SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Auditor's Report, Annual Accounts and Director´s
Report as at December 31, 2007

PRICEWATERHOUSECOOPERS

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

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

AUDITOR´S REPORT ON THE ANNUAL ACCOUNTS

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

We have audited the annual accounts of Solaria Energía y Medio Ambiente, S.A., consisting of the balance sheet as at 31 December 2007, the income statement and the notes to the annual accounts 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 annual accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

In accordance with Spanish Corporate Law, the Company´s Directors have presented, for comparative purposes only, for each item of the balance sheet, the income statement and statement of source and application of funds, the corresponding amounts for the previous year as well as the amounts for 2007. Our opinion refers exclusively to the annual accounts for 2007. On May 21, 2007, we issued our audit report on the 2006 annual accounts, in which we expressed an unqualified opinion.

In our opinion, the accompanying annual accounts for the year 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 its operations and its source and application of funds for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.

The accompanying Directors' Report for 2007 contains the information that the Company´s Directors consider relevant to the Company's position, the evolution of its business and of other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the annual accounts for 2007. Our work as auditors is limited to checking the Director's Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the Company's accounting records.

PricewaterhouseCoopers Auditores, S.L.

Originally in Spanish signed by
Iñaki Goiriena Basualdu
Audit Partner

February 22, 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

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SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

BALANCE SHEET AS OF 31 DECEMBER 2007 AND 2006

(In Euros)

ASSETS	31.12.07	31.12.06	LIABILITIES	31.12.07	31.12.06
FIXED ASSETS			**EQUITY**		
Start-up costs	**10,718,692**	-			
Intangible fixed assets	**271,487**	**125,368**	Share capital	1,011,467	777,600
Software	27,263	15,740	Issuance premium	221,939,470	-
Assets capitalized under finance leases	282,607	113,283	Reserves	3,141,112	46,588
Amortization	(38,383)	(3,655)	Profit for the year	47,498,263	5,504,524
Tangible fixed assets	**32,488,626**	**7,106,173**		**273,590,312**	**6,328,712**
Land and buildings	5,093,057	1,212,794	**DEFERRED INCOME**		
Machinery	6,967,268	1,014,012			
			Government grants (related to income)	4,762,206	4,796,286
Plants and equipment	1,087,679	294,943			
Data-processing equipment	71,032	22,809	Other deferred income	424,779	388,799
Fixtures and fittings	424,573	51,324		**5,186,985**	**5,185,085**
Vehicles	48,751	48,751			
Tangible fixed assets in course of construction	19,669,205	4,743,228	**NON-CURRENT**		
Accumulated depreciation	(872,939)	(281,688)	**LIABILITIES**		
Financial investments	**33,870**	**20,270**	Borrowings from financial institutions	14,772,446	9,011,189
Deposits	15,269	2,270	Finance leases	214,221	99,891
Other loans	18,601	18,000		**14,986,667**	**9,111,080**
Total fixed assets	**43,512,675**	**7,251,811**			
DEFERRED EXPENSES	**420,565**	**354,725**			
			CURRENT		
CURRENT ASSETS			**LIABILITIES**		
			Borrowings from financial		
Inventories	**34,785,871**	**17,655,387**	**institutions**	**43,931,077**	**7,628,493**
Raw materials and other			Loans and other liabilities	43,868,118	7,603,538
supplies	27,534,925	12,923,886	Finance leases	62,959	24,955
Finished goods	7,250,946	4,731,501	**Trade creditors**	**35,438,383**	**3,519,952**
Debtors	**178,020,837**	**9,609,399**	**Advance payments from customers**	**8,366,772**	**2,565,348**
Trade debtors for sales and services rendered	142,496,797	1,902,263	**Other creditors**	**29,217,413**	**5,360,441**
Other debtors	41,403	64,405	Taxes payable	22,000,065	2,934,443
Taxes refundable	324,553	2,519,393	Fixed asset suppliers	7,075,275	2,424,826
Government grants receivable	4,546,364	4,546,364	Accrued salaries payable	142,073	1,172
Amounts owed by group companies	30,611,720	591,194			
Provisions	-	(14,220)			
Current investments	**40,742,797**	**600,000**			
Fixed income securities	40,000,000	600,000			
Short-term interest	508,097	-			
Other short-term loans	234,700	-			
Cash and cash equivalents	**113,163,152**	**4,227,789**			
Accruals and prepayments	**71,712**	-			
Total current assets	**366,784,369**	**32,092,575**	**Total current liabilities**	**116,953,645**	**19,074,234**
TOTAL ASSETS	**410,717,609**	**39,699,111**	**TOTAL LIABILITIES**	**410,717,609**	**39,699,111**

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SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL YEARS 2007 AND 2006

(In Euros)

DEBIT	Year 2007	Year 2006	CREDIT	Year 2007	Year 2006
EXPENSES:			**INCOME:**		
Supplies	**103,480,207**	**9,182,816**	**Net revenue**	**186,208,765**	**19,146,563**
Raw materials and			Sales	186,194,369	19,146,563
other consumables	99,918,194	7,849,453	Services rendered	14,396	-
Other external expenses	3,693,103	1,333,363	**Other operating income**	**175,371**	**3,907**
Purchase trade discounts	(131,090)	-			
Personnel costs	**8,173,396**	**710,970**	Government grants	175,371	3,907
Wages, salaries and similar remuneration	6,591,690	573,282			
Social security contributions	1,558,281	137,688			
Other social contributions	23,425	-			
Depreciation and amortization expense	**1,847,182**	**209,662**			
Changes in impairment provisions against current assets	**(14,220)**	**14,220**			
Other operating expenses	**3,187,748**	**622,132**			
External services	3,136,981	594,430			
Taxes and duties	50,767	27,702			
OPERATING PROFIT	**69,709,823**	**8,410,670**	**OPERATING LOSSES**	-	-
			Income from negotiable securities and		
Financial expenses	**2,625,134**	**234,839**	**loan assets**	-	**2,144**
Other financial expenses	**304,104**	**51,079**	From non-group companies	-	2,144
Losses arising from exchange differences	**1,006,592**	**518**	**Other interest and similar income**	**4,206,892**	**159,597**
			From group companies	-	82,001
			From financial institutions	4,206,892	77,596
			Gains on financial investments	**170,929**	**51,877**
			Gains arising from exchange differences	170,929	51,877
NET FINANCIAL INCOME	**441,991**	-	**NET FINANCIAL EXPENSE**	-	**72,818**
PROFIT ON ORDINARY ACTIVITIES	**70,151,814**	**8,337,852**	**LOSS ON ORDINARY ACTIVITIES**	-	-
			Government grants related to assets		
Loss on disposal of fixed assets	**9,210**	**11,528**	**recognized in income during the year**	**115,124**	**89,199**
Extraordinary expenses	**670**	**3,120**	**Extraordinary income**	**6,192**	**2,334**
NET EXTRAORDINARY PROFITS	**111,436**	**76,885**	**NET EXTRAORDINARY LOSSES**	-	-
PROFIT BEFORE TAXES	**70,263,250**	**8,414,737**	**LOSS BEFORE TAXES**	-	-
Corporate income tax	22,764,987	2,910,213			
RESULTS OF THE YEAR (PROFIT)	**47,498,263**	**5,504,524**	**LOSS FOR THE YEAR**	-	-

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NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR 2007
(Expressed in Euros)

1. Activities

Solaria Energía y Medio Ambiente, S.A. (hereinafter, referred to as SOLARIA) was incorporated on November the 27th, 2002. Its corporate objectives are as follows:

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

On September the 21st, 2006, SOLARIA changed its registered address to Madrid, Calle Núñez de Balboa 120.

On March the 21st, 2007, SOLARIA filed an application before the Companies Registry of Madrid, in order to change its status from a limited liability company to a public limited liability company, according to the resolution passed by the General Shareholders Meeting of Solaria Energía y Medio Ambiente, S.L. that took place on January the 1st, 2007.

As of March the 26th, 2007, the Companies Registrar chose an independent expert to write a report on SOLARIA's corporate assets. The said report was issued on May the 10th, 2007, and it was favourable to SOLARIA.

As from the second half of 2005, SOLARIA started its expansion by building a photovoltaic and thermal module production plant 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, from which time SOLARIA commenced production of photovoltaic modules 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 projects in terms of agreements covering the construction, installation and launch of photovoltaic solar plants. SOLARIA assumes responsibility for all stages of the process, from obtaining the necessary administrative permits to the launching of the operation.

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

To facilitate 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 regard, the outlook for the following two years fundamentally depends on the construction of a photovoltaic cell production line, initiated during the first quarter of 2007, and which is expected to enter into production at the end of the third quarter of 2007.

In addition, SOLARIA expects to continue increasing the production capacity of photovoltaic modules, thereby generating economies of scale.

In order to finance the above-mentioned investments, SOLARIA implemented an Initial Public Offering (IPO), which ended on June the 19th, 2007, as detailed in Note 12.

2. Basis of presentation

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

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

3. Accounting policies

a) Start-up costs

Expenses due to the incorporation, start-up and capital increase are capitalized according to their acquisition cost and are depreciated on a straight line basis throughout a 5-year term. Once the circumstances that permitted the capitalization have changed, the amount pending amortization is taken to the profit and loss account in the financial year in which the change took place.

b) Intangible fixed assets

Intangible fixed assets are recorded at the cost of acquisition or production cost.

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

Software is amortized on a straight-line basis over 3 years.

c) Tangible fixed assets

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

	Years
Buildings	33
Machinery	8
Plants and equipment	8 - 10
Data processing equipment	4
Fixtures and fittings	10
Vehicles	6

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

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

c) Investments

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

e) Inventories

Inventories of raw materials are stated at their weighted average acquisition cost.

Inventories of finished goods are stated at production cost, which includes the cost of raw materials utilized and direct and indirect manufacturing costs.

In those circumstances in which the net realizable value of inventories is less than the weighted average cost of raw materials or the production cost of finished goods, the inventories are written down to net realizable value.

f) Trade and non-trade debtors and creditors

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

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

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

g) Transactions and balances denominated in foreign currency

The translation to Euros of debts and credits expressed in foreign currency is carried out by applying the prevailing exchange rate at the time the relevant transaction is carried out, and is restated at the year end in accordance with the exchange rate applicable at that time.

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

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

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

h) Corporate income tax

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

SOLARIA provides in full for all its deferred tax liabilities even though they may not be expected to reverse in the foreseeable future. Deferred tax assets are only recorded to the extent that it is reasonably certain that they will be realized within a maximum period of ten years, and beyond that period, only to the extent that there are compensating deferred tax liabilities.

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

Deductible temporary differences are recognized as a deferred tax asset only if there are no doubts as to their recovery, and provided that this recovery will occur within the next 10 years.

i) Deferred income

Government grants

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

Other deferred income

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

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

j) Provisions for risks and expenses

Potential future payments relating to probable obligations are accounted for by registering provisions for risks and expenses. Provisions are made when circumstances indicate the existence of an obligation, based on the estimated amount of the obligation.

Provisions for warranties

SOLARIA grants customers' warranties in respect of turnkey contracts relating to the construction of photovoltaic plants, operating and maintenance contracts, and contracts relating to the sale of photovoltaic modules (see Note 19.b)

The necessary provisions for warranties granted are calculated based on theoretical expectations and historical information on defect rates and estimated repair costs. These provisions are reviewed and adjusted on a regular basis.

These provisions are accounted for based on the estimated value of future warranty claims arising from contracts concluded with customers referred to above, and are registered as an operating expense in the income statement.

k) Income and expenses

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

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

To recognize income arising from contracts relating to the construction, installation and launch of photovoltaic solar projects delivered on a turnkey basis, SOLARIA uses the percentage of completion method. This percentage is calculated based on total income established in the agreement and is determined on the basis of the ratio between the costs incurred to date and the total projected costs required to complete the project.

The difference between the amount of work performed and the amount invoiced to customers at the balance sheet date is recorded as Trade debtors for invoices yet to be issued, included in the line item Trade debtors. On the other hand, amounts invoiced to customers in advance for various reasons are reflected as a liability on the balance sheet under Advance prepayments from customers.

l) Transactions with derivative instruments

SOLARIA´s accounting policy is to make use of hedging instruments in order to significantly reduce or eliminate interest rate risk and exchange rate risk. Gains and losses relating to hedging transactions are recognized in the income statement on the same basis as the gains or losses arising from the underlying transaction whose risks are being covered, as follows:

- Losses are recognized as they are known.
- Gains are recognized when realized, on settlement date.

m) Dismissal indemnities

Dismissal indemnities that can reasonably be quantified are recorded as expenses in the year in which the dismissal is decided, with the agreement of the corresponding parties.

n) Environmental matters

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

4. Start-up expenses

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

				Euros
	Balance as of 31.12.06	Additions	Amortization	Balance as of 31.12.07
Capital increase expenses	-	11,933,705	(1,215,013)	10,718,692
	-	**11,933,705**	**(1,215,013)**	**10,718,692**

The additions of the financial year correspond to expenses incurred during the process of the Initial Public Stock Offering that ended on June the 19th, 2007, as detailed in Note 12.

5. Intangible fixed assets

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

				Euros
	Balance as of 31.12.06	Additions	Transfers	Balance as of 31.12.07
Cost				
Software	15,740	11,523	-	27,263
Assets capitalized under finance leases	113,283	169,325	--	282,607
	129,023	**180,848**	**-**	**309,870**
Amortization				
Software	3,636	7,003		10,649
Assets capitalized under finance leases	19	27,725	-	27,744
	3,655	**34,728**	**-**	**38,383**
	125,368			**271,487**

Additions to intangible fixed assets mainly relate to vehicles and construction machinery acquired under finance leases.

Lease liabilities are effectively secured, as the rights to the leased assets revert to the lesser in the event of default.

Intangible fixed assets include, under the heading "Rights over leased assets", assets capitalized under finance leases, as follows:

Euros

	Term of the lease	Invest-ment	Purchase option value	Instalments paid 2007	Instalments paid 2006	Instalments outstanding as of 31.12.07 Current	Instalments outstanding as of 31.12.07 Non-current
Vehicles	60 monthly payments	48,928	934	9,081	934	11,211	33,632
Vehicles	60 monthly payments	60,275	1,146	11,145	1,146	13,498	41,536
Vehicles	60 monthly payments	52,540	883	9,649	0	11,801	36,386
Vehicles	60 monthly payments	70,938	1,348	2,386	0	16,181	64,401
Other fixed assets	60 monthly payments	29,114	557	1,780	0	6,680	24,800
Other fixed assets	60 monthly payments	9,100	174	556	0	2,088	7,831
Other fixed assets	60 monthly payments	6,545	125	400	0	1,500	5,635
		277,440	**5,167**	**34,997**	**2,080**	**62,959**	**214,221**

6. Tangible fixed assets

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

					Euros
	Balance as of 31.12.06	Additions	Disposals	Transfers	Balance as of 31.12.07
Cost					
Land	112,485	2,717,658	-	-	2,830,143
Buildings	1,100,309	119,647	(85,921)	1,128,879	2,262,914
Machinery	1,014,012	590,488	-	5,362,768	6,967,268
Plant and equipment	294,943	435,650	-	357,086	1,087,679
Data-processing equipment	22,809	48,223	-	-	71,032
Fixtures and fittings	51,324	373,388	(139)	-	424,573
Vehicles	48,751	-	-	-	48,751
Tangible fixed assets under construction	4,743,228	21,774,710	-	(6,848,733)	19,669,205
	7,387,861	**26,059,764**	**(86,060)**	**-**	**33,361,565**
Depreciation					
Buildings	37,146	48,949	(6,190)	-	79,905
Machinery	190,574	476,563	-	-	667,137
Plant and equipment	27,967	37,733	-	-	65,700
Data-processing equipment	3,674	10,806	-	-	14,480
Fixtures and fittings	2,646	15,058	-	-	17,704
Vehicles	19,681	8,332	-	-	28,013
	281,688	**597,441**	**(6,190)**	**-**	**872,939**
	7,106,173				**32,488,626**

The item Land includes 71,194 Euros relating to a plot of land obtained by SOLARIA from the municipality of Puertollano in a swap agreement dated 21 December 2005. According to this agreement, SOLARIA acquires the land on which it will install a 1 MW solar plant. In exchange, SOLARIA will make payments to the municipality over a period of 25 years, equal to income obtained from 5kW of capacity generated by the plant over that period. As of December 31st, 2007, the solar plant is under construction.

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

The additions under the item Land correspond to the acquisition of a plot of land in Calera y Chozas (Toledo), of approximately 217 Ha. The acquisition price is 2,404,048 Euros. On this plot of land, SOLARIA will build a photovoltaic energy plant of 50MW.

As additions in the item Land, an amount of 313.610 Euros has been recorded, in relation to the acquisition by SOLARIA of a new plot of land in Puertollano, in La Nava III industrial zone, purchased from the municipality of Puertollano at a price of 5 Euro per square metre. This plot of land will allow the imminent expansion of the plant.

The transfers in the item Buildings correspond to the second plant in the La Nava II industrial zone in Puertollano, for the manufacturing of photovoltaic modules.

The transfers in the item Machinery correspond to the different manufacturing lines of photovoltaic modules that have been put into service during the year 2007, as well as the thermal panels' construction and design line.

As of December 31st, 2007, SOLARIA has 9 photovoltaic manufacturing lines, compared to only 1 line at the closing of the previous financial year.

Tangible fixed assets under construction include the following:

- Construction of an office building in the La Nava II industrial zone in Puertollano.
- Construction of the new facilities for the cell manufacturing plant.
- Construction of the building that supplies energy to the cell manufacturing plant.
- Construction of the logistics building.
- Installation of machinery for the manufacturing of photovoltaic cells.
- Construction of deionization plant.
- Installation of machinery for the expansion of the photovoltaic modules plant. As of December 31st, 2007 there are 8 manufacturing lines.

SOLARIA 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.

7. Financial investments

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

	Euros			
	Balance as of 31.12.06	Additions	Withdrawals	Balance as of 31.12.07
Investment funds	18,000	601	-	18,601
Deposits	2,270	-	(2,270)	-
Long-term guarantees	-	15,269	-	15,269
	20,270	**15,870**	**(2,270)**	**33,870**

The balance of Investment Funds falls due in 2009 and 2010. The Fund guarantees a return of 100% of the investment made, when the market value of the funds is lower than the said investment.

8. Inventories

As of the end of the financial year, this heading can be broken down as follows:

	Photovoltaic	Thermal	Total
Raw materials	26,735,436	799,489	27,534,925
Finished goods	6,471,642	779,304	7,250,946
	33,207,078	**1,578,793**	**34,785,871**

During the 2007 financial year, due to the situation of the real estate market, the manufacturing of thermal panels has decreased and has ceased to be a strategic sector for SOLARIA.

9. Debtors

As of the end of the financial year, this heading can be broken down as follows:

	Euros
Customers	49,168,731
Customers, bills of exchange receivables	93,328,066
Group companies	30,611,720
Other debtors	41,403
Government grants receivable (Note 13)	4,546,364
Taxes refundable (Note 16)	324,553
	178,020,837

The Customers balance can be broken down as follows:

	Euros
Trade debtors for invoices yet to be issued	9,985,929
Debtors for retentions on contracts	573,750
Other trade debtors	38,609,052
	49,168,731

The amount recorded under Trade debtors for invoices yet to be issued relates in full to work carried out on photovoltaic projects, in respect of which income is recognized on a percentage of completion basis, as described in Note 3 k).

The line item Debtors for retentions on contracts consists of 5% of the total amounts invoiced to customers relating to installations of photovoltaic projects, receivable on final delivery of the projects, of the year 2006. During the year 2007, there were no retentions of this kind.

The item Other trade debtors mainly relates to debtors outstanding in connection with solar installation projects.

The heading Amounts owed by group companies can be broken down as follows:

	Euros
Solaria DTL Corporación, S.L	30,611,720
	30,611,720

The heading Amounts owed by group companies corresponds to Solaria DTL Corporación, S.L., in relation to the agreements signed with SOLARIA for the turnkey project of an engineering and construction of a photovoltaic energy plant, that should be completed in the years 2007 - 2008, for a total amount of 67.1 million Euros and for an installed power of 11 MWp. These agreements have respected market prices.

10. Current financial investments

The item short term interest corresponds to a short-term deposit made by SOLARIA in Caja Madrid for cash surplus. The average interest accrued by this deposit during the year 2007 was approximately 4.90%.

11. Deferred expenses

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

	Balance as of 31.12.06	Additions	Amortization	Taken to Profit & Loss	Balance as of 31.12.07
					Euros
Interest expense relating to finance leases	13,642	23,783	-	3,467	33,958
Ministry of Industry loan (Note 14)	197,289	-	-	29,869	167,420
Ministry of Industry loan (Note 14)	91,650	-	14,136	11,735	65,779
CDTI (Note 14)	52,144	-	-	13,299	38,845
Ministry of Industry loan (Note 14)	-	131,161	-	16,598	114,563
	354,725	**154,944**	**14,136**	**74,968**	**420,565**

12. Shareholders' equity

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

	Balance as of 31.12.06	Capital increase	Distribution of profit 2006	Profit for the year 2007	Balance as of 31.12.07
					Euros
Share capital	777,600	233,867	-	-	1,011,467
Issuance premium	-	221,939,470	-	-	221,939,470
Legal reserve	10,658	-	550,452	-	561,110
Voluntary reserves	35,930	-	2,544,072	-	2,580,002
Profit and loss	5,504,524	-	(5,504,524)	47,498,263	47,498,263
	6,328,712	**222,173,337**	**(2,410,000)**	**47,498,263**	**273,590,312**

Share capital

On January 1st, 2007, the General Shareholders Meeting of Solaria Energía y Medio Ambiente, S.L. passed a resolution to make SOLARIA into a public limited liability company and to increase the number of shares, replacing each share with a nominal value of 10 Euros by 1,000 new shares with a nominal value of 0.01 Euros each, thus increasing the number of shares from 77,760 shares to 77,760,000 shares, but leaving SOLARIA's share capital unchanged. The shares were assigned to the existing partners who, at that time, were the holders of the abovementioned original shares, maintaining the same ratio of participation.

The General Shareholders Meeting and the Board of Directors of SOLARIA, in their meetings of May 24th, 2007, passed, among others, a resolution regarding the changes in the administration body, the appointment of Directors and the application for SOLARIA's shares to go public.

On June 15th, 2007, the General Shareholders Meeting passed a resolution to carry out a Public Stock Offering, before the listing of SOLARIA's shares in the Spanish Stock markets. It was, therefore, agreed to carry out a capital increase through the Public Stock Offering, for an amount of 233,867 Euros and the issue of 23,386,667 new shares, ordinary, registered, of the same class and with the same rights as the preceding ones and with a nominal value of 0.01 Euros per share, with an issuance premium to be determined and establishing a minimum subscription of 50,000 Euros.

Furthermore, the abovementioned amount of the Public Offering could be increased by the shares on which the "green shoe" purchase option is exercised, this option having been granted to the entities which signed the Agreement of Underwriting and Placement of the Public Offering, on a maximum of 3,508,000 existing shares, with a nominal value of 0.01 Euros per share and for a total nominal amount of 35,080 Euros.

According to a supplementary annex of the capital increase of June 19th, 2007, it is determined that, for accounting purposes, the issuance premium amounts to 9.49 Euros per share and a total of 221,939,470 Euros. On the same date, the nominal value and the issuance premium were paid by the subscribers of the capital increase:

- Banco Español de Crédito: 11,693,334 shares with a nominal value of 0.01 Euros per share and with an issuance premium of 111.086.673 Euros.
- Morgan Stanley: 11,693,333 shares with a nominal value of 0.01 Euros per share and with an issuance premium of 111.086.664 Euros.

On June 21st, 2007, the underwriters of the Public Offering exercised the whole purchase option for 3,508,000 shares of Solaria Energia y Medio Ambiente, S.A. assigned by Solaria DTL Corporación, S.L. by virtue of the Agreement of Underwriting and Placement signed on June 18th, 2007, at a price of 9.5 Euros per share.

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

As a result, the share capital reached the sum of 1,011,467 Euros, divided in 101,146,667 shares with a nominal value of 0.01 each, fully subscribed and paid-up.

In a resolution of the General Shareholders Meeting of May 24th, 2007, the Board of Directors was authorized to acquire a maximum of 5% of the shares of SOLARIA, for valuable consideration, within a period no longer than 18 months, all at once or by several acquisitions. The minimum price will be the nominal value of the shares and the maximum prices will be 100% of the shares' quotation in the Continuous Market at the time of acquisition (see Note 24).

All the shares of SOLARIA are listed in the four Spanish stock markets and are traded in the continuous market.

The stock quotation of SOLARIA's shares, as of December 31st, 2007, reached 21.48 Euros.

As of December 31st, 2007, the distribution of share capital among shareholders was as follows:

	Number of shares	%
Solaria DTL Corporación, S.L.	62,235,544	61,53
Continuous market	38,911,123	38,47
Total	101,146,667	**100**

Issuance premium

It was a consequence of the abovementioned Public Stock Offering and it can be distributed freely.

Solaria

Legal reserve

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

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

Voluntary reserves

These reserves are available for distribution.

Proposal for the distribution of profits

The proposal to be presented to the General Meeting of Shareholders regarding the distribution of profits for the year 2007 is as follows:

	Euros
Available for distribution	
Profit and loss (profit)	47,498,263
	47,498,263
Distribution	
Legal reserve	4,749,826
Voluntary reserves	42,748,437
	47,498,263

On February 2007, SOLARIA paid an interim dividend, on account of the profits of the year 2006, for an amount of 2,410,000 Euros. The Sole Administrator decided to do so on January 15th, 2007.

On the date of the decision to pay dividends, SOLARIA enjoyed the necessary liquidity to pay them, according to the requirements of Articles 194.3 and 216 of the Spanish Companies Act.

The provisional balance sheet prepared by the Sole Administrator, as of December 31st, 2006, is as follows:

	Euros
Profits after taxes 31.12.2006	5,504,524
Provision for interim payment	(2,410,000)
Treasury cash	4,227,789
Credit lines not used	5,487,800
Total cash	12,810,113

13. Deferred income

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

					Euros
	Balance as of 31.12.06	Additions	Disposals	Recognized in income statement	Balance as of 31.12.07
IDAE (Note 14)	105,631	-	-	14,404	91,227
IDAE (Note 14)	144,291	-	-	19,676	124,615
Ministry of Industry (Note 9)	4,546,364	-	-	-	4,546,364
IDAE (Note 14)	20,572	-	-	4,114	16,458
IDAE (Note 14)	27,144	-	-	5,429	21,715
Ministry of Industry loan (Notes 11 and 14)	197,289	-	-	29,869	167,420
Ministry of Industry loan (Notes 11 and 14)	91,650	-	(14,136)	11,735	65,779
CDTI (Notes 11 and 14)	52,144	-	-	13,299	38,845
Ministry of Industry loan (Notes 11 and 14)	-	131,160	-	16,598	114,562
	5,185,085	**131,160**	**(14,136)**	**115,124**	**5,186,985**

Subsidies, assistance and government grants received by SOLARIA are as follows:

Grantor	Euros	Purpose	Date granted
IDAE (Note 14)	123,748	Accelerated repayment of loan	26.10.2004
IDAE (Note 14)	163,967	Accelerated repayment of loan	14.04.2005
Ministry of Industry (Note 9)	4,546,364	Financing of fixed assets	17.01.2006
IDAE (Note 14)	28,801	Bonification of loan interest rate	26.10.2004
IDAE (Note 14)	38,002	Bonification of loan interest rate	14.04.2005
Ministry of Industry loan (Notes 11 and 14)	225,872	Subsidy of loan interest rate	05.10.2005
Ministry of Industry loan (Notes 11 and 14)	90,793 (*)	Subsidy of loan interest rate	26.07.2005
CDTI (Notes 11 and 14)	52,144	Subsidy of loan interest rate	29.04.2006
Ministry of Industry loan (Notes 11 and 14)	131,160	Subsidy of loan interest rate	14.12.2006
Initial amount granted	**5,400,851**		

(*) The initial amount granted was 104,929 Euros. Nevertheless, on February 19th, 2007, the Ministry of Industry, Tourism and Commerce decided to partially revoke the reimbursable loan for the amount of 61,692 Euros, which caused a decrease in the subsidy of interests associated to this loan for the amount of 14,136 Euros.

Grant related to fixed assets from the Ministry of Industry

On January 17th, 2006, the Ministry of Industry, Tourism and Commerce, through the Institute of Coal Mining Restructuring and Alternative Development of Mining Areas informed SOLARIA of the decision reached by the Project Evaluation Committee to grant the subsidy requested relating to the launch of a plant to manufacture thermal solar panels and photovoltaic cells. The investment considered eligible for the subsidy amounts to 22,731,822.50 Euros and the subsidy granted amounts to 4,546,365.50 Euros, which represents approximately 20% of the investment. This subsidy will be paid on completion of the project, that is, when the investment has been made, the amounts invested have been paid, the level of auto-financing has been justified, the agreed number of jobs has been created and the relevant verification documents have been signed. However, since the project will be executed over a period of more than 12 months, with the commencement date considered to be the date on which the application for the grant was filed, progress payments may be requested when of 25%, 50% and 75% of the investment has been made.

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

- SOLARIA must execute at least 10% of the investment eligible for the subsidy before 31 December 2005.
- The deadline for making the total investment is 31 December 2007.
- Once the investment has been made the plant must be maintained on the balance sheet for a minimum period of 5 years.
- At least 25% of the investment eligible for the subsidy must be financed by SOLARIA, which must be proven when justifying the investment made.
- The subsidized project must maintain the employment positions existing at the time when the application was filed and, before 28 February 2008, must generate ninety additional jobs that must be maintained until 28 February 2011.

SOLARIA has provided a bank guarantee in favour of the Ministry of Industry, Tourism and Commerce for an amount of 4,500,185 Euros (Note 19), in order to receive 85% of the total subsidy granted.

On December 10th, 2007, SOLARIA applied for a payment in advance of 85% of the total subsidy, according to section 19 of the Order of December 17th, 2001 (BOE of January 5th, 2002), which regulates the granting of subsidies for corporate projects that create jobs. The payment of the said payment in advance was approved on January 17th, 2008.

14. Borrowings from financial institutions

Set out below is a breakdown of borrowings from financial institutions at the end of the financial year:

						Euros
Institution	Original amount	Type of transaction	Maturity date	Current	Non-current	Total
Caja Duero (i)	412,496	Loan	12-11-2011	33,600	121,027	154,627
Caja Duero (ii)	546,557	Loan	14-04-2012	44,400	180,157	224,557
CDTI	347,680	Loan	30-06-2013	53,480	240,720	294,200
Min. of Industry (i)	400,000	Loan	30-11-2015	-	338,308	338,308
Min. of Industry (ii)	861,053	Loan	15-12-2015	-	861,053	861,053
Caja Rural (i)	1,500,000	Loan	10-06-2013	214,284	964,289	1,178,573
Caja Rural (ii)	4,500,000	Loan	15-06-2016	-	4,500,000	4,500,000
Caja Madrid	1,800,000	Loan	23-10-2011	402,612	1,066,892	1,469,504
CDTI	500,000	Loan	30-09-2016	-	500,000	500,000
Caja Madrid	6,000,000	Loan	20-05-2014	-	6,000,000	6,000,000
Accrued interest unpaid				16,074	-	16,074
				764,450	**14,772,446**	**15,536,896**
Barclays Bank	56,053	Finance lease	29-12-2011	11,211	33,632	44,843
Barclays Bank	68,792	Finance lease	29-12-2011	13,498	41,536	55,034
Barclays Bank	59,540	Finance lease	17-01-2012	11,801	36,386	48,187
Barclays Bank	80,907	Finance lease	03-11-2012	16,181	64,401	80,582
Lico Leasing	33,962	Finance lease	18-09-2012	6,680	24,800	31,480
Lico Leasing	7,635	Finance lease	18-09-2012	1,500	5,635	7,135
Lico Leasing	10,615	Finance lease	18-09-2012	2,088	7,831	9,919
				62,959	**214,221**	**277,180**
	Credit limit					
Banesto	30,000,000	Import credit	-	19,997,996	-	19,997,996
Caja Rural	10,000,000	Import credit	-	7,513,389	-	7,513,389
Banesto	-	Discounted paper	15-03-08	15,312,000	-	15,312,000
Caja Rural	-	Business credit from Caja Rural	-	280,283	-	280,283
				43,103,668	**-**	**43,103,668**
Total				**43,931,077**	**14,986,667**	**58,917,744**

During the year 2007, several credit agreements were cancelled; those credit agreements, at the end of the previous financial year, showed an amount of used credit-lines of 4,160,725 Euros.

The non-current loans fall due as follows:

	Euros
Maturity date	
2009	1,914,614
2010	2,907,470
2011	2,704,084
2012	2,392,795
Later	5,067,704
Total	**14,986,667**

Loan from Caja Duero (i)

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

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

As a result of the financing facilities agreed between IDAE-ICO and financial institutions, IDAE granted SOLARIA a subsidy to cover the initial repayment on the loan, amounting to 123,748 Euros (Note 13). In addition, IDAE granted SOLARIA a subsidy for the interest accruing on this loan, amounting to 28,801 Euros (Note13).

Loan from Caja Duero (ii)

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

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

As a result of the financing facilities agreed between IDAE-ICO and financial institutions, IDAE granted SOLARIA a subsidy to cover the initial repayment on the loan, amounting to 163,967 Euros (Note 13). In addition, IDAE granted SOLARIA a subsidy for the interest accruing on this loan, amounting to 38,002 Euros (Note13).

Loan from CDTI (i)

On September 29th, 2004, the Industrial Technological Development Centre ("Centro para el Desarrollo Tecnológico Industrial (CDTI)") informed SOLARIA of its participation in the Technological Innovation project "Development of a Photovoltaic Panel Assembly

Line", consisting of a repayable, interest-free loan that may be co-financed by FEDER Funds, amounting to 347,680 Euros, based on the total investment accepted by CDTI, which amounts to 869,200 Euros. This approval is subject to the following conditions:

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

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

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

According to the Pre-financing Agreement (the Agreement) concluded between CDTI and Santander Central Hispano, on 30 November 2004, pre-financing relating to the CDTI R&D project was formalized, such that SOLARIA obtained a loan amounting to 260,760 Euros from Santander Central Hispano. On 30 September 2006, SOLARIA repaid this line of credit and received the amount of the original subsidy from CDTI.

The subsidy granted by CDTI consists of an interest-free reimbursable loan amounting to 347,680 Euros, falling due on June 30th, 2013.

On June 1st, 2006, the agreement concluded between CDTI and SOLARIA was amended to replace the existing personal and several guarantee by means of thirteen bank guarantees totalling 347,680 Euros (Note 19).

Ministry of Industry loan (i)

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

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

On December 27th, 2005, SOLARIA requested a 6-month extension for the execution of the project, and for payment and presentation of documentation (up to 30 June 2006). This request was made owing to the delay in the delivery and installation of some of the highly technical equipment related to the project. On December 30th, 2005, the Director

General of Industrial Development at the Ministry of Industry, Tourism and Commerce issued a Resolution extending the deadlines for making and justifying the investments, until 30 June and 31 July 2006, respectively.

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

On February 19th, 2007, the Ministry of Industry, Tourism and Commerce decided to revoke 61,692.38 Euros of the reimbursable loan, because SOLARIA had not invested the amount determined in the granting resolution, so it had to reimburse the amount received plus default interest from the date of payment of the loan, i.e., 3,638.14 Euros.

Ministry of Industry loan (ii)

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

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

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

SOLARIA has deposited a guarantee amounting to 861,052.50 Euros in favour of the Ministry of Industry (Note 19) to cover the guarantees required relating to the abovementioned reimbursable loan.

Loan from Caja Rural (i)

On May 9th, 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. SOLARIA's investment project amounts to 21,300,000 Euros and the most important conditions that must be met by the beneficiary of this loan agreement are as follows:

The amount financed by ICO funds may not exceed 70% of the investment project, where the beneficiary company has between 10 and 249 employees.

The beneficiary must declare that it does not hold an interest in any company or group of companies that do not meet the conditions to be considered a small or medium-sized business, and may not be an investee company of any such company or group of companies, and must state that no financing from the ICO-PYME 2006 line of credit has been received in excess of 1.5 million Euros.

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

As guarantees for this loan, SOLARIA has mortgaged one of its plots of land situated in Puertollano. SOLARIA is obliged to maintain at least three loan payments in a bank account, amounting to 321,428 Euros in total.

This loan accrues interest half-yearly at a rate of 3.605% from the commencement of the operation until the December 9th, 2006. From 10 December 2006 until maturity date the rate applicable will be the 6-month Euribor rate plus a 0.5% spread.

Loan from Caja Rural (ii)

On May 9th, 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. SOLARIA's investment project amounts to 21,300,000 Euros and the most important conditions that must be met by the beneficiary of this loan agreement are as follows:

- The amount financed by ICO funds may not exceed 70% of the investment project, where the beneficiary company has between 10 and 249 employees.
- The beneficiary must declare that it is not an investee (25% or more) of a company or group of companies that does not, as a whole, have total assets exceeding 43 million Euros and has turnover of less than 50 million Euros.
- The beneficiary undertakes to ensure that the total "minimis" assistance will not exceed 100,000 Euros over 3 years.

As guarantees for this loan, SOLARIA has mortgaged one of its plots of land situated in Puertollano. SOLARIA is obliged to maintain at least three loan payments in a bank account, amounting to 964,285 Euros in total.

This loan accrues interest half-yearly at a rate of 3.858% from the commencement of the operation until December 14th, 2006. From 15 December 2006 until maturity date the rate applicable will be the 6-month Euribor rate plus a 0.75% spread.

In order to cover fluctuations in the interest rates relating to the two Caja Rural loans mentioned above, SOLARIA entered into an interest rate swap with Banco Cooperativo Español, the main characteristics of which are described in Note 20.

Loan from Caja Madrid

On October 23rd, 2006, SOLARIA obtained a loan from Caja Madrid amounting to 1,8000,000 Euros.

This loan accrues interest half-yearly at a rate of 4.175% for the first 6 months. In subsequent periods up to the maturity date, October 23rd, 2011, the interest rate applicable will be the 3-month Euribor rate plus a 0.8% spread.

Loan from CDTI (ii)

On December 14th, 2006, the Industrial Technological Development Centre ("Centro para el Desarrollo Tecnológico Industrial (CDTI)") informed SOLARIA of its participation in the Technological Innovation project "Development of a Photovoltaic Panel Assembly Line", consisting of a repayable, interest-free loan of a maximum of 500,000 Euros, based on the total investment accepted by CDTI, which amounts to 1,071,000 Euros. This approval is subject to the following conditions: the investments and payments or payment commitments must be implemented from January 1st to December 31st of the year for which the loan is granted.

The subsidy granted by CDTI consists of an interest-free reimbursable loan amounting to 500,000 Euros, falling due on September 30th, 2016.

Loan from Caja Madrid

On April 24th, 2007, SOLARIA signed a loan agreement with Caja Madrid, for an amount of 6,000,000 Euros.

This loan accrues interest half-yearly at a rate of the 6-month Euribor rate plus a 0.75% spread.

In order to cover fluctuations in the interest rates relating to this loan, SOLARIA entered into an interest rate swap with Caja Madrid, the main characteristics of which are described in Note 20.

15. Current liabilities

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

	Euros
Borrowings from financial institutions (Note 14)	43,931,077
Trade creditors	35,438,383
Advance payments from customers (Note 3.k)	8,366,772
Other non-trade creditors	7,217,348
Taxes payable (Note 16)	22,000,065
Total	**116,953,645**

16. Corporate income tax and tax situation

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

	Euros
Profit before taxes	70,263,250
Timing differences	
Increase	1,006,556
Decrease	(3,329,119)
Taxable income	67,924,510
Total tax due	22,075,466
Current tax expense	22,823,556
Deductions	12,000
Withholdings and interim payments	7,012,996
Amount payable	**15,050,727**

The current tax expense reflected above is calculated by applying a 32.5% tax rate to adjusted profit before taxes and was reduced by 12.000 Euros due to applicable tax deductions.

In compliance with the provisions established by Article 109 of the Corporate Income Tax Act, SOLARIA has elected to apply unrestricted depreciation relating to new fixed assets. These assets may be depreciated without restriction, provided that during the 24 months following the commencement of the tax period in which the assets are brought into use, SOLARIA´s average number of employees increases with respect to the average number of employees in the preceding 12 months. This increase must be maintained for an additional period of 24 months. The assets to which unrestricted depreciation has been applied during the year 2007 amount to 3,329,119 Euros, and, therefore, a deferred tax liability of 998,736 Euros has been recognized.

In accordance with Law 35/2006 (28 November) on Personal Income Tax and the partial amendment to the legislation regarding corporate income tax, non-resident income tax and wealth tax, the corporate income tax rate will be 32.5% for tax periods commencing on 1 January 2007 and 30% for tax periods commencing on January 1st, 2008. SOLARIA has applied the effect of the change in tax rates in its calculation for the year 2007 of the deferred tax liability arising from the application of unrestricted depreciation mentioned above, which totalled 58,569 Euros, and is included in the line item "Income tax expense" in the income statement.

The breakdown of deferred tax assets and liabilities recorded by SOLARIA is as follows:

					Euros
	Balance as of 31.12.06	Additions	Reversion	Adjustment of rate	Balance as of 31.12.07
Deferred liabilities	97,245	1,081,964	(6,567)	(83,228)	1,089,414
Pre-paid tax	-	320,564	-	(24,659)	(295,905)

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

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

	Euros	
	Taxes refundable	Taxes payable
Employee tax withholdings	-	209,839
Social Security contributions	-	320,381
Corporate income tax for 2007	-	15,050,727
Corporate income tax for 2005	17,013	-
Corporate income tax for 2004	11,575	-
Pre-paid tax	295,905	-
Deferred tax liability	-	1,089,414
VAT	-	5,329,704
	324,553	**22,000,065**

17. Income and expenses

a) Analysis of net revenue

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

The classification of net revenue by type of product sold is as follows:

	Euros
Photovoltaic modules	108,137,585
Thermal modules	141,600
Solar installation construction projects	77,562,009
Other	367,571
	186,208,765

The heading "Other" mainly refers to revenue from the sale of broken cells and other waste.

b) Consumption of raw materials and other consumables

	Euros
Purchase of raw materials and other consumables	117,048,678
Difference between opening and closing inventories	(17,130,484)
	99,918,194

c) Transactions with group companies

	Euros	
	Expenses	Income
Solaria DTL Corporación, S.L.	400,000	26,217,000
Instalaciones Díaz Tejeiro, S.L.	-	21,527
	400,000	**26,238,527**

The revenue from Solaria DTL Corporación corresponds to the sales to SOLARIA's majority shareholder in relation to the turnkey agreement described in Note 9.

Expenses correspond to Management and Administration services according to the service provision agreement signed by SOLARIA and Solaria DTL Corporación, S.L., which expired on April 30th, 2007 (Note 17.e)

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

	Euros
Purchases of fixed assets	7,678,433
Provisioning	95,699,213
	103,377,646

e) Other external expenses

	Euros
Management and administration services (Note 17.c)	400,000
Solar installation certificates	3,293,103
Total	**3,693,103**

f) Other operating expenses

At the end of the financial year, this heading breaks down as follows:

	Euros
Lease and rental expenses	182,777
Repairs and maintenance	212,041
Independent professional services	357,455
Transport	137,347
Bank charges	230,888
Insurance premiums	45,529
Advertising	560,745
Supplies	168,361
Security	464,190
Other expenses	777,648
Taxes and duties	50,767
Total	**3,187,748**

g) Personnel costs

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

	Euros
Wages, salaries and similar remuneration	6,591,690
Social Security	1,558,281
Other social expenses	23,425
	8,173,396

The number of employees at the end of the year 2006 was as follows:

	Men	Women	Total
Engineers	19	1	20
Graduates	6	3	9
Factory workers	339	200	539
Total	**364**	**204**	**568**

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

18. Environmental matters

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

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

19. Guarantees

a) Bank guarantees

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

Beneficiary	Item	Euros
Municipality of Puertollano	Construction at La Nava II industrial zone	6,000
Municipality of Puertollano	Construction in Puertollano	6,000
Banco Cooperativo Español (Note 20)	Bonus interest rate swap – Interest rate cover	300,000
Instituto de Crédito Oficial	Counter-guarantee for guarantees granted to CDTI	347,680
Ministry of Industry (Note 14)	Loan liabilities	500,000
CDTI (Note 14)	Reimbursable subsidy (1 guarantee)	26,800
CDTI (Note 14)	Reimbursable subsidy (12 guarantees of 26,740 Euros)	320,880
Ministry of Industry (Note 14)	Reimbursable loan	400,000
Ministry of Industry (Note 14)	Reimbursable loan	861,052
Foreign commerce transactions	Foreign letter of credit	5,390,604
Ministry of Industry (Note 14)	Granting of subsidy	4,500,185
D.G.Política Energética y Minas	Administrative approval of 20MW installation	799,600
D.G.Política Energética y Minas	Administrative approval of 20MW installation	799,600
D.G.Política Energética y Minas	Administrative approval of 150MW installation	1,771,000
D.G.Política Energética y Minas	Administrative approval of 150MW installation	4,400,000
Servicio Territorial de Industria, Turismo y Comercio de Valladolid	Creation and commissioning of a photovoltaic plant of 8.3 MW	4,150,000

SOLARIA also has a bank guarantee in its favour, for an amount of 723,457 Euros, as a guarantee granted by a builder against default in the agreement for the building of two industrial buildings for the manufacturing of photovoltaic cells.

b) Warranties

i) Warranties related to turnkey contracts.

SOLARIA guarantees the rectification of defects and faults arising from the construction of photovoltaic plants, provided they are directly attributable to the work performed by SOLARIA. The warranty exists for a period of three years from the date of final delivery of the photovoltaic plant.

The warranties assumed by SOLARIA with respect to the products and materials supplied in the construction of the plants are covered and limited by the warranties granted by the manufacturers of the materials concerned.

ii) Warranties related to Operating and maintenance contracts

During the 2006 financial year, SOLARIA concluded 23 operating and maintenance contracts relating to turnkey projects with clients. As the constructor of the plants and the party rendering operating and maintenance services, SOLARIA guarantees an output of 90% of the estimated production capacity of the photovoltaic plants during the period in which the operating and maintenance agreement is in existence (5 years).

Every five years, the electricity generated by the photovoltaic plant will be measured, and if this commitment has not been met, SOLARIA will be liable to reimburse the owner for income not generated by the plant up to the level of guaranteed output of 90%.

iii) Warranties related to the sale of modules

SOLARIA provides all customers with a standard warranty certificate for photovoltaic modules that includes a guarantee relating to defective materials or manufacturing defects, and a capacity guarantee.

During the first three years, SOLARIA guarantees that its modules will be free from defective materials or manufacturing defects that affect their normal operation under proper usage, installation and maintenance conditions. Where this is not the case, SOLARIA is obliged to replace or repair the defective module.

From the date of sale of the module, SOLARIA guarantees a minimum output based on the technical specifications of the agreement, and will deliver modules equivalent to any lost capacity, which will be repaired or replaced as follows:

Years since the date of sale	Guaranteed output
Up to 25 years	80%
Up to 10 years	90%

During the first quarter of 2007, SOLARIA signed a significant agreement related to the sale of modules, in respect of which it offers certain warranties that differ from the standard guarantees mentioned above, as follows:

a) Capacity warranty

From the date of sale of the modules, SOLARIA guarantees a minimum output based on the technical specifications of the agreement, and will deliver modules equivalent to any lost capacity, which will be repaired or replaced as follows:

Years since the date of sale	Guaranteed output
Up to 2 years	100%
Up to 12 years	90%
Up to 25 years	80%

In addition, by means of photoflash certificates from the manufacturer, SOLARIA guarantees that the peak capacity of each module is equal to the contracted capacity, with a maximum allowable variance of +/- 3%.

b) Warranty related to materials

SOLARIA provides a three-year warranty as from the date on which modules are delivered to the customer, guaranteeing that they are free of any defective materials or manufacturing defects that would affect their normal operation.

If any of the modules are found to have a manufacturing defect, SOLARIA is obliged to repair or replace the module within a certain period, or reimburse the customer for an amount equivalent to the market price in Euros of the affected modules. Furthermore, SOLARIA is obliged to maintain inventories of modules equivalent to 5 Kw during the three-year warranty period.

At the year end, SOLARIA has no provision with respect to these warranties, since there are no claims initiated nor threatened. From past experience, the probability of claims related to these warranties is extremely low.

In any case, the Administrators of SOLARIA believe that the effect on these yearly statements of potential claims would not be significant.

20. Financial instruments

The breakdown of financial instruments contracted by SOLARIA that are in existence at the end of the year 2007 is as follows:

a) Interest rate swap

In order to cover fluctuations in the interest rate applicable to the loans obtained from Caja Rural totalling 1,500,000 and 4,500,000 Euros, respectively (Note 14), SOLARIA entered into an interest rate swap with Banco Cooperativo Español, the main characteristics of which are as follows:

Initial nominal amount: 5,892,857.14 Euros
Maturity date: 12 December 2011
Variable payer I: Banco Cooperativo Español
Variable rate I: 6-month Euribor
Variable payer II: Solaria Energía y Medioambiente, S.L.
Variable rate II: 3.96%, in the event that Euribor reaches 5%, the interest rate will be Euribor - 0.10%.

The maturity dates are as follows:

Year	Euros
2008	214,286
2009	535,715
2010	857,142
2011	4,071,428

Caja Rural de Ciudad Real has granted a 300,000 Euro guarantee to Banco Cooperativo Español in SOLARIA's favour, relating to the obligations arising from this interest rate swap (Note 19).

In order to cover fluctuations in the interest rate applicable to the loan obtained from Caja Madrid totalling 6,000,000 Euros (Note 14), SOLARIA entered into an interest rate swap with Caja Madrid, the main characteristics of which are as follows:

Initial nominal amount: 6,000,000 Euros
Fixed rate payer: Solaria Energía y Medio Ambiente, S.A.
Fixed rate: 4.63%
Variable rate payer: Caja de Ahorros y Monte de Piedad de Madrid
Variable rate: 6-month Euribor
The maturity dates are as follows:

Year	Euros
2009	600,000
2010	5,400,000

b) Foreign exchange contract

In order to reduce the risk arising from fluctuations in the Euro/US Dollar exchange rate for certain programmed purchases of photovoltaic cells in 2008, SOLARIA participates in several forward exchange operations with Banesto, each one of them configured as two currency options, the second of which has an entry barrier, Solaria being the purchaser in the first one and the seller in the second one, with the following characteristics:

Bank	Agreed amount (USD)	Exercise price	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 reduce the risk arising from fluctuations in the Euro/US Dollar exchange rate for certain programmed purchases of photovoltaic cells in 2008, SOLARIA participates in forward exchange operations with Caja Madrid, each one of them configured as a currency option, with an entry barrier, Solaria being forced to buy at the exercise price if, at the maturity date, the fixing is equal or superior to the entry barrier and having the right to by at the exercise price if it is not, with the following characteristics :

Bank	Agreed amount (USD)	Exercise price	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

21. Other information

a) Remuneration of the Directors

The Directors of SOLARIA have received 1,446,354 Euros as wages and salaries during the year 2007. The Administrator's remuneration for their attendance to the Board of Directors amounted to 370,000 Euros. SOLARIA has not granted the Directors any advance payments, loans or pension commitments, retirement awards, life insurance or special indemnities.

b) Audit fees

The fees charged by SOLARIA´s auditor for the audit of the yearly financial statements amounted to 90,000 Euros and the fees for other services rendered related to the audit amounted to 125,000 Euros.

c) 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 positions held by members of the Board of Directors of Solaria Energía y Medio Ambiente, S.L. in other companies with the same or similar activity as the activities carried out by SOLARIA.

As reported to SOLARIA, the 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 corporate objectives of SOLARIA and the group of which it forms a part, are set out below, indicating the positions held or duties performed at those companies:

Name of Director	Company name	% shareholding	Position or duty
Enrique Díaz-Tejeiro Gutierrez	Solaria DTL Corporación, S.L	20%	Joint Administrator
	Instalaciones Díaz Tejeiro, S.L	50%	Joint Administrator
Enrique Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L	20%	Manager
Arturo Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L	20%	Manager
Miguel Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L	20%	Joint Administrator
Iñigo Sagardoy Simón	N/A		
Manuel Azpilicueta Azcárate	N/A		

None of the members of the Board of Directors of Solaria Energía y Medio Ambiente, S.L. hold shareholdings in other companies with the same, complementary or similar activity as the activities carried out by SOLARIA or its group.

d) Commitments

SOLARIA had entered into the following commitments at the end of the year:

Tangible fixed assets

- On January 31st, 2008, SOLARIA entered into a turnkey agreement with Centrotherm Photovoltaics AG for the acquisition of automated machinery for the manufacturing of photovoltaic cells. This machinery includes three manufacturing lines, with a total yearly production capacity of 75 MW. The programmed commissioning date is the third quarter of the year 2008. This machinery will increase the production capacity of the Puertollano facilities to 100MW, during the year 2009.

Raw materials

- On September 11th, 2007, SOLARIA signed an agreement with the Taiwanese company Gintech Energy Corporation, for the supplying of photovoltaic cells during the year 2008. The cells supplied by virtue of this agreement represent about 25% - 30% of the cells supplied by third parties in the year 2008. The agreement provides for the supplying of photovoltaic cells with a total capacity of 39 - 50 MW, which implies an estimated decrease of SOLARIA's quarterly costs in this regard of 5-10%, compared to 2007.

- On October 25th, 2007, SOLARIA signed an agreement with Neo Solar Power Corporation for the supplying of cells during the year 2008. That agreement determined the supplying time-schedule for the years 2009 and 2010. It set the minimum and maximum quantities of cells to be supplied during the year 2008 at 10 MW and 15 MW, respectively, while the supply for the two next years is still to be agreed.

- On January 2008, SOLARIA signed an agreement with the Taiwanese company E-TON Solar Tech Co. Ltd., for the supplying of photovoltaic cells during the year 2008. The agreement provides for the supplying of photovoltaic cells with a total capacity of 40 MW, i.e. about 30% of the cells supplied by third parties in the year 2008.

- On December 11th, 2007, SOLARIA signed an agreement with JA Solar for the supplying of photovoltaic cells during the year 2008. The agreement provides for the supplying of photovoltaic cells with a total capacity of 45 - 60 MW, i.e. about 30% of the cells supplied by third parties in the year 2008.

Customers

As of the date of these annual financial statements, SOLARIA has different sale agreements with customers, as detailed in the following table:

Agreement	Committed MW	Delivered MW in 2007	MW pending delivery
Modules sale	53	33	20
Turnkey projects	71.2	-	71.2
Turnkey pre-agreements	170	-	170
	294.2	33	261.2

There is also a commitment with a customer for the distribution of approximately 2,500 m^2 thermal panels during the year 2008, according to the agreement signed with the said customer.

22. Transition to new financial reporting standards

The Spanish RD (Royal Decree) 1514/2007 of November 20th, 2007, approved the new General Accounting Plan (*Plan General de Contabilidad* (PGC)), with effect from January 1st, 2008, that must be complied with by for all financial years begun after that date.

According to the said Royal Decree, the first annual financial statements made in compliance with its standards will be considered initial financial statements and, therefore, they will not include comparative data from the previous year. Nevertheless, it is possible to include comparative data from the previous year if those data are adapted according to the new PGC. Additionally, the Royal Decree includes several temporary provisions which allow several different ways to apply the new standard and the possibility to adopt several exceptions in its first application.

SOLARIA is currently implementing a transition process to adopt the new regulation, including, among others, the analysis of the differences of the new accounting rules and criteria, the determination of the date of the initial balance, the selection of accounting rules and criteria to be applied in the transition period and the evaluation of the necessary modifications to the information processes and systems. Nevertheless, as of the date of the present financial statements, there is insufficient information to draw any conclusions about the results of the said analysis.

23. Statement of source and application of funds

APPLICATION OF FUNDS	Euros 2007	Euros 2006	SOURCE OF FUNDS	Euros 2007	Euros 2006
Star-up expenses	11,933,705	-			
Acquisition of fixed assets:			Funds generated from operations	49,387,430	5,686,100
Intangible fixed assets	180,848	166,395			
Tangible fixed assets	26,059,764	5,177,388	Capital increases	222,173,337	-
Investments	15,870	20,270			
			Government grants	131,160	4,598,508
Increase in deferred expenses	154,944	68,497	Increase of long term borrowings	5,875,587	7,321,795
Interim dividend	2,410,000	-	Transfer of investments to current assets	-	587,332
			Fixed asset disposals	-	107,415
TOTAL APPLICATIONS	**40,755,131**	**5,432,550**	**TOTAL SOURCES OF FUNDS**	**277,567,514**	**18,301,150**
SURPLUS OF SOURCE OVER APPLICATION OF FUNDS (INCREASE IN WORKING CAPITAL)	**236,812,383**	**12,868,600**	**SURPLUS OF APPLICATION OVER SOURCE OF FUNDS (DECREASE IN WORKING CAPITAL)**		
TOTAL	**277,567,514**	**18,301,150**	**TOTAL**	**277,567,514**	**18,301,150**

	Euros 2007	Euros 2006
Inventories	17,130,484	17,530,107
Debtors	168,411,438	9,317,942
Creditors	(97,879,411)	(17,504,102)
Current investments	40,142,797	563,974
Cash and cash equivalents	108,935,363	2,960,679
Accruals and prepayments	71,712	-
CHANGE IN WORKING CAPITAL (INCREASE/DECREASE)	**236,812,383**	**12,868,600**

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

	Euros	
	2007	2006
Profit for the year	47,498,263	5,504,524
Depreciation	1,847,182	209,662
Government grants recognized in income	(115,124)	(89,199)
Deferred expenses recognized in income	74,968	49,585
Losses on disposal of intangible fixed assets	82,141	11,528
Total	**49,387,430**	**5,686,100**

24. Events after the balance sheet date

After the end of the year 2007, the following significant events occurred:

- On February 13th, 2008, SOLARIA signed an assignment agreement without recourse with Barclays Factoring, S.A. to assign to that financial institution the credits represented by negotiable notes in favour of Solaria and signed by a customer, for an amount of 30,411,720 Euros.

- On February 11th, 2008, SOLARIA signed an assignment agreement without recourse with Barclays Factoring, S.A. to assign to that financial institution a customer's negotiable note for an amount of 19,140,000 Euros.

- On February 13th, 2008, SOLARIA signed a Master Agreement of Financial Operations with Banco de Valencia, for a maximum amount of 5,000,000 Euros. The financial operations to be convened by virtue of the said agreements will be integrated in the subject of the Master Agreement, without prejudice to the specific conditions of each operation. The operations integrated in the Master Agreement include, without limitation: (i) raw materials and interest rate swaps, etc; (ii) forward interest rate operations; (iii) options and currency, raw materials, fixed income securities, variable income securities and interest rate futures operations, etc; (iv) currency purchase and sale operations and (v) any combination of the said operations which is specified in the relevant confirmation of the operation.

- On February 13th, 2008, a trade operations finance agreement with a limit of 40,000,000 Euros was signed by Solaria Energía y Medio Ambiente, S.A. and Banco de Valencia, in relation to operations of discount, negotiation or advance payment of customers' documents.

- On February 18th, 2008, pursuant to the Circular 3/2007 of December 19th, of the CNMV, SOLARIA and Banesto Bolsa signed a Liquidity Agreement to set out the conditions in which the financial institution will act for the account of Solaria Energía y Medio Ambiente, S.A., buying or selling shares of the latter, in order to maintain the liquidity and regularity of its quotation, within the limits set out accordingly in the General Shareholders Meeting of May 24th, 2007. To that effect, Solaria ha deposited zero shares and 15,000,000 Euros in the accounts of the financial institution. Within 190 days from the date of the said agreement, the financial institution will purchase shares of SOLARIA up to a maximum of 5,057,333 shares or 15,000,000 Euros.

  As of the date of the present annual financial statements, Banesto Bolsa had purchased on behalf of SOLARIA 352,815 shares of SOLARIA, for an amount of 4,455,162 Euros.

- On February 19th, 2008, SOLARIA signed an exclusivity agreement, which expires on March 15th, 2008, for the acquisition of industrial facilities in the north of Spain, for an amount of 16.5 million Euros, in order to turn them into a photovoltaic cells and modules manufacturing plant.

No other significant event has occurred after the end of the year 2007 that would affect these annual accounts.

Solaria Energía y Medio Ambiente, S.A.

ANNUAL ACCOUNTS FOR 2007

On February 21st, 2008, the Board of Directors of Solaria Energía y Medioambiente, S.A. formulated the annual accounts for the financial year ended on December 31st, 2007. The annual accounts consist of the preceding documents, in compliance with the requirements established by Article 171 of the Spanish Companies Act and Article 37 of the Code of Commerce.

SIGNATORIES	**SIGNATURE**
D. Enrique Diaz-Tejeiro Gutierrez Chairman of the Board	_____
D. Manuel Azpilicueta Azcárate Director	_____
D. Iñigo Sagardoy Simón Director	_____
D. Enrique Diaz-Tejeiro Larrañaga Director	_____
D. José Arturo Diaz-Tejeiro Larrañaga Director	_____
D. Miguel Diaz-Tejeiro Larrañaga Director	_____
D. Joaquín Hervada Yañez Secretary, non-Director	_____

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2007 ABOUT SOLARIA ENERGIA Y MEDIO AMBIENTE, S.A.

Evolution of the Company in 2007

The net profit amounted to 47,498,263 Euros, that is, a significant increase in relation to the previous financial year (41,993,739 Euros), due to the commissioning of the first photovoltaic panels manufacturing plant.

The net turnover was 186,208,763 Euros, thanks to the sale of photovoltaic modules and turnkey projects.

During the year 2007, Solaria has carried out the programmed investments in the "Solaria Industrial Complex", including the creation of a cell manufacturing plant, the central office building and the energy building for the complex.

The share capital is formed by 101,146,667 shares, with a nominal value of 0.01 Euros per share, fully paid-up and with the same political and economical rights. The shareholders' equity amounted to 273,590,315 Euros, as of December 31st, 2007.

During the year 2007, Solaria's photovoltaic modules production capability has significantly increased, thanks to the installation of new manufacturing lines in Puertollano. The efficiency of the existing lines has also increased and the new machines have been enhanced, in order to achieve higher production levels.

In 2007, a new work and research team was created to supervise the commissioning and development of the new photovoltaic cells manufacturing plant. The members of this team are mainly Chemical Engineers or Industrial Engineers. The synergistic effect of the solar cell plant and the photovoltaic module manufacturing plant will open new lines of research and also decrease costs.

Management of financial risk

Solaria's Management manages and alleviates the financial risks through credits for investment in machinery and fixed assets, which lead to an increase of production lines and, therefore, also to an increase in net sales. Risk management increases the Company's operating profit.

Raw materials' price risks

The main raw materials used by the Company in the manufacturing process are monocrystalline and polycrystalline silicon cells. Solaria's Management manages and alleviates the raw materials' price risks through agreements with suppliers to cover the projected needs for the current year, with the possibility of renegotiating the prices on a quarterly/annual basis.

Interest rate risks

The main objective of interest risks management is to avoid losses for the Company due to the fluctuation of interest rates, optimizing the management of rates.

To alleviate the risks linked to the volatility of interest rates for certain long-term loans, Solaria's Management hedges against changes in the interest rates through different operations to cover the risks.

Exchange rate risks

The exchange rate risks relate mainly to commitments to by machinery and raw materials, specially silicon cells and silicon wafers.

The risk management strategy of Solaria's Financial Management consists in the using of derivative instruments to cover the risks, so that the fluctuations of the market are compensated by the application of the derivative instruments.

Future prospective

Solaria's main aim is to achieve a continuous increase of its photovoltaic modules and solar cells production capabilities. During the year 2008, two new manufacturing centres are to be created, in order to complement the existing ones.

Technological innovation

Solaria's technological innovation activities during the year 2007 focused on product development in the photovoltaic cells manufacturing plant. New machines for the production of modules have also been developed, in order to enhance the quality control of the process.

Solaria's shares

On February 18th, 2008, pursuant to the Circular 3/2007 of December 19th, of the CNMV, SOLARIA and Banesto Bolsa signed a Liquidity Agreement to set out the conditions in which the financial institution will act for the account of Solaria Energía y Medio Ambiente, S.A., buying or selling shares of the latter, in order to maintain the liquidity and regularity of its quotation, within the limits set out accordingly in the General Shareholders Meeting of May 24th, 2007. To that effect, Solaria ha deposited zero shares and 15,000,000 Euros in the accounts of the financial institution. Within 190 days from the date of the said agreement, the financial institution will purchase shares of SOLARIA up to a maximum of 5,057,333 shares or 15,000,000 Euros.

As of the date of the annual accounts, Banesto Bolsa had purchased on behalf of SOLARIA 352,815 shares of SOLARIA, for an amount of 4,455,162 Euros.

Acontecimientos posteriores

- On February 13th, 2008, SOLARIA signed an assignment agreement without recourse with Barclays Factoring, S.A. to assign to that financial institution the credits represented by negotiable notes in favour of Solaria and signed by a customer, for an amount of 30,411,720 Euros.

- On February 11th, 2008, SOLARIA signed an assignment agreement without recourse with Barclays Factoring, S.A. to assign to that financial institution a customer's negotiable note for an amount of 19,140,000 Euros.

- On February 13th, 2008, SOLARIA signed a Master Agreement of Financial Operations with Banco de Valencia, for a maximum amount of 5,000,000 Euros. The financial operations to be convened by virtue of the said agreements will be integrated in the subject of the Master Agreement, without prejudice to the specific conditions of each operation. The operations integrated in the Master Agreement include, without limitation: (i) raw materials and interest rate swaps, etc; (ii) forward interest rate operations; (iii) options and currency, raw materials, fixed income securities, variable income securities and interest rate futures operations, etc; (iv) currency purchase and sale operations and (v) any combination of the said operations which is specified in the relevant confirmation of the operation.

- On February 13th, 2008, a trade operations finance agreement with a limit of 40,000,000 Euros was signed by Solaria Energía y Medio Ambiente, S.A. and Banco de Valencia, in relation to operations of discount, negotiation or advance payment of customers' documents.

- On February 19th, 2008, SOLARIA signed an exclusivity agreement, which expires on March 15th, 2008, for the acquisition of industrial facilities in the north of Spain, for an amount of 16.5 million Euros, in order to turn them into a photovoltaic cells and modules manufacturing plant.

- On January 2008, SOLARIA signed an agreement with the Taiwanese company E-TON Solar Tech Co. Ltd., for the supplying of photovoltaic cells during the year 2008. The agreement provides for the supplying of photovoltaic cells with a total capacity of 40 MW, i.e. about 30% of the cells supplied by third parties in the year 2008.

No other significant event has occurred after the end of the year 2007 that would affect these annual accounts.

Information to be provided according to Article 116 bis of the Spanish Stock Market Act

1. *Capital Structure, including the titles not listed in any of the regulated markets in the European Union, indicating the different types of shares, if any, and the rights and liabilities of each type and the percentage of the share capital of each type:*

   According to articles 5 and 6 of the Company's Articles of Association, the share capital of Solaria Energía y Medio Ambiente, S.A. amounts to one million eleven thousand four hundred sixty-seven Euros (€1,011,467), fully subscribed and paid-up. The share capital is formed by 101,146,667 shares, with a nominal value of 0.01 Euros per share, all of them of the same type and represented by book entries.

   All the shares enjoy the same political and economic rights.

   According to Article 30 of the Articles of Association, to attend the General Shareholders Meeting it will be necessary to prove the ownership of at least 700 shares or, if that number of shares exceeded 0,1 % of the share capital, the lesser number of shares that corresponds to the said percentage, as long as they are registered in the relevant accounting book, no less than five days before the Meeting, and the shareholder, as provided for in the notice of the Meeting, obtains a meeting attendance card or a document that legally proves his ownership of the relevant shares.

2. *Any restriction to the transferability of shares:*

   There are no restrictions to the transferability of shares. According to Article 12 of the Articles of Association of Solaria Energía y Medio Ambiente, S.A., the shares and derived economic rights, including the right of pre-emptive right, are freely transferable by all legal means.

   As a public limited company, the acquisition of significant stakes should be notified to the issuer and to the Spanish Stockmarket Commission (*Comisión Nacional del Mercado de Valores* (CNMV)), according to Article 53 of the Spanish Stock Market Act 24/1988, Article 23.1 of Royal Decree 1362/2007, of October 19th, and Circular 2/2007 of December 19th, of the CNMV, which set out a notification threshold of 3% of the share capital or of the voting rights.

   Also as a public limited company, the acquisition of a stake equal or exceeding 30% of the share capital or of the voting shares of the Company makes it necessary to issue a Public Stock Offering in the terms set out in Article 60 of the Spanish Stock Market Act 24/1988.

3. *Significant stakes in the share capital, whether directly or indirectly*

The stakes in the share capital are detailed in Note 12 of the Annual Report.

4. *Any voting rights restriction:*

There are no voting rights restrictions.

5. *Para-corporate agreements:*

There are no para-corporate agreements.

6. *The applicable rules for the appointment and replacement of the members of the Board of Directors and for amending the Articles of Association:*

6.1. The appointment and replacement of members of the Board of Directors is regulated in Articles 38 to 40 of the Articles of Association and in Articles 17-21 of the Regulations of the Board of Directors.

Board of Directors

- The administration of the Company corresponds to the Board of Directors. There will be a minimum of four Directors and a maximum of 12 Directors, indefinitely re-eligible.

- Any person declared incompatible under the terms and extension set out by Law 12/1995, of May 11th, as well as those affected by the banning of Article 124 of the Spanish Companies Act (*Ley de Sociedades Anónimas*) or other regulations can neither accede to managerial positions in the Company nor hold them. (Art. 41 Articles of Association)

Appointment of Directors

- The General Shareholders Meeting can set out the number of Directors. It can decide that number directly, through express agreement or indirectly, through the appointment of new Directors.

- If possible, the General Shareholders Meeting will try to appoint a majority of external or non-executive Directors compared to the number of executive Directors.

- The Board of Directors will, if possible, try to integrate representatives of the stable substantial shareholders within the majority group of external

directors and well-known persons who are not related to the executive team nor to the significant shareholders (independent Directors).

- The Directors will be appointed, after a report from the Appointments and Remuneration Commission (and according to the proposal of that Commission in the case of independent Directors), by the General Shareholders Meeting or by the Board of Directors, in compliance with the provisions of the Spanish Companies Act.

- The Board of Directors will try to appoint prestigious, competent and experienced persons as Directors. It should be especially careful in relation to appointments as independent Directors, according to Article 6 of the Articles of Association.

- The Board of Directors will not be able to nominate or appoint as an independent Director a person that holds an executive position in the Company or who is a relative of an executive Director or of other managers of the Company.

Re-election

- Before proposing a Director for re-election to the General Shareholders Meeting, the Board of Directors will evaluate, with the abstention of any affected persons, the quality of the work and the dedication of the relevant Director during their previous term in office.

Term and cooptation

- Directors will hold their post for four years; they can be re-elected once or more times, for identical terms.

- The appointment of Directors will end, once the term is expired, at the date of the next General Shareholders Meeting or after the expiration of the legal term for the holding of the Shareholders Meeting that must decide the approval of the previous year's accounts.

- Directors designated by cooptation will hold their post until the date of the first General Shareholders Meeting.

- Directors and their representatives will not be eligible as Directors or managers of companies in concurrence with the Company, except for the positions they can hold, if any, in group companies, unless they have the express authorization of the General Shareholders Meeting and without prejudice to the provisions of Article 127.3rd of the Spanish Companies Act.

- Directors will put their position at the disposal of the General Shareholders Meeting and will formally resign if the Board of Directors so decides, in the following cases:

  a) When they be removed from the executive positions related to their appointment as Directors.

  b) If they were declared incompatible according to the Law.

  c) If they were seriously remonstrated by the Board of Directors for negligence in their responsibilities as Directors.

  d) If their membership of the Board could endanger the interest of the Company or when the reasons for their appointment have vanished (e.g., when a Director representing substantial shareholders sells his shares).

  e) In the case of external Directors or Directors representing substantial shareholders, if the shareholder they represent sells all his shares. They should also resign if the said shareholder's stake decreases to the point of demanding a decrease in the number of external Directors or Directors representing substantial shareholders.

- If, for any reason, a Director is removed from his position untimely, he should explain the reasons in a letter sent to all the members of the Board.

6.2. As to the amendment of the Articles of Association, we must take into account the provisions of Article 28 of the Articles of Association.

General Shareholders Meeting

- The General Shareholders Meeting, whether it be ordinary or extraordinary, will validly convene, in the first calling, when the shareholders present or represented hold at least 25% of the share capital with voting rights and, in the second calling, regardless of the stake of the participants.

- The shareholders with a right to attend that vote by absentee will be considered as present to the effect of the convening of the relevant General Shareholders Meeting.

- If any shareholders were to leave the Meeting after it has been convened, that will not affect the validity of the Meeting.

Special majorities

- For the General Shareholders Meeting, whether it be ordinary or extraordinary, to validly approve the issue of bonds, a capital increase or decrease, the transformation, merger or division of the Company or, generally, any modification of the Articles of Association, in the first calling the shareholders present or represented must hold at least 50% of the share capital with voting rights or, in the second calling, at least 25% of the share capital with voting rights.

Modification of the Articles of Association

- The amendment of the Articles of Association must be agreed upon by the General Shareholders Meeting and must satisfy the following conditions:

  (a) The Board of Directors or the shareholders that present the proposal must present a written report with the reasons for the amendment.

  (b) In the notice of the Meeting, the items to be modified should be clearly defined, respecting the right of the shareholders to examine, in the registered address, the whole text of the proposed modification and the report on it and the right to ask for the provision or sending of those documents, at no cost for the shareholder.

  (c) The General Shareholders Meeting should pass the amendment resolution, according to the provisions of the Articles of Association.

  (d) The agreement will be executed as a public deed, which will be filed in the Companies Registry and published in the latter's Official Bulletin.

Competencies of the General Shareholders Meeting

- The General Shareholders Meeting, as the supreme decision-maker in the Company, can adopt any agreements related to the Company and, without limitation, it can decide on a capital increase or decrease, the transformation, merger or division of the Company, the issue of bonds or, generally, any modification of the Articles of Association. (Art. 5.(f) of the Regulation of the General Shareholders Meeting)

7. *The powers of the Directors and, specially, those that are related to the possibility of issuing or buying shares:*

   The Company has granted to the Directors Mr. Enrique Díaz-Tejeiro Larrañaga, Mr. Arturo Díaz-Tejeiro Larrañaga and Mr. Miguel Díaz-Tejeiro Larrañaga wide powers of management and representation, in order to manage the ordinary affairs of the Company, except those that cannot be delegated and, according to the Law, the Articles of Association or the Regulations, are reserved to the General Shareholders Meeting, the Board of Directors or its Commissions.

8. *Any significant agreements signed by the company that are effective, are amended or expire in case of a change of control of the company after a public acquisition offering, and their effects, except when the divulgation of the same would be seriously prejudicial for the company. This exception will not apply when the company is legally forced to publish this information:*

   The Company has not signed any significant agreements *that are effective, are amended or expire in case of a change of control of the company after a public acquisition offering*.

9. *Agreements between the company and its managers, directors or employees that provide for indemnities in case they resign or are fired without just cause or if their work relationship ends due to a public acquisition offering:*

   The agreements between the Company and its managers and Directors are described in Note 21 of the Annual Report.

   The Company has agreed indemnity provisions in case of employment termination without just cause; the amounts of those indemnities were agreed according to their current remunerations.