facilities brought into service or acquired in the US in 2010. These subsidies are similar to grants received for

investment in specific assets and are recognised as “Current Accruals and Deferred Income” and “Non-Current Accruals and Deferred Income”, and are recognised in the statement of comprehensive income over the lifetime of the assets which gave rise to them as a reduction in the depreciation charge (see Note 19-f).

15.4 Information relating to Law 15/2010 (Payments Law)

In relation to the disclosures required by Additional Provision Three of Law 15/2010, of 5 July, for these first financial statements prepared since the entry into force of the Law, at 31 December 2010, EUR 1,574 thousand of the balance payable to suppliers were past due by more than the maximum payment period. This amount relates exclusively to the Group companies resident in Spain.

This balance relates to suppliers that because of their nature are trade creditors for the supply of goods and service suppliers and, therefore, it includes the figures relating to “Payable to Suppliers and Trade Payables” under “Current Liabilities” in the consolidated statement of financial position.

The maximum payment period applicable to the Spanish Group companies under Law 3/2004, of 29 December, on combating late payment in commercial transactions and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, is 85 days in the period between the entry into force of the Law and 31 December 2011.

16. Hedging financial instruments

The Group arranges over-the-counter derivative financial instruments with Spanish and international banks with high credit ratings.

Financial instruments measured at fair value must be classified as Level 1, 2 or 3, depending on the level of fair value verification. Thus, fair values obtained from price quotations in an active market will be classified as level 1, those obtained from external data other than price quotations will be classified as level 2 and those obtained from valuation techniques which include unobservable data from active markets will be classified as level 3. The Group’s derivative financial instruments would be classified as level 2.

At 31 December 2010 and 2009, the only derivatives held by the Group were interest rate derivatives.

The objective of these derivatives is to limit, through arranging fixed-to-floating swaps, fluctuations in the cash flows to be disbursed for payments tied to floating interest rates on the Group’s financing.

The Group measures the fair value of the interest rate derivatives (swaps or IRSs) with an in-house measurement model, using the Euribor and long-term swap yield curves as inputs.

The derivatives described in this Note are the Group’s sole assets and liabilities that were measured at fair value. All the derivatives included herein are classified as level 2, in accordance with IFRS 7, i.e. they were measured based on observable variables such as Euribor.

The interest rate derivatives arranged by the Group outstanding at 31 December 2010 and 2009 and the fair value thereof at those dates are as follows:

31 December 2010

	Classification	Type	Fixed Rate	Amount Arranged (Thousands of Euros)	Maturing on (*)	Ineffective Portion Recognised in Profit or Loss (Thousands of Euros)	Fair Value (Thousands of Euros)	
							Current Liability	Non-Current Liability
Interest rate swap	Interest rate hedge	Floating to fixed	4.02%	72,250	28/06/24	-	-	4,615
Interest rate swap	Interest rate hedge	Floating to fixed	4.33%	35,878	28/06/24	-	-	3,162
Interest rate swap	Interest rate hedge	Floating to fixed	4.77%	13,428	16/06/24	-	-	1,841
Interest rate swap	Interest rate hedge	Floating to fixed	4.57%	13,428	16/06/24	-	-	1,608
Interest rate swap	Interest rate hedge	Floating to fixed	4.77%	13,428	16/06/24	-	-	1,841
Interest rate swap	Interest rate hedge	Floating to fixed	4.57%	13,428	16/06/24	-	-	1,608
Interest rate swap	Interest rate hedge	Floating to fixed	4.73%	30,844	23/09/24	-	-	4,125
Interest rate swap	Interest rate hedge	Floating to fixed	4.73%	30,844	23/09/24	-	-	4,125
Interest rate swap	Interest rate hedge	Floating to fixed	3.83%	13,341	21/10/23	-	-	721
Interest rate swap	Interest rate hedge	Floating to fixed	3.83%	13,341	21/10/23	-	-	721
Interest rate swap	Interest rate hedge	Floating to fixed	4.07%	18,725	15/06/24	-	-	1,285
Interest rate swap	Interest rate hedge	Floating to fixed	4.00%	19,372	31/03/27	-	-	1,243
Interest rate swap	Interest rate hedge	Floating to fixed	3.28%	16,483	28/02/25	-	-	22
Interest rate swap	Interest rate hedge	Floating to fixed	3.71%	35,600	30/06/30	-	-	1,023
Interest rate swap	Interest rate hedge	Floating to fixed	4.16%	14,106	30/12/23	-	-	1,094
Interest rate swap	Interest rate hedge	Floating to fixed	3.66%	25,964	31/12/24	-	-	902
TOTAL								29,936

31 December 2009

	Classification	Type	Fixed Rate	Amount Arranged (Thousands of Euros)	Maturing on (*)	Ineffective Portion Recognised in Profit or Loss (Thousands of Euros)	Fair Value (Thousands of Euros)	
							Current Liability	Non-Current Liability
Interest rate swap	Interest rate hedge	Floating to fixed	4.02%	74,888	28/06/24	-	-	2,761
Interest rate swap	Interest rate hedge	Floating to fixed	4.33%	37,287	28/06/24	-	-	2,358
Interest rate swap	Interest rate hedge	Floating to fixed	4.77%	13,805	16/06/24	-	-	1,531
Interest rate swap	Interest rate hedge	Floating to fixed	4.57%	13,805	16/06/24	-	-	1,283
Interest rate swap	Interest rate hedge	Floating to fixed	4.77%	13,805	16/06/24	-	-	1,531
Interest rate swap	Interest rate hedge	Floating to fixed	4.57%	13,805	16/06/24	-	-	1,283
Interest rate swap	Interest rate hedge	Floating to fixed	4.73%	31,644	23/09/24	-	-	3,397
Interest rate swap	Interest rate hedge	Floating to fixed	4.73%	31,644	23/09/24	-	-	3,397
Interest rate swap	Interest rate hedge	Floating to fixed	3.83%	13,619	21/10/23	-	-	353
Interest rate swap	Interest rate hedge	Floating to fixed	3.83%	13,619	21/10/23	-	-	353
Interest rate swap	Interest rate hedge	Floating to fixed	4.07%	2,860	15/06/24	-	-	432
Interest rate swap	Interest rate hedge	Floating to fixed	4.00%	5,165	31/03/27	-	-	425
Interest rate swap	Interest rate hedge	Floating to fixed	4.16%	6,064	30/12/23	-	-	342
Interest rate swap	Interest rate hedge	Floating to fixed	4.16%	6,064	30/12/23	-	-	342
						TOTAL	-	19,787

(*) The hedging instrument matures in the year in which the cash flows (settlements) affecting the consolidated statement of comprehensive income will foreseeably occur.

The Group has complied with the requirements detailed in Note 5 on measurement bases in order to be able to classify the foregoing financial instruments as hedges. Specifically, they were designated formally as such and their effectiveness as hedges verified.

The Group recognised a debit of EUR 21,116 thousand and EUR 7,236 thousand, respectively, directly in equity at 31 December 2010 and 2009 and a transfer (credit) to the consolidated statement of comprehensive income of EUR 14,280 thousand and EUR 3,996 thousand, respectively, all amounts net of the tax effect.

In measuring the aforementioned financial instruments estimates made by the Parent's directors were used. The detail of the key assumptions that affect the estimates and the factors with an influence thereon is as follows:

- In view of the characteristics of the financial swap arising from the structures of the interest rate swap derivatives arranged by the Company, a measurement model based on the calculation of each of the two swap legs was applied. For this purpose, the implicit Euribor interest rate yield curve was estimated based on market data at the measurement date.
- The measurement models applied are extensively used among financial analysts to calculate and measure the structures arranged by the Company.
- As regards the market inputs used for the measurement, the data source used was REUTERS, considered to be sufficiently reliable and well-known within the financial services industry.
- The market inputs used were the Euribor yield curve up to 12 months and the IRS curve beginning from the second year to the 30th year.

The effect on the value of the derivatives of a +/- 100 basis-point change in the euro interest rate yield curves is shown below. The Group considers the most reasonable scenario to be a movement of this magnitude in the interest rate yield curves over the course of 2011. However, for the purpose of simplifying the analysis, the interest rate change was considered to have occurred at 2010 and 2009 year-end and remained stable in 2011 and 2010. The changes in fair value of the derivatives arranged by the Group depend on the changes in long-term Euribor interest rate yield curves.

The fair values of the derivatives at 31 December 2010 and 2009 and the exposure thereof to +/- 100 basis-point changes in the long-term interest rate curve are as follows (thousands of euros):

Interest Rate EURIBOR	Thousands of Euros	
	2010	2009
Fair value	(29,936)	(19,787)
+1%	28,891	24,924
-1%	(31,118)	(28,131)

The sensitivity analysis shows that the value of the derivatives increases when interest rates rise since the derivatives are IRSs on which the Company pays a fixed interest rate and, therefore, the Group is protected against interest rate rises.

17. Tax matters

Consolidated tax Group in Spain

The tax Group, represented by Fotowatio, S.L. as the Parent, has been filing income tax returns since 2009 under the special consolidated tax regime regulated by Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Spanish Corporation Tax Law.

Taxation under the special consolidated tax regime entails the joint determination of the Group's taxable profit (tax loss) and the tax credits and tax relief. For these tax purposes a Group of companies is considered to be that formed by the Parent and the subsidiaries resident in Spain in which the Parent has a direct or indirect ownership interest of at least 75% of the share capital and which meet the requirements for inclusion under this special regime.

The tax charge is distributed as agreed upon by all the companies belonging to the consolidated tax group and in accordance with the accounting standards issued by the Spanish Accounting and Audit Institute.

The Parent and the subsidiaries composing the consolidated tax Group in 2010 and 2009 are described in Appendix 4.

The remaining Group subsidiaries file individual tax returns in accordance with the tax regulations applicable in their respective countries.

Tax receivables and payables

The detail of the current tax receivables and tax payables is as follows:

Tax receivables

	Thousands of Euros			
	Non-Current Balances		Current Balances	
	2010	2009	2010	2009
Deferred tax assets	29,484	15,885	-	-
Sundry tax receivables	-	-	496	360
VAT refundable	-	-	21,657	7,254
Total	29,484	15,885	22,153	7,614

Tax payables

	Thousands of Euros			
	Non-Current Balances		Current Balances	
	2010	2009	2010	2009
Deferred tax liabilities	42,974	32,259	-	-
Income tax payable	-	-	-	25
Personal income tax withholdings payable	-	-	130	120
Accrued social security taxes payable	-	-	114	190
Total	42,974	32,259	244	335

The deferred tax assets include mainly the following items:

- The tax loss carryforwards generated by the Group.
- Deferred tax arising from the negative valuations of interest rate hedging derivatives.

The deferred tax liabilities include mainly the following items:

- Deferred tax recognised as an additional cost of the non-current asset which gave rise to it (operating rights, see Note 6). It will be reversed over the useful life of this asset.
- Deferred tax which arose mainly due to the accelerated depreciation taken for tax purposes on assets in the US (see Note 4.3). As in the preceding case, it will be reversed over the useful life of the asset.
- Deferred tax which arose due to the standardisation of the useful lives of the Group's investments in the US.

Reconciliation of the accounting loss to the tax loss

In 2009 and 2010 certain Spanish companies were included in the consolidated tax group (see Appendix 5).

The reconciliation of the accounting loss to the tax loss for income tax purposes is as follows:

2010

	Thousands of Euros		
	Increase	Decrease	Total
Accounting loss before tax			(50,652)
Permanent differences			
Decline in share value	-	(5,958)	(5,958)
Non-deductible expenses	454	-	454
Capitalised intra-Group margin	-	-	-
Other	514	(1,988)	(1,474)
Timing differences			
Amortisation of rights of use	355	(7,753)	(7,398)
Other	-	(70)	(70)
			(65,098)

2009

	Thousands of Euros		
	Increase	Decrease	Total
Accounting loss before tax			(19,493)
Permanent differences			
Capital increase expenses	-	(8)	(8)
Other	991	-	991
Timing differences			
Capitalised intra-Group interest	433	-	433
Amortisation of operating rights	331	-	331
Other	391	-	391
Tax loss			(17,355)

The permanent differences arising from the decline in share value relate to the non-deductible portion of the provision to the investment valuation allowance which was eliminated in the financial consolidation process, but was not eliminated in the tax consolidation process.

The permanent differences arising from the capitalised intra-Group margin relate to the elimination of the margin originated within the Group and capitalised to non-current assets.

The operating rights acquired but not recognised in the separate financial statements are not deductible for tax purposes and, therefore, the Parent adjusts the amortisation taken in its income tax estimate and recognises a deferred tax liability for the difference between the tax base and the carrying amount of the asset in question. The deferred tax liability initially recognised at 31 December 2010 amounted to EUR 10,146 thousand (31 December 2009: EUR 4,841 thousand), which was calculated as 30% of the asset not deductible for tax purposes.

Reconciliation of the tax loss to the income tax expense

The reconciliation of the tax loss to the income tax expense is as follows:

	Thousands of Euros	
	2010	2009
Tax loss	(65,098)	(17,355)
Tax charge	(20,064)	(5,827)
Tax asset write-downs	1,228	-
Tax loss carryforwards not recognised	3,510	2,239
Other	(972)	(107)
Total income tax expense (income)	(16,298)	(3,695)

In 2010 and 2009 the tax loss was generated in three different countries with different tax rates: 30% in Spain, 27.5% in Italy, 35% in the US and 33.3% in France. The reconciliation, by country, of the tax charge for 2010 and 2009 is as follows:

2010

Tax Loss	Thousands of Euros				
	Spain	Italy	USA	France	Total
	(46,099)	(5,489)	(13,267)	(244)	(65,098)
Effective tax rate	30%	27.5%	35%	33.3%	30.80%
Tax charge	(13,829)	(1,509)	(4,644)	(81)	(20,064)
Tax asset write-downs	1,228	-	-	-	1,228
Tax loss carryforwards not recognised	1,463	37	1,929	81	3,510
Other	59	-	(1,032)	-	(972)
Total income tax expense (income)	(11,079)	(1,472)	(3,747)	-	(16,298)

2009

	Thousands of Euros			
	Spain	Italy	USA	Total
Tax Loss	(2,059)	(1,923)	(13,374)	(17,355)
Effective tax rate	30%	27.5%	35%	36.2%
Tax charge	(618)	(529)	(4,681)	(5,828)
Tax loss carryforwards not recognised	-	64	2,175	2,239
Other	-	(107)	-	(107)
Total income tax expense (income)	(618)	(572)	(2,505)	(3,695)

Breakdown of income tax expense

The breakdown of the income tax expense is as follows:

	Thousands of Euros	
	2010	2009
Current tax	(1,228)	-
Deferred tax	17,526	3,695
Total tax expense	16,298	3,695

Deferred tax assets and liabilities recognised

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" at 31 December 2010 is as follows:

Deferred tax assets

	Thousands of Euros	
	2010	2009
Deferred tax asset for hedging derivatives	8,930	5,920
Other deferred tax assets	2,653	1,836
Tax credits and tax relief	-	1,228
Tax loss carryforwards	17,901	6,901
Total deferred tax assets	29,484	15,885

Deferred tax liabilities

	Thousands of Euros	
	2010	2009
Operating rights	6,821	5,864
US tax incentives	36,153	26,395
Total deferred tax liabilities	42,974	32,259

The amount recognised as a deferred tax asset for hedging derivatives due to temporary differences is 30% of the fair value of the cash flow hedging instruments (see Note 16).

The deferred tax assets indicated above were recognised in the consolidated statement of financial position since the Parent's directors considered that, based on their best estimate of the Parent's future earnings and taking into account certain tax planning measures, these assets would probably be recovered.

Changes in deferred taxes

The detail of the changes in deferred taxes is as follows (thousands of euros):

Assets	Tax Loss Carryforwards	Tax Credits	Deductible Temporary Differences (Derivatives)	Deductible Temporary Differences (Other)
Balance at 1 January 2009	6,073	1,228	4,472	-
Temporary differences (derivatives)	-	-	1,448	-
Temporary differences generated during the year	-	-	-	1,837
Tax loss carryforwards recognised	828	-	-	-
Balance at 1 January 2010	6,901	1,228	5,920	1,837
Temporary differences (derivatives)	-	-	3,010	-
Temporary differences generated during the year	-	-	-	816
Write-downs	-	(1,228)	-	-
Tax loss carryforwards recognised	11,000	-	-	-
Balance at 31 December 2010	17,901	-	8,930	2,653

Liabilities	Thousands of Euros	
	Taxable Temporary Differences (Operating Rights)	Taxable Temporary Differences (US Tax Incentives)
Balance at 1 January 2009	(4,142)	--
Temporary differences (derivatives)	-	-
New rights of use	(2,084)	-
Reversal	362	-
Change in the scope of consolidation	-	(15,083)
Effect of accelerated depreciation for tax purposes	-	(11,312)
Balance at 1 January 2010	(5,864)	(26,395)
New rights of use	(4,639)	-
Reversal due to merges	907	-
Reversal due to depreciation	420	-
Reversal due to asset write-downs	2,355	-
Effect of accelerated depreciation for tax purposes	-	(9,758)
Balance at 31 December 2010	(6,821)	(36,153)

Deferred tax assets not recognised

The Group did not recognise certain deferred tax assets in the accompanying consolidated statement of financial position. These unrecognised assets relate mainly to:

- Certain tax credits recognised in Spain, concerning which there is no clear evidence that they will be utilisable in the coming years.
- Tax loss carryforwards generated in the US but not recognised, since it was considered that there was no assurance that sufficient taxable profits would be generated in the future to make it possible to recover them.

The detail of these unrecognised assets is as follows:

Thousands of Euros	2010	2009
Tax credits and tax relief	23,489	19,239
Tax loss carryforwards	4,891	2,239
Total deferred tax assets	28,380	21,478

At the end of 2010 and 2009, the last years for offset of the tax loss and tax credit carryforwards were as follows:

Spain

2010

	Thousands of Euros		Last Year for Offset
	Recognised	Not Recognised	
Tax credits and tax relief recognised in 2007	-	11,145	2017
Tax credits and tax relief recognised in 2008	-	9,322	2018
Tax credits and tax relief recognised in 2010	-	3,022	2020
Tax loss carryforwards recognised in 2007	169	-	2022
Tax loss carryforwards recognised in 2008	5,651	-	2023
Tax loss carryforwards recognised in 2009	324	-	2024
Tax loss carryforwards recognised in 2010 (*)	9,716	1,165	2025
Total deferred tax assets	15,860	24,654	

(*) Includes unrecognised tax loss carryforwards of a Portuguese subsidiary amounting to EUR 89 thousand which must be offset by 2014

2009

	Thousands of Euros		Last Year for Offset
	Recognised	Not Recognised	
Tax credits and tax relief recognised in 2007	1,228	9,917	2017
Tax credits and tax relief recognised in 2008	-	9,322	2018
Tax loss carryforwards recognised in 2007	169	-	2022
Tax loss carryforwards recognised in 2008	5,777	-	2023
Tax loss carryforwards recognised in 2009	384	-	2024
Total deferred tax assets	7,558	19,239	

Italy2010

	Thousands of Euros		Last Year for Offset
	Recognised	Not Recognised	
Tax loss carryforwards recognised in 2009	572	64	No limit
Tax loss carryforwards recognised in 2010	1,469	37	No limit
Total deferred tax assets	2,041	101	

2009

	Thousands of Euros		Last Year for Offset
	Recognised	Not Recognised	
Tax loss carryforwards recognised in 2009	572	64	No limit
Total deferred tax assets	572	64	

USA2010

	Thousands of Euros		Last Year for Offset
	Recognised	Not Recognised	
Tax loss carryforwards recognised in 2009	-	1,615	2029
Tax loss carryforwards recognised in 2010	-	1,929	2030
Total deferred tax assets	-	3,544	

2009

	Thousands of Euros		Last Year for Offset
	Recognised	Not Recognised	
Tax loss carryforwards recognised in 2009	-	2,175	2029
Total deferred tax assets	-	2,175	

France2010

	Thousands of Euros		Last Year for Offset
	Recognised	Not Recognised	
Tax loss carryforwards recognised in 2010	-	81	No limit
Total deferred tax assets	-	81	

Years open for review and tax audits

Under current legislation, taxes cannot be deemed to be finally settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 31 December 2010, the Group had all years since inception of the various companies composing the Fotowatio Group open for review for all the taxes applicable to it. The Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the consolidated financial statements.

18. Balances and transactions with related parties

Related party transactions

"Other Operating Expenses" in the consolidated statement of comprehensive income for 2010 includes EUR 2,673 thousand (2009: EUR 2,468 thousand) for advisory services received by Qualitas Equity Partners, S.G.E.C.R., S.A. (the management company of Qualitas Venture Capital, S.A. S.C.R. de R.S., a shareholder of the Parent). Additionally, Qualitas Venture Capital, S.A. S.C.R. de R.S. (a shareholder of the Parent) provided sundry services in 2009 amounting to EUR 81 thousand.

The participating loan granted by EFS Spain Solar C.V., a shareholder of the Parent (see Notes 13 and 15), bore interest amounting to EUR 11,819 thousand in 2010 (2009: EUR 6,488 thousand), of which EUR 11,782 thousand (2009: EUR 6,488 thousand) were capitalised (as an addition to the debt) at year-end. The total balance with this related company as a result of the loan was EUR 133,241 thousand at 31 December 2010 (31 December 2009: 90,777 thousand).

The balances payable at 31 December 2010 and 2009 as a result of these transactions are as follows:

	Thousands of Euros	
	2010	2009
Balances with related companies		
Qualitas Equity Partners, S.G.E.C.R., S.A.	498	495
Qualitas Venture Capital, S.A., S.C.R. de R.S.	-	-
EFS Spain Solar CV (principal)	133,241	90,777
EFS Spain Solar CV (interest)	37	25
Total	133,776	91,297

At 31 December 2010, "Non-Current Financial Assets" included EUR 446 thousand (31 December 2009: 435 thousand) relating to loans granted in 2009 to various shareholders of the Group, which bore interest amounting to EUR 4 thousand (2009: EUR 7 thousand) (see Note 20).

Transactions with companies accounted for using the equity method

2010

In 2010 there were no transactions with companies accounted for using the equity method.

2009

	Thousands of Euros		
	Income	Account Receivable	Account Payable
RV Solar Development Company, LLC	1	-	-
Total	1	-	-

19. Income and expenses

a) Revenue

Substantially all the Group's income – EUR 83,531 thousand in 2010 (2009: EUR 75,159 thousand) – was obtained from the sale of the electricity produced by the various solar PV facilities in operation. Additionally, the Group sold RECs (see Note 4.3) amounting to EUR 6,986 thousand in 2010 (2009: EUR 6,318 thousand). Appendix 3 shows the Group's income by geographical segment.

The Group does not present segmented information by business line since it has only one line of business which is the production of energy through solar PV facilities.

There is a second segment based on the Group's geographical distribution, since the Parent has subsidiaries in the US, France and Italy (see Note 24).

b) Detail of expenses and services by origin

In 2010 there were purchases of non-current assets outside Spain amounting to EUR 146,847 thousand (2009: EUR 26,003 thousand), of which EUR 123,531 thousand (2009: EUR 14,780 thousand) related to Italy and EUR 23,316 thousand (2009: 11,223 thousand) to the US. Services were received outside Spain amounting to EUR 6,467 thousand (2009: EUR 7,529 thousand), of which EUR 1,797 thousand (2009: EUR 905 thousand) were provided in Italy and EUR 4,670 thousand (2009: EUR 6,628 thousand) in the US.

c) Procurements

Substantially all the procurements recognised by the Group relate to work performed by other companies in relation to facility maintenance and project development.

d) Staff costs

The detail of "Staff Costs" in the accompanying consolidated statement of comprehensive income at 31 December 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Wages and similar expenses	10,212	8,092
Employee benefit costs	767	1,157
Other employee benefit costs	542	-
Total	11,521	9,249

At 31 December 2010, remuneration payable amounted to EUR 3,235 thousand (2009: EUR 2,374 thousand).

The average number of employees at the Group in 2010 and 2009, by professional category, was as follows:

	Average Number of Employees	
	2010	2009
Directors	1	1
Senior executives	9	6
Executives	14	10
University graduates	67	59
Clerical staff	6	4
Total	97	80

The number of employees at the Group at 31 December 2010 and 2009, by professional category and gender, was as follows:

	Number of Employees			
	2010		2009	
	Men	Women	Men	Women
Directors	1	-	1	-
Senior executives	9	-	7	-
Executives	13	-	8	2
University graduates	53	23	45	16
Clerical staff	-	8	-	6
Total	76	31	61	24

The Group made no contributions to pension plans. At 31 December 2010 and 2009, the employees had not acquired any pension plan rights.

The remuneration of the Group's employees and executives does not include any share-based payments.

Certain employees and executives of the Company participate in a long-term incentive plan which aims, on the one hand, to bring the interests of these employees and executives into line with those of the Parent's shareholders, thereby maximising the Group's value and allowing the employees and executives participating in the plan to benefit from the results of their management and, on the other hand, to serve as a tool for attracting and retaining key employees and executives. The ultimate amount of the incentive is defined by a financial model which determines the value generated for the Parent's shareholders, and is payable once certain criteria have been met, the most significant being as follows:

- Admission to listing of at least 25% of the Parent's shares, which would enable a certain rate of return to be obtained for the Parent's shareholders.
- Sale of at least 50% of the Parent's shares, which would enable a certain rate of return to be obtained for the Parent's shareholders.
- That in July 2016 the annual returns of each of the Group's shareholders exceed a certain rate of return, calculated on the basis of the fair value of the Group at that date.

Although the Parent is the entity obliged to pay the participating employees and executives the amounts relating to the incentive plan, since the cost of the plan is borne in full by the Parent's shareholders and not by the Group, these payments will not constitute an expense for the Company when they accrue. At the end of the reporting period, the Parent's directors considered the probability of any of the conditions required for the accrual of the payments during the duration of the incentive plan being met to be remote and, therefore, no impact on these financial statements was recognised in this connection, since the fair value of the aforementioned plan was deemed to be virtually zero.

Since January 2009, due to the reorganisation of the Fotowatio Group, 20 employees of the Parent have been providing their services to Fotowatio Desarrollos Renovables, S.L. (Sole-Shareholder Company), a wholly-owned company of Fotowatio, S.L.

e) Other operating expenses

The detail of the balance of "Other Operating Expenses" in the accompanying consolidated statement of comprehensive income at 31 December 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Outside services		
Rentals	24,162	22,816
Repairs and upkeep	404	241
Independent professional services	7,174	6,443
Insurance premiums	15	40
Advertising, publicity and public relations	438	324
Other services	2,895	2,023
Total	35,088	31,887

"Rentals" includes as the main expense the accrued payments under the operating leases described in Note 8 to the consolidated financial statements. "Independent Professional Services" includes the numerous professional services provided by non-consolidated companies, including most notably the financial consulting service provided by one of the Group's shareholders (see Note 18).

f) Depreciation and amortisation charge

The detail of the balance under "Depreciation and Amortisation Charge" in the accompanying consolidated statements of comprehensive income at 31 December 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009
Intangible asset amortisation charge (Note 6)	3,157	2,646
Property, plant and equipment depreciation charge (Note 7)	39,266	29,657
Reversal of current and non-current accruals and deferred income (Note 15.3)	(4,818)	(2,954)
Total	37,605	29,349

The deferred income, recognised as a reduction in the depreciation and amortisation charge, corresponds to the grant provided by the US government in the form of ITCs which were recognised in the income statement based on the useful life of the assets for which the grant was provided (15 years).

g) Impairment and gains or losses on disposals of non-current assets

In 2010 "Impairment and Gains or Losses on Disposals of Non-Current Assets" included mainly EUR 12,635 thousand relating to write-downs of certain intangible assets (operating rights) due mainly to the modification of the remuneration framework in Spain (see Note 6). An impairment loss of EUR 2,111 thousand was also recognised for certain items of property, plant and equipment (see Note 7).

In 2009 the full amount of this balance corresponded to the disposal of certain assets relating to abandoned projects.

h) Finance income and costs

Under "Finance Income" the Parent recognises the interest earned on the investment of its cash surpluses.

"Finance Costs" relates mainly to the interest borne on the financing obtained by subsidiaries to construct and operate solar PV facilities (amounting to EUR 30,907 thousand and EUR 22,376 thousand in 2010 and 2009, respectively) and to the interest borne on the participating loan granted

by EFS Spain Solar C.V. (amounting to EUR 11,782 thousand and EUR 6,498 thousand in 2010 and 2009, respectively) (see Note 15).

20. Information relating to situations of conflict of interest involving the Parent's directors and to the remuneration of senior executives and directors

Information relating to situations of conflict of interest involving the Parent's directors

At 2010 year-end, neither the directors of the Parent nor persons related to them, as defined in the Spanish Limited Liability Companies Law, held positions or discharged functions or held ownership interests in companies whose activity is identical, similar or complementary to the activity that constitutes the Parent's object. Except as follows:

Director	Company	Company Object	Offices or duties
Andrew Marsden	Gama Enerji, A.S	Thermal, hydroelectric, and wind generation in turkey	Director

Remuneration and other benefits of the Parent's senior executives and directors.

In 2010 the Parent recognised EUR 271 thousand (2009: EUR 268 thousand) for wages and salaries earned by former and current members of the Parent's Board of Directors and EUR 2,326 thousand (2009: EUR 1,779 thousand) by senior executives, which are included under "Staff Costs" in the consolidated income statement.

At 2010 and 2009 year-end the Parent had not granted any advances or loans, or any manner of guarantee to any former or current members of the Board of Directors. However, in 2009 the Parent granted loans to senior executives, amounting to EUR 435 thousand. At 31 December 2010, these loans had earned interest of EUR 4 thousand (2009: EUR 7 thousand), which had been capitalised at 31 December 2010.

There are no pension or life insurance obligations to the directors or senior executives.

Other than the amounts mentioned in the foregoing paragraphs, in 2010 and 2009 the Parent did not pay or accrue any additional amounts for wages, attendance fees or other remuneration to the former or current members of its Board of Directors.

Pursuant to Additional Provision Twenty-Six of Organic Law 3/2007, of 22 March, for the effective equality of women and men, it is hereby stated that in 2010 and 2009 all six members of the Parent's Board of Directors were men.

21. Financial structure (see Note 15)

The Group finances its projects with financing associated with each of the projects in progress. In addition, in order to obtain financing to take on new projects, one of the shareholders of the Parent granted a participating loan (see Note 15). The Group's business plan envisages the need to obtain additional borrowed funds. The Fotowatio Group does not have a financial structure at Group level, since each of the businesses is financed on an individual basis.

22. Fees paid to auditors

In 2010 and 2009 the fees for financial audit and other services provided in relation to the consolidated financial statements by the Group's auditors, Deloitte, S.L. and by firms belonging to the Deloitte network, and the fees for services billed by the auditors of the separate financial statements of the consolidated companies and by firms related to these auditors by virtue of control, joint ownership or management, were as follows (in thousands of euros):

2010

	Services Provided by the Principal Auditor
Audit services (Falta incluir los honorarios de USA)	525
Other attest services	18
Total audit and related services	543
Tax advisory services	145
Other services	3
Total professional services	148
Total	691

2009

	Services Provided by the Principal Auditor
Audit services	243
Other attest services	92
Total audit and related services	335
Tax advisory services	-
Other services	-
Total professional services	335

23. Guarantees

At 2010 year-end, the Group had provided the following guarantees in addition to those described in the Note on property, plant and equipment:

- All of the shares of Fotowatio Energía Solar, S.L. (Sole-Shareholder Company) to secure the borrowings held by the aforementioned company.
- All of the shares of Fotowatio Trujillo, S.L. (Sole-Shareholder Company) to secure the borrowings held by the aforementioned company.
- All of the shares of Serrezuela Solar VIII, S.L. (Sole-Shareholder Company) (the company that absorbed Alumbra Solar, S.L.) to secure the borrowings held by the aforementioned company.
- All of the shares of Olmedilla Energía, S.L. (Sole-Shareholder Company) to secure the performance of the operating lease arranged by the aforementioned company.
- All of the shares of Serrezuela Solar VI, S.L. (Sole-Shareholder Company) to secure the performance of the operating lease arranged by the aforementioned company.
- All of the shares of Calasparra Renovables, S.L. (Sole-Shareholder Company), to secure the performance of the operating lease arranged by the aforementioned company.

- All of the shares of Calasparra Renovables 2, S.L. (Sole-Shareholder Company) to secure the performance of the operating lease arranged by the aforementioned company.
- All of the shares of Calasparra Renovables 3, S.L. (Sole-Shareholder Company) to secure the performance of the operating lease arranged by the aforementioned company.
- All of the shares of Fuentealampo Solar 2, S.L. (Sole-Shareholder Company) to secure the performance of the operating lease arranged by the aforementioned company.
- All of the shares of Fuentealampo Solar 3, S.L. (Sole-Shareholder Company) to secure the performance of the operating lease arranged by the aforementioned company.
- All of the shares of Fotowatio Energía Renovable I, S.L. (Sole-Shareholder Company) to secure the borrowings held by the aforementioned company.
- All of the shares of Fototre, S.r.L. to secure the borrowings held by the aforementioned company.
- All of the shares of Fotoblan Solar, S.L. (Sole-Shareholder Company) and Fotowatio Energía Renovable IV, S.L. (Sole-Shareholder Company) to secure the borrowings held by Fotoblan Solar, S.L. (Sole-Shareholder Company).
- All of the shares of Helienergía, S.A. (Sole-Shareholder Company) and Fotowatio Energía Renovable II, S.L. (Sole-Shareholder Company) to secure the borrowings held by Helienergía, S.A. (Sole-Shareholder Company).
- All of the shares of Ibi Solar Fotovoltaica, S.L. (Sole-Shareholder Company) and Fotowatio Energía Renovable V, S.L. (Sole-Shareholder Company) to secure the performance of the finance lease arranged by Ibi Solar Fotovoltaica, S.L. (Sole-Shareholder Company).
- All of the shares of Fotowatio Energía Renovable VII, S.L. and La Olmeda Proyectos, S.L. to secure the borrowings held by La Olmeda Proyectos, S.L.
- All of the shares of Serrezuela Solar XI, S.L. and Planta Solar Fotovoltaica Valdelaguna A45, S.L. to secure the borrowings held by the aforementioned company.
- All of the shares of the subsidiaries of MMA Renewable Ventures Solar Fund III, LLC (Fund III) (see Appendix I) to secure these companies' bank borrowings.
- All of the shares of the subsidiaries of MMA Solar Fund IV GP, Inc. (Fund IV) (see Appendix I) to secure these companies' bank borrowings.
- All of the shares of the subsidiaries of Renewable Ventures Solar Fund V GP, LLC (Fund V) (see Appendix I) to secure these companies' bank borrowings.
- All of the shares of Secondasun, S.r.L., Terzasun, S.r.L. and Quartasun, S.r.L. to secure these companies' borrowings.
- All of the shares of Free Energy, S.r.L. and Fotododici, S.r.L. to secure the performance of the contractual obligations assumed by these companies.
- All of the shares of Fotouno, S.r.L. and Fotowatio Galatina, S.r.L. to secure the performance of the contractual obligations assumed by these companies.

These guarantees respond to the obligations acquired in the financing agreements discussed in Note 15 and the operating and finance leases discussed in Note 8.

Additionally, a total of EUR 58,670 thousand (2009: EUR 79,747 thousand) of guarantees were provided by various banks and insurance companies for the Fotowatio Group companies in relation to the projects executed by them, mainly to secure all the Group's obligations to the Spanish Government for the solar PV and solar thermal projects.

At 31 December 2010, the Group had deposited EUR 5,690 thousand (2009: EUR 8,201 thousand) in accounts at various banks, recognised under "Current Financial Assets". These accounts earn interest at

market rates and are pledged to third parties to cover the risk of enforcement of certain commitments such as guarantees, contractual obligations, etc.

The Parent's directors consider that the possibility of any liability arising from the aforementioned guarantees is remote.

24. Segment reporting

Although the Parent's investments are not listed on any public stock market, the Group voluntarily provides segment information.

Segment reporting is structured on a primary basis by line of business of the Group, and on a secondary basis by geographical segment.

Main business segments

In 2010 and 2009 the Group's activities focused on a single line of business: development, construction and operation of solar PV facilities which includes, inter alia, the production and sale of electricity generated from solar power. This is the segment used by the Group's General Management in its reports to the Board of Directors and also that used to manage the Group.

Geographical information

The Group's business activities are carried on in Spain, Italy, the US and France. Appendix III to these Notes to the consolidated financial statements includes a detail of the geographical segmentation. There were no material transactions between the various segments presented, the income and expenses between geographical units having been eliminated in the information provided.

In 2010 and 2009 all the energy produced in Spain was sold to electricity distributors (Endesa and Iberdrola) and there were no other customers in the US which accounted for more than 10% of total energy sales.

25. Events after the balance sheet date

At the date on which these consolidated financial statements were authorised for issue, the following significant events after the balance sheet date had taken place in the framework of the expansion process envisaged by the Group, in accordance with the guidelines established in the strategic plan.

Business line spin-off

On 14 December 2010, the Parent's Board of Directors approved a partial spin-off plan. The rationale for the partial spin-off is the need to restructure and streamline the business activities of the post-spin-off company by separating the two solar thermal projects currently operated by Fotowatio, S.L., each forming a distinct economic unit, from its solar PV assets. This structure will separate both the financial and technological risks involved in the solar thermal and solar PV projects and allows a new shareholder to join the former.

This partial spin-off will not give rise to the Parent's dissolution, but will instead divide and spin-off the portion of its assets and liabilities currently assigned to, and in itself constituting two economic units which engage in, the management of its ownership interests in the share capital of (i) Serrezuela Solar II, S.L. and (ii) Arenales Solar, S.L.

At the date of authorisation for issue of these financial statements this spin-off plan has not been ratified by the shareholders at the Annual General Meeting and it is the intention of the Parent's directors not to ratify it.

Project Italcementi

On 3 February 2011, a capital increase of EUR 4 thousand was performed at the Group company Fotoguiglia, S.r.L., which was subscribed and paid in full by Italgel, S.r.L. (an Italcementi Group company). As a result of this transaction, the Group was diluted with Italgel, S.r.L. obtaining a 30% ownership interest in Fotoguiglia, S.r.L.

In order to finance the development of a solar PV farm in Guiglia (Italy) the following steps were taken, all of which were formalised on 9 March:

- A new capital increase of EUR 4,428 thousand was carried out in Fotoguiglia, S.r.L., which was fully subscribed and paid for by the shareholders (EUR 2,350 thousand by the Group). This capital increase did not dilute the Group's ownership interest in Fotoguiglia, S.r.L.
- Fotoguiglia, S.r.L. paid EUR 2,300 thousand to Italgel, S.r.L. for the land, licences and permits required for the construction and development of the aforementioned solar PV project.
- A finance lease was arranged with a credit entity.

Austin Project

On 15 March 2011, the Group began constructing the largest solar farm to date in Texas, in the city of Austin (USA). The facility will have 35 MW of power and is expected to come into service in December 2011. The estimated total cost of the investment in the farm is EUR 100 million and the Group entered into an agreement with Bayerische Landesbank (BLB) in order to finance the construction.

Regulatory changes

- **Spain**

Sustainable Economy Law 2/2011, amending Royal Decree-Law 14/2010, was published on 5 March 2011 and increased to 30 years of useful life the period in which the solar PV facilities subject to Royal Decree 661/2007 will benefit from the regulated tariff.

- **Italy**

On 3 March 2011, the Italian Council of Ministers passed a Legislative Decree introducing certain changes relating to the regulations applicable to solar PV facilities located on agricultural land. Specifically, it stipulates that solar PV facilities located on agricultural land that are not connected to the network prior to 31 May 2011 will not benefit from the tariff conditions established in the Ministerial Decree of 6 August 2010. It also establishes the commitment by the Italian authorities to adopt new regulations prior to 30 April 2011 applicable to solar PV facilities connected to the network from 1 June 2011 onwards. The Group hopes that the new regulations will continue to be attractive for the Group and secure the continued development of the projects currently in its portfolio in the Italian market.

26. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2-1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX 1: SUBSIDIARIES - 2010

Company	Activity	Location	Percentage Ownership Interest and Voting Power	Year of Acquisition	Equity of Subsidiaries (Thousands of euros)					
					Share Capital	Reserves	Profit (Loss)		Total Equity	Dividend Received
							From Operations	Net		
Fotowatio Trujillo, S.L. Sociedad Unipersonal (4)	(1)	Spain	100%	2007-2008	12	5.518	9.227	(419)	(664)	-
Olmedilla Energía, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007-2008	7	7.133	2.090	972	8.113	2.050
Fotowatio Energía Solar, S.L. Sociedad Unipersonal (4)	(1)	Spain	100%	2007-2008	24	5.373	18.413	85	39	1.665
Fotowatio Desarrollos Renovables, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(1.099)	8.730	7.876	6.779	-
Arenales Solar PS, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(85)	(8)	(308)	(390)	-
Serezuela Solar I, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(174)	(122)	(119)	-
Serezuela Solar II, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(30)	(33)	(181)	(208)	-
Serezuela Solar III, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(16)	-	-	(13)	-
Serezuela Solar IV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	-	-
Serezuela Solar V, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	1	(37)	(26)	(22)	-
Serezuela Solar VI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	24.107	(110)	(2.644)	(2.639)	21.358	-
Catalpa Renovables, S.L. Sociedad Unipersonal (IV) (3)	(1)	Spain	100%	2008	3	(343)	1.093	754	414	-
Catalpa Renovables 2, S.L. Sociedad Unipersonal (IV) (3)	(1)	Spain	100%	2008	3	(1)	-	-	2	-
Catalpa Renovables 3, S.L. Sociedad Unipersonal (IV) (3)	(1)	Spain	100%	2008	3	(1)	-	-	2	-
Fuentealamo Solar 2, S.L. Sociedad Unipersonal (IV) (3)	(1)	Spain	100%	2008	3	(88)	1.433	995	909	-
Fuentealamo Solar 3, S.L. Sociedad Unipersonal (IV) (3)	(1)	Spain	100%	2008	3	(529)	2.000	1.388	862	-
Serezuela Solar VII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	2	-
Serezuela Solar VIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007-2008	12	5.777	6.220	(1.835)	(872)	-
Serezuela Solar IX, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	2	-
Serezuela Solar X, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(2)	(2)	1	-
Serezuela Solar XI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	2.122	(24)	(5.168)	(5.031)	(2.933)	-
Serezuela Solar XII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(1)	(137)	(96)	(94)	-
Serezuela Solar XIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(51)	(36)	(33)	-
Serezuela Solar XIV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(11)	-	-	(6)	-
Serezuela Solar XV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	2	-
Serezuela Solar XVI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(1)	(77)	(54)	(51)	-
Serezuela Solar XVII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	2	-
Serezuela Solar XVIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	2	-
Serezuela Solar XIX, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	3	-
Serezuela Solar XX, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	2	-
Serezuela Solar XXI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	2	-
Serezuela Solar XXII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(1)	-	-	2	-
Serezuela Solar XXIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	2	-
Serezuela Solar XXIV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(288)	-	-	(285)	-
Serezuela Solar XXV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(16)	-	-	(13)	-
Serezuela Solar XXVI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	2	-
Serezuela Solar XXVII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(1)	(203)	(142)	(139)	-
Serezuela Solar XXVIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(1)	(1)	(1)	2	-
Serezuela Solar XXIX, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	-	-	2	-
Fotowatio Energía Renovable I, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	103	3.822	(1.131)	(3.598)	(683)	-
Fotowatio Energía Renovable II, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	2.155	(30)	(4.124)	(4.241)	(2.117)	-
Heliergia, S.L. Sociedad Unipersonal (VI) (3)	(1)	Spain	100%	2009	211	(221)	155	(1.190)	(2.070)	-
Fotowatio Energía Renovable III, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	-	-	-	2	-
Fotowatio Energía Renovable IV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	1.563	(12)	(4.217)	(4.117)	(2.566)	-
Fotobian, S.L. Sociedad Unipersonal (VII) (3)	(1)	Spain	100%	2009	4	(86)	(278)	(1.709)	(2.692)	-
Fotowatio Energía Renovable V, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	(6)	(519)	(651)	(654)	-
Ibi Solar Fotovoltaica, S.L. Sociedad Unipersonal (VIII) (3)	(1)	Spain	100%	2009	2.377	(86)	504	(162)	2.129	-
Fotowatio Energía Renovable VI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	-	-	-	2	-
Fotowatio Energía Renovable VII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	1.244	(14)	(4.399)	(3.828)	(2.598)	-
Fotowatio Energía Renovable VIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	(1)	-	-	2	-
Fotowatio Energía Renovable IX, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	(1)	-	-	2	-
Fotowatio Energía Renovable X, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	-	-	-	2	-
Fotowatio Renewable Ventures, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	2.128	18.292	(1)	3	20.423	-
Planta Solar Fotovoltaica Vandelaguna A45, S.L. (3)	(1)	Spain	100%	2010	877	(126)	861	(1.953)	(1.918)	-
La Olmeda Proyectos, S.L. (V) (3)	(1)	Spain	100%	2010	3	(34)	(85)	(505)	(642)	-
Solarfin España, S.L. (V) (3)	(1)	Spain	100%	2010	3	(771)	(171)	(240)	(1.008)	-
Sun Elements, S.L.	(1)	Luxembourg	100%	2010	14	-	-	-	14	-
Fotowatio Francia, S.a.r.l.	(1)	France	100%	2010	400	(2)	(244)	(244)	154	-
Fotowatio Italia, S.r.l.	(1)	Italy	100%	2008	100	12.349	(2.634)	(2.270)	10.178	-
Fotouno, S.r.l. (II)	(1)	Italy	100%	2008	10	-	(79)	(57)	(47)	-
Fotodue, S.r.l. (II)	(1)	Italy	100%	2008	21	946	(157)	(118)	848	-
Fototre, S.r.l. (II)	(1)	Italy	100%	2008	39	4.842	1.488	13	4.894	-
Fotostar 1, S.r.l. (II)	(1)	Italy	95%	2009	10	-	(14)	(11)	(1)	-
Fotostar 2, S.r.l. (II)	(1)	Italy	95%	2009	10	12	(14)	(11)	11	-
Fotostar 3, S.r.l. (II)	(1)	Italy	95%	2009	10	-	(13)	(10)	-	-
Foto Tarsia, S.r.l. (II)	(1)	Italy	95%	2009	10	-	(14)	(15)	(5)	-
Foto Altomonte, S.r.l. (II)	(1)	Italy	95%	2009	10	-	(13)	(14)	(4)	-
Foto Candidoni, S.r.l. (II)	(1)	Italy	95%	2009	10	-	(13)	(14)	(4)	-
Foto Galatina, S.r.l. (II)	(1)	Italy	100%	2009	10	49	(27)	(20)	40	-
Secondasun, S.r.l. (II)	(1)	Italy	75%	2009	10	1.355	(33)	(24)	1.341	-
Terzasun, S.r.l. (II)	(1)	Italy	75%	2009	10	2.420	(34)	(26)	2.404	-
Quartasun, S.r.l. (II)	(1)	Italy	75%	2009	10	2.285	(34)	(26)	2.269	-
Fotosette, S.r.l. (II)	(1)	Italy	100%	2009	10	(2)	(11)	(8)	-	-
Fototto, S.r.l. (II)	(1)	Italy	100%	2009	10	(2)	(11)	(12)	(4)	-
Fotonove, S.r.l. (II)	(1)	Italy	100%	2009	10	(2)	(11)	(11)	(4)	-
Fotodici, S.r.l. (II)	(1)	Italy	100%	2010	10	-	(9)	(9)	1	-
Fotoundici, S.r.l. (II)	(1)	Italy	100%	2010	10	-	(9)	(9)	1	-
Fotododici, S.r.l. (II)	(1)	Italy	100%	2010	10	4.378	(16)	(14)	4.374	-
Fototredici, S.r.l. (II)	(1)	Italy	100%	2010	10	-	(7)	(7)	3	-
Fototredici, S.r.l. (II)	(1)	Italy	100%	2010	10	-	(7)	(5)	5	-
Fototredici, S.r.l. (II)	(1)	Italy	100%	2010	10	-	(7)	(7)	3	-
Fotosedici, S.r.l. (II)	(1)	Italy	100%	2010	10	-	(4)	(4)	6	-
Fotodiciassette, S.r.l. (II)	(1)	Italy	100%	2010	10	-	(4)	(4)	6	-
Fotodiciotto, S.r.l. (II)	(1)	Italy	100%	2010	10	-	(4)	(4)	6	-
Fotodiciannove, S.r.l. (II)	(1)	Italy	100%	2010	10	-	(4)	(4)	6	-
Fotoventi, S.r.l. (II)	(1)	Italy	100%	2010	10	-	(4)	(4)	6	-
Free Energy, S.r.l. (II)	(1)	Italy	100%	2010	10	468	(11)	(8)	470	-
Fotowatio Italia Plugia, S.r.l.	(1)	Italy	100%	2010	10	-	(1)	(1)	9	-
Solarfin Gestao Proyectos, S.A. (V)	(1)	Portugal	100%	2010	50	6	(2.007)	(2.095)	(2.039)	-
Fotowatio Renewable Ventures, Inc. (II)	(1)	USA	100%	2009	40.787	(6.580)	(6.091)	(5.230)	29.018	-
MMA Solar fund III GP, Inc. (III)	(1)	USA	79%	2009	5.608	(3)	(7)	(7)	5.598	-
MMA RV Solar Fund III, LLC. (X) (2)	(1)	USA	79%	2009	80.806	(6.521)	(388)	(745)	73.545	-
MMA RV Solar Fund III GP SUB, LLC. (X) (2)	(1)	USA	79%	2009	-	-	(1)	(1)	-	-
MMA LHIW Power, LLC. (X) (2)	(1)	USA	79%	2009	2.253	(194)	102	(104)	1.956	-
MMA FLA, L.P. (X) (2)	(1)	USA	79%	2009	1.233	(137)	177	10	1.106	-
MMA MDS Power 1, L.P. (X) (2)	(1)	USA	79%	2009	2.938	(518)	127	(180)	2.241	-
MMA WBF Power, L.P. (X) (2)	(1)	USA	79%	2009	7.460	(39)	1.434	440	7.857	-
MMA RMS Power, LLP. (X) (2)	(1)	USA	79%	2009	3.471	(444)	219	(74)	2.953	-
MMA Happy Valley Power, L.P. (X) (2)	(1)	USA	79%	2009	1.403	(201)	38	(58)	1.145	-
MMA YC Power, L.P. (X) (2)	(1)	USA	79%	2009	3.465	(650)	116	(242)	2.575	-
MMA BWS Power, LLP. (X) (2)	(1)	USA	79%	2009	2.544	(197)	150	(75)	2.273	-
MMA Srosa Power, L.P. (X) (2)	(1)	USA	79%	2009	3.453	(338)	120	(228)	2.888	-

APPENDIX 1: SUBSIDIARIES - 2010

Company	Activity	Location	Percentage Ownership Interest and Voting Power	Year of Acquisition	Equity of Subsidiaries (Thousands of euros)					Dividend Received
					Share Capital	Reserves	Profit (Loss)		Total Equity	
							From Operations	Net		
MMA Fresno Power, L.P. (X) (2)	(1)	USA	79%	2009	4.229	(542)	185	(235)	3.454	-
MMA LA Power, L.P. (X) (2)	(1)	USA	79%	2009	5.176	(833)	239	(186)	4.158	-
MMA MDS Power IV, L.P. (X) (2)	(1)	USA	79%	2009	3.665	(450)	156	(219)	2.997	-
MMA MF Power L.P., (X) (2)	(1)	USA	79%	2009	2.103	(204)	154	(129)	1.771	-
MMA Belmar Power, LLC. (X) (2)	(1)	USA	79%	2009	10.135	(1.029)	567	(632)	8.479	-
MMA DAS Power, LLC. (X) (2)	(1)	USA	79%	2009	8.990	(915)	581	(544)	7.535	-
MMA GDC Power, L.P. (X) (2)	(1)	USA	79%	2009	4.823	(139)	698	82	4.765	-
MMA Mission Bay Power, L.P. (X) (2)	(1)	USA	79%	2009	1.994	(304)	70	(104)	1.587	-
MMA MDS Power II, L.P. (X) (2)	(1)	USA	79%	2009	12.318	(1.066)	435	(679)	10.558	-
MMA Rita Power, LLC. (X) (2)	(1)	USA	79%	2009	4.481	(423)	403	(254)	3.805	-
MMA CCC Power, LLC. (X) (2)	(1)	USA	79%	2009	1.537	(215)	81	(88)	1.234	-
MMA Solar Fund IV GP, Inc. (III)	(1)	USA	100%	2009	1.819	(2)	(1)	(1)	1.817	-
MMA NAFB Power, LLC. (X) (2)	(1)	USA	100%	2009	54.310	(5.087)	(110)	(128)	49.095	-
Solar Star NAFB, LLC. (X) (2)	(1)	USA	100%	2009	50.512	(9.307)	5.378	(3.323)	37.908	-
Fotowatio Renewable Ventures Development, LLC. (III)	(1)	USA	100%	2009	-	-	(8)	(8)	(8)	-
Fotowatio Renewable Ventures Management, LLC. (III)	(1)	USA	100%	2009	-	-	(3)	(3)	(3)	-
Renewable Ventures Solar Fund V GP, LLC. (III)	(1)	USA	100%	2009	2.540	(10)	(2)	(2)	2.528	-
Renewable Ventures Solar Fund V, LLC. (XIII) (2)	(1)	USA	100%	2009	14.032	(1.026)	(286)	(306)	12.701	-
Renewable Ventures Construction Holding, LLC. (XIV) (2)	(1)	USA	100%	2009	-	-	(2)	(2)	(2)	-
Renewable Ventures V Equity Holding, LLC. (XIV) (2)	(1)	USA	100%	2009	-	-	(2)	(2)	(2)	-
Renewable Ventures V GP Holding, LLC. (XIV) (2)	(1)	USA	100%	2009	-	-	(2)	(2)	(2)	-
Renewable Ventures CSU Power, LLC. (XV) (2)	(1)	USA	100%	2009	2.348	(101)	561	(346)	1.904	-
Fotowatio Renewable Ventures SI Transaport, LLC. (XV) (2)	(1)	USA	100%	2009	3.266	-	132	(90)	3.176	-
Renewable Ventures Solar Development Company, LLC. (III)	(1)	USA	100%	2009	525	(42)	(74)	(74)	410	-
Renewable Ventures Solar Project GP, LLC. (III)	(1)	USA	100%	2009	-	-	(6)	(6)	(6)	-
Fotowatio Renewable Ventures Lucerne Solar, L.P. (III)	(1)	USA	100%	2009	0	-	(3)	(3)	(2)	-
Fotowatio Renewable Ventures Tucson Solar, LLC. (III)	(1)	USA	100%	2009	0	-	(0)	(0)	(0)	-
Fotowatio Renewable Ventures Oceanic Solar, LLC. (III)	(1)	USA	100%	2009	-	-	(0)	(0)	(0)	-
Fotowatio Renewable Ventures Dinuba Solar, L.P. (III)	(1)	USA	100%	2009	-	-	(2)	(2)	(2)	-
Fotowatio Renewable Ventures Vega Solar, L.P. (III)	(1)	USA	100%	2009	0	-	(1)	(1)	(1)	-
Fotowatio Renewable Ventures Rigel Solar, L.P. (III)	(1)	USA	100%	2009	0	-	(1)	(1)	(1)	-
Fotowatio Renewable Ventures Gypsum Solar, LLC. (III)	(1)	USA	100%	2009	0	-	(4)	(4)	(4)	-
Fotowatio Renewable Ventures Zeta Solar, LLC. (III)	(1)	USA	100%	2009	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures Centauri Solar, L.P. (III)	(1)	USA	100%	2009	0	-	(1)	(1)	(1)	-
Fotowatio Renewable Ventures Cygnus Solar, L.P. (III)	(1)	USA	100%	2009	0	-	(1)	(1)	(1)	-
Wagon Wheel MT 1 Solar, LLC. (III)	(1)	USA	100%	2009	0	-	(13)	(13)	(13)	-
Fotowatio Renewable Ventures Mojave Solar, L.P. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures Diamond Valley Solar, L.P. (III)	(1)	USA	100%	2010	0	-	(75)	(75)	(75)	-
Fotowatio Renewable Ventures EAFB Solar Holdings, LLC. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	(0)	-
Fotowatio Renewable Ventures Leo Solar, L.P. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures Regulus Solar, L.P. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures Orion Solar, L.P. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Acacia Westex, LLC. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Nevada Solar, LLC. (III)	(1)	USA	100%	2009	-	-	(28)	(28)	(28)	-
MMA Renewable Ventures Asset Management, LLC. (III)	(1)	USA	100%	2009	-	-	(3)	(3)	(3)	-
MMA Renewable Ventures California Development Company, Inc. (III)	(1)	USA	100%	2009	-	-	(0)	(0)	(0)	-
Fotowatio Renewable Ventures Bryan Solar, LLC. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	(0)	-
Fotowatio Renewable Ventures Spectrum Solar, LLC. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures Mojave Solar 2, L.P. (III)	(1)	USA	100%	2010	0	-	(13)	(13)	(13)	-
Fotowatio Renewable Ventures Mojave Solar 3, L.P. (III)	(1)	USA	100%	2010	0	-	(2)	(2)	(1)	-
Carya Westex, LLC. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Elm Westex, LLC. (III)	(1)	USA	100%	2010	0	-	(1)	(1)	(1)	-
Oak Westex, LLC. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures Adobe Solar, L.P. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures Juniper Solar, LLC. (III)	(1)	USA	100%	2010	0	-	(4)	(4)	(4)	-
Fotowatio Renewable Ventures Castle Dome Solar, LLC. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures Turnitca Solar, LLC. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures Mojave Solar 4, L.P. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures Mojave Solar 5, L.P. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	0	-
Fotowatio Renewable Ventures CSU Power II, LLC. (XV) (2)	(1)	USA	100%	2010	6.943	-	8	(24)	6.919	-
Fotowatio Renewable Ventures Mojave Solar 6, L.P. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	(0)	-
Fotowatio Renewable Ventures SolSource, LLC. (III)	(1)	USA	100%	2010	0	-	(1)	(1)	(1)	-
Fotowatio Renewable Ventures Orion Solar II, LLC. (III)	(1)	USA	100%	2010	0	-	-	-	0	-
Fotowatio Renewable Ventures Aqua Dulce Solar, LLC. (III)	(1)	USA	100%	2010	0	-	(0)	(0)	(0)	-

(I) None of the investees are listed on the stock exchange.

(II) Indirect ownership interest held through Fotowatio Italia, S.r.L.

(III) Indirect ownership interest held through Fotowatio Renewable ventures, S.L. (Sole-Shareholder Company)

(IV) Indirect ownership interest held through Serezueta Solar VI, S.L. (Sole-Shareholder Company)

(V) Indirect ownership interest held through Fotowatio Energia Renovables VII, S.L. (Sole-Shareholder Company)

(VI) Indirect ownership interest held through Fotowatio Energia Renovables II, S.L. (Sole-Shareholder Company)

(VII) Indirect ownership interest held through Fotowatio Energia Renovables IV, S.L. (Sole-Shareholder Company)

(VIII) Indirect ownership interest held through Fotowatio Energia Renovables V, S.L. (Sole-Shareholder Company)

(IX) Indirect ownership interest held through MMA Solar Fund III GP, Inc

(X) Indirect ownership interest held through MMA Renewable Ventures Solar Fund III, LLC

(XI) Indirect ownership interest held through MMA Solar Fund IV GP, Inc.

(XII) Indirect ownership interest held through MMA NAFB Power, LLC

(XIII) Indirect ownership interest held through Renewable Ventures Solar Fund V GP, LLC

(XIV) Indirect ownership interest held through Renewable Ventures Solar Fund V, LLC

(XV) Indirect ownership interest held through Renewable Ventures V Construction Holdings, LLC

(1) Development and promotion of energy projects and everything related to the electricity market.

(2) Companies consolidated as described in Note 5-e "Financial Instruments with Characteristics of Financial Liabilities"

(3) Companies with the following address: 28010- Madrid (Spain); s/ Rafael Calvo 42.

(4) Companies with the following address: 10200-Trujillo (Cáceres; Spain); Carretera Nacional 521, km 6.3. Paraje La Magascaona

All the investments presented are fully consolidated

The information on investees in the US was translated at the closing exchange rate (USD/EUR 0.748) for share capital, reserves and equity and at the average exchange rate (USD/EUR 0.754) for profit

APPENDIX 1: SUBSIDIARIES - 2009

Company	Activity	Location	Percentage Ownership Interest and Voting Power	Year of Acquisition	Equity of Subsidiaries (Thousands of euros)					Dividend Received
					Share Capital	Reserves	Profit (loss) From Operations		Total Equity Net	
							Operations	Net		
Fotowatio Trujillo, S.L. Sociedad Unipersonal (4)	(1)	Spain	100%	2007-2008	12	5.656	4.143	(138)	774	-
Olmedilla Energía, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007-2008	7	7.796	2.061	1.387	9.190	-
Fotowatio Energía Solar, S.L. Sociedad Unipersonal (4)	(1)	Spain	100%	2007-2008	24	5.373	9.919	1.665	3.478	6.408
Fotowatio Desarrollos Renovables, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	(1.490)	1.116	390	(1.097)	-
Arenales Solar PS, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(85)	(82)	-
Serrezuela Solar I, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	2	-
Serrezuela Solar II, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	4	(4)	(34)	(27)	-
Serrezuela Solar III, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	1	(24)	(17)	(13)	-
Serrezuela Solar IV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	2	-
Serrezuela Solar V, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	1	(1)	(1)	4	-
Serrezuela Solar VI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	24.107	(113)	(16)	3	23.997	-
Calasparra Renovables, S.L. Sociedad Unipersonal (IV) (3)	(1)	Spain	100%	2008	3	(1.238)	1.264	895	(340)	-
Calasparra Renovables 2, S.L. Sociedad Unipersonal (IV) (3)	(1)	Spain	100%	2008	3	(1)	-	-	2	-
Calasparra Renovables 3, S.L. Sociedad Unipersonal (IV) (3)	(1)	Spain	100%	2008	3	(1)	-	-	2	-
Fuentealamo Solar 2, S.L. Sociedad Unipersonal (IV) (3)	(1)	Spain	100%	2008	3	(744)	937	656	(85)	-
Fuentealamo Solar 3, S.L. Sociedad Unipersonal (IV) (3)	(1)	Spain	100%	2008	3	(980)	636	451	(526)	-
Serrezuela Solar VII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	-	3	-
Serrezuela Solar VIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007-2008	12	6.507	3.007	(730)	1.849	-
Serrezuela Solar IX, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	2	-
Serrezuela Solar X, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	2	-
Serrezuela Solar XI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(2)	(2)	1	-
Serrezuela Solar XII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	2	-
Serrezuela Solar XIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	3	-
Serrezuela Solar XIV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(16)	(11)	(8)	-
Serrezuela Solar XV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	2	-
Serrezuela Solar XVI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	2	-
Serrezuela Solar XVII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	-	3	-
Serrezuela Solar XVIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	-	3	-
Serrezuela Solar XIX, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	-	3	-
Serrezuela Solar XX, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	-	3	-
Serrezuela Solar XXI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	3	-
Serrezuela Solar XXII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	2	-
Serrezuela Solar XXIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	-	3	-
Serrezuela Solar XXIV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(411)	(288)	(285)	-
Serrezuela Solar XXV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(23)	(16)	(13)	-
Serrezuela Solar XXVI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	-	3	-
Serrezuela Solar XXVII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	(1)	2	-
Serrezuela Solar XXVIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	-	3	-
Serrezuela Solar XXIX, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2007	3	-	(1)	-	3	-
Fotowatio Energía Renovable I, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	103	4.426	(15)	59	4.588	-
Alhama Solar, S.L. Sociedad Unipersonal (V) (3)	(1)	Spain	100%	2009	1.437	(7)	(98)	(230)	706	-
Fotowatio Energía Renovable II, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	2.155	-	(1)	(8)	2.147	-
Heliergia, S.L. Sociedad Unipersonal (VI) (3)	(1)	Spain	100%	2009	211	(155)	(25)	(66)	(312)	-
Fotowatio Energía Renovable III, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	-	(1)	(1)	3	-
Fotowatio Energía Renovable IV, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	1.563	-	(1)	3	1.567	-
Fotoblan, S.L. Sociedad Unipersonal (VII) (3)	(1)	Spain	100%	2009	4	-	(61)	(87)	(380)	-
Fotowatio Energía Renovable V, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	-	(1)	(6)	(3)	-
Ibi Solar Fotovoltaica, S.L. Sociedad Unipersonal (VIII) (3)	(1)	Spain	100%	2009	2.377	-	(112)	(80)	2.297	-
Fotowatio Energía Renovable VI, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	-	(1)	(1)	2	-
Fotowatio Energía Renovable VII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	-	(1)	(1)	2	-
Fotowatio Energía Renovable VIII, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	-	(1)	(1)	2	-
Fotowatio Energía Renovable IX, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	-	(1)	(1)	2	-
Fotowatio Energía Renovable X, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	3	-	(1)	(1)	2	-
Fotowatio Renewable Ventures, S.L. Sociedad Unipersonal (3)	(1)	Spain	100%	2008	20.432	(11)	(1)	(1)	20.420	-
Fotowatio Italia, S.r.l.	(1)	Italy	100%	2008	100	4.000	(1.823)	(1.551)	2.549	-
Fotouno, S.r.l. (II)	(1)	Italy	100%	2008	10	-	(23)	(20)	(10)	-
Fotodue, S.r.l. (II)	(1)	Italy	100%	2008	10	-	(33)	(22)	(12)	-
Fototre, S.r.l. (II)	(1)	Italy	100%	2008	39	4.897	(42)	(55)	4.881	-
Fotostar 1, S.r.l. (II)	(1)	Italy	100%	2009	10	-	(10)	(13)	(3)	-
Fotostar 2, S.r.l. (II)	(1)	Italy	100%	2009	10	-	(10)	(13)	(3)	-
Fotostar 3, S.r.l. (II)	(1)	Italy	100%	2009	10	-	(7)	(4)	6	-
Fotostar 4, S.r.l. (II)	(1)	Italy	100%	2009	10	-	(7)	(2)	8	-
Foto tarsia, S.r.l. (II)	(1)	Italy	100%	2009	10	-	(7)	(9)	1	-
Foto Altomonte, S.r.l. (II)	(1)	Italy	100%	2009	10	-	(7)	(8)	2	-
Foto Candidoni, S.r.l. (II)	(1)	Italy	95%	2009	10	-	(3)	(3)	7	-
Foto Galatina, S.r.l. (II)	(1)	Italy	95%	2009	10	116	(67)	(67)	59	-
Fotoquattro, S.r.l. (II)	(1)	Italy	95%	2009	10	601	(2)	(3)	608	-
Fotocinque, S.r.l. (II)	(1)	Italy	95%	2009	10	1.074	(2)	(3)	1.081	-
Fotosei, S.r.l. (II)	(1)	Italy	100%	2009	10	1.011	(2)	(3)	1.018	-
Secondasun, S.r.l. (II)	(1)	Italy	68%	2009	10	-	(5)	(3)	7	-
Terzasun, S.r.l. (II)	(1)	Italy	68%	2009	10	-	(5)	(3)	7	-
Quartasun, S.r.l. (II)	(1)	Italy	68%	2009	10	-	(4)	(3)	7	-
Fotosette, S.r.l. (II)	(1)	Italy	100%	2009	10	-	(2)	(2)	8	-
Fotootto, S.r.l. (II)	(1)	Italy	100%	2009	10	-	(2)	(2)	8	-
Fotonove, S.r.l. (II)	(1)	Italy	100%	2009	10	-	(2)	(2)	8	-
Fotowatio Renewable Ventures, Inc (III)	(1)	USA	100%	2009	20.478	839	(6.538)	(6.214)	15.299	-
MMA Solar Fund III GP, Inc (III)	(1)	USA	79%	2009	7.492	(1)	-	-	7.491	-
MMA Renewable Ventures Solar Fund III, LLC (IX) (2)	(1)	USA	79%	2009	76.233	(5.167)	(342)	(911)	70.184	-
MMA LHIW Power, LLC (X) (2)	(1)	USA	79%	2009	2.090	(46)	36	(3)	2.041	-
MMA WBF Power, L.P. (X) (2)	(1)	USA	79%	2009	6.919	(56)	884	598	7.442	-
MMA FLA, L.P. (X) (2)	(1)	USA	79%	2009	1.143	(50)	117	64	1.156	-
MMA BWS Power, L.P. (X) (2)	(1)	USA	79%	2009	2.360	(40)	45	1	2.321	-
MMA DAS Power, LLC (X) (2)	(1)	USA	79%	2009	8.339	(150)	166	(114)	8.078	-
MMA YC Power, L.P. (X) (2)	(1)	USA	79%	2009	3.214	(229)	(32)	(105)	2.883	-
MMA GDC Power, L.P. (X) (2)	(1)	USA	79%	2009	4.474	(100)	500	328	4.691	-
MMA Belmar Power, LLC (X) (2)	(1)	USA	79%	2009	9.400	(169)	28	(226)	9.012	-
MMA Rita Power, LLC (X) (2)	(1)	USA	79%	2009	4.156	(47)	157	(37)	4.073	-
MMA CCC Power, LLC (X) (2)	(1)	USA	79%	2009	1.425	(67)	19	(23)	1.336	-
MMA RMS Power, L.P. (X) (2)	(1)	USA	79%	2009	3.219	(140)	52	7	3.085	-
MMA SROSA Power, L.P. (X) (2)	(1)	USA	79%	2009	3.202	(66)	(16)	(88)	3.051	-
MMA MDS Power I, L.P. (X) (2)	(1)	USA	79%	2009	2.725	(199)	5	(69)	2.459	-
MMA Fresno Power, L.P. (X) (2)	(1)	USA	79%	2009	3.923	(135)	27	(55)	3.734	-
MMA LA Power, L.P. (X) (2)	(1)	USA	79%	2009	4.801	(198)	(16)	(145)	4.463	-

APPENDIX 1: SUBSIDIARIES - 2009

Company	Activity	Location	Percentage Ownership Interest and Voting Power	Year of Acquisition	Equity of Subsidiaries (Thousands of euros)					Dividend Received
					Share Capital	Reserves	Profit (loss)		Total Equity Net	
							From Operations	Net		
MMA MF Power, L.P. (X) (2)	(1)	USA	79%	2009	1.951	(67)	125	44	1.926	-
MMA MDS Power IV, L.P. (X) (2)	(1)	USA	79%	2009	3.399	(55)	(9)	(83)	3.264	-
MMA Happy Valley Power, LLC (X) (2)	(1)	USA	79%	2009	1.301	(96)	1	(20)	1.186	-
MMA MDS Power II, L.P. (X) (2)	(1)	USA	79%	2009	11.425	(150)	(28)	(199)	11.082	-
MMA Mission Bay Power, L.P. (X) (2)	(1)	USA	79%	2009	1.850	(24)	(92)	(135)	1.695	-
MMA Solar Fund IV GP, Inc. (III)	(1)	USA	100%	2009	2.431	-	-	-	2.430	-
MMA NAFB Power, LLC (XI) (2)	(1)	USA	100%	2009	51.616	(4.051)	(164)	(689)	46.898	-
Solar Star NAFB, LLC (XI) (2)	(1)	USA	100%	2009	46.852	(1.385)	2.059	(527)	44.956	-
Renewable Ventures Solar Fund V GP, LLC (III)	(1)	USA	100%	2009	2.839	-	-	-	2.839	-
Renewable Ventures Solar Fund V, LLC (XIII) (2)	(1)	USA	100%	2009	7.635	-	914	(983)	6.683	-
RV CSJ Power, LLC (XV) (2)	(1)	USA	100%	2009	6.483	-	84	(70)	6.415	-
RV Solar Development Company, LLC (III)	(1)	USA	50%	2009	702	(7)	-	(50)	645	-
MMA Wind GP, Inc. (III)	(1)	USA	100%	2009	700	-	-	-	700	-
Fotowatio Renewable Ventures Development, LLC (III)	(1)	USA	100%	2009	-	-	(1)	(1)	(1)	-
Fotowatio Renewable Ventures Management, LLC (III)	(1)	USA	100%	2009	-	-	(1)	(1)	(1)	-
Fotowatio Nevada Solar, LLC (III)	(1)	USA	100%	2009	-	-	(1)	(1)	(1)	-
FRV Borrego Solar, L.P. (III)	(1)	USA	99,99%	2009	-	-	(1)	(1)	(1)	-
FRV Lucerne Solar, L.P. (III)	(1)	USA	99,99%	2009	-	-	(1)	(1)	(1)	-
FRV Dinuba Solar, L.P. (III)	(1)	USA	99,99%	2009	-	-	(1)	(1)	(1)	-
FRV Vega Solar, L.P. (III)	(1)	USA	99,99%	2009	-	-	(1)	(1)	(1)	-
FRV Rigel Solar, L.P. (III)	(1)	USA	99,99%	2009	-	-	(1)	(1)	(1)	-
FRV Gypsum Solar, L.P. (III)	(1)	USA	99,99%	2009	-	-	(1)	(1)	(1)	-
FRV Zeta Solar, L.P. (III)	(1)	USA	99,99%	2009	-	-	(1)	(1)	(1)	-
FRV Centauri Solar, L.P. (III)	(1)	USA	99,99%	2009	-	-	(1)	(1)	(1)	-
FRV Cygnus Solar, L.P. (III)	(1)	USA	99,99%	2009	-	-	(1)	(1)	(1)	-
MMARV PaTu Finance, LLC (III)	(1)	USA	100%	2009	-	-	-	-	-	-
MMA RV California Development Company, Inc. (III)	(1)	USA	100%	2009	-	-	-	-	-	-
MMARV Asset Management, LLC (III)	(1)	USA	100%	2009	-	-	-	-	-	-
MMA MHG Power, LLC (III)	(1)	USA	100%	2009	-	-	-	-	-	-
MMA HRNCH Power, L.P. (III)	(1)	USA	99,99%	2009	-	-	-	-	-	-

- (I) None of the investees are listed on the stock exchange.
- (II) Indirect ownership interest held through Fotowatio Italia, S.r.L.
- (III) Indirect ownership interest held through Fotowatio Renewable ventures, S.L. (Sole-Shareholder Company)
- (IV) Indirect ownership interest held through Serrezuela Solar VI, S.L. (Sole-Shareholder Company)
- (V) Indirect ownership interest held through Fotowatio Energia Renovables I, S.L. (Sole-Shareholder Company)
- (VI) Indirect ownership interest held through Fotowatio Energia Renovables II, S.L. (Sole-Shareholder Company)
- (VII) Indirect ownership interest held through Fotowatio Energia Renovables IV, S.L. (Sole-Shareholder Company)
- (VIII) Indirect ownership interest held through Fotowatio Energia Renovables V, S.L. (Sole-Shareholder Company)
- (IX) Indirect ownership interest held through MMA Solar Fund III GP, Inc
- (X) Indirect ownership interest held through MMA Renewable Ventures Solar Fund III, LLC
- (XI) Indirect ownership interest held through MMA Solar Fund IV GP, Inc.
- (XII) Indirect ownership interest held through MMA NAFB Power, LLC
- (XIII) Indirect ownership interest held through Renewable Ventures Solar Fund V GP, LLC
- (XIV) Indirect ownership interest held through Renewable Ventures Solar Fund V, LLC
- (XV) Indirect ownership interest held through Renewable Ventures V Construction Holdings, LLC

- (1) Development and promotion of energy projects and everything related to the electricity market.
- (2) Companies consolidated as described in Note 5-e "Financial Instruments with Characteristics of Financial Liabilities"
- (3) Companies with the following address: 28010- Madrid (Spain); s/ Rafael Calvo 42.
- (4) Companies with the following address: 10200-Trujillo (Cáceres; Spain); Carretera Nacional 521, km 6.3. Paraje La Magascaña

All the investments presented are fully consolidated

The information on investees in the US was translated at the closing exchange rate (USD/EUR 0.72) for share capital, reserves and equity and at the average exchange rate (USD/EUR 0.69) for profit

APPENDIX 2: CONTRIBUTION TO CONSOLIDATED PROFIT/LOSS AND RESERVES BY COMPANY

(Thousands of euros)	Profit (Loss)		Consolidation Reserves		Translation Differences	
	2010	2009	2010	2009	2010	2009
Company						
Fotowatio, S.L.	(7.709)	(4.486)	(7.824)	(1.334)	-	-
Fotowatio Trujillo, S.L.	(141)	148	2.649	2.501	-	-
Olmedilla Energía, S.L.	972	1.387	4.746	3.359	-	-
Fotowatio Energía Solar, S.L.	(254)	1.257	1.208	(49)	-	-
Fotowatio Desarrollos Renovables, S.L. Sociedad Unipersonal	(494)	(113)	(1.863)	(1.750)	-	-
Arenales Solar PS, S.L. Sociedad Unipersonal	(308)	(85)	(85)	-	-	-
Serrezuela Solar I, S.L. Sociedad Unipersonal	(122)	(1)	(1)	-	-	-
Serrezuela Solar II, S.L. Sociedad Unipersonal	(181)	(34)	(31)	3	-	-
Serrezuela Solar III, S.L. Sociedad Unipersonal	(0)	(17)	(17)	-	-	-
Serrezuela Solar IV, S.L. Sociedad Unipersonal	(0)	(1)	(1)	-	-	-
Serrezuela Solar V, S.L. Sociedad Unipersonal	(26)	(1)	(1)	-	-	-
Serrezuela Solar VI, S.L. y Sociedades dependientes	(3.003)	934	(2.258)	(3.192)	-	-
Serrezuela Solar VII, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Serrezuela Solar VIII, S.L. Sociedad Unipersonal	(1.054)	(678)	1.108	1.784	-	-
Serrezuela Solar IX, S.L. Sociedad Unipersonal	-	(1)	(1)	-	-	-
Serrezuela Solar X, S.L. Sociedad Unipersonal	(2)	(1)	(1)	-	-	-
Serrezuela Solar XI, S.L. y Sociedades dependientes	(3.461)	(2)	(2)	-	-	-
Serrezuela Solar XII, S.L. Sociedad Unipersonal	(96)	-	-	-	-	-
Serrezuela Solar XIII, S.L. Sociedad Unipersonal	(36)	-	-	-	-	-
Serrezuela Solar XIV, S.L. Sociedad Unipersonal	-	(11)	(11)	-	-	-
Serrezuela Solar XV, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Serrezuela Solar XVI, S.L. Sociedad Unipersonal	(54)	-	-	-	-	-
Serrezuela Solar XVII, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Serrezuela Solar XVIII, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Serrezuela Solar XIX, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Serrezuela Solar XX, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Serrezuela Solar XXI, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Serrezuela Solar XXII, S.L. Sociedad Unipersonal	-	(1)	(1)	-	-	-
Serrezuela Solar XXIII, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Serrezuela Solar XXIV, S.L. Sociedad Unipersonal	-	(288)	(288)	-	-	-
Serrezuela Solar XXV, S.L. Sociedad Unipersonal	-	(16)	(16)	-	-	-
Serrezuela Solar XXVI, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Serrezuela Solar XXVII, S.L. Sociedad Unipersonal	(142)	(1)	(1)	-	-	-
Serrezuela Solar XXVIII, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Serrezuela Solar XXIX, S.L. Sociedad Unipersonal	-	-	-	-	-	-
Fotowatio Energía Renovable I, S.L. Sociedad Unipersonal	(598)	(605)	(605)	-	-	-
Fotowatio Energía Renovable II, S.L. y Sociedades dependientes	(2.625)	(74)	(74)	-	-	-
Fotowatio Energía Renovable III, S.L. Sociedad Unipersonal	-	(1)	(1)	-	-	-
Fotowatio Energía Renovable IV, S.L. y Sociedades dependientes	(445)	(84)	(84)	-	-	-
Fotowatio Energía Renovable V, S.L. y Sociedades dependientes	(208)	(86)	(86)	-	-	-
Fotowatio Energía Renovable VI, S.L. Sociedad Unipersonal	-	(1)	(1)	-	-	-
Fotowatio Energía Renovable VII, S.L. y Sociedades dependientes	(35)	(1)	(1)	-	-	-
Fotowatio Energía Renovable VIII, S.L. Sociedad Unipersonal	-	(1)	(1)	-	-	-
Fotowatio Energía Renovable IX, S.L. Sociedad Unipersonal	-	(1)	(1)	-	-	-
Fotowatio Energía Renovable X, S.L. Sociedad Unipersonal	-	(1)	(1)	-	-	-
Fotowatio Italia, S.r.l. y Sociedades dependientes	(4.065)	(1.897)	(1.903)	(6)	-	-
Fotowatio Renovable Ventures, S.L. y Sociedades dependientes	(9.894)	(10.814)	(10.891)	(77)	(517)	(1.680)
Fotowatio Italia Puglia, S.r.l.	(1)	-	-	-	-	-
Fotowatio Francia, S.a.r.l.	(244)	-	-	-	-	-
Total	(34.224)	(15.577)	(16.342)	1.239	(517)	(1.680)

APPENDIX 3: GEOGRAPHICAL SEGMENTS

	Thousands of euros									
	2010					2009				
	Spain	Italy	US	France	Total	Spain	Italy	US	Total	
Corporate										
Intangible assets	1,010	8,954	24	-	47,246	585	37,646	1,670	36	39,937
Property, plant and equipment	995	129,675	199,186	8	728,439	219	327,710	14,781	177,088	519,808
Investments accounted for using the equity method	-	-	-	-	256	-	-	-	448	448
Non-current financial assets	454	408	449	85	2,825	448	264	-	417	1,119
Non-current tax assets	3,431	2,590	2,654	-	29,484	1,364	11,925	760	1,836	15,885
NON-CURRENT ASSETS	5,890	141,627	202,313	93	808,250	2,616	377,535	17,211	179,835	577,157

	Thousands of euros									
	2010					2009				
	Spain	Italy	US	France	Total	Spain	Italy	US	Total	
Corporate										
Income	375	3,382	15,069	-	98,759	-	75,513	779	11,916	88,208
Revenue	-	1,728	12,937	-	90,517	-	72,311	-	9,166	81,477
Other income	375	-	3,034	49	3,458	-	2,412	-	521	2,933
Group work on non-current assets	-	1,664	2,083	-	4,784	-	790	779	2,229	3,798
Procurements	-	(5,593)	(1,996)	(113)	(8,220)	-	(5,644)	(237)	(2,566)	(8,337)
Staff costs	(3,427)	(1,463)	(5,240)	(13)	(11,521)	(2,098)	(1,525)	(906)	(4,720)	(9,249)
Other operating expenses	(5,136)	(1,220)	(2,674)	(119)	(35,088)	(4,098)	(23,049)	(668)	(4,072)	(31,887)
Depreciation and amortisation charge	(235)	(815)	(9,418)	-	(37,605)	(79)	(22,760)	(18)	(6,472)	(29,349)
Impairment and Gains or losses on disposals of non-current assets	-	(102)	41	-	(14,704)	-	(445)	-	-	(445)
PROFIT (LOSS) FROM OPERATIONS	(8,423)	(786)	(4,218)	(245)	(6,379)	(6,275)	(22,170)	(1,050)	(5,904)	8,941

APPENDIX 4: DETAIL OF COMPANIES COMPOSING THE CONSOLIDATED TAX GROUP IN SPAIN

Companies Composing the Tax Group
Fotowatio, S.L.
Fotowatio Desarrollos Renovables, S.L.
Fotowatio Energía Solar, S.L.
Olmedilla Energía, S.L.
Fotowatio Trujillo, S.L.
Fuentealampo Solar 2, S.L.
Fuentealampo Solar 3, S.L.
Calasparra Renovables, S.L.
Calasparra Renovables 2, S.L.
Calasparra Renovables 3, S.L.
Arenales PS, S.L.
Serrezuela Solar I, S.L.
Serrezuela Solar II, S.L.
Serrezuela Solar III, S.L.
Serrezuela Solar IV, S.L.
Serrezuela Solar V, S.L.
Serrezuela Solar VI, S.L.
Serrezuela Solar VII, S.L.
Serrezuela Solar VIII, S.L.
Serrezuela Solar IX, S.L.
Serrezuela Solar X, S.L.
Serrezuela Solar XI, S.L.
Serrezuela Solar XII, S.L.
Serrezuela Solar XIII, S.L.
Serrezuela Solar XIV, S.L.
Serrezuela Solar XV, S.L.
Serrezuela Solar XVI, S.L.
Serrezuela Solar XVII, S.L.
Serrezuela Solar XVIII, S.L.
Serrezuela Solar XIX, S.L.
Serrezuela Solar XX, S.L.
Serrezuela Solar XXI, S.L.
Serrezuela Solar XXII, S.L.
Serrezuela Solar XXIII, S.L.
Serrezuela Solar XXIV, S.L.
Serrezuela Solar XXV, S.L.
Serrezuela Solar XXVI, S.L.
Serrezuela Solar XXVII, S.L.
Serrezuela Solar XXVIII, S.L.
Serrezuela Solar XXIX, S.L.
Fotowatio Energía Renovable I, S.L.
Fotowatio Energía Renovable II, S.L.
Fotowatio Energía Renovable III, S.L.
Fotowatio Energía Renovable IV, S.L.
Fotowatio Energía Renovable V, S.L.
Fotowatio Energía Renovable VI, S.L.
Fotowatio Energía Renovable VII, S.L.
Fotowatio Energía Renovable VIII, S.L.
Fotowatio Energía Renovable IX, S.L.
Fotowatio Energía Renovable X, S.L.
Fotowatio Renewable Ventures, S.L.
Helienergía, S.L.
Ibi Solar Fotovoltaica S.L.
Fotoblan, S.L.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Fotowatio, S.L. and Subsidiaries

1. Business performance and situation of the Group.

Performance of the Group in Spain

In 2010 the Group continued to operate the following solar facilities:

- A 23-MW solar PV farm located in Trujillo (Cáceres) owned by the Group company Fotowatio Energía Solar, S.L.
- An 11.5-MW solar PV farm located in Trujillo (Cáceres) owned by the Group company Fotowatio Trujillo, S.L.
- An 11.5-MW solar PV farm located in Olmedilla de Alarcón (Cuenca) held under an operating lease by the Group company Olmedilla Energía, S.L.
- An 11.5-MW solar PV farm located in Arroyo San Serván (Badajoz) owned by the Group company Serrezuela Solar VIII, S.L.
- Two solar PV farms of 6.7 MW and 6.6 MW located in Calasparra (Murcia) held under operating leases by the Group company Calasparra Renovables, S.L.
- Two solar PV farms of 10.3 MW and 8.9 MW located in Fuente Álamo de Murcia (Murcia) held under operating leases by the Group companies Fuentealampo Solar 2, S.L. and Fuentealampo Solar 3, S.L.
- A 6.3 MW solar PV farm located in Alhama de Murcia (Murcia) owned by the Group company Fotowatio Energía Renovable I, S.L.
- Two 2.6 MW solar PV farms located in Ibi and Onil (Alicante) held under finance leases by Ibi Solar, S.L.
- A 7 MW solar PV farm located in Rioja (Almería) owned by the Group company Helienergía, S.L.
- A 7 MW solar PV farm located in Blanca (Murcia) owned by the Group company Fotoblan, S.L.
- A 10.9 MW solar PV farm located in Los Martínez del Puerto (Murcia) owned by the Group company Planta Solar Fotovoltaica Valdelaguna A45, S.L.
- A 6 MW solar PV farm located in San Vicente del Palacio (Valladolid) owned by the Group company La Olmeda Planta Solar, S.L.

Finally, it should be mentioned that the Group is developing various other projects in Spain, of which two thermal solar power plants of 50 MW each, the construction of which is expected to commence in 2011, are particularly noteworthy.

Performance of the Group in Italy

The Group currently owns and operates five 1 MW solar PV farms in Puglia.

At 31 December 2010, the Group was finalising the construction of facilities generating an additional 43 MW capacity, which are expected to come into service in 2011. The Group is developing projects of more than 200 MW, thereby allowing it to increase its production capacity in the Italian market, provided that the new regulations, which will be published in the second quarter of 2011, afford reasonable returns for the projects.

Performance of the Group in the US

The Group currently operates the following solar PV farms:

- A 14-MW solar PV farm owned by the Group, located in Las Vegas (Nevada).
- A 2-MW solar PV farm owned by the Group, located in Denver (Colorado).
- A 5.7-MW solar PV farm owned by the Group, located in California.
- A 1.9-MW solar PV farm owned by the Group, located in Palmdale (California).
- A 1.7-MW solar PV farm owned by the Group, located in Lakewood (California).
- Two solar PV farms of 1.2 MW and 1.1 MW, respectively, owned by the Group, located in Fresno (California).
- A 1.2-MW solar PV farm owned by the Group, located in Los Angeles (California).
- Two solar PV farms of 2 MW and 3.3 MW owned by the Group, located in Fort Collins (Colorado).
- A 1.2-MW solar PV farm owned by the Group, located in Sacramento (California).
- A number of smaller farms of less than 1 MW each, with a combined capacity of 5.9 MW.

The Group is developing projects of more than 1,300 MW, thereby allowing it to increase its production capacity in the US.

Group financial data

Loss from operations amounted to EUR 8,379 thousand, while revenue reached EUR 90,517 thousand.

The loss before tax amounted to EUR 50,652 thousand

Over the coming years, the Group will continue to operate the solar facilities described in this section.

2. Main business risks

The main risks related to the area of business in which the Group carries on its activity relate to possible regulatory changes in the various markets where it operates. To the extent that the Group carries on its activity in developed countries with legal security, it is able to manage this risk and does not expect significant matters to arise which might affect the Group's assets in the future.

The Group's business does not face significant risks, since the business-critical variables (power selling prices and facility rental costs) are known and contractually agreed upon and, therefore, the Group's performance over the term of operation of the solar PV facilities depends basically on the hours of sunlight for electricity generation.

3. Use of financial instruments

The Group arranged various financial derivatives in order to reduce the risk associated with interest rates. These transactions are included in the requirements established by the banks that finance the various projects. The detail of the derivatives arranged is as follows:

	Classification	Type	Fixed Rate	Amount Arranged (Thousands of Euros)	Maturing on
Interest rate swap	Interest rate hedge	Floating to fixed	4.02%	72,250	28/06/2024
Interest rate swap	Interest rate hedge	Floating to fixed	4.33%	35,878	28/06/2024
Interest rate swap	Interest rate hedge	Floating to fixed	4.77%	13,428	16/06/2024
Interest rate swap	Interest rate hedge	Floating to fixed	4.57%	13,428	16/06/2024
Interest rate swap	Interest rate hedge	Floating to fixed	4.77%	13,428	16/06/2024
Interest rate swap	Interest rate hedge	Floating to fixed	4.57%	13,428	16/06/2024
Interest rate swap	Interest rate hedge	Floating to fixed	4.73%	30,844	23/09/2024
Interest rate swap	Interest rate hedge	Floating to fixed	4.73%	30,844	23/09/2024
Interest rate swap	Interest rate hedge	Floating to fixed	3.83%	13,341	21/10/2023
Interest rate swap	Interest rate hedge	Floating to fixed	3.83%	13,341	21/10/2023
Interest rate swap	Interest rate hedge	Floating to fixed	4.07%	18,725	15/06/2024
Interest rate swap	Interest rate hedge	Floating to fixed	4.00%	19,372	31/03/2027
Interest rate swap	Interest rate hedge	Floating to fixed	3.28%	16,483	28/02/2025
Interest rate swap	Interest rate hedge	Floating to fixed	3.71%	35,600	30/06/2030
Interest rate swap	Interest rate hedge	Floating to fixed	4.16%	14,106	30/12/2023
Interest rate swap	Interest rate hedge	Floating to fixed	3.66%	25,964	31/12/2024

4. Business outlook

The Group's strategic objectives for 2011 are built around the following corporate tenets:

- Consolidation of the Group in the international solar market as an independent producer of electricity from renewable sources.
- Strong focus on developing its own projects in the countries where it operates, taking into account expectations regarding future regulatory requirements which will govern markets.
- Consolidation of its leading position in the Spanish solar PV market.
- Financing and construction of two thermal solar thermal projects awarded for the Spanish market.
- Maximisation of the number of MW awarded under current Italian legislation.

- Reinforcement of the Group's position in the US market using the financing made available by Fund V and the development and expansion of its current project portfolio.

- Establishment of the Group in new international markets.

5. Significant events for the Group after the balance sheet date.

At the date on which these consolidated financial statements were authorised for issue, the Group continued its process of international expansion, including the acquisition and development of solar PV farms in markets in which it operates.

No additional significant events took place other than those described in Note 25 to the accompanying consolidated financial statements.

6. Research and development activities.

No research and development activities were carried out in 2010.

7. Acquisition of treasury shares.

The Group did not perform any transactions with treasury shares in 2010 and at 2010 year-end it did not hold any treasury shares.