SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Auditor's report on the financial statements

PRICEWATERHOUSECOOPERS

Paseo de la Castellana, 43
28046 Madrid
Tel. +34 902 021 111
Fax +34 913 083 566

Free translation of the auditor's report on the financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of Solaria Energía y Medio Ambiente, S.A. at the request of the Board of Directors

We have audited the financial statements of Solaria Energía y Medio Ambiente, S.A. consisting of the balance sheet as at December 31, 2007, the income statement, the statement of changes in equity, the cash flow statement and the related notes to the financial statements for the year then ended, the preparation of which is the responsibility of the Directors of the Company. Our responsibility is to express an opinion on the financial statements 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 financial statements and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

The Company's Directors have presented, for comparative purposes only, for each item in the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the related notes to the financial statements, the corresponding amounts for the previous year as well as the amounts for 2007. Our opinion refers solely to the financial statements for 2007. On May 21, 2007 we issued our audit report on the financial statements for 2006 in which we expressed an unqualified opinion.

The Company prepares its annual accounts in accordance with generally accepted accounting principles in Spain, nevertheless, as indicated in Note 2.1., the accompanying financial statements have been prepared for the sole purpose of presenting financial information in accordance with International Financial Reporting Standards adopted by the European Union, for comparative purposes with listed companies, as the Company has been listed on the four Spanish Stock Exchanges and continuous market since June 19, 2007.

In our opinion, the accompanying financial statements for 2007 present fairly, in all material respects, the financial position of Solaria Energía y Medio Ambiente, S.A. as at December 31, 2007 and the results of their operations, changes in net equity and cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards as adopted by the European Union, applied on a basis consistent with the preceding year.

PricewaterhouseCoopers Auditores, S.L.

Originally signed by Iñaki Goiriena Basualdu
Audit Partner

March 11, 2008

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

Solaria

Table of contents for the Financial Statements for Solaria Energía y Medio Ambiente, S.A.

Note		Page
	Balance sheets	3
	Income statements	4
	Statements of changes in equity	5
	Cash flow statements	6
	Explanatory notes to the financial statement:	
1	General information	7
2	Accounting policies	8
	2.1. Basis of presentation	8
	2.2. Segment information	13
	2.3. Foreign currency transactions	13
	2.4. Intangible assets	13
	2.5. Research and development costs	14
	2.6. Property, plant and equipment	14
	2.7. Leases	15
	2.8. Interest costs	16
	2.9. Impairment of non-financial assets	16
	2.10. Financial assets	16
	2.11. Derivative financial instruments and hedging	19
	2.12. Inventories	21
	2.13. Cash and cash equivalents	21
	2.14. Share capital	21
	2.15. Deferred revenues	21
	2.16. Trade and other payables	22
	2.17. Bank loans and overdrafts	23
	2.18. Provisions	23
	2.19. Employee benefits	24
	2.20. Corporate income tax	24
	2.21. Revenue recognition	25
	2.22. Dividend distribution	26
	2.23. Environment	26
3	Financial risk management	26
	3.1. Financial risk factors	26
	3.2. Equity management and debt levels	29
	3.3. Fair value estimation	30
4	Accounting estimates and judgments	31
5	Reconciliation of IFRS-EU to local GAAP	33
	5.1. IFRS-EU transition basis	33
	5.2. Reconciliation of IFRS-EU to local GAAP	33
6	Segment information	35
7	Property, plant and equipment	40
8	Intangible assets	43

9	Financial assets available for sale and other financial assets	44
10	Loans to related companies	45
11	Inventories	46
12	Trade and other receivables	47
13	Cash and cash equivalents	48
14	Equity	48
15	Deferred revenues	54
16	Bank loans and overdrafts	58
17	Trade and other payables	66
18	Derivative financial instruments	67
19	Corporate income tax and tax situation	70
20	Income and expense	74
21	Earnings from shareholdings	77
22	Cash generated from operations	78
23	Related-party transactions	79
24	Other information	81
25	Guarantees	83
26	Commitments	87
27	Subsequent events	88

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006 (In euros)

Solaria

	Note	At 31 December 2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	7	32.743.484	7.219.437
Intangible assets	8	16.624	12.104
Financial assets available for sale and other financial assets	9	33.870	20.270
Deferred tax assets	19	5.689.249	9.180
		38.483.227	**7.260.991**
Current assets			
Inventories	11	34.785.871	17.655.387
Trade and other receivables	12	147.390.134	8.987.103
Loans to related companies	10	30.611.720	591.194
Financial assets available for sale and other financial assets	9	508.097	600.000
Derivative financial instruments	18	12.905	11.966
Current tax assets	19	28.648	31.102
Cash and cash equivalents	13	153.163.150	4.227.789
		366.500.525	**32.104.541**
Total assets		**404.983.752**	**39.365.532**
EQUITY			
Capital and reserves attributable to Company shareholders			
Share capital		1.011.467	777.600
Share premium		213.585.877	-
Reserves		3.279.794	46.588
Restatement reserves	14	(5.081.386)	-
Profit for the year		48.400.105	5.642.759
Total equity		**261.195.857**	**6.466.947**
LIABILITIES			
Non-current liabilities			
Bank loans and overdrafts	16	14.580.813	8.770.100
Deferred revenues	15	4.869.900	4.909.792
Deferred tax liabilities	19	1.170.847	165.859
		20.621.560	**13.845.751**
Current liabilities			
Bank loans and overdrafts	16	43.916.369	7.615.194
Trade and other payables	17	55.895.482	8.563.334
Deferred revenues	15	58.545	58.544
Derivative financial instruments	18	8.245.473	30.600
Current tax liabilities	19	15.050.470	2.785.162
		123.166.335	**19.052.834**
Total liabilities		**143.787.895**	**32.898.585**
Total equity and liabilities		**404.983.752**	**39.365.532**

The accompanying Notes 1 through 27 form an integral part of these financial statements

Solaria

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

INCOME STATEMENT (In euros)

	Note	Year ended 31 December 2007	2006
Sales	6	186.208.764	19.146.563
Deferred revenues transferred to the income statement	15	43.624	47.337
Operating grants		165.849	3.907
Other revenues		9.524	2.497
Consumption of raw and other consumable materials:	20(a)	(99.787.103)	(7.849.453)
External expenses	20(b)	(3.742.662)	(1.333.363)
Personnel costs	20(c)	(8.075.025)	(603.904)
Amortization/depreciation expense	7 and 8	(617.253)	(209.662)
External service expense	20(d)	(3.124.635)	(442.886)
Net loss on the disposal of non-current assets	20(e)	(3.020)	(9.546)
Trade receivable impairment losses	12	-	(14.220)
Other operating costs		-	(31.268)
Operating profit		**71.078.063**	**8.706.002**
Financial income	20(f)	4.421.327	223.440
Financial expense	20(g)	(3.947.796)	(317.036)
Profit before income tax		**71.551.594**	**8.612.406**
Corporate income tax	19	(23.151.489)	(2.969.647)
Profit for the year		**48.400.105**	**5.642.759**
Earnings per share for profit attributable to Company shareholders during the year (expressed in euros per share)			
- Basic and diluted	21	0,90	72,57

The accompanying Notes 1 through 27 form an integral part of these financial statements.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (In euros)

	Attributable to Company shareholders						
	Share capital (Note 14)	Share premium (Note 14)	Legal reserve	Voluntary reserves	Restatement reserve (Note 14)	Profit for the year	TOTAL EQUITY
Balance at 31 December 2005	**777.600**	-	**8.358**	**15.227**	-	**23.003**	**824.188**
Profit for the year	-	-	-	-	-	5.642.759	5.642.759
Total income recognized in 2006	-	-	-	-	-	5.642.759	5.642.759
Distribution of 2005 profit	-	-	2.300	20.703	-	(23.003)	-
Balance at 31 December 2006	**777.600**	-	**10.658**	**35.930**	-	**5.642.759**	**6.466.947**
Profit for the year	-	-	-	-	-	48.400.105	48.400.105
Total income recognized in 2007	-	-	-	-	-	48.400.105	48.400.105
Share capital increases	233.867	210.005.765	-	-	-	-	210.239.632
Distribution of 2006 profit	-	-	550.452	2.682.307	-	(5.642.759)	(2.410.000)
Cash flow hedges	-	-	-	-	(7.259.1 22)	-	(7.259.122)
Other movements	-	-	-	447	-	-	447
Tax effect	-	3.580.112	-	-	2.177.736	-	5.757.848
Balance at 31 December 2007	**1.011.467**	**213.585.877**	**561.110**	**2.718.684**	**(5.081.386)**	**48.400.105**	**261.195.857**

The accompanying Notes 1 through 27 form an integral part of these financial statements.

Solaria

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

CASH FLOW STATEMENTS (In euros)

	Note	Year ended 31 December 2007	2006
Cash flows from operations:			
Cash (used by)/generated from operations	22	(67.256.747)	(5.664.062)
Interest paid		(2.904.881)	(201.613)
Corporate income tax paid		(9.800.496)	(42.598)
Net cash used in operations		**(79.962.124)**	**(5.908.273)**
Cash flows from investments:			
Acquisition of property, plant and equipment		(26.059.763)	(5.177.388)
Income from the disposal of property, plant and equipment	22	76.850	109.397
Acquisition of intangible assets		(11.523)	(15.740)
Deposits		(521.697)	(602.270)
Withdrawal of deposits		600.000	-
Repayment of loans granted to related parties		591.194	98.309
Interest received		4.377.822	129.473
Net cash used in investing activities		**(20.947.117)**	**(5.458.219)**
Cash flows from financing activities:			
Income from the issue of ordinary shares		210.239.632	-
Dividends paid		(2.410.000)	-
Income from bank loans and overdrafts		34.291.668	11.475.077
Repayment of bank loans and overdrafts		(738.744)	(445.231)
Net income from current accounts at credit institutions		8.499.800	3.428.705
Grants received		-	-
Repayment of finance leases		(37.754)	(131.380)
Net cash generated from financing activities		**249.844.602**	**14.327.171**
Net increase in cash and cash equivalents		**148.935.361**	**2.960.679**
Cash and cash equivalents at the start of the year		4.227.789	1.267.110
Cash and cash equivalents at the end of the year	13	**153.163.150**	**4.227.789**

The accompanying Notes 1 through 27 form an integral part of these financial statements.

1. General information

Solaria Energía y Medio Ambiente, S.A. (hereinafter SOLARIA or the Company) was incorporated on 27 November 2002.

Its corporate purpose principally consists of:

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

On 21 September 2006, SOLARIA moved its registered address to Madrid, C/ Núñez de Balboa, 120.

On 21 March 2007 SOLARIA filed an application with the Madrid Mercantile Registry to transform the Company from a private limited liability company to a public limited liability company, in accordance with the Resolution approved by the Universal Meeting held by Shareholders of Solaria Energía y Medio Ambiente, S.L. on 1 January 2007.

On 26 March 2007, the Mercantile Registrar appointed an independent expert to prepare a report on SOLARIA's non-monetary equity. A favorable report was issued on 10 May 2007.

SOLARIA began the expansion of its activities in 2005 by building a plant to produce photovoltaic and thermal modules on the land it owns in Puertollano (Ciudad Real). The construction of the photovoltaic module production line was completed in the first quarter of 2006, the time as from which SOLARIA commenced production for use in the following lines of business:

a) Photovoltaic modules for sale to third parties.

b) Photovoltaic modules for use in turnkey projects consisting of the design, planning and execution of photovoltaic solar energy plants through agreements covering the construction, installation and launch of photovoltaic solar plants. SOLARIA assumes responsibility for all stages of the process, from obtaining administrative permits to the launch of the operation.

In addition, during the final quarter of 2006, SOLARIA started to design, produce and install thermal solar modules in buildings.

In order to continue with its expansion in the future, SOLARIA plans to integrate vertically throughout the value chain, eliminating dependence on suppliers and reducing costs while increasing control over the design and production quality of the photovoltaic modules. In this respect, the perspectives for the two coming years consist fundamentally on building a plant to produce photovoltaic cells, which commenced during the first quarter of 2007 and is expected to start operations during the third quarter of 2008.

In addition, SOLARIA expects to increase capacity, principally with respect to the production of photovoltaic modules, thereby generating economies of scale.

In order to finance the aforementioned investments, SOLARIA issued a Public Share Offering (PSO) that ended on 19 June 2007 as is described in Note 14.

All of SOLARIA's shares are listed on the four official stock markets in Spain and on the continuous market since 19 June 2007.

2. Accounting policies

The main accounting policies used to prepare these financial statements are described below. These policies have been applied on a consistent basis to all the years presented in these financial statements, unless indicated otherwise.

2.1 Basis of presentation

The financial statements for SOLARIA at 31 December 2007 and 2006 have been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union and approved by European Commission Regulations (IFRS-EU) that are in force at 31 December 2007.

Up until the year ended 31 December 2007, inclusive, SOLARIA's annual accounts had been prepared in accordance with the provisions of Spanish mercantile legislation and the rules established in the Spanish General Accounting Plan. Given that these rules are differ in some areas from the criteria established by IFRS-EU, SOLARIA's Management has restated the figures relating to 2007 and 2006 in order to present comparative information in accordance with IFRS-EU (Note 5).

These financial statements have been prepared by the Management of SOLARIA in order to present financial information in accordance with IFRS-EU for the purposes of comparison with other listed companies, given that SOLARIA is listed on the four official stock markets in the Spain and on the continuous market since 19 June 2007.

The financial statements have been prepared with a historical cost focus, modified in those cases stipulated by the IFRS-EU rules, under which certain assets and liabilities are stated at their fair value.

The figures set out in the financial statements are stated in euros, unless otherwise indicated.

The preparation of financial statements in accordance with IFRS-EU requires use of certain critical accounting estimates. They also require that SOLARIA's Management apply its judgment to the process of implementing accounting policies. Note 4 reveals the areas that involve a larger degree of judgment or complexity, or the areas in which the assumptions and estimates are significant to the financial statements.

a) Interpretations that enter into force in 2007 but whose application does not have any effect on the financial statements prepared by SOLARIA.

The following interpretations are mandatory for years commencing as from 1 January 2007, although they do not have any effect on SOLARIA's operations:

- IFRIC 7, "Applying the Restatement Approach under IAS 29-Financial Reporting in Hyperinflationary Economies"
- IFRIC 9, "Reassessment of Embedded Derivatives"
- IFRIC 8, "Scope of IFRS 2"
- IFRIC 10, "Interim Financial Reporting and Impairment"

b) Standards entering into force in 2007

- IFRS 7, "Financial instruments: Disclosures": IFRS 7 introduces new disclosures to improve reporting on financial instruments, although it has no impact on the classification and valuation of the Company's financial instruments, or on the disclosures relating to taxes and suppliers and other payables.

SOLARIA already applied the amendment to IAS 1 "Presentation of Financial Statements-Disclosures about Capital" in the financial statements for 2006.

c) *Standards and amendments to existing standards that have not yet entered into force that the Company has not adopted early.*

At the date these financial statements were prepared the following standards and amendments had been published. These standards and amendments are mandatory for years commencing as from 1 January 2008 or subsequent years.

- IAS 23 (revised in march 2007) "Borrowing costs", is applicable to all years commencing as from 1 January 2009. This amendment has yet to be adopted by the European Union. The revised standard requires companies to capitalize interest costs that are directly attributable to the acquisition, construction or reduction of a qualified asset (that which necessarily requires a substantial period of time before being ready for use or for sale) as part of the cost of the asset. The option of immediately recognizing these borrowing costs as an expense for the period is eliminated. SOLARIA is evaluating the application of IAS 23 amended as from 1 January 2008, and subject to acceptance by the European Union.

- IFRS 8 "Operating Segments", is mandatory for years commencing as from 1 January 2009. IFRS 8 replaces IAS 14 and unifies the requirements for presenting financial information by segments with the US standard SFAS 131 "Disclosures about segments of an enterprise and related information". The new Standard requires a management approach under which segment information is presented on the same basis as which it is used for internal purposes. SOLARIA will apply IFRS 8 as from 1 January 2009. The expected impact of this standard is still being evaluated in detail by Management, although it seems likely that the number of segments being reported, as well as the manner in which the information is presented, will be modified in line with the internal information prepared and supplied to decision-making bodies.

- IAS 1 (revised in September 2007), "Presentation of Financial Statements" serves the purpose of improving the capacity of users to analyze and compare the information presented in the financial statements. This revised standard must be applied in years commencing as from 1 July 2009, although it has yet to be adopted by the European Union. SOLARIA is analyzing the potential impact that this standard will have on its financial statements, subject to the acceptance of the revised standard by the European Union.

d) Modifications and Interpretations of existing rules that have not yet entered into force and are not relevant to SOLARIA's operations.

At the date these financial statements were prepared, the IASB and the IFRIC had published the modifications and interpretations set out below which are mandatory for years commencing as from 1 January 2008, although they are not relevant to SOLARIA's operations.

- IFRIC 11, "IFRS 2 - Share-based payment" establishes the principles to determine whether or not a share-based transaction involving treasury stock or group companies (for example, options for stock in the parent company) must be recognized as a share-based payment settled using equity instruments or in cash in the individual accounts prepared by the parent company and group companies. This Interpretation must be applied in the years commencing as from 1 March 2007. The application of this interpretation does not have any effect on the financial statements prepared by SOLARIA given that it has no share-based payment plans.

- IFRIC 12, "Service Concession Arrangements", is applicable for years commencing as from 1 January 2008. IFRIC 12 applies to contracts in which a private operator participates in the development, financing, operations and maintenance of an infrastructure for public sector services. This interpretation has yet to be adopted by the European Union. IFRIC 12 is not relevant to the activities carried out by SOLARIA given that it does not render any services to the public sector.

- IFRIC 13, "Customer Loyalty Programs", is applicable for years commencing as from 1 July 2008. IFRIC 13 clarifies that in cases in which goods or services are provided together with a loyalty incentive (for example, loyalty points or free products), the agreement is considered to be a contract with multiple elements and the amount received or to be received from the customer must be attributed among the components of the agreement at their fair value. This interpretation has yet to be adopted by the European Union. IFRIC 13 is not relevant to SOLARIA's operations given that it does not have any customer loyalty plans.

- IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", which enters into force for all years commencing as from 1 January 2008. This interpretation has not yet been adopted by the European Union. IFRIC 14 provides guidance to evaluate the limit established by IAS 19 regarding the surplus that may be recognized as an asset. It also explains the manner in which the asset/liability for pensions may be affected by minimum financing obligations established by contract or by law. Given that SOLARIA does not have assets linked to a defined benefit plan, IFRIC 14 is not relevant to SOLARIA's operations.

- The amendment of IFRS 2, "Share-based Payment Vesting Conditions and Cancellations" limits the conditions for consolidating a concession of rights under a share-based payment agreement to the conditions for rendering services and performance conditions. In turn, the amendment of the definition of a condition for consolidating a concession clearly states that if a condition does not require (implicitly or explicitly) the rendering of services or the delivery of goods, it is not a condition for consolidating a concession. This amendment will be applicable to all the years that commence as from 1 January 2009 once it has been adopted by the European Union. This amendment is not relevant to the operations carried out by SOLARIA, given that it does not have any share-based payment plans.

- The amendment of IAS 32 and IAS 1 (revised in 2007), "Puttable Financial Instruments and Obligations Arising on Liquidation", which is applicable to years commencing as from 1 January 2009. This amendment has yet to be adopted by the European Union. The amendment improves accounting for certain types of financial instruments that are similar to ordinary shares but, according to current legislation, are classified as a financial liabilities. If specific characteristics are met, certain types of instruments will be classified as equity instruments. This amendment is not relevant to the operations carried out by SOLARIA, given that it does not have this type of financial instrument.

- IFRS 3 (revised in January 2008), "Business Combinations" is part of a joint effort by the IASB and the FASB in the United States to improve the presentation of financial information and to favor international convergence of accounting standards. This revised standard will be applicable to those business combinations whose acquisition date is the start of the first financial year commencing as from 1 July 2009, although it has yet to be adopted by the European Union. This standard is currently not relevant to SOLARIA given that it does not have any business combinations.

- IAS 27 (revised in January 2008 " "Consolidated and Separate Financial Statements" has been amended as part of the second stage of the business combination project started by the IASB together with the FASB in the United States. The amendments principally referred to the accounting for shareholdings not leading to control and the loss of control of a subsidiary. This revised standard must be applied in years commencing as from 1 July 2009, although it has yet to be adopted by the European Union. This standard is currently not relevant to SOLARIA given that it does not present consolidated financial statements.

2.2 Segment reporting

A business segment is a group of assets and transactions the aim of which is to supply products or services subject to risks and returns which differ from those of other business segments. A geographical segment provides products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in the other economic environments.

2.3 Transactions and balances in foreign currency

a) Functional and presentation currency

The items included in these financial statements are stated using the currency in the main economic environment in which SOLARIA operates ("functional currency"). The financial statements are presented in euros, which is the functional and presentation currency used by SOLARIA.

b) Transactions and balances

The conversion to euros of debtors and creditors expressed in foreign currency is applied at the current exchange rate at the time the transaction is carried out and is stated at the year end in accordance with the exchange rate in force at that time.

Exchange gains and losses, which result from the completion of these transactions and the conversion of monetary assets and liabilities denominated in foreign currency at year-end exchange rates, are recognized in the income statement.

2.4 Intangible assets

Intangible assets consist of software and these items are capitalized based on their acquisition cost and the cost of preparing to use the specific program concerned. They are recorded at their acquisition cost less accumulated amortization and any relevant accumulated impairment. Software is amortized on a straight-line basis over its useful life, which is estimated to be three years.

Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are not amortized. On an annual basis impairment tests are performed (note 2.9) and these items are recorded at their cost less any accumulated impairment losses.

SOLARIA does not have any intangible assets with an indefinite useful life at the balance sheet date.

2.5 Research and development costs

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following requirements are met:

- It is technically possible to complete production of the intangible asset such that it will be available for use or for sale;
- Management has the intention of completing the intangible asset concerned, for use or for sale;
- There is the capacity to use or sell the intangible assets;
- It is possible to demonstrate the manner in which the intangible asset will generate probable profits in the future;
- Adequate technical, financial or any other type of resources are available to complete development and to use or sell the intangible of asset; and
- It is possible to reliably value the payments attributable to the intangible asset during development.

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs with a finite useful life are amortized on a straight line basis as from the start of commercial production of the product concerned over the period in which profits are expected to be generated.

SOLARIA has not incurred any research and development expenses during 2007 and 2006.

2.6 Property, plant and equipment

Property, plant and equipment mainly records the plant and machinery that are necessary to manufacture thermal and photovoltaic modules. Property, plant and equipment is stated at acquisition costs, less any depreciation and accumulated impairment losses. Historic cost includes the expenses directly attributable to the acquisition of the items concerned.

Subsequent costs are included as an increase in the value of the asset or are recognized as a separate asset only when it is likely that the future profit associated with the items will flow to SOLARIA and the cost of the item may be reliably determined.

The book value of the replaced components is eliminated from the accounting records. All other repair and maintenance expenses are charged to the income statement in the year in which they are incurred.

The depreciation of property, plant and equipment is calculated on a straight-line basis in order to assign their costs to residual values relating to their estimated useful lives, as follows:

	Years
Buildings	33
Machinery	8
Plant	8 - 10
Computer processing equipment	4
Furnishings	10
Vehicles	6

The asset's residual values and useful life are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

The profit or loss on the sale of property, plant and equipment is calculated by comparing the income obtained on the sale against the book value of the assets concerned, and the difference is included in the income statement.

2.7 Leases

a) Finance leases

The determination of whether or not a contract contains a lease is based on the analysis of the nature of the agreement, which requires evaluation of whether or not compliance with the agreement falls to the use of a specific asset and whether or not the agreement confers the right to use that asset to SOLARIA.

SOLARIA leases several vehicles. When, in accordance with a lease covering property, plant and equipment, SOLARIA substantially has all the rights and benefits of ownership, it is classified as a finance lease. Finance leases are capitalized at the start of the lease period at the lower of the fair value of the leased property or the present value of the minimum payments due on the lease.

Each lease installment is distributed among liabilities and financial charges in order to obtain a constant interest rate applicable to the outstanding balance payable. The relevant lease obligations, net of financial charges, are included under Bank loans. The interest portion of the financial expense is charged to the income statement during the lease period such that a constant periodic interest rate is obtained with respect to the outstanding liability in each financial year. Assets acquired under finance leases are depreciated over their useful lives. Their useful life is equal to the useful life of vehicles that are not leased, given that there are purchase options applicable to the assets.

Therefore, there is reasonable certainty that SOLARIA will obtain ownership of the vehicles at the end of the lease period.

b) Operating leases

Leases under which the lessor maintains a significant portion of the risks and benefits of ownership of the assets covered by the contract are classified as operating leases. The payments for operating leases are charged to the income statement on a straight-line basis over the term of the lease.

2.8 Interest costs

Interest expense is taken to expenses and is not capitalized as part of the cost of the assets built, i.e. those that necessarily require a substantial period of time before entering into use.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization/depreciation. On an annual basis tests are performed to verify whether or not there are any impairment losses. Assets subject to amortization/ depreciation are subject to impairment tests provided that some event or change in circumstances indicates that carrying value may not be recoverable. An impairment loss is recognized as the excess book value for the asset compared with the recoverable value recorded in the income statement. The recoverable amounts is the fair value of an asset less the higher of the cost of sale or the value in use. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered an impairment loss are subject to reviews at each balance sheet date to determine if there have been any reversals of the loss. The reversal of an impairment loss is recognized in the income statement.

2.10 Financial assets

SOLARIA classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and accounts receivable, investments that are to be held to maturity and available- for- sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management classifies its investments at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are investments held for trading. A financial asset is classified under this category if it was acquired mainly for the purpose of being sold in the short-term. Derivatives are also classified as acquired for trading unless they are designated as hedging instruments. Assets under this category are classified as current assets.

b) Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for assets maturing in more than 12 months of the balance sheet date which are classified as non-current assets.

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that SOLARIA will not be able to collect all amounts due according to the original terms of the receivables. The existence of significant financial difficulties on the part of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganization and the default or delay in payments are considered to indicate that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The book value of the asset is reduced to the extent that the provision account is applied and the loss is recognized in the income statement under "impairment of trade receivables". When a receivable cannot be collected it is written off against the provision for receivables. The subsequent recovery of amounts previously written off is recognized as an asset under "impairment of receivables". Short-term Accounts Receivable, without any established interest rate, are stated at the amount of the original invoice when the effect of discounting is not significant.

c) Held-to-maturity financial assets

Investments held to maturity are non-derivative financial assets with fixed payments, or payments that may be determined, and established maturity dates for which SOLARIA's Management has the intention and the capacity to hold until maturity. If SOLARIA were to sell a significant amount of financial assets held to maturity, the complete category would be classified as available for sale. The held-to-maturity financial assets are included under non-current assets, except for those that mature within 12 months as from the balance sheet date, in which case they are classified as current assets.

d) Available-for-sale financial assets

Available-four-sale financial assets include assets designated for sale as well as those that are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Carrying of financial assets

Acquisitions and disposals of all financial assets are recognized at the trading date, i.e., on the date SOLARIA undertakes to acquire or sell the asset. Investments are recognized initially at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss Financial assets stated at fair value through profit and loss are initially recognized at their fair value and the transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial assets held to maturity are subsequently carried at their amortized cost in accordance with the effective interest rate method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized under equity. When the securities classified as available-for-sale are disposed of, or suffer impairment, the accumulated adjustments to fair value recognized under equity are included in the income statement.

The fair values of quoted investments are based on current purchase prices. Available-for-sale financial assets corresponding to unlisted shares are stated at cost when there is insufficient financial information regarding the business plans and financial perspectives that would allow a solid value analysis to be carried out using generally accepted techniques to determine the fair value of the asset, and there have been no significant transactions involving these assets.

At the balance sheet date, SOLARIA assesses whether there is objective evidence of impairment losses with respect to a financial asset or group of financial assets. For equity instruments classified as available for sale, in order to determine whether there are impairment losses, it will be necessary to examine whether there is a significant or protracted decline in the fair value of the securities to below cost. If there is any evidence of this type for available-for-sale financial assets, the cumulative loss determined as the difference between the acquisition cost and current fair value, less any impairment loss in that financial asset previously recognized in results is eliminated from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

Investments are written off when the rights to receive cash flows from them have expired or have been transferred and SOLARIA has transferred substantially all the risks and benefits deriving from ownership.

2.11 Derivative financial instruments and hedging

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature of the item being hedged. SOLARIA designates certain derivatives as:

(i) Fair value hedges of recognized liabilities (fair value hedge); or
(ii) Hedges for a specific risk associated with a recognized liability or a highly likely planned transaction (cash flow hedge).

SOLARIA documents at the inception of the transaction the relationship existing between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. SOLARIA also documents its evaluation from the start, and continuously thereafter, as to whether the derivatives being used in the hedging transactions are highly effective to offset changes in fair value or in cash flows from hedged items.

The total fair value of hedge derivatives is classified as an a non-current asset or liability if the residual term of the hedged item exceeds 12 months and as a current asset or liability if the residual term of the hedged item is less than 12 months. Traded derivatives are classified as a current asset or liability.

The fair values of derivative instruments used for hedging purposes are reflected in Note 18. Movements in the restatement reserve under equity are stated under Note 14.

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge ceases to comply with the criteria for carrying the hedge, the book adjustment for a hedged item which is carried using the effective interest rate method is recognized through profit and loss during the period until maturity.

SOLARIA carries no fair value hedge transaction at the balance sheet date.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Accumulated equity amounts are taken to the income statement in the periods in which the hedged item affects results. The loss or gain relating to the effective portion of interest rate swaps that cover borrowings subject to a variable rate are recognized in the income statement under "financial expense". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedge instrument expires, is sold, or when it no longer meets the requirements or carrying the hedge, any accumulated gain or loss in equity up until that moment remains in equity and is recognized as a gain or loss when the planned transaction is finally recognized in the income statement. When the planned transaction is no longer expected to arise, the accumulated equity gain or loss is immediately transferred to the income statement.

SOLARIA records cash flow hedges at the balance sheet date (Note 18).

c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement. Increases in the fair value of interest rate and exchange rate derivatives are included under the heading "Financial Income" in the income statement. Decreases in the fair value of interest rate and exchange rate derivatives are included under the heading "Financial Expense" in the income statement.

2.12 Inventories

Inventories mainly include raw materials and finished products relating to photovoltaic and thermal modules and are stated at the lower of their production costs or net realizable value. The cost of raw materials is calculated using the average weighted acquisition cost. The cost of finished products includes design costs, raw materials, direct labor, other direct costs and manufacturing overhead (based on normal operating capacity) but excludes interest costs. The net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of sales.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. When SOLARIA shares are acquired (treasury stock), the consideration paid, including any incremental cost directly attributable to that acquisition (net of corporate income tax) is deducted from the equity attributable to the shareholders of SOLARIA until written off, issued again or sold. When the shares are sold or are subsequently issued again, any amount received, net of any incremental cost of the transaction that is directly attributable and the corresponding corporate income tax effects, are included in equity attributable to the shareholders of SOLARIA.

2.15 Deferred revenues

Grants from public entities are recognized at their fair value when there is reasonable assurance that the grant will be received and SOLARIA will comply with all attached conditions.

Capital grants

Government grants for the acquisition of property, plant and equipment are included in "Deferred revenues" and credited to the income statement on a straight-line basis over the expected lives of the corresponding assets financed using the grants.

Other deferred revenues

The grants covering the interest on the loans obtained are recorded under the heading "Deferred revenues". Interest assistance is taken to results for the year during the term of the loan in accordance with financial criteria.

The attribution of capital grants and other deferred revenues is recognized under the heading "Deferred revenues taken to profit and loss" in the income statement. They are not offset against the depreciation of the subsidized asset or against subsidized expenses.

Interest free loans granted by official bodies

The loans received by SOLARIA that do not accrue interest are recorded at their restated value (calculated using an effective market interest rate), and the difference generated at the initial moment between the nominal amount of the loan and its restated value is attributed as follows:

a) When the financing is to be used to acquire an asset, the above-mentioned difference is recorded as deferred revenues and taken to results for the year over the depreciation period for the financed assets.

b) In the event that the assistance is to be used to finance an expense that is associated with an investment project, the difference between the nominal amount of the loan and its restated value is recorded as a reduction of such expenses. In those cases in which the expense has not yet been accrued, this difference is carried as deferred current revenues and is taken to the income statement as a reduction of the relevant expense when it accrues.

Non-monetary grants

When SOLARIA receives a non-monetary grant, for example, the right to purchase an asset from a government body at a price lower than its fair value, subject to compliance with certain conditions, SOLARIA adopts the alternative of recognizing the asset at a symbolic amount which would be its acquisition cost.

2.16 Trade and other payables

Creditors and other payables are initially carried at their fair value and subsequently they are valued at the amortized cost using the effective interest rate method. Short-term payables with no established interest rate are stated at original invoice amount when the effect of the discount is not significant.

2.17 Bank loans and overdrafts

Borrowings are initially carried at fair value net of transaction costs. Borrowings are subsequently measured at amortized cost. Any differences between the funds obtained (net of necessary costs) and their repayment value are recognized as a financial expense over the life of the debt applying the effective interest method.

Borrowings are classified as current liabilities unless SOLARIA has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

2.18 Provisions

SOLARIA recognizes provisions when (i) it has a present legal or implicit obligation as a result of past events, (ii) it is likely that resources will have to be applied to settle the obligation and (iii) the amount may be reliably estimated.

Long-term provisions are stated at the present value of the payments that are expected to be necessary to settle the obligation using a pre-tax discount rate that reflects an evaluation of the current market, the current value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

Provisions for warranties

SOLARIA grants customers warranties for the turnkey contracts covering photovoltaic plants, operating and maintenance contracts and contracts covering the sale of photovoltaic modules (Note 25)..

The provisions that are necessary for the warranties granted are calculated based on theoretical expectations and historic information regarding defect rates and estimated repair costs. These items are revlewed and adjusted on a regular basis.

These provisions are recorded at the estimated value of future claims deriving from previous contracts and charged against operating expenses.

2.19 Employee benefits

a) Pension and similar obligations

SOLARIA has no pension or similar obligations with its employees or management.

b) Severance indemnities

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits SOLARIA recognizes these benefits when it has demonstrably undertaken to terminate current employees' employment in accordance with a formal detailed plan that cannot be withdrawn, or to provide severance indemnities as a result of an offer made to encourage voluntary redundancy. Benefits that will not be paid within 12 months of the balance sheet date are discounted to their present value.

2.20 Corporate income tax

Corporate income tax expense for the year is calculated based on pre-tax results stated in the financial statements, increased or decreased by any differences between accounting and tax criteria, bearing in mind any tax credits or deductions that are deemed applicable.

Deferred income tax is calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred taxes arise from the initial recognition of a liability or an asset on a transaction other than a business combination that at the time of the transaction has no effect on the tax gain or loss, they are not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.21 Revenue recognition

Income and expense are recorded on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than the period in which the cash is actually received or disbursed.

a) Recognition of sales

Sales include the fair value of consideration received or to be received on the sale of goods and services during the course of SOLARIA's ordinary business. Sales are presented net of value added tax, returns, and price reductions and discounts.

SOLARIA recognizes income when the amounts may be reliably determined, it is likely that future profits will flow to the company and the specific conditions for each of the company's activities are met, as is described below. Revenues from the sale of assets are recognized and carried in the income statement when the Company has transferred all substantial risks and benefits deriving from the ownership of the assets concerned to the buyer. It is deemed that sales amounts cannot be reliably determined until all contingencies relating to the sale have been resolved. The Company bases its estimates on historic results, bearing in mind the type of customer, the type of transaction and the specific terms of each agreement.

To recognize the income deriving from the agreements, which includes the construction, installation and launch of photovoltaic solar farms on a turnkey basis, the Company uses the degree of completion method. This percentage is calculated based on total income established in the agreement and is determined as the ratio between the costs incurred to date and the total projected costs required to complete the project.

The difference between the amount of production and the amount invoiced to the date of the financial statements accounts is stated under Trade debtors for invoices yet to be issued, recorded under the heading "Trade and other receivables". In turn, the amounts invoiced in advance for various reasons (advance invoices to customers) are reflected on the liability side of the balance sheet under "Trade and other payables".

Where the results of a construction contract cannot be reliably estimated, contract revenues are only recognized up to the limit of contract costs incurred that are likely to be recovered. Where the results of a construction contract may be reliably estimated and the contract is likely to be profitable, contract revenues are recognized over the term of the contract. When it is likely that the agreement cost will exceed the total revenues obtained, the expected loss is immediately recognized as an expense.

b) Interest income

Interest income is recognized using the effective interest method.

2.22 Dividend distribution

Dividend distribution to shareholders is recognized as a liability in the financial statements in the year in which the dividends are approved by the Company's shareholders.

2.23 Environment

Expenses deriving from business action taken to protect and improve the environment are recorded as an expense in the year incurred. When such expenses entail additions to property, plant and equipment the purpose of which is to minimize the environmental impact and protect and improve the environment, they are accounted for as an increase in the value of non-current assets.

3. Financial risk management

3.1. Financial risk factors

The Company's activities are exposed to several financial risks: market risk (including exchange rate risk, price risk and interest rate risk), credit risk and liquidity risk. The overall risk management program at SOLARIA focuses on the uncertainty of financial markets and attempts to minimize the potential adverse effects on its financial profitability. SOLARIA employs derivatives to hedge against exchange rate and interest rate risks.

Risk management is controlled by the Finance Department at SOLARIA. This Department identifies, evaluates and hedges against financial risk in collaboration with operating units at the Company.

a) Market risk

i) Foreign exchange risk

SOLARIA operates internationally and therefore is exposed to exchange rate risk on currency transactions, particularly the US dollar. The exchange rate risk derives from commercial transactions, fundamentally involving the purchase of machinery and raw materials abroad.

Financial Management has established procedures that require the hedging of exchange rate risk in all transactions carried out by the Company in any currency other than the euro falling due in more than 30 days, provided that market conditions existing at the time of the transaction make this advisable.

The currency other than the euro with which SOLARIA currently operates is the US dollar. If at 31 December 2007 and 2006 the euro had increased/decreased by 5% compared with the US dollar, with all other variables remaining constant, the effect on profits and equity would have been as follows:

		Euro	
		2007	2006
Effect on pre-tax profits:			
	+5%	(1.539.126)	109.947
	-5%	21.918	(86.015)
Effect on pre-tax equity:			
	+5%	(12.725.045)	N/A
	-5%	(675.271)	N/A

Profits and equity are more sensitive to changes in the euro/dollar exchange rate in 2007 than in 2006, due to the increase in transactions denominated in US dollars that took place in 2007 compared with the preceding year.

ii) Price risk

SOLARIA is exposed to market price risk affecting raw materials. The Company manages this risk by taking into account the market conditions in place at the time the transaction is carried out by signing closed price contracts (Note 26).

iii) Cash flow interest rate risk

Since SOLARIA does not have significant remunerated assets, income and cash flows from its operational activities are very independent of the variances in market interest rates.

Interest rate risk affecting SOLARIA derives from long-term loans from credit institutions. Loans from credit institutions bearing interest at a variable rate expose SOLARIA to cash flow interest rate risk. SOLARIA's policy consists of using derivatives to hedge interest rate risk affecting loans indexed to a variable interest rate. During 2007 and 2006 loans obtained by SOLARIA from credit institutions at a variable interest rate were denominated in euros.

SOLARIA manages cash flow interest rate risk using variable to fixed interest rate swaps. The economic effect of these interest rate swaps is the conversion of variable interest borrowings to fixed interest borrowings. Generally, SOLARIA obtains long-term borrowings at a variable interest rate and swaps for a fixed interest rate that is lower than would have been available if the company had obtained the borrowings directly at a fixed interest rate. Under the interest rate swaps, SOLARIA enters into a commitment with other parties to exchange, with certain regularity (generally quarterly), the difference between the fixed interest rates and the variable interest rates calculated based on the notional principal amounts contracted.

At 31 December 2007 and 2006, and including the effect of the contracted interest-rate swaps, SOLARIA's debt structure is as follows:

	Euro	
	2007	2006
Fixed interest rate debt	11.702.801	5.923.448
Variable interest rate debt	46.802.532	10.449.484
Total	**58.505.333**	**16.372.932**

The sensitivity of profits and equity to interest rates is as follows:

			Euro
	Increase/(decrease) in the interest rate (in basis points)	Effect on pre-tax profits	Effect on pre-tax equity
2007	+10	(59.053)	(12.250)
	-10	59.053	12.250
2006	+10	(28.610)	N/A
	-10	28.610	N/A

b) Credit risk

Credit risk derives from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as customers, including outstanding receivables and transaction commitments. Transactions are only carried out with financial institutions of recognized prestige and taking into account past experiences and other factors. In cases in which there is no independent credit rating of customers, the Finance Department evaluates the situation bearing in mind the financial position of the customer, past experience and other factors. SOLARIA does not have the policy of granting long-term loans to customers, except in exceptional cases.

At 31 December 2007 and 2006 the trade receivables recorded by SOLARIA did not show any items in default.

Of total sales at 31 December 2007, 70.7% is concentrated in SOLARIA's four largest customers.

The trade receivable balance at 31 December 2007 shows future maturities as follows:

	0 to 45 days	45 to 90 days	90 to 120 days	Total receivables
Trade receivables (Note 12)	15.140.000	107.356.798	20.000.000	**142.496.798**

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Given the dynamic nature of the underlying businesses, the Finance Department at SOLARIA has the objective of maintaining financing flexibility through the availability of committed lines of credit.

Management monitors projections of the liquidity reserve recorded by SOLARIA based on expected cash flows.

3.2 Equity management and debt levels

SOLARIA's objectives with respect to equity management are to safeguard its capacity to continue as a going concern in order to obtain yields for shareholders and to maintain an optimal equity structure at reduced cost. SOLARIA's management monitors equity by applying the debt ratio. This ratio is calculated as equity divided by net debt. Net debt is calculated as all outside resources (including bank loans, creditors and other accounts payable, as shown in the balance sheet) less cash and cash equivalents. Equity consists of share capital plus reserves and undistributed results, as is reflected in the balance sheet.

SOLARIA's objective is to have adequate equity to obtain the financing necessary for expansion without compromising its solvency and maximizing yields that shareholders may obtain from their investments. The Company does not operate in sectors with specific capital requirements and it meets those established by general legislation (Spanish Companies Act) regarding minimum capital requirements.

Debt ratios at 31 December 2007 and 2006 were as follows:

	Euro	
	2007	2006
External resources (Notes 16, 17 and 18)	122.625.228	24.967.262
Less: Cash and cash equivalents (Note 13)	(153.163.150)	(4.227.789)
Net debt	(30.537.922)	20.739.473
Total equity	261.195.857	6.466.947
Debt ratio/Equity	(0,12)	3,21

As a result of the Public Share Offering that took place in June 2007, SOLARIA carried out a share capital increase and obtained sufficient equity to finance expansion activities, as is mentioned in Note 1. For this reason, the debt ratio relating to external resources is less than the unit in 2007 and even less than the debt ratio in the previous year.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as hedging instruments and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The market price used by SOLARIA for financial assets is the current buy price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions based on existing market conditions at each balance sheet date. Market prices for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate hedges is calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The book value less the provision for impairment of receivables and payables is assumed to approximate fair value, due to the nature of trade payables and receivables in the short-term. The fair value of financial liabilities for the purposes of presenting financial information is estimated by discounting future contractual cash flows at the current market interest rate available to SOLARIA for similar financial instruments.

4. Accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Revenue recognition

The Company follows the degree-of-completion method when recording turnkey projects it develops. Using this method requires that services carried out at each balance sheet date be estimated as a proportion of the total costs to be incurred on each project, such that this percentage is used to recognize revenues at the closing date for each balance sheet covering this type of projects.

b) Useful lives of property, plant and equipment

The Company's management determines estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the planned lifecycle of the products manufactured by the Company, for which it uses high technology. It could change significantly as a result of technical innovations and competitor actions in response to future industry cycles. Management will increase the depreciation charge where useful lives are shorter than previously estimated, and write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Company Management uses its judgment to select a variety of methods and assumptions, which are fundamentally based on the market conditions existing at each balance sheet date.

d) Deferred revenues

The Company has obtained several grants to finance its investments. Given the different characteristics of each of the subsidies and credits received by the Company, the Management uses its judgment to calculate their amounts in those cases in which the grants relate to interests-free loans. In these situations, Management calculates the implicit interest on these loans by using an effective market interest rate to obtain the fair value of the loans. The difference between the nominal value and the fair value of the loans is considered to be deferred revenues that will be taken to the income statement in accordance with the item being financed by the loans. If involving an asset, the amounts will be taken to the income statement over the useful life of the asset concerned and if involving an operating expense the amount is taken to the income statement at the time the expense is accrued. Management evaluates compliance with all of the conditions established for obtaining the above-mentioned grants and considers that they have been met or will be met without any problem that would require the Company to return part or all of the assistance granted.

e) Warranties

As is habitual practice in the industry, the Company offers warranties for a certain number of years to its customers for the sale of modules as well as the development of the turnkey projects. Company Management uses its judgment to calculate the amount of provisions recorded for any possible warranty claims. Bearing in mind the fact that the Company was recently incorporated and the absence of any warranty claims to date, in order to calculate the warrantee provisions Management has fundamentally based its decision on the longer experience of other competitors and on the percentage of errors that occur during the testing of manufactured module effectiveness (Note 25).

f) Estimate of uncertainty

The future success of SOLARIA depends largely on its capacity to build the new plants and production lines using an efficient cost structure and in accordance with the schedule established in its business plan. The expansion of production capacity is subject to the risks and uncertainties inherent to a business project.

To efficiently manage the expansion of its activities, SOLARIA is improving its operating and financial systems, procedures and controls, as well as increasing its manufacturing capacity and the flow of finished products by improving the efficiency of its production lines (including the new production line for solar cells) and extending, training and adequately managing human resources undergoing strong growth.

Historical information regarding SOLARIA is limited since the Company was incorporated at the end of 2002. Driven by quick growth in the solar energy sector, it has undergone higher rates of growth since it was incorporated and it is currently undergoing an accelerated process of expanding its business. SOLARIA is significantly increasing its production installations, in order to increase its production of photovoltaic modules and thermal solar panels, as well as to start producing solar cells for use in the manufacturing of photovoltaic modules. Some of these installations have not yet been built or are in the process of being constructed. The Management of the Company considers that its business and perspectives or the future must be taken into consideration in the light of the risks, expenses and challenges that SOLARIA faces in its capacity as a startup company that seeks to develop and manufacture new products in a rapidly growing market.

5. Reconciliation of IFRS-EU to local GAAP

5.1. IFRS-EU transition basis

The financial statements at 31 December 2006 were the first presented in accordance with IFRS-EU, and therefore the Company applied IFRS 1 *"First Time Adoption of International Financial Reporting Standards"* during their preparation.

The IFRS-EU transition date for Solaria Energía y Medioambiente, S.L. is 1 January 2004. The Company prepared its opening balance sheet in accordance with IFRS-EU at that date.

5.2. Reconciliation of IFRS-EU to local GAAP

The following reconciliations quantify the impact of preparing the financial statements in accordance with IFRS-EU in 2007 and 2006, including both the effect on equity as well as on profits in the years ended 31 December 2007 and 2006.

Reconciliation of equity:

	Note	Equity 31.12.07	Euro Equity 31.12.06
Local accounting principles		273.590.312	6.328.712
Capital increase expenses	i)	(10.718.692)	-
Interest-free loans	ii)	258.540	216.303
Hedge instruments	iii)	(7.246.217)	(18.634)
Tax effect of IFRS-EU adjustments	iv)	5.311.914	(59.434)
Equity in accordance with IFRS-EU		**261.195.857**	**6.466.947**

Reconciliation of profits:

	Note	Results 31.12.07	Euro Results 31.12.06
Local accounting principles		47.498.263	5.504.524
Capital increase expenses	i)	1.215.013	-
Interest-free loans	ii)	41.791	216.303
Hedge instruments	iii)	31.540	(18.634)
Tax effect of IFRS-EU adjustments	iv)	(386.502)	(59.434)
Profits in accordance with IFRS-EU		48.400.105	5.642.759

An explanation of the adjustments made to equity and the income statement for 2007 when converting to IFRS-EU is set out below:

i) Start-up and share capital increase expenses

The IFRS-EU do not allow formation, start up and share capital increase expenses to be capitalized whereas under Spanish Accounting Principles they are capitalized and amortized over a maximum of five years. Share capital increase expenses are recognized as a direct deduction from equity under IFRS-EU. Share capital increase expenses deriving from the Public Share Offering that took place on 19 June 2007 (Note 14) were considered to reduce equity in accordance with IFRS-EU.

ii) Interest-free loans

Under IFRS-EU embedded interest in interest-free loans obtained by the Company is carried either as deferred revenue when the loan is to be used to finance the acquisition of an asset, or as a reduction in the amount of the expenses associated with the investment projects went to intended to finance that expense, and is taken to the income statement based on the amortization/depreciation of the asset being financed or on the basis of the accrual of the expense financed by the loan. However, under Spanish accounting standards, embedded interest on interest-free loans is considered to be a subsidy received by the Company and is recorded, in the same amount, simultaneously under Deferred income (for the subsidy) and deferred expense (loan interest) and taken to the income statement over the term of the loan in accordance with financial criteria.

At 31 December 2007 and 2006, there was a positive adjustment to results to reflect the lower subsidized operating expenses, in accordance with IFRS-EU, that accrued in 2007 and 2006.

iii) Hedge Instruments

During 2007 and 2006 SOLARIA has contracted several hedge instruments to cover interest rate fluctuations applicable to certain loans and exchange rate fluctuations affecting the dollar in certain acquisition transactions (Note 18). These derivatives do not comply with the requirements of IFRS-EU to be classified as book hedges in 2006 or in 2007 and therefore changes in their fair value were recorded in the income statement at the net amount of €18,634 in 2006 and €31,540 in 2007. Furthermore, the new financial instruments contracted in 2007 did comply with the requirements to be considered hedging transactions for accounting purposes and therefore their fair value was recorded directly under equity, in the amount of €7,259,122. However, under Spanish accounting standards hedge derivatives are recorded on an accruals basis, recording gains as income in the profit and loss account at the time of settlement and expenses are recorded at the time they arise.

iv) Tax effect of the adjustments

All of the adjustments deriving from the transition to IFRS-EU mentioned in points i) through iii) above have been recorded with their corresponding tax effect.

v) Reclassifications

During the transition to IFRS-EU some reclassifications were made between balance sheet and income statement headings. The reclassifications are reflected in the balance sheet and income statement under IFRS-EU but they do not have any effect on equity or results for the year.

6. Segment information

a) Primary reporting format: business segments

At 31 December 2007,SOLARIA is organized into 4 main business segments:

(i) Segment 1: Photovoltaic

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

(ii) Segment 2: Thermal

- Design, production and installation of thermal solar modules on buildings.

(iii) Segment 3: Projects

- Promotion and sale of photovoltaic plants through turnkey projects, from the construction and installation of modules up to the operating launch of the plants.

(iv) Segment 4: Cells

- Production of photovoltaic cells to supply photovoltaic module production lines.

The results of each segment for the year ended 31 December 2007 are as follows:

					Euro
	Photovoltaic	Thermal	Projects	Cells	Company
External sales by the segment	108.505.155	141.600	77.562.009	-	186.208.764
Inter-segment sales	23.880.000	-	(23.880.000)	-	-
Sales	132.385.155	141.600	53.682.009	-	**186.208.764**
Other operating revenue	199.976	19.021	-	-	**218.997**
Segment expenses	105.061.388	314.901	8.862.398	1.111.011	**115.349.698**
Segment results	27.523.743	(154.280)	44.819.611	(1.111.011)	**71.078.063**
Financial income					**4.421.327**
Financial expense					**(3.947.796)**
Profit before income tax					**71.551.594**
Corporate income tax					**(23.151.489)**
Profit for the year					**48.400.105**

The results of each segment for the year ended 31 December 2006 are as follows:

				Euro
	Photovoltaic	Thermal	Projects	Company
External sales by the segment	10.041.071	-	9.105.492	19.146.563
Inter-segment sales	4.745.000	-	(4.745.000)	-
Sales	14.786.071	-	4.360.492	**19.146.563**
Other operating revenue	23.161	24.324	6.256	**53.741**
Segment expenses	(9.447.856)	(92.782)	(953.664)	**(10.494.302)**
Segment results	5.361.376	(68.458)	3.413.084	**8.706.002**
Financial income				**223.440**
Financial expense				**(317.036)**
Profit before income tax				**8.612.406**
Corporate income tax				**(2.969.647)**
Profit for the year				**5.642.759**

Sales consist of:

	Euro	
	2007	2006
Sales	186.194.369	19.146.563
Rendering of services	14.395	-
	186.208.764	19.146.563

Other segment items included in the 2007 income statement are as follows:

					Euro
	Photovoltaic	Thermal	Projects	Cells	Company
Depreciation of property, plant and equipment (Note 7)	556.112	54.138	-	-	610.250
Amortization of intangible assets (Note 8)	6.958	45	-	-	7.003

Other segment items included in the 2006 income statement are as follows:

				Euro
	Photovoltaic	Thermal	Projects	Company
Depreciation of property, plant and equipment (Note 7)	190.839	15.187	-	206.026
Amortization of intangible assets (Note 8)	1.963	1.673	-	3.636

Segment assets consist of property, plant and equipment, intangible assets, inventories, trade and other receivables, loans to related companies and cash and cash equivalents. Segment liabilities consist of trade and other payables.

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

					Euro
	Photovoltaic	Thermal	Projects	Cells	Company
Segment assets	215.448.565	2.609.989	162.371.454	18.281.035	398.710.983
Unassigned assets:					
- Financial assets available for sale and other financial assets					541.967
- Deferred tax assets					5.689.249
- Derivative financial instruments					12.905
- Current tax assets					28.648
Total assets					**404.983.752**
Segment liabilities	40.245.191	93.645	10.323.934	5.232.712	55.895.482
Unassigned liabilities:					
- Bank loans and overdrafts					58.497.178
- Deferred revenues					4.928.445
- Deferred tax liabilities					1.170.847
- Current tax liabilities					15.050.470
- Derivative financial instruments					8.245.473
Total liabilities					**143.787.895**
Investments in property, plant and equipment (Note 7)	11.942.202	4.407	2.404.048	11.878.431	**26.229.088**
Investments in intangible assets (Note 8)	11.523	-	-	-	**11.523**

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

				Euro
	Photovoltaic	Thermal	Projects	Company
Segment assets	28.341.824	6.287.561	4.063.629	**38.693.014**
Unassigned assets:				
- Financial assets available for sale and other financial assets				620.270
- Deferred tax assets				9.180
- Derivative financial instruments				11.966
- Current tax assets				31.102
Total assets				**39.365.532**
Segment liabilities	3.239.723	-	5.323.611	**8.563.334**
Unassigned liabilities:				
- Bank loans and overdrafts				16.385.294
- Deferred revenues				4.968.336
- Deferred tax liabilities				165.859
- Current tax liabilities				7.785.162
- Derivative financial instruments				30.600
Total liabilities				**32.898.585**
Investments in property, plant and equipment (Note 7)	3.427.368	1.900.674	-	**5.328.043**
Investments in intangible assets (Note 8)	8.500	-	7.240	**15.740**

b) Secondary reporting format: Geographical segments

It is not necessary to prepare a secondary information presentation format by segment since the Company only carries out transactions in Spain. There are therefore no different yields or risks within Spain since the various regions in which the Company is active present the same economic and political conditions.

7. Property, plant and equipment

Amounts and movements in the items included under this heading during 2007 and 2006 are as follows:

Euro

	Balance at 31.12.05	Additions	Disposals	Balance at 31.12.06	Additions	Disposals	Transfers	Balance at 31.12.07
Cost								
Land	112.485	-	-	112.485	2.717.658	-	-	2.830.143
Buildings	869.978	230.331	-	1.100.309	119.647	(85.921)	1.128.879	2.262.914
Machinery	1.005.592	8.420	-	1.014.012	636.103	-	5.362.768	7.012.883
Plant	187.890	107.053	-	294.943	435.650	-	357.086	1.087.679
Computer processing equipment	1.295	21.514	-	22.809	48.223	-	-	71.032
Furnishings	-	51.324	-	51.324	373.388	(139)	-	424.573
Vehicles	142.399	166.173	(146.538)	162.034	123.709	-	-	285.743
Property, plant and equipment under construction	-	4.743.228	-	4.743.228	21.774.710	-	(6.848.733)	19.669.205
	2.319.639	5.328.043	(146.538)	7.501.144	26.229.088	(86.060)	-	33.644.172
Depreciation								
Buildings	8.482	28.664	-	37.146	48.949	(6.190)	-	79.905
Machinery	69.322	121.252	-	190.574	477.307	-	-	667.881
Plant	1.986	25.981	-	27.967	37.733	-	-	65.700
Computer processing equipment	451	3.223	-	3.674	10.806	-	-	14.480
Furnishings	-	2.646	-	2.646	15.058	-	-	17.704
Vehicles	23.035	24.260	(27.595)	19.700	35.318	-	-	55.018
	103.276	206.026	(27.595)	281.707	625.171	(6.190)	-	900.688
	2.216.363			7.219.437				32.743.484

The heading Land includes €71,194 relating to the fair value of a plot of land obtained by the Company from the municipality of Puertollano through the swap agreement dated 21 December 2005, under which the Company acquires the land on which it will install a 1 MW solar farm in exchange for the assignment of the income obtained from this farm to the municipality, equal to 5W of installed capacity over 25 years. This value has been calculated by updating future income by applying a market interest rate. As consideration for the value of the land, SOLARIA has recorded a liability with the municipality of Puertollano in the same amount under the heading Trade and other payables which is updated regularly to reflect the financial effect. At the time this transaction is recorded no result was generated as the updated value of future income coincides with the fair value of the land. At 31 December 2007 the solar farm is being constructed.

In addition, the heading Land records an amount of €41,291 that relates to the acquisition of a plot of land in the Industrial Estate La Nava II that the Company acquired from the Municipality of Puertollano for the price of €1/m2, by virtue of the agreement concluded between SOLARIA and Fundescop and in application of the Municipal Incentive Regulations for investments that result in the creation of employment in Puertollano. According to that agreement, SOLARIA will carry out certain works and construct the installations necessary to build an industry dedicated to the manufacturing of thermal and photovoltaic solar panels and create 80 jobs within 24 months after the date on which the deed for the land was transferred. The difference between the acquisition cost of the land and its fair value is not significant.

Additions recorded under the heading Land relate to the purchase of land located in the town of Calera y Chozas (Toledo) measuring approximately 217 ha The purchase price was €2,404,048. This land will be used by SOLARIA to build a photovoltaic solar farm with a 50 MW capacity.

Furthermore, additions recorded under Land includes €313,610 relating to the acquisition of a new plot of land in Puertollano at the Industrial Estate La Nava III that SOLARIA has acquired from the Municipality of Puertollano for the price of €5/m2. This land will be used to support the imminent expansion of the plant.

The transfers recorded under the heading Buildings relate to the second building located at the La Nava II Industrial Estate in Puertollano for the manufacture of photovoltaic modules.

The transfers under the heading Machinery relate to the various manufacturing lines for photovoltaic modules that have entered into operation in 2007, as well as the line for building and designing thermal panels.

At 31 December 2007, SOLARIA has installed 9 manufacturing lines for photovoltaic modules compared with one that was in operation at the end of the preceding year.

Tangible fixed assets under construction includes the following:

- Construction work on the office building at the La Nava II industrial estate in Puertollano.
- Construction work for the new building for the cell manufacturing plant.
- Construction work for the building that will supply energy to then cell plant.
- Construction of the logistics building.
- Installation of machinery for the manufacture of photovoltaic cells.
- Construction of a de-ionization plant.
- Installation of machinery to expand the photovoltaic module plant. At 31 December 2007 there are 8 manufacturing lines in progress.

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.

Vehicles and machinery include the following amounts, for which the Company is the lessee with respect to finance leases.

	Euro	
	2007	2006
Capitalized finance lease cost	282.607	113.283
Accumulated amortization	(27.744)	(19)
	254.863	113.264

The vehicles themselves are the guarantee for the finance leases should the terms of the agreement fail to be met (Note 16).

8. Intangible assets

Amounts and movements in the items included under this heading during 2007 and 2006 are as follows:

						Euro
	Balance at 31.12.05	Additions	Balance at 31.12.06	Additions	Disposals	Balance at 31.12.07
Cost						
Computer software	-	15.740	15.740	11.523	-	27.263
	-	15.740	15.740	11.523	-	**27.263**
Amortization						
Computer software	-	3.636	3.636	7.003	-	10.639
	-	3.636	3.636	7.003	-	**10.639**
			12.104			**16.624**

9. Financial assets available for sale and other financial assets

Amounts and movements in the items included under this heading during 2007 and 2006 are as follows:

Euro

	Balance at 31.12.05	Additions	Transfers	Disposals	Balance at 31.12.06	Additions	Transfers	Disposals	Balance at 31.12.07
Non-current financial assets									
Available-for-sale financial assets:									
- Investment funds	-	-	18.000	-	18.000	-	-	-	18.000
Guarantees on deposit	-	2.270	-	-	2.270	13.600	-	-	15.870
	-	2.270	18.000	-	20.270	13.600	-	-	33.870
Current financial assets									
Available-for-sale financial assets									
- Investment funds	18.000	-	(18.000)	-	-	-	-	-	-
- Investment in Brumale, S.L.	18.026	-	-	(18.026)	-	-	-	-	-
Bank deposits	-	600.000	-	-	600.000	508.097	-	(600.000)	508.097
						-			-
	36.026	600.000	(18.000)	(18.026)	600.000	508.097	-	(600.000)	508.097

Investment funds

The balance of investment funds mature in 2009 and 2010. The fund ensures a yield covering 100% of the investment made, provided that the market value of the funds is less than the investment.

Guarantees on deposit

This basically relates to guarantees for projects executed in 2007 and 2006.

Bank deposits

At 31 December 2006 the investment consists of a Company deposit totaling €600,000 at Banco Gallego, which holds cash surpluses and matures in the short-term. The interest rate generated by this deposit in 2007 and 2006 was euribor plus 0.10%. This deposit was cancelled in 2007.

The amount of €508,097 relates to accrued interest yet to be collected from a short-term deposit of €40,000,000 that matures on 3 January 2008 and carried under Cash and cash equivalents (Note 13).

10. Loans to related companies

The heading Loans to related companies breaks down as follows:

	Euro	
	2007	2006
Short-term loans		
Receivables from related companies	30.611.720	20.170
Loans to related companies	-	463.402
Interest on loans to related companies	-	107.622
	30.611.720	591.194

The heading "Receivables from related companies" at 31 December 2007 relates to the amount yet to be collected from Solaria DTL Corporación, S.L. and refers to contracts signed with SOLARIA for engineering and the construction of a photovoltaic solar energy plant on a turnkey basis to be delivered in 2007 and 2008 and involving €67.1 million and an installed capacity of 11MWp. These contracts were executed at market prices.

The balance of this heading at 31 December 2006 related to the outstanding balance receivable from Solaria DTL Corporación on the sale of the 0.47% shareholding that SOLARIA held in the company Brumale, S.L.

The balance of "Loans to related companies" at 31 December 2006 relates to the capital amount drawn down by Instalaciones Díaz Tejeiro, S.L., a related company, as a result of the current account agreement concluded between this company and Solaria Energía y Medio Ambiente, S.L. The capital drawn down accrues market interest at a rate of Euribor + 0.5%, which was paid at the time the agreement expired during the first half of 2007.

The effective interest rates on loans to related companies were as follows:

	2007	2006
Loans to related companies	4,74 %	4,10 %

11. Inventories

At the end of 2007 and 2006 this heading breaks down as follows:

	2007 Euros			2006 Euros		
	Total	Thermal	Photovoltaic	Total	Thermal	Photovoltaic
Raw materials	27.534.925	799.489	26.735.436	12.923.886	331.221	12.592.665
Finished products	7.250.946	779.304	6.471.642	4.731.501	280.389	4.451.112
	34.785.871	1.578.793	33.207.078	17.655.387	611.610	17.043.777

Raw material inventories in 2007 and 2006 fundamentally relate to cells needed to manufacture photovoltaic modules. The manufacturing of thermal modules started during the last quarter of 2006. In 2007, and due to the real estate market situation, the manufacturing of thermal panels has been reduced and is currently not a strategic segment for SOLARIA.

The inventory cost recognized as an expense and included under "Raw materials and other consumables" totals € 99,787,103 (2006: € 7,849,453).

12. Trade and other receivables

At the end of 2007 and 2006 this heading breaks down as follows:

	Euro	
	2007	2006
Trade receivables	142.496.798	1.902.263
Sundry receivables	346.972	64.405
Subsidies receivable	4.546.364	4.546.364
Receivable from public entities (Note 19)	-	2.488.291
Trade receivable impairment losses	-	(14.220)
	147.390.134	8.987.103

The balance of "Subsidies receivable" at 31 December 2007 relates to a fixed asset subsidy granted by the Ministry of Industry (Note 15), which had yet to be collected at the end of the year.

Details of Trade receivables are as follows:

	Euro	
	2007	2006
Trade receivables for invoices yet to be issued	9.985.929	1.205.640
Receivables for guarantees retained	573.750	504.900
Trade receivables for trade bills	93.328.067	-
Trade receivables	38.609.052	191.723
	142.496.798	1.902.263

The amount recorded under "Trade receivables for invoices yet to be issued" relate in full to work carried out on photovoltaic farms, for which the revenue is recognized on a degree of completion basis, as is described in Note 2.21.

The heading "Receivables for guarantees retained" relates to 5% of the total revenues recognized for photovoltaic farm installation projects covered by contracts concluded in 2006, which the Company will collect at the time the completed final project is handed over.

At 31 December 2007 and 2006 the heading "Trade receivables" mainly relates to the balance yet to be collected for solar farm installation projects.

At 31 December 2007 the balance of "Trade receivables for trade bills" relate to trade bills sent to customers for sales of photovoltaic modules and turnkey projects.

The book value of Trade and other receivables is similar to their fair value.

13. Cash and cash equivalents

At the end of 2007 and 2006 this heading breaks down as follows:

	Euro	
	2007	2006
Cash at bank and in hand	153.163.150	4.227.789

Cash at bank and in hand includes €40,000,000 relating to a deposit that matures on 3 January 2008, which accrued interest totaling €508,097 during the year (Note 9). The average interest rate accrued on the Company's deposits during the year was 4.6%.

14. Equity

Share capital

Share capital is represented by 101,146,667 fully subscribed and paid shares (*2006*: 77,760 shares) with a par value of € 0,01 each (2006: 10).

At 31 December 2007, share capital is distributed as follows:

	Number of shares	% interest
Solaria DTL Corporación, S.L.	62.235.544	61,53
Continuous market	38.911.123	38,47
Total	101.146.667	100

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Expresed in euros)

At 31 December 2006 the distribution of equity among shareholders was as follows:

	2006	
	Number of shares	% interest
Solaria DTL Corporación, S.L.	75.860	97,55
Enrique Díaz-Tejeiro Gutiérrez	380	0,488
Mª Dolores Larrañaga Horna	380	0,488
Enrique Díaz-Tejeiro Larrañaga	380	0,488
Arturo Díaz-Tejeiro Larrañaga	380	0,488
Miguel Díaz-Tejeiro Larrañaga	380	0,488
	77.760	100

2007

On 1 January 2007 shareholders at a Universal Meeting of Solaria Energía y Medio Ambiente, S.L adopted a resolution to transform SOLARIA into a public limited liability companies and split the number of shares by transforming each current share with a par value of €10 each into 1,000 new shares with a par value of €0.01 each, increasing the number of shares from 77,760 to 77,760,000, without changing SOLARIA's share capital. The shares were attributed to existing shareholders at the time of the split as the owners of the previous shares in the same proportion as held prior to the resolution to transform share capital.

The Universal Meeting and the Board of Directors of SOLARIA, at the meetings held on 24 May 2007 adopted, among others, resolutions regarding the change in the Company's governing body, the appointment of Directors and the application for SOLARIA's shares to be listed on the stock market.

On 15 June 2007 shareholders adopted a resolution to make a public share offering prior to listing SOLARIA's shares on the Spanish stock markets. Is therefore increased SOLARIA's share capital through a public share offering by €233,867 and the issue of 23,386,667 ordinary registered shares of the same class as those already in existence and with a par value of €0.01 per share and a share premium to be determined while the minimum subscription level was established at €50,000.

In addition, the above amount for the public share offering may be increased by the shares involved with the purchase option "green shoe" granted to the companies that concluded the Underwriting and Placement Agreement relating to the Offer, involving a maximum of 3,508,000 existing shares with a par value of €0.01 per share, for a total nominal amount of €35,080.

In addition to the share capital increase dated 19 June 2007, for accounting purposes the share premium was established at €9.49 per share, which represents a total of €221,939,470. On that same day a cash payment was made for the nominal value and the share premium and the subscribers to the share capital increase were:

- Banco Español de Crédito: 11,693,334 shares with a par value of €0.01 per share and a share premium of €111,086,673.
- Morgan Stanley: 11,693,333 shares with a par value of €0.01 per share and a share premium of €111,086,673.

On 21 June 2007 the company's underwriting the public share offer fully exercised the purchase option involving 3,508,000 shares in Solaria Energía y Medio Ambiente, S.A. granted by Solaria DTL Corporación, S.L. by virtue of the Underwriting and Placement Agreement concluded on 18 June 2007, at a price of €9.50 per share.

On 12 November 2007 the majority shareholder of SOLARIA reached an agreement with Banco Español de Crédito, Morgan Stanley and Piper Jaffray to carry out a private placement among qualified investors and involving a package of approximately 10,114,000 shares in Solaria Energía y Medio Ambiente, S.A., representing approximately 10% of that company's share capital. This process was completed on 13 November 2007 at a price of €19 per share.

As a result of the above, share capital was established at 1,011,004 to €67, represented by 101,146,667 shares with a par value of €0.01 each and fully subscribed and paid in.

In accordance with the resolution adopted by shareholders at the General Meeting held on 24 May 2007, the Board of Directors was authorized to acquire up to 5% of the share capital of SOLARIA for consideration at one or several times and within a period not to exceed 18 months. The minimum price will be the par value of the shares and the maximum price will be 100% of the listed price on the Continuous Market at the time of acquisition (see Note 24).

All of the shares in SOLARIA are listed on the four official stock markets in Spain and on the continuous market.

At the end of 2007, SOLARIA's shares were listed at a price of €21.48.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Expresed in euros)

2006

Shareholders held a Universal Meeting on 24 March 2006 and approved the contribution of shares representing 97.55% of the share capital of Solaria Energia y Medioambiente, S.L., owned by the Diaz-Tejeiro family, to a newly formed company called Solaria OTL Corporation, which is now the Company's majority shareholder.

Furthermore, at a Universal Meeting held on 21 November 2006, shareholder approved the transfer of shares representing 2.45% of the Company's share capital that pertained to a minority shareholder to the other shareholders.

Treasury shares

In 2007 and 2006 SOLARIA did not carry out any transactions involving treasury stock.

Share premium account

The share premium account arose as a result of the public share offering mentioned above and is freely available.

Legal reserve

In accordance with the Spanish Companies Act, 10% of profits 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 capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

Voluntary reserves

This item relates to prior year profits not distributed by the Company. These reserves are fully available.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Expresed in euros)

Restatement reserves

Movements in this caption in 2007 and 2006 are as follows:

	Euro	
	Cash flow hedges	Total
Balance at 31 December 2005	-	-
Increases	-	-
Decreases	-	-
Tax effect	-	-
Balance at 31 December 2006	-	-
Increases	-	-
Decreases	(7.259.122)	(7.259.122)
Tax effect	2.177.736	2.177.736
Balance at 31 December 2007	**(5.081.386)**	**(5.081.386)**

Proposal for the distribution of results

The proposal to be presented to the General Meeting regarding the distribution of 2007 profit and loss and reserves calculated under local GAAP, is as follows:

	Euro
Available for distribution	
Profit for the year	47.498.263
	47.498.263
Distribution	
Legal reserve	4.749.826
Voluntary reserves	42.748.437
	47.498.263

In February 2007, SOLARIA paid an interim dividend totaling €2,410,000 charged against 2006 profits. This decision was taken by the Sole Administrator on 15 January 2007.

At the date on which the interim dividend was approved, SOLARIA had sufficient liquidity to make this payment in accordance with the requirements established by Articles 194.3 and 216 of the Spanish Companies Act.

The provisional accounting statement prepared by the Sole Administrator at 31 December 2006 is as follows:

	Euro
Profit after taxes 31.12.2006	5.504.524
Projected interim dividend	(2.410.000)
Cash liquidity	4.227.789
Unused lines of credit	5.487.800
Total Liquidity	**12.810.113**

15. Deferred revenues

Amounts and movements in the items included under this heading during 2007 and 2006 are as follows:

Euro

	Balance at 31.12.05	Additions	Taken to income statement	Balance at 31.12.06	Additions	Disposals	Taken to income statement	Balance at 31.12.07
IDAE	24.687	-	(4.115)	20.572	-	-	(4.115)	16.457
IDAE	32.573	-	(5.429)	27.144	-	-	(5.429)	21.715
Ministry of Industry loan	144.558	-	(144.558)	-	-	-	-	-
Ministry of Industry loan	61.909	-	(61.909)	-	-	-	-	-
CDTI	-	52.144	(52.144)	-	-	-	-	-
Ministry of Industry loan	-	-	-	-	131.161	-	(98.371)	32.790
Operating grants	263.727	52.144	(268.155)	47.716	131.161	-	(107.915)	70.962
IDAE	123.748	-	(18.117)	105.631	-		(14.404)	91.227
IDAE	163.967	-	(19.676)	144.291	-		(19.676)	124.615
Ministry of Industry	-	4.546.364	-	4.546.364	-		-	4.546.364
Ministry of Industry loan (i)	81.314	-	-	81.314	-		(9.758)	71.556
Ministry of Industry loan (i)	43.020	-	-	43.020	-	(14.136)	(5.163)	23.721
Capital grants	412.049	4.546.364	(37.793)	4.920.620	-	(14.136)	(49.001)	4.857.483
Total deferred revenues	**675.776**	**4.598.508**	**(305.948)**	**4.968.336**	**131.161**	**(14.136)**	**(156.916)**	**4.928.445**

The attribution of deferred revenues to the income statement is recognized under the heading "Deferred revenues taken to the income statement", except for the deferred revenues relating to the interest-free loans from the Ministry of Industry and see DTI, which have been charged against subsidized expenses (Note 2.15, Note 20 (c) and (d)).

(i) The amounts taken to the income statement for these subsidies that relates to interest-free loans (€14,921) has been recorded under the heading "Depreciation expense" in the income statement at 31 December 2007, offsetting the depreciation of the financed assets with the loans granted.

The breakdown of credits, assistance and subsidies received by the Company is as follows:

Granting entity	2007	2006	Purpose	Date granted
IDAE (Note 16)	123.748	123.748	Early repayment of the loan	26.10.2004
IDAE (Note 16)	163.967	163.967	Early repayment of the loan	14.04.2005
Ministry of Industry (Note 16)	4.546.364	4.546.364	Financing of fixed assets	17.01.2006
IDAE (Note 16)	28.801	28.801	Loan interest payments	26.10.2004
IDAE (Note 16)	38.002	38.002	Loan interest payments	14.04.2005
Ministry of Industry Loan (Note 16)	225.872	225.872	Financing of assets and subsidy of operating expenses	05.10.2005
Ministry of Industry Loan (Note 16)	90.793 (*)	104.929	Financing of assets and subsidy of operating expenses	26.07.2005
CDTI (Note 16)	52.144	52.144	Financing of assets and subsidy of operating expenses	29.04.2006
Ministry of Industry Loan (Note 16)	131.160	-	Financing of personnel costs	09.01.2007
	5.400.851	5.283.827		

(*) The initial amount granted totaled €104,929. However, on 19 February 2007 the Ministry of Industry, Tourism and Commerce partially revoked the loan in the amount of €61,692, which reduced the subsidy of the interest associated with this loan in the amount of €14,136.

The analysis of short and long-term deferred revenues is as follows:

	Euro	
	2007	2006
Long-term deferred revenues:		
- Operating grants	61.418	38.173
- Capital grants	4.808.482	4.871.619
	4.869.900	4.909.792
Short-term deferred revenues:		
- Operating grants	9.544	9.543
- Capital grants	49.001	49.001
	58.545	58.544
Total deferred revenues	**4.928.445**	**4.968.336**

Fixed-asset subsidy from the Ministry of Industry

On 17 January 2006, the Ministry of Industry, Tourism and Commerce, through the Coal Mining Restructuring and Alternative Development of Mining Area Institute, informed the Company of the decision reached by the Project Evaluation Committee to grant the subsidy requested for the launch of a plant to manufacture thermal solar modules and photovoltaic cells. The investment considered eligible for the subsidy totals €22,731,822.50 and the amount of the subsidy granted totals €4,546,365.50, which represents approximately 20% of the investment. This subsidy will be paid at the completion of the project, which is understood to mean that the investment has been made, the payment of the amounts invested, the justification of the level of self-financing, the creation of the number of jobs promised and the signing of the relevant verification documents. However, since it involves a project that will be executed over more than 12 months, taking into consideration that it commences at the date the assistance application is filed, payments on account may be requested in the amount of 25%, 50% and 75% of the investment made.

The granting of the subsidy is subject to the following conditions:

- The Company must execute at least 10% of the investment eligible for the subsidy before 31 December 2005.
- The deadline for making the entire investment: 31 December 2007.
- Once the investment is made it must be maintained for a minimum of 5 years.
- 25% of the investment eligible for the subsidy must be self-financed, which must be proven when justifying the investment made.
- The subsidized project must maintain the job posts existing at the time the application is filed and, afterwards and before 28 February 2008, must generate ninety jobs that must be maintained until 28 February 2011.

In 2007 SOLARIA obtained a guarantee for the Ministry of Industry, Tourism and Commerce totaling €4,500,185 (Note 19) to collect 85% of the total subsidy granted.

On 10 December 2007 SOLARIA requested the early payment of 85% of the total subsidy in accordance with section 19 of the Order dated 17 December 2001 (published in a Official State Gazette on 5 January 2002), which regulates the concession of assistance to business projects that generate employment. On 17 January 2008 this request was granted.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Expresed in euros)

16. Bank loans and overdrafts

As at 31 December 2007 balances with group and financial institutions are as follows:

Euro

Entity	Original amount	Transaction	Maturity date	Effective interest rate	Short-term	Long-term	Total
Caja Duero (i)	412.406	Loan	12-11-2011	5,35%	33.600	121.027	154.627
Caja Duero (ii)	546.557	Loan	14-04-2012	5,35%	44.400	180.157	224.557
CDTI	347.680	Loan	30-06-2013	4,55%	46.419	208.935	255.354
Ministry of Industry (i)	400.000	Loan	30-11-2015	4,55%	-	272.529	272.529
Ministry of Industry (ii)	861.053	Loan	15-12-2015	4,55%	-	693.634	693.634
Caja Rural (i)	1.500.000	Loan	10-06-2013	4,85%	214.283	964.289	1.178.572
Caja Rural (ii)	4.500.000	Loan	15-06-2016	5,10%	-	4.500.000	4.500.000
Caja Madrid	1.800.000	Loan	23-10-2011	5,08%	402.612	1.066.892	1.469.504
CDTI	500.000	Loan	30-09-2016	4,55%	-	385.437	385.437
Caja Madrid	6.000.000	Loan	20-05-2014	5,10%	-	6.000.000	6.000.000
Accrued interest not paid					16.074	-	16.074
					757.388	**14.392.900**	**15.150.288**
Barclays Bank	56.053	Finance lease	29-12-2011	4,65%	9.962	29.886	39.848
Barclays Bank	68.792	Finance lease	29-12-2011	4,65%	12.026	37.008	49.034
Barclays Bank	59.540	Finance lease	17-01-2012	4,65%	10.476	32.297	42.773
Barclays Bank	80.907	Finance lease	03-11-2012	4,65%	14.154	56.332	70.486
Lico Leasing	33.962	Finance lease	18-09-2012	6,35%	5.651	20.981	26.632
Lico Leasing	7.635	Finance lease	18-09-2012	6,35%	1.271	4.774	6.045
Lico Leasing	10.615	Finance lease	18-09-2012	6,35%	1.769	6.635	8.404
					55.309	**187.913**	**243.222**
	Limit granted						
Banesto	30.000.000	Import facilities	-	4,70%	19.997.996	-	19.997.996
Caja Rural	10.000.000	Import facilities	-	5,05%	7.513.389	-	7.513.389
Banesto	-	Discounted bills	15-03-08	4,50%	15.312.000	-	15.312.000
Caja Rural	-	Business facilities Caja Rural	-	-	280.283	-	280.283
					43.103.668	**-**	**43.103.668**
Total					**43.916.365**	**14.580.813**	**58.497.178**

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
(Expresed in euros)

As at 31 December 2006 balances with group and financial institutions are as follows:

							Euro
Entity	Original amount	Transaction	Maturity date	Effective interest rate	Short-term	Long-term	Total
Caja Duero (i)	412.496	Loan	12-11-2011	4,27%	33.600	155.213	188.813
Caja Duero (ii)	546.557	Loan	14-04-2012	4,17%	44.400	224.771	269.171
CDTI	347.680	Loan	30-06-2013	4,55%	40.181	255.355	295.536
Ministry of Industry (i)	400.000	Loan	30-11-2015	4,45%	-	308.349	308.349
Ministry of Industry (ii)	861.053	Loan	15-12-2015	4,45%	-	663.764	663.764
Caja Rural (i)	1.500.000	Loan	10-06-2013	3,56%	214.284	1.178.564	1.392.848
Caja Rural (ii)	4.500.000	Loan	15-06-2016	3,82%	-	4.500.000	4.500.000
Caja Madrid	1.800.000	Loan	23-10-2011	4,175%	402.612	1.397.388	1.800.000
Accrued interest not paid					25.389	-	25.389
					760.466	8.683.404	9.443.870
Barclays Bank	56.053	Finance lease	29-12-2011	3,25%	11.208	38.921	50.129
Barclays Bank	68.792	Finance lease	29-12-2011	3,25%	13.747	47.775	61.522
					24.955	86.696	111.651
	Limit granted						
Caja Rural	2.000.000	Line of credit	25-05-2007	4,31%	720.592	-	720.592
Caja Rural	2.000.000	Line of credit	02-03-2007	4,61%	1.995.777	-	1.995.777
Banco Gallego	600.000	Line of credit	22-03-2007	5%	494.580	-	494.580
Caja Madrid	1.150.000	Line of credit High yield	22-03-2007	4,625%	949.776	-	949.776
Caja Rural	150.000		-	-	44.670	-	44.670
Caja Rural	3.400.000	Importation facilities	-	4,928%	26.064	-	26.064
Banesto	3.000.000	Letter of credit	14-12-2007	-	2.580.741	-	2.580.741
Accrued interest not paid					17.573	-	17.573
					6.829.773	-	6.829.773
					7.615.194	8.770.100	16.385.294

The maturity dates for amounts owed to credit institutions are distributed as follows:

	Euro	
Maturity date	**2007**	**2006**
Up to 1 year	43.916.365	7.615.194
Between 1 and 5 years	9.738.457	4.865.064
More than 5 years	4.842.356	3.905.036
	58.497.178	16.385.294

The undiscounted contractual cash flows related to the Company's debts as at 31 December 2007 are as follows:

				Euro
	2008	**2009**	**2010**	**2011 and subsequent years**
Bank loans and overdrafts	43.931.077	1.914.614	2.907.470	10.164.582
Interest on bank loans and overdrafts	713.051	498.224	494.380	400.277
Derivatives	9.994	4.972	24.143	19.257
	44.654.122	2.417.810	3.425.993	10.584.116

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 line 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 totals €412,496. The interest rate applied to this loan is 3.246% during the first six months and afterwards it will be euribor plus 1%.

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 books for at least five years as from the date the agreement was concluded.

As a result of the financing facilities agreed between IDEA-ICO and financial institutions, IDEA granted the Company assistance covering the initial repayment of the loan, totaling €123,748 (Note 15). In addition, the IDEA granted the Company a credit for the interest accruing on this loan, totaling €28,801 (Note 15).

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 line 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 totals €546,557. The interest rate applied to this loan is 3.245% during the first six months and afterwards it will be euribor plus 1%.

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 books for at least five years as from the date the agreement was concluded.

As a result of the financing facilities agreed between IDAE-ICO and financial institutions, IDAE granted the Company assistance covering the initial repayment of the loan, totaling € 163,967 (Note 15). In addition, the IDAE granted the Company a credit for the interest accruing on this loan, totaling € 38,002 (Note 15).

Loan from CDTI(i)

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 called "Development of a Photovoltaic Panel Assembly Line", consisting of a repayable, interest-free grant that may be co-financed by FEDER Funds, of up to € 347,680, of the total investment accepted by CDTI, which totaled € 869,200. This approval is subject to the following conditions:

- A share capital increase, or increase plus premium, totaling 347,680 euros and consisting of monetary contributions.

- Security for the CDTI Loan or sufficient guarantees in the opinion of CDTI.

According to the agreement established between CDTI and the Company, the latter opted to obtain the Bank prefinancing line for CDTI R&D+i projects in order to facilitate the financing of the Project up until the time the amount loaned by CDTI becomes available. This line allows companies that have gained approval for a CDTI R&D+i project 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 CDTI's R+D+i, project prefinancing was formalized, such that the Company obtained a loan totaling 260,760 from Santander Central Hispano. On 30 September 2006 the Company cancelled the bank pre-financing line and received the amount of the original assistance.

The assistance granted by CDTI consists of an interest-free repayable loan totaling €347,680, falling due on 30 June 2013.

On 1 June 2006 the agreement concluded between CDTI and the Company was amended to replace the personal and several guarantee by thirteen bank guarantees totaling €347,680 (Note 25).

Ministry of Industry loan (i)

On 26 July 2005 the Ministry of Industry, Tourism and Commerce adopted a Resolution to grant the Company repayable assistance to finance the project to manufacture photovoltaic modules and cells. The total amount of the financed budget is €965,140 and covers all costs and investments necessary to launch the above-mentioned project.

The assistance consists of a € 400,000 interest-free loan to be repaid over 10 years, with a 3-year grace period. This assistance is subject to several conditions, among which is the obligation to make the investments and incur the costs between 1 January and 31 December in order for the assistance to be granted.

On 27 December 2005 the Company requested a 6-month extension to the project, payment and presentation of documentation (up to 30 June 2006). The reason for which this request was made is the delay in the delivery and installation of some of the high-tech equipment involved with the project. On 30 December 2005 the Director General for 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.

SOLARIA has deposited a guarantee for € 400,000 euros in favor of the Ministry of Industry (Note 25) to cover the guarantees required for the above-mentioned repayable loan.

On 19 February 2007 the Ministry of Industry, Tourism and Commerce partially revoked the repayable loan in the amounts of €61,692.38 due to not having invested the amount specified in the application and the amount unduly received plus late-payment interest from the time it was received, which totals €3638.14, had to be returned

Ministry of Industry loan (ii)

On 5 October 2005, the Ministry of Industry, Tourism and Commerce adopted a Resolution to grant the Company repayable assistance to finance the project for developing a prototype concentration thermal solar collector and the launch of a production line. The total amount of the financed budget is €1,148,070 and covers all costs and investments necessary to launch the above-mentioned project.

The assistance consisted of a €861,052.50 interest-free loan to be repaid over 10 years, with a 3-year grace period. This assistance is subject to several conditions, among which is the obligation to make the investments and incur the costs between 1 January and 31 December in order for the assistance to be granted.

On 27 December 2005 the Company requested a 6-month extension to the project, payment and presentation of documentation (up to 30 June 2006). The reason for which this request was made is the delay in the delivery and installation of some of the high-tech equipment involved with the project. On 19 January 2006 the Director General for 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.

SOLARIA has deposited a guarantee for € 861,052.50 euros in favor of the Ministry of Industry (Note 25) to cover the guarantees required for the above-mentioned repayable loan.

Caja Rural loan (i)

On 9 May 2006 SOLARIA concluded a secondary loan agreement in the amount of 1,500,000 euros with Caja Rural de Ciudad Real, under the umbrella of the agreement concluded between ICO and Caja Rural, for the purpose of financing investments in new production assets for small and medium sized companies. The Company's investment project totals € 21,300,000 euros and the most important conditions that must be met by the final beneficiary of this subsidy agreement are as follows:

- The amount financed by ICO funds cannot exceed 70% of the investment if involving a company with between 10 and 249 employees.
- The final beneficiary must declare that it does not hold an interest in any company or group of companies that does not meet the conditions to be considered a small or medium-sized business, or may not be an investee company of any such company or group of companies, and state that no financing from the ICO-PYME 2006 line has been received in excess of 1.5 million euros.

- The final beneficiary undertakes to ensure that the total "minimis" assistance will not exceed €100,000 over 3 years.

As guarantees for this loan, SOLARIA agreed to a mortgage guarantee involving one of the plots of land located in Puertollano, once payment has been justified and it has entered into operations and will maintain in a bank account at least three loan payments, which total € 321,428.

This loan accrues interest half-yearly at 3.605% as from the start of then operation until 09 December 2006, and from 10 December 2006 until the maturity date the rate will be 6-month euribor plus a 0.5% spread.

Caja Rural (ii)

On 9 May 2006 SOLARIA concluded a secondary loan agreement in the amount of 4,500,000 euros with Caja Rural de Ciudad Real, under the umbrella of the agreement concluded between ICO and Caja Rural, for the purpose of financing investments in new production assets for small and medium sized companies. The Company's investment project totals € 21,300,000 euros and the most important conditions that must be met by the final beneficiary of this subsidy agreement are as follows:

- The amount financed by ICO funds cannot exceed 70% of the investment if involving a company with between 10 and 249 employees.
- The final beneficiary must declare that it is not an investee company (25% or more) of any other company or group of companies that do not, as a whole, have a general balance sheet exceeding 43 million euros and turnover must be less than 50 million euros.
- The final beneficiary undertakes to ensure that the total "minimis" assistance will not exceed €100,000 over 3 years.

As guarantees for this loan, the Company agreed to a mortgage guarantee involving one of the plots of land located in Puertollano, once payment has been justified and it has entered into operations and will maintain in a bank account at least three loan payments, which total € 964,285.

This loan accrues interest half-yearly at 3.858% as from the start of then operation until 14 December 2006, and from 15 December 2006 until the maturity date the rate will be 6-month euribor plus a 0.75% spread.

In order to cover fluctuations in interest rates relating to the two Caja Rural loans mentioned above, SOLARIA has obtained an interest rate hedge from Banco Cooperativo Español, the main characteristics of which are described in Note 18.

Caja Madrid loan (i)

On 23 October 2006 SOLARIA obtained a € 1,800,000 loan from Caja Madrid.

This loan accrues interest half-yearly at a rate of 4.175% for the first period and in subsequent periods up to 23 October 2011 the rate will be 3-month Euribor plus a 0.8% spread.

Loan from CDTI(i)

On 9 January 2007, the Industrial Technological Development Centre ("Centro para el Desarrollo Tecnológico Industrial (CDTI)") informed the Company of its participation in the Technological Innovation project called "Development of a Photovoltaic Panel Assembly Line", consisting of a repayable, interest-free loan of up to € 500,000, based on the total budget accepted by the CDTI totaling €1,071,000. This approval was conditioned to the investments and expenses, or expense commitment, that would be made or incurred between 1 January and 31 December in the year the assistance is granted.

The assistance granted by CDTI consists of an interest-free repayable loan totaling €500,000, falling due on 30 September 2016.

Caja Madrid loan (ii)

On 24 April 2007 the Company obtained a € 6,000,000 loan from Caja Madrid.

The interest rate accrued by this loan on a quarterly basis is the Euribor plus 0.75%.

In order to cover fluctuations in interest rate relating to the loan from Caja Madrid, SOLARIA obtained an interest rate hedge from that financial institution, the main characteristics of which are described in Note 18.

All the Company's borrowings are denominated in euros.

Borrowings accrue interest at market rates, all of which are indexed to the Euribor rate plus a spread. Therefore, the fair value of long-term borrowings approximates the carrying value.

SOLARIA holds the following lines of credit that have not been drawn down:

	Euro	
	2007	2006
Variable rate:		
– maturing in less than one year	12.488.615	1.589.275

Finance leases

	Euro	
	2007	2006
Finance lease liabilities, minimum lease payments:		
- Less than 1 year	62.959	24.955
- Between 1 and 5 years	214.221	99.890
	277.180	124.845
Future financial charges for finance leases	(33.958)	(13.194)
Present value of finance lease liabilities	243.222	111.651
The present value of finance lease liabilities is as follows:		
- Less than 1 year	62.959	24.955
- Between 1 and 5 years	180.263	86.696

17. Trade and other payables

At the end of 2007 and 2006 this heading breaks down as follows:

	Euro	
	2007	2006
Trade and other creditors	34.416.952	3.519.952
Customer prepayments (Note 2.21)	8.366.772	2.565.348
Payables to public administrations (Note 19)	5.859.924	52.036
Fixed asset suppliers	7.075.275	2.424.826
Other current liabilities	176.559	1.172
	55.985.482	8.563.334

The book value of trade and other payables is similar to their fair value.

The balances included under the heading Trade and other payables at 31 December 2007 and 2006 fall due in between 90 and 120 days. In the case of purchases of photovoltaic cells, the payments take place in between 1 and 60 days.

18. Derivative financial instruments

Hedge instrument assets and liabilities at the end of 2007 and 2006 are as follows:

				Euro
	2007		2006	
	Asset	Liability	Asset	Liability
Fair value of derivatives not used for book hedges				
- Interest rate	12.905	-	-	30.600
- Exchange rate	-	986.351	11.966	-
	12.905	986.351	11.966	30.600
Fair value of derivatives used for book hedges				
- Interest rate	-	24.228	-	-
- Exchange rate	-	7.234.894	-	-
	-	7.259.122	-	-
Total	**12.905**	**8.245.473**	**11.966**	**30.600**

a) Interest rate hedge

In order to protect against fluctuations in the interest rate applicable to the loans obtained from Caja Rural totaling €1,500,000 and €4,500,000, respectively (Note 14), SOLARIA has obtained an interest rate hedge from Banco Cooperativo Español, the main characteristics of which are as follows:

Initial notional amount: € 5,892,857.14
Maturity date: 12 December 2011
Variable I payor: Banco Cooperativo Español
Variable I rate: 6-month euribor
Variable II payor: Solaria Energía y Medio Ambiente, S.A.
Variable II rate: 3.96%, in the event that euribor goes to 5%, there is a 0.10% credit.

The maturity dates for the derivatives are as follows:

Year	Euro
2008	214.286
2009	535.715
2010	857.142
2011	4.071.428

Caja Rural de Ciudad Real granted a €300,000 guarantee to Banco Cooperativo Español in the Company's favor to respond to the obligations that may derive from the interest rate swap credit concerning the above-mentioned interest (Note 25).

In order to protect against fluctuations in the interest rate applicable to the loan obtained from Caja Madrid totaling € 6,000,000 (Note 16), SOLARIA has obtained an interest rate hedge from Caja Madrid, the main characteristics of which are as follows:

Initial notional amount: € 6,000,000
Fixed rate payor: Solaria Energía y Medio Ambiente, S.A.
Fixed rate: 4,63%
Variable rate payor: Caja de Ahorros y Monte de Piedad de Madrid
Variable rate: 6-month euribor
The maturity dates for the derivatives are as follows:

Year	Euro
2009	600.000
2010	5.400.000

b) Foreign exchange rate hedge

In order to hedge against fluctuations in the exchange rate between the euro and the US dollar in certain acquisitions of photovoltaic cells planned for 2008, SOLARIA has obtained several hedges from Banesto, each instrumented into two currency options, the second of which has an entry barrier, and for which SOLARIA acts as the buyer in the first and the seller in the second, as follows:

Bank	Amount contracted (USD)	Price in year	Entry barrier
Banesto	10.000.000	1,4105	1,440
Banesto	10.000.000	1,3815	1,411
Banesto	10.000.000	1,3815	1,411
Banesto	10.000.000	1,3815	1,411
Banesto	10.000.000	1,3815	1,411
Banesto	10.000.000	1,3815	1,411
Banesto	6.715.000	1,3500	1,3800

In order to hedge against fluctuations in the exchange rate between the euro and the US dollar in certain acquisitions of photovoltaic cells planned for 2008, SOLARIA has obtained several hedges from Caja Madrid, each instrumented as a currency option with an entry barrier, in which the Company has the obligation of buying at the exercise rate if the maturity date for the fixing is equal or higher than the entry barrier and the right to purchase at the exercise rate if not, as follows:

Bank	Amount contracted (USD)	Price in year	Entry barrier
Caja Madrid	120.000.000	1,3860	1,4284
Caja Madrid	15.000.000	1,3835	1,4110
Caja Madrid	15.000.000	1,3835	1,4110
Caja Madrid	15.000.000	1,4430	1,4950

19. Corporate income tax and tax situation

The calculation of corporate income tax expense for 2007 and 2006 is as follows:

	Euro	
	2007	2006
Book profit before income tax	71.551.594	8.612.406
Temporary differences	(3.610.906)	(521.820)
Taxable income	67.940.688	8.090.586
Tax base through the applicable tax rate (32.5%)	22.080.724	2.825.695
Deductions	(12.000)	(12.726)
Current year tax	23.242.268	2.812.969
Withholdings and interim payments	(7.012.996)	(27.807)
Amount payable	**15.050.470**	**2.785.162**

The breakdown of corporate income tax in the income statement is as follows:

	Euro	
	2007	2006
Current year tax	23.242.268	2.812.969
Deferred tax for the year	(467)	182.552
Change in tax rate-deferred tax liabilities	(90.312)	(25.874)
Corporate income tax	**23.151.489**	**2.969.647**

In accordance with the provisions of Article 109 of the Corporate Income Tax Act, the Company has availed itself of unrestricted depreciation for new fixed assets, which may be depreciated without restriction provided that during the twenty-four months following the start of the tax period in which the assets enter into operation the average total number of employees at the Company increases with respect to the average payroll in the preceding 12 months and this increase must be maintained from an additional period of twenty-four months. The amount of the items subject to unrestricted depreciation totaled €3,329,119. (2006: €324,151) and therefore generated deferred taxes totaling €998,736 (2006: € 97.245).

By virtue of Law 35/2006 (28 November), on Personal Income Tax and the partial amendment of the laws governing corporate income tax, non-resident income tax and wealth tax, in tax periods commencing as from 1 January 2007 the corporate income tax rate is 32.5% and 30% in tax periods started as from 1 January 2008.

The reconciliation of the tax rate is as follows:

	Euro	
	2007	2006
Book profit before income tax	71.551.594	8.612.406
Tax expense at the applicable tax rate	23.254.268	3.009.834
Change in the tax rate	(90.312)	(25.874)
Deductions	(12.000)	(12.726)
Other adjustments	(467)	(1.587)
Corporate income tax expense	23.151.489	2.969.647
Effective tax rate	**32,36%**	**34,48%**

Deferred tax assets and liabilities consist of:

	Euro	
	2007	2006
Deferred tax liabilities	1.170.847	165.859
Deferred tax assets	5.689.249	9.180

Deferred tax assets and liabilities are only offset if there is a legally enforceable right to set off current and deferred tax assets and liabilities relating to the same tax authorities.

Movements during the year in deferred tax assets and liabilities are as follows:

				Euro
Deferred tax liabilities	**Unrestricted depreciation**	**Derivative financial instruments**	**Deferred revenues**	**Total**
At 31 December 2005	-	-	-	-
Debited/(credited) to results	97.245	3.590	65.024	165.859
At 31 December 2006	**97.245**	**3.590**	**65.024**	**165.859**
Debited/(credited) to results	1.075.397	605	13.582	1.089.584
Charge against/(credit to) equity	-	-	-	-
Change in the tax rate	(83.228)	(323)	(1.045)	(84.596)
At 31 December 2007	**1.089.414**	**3.872**	**77.561**	**1.170.847**

			Euro
Deferred tax assets	**Derivative financial instruments**	**Capital increase expenses**	**Total**
At 31 December 2005	-	-	-
Debited/(credited) to results	9.180	-	9.180
At 31 December 2006	**9.180**	-	**9.180**
Debited/(credited) to results	311.384	-	311.384
Charge against/(credit to) equity	2.359.215	3.483.575	5.842.790
Change in tax rate taken to income statement	(24.659)	30.375	5.716
Change in tax rate taken to equity	(181.478)	(298.343)	(479.821)
At 31 December 2007	**2.473.642**	**3.215.607**	**5.689.249**

At 31 December 2007 all of the tax returns filed by SOLARIA for the periods that have not become statute-barred are open to inspection.

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. The Directors consider, however, that any additional assessments that might be made would not significantly affect these financial statements.

The breakdown of taxes and Social Security at the end of 2007 and 2006 is as follows:

				Euro
	2007		2006	
	Receivable	Payable	Receivable	Payable
2007 corporate income tax	-	15.050.470	-	-
2006 corporate income tax	-	-	-	2.785.162
2005 corporate income tax	17.073	-	19.527	-
2004 corporate income tax	11.575	-	11.575	-
Current taxes	28.648	15.050.470	31.102	2.785.162

The balances included under "Trade and other receivables" (Note 12) or "Trade and other payables" (Note 17) are as follows:

				Euro
	2007		2006	
	Receivable	Payable	Receivable	Payable
VAT	-	5.329.704	2.488.291	-
Personal income tax withholdings	-	209.839	-	15.243
Social Security contributions	-	320.381	-	34.035
Capital withholdings	-	-	-	2.758
	-	5.859.924	2.488.291	52.036

20. Income and expense

a) Consumption of raw and other consumable materials:

	Euro	
	2007	2006
Consumption of raw and other consumable materials	116.917.587	25.379.560
Difference between opening and closing inventories	(17.130.484)	(17.530.107)
	99.787.103	7.849.453

b) External expenses

	Euro	
	2007	2006
Management and Administration services (Note 23(b))	400.000	933.057
Solar farm certificates	3.293.103	300.348
Aluminum cutting	7.708	52.742
Studies and projects	41.851	12.150
Other expenses	-	35.066
	3.742.662	1.333.363

c) Personnel costs

The breakdown of the personnel cost heading at the end of these years is as follows:

	Euro	
	2007	2006
Wages, salaries and similar remuneration	6.591.690	573.282
Staff welfare expenses	1.581.706	137.688
Operating grants offset (Note 15)	(98.371)	(107.066)
	8.075.025	603.904

At the end of 2007 and 2006 this heading breaks down as follows:

	2007			2006		
	Men	Women	Total	Men	Women	Total
Engineers	19	1	20	6	1	7
University graduates	6	3	9	4	-	4
Factory staff	339	200	539	56	10	66
	364	204	568	66	11	77

SOLARIA records no commitments for pensions or similar items for personnel.

d) External service expense

At the year end this heading breaks down as follows:

	2007	2006
Rent and royalties	182.777	31.435
Repairs and maintenance	212.041	23.966
Independent professional services	357.455	46.273
Transport	137.347	16.808
Bank services	230.888	85.528
Insurance premiums	45.529	25.541
Advertising	560.745	28.331
Supplies	168.361	51.781
Security	464.190	121.714
Other	765.302	163.053
Operating grants offset (Note 15)	-	(151.544)
	3.124.635	442.886

e) Net loss on the disposal of non-current assets

	Euro	
	2007	2006
Loss on the disposal of non-current assets	(9.209)	(11.528)
Profit on the disposal of non-current assets	6.189	1.982
	(3.020)	(9.546)

f) Financial income

	Euro	
	2007	2006
Interest income- banks	4.185.366	77.596
Interest income – related companies	21.527	82.001
	4.206.893	159.597
Changes in fair value – derivative financial instruments	43.505	11.966
Gains on exchange	170.929	51.877
	214.434	63.843
	4.421.327	223.440

g) Financial expense

	Euro	
	2007	2006
Interest cost	2.929.238	285.918
Changes in fair value – derivative financial instruments	11.966	30.600
Losses on exchange	1.006.592	518
	3.947.796	317.036

21. Earnings from shareholdings

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of outstanding ordinary shares for the year.

	Euro	
	2007	2006
Profit attributable to the company's shareholders (€)	48.400.105	5.642.759
Weighted average number of ordinary shares	54.073.477	77.760
Basic earnings per share (€ per share)	0,90	72,57

b) Diluted

Diluted earnings per share are calculated by adjusting the profit attributable to Company shareholders and the weighted average number of outstanding shares to reflect the conversion of all ordinary shares that may be potentially diluted.

At 31 December 2007 and 2006 no instruments have been issued that may be converted to ordinary shares that may potentially be diluted. Therefore the basic earnings per share are equal to the diluted earnings per share.

22. Cash generated from operations

	Euro	
	2007	2006
Profit before income tax	71.551.594	8.612.406
Adjustments for:		
- Amortization of intangible assets (Note 8)	7.003	3.636
- Depreciation of property, plant and equipment (Note 7)	625.175	206.026
- Deferred income taken to profit and loss (Note 15)	(43.624)	(47.337)
- Operating grants offset against expenses (Note 20(c)) and amortization	(113.292)	(258.610)
- Profit on sale of Brumale, S.L. (Note 9)	-	(2.144)
- Disposal of inventories (Note 11)	-	41.335
- Net loss on the disposal of non-current assets (Note 20(c))	3.020	9.546
- Trade receivable impairment losses (Note 12)	-	14.220
- Financial income (Note 20(f))	(4.421.327)	(223.440)
- Financial expenses (Note 20(g))	3.947.796	317.036
Changes in working capital:		
- Inventories (Note 11)	(17.130.484)	(17.571.442)
- Trade and other receivables (Note 12)	(169.014.932)	(4.179.813)
- Trade and other payables (Note 17)	47.332.328	7.414.519
Cash used in operations	(67.256.747)	(5.664.062)

In the cash flow statement, proceeds from the sale of non-current assets include:

	Euro	
	2007	2006
Net carrying value of property, plant and equipment (Note 7)	86.060	118.943
Loss on disposal of property, plant and equipment (Note 20 (e))	(3.018)	(9.546)
Revenues from disposal of property, plant and equipment	83.042	109.397

Transactions with no cash movements

The main transactions with no cash movement were:

- The acquisition of vehicles under finance leases in 2007 and 2006. The cost of the assets acquired totaled €169,325 and €150,655 in 2007 and 2006, respectively.

- At 31 December 2007 and 2006 a subsidy pending collection at that date granted by the Ministry of Industry in 2006, in the amount of €4,546,364 (Notes 12 and 15).

- In 2006, the sale of the investment in Brumale, S.L. through a loan to a related company.

23. Related-party transactions

a) Parent company

SOLARIA is controlled by Solaria DTL Corporación, S.L., which holds a 61.53% stake in the Company. All the other shares in the Company are traded on the continuous market. In turn, the shares in Solaria DTL Corporación, S.L. pertain to the family Díaz-Tejeiro. Instalaciones Díaz Tejeiro, S.L is a related company.

b) Related- party transactions

	2007		Euro 2006	
	Expenses	Revenues	Expenses	Revenues
Solaria DTL Corporación, S.L. (Note 20(b))	400.000	26.217.000	933.057	-
Instalaciones Díaz Tejeiro, S.L.	-	21.527	1.068.908	82.001
	400.000	26.238.527	2.001.965	82.001

The revenues involving Solaria DTL Corporacion in 2007 relate to the sales made to the majority shareholder of SOLARIA with respect to the turnkey contract in Note 10.

Expenses during 2007 relate to Management and Administration services for the service agreement between SOLARIA and Solaria DTL Corporacion, S.L., which ended on 30 April 2007 (Note 20.b)

The expenses incurred in 2006 with respect to Solaria DTL Corporación, S.L. consist of management service expenses. The expenses incurred with respect to Instalaciones Díaz Tejeiro, S.L. relate to commercial transactions between both companies.

During 2006 recognized revenues referring to Instalaciones Díaz Tejeiro, S.L. consisted of financial income from a loan to group companies (Note 10, Note 20(f)).

c) Compensation to key executive personnel and the Board of Directors

The Directors of the Company received € 1,446,354 in 2007 and € 1,030,541 in 2006 in salaries and wages. The compensation paid for attending Board Meetings in 2007 totaled €370,000 and €0 in 2006. The Company has not granted any advance payments or loans, or entered into any pension, retirement life insurance or special indemnity commitments.

During the first quarter of 2006 key executives were employed by SOLARIA and their salaries amounted to €97,484. As from April 2006 executive personnel moved to the majority shareholder Solaria STL Corporación, S.L., and for services rendered to SOLARIA a management and administration agreement was concluded that accrued salary expenses between April and December 2006 in the amount of €933,057 (Note 23 (b)).

The Company records no commitments for pensions or similar items for executive personnel at SOLARIA. No advance payments, loans, retirement awards, life insurance or special indemnities have been granted.

d) Year-end balances arising from sales/purchases of goods/services

See Note 10, "Loans to related companies".

In 2007 and 2006 it was not necessary to form any provision for loans granted to related companies.

e) Directors' shareholdings, positions and duties and activities

For the purposes of complying with the provisions of Article 127 ter 4 of the Spanish Companies Act, these Notes to the annual accounts include information relating to shareholdings and posts held by members of the Board of Directors of Solaria Energía y Medio Ambiente, S.A. in other companies with the same or supplementary activity as that carried out by the Company.

Relevant shareholdings held by members of the Board of Directors and Senior Management in other companies that have the same, similar or supplementary activity as the Company or Group´s corporate purpose, which have been reported to the Company, are set out below indicating the positions or duties exercised at these companies.

Name of the Director	Company name	% Interest	Office or duty
Enrique Díaz-Tejeiro Gutiérrez	Solaria DTL Corporación, S.L	20%	Joint and Several Administrator
	Instalaciones Díaz Tejeiro, S.L	50%	Joint and Several Administrator
Enrique Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L	20%	Key manager
Arturo Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L	20%	Key manager
Miguel Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L	20%	Joint and Several Administrator
Iñigo Sagardoy Simón	N/A		
Manuel Azpilicueta Ferrer	N/A		

None of the members of the Board of Directors holds any shareholding in companies that have the same, similar or complementary corporate purpose as SOLARIA or its group.

24. Other information

a) Transactions carried out in foreign currency are as follows:

Transactions carried out in foreign currency (US dollars) are as follows:

	Euro	
	2007	2006
Purchases of fixed assets	7.678.433	2.403.204
Raw materials and consumables	95.699.213	4.250.985

b) Audit fees

The fees charged by the audit for services rendered total €90,000 (2006: €25,000). Auditor fees charged for other services relating to the audit amounted to €125,000 (2006: €120,000).

c) Environment

SOLARIA bears environmental protection laws in mind when carrying out its operations. The Company believes it substantially complies with such laws and it maintains procedures designed to encourage and guarantee compliance with them.

SOLARIA has adopted all appropriate measures with respect to the protection and improvement of the environment and the minimization of any environmental impact and complies with current legislation in this respect. During the years 2007 and 2006 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, and did not consider it 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.

25. Warranties

a) Bank guarantees

The breakdown of the bank guarantees provided by the Company that are in force at the end of 2007 and 2006 are as follows:

			Euro
Beneficiary	Item	2007	2006
Municipality of Puertollano	Construction at La Nava II industrial estate	6.000	6.000
Municipality of Puertollano	Construction in Puertollano	6.000	6.000
Banco Cooperativo Español (Note 18)	Interest credit -- interest rate hedge	300.000	300.000
Instituto de Crédito Oficial	Counter guarantee for guarantees granted to CDTI	347.680	347.680
Ministry of Industry (Note 15)	Loan obligations	500.000	500.000
CDTI (Note 15)	Repayable assistance (1 guarantee)	26.800	26.800
CDTI (Note 15)	Repayable assistance (12 guarantees – 26,740 euros)	320.880	320.880
Ministry of Industry (Note 15)	Repayable loan	400.000	400.000
Ministry of Industry (Note 15)	Repayable loan	861.052	861.052
Foreign commerce transactions	Foreign guarantee	5.390.004	1.768.200
Ministry of Industry (Note 14)	Grant	4.500.185	-
Energy and Mining Policy office	Authorization for 20MW installation	799.600	-
Energy and Mining Policy office	Authorization for 20MW installation	799.600	-
Energy and Mining Policy office	Authorization for 150MW installation	1.771.000	-
Energy and Mining Policy office	Authorization for 150MW installation	4.400.000	-
Regional Office of the Valladolid Industrial, Tourism and Commerce Service	Execution and launch of a 8.3MW photovoltaic plant	4.150.000	-

The Company has received a surety in the amount of € 723,457 from a construction company to secure a contract for the construction of two industrial buildings to produce photovoltaic cells.

b) Warranties

i) Warranties for turnkey contracts

SOLARIA warranties defects and problems relating to the execution and completion of the construction of photovoltaic plants, provided that they are directly attributable to the Company. The warranty covers three years after the date of final delivery of the photovoltaic plant.

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

ii) Operating and maintenance contract warranties

In 2006 SOLARIA concluded 23 operating and maintenance contracts for turnkey projects and, as the builder of the plants and the party rendering operating and maintenance services, the Company warranties output at 90% of the estimated production of the photovoltaic plants during the period the operating and maintenance agreement is in force (5 years).

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

iii) Warranties covering the sale of modules

SOLARIA offers all customers a standard warranty certificate for the photovoltaic modules that warranties material or manufacturing defects and a capacity guarantee.

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

As from the date the module is sold, SOLARIAguarantees a minimum output based on the technical specifications of the agreement and will deliver modules for the equivalent of the lost capacity and will repair or replace the units as follows:

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

During the first quarter of 2007, SOLARIA concluded a significant module sales agreement for which it offers certain guarantees that are different than the standard mentioned above, as follows:

a) Capacity warranty

As from the date the module is supplied, the Company guarantees a minimum output based on the technical specifications of the agreement and will deliver modules for the equivalent of the lost capacity and will repair or replace the units as follows:

Years elapsed since the supply date	Guaranteed output capacity
Up to 2 years	100%
Up to 12 years	90%
Up to 25 years	80%

In addition, SOLARIA warranties, through photoflash certificates issued by SOLARIA, that the peak capacity of each module is equal to be contracted amount with a maximum authorized variance of +/- 3%.

b) Warranty of materials

SOLARIA provides a three-year warranty as from the dates the modules are delivered to the customer, guaranteeing that they are free of any material or manufacturing defects that impede normal operations.

If any of the modules have a manufacturing defect, SOLARIA must repair it or replace it within a certain period, or pay the customer an amount in euros equivalent to the market price of the affected modules. Furthermore, the Company will maintain modules in its inventory equivalent to 5 kW during the three-year warranty period.

At the end of the year SOLARIA did not recognize any provision whatsoever for the above-mentioned warranties due to the fact that no claims have been made and there are no indications of any possible claims. Furthermore, based on available past information, the likelihood of such claims is extremely low.

However, the Directors of SOLARIA consider that the effect of any possible claims, should any be made, would not significantly affect these financial statements.

26. Commitments

SOLARIA has signed the following commitments at the end of 2007:

Property, plant and equipment

- On 31 January 2008 SOLARIA concluded a turnkey contract with Centrotherm Photovoltaics AG to acquire automatic photovoltaic cell manufacturing equipment. This machinery consists of three production lines with a joint annual capacity of 75MW. The date the first units enter into operation is expected to be in the third quarter of 2008, raising the annual capacity to produce cells at Puertollano to 100MW in 2009.

Raw materials

- On 11 September 2007 SOLARIA concluded an agreement with the Taiwanese company Gintech Energy Corporation to supply photovoltaic cells in 2008. The cells to be supplied under the agreement represent approximately 25% to 30% of third party cell supplies in 2008. The agreement calls for the supply of between 39 and 50MW of photovoltaic cell capacity, and the Company estimates that it will reduce the costs it incurred in 2007 in this respect by between 5% and 10% each quarter in 2008.

- On 25 October 2007 an agreement was concluded with Neo Solar Power Corporation to supply cells during 2008 and the supply schedule for 2009 and 2010 was established. The contract establishes minimum and maximum amounts to be supplied in 2008, 10Mw and 15Mw respectively, whereas supplies for the following two years is subject to further agreement by the parties.

- In January 2008 SOLARIA concluded an agreement with the Taiwanese company E-TON Solar Tech Co. Ltd. by virtue of which the latter will supply the Company with photovoltaic cells in 2008. The contract calls for the supply of 40MW of photovoltaic cell capacity, which represents approximately 30% of the supply of photovoltaic cells by third parties estimated to take place in 2008.

- On 11 December 2007 an agreement was concluded with JA Solar to supply photovoltaic cells in 2008. The contract calls for the supply of between 45 and 60MW of photovoltaic cell capacity, which represents approximately 30% of the third party supply of photovoltaic cells in 2008.

Customers

At the date these financial statements were prepared, SOLARIA had reached several agreements with customers, as follows:

Type of agreement	Promised MW	MW delivered in 2007	MW yet to be delivered
Sale of modules	53	33	20
Turnkey projects	71,2	-	71,2
Turnkey pre-agreements	170	-	170
	294,2	33	261,2

In addition, there is a commitment with one customer to distribute thermal panels in 2008 amounting to approximately 2,500 m2, in accordance with the agreement concluded with that customer.

27. Post-balance sheet events

The following significant events took place after the year end:

- On 13 February 2008, SOLARIA signed an agreement for credit without recourse with Barclays Factoring, S.A. under which it assigns the financial institution the loans represented by promissory notes issued to SOLARIA by a customer in the amount of €30,411,720.

- On 11 February 2008, SOLARIA signed an agreement for credit without recourse with Banesto Factoring, S.A. under which it assigns the financial institution a promissory note issued to SOLARIA by a customer in the amount of €19,140,000.

- On 13 February 2008, SOLARIA concluded a "Financial Transaction Framework Agreement" with Banco de Valencia, covering a maximum of €5,000,000. The financial transactions agreed under the terms of this contract will be understood to form part of the Framework agreement, notwithstanding the specific conditions that may be included under each of these transactions. Among the transactions covered by the Framework Agreement are: (i) Financial interest rate, currency and commodities swaps, etc; (ii) Fixed interest rate term transactions; (iii) Options and Futures regarding interest rates, currencies, commodities, fixed income securities, equities, etc.; (iv) Currency trades and (v) Any combination of the above as specified in the relevant confirmation of the transaction.

- On 13 February 2008, a financing agreement for commercial transactions with a limit of €40,000,000 was concluded to regulate the legal relationship between Solaria Energía y Medio Ambiente, S.A. and Banco de Valencia for the transactions covered by this agreement, which relate to the discounting, trading or prepayment of customer documents.

- On 18 February 2008, in accordance with the provisions of CNMV Circular 3/2007 (19 December), a liquidity agreement was concluded between SOLARIA and Banesto Bolsa, whereby the conditions under which the financial institution will operate on behalf of Solaria Energía y Medio Ambiente, S.A., acquiring or selling Solaria's treasury stock in order to favor the liquidity and regularity of its listed price within the limits established in this respect by Shareholders at the General Meeting held on 24 May 2007. In this respect, SOLARIA has deposited zero shares and €15,000,000 in cash with the financial institution. Within 190 days of concluding this agreement, the financial institution will acquire shares in SOLARIA up to a limit of 5,057,333 shares or €15,000,000. At the date these financial statements were prepared, the treasury stock acquired by Banesto Bolsa on behalf of SOLARIA consisted of 352,815 shares for a total of €4,455,162.

- On 19 February 2008, SOLARIA signed an exclusivity agreement ending on 15 March 2008 and covering the acquisition of industrial premises located in the north of Spain for €16.5 million, with the objective of transforming them into a factory to produce photovoltaic modules and cells.

There have been no other significant events that have an affect on these financial statements after the closing date.