SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (formerly SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.)

Auditor's Report and Abridged Annual Accounts
as at December 31, 2005

PRICEWATERHOUSECOOPERS

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A free translation of the report on the abridged annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails

AUDITOR'S REPORT ON THE ABRIDGED ANNUAL ACCOUNTS

To the Shareholders of Solaria Energía y Medio Ambiente, S.A. (formerly Solaria Energía y Medio Ambiente, S.L.), at the request of the Sole Administrator

We have audited the abridged annual accounts of Solaria Energía y Medio Ambiente, S.A. consisting of the abridged balance sheet as at 31 December 2005, the abridged income statement and the related notes to the abridged annual accounts for the year then ended, the preparation of which is the responsibility of the Sole Administrator of the Company. Our responsibility is to express an opinion on the abridged annual accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain which require the examination, on a test basis, of evidence supporting the abridged annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

In accordance with Spanish Corporate Law, the Sole Administrator has presented, for comparative purposes only, for each item of the abridged balance sheet, the abridged income statement and statement of source and application of funds, the corresponding amounts for the previous year as well as the amounts for 2005. Our opinion refers exclusively to the abridged annual accounts for 2005. On May 21, 2007 we issued our audit report on the 2004 abridged annual accounts, in which we expressed an unqualified opinion.

As indicated in Note 2.c) of the accompanying abridged annual accounts, the Sole Administrator has restated the abridged annual accounts for the year 2005, which were approved by the General Shareholders Meeting on June 30, 2006, and the modifications that are shown in the abovementioned Note 2.c) has been incorporated on the abridged annual accounts.

On 18 May 2007, the transformation of the Company from private to public limited liability company was registered in the Madrid Mercantile Registry.

In our opinion, the accompanying abridged annual accounts for the year 2005 present fairly, in all material respects, the financial position of Solaria Energía y Medio Ambiente, S.A. as at December 31, 2005 and the results of its operations and its source and application of funds for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers Auditores, S.L.

Originally in Spanish signed by
Francisco J. Martínez Pérez
Audit Partner

May 21, 2007

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SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.

ABRIDGED BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004

(In Euros)

ASSETS	31.12.05	31.12.04	LIABILITIES	31.12.05	31.12.04
FIXED ASSETS			EQUITY		
Intangible fixed assets	**98,092**	-	Share capital	777,600	242,330
Assets capitalized under finance leases	109,166	-	Reserves	23,585	35,227
Accumulated amortization	(11,074)	-	Profit for the year	23,003	48,348
Tangible fixed assets	**2,118,271**	**290,642**		**824,188**	**325,905**
Land and buildings	982,463	-			
Machinery	1,005,592	-	DEFERRED INCOME		
Plant and equipment	187,890	-	Government grants related to assets	287,715	123,748
Data-processing equipment	1,295	606	Other deferred income	388,061	28,801
Vehicles	33,233	33,233		675,776	152,549
Prepayments	-	263,113			
Accumulated depreciation	(92,202)	(6,310)	NON-CURRENT LIABILITIES		
Investments	**587,332**	**59,550**	Borrowings with financial institutions	1,720,311	510,575
Loans to group companies	587,332	41,550	Finance leases	68,974	-
Other loans	-	18,000		1,789,285	510,575
Total fixed assets	**2,803,695**	**350,192**			
DEFERRED EXPENSES	335,813	-			
CURRENT ASSETS			CURRENT LIABILITIES		
Inventories	**125,280**	-	**Borrowings with financial institutions**	**421,317**	**35,318**
Raw materials and other supplies	125,280	-	Loans and other liabilities	392,901	35,318
Debtors	**291,457**	**223,547**	Finance leases	28,416	-
Trade debtors for sales and services rendered	15,031	194,746	**Trade creditors**	**1,110,977**	**64,140**
Sundry debtors	3,457	28,801	**Other creditors**	**37,838**	**23,834**
Taxes refundable	272,969	-	Taxes payable	37,838	23,834
Current investments	**36,026**	**478,668**			
Deposits with financial institutions	18,000	460,000			
Fixed income securities	-	642			
Other short-term loans	18,026	18,026			
Cash and cash equivalents	**1,267,110**	**59,914**			
Total current assets	**1,719,873**	**762,129**	**Total current liabilities**	**1,570,132**	**123,292**
TOTAL ASSETS	**4,859,381**	**1,112,321**	**TOTAL LIABILITIES**	**4,859,381**	**1,112,321**

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SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.

ABRIDGED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(In Euros)

DEBIT	Year 2005	Year 2004	CREDIT	Year 2005	Year 2004
EXPENSES:			INCOME:		
Raw materials and supplies	**53,686**	**143,755**	**Net revenue**	**698,866**	**408,864**
Consumption of raw materials and other consumables	51,293	116,845	Services rendered	698,866	408,864
Other external expenses	2,393	26,910	**Other operating income**	-	5,694
Personnel costs	**269,884**	**101,842**	Government grants related to income	-	5,694
Wages, salaries and similar remuneration	259,196	86,968			
Staff welfare expenses	10,688	11,088			
Other social welfare expenses	-	3,786			
Depreciation and amortization expense	**96,966**	**7,066**			
Other operating expenses	**249,121**	**47,573**			
External services	242,721	47,573			
Taxes and duties	6,400	-			
OPERATING PROFIT	29,209	114,322	OPERATING LOSSES	-	-
Financial expense	**25,169**	**5,229**	**Other interest and similar income**	**27,119**	**3,637**
Losses arising from exchange differences	**7,860**	-	From financial institutions	4,128	1,007
			From group companies	22,991	2,630
NET FINANCIAL INCOME	-	-	NET FINANCIAL EXPENSE	5,910	1,592
PROFIT ON ORDINARY ACTIVITIES	23,299	112,730	LOSS ON ORDINARY ACTIVITIES	-	-
			Government grants related to assets		
Extraordinary expenses	-	**43,661**	**recognized in income during the year**	**9,543**	-
Prior year expenses and losses	-	43,661	**Extraordinary income**	**19**	-
NET EXTRAORDINARY PROFITS	9,562	-	NET EXTRAORDINARY LOSSES	-	43,661
PROFIT BEFORE TAXES	32,861	69,069	LOSS BEFORE TAXES	-	-
Corporate income tax expense	9,858	20,721			
PROFIT FOR THE YEAR	23,003	48,348	LOSS FOR THE YEAR	-	-

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NOTES TO THE ABRIDGED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005
(Expressed in Euros)

1. Activity

Solaria Energía y Medio Ambiente, S.L. (hereinafter the Company) was incorporated on 27 November 2002. Its corporate objectives are as follows:

- Installation and repair of solar, thermal, wind and any other type of renewable energy plants.
- Installation and repair of plumbing, gas, electricity, heating and air conditioning equipment.
- Performance and execution of technical projects relating to the above matters.
- Maintenance and repair services relating to plant constructed either by the Company or by third parties.
- Manufacture of modules, cells and components relating to solar, thermal, photovoltaic, wind and other renewable energy sources.

In 2005 the Company´s registered address was located in Galapagar, Called Escuelas 102 (Madrid). In 2006 the Company changed its registered address to Madrid, Calle Núñez de Balboa 120.

During the final quarter of 2005 the Company initiated the construction of a photovoltaic and thermal module manufacturing plant in Puertollano. The Company expects to start producing photovoltaic modules in the first quarter of 2006.

The Company's activity during the year consisted mainly of supplying and installing solar energy plants, either on its own behalf or on behalf of the group company Instalaciones Díaz Tejeiro, S.L.

In order to finance the above-mentioned investments, the Company plans to make an Initial Public Offering (IPO), with the intention of completing this process during the first half of 2007.

2. Basis of presentation

a) True and fair view

The abridged annual accounts (hereinafter the annual accounts) have been prepared based on the Company's accounting records and are presented in compliance with current Spanish Company Law and the Spanish General Accounting Plan, so as to provide a true and fair view of the Company's equity, its financial position and the results of its operations.

The figures contained in the abridged balance sheet, income statement and in these abridged notes to the annual accounts are stated in euros, unless otherwise indicated.

b) Abridged annual accounts

As the Company meets the conditions established under Article 181.1 of the Spanish Companies Act, the Sole Administrator presents abridged annual accounts.

c) Restatement of the abridged annual accounts

The Sole Administrator decided to appoint Company auditors in 2006 in order to achieve maximum compliance with transparency requirements in the light of the Company's public offering, which is planned for 2007.

As a result of the audit performed, certain issues were identified that have led to the modification of the abridged annual accounts for 2005, which were approved by shareholders at a General Meeting on 30 June 2006, and these modifications have been incorporated into the annual accounts by the Sole Administrator.

The most significant modifications are set out in Appendix I, which forms an integral part of Note 2.

3. Accounting policies

a) Intangible fixed assets

Intangible fixed assets are recorded at the cost of acquisition.

Assets acquired under finance leases are recorded as intangible fixed assets when the terms of the lease imply that the assets should be capitalized. They are depreciated over their estimated useful lives on a straight-line basis at the same rates as those set for similar tangible fixed assets. Interest financial expenses relating to the transaction are recorded as Deferred expenses and recognized in the income statement over the term of the lease using financial criteria.

b) Tangible fixed assets

Tangible fixed assets are recorded at acquisition or production cost. These assets are depreciated on a straight-line basis over their estimated useful lives as follows:

	Years
Buildings	33
Machinery	8
Plant and equipment	8 - 10
Data-processing equipment	4
Vehicles	6

The costs of renewing, extending or improving these assets are capitalized only when they increase the capacity or productivity of the asset or extend its useful life. Where appropriate, the net book value of replaced assets is derecognized.

Repair and maintenance costs are expensed in the year in which they are incurred.

c) Investments

Equities that are not officially listed on a stock market are stated at acquisition cost less, where appropriate, any provisions necessary to reflect devaluations based on market prices.

d) Inventories

Inventories are stated at their weighted average acquisition cost. In those circumstances in which the net realizable value of inventories is less than their weighted average cost, the inventories are written down to net realizable value.

e) Trade and non-trade debtors and creditors

Debtors and creditors, whether resulting from the Company's normal business or not, are recognized at their nominal value and classified as current or non-current in accordance with whether or not they fall due within one financial year. Any implicit interest included in the nominal or redemption value that falls due in more than one year is recorded as deferred income and recognized in income in accordance with the effective interest method.

The relevant provisions for impairment are made to cover the risk of bad debts.

Loan accounts are recognized based on at the amount of credit drawn down.

f) Transactions and balances denominated in foreign currency

The translation to euros of debtors and creditors expressed in foreign currency is realized by applying the prevailing exchange rate at the time the relevant transaction is carried out and is restated at the year end in accordance with the exchange rate applicable at that time.

Exchange differences that arise as a result of the year end valuation of debtors and creditors denominated in foreign currency are recorded as follows:

- Gains arising from exchange differences are recognized as deferred income and are recognized in income in the year in which they are realized.

- Losses arising from exchange differences are immediately recognized in the income statement.

g) Corporate income tax

The income tax expense for the year is calculated based on profit before taxes as stated in the annual accounts, adjusted for any permanent differences arising from differences between accounting and tax criteria, bearing in mind any tax credits or deductions that are deemed applicable. Deferred tax assets and liabilities arising from timing differences in the recognition of income and expenses for accounting and tax purposes are recorded in the balance sheet until the underlying timing differences reverse.

The Company provides in full for all its deferred tax liabilities even though they may not

be expected to reverse in the foreseeable future. Deferred tax assets are only recorded to the extent that it is reasonably certain that they will be realized within a maximum period of ten years, and beyond that period, only to the extent that there are compensating deferred tax liabilities

Where the recovery of any unutilized tax losses is not considered to be certain, such tax losses are offset against taxable income in the year in which taxable profits exist. Unutilized tax losses are only recognized as a deferred tax asset if there is clear evidence that the Company will earn sufficient profits to ensure the recovery of the tax losses carried forward.

Deductible temporary differences are recognized as a deferred tax asset only if there are no doubts as to their recovery, provided that the maximum period for their application does not exceed 10 years.

h) Deferred income

Government grants related to assets

Government grants related to assets that do not have to be reimbursed are accounted for when they are officially granted and are recorded as deferred income. These government grants are recognized in the income statement over the period in which the related assets are depreciated.

Other deferred income

Subsidies relating to interest on loans obtained by the Company are recorded when officially granted and are recorded as deferred income. Such subsidies are recognized in the income statement over the term of the loan, in accordance with the effective interest method.

Interest-free loans received by the Company are accounted for in accordance with the requirements of Consultation No.3 of the Boletín Oficial del Instituto de Contabilidad y Auditoría de Cuentas (BOICAC) number 15, which indicates that interest expenses accrued each year should be quantified with reference to a market-related interest rate applicable to loans with similar terms to the interest-free loan. At the same time, income should be recognized arising from the government grant effectively conceded to subsidize the interest expense, in accordance with the conditions established in the loan agreement. The amount reflected in the balance sheet as Deferred expenses is the difference between the nominal amount of the loans and their present values, calculated by applying a market-related interest rate for similar loans, that is, the Euribor rate plus a spread. The other side of the entry, for the same amount, is recorded as Deferred income. Both the deferred expenses and the deferred income are recognized in the income statement over the term of the loan, in accordance with the effective interest method.

i) Income and expenses

Income and expenses are recognized on an accrual basis, that is, in the period in which the income or expense is earned or incurred, rather than the period in which the cash is actually received or disbursed.

For reasons of prudence, however, the Company only accounts for realized profits at the year end, while foreseeable risks and potential losses arising in the year or in prior years are recorded as soon as their existence is known.

j) Environmental matters

Expenses arising from operations intended to protect and improve the environment are recorded as an expense in the year incurred. When these expenses relate to additions to tangible fixed assets intended to minimize the environmental impact of the asset and the protection and improvement of the environment, such expenses are capitalized as part of fixed assets.

4. Intangible fixed assets

Amounts and movements in the items included under this heading during the year are as follows:

	Balance at 31.12.04	Additions	Disposals	Euros Balance at 12.31.05
Cost				
Assets capitalized under finance leases	-	109,166	-	109,166
	-	109,166	-	109,166
Amortisation				
Assets capitalized under finance leases	-	11,074	-	11,074
	-	11,074	-	11,074
	-			98,092

Intangible fixed assets include assets capitalized under finance leases, as follows:

					Euros	
					Installments outstanding at 31.12.05	
	Term of the lease	Investment	Purchase option value	Installments paid 2005	Current	Non-current
Vehicles	48 monthly payments	37,985	838	7,439	9,919	23,144
Vehicles	48 monthly payments	40,148	874	7,863	10,484	24,461
Vehicles	48 monthly payments	31,033	668	2,670	8,013	21,367
		109,166	2,380	17,972	28,416	68,972

5. Tangible fixed assets

Amounts and movements in the items included under this heading during the year are as follows:

				Euros
	Balance at 31.12.04	Additions	Transfers	Balance at 31.12.05
Cost				
Land	-	112,485	-	112,485
Buildings	-	869,978	-	869,978
Machinery	-	742,479	263,113	1,005,592
Plant and equipment	-	187,890	-	187,890
Data-processing equipment	606	689	-	1,295
Vehicles	33,233	-	-	33,233
Advance payments	263,113	-	(263,113)	-
	296,952	**1,913,521**	**-**	**2,210,473**
Depreciation				
Buildings	-	8,482	-	8,482
Machinery	-	69,322	-	69,322
Plant and equipment	-	1,986	-	1,986
Data-processing equipment	199	252	-	451
Vehicles	6,111	5,850	-	11,961
	6,310	**85,892**	**-**	**92,202**
	290,642			**2,118,271**

The line item Land includes 71,194 euros relating to a plot of land obtained by the Company from the municipality of Puertollano in a swap agreement dated 21 December 2005. In terms of this agreement, the Company acquires the land on which it will install a 1 MW solar plant. In exchange, the Company will make payments to the municipality over a period of 25 years, equal to income obtained from 5W of capacity generated by the plant over that period. At 31 December 2006, construction of the solar plant had not yet commenced.

The line item Land also includes a plot of land in La Nava II industrial estate with a cost of 41,291 euros, purchased from the municipality of Puertollano at a price of 1 euro per square metre, arising from the Agreement entered into between the Company and Fundescop, and in application of the Municipal Regulation for investment incentives and creation of employment in Puertollano.

The amount included in the line item Buildings includes the construction of premises at the industrial estate La Nava II in Puertollano, where the Company is building its photovoltaic and thermal module production plant.

Machinery mainly consists of the costs relating to the photovoltaic module production line.

The Company has taken out a number of insurance policies to cover risks relating to tangible fixed assets. The coverage provided by these policies is considered to be sufficient.

6. Investments

Amounts and movements in the items included under this heading during the year are as follows:

				Euros
	Balance at 31.12.04	Additions	Transfers	Balance at 31.12.05
Loans to group companies	38,920	522,791	-	561,711
Interest on loans to group companies	2,630	22,991	-	25,621
Investment funds (Note 9)	18,000	-	(18,000)	-
	59,550	**545,782**	**(18,000)**	**587,332**

The balance of Loans to group companies relates to the amount drawn down by Instalaciones Díaz Tejeiro, S.L, (group company), in accordance with the current account agreement concluded with Solaria Energía y Medio Ambiente, S.L. on 1 January 2004. The maximum amount available is 1 million euros. The capital drawn down bears interest at a market-related rate, being the Euribor rate plus 0.5%, and will be settled when the agreement terminates, expected to occur in 2007.

7. Inventories

Inventories consist of photovoltaic cells that make up the raw materials for the manufacture of photovoltaic solar panels. The Company expects to start producing panels in the first quarter of 2006.

8. Debtors

The breakdown of the heading Debtors at the year end is as follows:

	Euros
Trade debtors for sales and services rendered	15,031
Sundry debtors	3,457
Taxes refundable (Note 15)	272,969
	291,457

The balance recorded under Trade debtors for sales and services rendered relates to customers for whom the Company has performed installations on behalf of the group company, Instalaciones Díaz Tejeiro, S.L.

9. Current investments

At the year end, this heading can be broken down as follows:

	Euros
Other loans	18,026
Deposits with financial institutions (Note 6)	18,000
	36,026

The balance Other loans relates to an amount receivable in December 2006 arising from the sale of the investment in 0.47% of the share capital of Brumale, S.L.

The balance recorded under Deposits with financial institutions includes interests in two investment funds that have no determined maturity date. However, the investments are covered by a full guarantee ensuring that the amount invested will be recovered, which terminates on 31 December 2006, if the market value of the investments falls below the amount invested. For this reason, the investment has been classified as a current asset.

The investment in the fund Fonduero amounting to 12,000 euros is pledged to secure a 546,557 euro loan granted to the Company by Caja Duero (Note 13).

During 2005, the deposits recorded at the end of the previous year matured, amounting to 50,000 and 410,000 euros respectively. These investments accrued interest an average rate of 2.15% during the year.

10. Deferred expenses

Amounts and movements in the items included under this heading during the year are as follows:

				Euros
	Balance at 31.12.04	**Additions**	**Recognized in income statement**	**Balance at 31.12.05**
Interest expense relating to finance leases	-	6,863	1,851	5,012
Ministry of Industry loan (Note 12)	-	225,872	-	225,872
Ministry of Industry loan (Note 12)	-	104,929	-	104,929
	-	**337,664**	**1,851**	**335,813**

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11. Equity

Amounts and movements in the items included under this heading during the year are as follows:

Euros

	Balance at 31.12.04	Distribution of profit 2004	Issues of share capital	Profit for the year 2005	Balance at 31.12.05
Share capital	242,330	-	535,270	-	777,600
Legal reserve	3,523	4,835	-	-	8,358
Voluntary reserves	31,704	43,513	(59,990)	-	15,227
Profits and losses	48,348	(48,348)	-	23,003	23,003
	325,905	-	475,280	23,003	824,188

Share capital

Share capital consists of 77,760 fully paid-up shares with a par value of 10 euros each.

During 2005 the following issues of share capital took place:

- In accordance with the Resolutions adopted at the Shareholders Meeting held on 17 June 2005, the Company increased its share capital by 80,000 euros by issuing 8,000 shares with a par value of 10 euros each, payable at the time of subscription. The issue of the 8,000 shares was fully subscribed by existing shareholders in proportion to their existing shareholdings. All shares issued were paid for in cash.

- In accordance with the Resolutions adopted at the Shareholders Meeting held on 29 July 2005, the Company increased its share capital by 79,970 euros by issuing 7,997 shares with a par value of 10 euros each, payable at the time of subscription. The issue of the 7,997 shares was fully subscribed by existing shareholders in proportion to their existing shareholdings. Of the total number of shares issued, 1,998 shares were paid for in cash and the remaining 5,999 shares were issued by debiting reserves recorded in the balance sheet as at 30 March 2005, which was unanimously approved by the shareholders.

- In accordance with the Resolutions adopted at the Shareholders Meeting held on 14 September 2005, the Company increased its share capital by 140,220 euros by issuing 14,022 shares with a par value of 10 euros each, payable at the time of subscription. The issue of the 14,022 shares was fully subscribed by existing shareholders in proportion to their existing shareholdings. All shares issued were paid for in cash.

- In accordance with the Resolutions adopted at the Shareholders Meeting held on 15 November 2005, the Company increased its share capital by 235,080 euros by issuing 23,508 shares with a par value of 10 euros each, payable at the time of subscription. The issue of the 23,508 shares was fully subscribed by existing shareholders in proportion to their existing shareholdings. All shares issued were paid for in cash.

At 31 December 2005 the distribution of share capital among shareholders was as follows:

	Number of shares	% shareholding
Enrique Díaz-Tejeiro Gutiérrez	15,172	19.51
Mª Dolores Larrañaga Horna	15,172	19.51
Enrique Díaz-Tejeiro Larrañaga	15,172	19.51
Arturo Díaz-Tejeiro Larrañaga	15,172	19.51
Miguel Díaz-Tejeiro Larrañaga	15,172	19.51
Other	1,900	2.45
Total	**77,760**	**100**

Legal reserve

In accordance with the Spanish Companies Act, 10% of profits for the year must be transferred to the legal reserve each year until it represents at least 20% of share capital.

The legal reserve may be used to increase share capital, provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except for the aforementioned purpose, until the legal reserve exceeds 20% of share capital, this reserve may only be used to set off losses, and only if other available reserves are insufficient for this purpose.

Voluntary reserves

These reserves are available for distribution.

Profit for the year

The proposal to be presented to the General Meeting of Shareholders regarding the distribution of profits for the 2005 year is as follows:

	Euros
Available for distribution	
Profit for the year	23,003
	23,003
Distribution	
Legal reserve	2,300
Voluntary reserves	20,703
	23,003

12. Deferred income

Amounts and movements in the items included under this heading during the year are as follows:

				Euros
	Balance at 31.12.04	Additions	Recognized in income statement	Balance at 31.12.05
IDAE (Note 13)	123,748	-	-	123,748
IDAE (Note 13)	-	163,967	-	163,967
IDAE (Note 13)	28,801	-	4,114	24,687
IDAE (Note 13)	-	38,002	5,429	32,573
Ministry of Industry loan (Notes 10 and 13)	-	225,872	-	225,872
Ministry of Industry loan (Notes 10 and 13)	-	104,929	-	104,929
	152,549	532,770	9,543	675,776

The breakdown of government grants received for interest and accelerated loan repayments is as follows:

Grantor	Euros	Purpose	Date granted
IDAE (Note 13)	123,748	Accelerated repayment of loan	26.10..2004
IDAE (Note 13)	163,967	Accelerated repayment of loan	14.04.2005
IDAE (Note 13)	28,801	Assistance relating to loan interest payments	26.10..2004
IDAE (Note 13)	38,002	Assistance relating to loan interest payments	14.04.2005
Ministry of Industry loan (Notes 10 and 13)	225,872	Interest-free loan	05.10.2005
Ministry of Industry loan (Notes 10 and 13)	104,929	Interest-free loan	26.07.2005
	685,319		

13. Borrowings with financial institutions

Set out below is a breakdown of borrowings with banks and other financial institutions at the year end:

Euros

Company	Original amount	Type of transaction	Maturity date	Current	Non-current	Total
Caja Duero (i)	412,496	Loan	12-11-2011	33,600	189,375	222,975
Caja Duero (ii)	546,557	Loan	14-04-2012	44,400	269,883	314,283
CDTI-Santander	260,760	Loan	30-09-2006	258,803	-	258,803
Ministry of Industry (i)	400,000	Loan	30-11-2015	-	400,000	400,000
Ministerio Industria (ii)	861,053	Loan	15-10-2015	-	861,053	861,053
				336,803	**1,720,311**	**2,057,114**
Banco Gallego	40,303	Finance lease	27-04-2009	9,919	23,144	33,063
Banco Gallego	42,809	Finance lease	27-04-2009	10,484	24,461	34,945
Barclays	32,050	Finance lease	07-09-2009	8,013	21,369	29,382
				28,416	**68,974**	**97,390**
Banco Gallego	-	Line of credit (*)		56,098	-	56,098
				421,317	**1,789,285**	**2,210,602**

(*) The credit limit for the credit account granted by Banco Gallego amounts to 150,000 euros and accrues interest at a rate of 3.15%.

Caja Duero loan (i)

On 12 November 2004, a loan was obtained from Caja Duero within the scope of the Finance Agreement "Financing of Investments in Renewable Energies and Energy Efficiency" concluded between Caja Duero and the Official Credit Institute (ICO). This loan is the result of the collaboration between ICO and the Ministry of Science and Technology, through the Energy Savings and Diversification Institute ("Instituto para la Diversificación y Ahorro de Energía (IDAE)"). The original amount of the loan amounts to 412,496 euros. The interest rate applicable to this loan is 3.246% during the first six months and Euribor plus 1% thereafter.

When obtaining this loan, the Company committed to using the financing received exclusively to finance the investment project presented, "Instalación Térmica de A.C.S. Uso Industrial" and maintain the financed investment on its balance sheet for at least five years from the date on which the agreement was concluded.

As a result of the financing facilities agreed between IDAE-ICO and financial institutions, IDAE granted the Company a subsidy to cover the initial repayment on the loan, amounting to 123,748 euros (Note 12). In addition, IDAE granted the Company a subsidy for the interest accruing on this loan, amounting to 28,801 euros (Note 12).

Caja Duero loan (ii)

On 14 April 2005, a loan was obtained from Caja Duero within the scope of the Finance Agreement "Financing of Investments in Renewable Energies and Energy Efficiency" concluded between Caja Duero and the Official Credit Institute (ICO). This loan is the result of the collaboration between ICO and the Ministry of Science and Technology through the Energy Saving and Diversification Institute ("Instituto para la Diversificación y Ahorro de Energía (IDAE)"). The original amount of the loan amounts to 546,557 euros. The interest rate applicable to this loan is 3.245% during the first six months and Euribor plus 1% thereafter.

When obtaining this loan, the Company committed to using the financing received exclusively to finance the investment project presented, "Instalación de A.C.S. y Refrigeracion en Fabrica" and maintain the financed investment on its balance sheet for at least five years from the date on which the agreement was concluded.

As a result of the financing facilities agreed between IDAE-ICO and financial institutions, IDAE granted the Company a subsidy to cover the initial repayment on the loan, amounting to 163,967 euros (Note 12). In addition, IDAE granted the Company a subsidy for the interest accruing on this loan, amounting to 38,002 euros (Note 12).

CDTI-Santander Loan

On 29 September 2004, the Industrial Technological Development Centre ("Centro para el Desarrollo Tecnológico Industrial (CDTI)") informed the Company of its participation in the Technological Innovation project named "Development of a Photovoltaic Panel Assembly Line", consisting of a repayable, interest-free loan that may be co-financed by FEDER Funds, amounting to 347,680 euros, based on the total investment accepted by CDTI, which amounts to 869,200 euros. This approval is subject to the following conditions:

- A share capital increase, or increase plus premium, totalling 347,680 euros and contributed by the shareholders in cash.

- Security for the CDTI loan or provision, at the discretion of CDTI, of sufficient guarantees for the loan.

According to the agreement established between CDTI and the Company, the latter opted to obtain a pre-financing line of credit relating to CDTI R&D 2004 projects from a financial institution in order to facilitate the financing of the Project under consideration, until the amount loaned by CDTI becomes available. This line of credit allows companies that have gained approval for CDTI R&D projects to choose between obtaining the amount granted through a traditional milestone completion certification system (partial payments) or in advance (lump sum) through a bank loan of up to 75% or 60% of the amount granted.

According to the Pre-financing Agreement (the Agreement) concluded between CDTI and Santander Central Hispano, on 30 November 2004, pre-financing relating to the CDTI R+D project was formalized, such that the Company obtained a loan amounting to 260,760 euros from Santander Central Hispano.

The interest rate applicable to this loan is 2.71% until 31 May 2005, and Euribor plus 0.5% thereafter.

The amount lent by CDTI will be paid to the Company upon verification of compliance with the obligations established in the agreement.

Ministry of Industry loan (i)

On 26 July 2005, the Ministry of Industry, Tourism and Commerce adopted a Resolution to grant the Company a reimbursable loan to finance the "Project to manufacture photovoltaic modules and cells". The total amount of the budgeted expenditure on the project amounts to 965,140 euros and covers all costs and investments necessary to launch the abovementioned project.

The grant consists of a 400,000 euro interest-free loan to be repaid over 10 years, with a 3-year grace period. This loan is subject to several conditions, including the obligation to make the required investments and incur the necessary costs between 1 January and 31 December in the year in which the loan is granted.
On 27 December 2005, the Company requested a 6 month extension for the execution of the project, and for payment and presentation of documentation (up to 30 June 2006). This request was made owing to the delay in the delivery and installation of some of the highly technical equipment related to the project. On 30 December 2005, the Director General of Industrial Development at the Ministry of Industry, Tourism and Commerce issued a Resolution extending the deadlines for making and justifying the investments, until 30 June and 31 July 2006, respectively.

The Company has deposited a guarantee amounting to 400,000 euros in favour of the Ministry of Industry (Note 19) to cover the guarantees required relating to the above mentioned reimbursable loan.

Ministry of Industry loan (ii)

On 5 October 2005, the Ministry of Industry, Tourism and Commerce adopted a Resolution to grant the Company a reimbursable loan to finance the "Project for developing a prototype of a thermal solar collector by means of concentration and the launch of a production line". The total amount of the budgeted expenditure on the project amounts to 1,148,070 euros and covers all costs and investments necessary to launch the abovementioned project.

The grant consists of an 861,052.50 euro interest-free loan to be repaid over 10 years, with a 3-year grace period. This loan is subject to several conditions, including the obligation to make the required investments and incur the necessary costs between 1 January and 31 December in the year in which the loan is granted.

On 27 December 2005, the Company requested a 6 month extension for the execution of the project, and for payment and presentation of documentation (up to 30 June 2006). This request was made owing to the delay in the delivery and installation of some of the highly technical equipment involved related to the project. On 19 January 2006, the Director General of Industrial Development at the Ministry of Industry, Tourism and Commerce issued a Resolution extending the deadlines for making and justifying the investments, until 30 June and 31 July 2006, respectively.

The Company has deposited a guarantee amounting to 861,052.50 euros in favour of the Ministry of Industry (Note 19) to cover the guarantees required relating to the above mentioned reimbursable loan.

Non-current liabilities fall due as follows:

	Euros
Maturing in	
2007	99,873
2008	101,837
2009	278,780
2010	270,250
Thereafter	1,038,545
Total	**1,789,285**

14. Current liabilities

At the year end, this heading can be broken down as follows:

	Euros
Borrowings with financial institutions (Note 13)	421,317
Trade creditors	1,110,977
Taxes refundable (Note 15)	37,838
Total	**1,570,132**

15. Taxation

The reconciliation between profit for the year and taxable income is set out below:

	Euros
Profit before taxes and taxable income	**32,861**
Initial 90,151.81 euros at 30% (small and medium sized business rate)	30%
Corporate income tax expense: tax payable	**9,858**
Withholdings and interim payments made	(14,594)
Amount refundable	**(4,736)**

In compliance with the provisions established by Article 108 of the Corporate Income Tax Act, which establishes the requirements that must be met by a company to benefit from the tax incentives for small companies, and in application of Article 114 of the Act, current tax is calculated by applying a 30% rate to taxable income up to 90,151.81 euros and a 35% rate to remaining taxable income.

The Company's tax returns for all relevant taxes incurred from the date of its incorporation are open to inspection by the tax authorities.

At the year end, there are no unutilized tax losses available for compensation.

As a result of the different interpretations to which Spanish tax legislation lends itself, additional tax liabilities may arise in the event of tax inspections. The Sole Administrator considers, however, that any additional liabilities that may exist would not significantly affect these annual accounts.

The breakdown of taxes payable and refundable at the year end is as follows:

	Euros	
	Taxes refundable	**Taxes payable**
Employee tax withholdings	-	28,674
Social Security contributions	-	9,164
Corporate income tax for 2005	4,736	-
Corporate income tax for 2004	11,575	-
Value Added Tax	256,658	-
	272,969	**37,838**

16. Income and expenses

a) Analysis of net revenue

The Company's net revenue arising from ordinary activities was generated in Spain.

b) Consumption of raw materials and other consumables

	Euros
Purchase of raw materials and other consumables	176,573
Difference between opening and closing inventories	(125.280)
	51.293

c) Transactions with group companies

	Euros	
	Expenses	**Income**
Interest on loans to group companies	-	22,991

d) Transactions carried out in foreign currency are set out below:

	Euros
Purchases of fixed assets (US dollars)	544,609

e) Personnel costs

The breakdown of the heading Personnel costs at the year end is as follows:

	Euros
Wages, salaries and similar remuneration	259,196
Staff welfare expenses	10,688
	269,884

At the year end the Company had the following employees:

Category	**Number**
Directors	4
Operators	14
	18

The Company has no commitments for pensions or similar items with its personnel.

f) Other operating expenses

This heading breaks down as follows at the year end:

	Euros
Lease and rental expenses	16,708
Repairs and maintenance	16,991
Independent professional services	63,914
Transport costs	51,332
Bank charges	5,753
Insurance premiums	11,578
Advertising expenses	31,078
Supplies	4,453
Other expenses	40,914
Taxes and duties	6,400
Total	**249,121**

17. Other information

a) Remuneration paid to the Sole Administrator

The Company's Sole Administrator received a salary of 114,162 euros during the year. No advance payments, loans, pension commitments, retirement awards, life insurance or special indemnities have been granted.

b) Audit fees

The fees charged by the Company's auditor for services rendered amounted to 16,000 euros.

18. Environmental matters

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

The Company has adopted all appropriate measures with respect to the protection and improvement of the environment and the minimization of any environmental impact of its activities, and complies with current legislation in this respect. During the year the Company did not make any investments of an environmental nature, and did not incur any expenses relating to the protection and improvement of the environment. Therefore, it was not considered necessary to make any provision for environmental risks or expenses, since there are no contingencies relating to the protection and improvement of the environment or any environmental liabilities.

19. Guarantees

The breakdown of bank guarantees provided by the Company that are in existence at the year end are as follows:

Beneficiary	Item	Euros
Ministry of Industry (Note 13)	Repayable loan	400,000
Ministry of Industry (Note 13)	Repayable loan	861,052

20. Transition to International Financial Reporting Standards

Article 107 of Law 62/2003 (30 December) on Tax, Administrative and Social Order Measures introduces a new provision (16) to Article 200 of the Spanish Companies Act, stipulating that companies that have issued securities listed on a regulated market in any Member State of the European Union and that, in accordance with current legislation, only publish separate annual accounts, must report on the potential effect of the application of International Financial Reporting Standards approved by the European Commission Regulations (IFRS-EU) on equity and profit for the year in the in the notes to the annual accounts. Given that, as mentioned in Note 1, the Company is involved in an initial public offering (IPO), the relevant reconciliations have been prepared in order to quantify the impact of the application of IFRS-EU.

Effect of the application of IFRS-EU on equity:

	Euros Equity 31.12.05
Local accounting standards	**824,188**
Adjustments	-
Tax effect of IFRS-EU adjustments	-
Equity under IFRS-EU	**824,188**

Effect of the application of IFRS-EU on 2005 profit for the year:

	Euros Profit 31.12.05
Local accounting standards	**23,003**
Adjustments	-
Tax effect of IFRS-EU adjustments	-
Profit for the year under IFRS-EU	**23,003**

Exceptions to the retrospective application of IFRS-EU followed by the Company

a) Derecognition of financial assets and liabilities

The Company has applied the derecognition requirements established by IAS 39 *Financial Instruments: Recognition and Measurement* on a prospective basis, for transactions that took place on or after 1 January 2004.

b) Hedge accounting

There were no derivatives or hedging transactions in existence at the date of transition to IFRS-EU.

c) Estimates

Estimates made under IFRS-EU at the transition date are consistent with the estimates made at that same date under the previously applied local accounting standards. There is no evidence that estimates made previously were erroneous.

d) Assets held for sale and discontinued operations

The Company did not have any assets that qualified for classification as held for sale during the periods for which information is presented. It was not necessary to make any adjustments in this regard.

21. Statement of source and application of funds

	Euros			Euros	
APPLICATION OF FUNDS	2005	2004	SOURCE OF FUNDS	2005	2004
Acquisition of fixed assets			Funds generated from operations	112,277	55,414
Intangible fixed assets	109,166	-			
Tangible fixed assets	1,913,521	263,113	Short-term portion of long-term investments	18,000	-
Investments	545,782	59,550			
			Interest on long-term borrowings with financial institutions	1,278,710	510,575
Increase in deferred expenses	337,664	-	Government grants related to assets	532,770	152,549
			Issues of share capital	475,280	150,030
TOTAL APPLICATIONS	2,906,133	322,663	TOTAL SOURCE OF FUNDS	2,417,037	868,568
Surplus of source over application of funds (increase in working capital)		545,905	**Surplus of application over source of funds (decrease in working capital)**	489,096	
TOTAL	2,906,133	868,568	TOTAL	2,906,133	868,568

	Euros	
	2005	2004
Inventories	125,280	(43,661)
Debtors	68,108	(53,069)
Creditors	(1,447,038)	115,015
Current investments	(442,642)	478,668
Cash and cash equivalents	1,207,196	48,952
CHANGE IN WORKING CAPITAL	(489,096)	545,905

The reconciliation between profits for the year and funds generated from operations is as follows:

	Euros	
	2005	2004
Profit for the year	23,003	48,348
Depreciation and amortization expense	96,966	7,066
Government grants related to assets recognized in income	(9,543)	-
Deferred expenses recognized in income	1,851	-
Total	**112,277**	**55,414**

22. Events after the balance sheet date

On 1 January 2007, the shareholders of Solaria Energía y Medio Ambiente, S.L. in general meeting approved the transformation of the status of the Company into a public limited liability company, as well as a share split of the issued share capital, by means of the exchange of 1,000 new shares with a par value of 0.01 euros each for every previously issued share with a par value of 10 euros each, thereby increasing the number of issued shares from 77,760 shares to 77,760,000 shares, but with no effect on the amount of share capital issued by the Company. The shares are owned by the same shareholders in the same proportion as their previous holdings before the adoption of the agreement to transform the status of the Company.

On 21 March 2007, the Company filed an application with the Madrid Mercantile Registry to transform its status from a private limited liability company to a public limited liability company, in accordance with a Resolution approved by a General Meeting of the Company's shareholders held on 1 January 2007.

On 26 March 2007, the Mercantile Registrar appointed an independent expert to issue the Company with the required non-monetary equity report. This report will be furnished within one month from the date of acceptance of the appointment.

The Company's Management is not aware of any other significant events after the balance sheet date which would affect these annual accounts.

Solaria

ABRIDGED BALANCE SHEET

ASSETS

	Abridged annual accounts approved by shareholders on 30 June 2006	Restated abridged annual accounts	Difference (**)
Intangible fixed assets	68,713	98,092	29,379
Tangible fixed assets	2,003,662	2,118,271	114,609
Deferred expenses	3,462	335,813	332,351
Investments	-	587,332	587,332
Inventories	125,280	125,280	-
Debtors	837,839	291,457	(546,382)
Current investments	36,026	36,026	-
Cash and cash equivalents	1,267.312	1.267.110	(202)

LIABILITIES

	Abridged annual accounts approved by shareholders on 30 June 2006	Restated abridged annual accounts	Difference (**)
Equity	894,260	824,188	(70,072)
Deferred income	197,112	675,776	478,664
Non-current liabilities	2,028,703	1,789,285	(239,418)
Current liabilities	1,227,220	1,570,132	342,912

ABRIDGED INCOME STATEMENT

EXPENSE

	Abridged annual accounts approved by shareholders on 30 June 2006	Restated abridged annual accounts	Difference (**)
Purchase of raw materials and other consumables	51.293	178.966	127.673
Personnel costs	261.384	269.884	8.500
Depreciation and amortization expense	132.167	96.966	(35.201)
Difference between opening and closing inventories	0	(125.280)	(125.280)
Change in impairment provisions against current assets	(83.000)	0	83.000
Other operating expenses	242.457	249.121	6.664
Financial expenses	26.377	25.169	(1.208)
Losses arising from exchange differences	7.860	7.860	-
Profit before taxes	97.951	32.861	(65.090)
Corporate income tax expense	29.385	9.858	(19.527)
Profit for the year	68.565	23.003	(45.562)

INCOME

	Abridged annual accounts approved by shareholders on 30 June 2006	Restated abridged annual accounts	Difference (**)
Net revenue	698.866	698.866	-
Other interest and similar income	4.769	27.119	22.350
Government grants related to assets recognized in income during the year	32.852	9.543	(23.309)

(*) This Appendix forms an integral part of Note 2.c)
(**) The identified differences are effectively due to accrual problems related to cut-off of operations

Solaria Energía y Medio Ambiente, S.L.

PREPARATION OF THE ABRIDGED ANNUAL ACCOUNTS FOR 2005

On 28 March 2006, the Sole Administrator of the company Solaria Energía y Medio Ambiente, S.L., in compliance with the provisions of Article 171 of the Spanish Companies Act and Article 37 of the Spanish Code of Commerce, prepared the abridged annual accounts for the financial year ended 31 December 2005, which were approved by the shareholders in a General Meeting held on 30 June 2006, consisting of the preceding documents.

SIGNATORIES: **SIGNATURE**

Sole Administrator:
Name