23,386,667 ordinary shares of

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A.

Offering price: €9.50 per share

This is an initial offering of 23,386,667 ordinary shares, with a nominal value of €0.01 each, of Solaria Energía y Medio Ambiente, S.A., a Spanish company.

The offering comprises an offering in Spain and outside Spain by us of 23,386,667 shares to institutional investors. This offering memorandum relates to such institutional offering. In addition, a separate Spanish language prospectus has been registered with Spain's *Comisión Nacional del Mercado de Valores* ("CNMV") in connection with the admission of our shares to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (the "Spanish Stock Exchanges"). Our principal shareholder listed under "Principal Shareholder" has also granted the joint global coordinators on behalf of the managers an over-allotment option to purchase up to 3,508,000 additional shares, if any.

The offering price is €9.50.

Prior to this offering, there has been no public market for our shares. We have applied to list our shares on the Spanish Stock Exchanges and to have our shares quoted on the Automated Quotation System ("AQS") of the Spanish Stock Exchanges. We expect our shares to be listed on the Spanish Stock Exchanges and quoted on the AQS on or about June 19, 2007 under the symbol "SLR".

Investing in our shares involves certain risks. See "Risk Factors" beginning on page 15.

Our shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and are being offered or sold within the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and outside the United States in reliance on Regulation S under the Securities Act. See "Transfer and Selling Restrictions" for additional information about eligible offerees and transfer restrictions.

The managers expect to deliver the shares through the book-entry facilities of Iberclear on or about June 21, 2007.

Joint Global Coordinators and Joint Bookrunners

Banesto ***Morgan Stanley***

Managers

Banco Espírito Santo ***Banco Sabadell***

This offering memorandum is dated June 18, 2007

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

THIS CONFIDENTIAL OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SHARES OFFERED HEREBY BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THAT THE INFORMATION SET FORTH HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This offering memorandum is highly confidential and has been prepared by us solely for use in the proposed placement through the offering of our shares. We, the principal shareholder and the managers listed under "Plan of Distribution" (the "managers") reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the shares being offered in the proposed offering. This offering memorandum is personal to the offeree to whom it has been delivered by the managers and does not constitute an offer to any person or to the public in general to subscribe for or otherwise acquire the shares. Distribution of this offering memorandum to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited.

Each person receiving this offering memorandum acknowledges that (i) such person has not relied on the managers or any person affiliated with the managers in connection with any investigation of the accuracy of such information or its investment decision and (ii) no person has been authorized to give any information or to make any representation concerning us or the shares (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of us and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the principal shareholder or the managers.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SHARES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

Investors should exclusively rely on the information contained in this offering memorandum. Neither we, nor the principal shareholder, nor any of the managers have authorized anyone to provide potential investors with information different from that contained in this offering memorandum. The managers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the managers or their affiliates or advisors. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or any sale of the shares.

In connection with the offering, any manager and any of its respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase shares and, in that capacity, may retain, purchase, sell, offer to sell, or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the offering or otherwise. Accordingly, references in this offering memorandum to the shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the managers or any of them and any of their affiliates acting as an investor for its or their own account(s). The managers do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

STABILIZATION

MORGAN STANLEY & CO. INTERNATIONAL PLC, ACTING AS STABILIZATION AGENT ON BEHALF OF ITSELF AND THE OTHER MANAGERS, OR ITS AGENT, MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, AT ITS DISCRETION, ENGAGE IN TRANSACTIONS THAT STABILIZE, SUPPORT, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SHARES FOR A PERIOD OF 30 CALENDAR DAYS FROM THE DATE OUR SHARES ARE LISTED ON THE SPANISH

STOCK EXCHANGES. THE STABILIZATION PERIOD IS EXPECTED TO COMMENCE ON JUNE 19, 2007 AND TO END ON JULY 18, 2007. SPECIFICALLY, THE STABILIZATION AGENT OR ITS AGENT MAY, FOR A LIMITED PERIOD, OVER-ALLOT UP TO A MAXIMUM OF 15% OF THE TOTAL NUMBER OF SHARES COMPRISED IN THE OFFERING OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. HOWEVER, THERE IS NO OBLIGATION ON THE STABILIZATION AGENT OR ITS AGENT TO DO THIS, AND THERE CAN BE NO ASSURANCE THAT ANY SUCH ACTIVITIES WILL BE UNDERTAKEN. TO THE EXTENT PERMITTED BY APPLICABLE LAW, SUCH TRANSACTIONS MAY BE EFFECTED ON ANY SECURITIES MARKET, OVER-THE-COUNTER MARKET, STOCK EXCHANGE OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME OR END AFTER A LIMITED PERIOD. EXCEPT AS REQUIRED BY LAW OR REGULATION, NONE OF THE STABILIZATION AGENT, ANY OF ITS AGENTS OR THE MANAGERS INTENDS TO DISCLOSE THE EXTENT OF ANY STABILIZATION AND/OR OVER-ALLOTMENT TRANSACTIONS IN CONNECTION WITH THE OFFERING.

The distribution of this offering memorandum and the offering of shares is restricted by law in certain jurisdictions, and this offering memorandum may not be used in connection with any offer or solicitation in any such jurisdiction or to any person to whom it is unlawful to make such offer or solicitation. Other than in Spain, no action has been or will be taken in any jurisdiction by us, the principal shareholder or the managers that would permit a public offering of the shares or possession or distribution of an offering memorandum in any jurisdiction where action for that purpose would be required. This offering memorandum may not be used for, or in connection with, and does not constitute an offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this offering memorandum may come are required by us, the principal shareholder and the managers to inform themselves about and to observe these restrictions. Neither we, nor the principal shareholder, nor any of the managers accept any responsibility for any violation by any person, whether or not such person is a prospective purchaser of our shares, of any of these restrictions.

NOTICE TO EEA INVESTORS

This offering memorandum has been prepared on the basis that all offers of shares using this offering memorandum will be made pursuant to an exemption under the EU Directive 2003/71 EC (the "Prospectus Directive"), as implemented in member states of the European Economic Area ("EEA"), from the requirements to produce a prospectus for offers of shares. Accordingly, any person making or intending to make an offer within the EEA of shares which are the subject of the offering contemplated in this offering memorandum should only do so in circumstances in which no obligation arises for us, the principal shareholder or any of the managers to produce a prospectus for such offer. None of us, the principal shareholder or the managers has authorized, and none of us authorizes, the making of any offer of shares through any financial intermediary, other than offers made by managers that constitute the final placement of shares contemplated in this offering memorandum.

NOTICE TO SPANISH INVESTORS

This offering memorandum is an advertisement and is not a prospectus for the purposes of the Prospectus Directive and has not been registered with the CNMV. A *folleto informativo* in the Spanish language that complies with the requirements of the Prospectus Directive has been registered with the CNMV on May 31, 2007. Copies of the *folleto informativo* are available for inspection at the offices of the CNMV.

NOTICE TO U.S. INVESTORS

Our shares have not been and will not be registered under the Securities Act, or with any securities authority of any state of the United States, and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Our shares are being offered (i) in the United States only to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("Rule 144A")) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (ii) outside the United States only in offshore transactions (as defined in, and in accordance with, Regulation S under the Securities Act ("Regulation S")). Prospective purchasers are hereby notified that sellers of the shares may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A. For certain restrictions on resales, see "Transfer and Selling Restrictions".

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This offering memorandum is being distributed only to and directed only at (i) "investment professionals" specified in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Fin Prom Order"), (ii) persons falling within Article 49(2)(a) to (d) of the Fin Prom Order, and (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by any person who is not a relevant person. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Our shares may not be offered or sold to any person in the United Kingdom, other than to "qualified investors" (as defined in Section 86(7) of the Financial Services and Markets Act 2000 (as amended) (the "FSMA")) or otherwise in circumstances that do not require an approved prospectus to be made available to the public, as set out in Section 86 of the FSMA.

INFORMATION FOR INVESTORS IN CERTAIN COUNTRIES

For information for investors in certain countries, see "Transfer and Selling Restrictions".

CERTAIN TERMS AND CONVENTIONS

"AQS" refers to the Automated Quotation System of the Spanish Stock Exchanges.

"Audited IFRS-EU Financial Statements" refers to our audited individual financial statements, prepared in accordance with IFRS-EU, as of and for each of the years ended December 31, 2006, 2005 and 2004.

"CNE" refers to the Spanish National Energy Commission (*Comisión Nacional de Energía*).

"CNMV" refers to the Spanish National Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*).

"controlling shareholders" refers to Enrique Díaz-Tejeiro Gutiérrez, María Dolores Larrañaga Horna, Enrique Díaz-Tejeiro Larrañaga, Arturo Díaz-Tejeiro Larrañaga and Miguel Díaz-Tejeiro Larrañaga, each of whom holds a 20% interest in Solaria DTL Corporación, S.L., our principal shareholder.

"Exchange Act" refers to United States Securities Exchange Act of 1934, as amended.

"FSMA" refers to Financial Services and Markets Act 2000, as amended.

"Iberclear" refers to the Spanish settlement system, *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.U.*

"IFRS-EU" refers to International Financial Reporting Standards, as adopted by the European Union.

"managers" refers to the entities listed as managers under "Plan of Distribution".

"PFIC" refers to a "passive foreign investment company" for the purposes of U.S. federal income tax law.

"principal shareholder" refers to Solaria DTL Corporación, S.L.

"Prospectus Directive" refers to EU Directive 2003/71 EC, as amended.

"QIB" refers to "qualified institutional buyers", as defined in Rule 144A.

"RD 436/2004" refers to Royal Decree 436/2004 of March 12, 2004, now superseded by RD 661/2007.

"RD 661/2007" refers to Royal Decree 661/2007 of May 25, 2007.

"Red Eléctrica" refers to the Spanish national grid operator, Red Eléctrica de España, S.A.

"Regulation S" refers to Regulation S under the Securities Act.

"Relevant Member State" refers to each member state of the European Economic Area which has implemented the Prospectus Directive.

"Rule 144" refers to Rule 144A under the Securities Act.

"Securities Act" refers to the United States Securities Act of 1933, as amended.

"Solaria", the "Company", "our company", "we", "us" and "our" refer to Solaria Energía y Medio Ambiente, S.A.

"Spanish GAAP" refers to generally accepted accounting principles in Spain.

"Spanish Stock Exchanges" refers to the Madrid, Barcelona, Bilbao and Valencia stock exchanges, collectively.

"Special Regime" refers to the regulatory framework in Spain first laid down by *Law 54/1997*, as later developed by Royal Decree 661/2007, which will come into force on June 1, 2007 and relates to a scheme (known as *régimen especial*) that allows producers to sell electricity generated from renewable energy sources to distributors at prices that are significantly higher than market prices.

"sqm" refers to square meters.

"U.S. GAAP" refers to generally accepted accounting principles in the United States of America.

"Unaudited Condensed Interim IFRS-EU Financial Statements" refers to our unaudited individual condensed interim financial statements, prepared in accordance with IFRS-EU, as of and for the three-month periods ended March 31, 2007 and 2006.

Certain technical terms relating to our business and industry are explained in "Glossary of Technical Terms".

In this offering memorandum, when we refer to our "production capacity" or our "maximum production capacity", we are referring to our estimate of the maximum annual production capacity of a production facility or production line, assuming, among other things, the uninterrupted operation of such facility or line under optimal conditions during the entire year. We may for commercial, strategic or other reasons choose not to operate our production lines to their maximum capacity and the operation of our lines is, moreover, subject to many factors, including, but not limited to, the supply of raw materials, maintenance issues, the availability of personnel to operate the lines and other factors, certain of which may be beyond our control. Accordingly, we can give no assurance that, for any given year, we would be able to, or would seek to, operate our production lines or production facilities at or near the stated maximum production capacities.

The presentation of all share data included herein assumes no exercise of the over-allotment option, unless otherwise indicated. See "Plan of Distribution".

PRESENTATION OF FINANCIAL INFORMATION

Financial information

This offering memorandum includes the following financial information:

- our unaudited individual condensed interim financial statements as of and for the three-month periods ended March 31, 2007 and 2006, prepared in accordance with IFRS-EU; and

- our audited individual financial statements as of and for each of the years ended December 31, 2006, 2005 and 2004, prepared in accordance with IFRS-EU.

Spanish GAAP Annual Accounts

Because we do not currently have any subsidiaries, we are, and we expect we will continue to be, required by applicable Spanish law to prepare and file our statutory accounts in accordance with accounting principles generally accepted in Spain ("Spanish GAAP"). Notwithstanding the foregoing, we intend also to make available to investors audited and unaudited yearly and unaudited interim condensed individual financial information prepared in accordance with IFRS-EU.

Differences between IFRS-EU and US GAAP

This offering memorandum includes financial statements and other financial information prepared and presented in accordance with IFRS-EU, and the discussion and analysis of our financial condition and results of operations is based on our IFRS-EU Financial Statements. IFRS-EU and accounting principles generally accepted in the United States ("U.S. GAAP") differ materially from one another. This offering memorandum does not include any reconciliation to U.S. GAAP of the Audited IFRS-EU Financial Statements, Unaudited Condensed Interim IFRS-EU Financial Statements or any other financial information prepared and presented in accordance with IFRS-EU and does not include any narrative description of the differences between IFRS-EU and U.S. GAAP. Although our Audited IFRS-EU Financial Statements contain a reconciliation to IFRS-EU of shareholders' equity under Spanish GAAP as of December 31, 2006, 2005 and 2004 as well as profit for the years then ended, we have made no attempt to identify or quantify the differences between IFRS-EU and U.S. GAAP that might be applicable to us or our financial statements or other financial information.

It is possible that a reconciliation or other qualitative or quantitative analysis would identify material differences between our financial statements and other financial information prepared in accordance with IFRS-EU and financial statements and other financial information if they had been prepared in accordance with U.S. GAAP. You should consult your own accounting advisors for an understanding of the differences between IFRS-

EU and U.S. GAAP and how those differences might affect the financial statements and other financial information in this offering memorandum.

The financial statements included in this offering memorandum have been prepared in euro. The euro is the common legal currency of the member states participating in the third stage of the European Economic and Monetary Union, including Spain.

Certain monetary amounts and other figures included in this offering memorandum have been subject to rounding adjustments. Accordingly, any discrepancies in any tables between the totals and the sums of the amounts listed are due to rounding.

The financial information presented in this offering memorandum is provided for information purposes only and is not necessarily indicative of our future results of operations. Moreover, it is not intended to comply with the reporting requirements of the U.S. Securities and Exchange Commission, or SEC. Compliance with such requirements would require the presentation of U.S. GAAP financial information, the modification or exclusion of certain information presented in this offering memorandum and the presentation of certain other information not included in this offering memorandum.

MARKET AND INDUSTRY INFORMATION

Market data and certain industry forecast data used in this offering memorandum were obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including, among others, Solarbuzz, the European Renewable Energy Council (EREC), the Spanish Institute for Energy Diversification and Saving (*Instituto para la Diversificación y Ahorro de Energía* or IDAE), the Spanish Photovoltaic Industry Association (*Asociación de la Industria Fotovoltaica* or ASIF), the Spanish Solar Thermal Industry Association (*Asociación Solar de la Industria Térmica* or ASIT), the Energy Information Association (EIA), EurObserv'ER and the Prometheus Institute. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, estimates and market research, while believed to be reliable and accurately extracted by us for the purposes of this offering memorandum, have not been independently verified.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements that reflect our intentions, beliefs or current expectations and projections about our future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans, opportunities, trends and the markets in which we operate. Forward-looking statements involve all matters that are not historical fact, and include certain limited forward-looking information in "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the expected evolution of our revenues and costs. We have tried to identify these and other forward-looking statements by using the words "may", "will", "would", "should", "expect", "intend", "estimate", "anticipate", "project", "future", "potential", "believe", "seek", "plan", "aim", "objective", "goal", "strategy", "target", "continue" and similar expressions or their negatives. These forward-looking statements are based on numerous assumptions regarding our present and future business and the environment in which we expect to operate in the future. Forward-looking statements may be found in sections of this offering memorandum entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this offering memorandum.

These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions and other factors that could cause our actual results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans or opportunities, as well as those of the markets we serve or intend to serve, to differ materially from those expressed in, or suggested by, these forward-looking statements. Important factors that could cause those differences include, but are not limited to:

- the growth of the market for photovoltaic ("PV") energy;
- the ability of conventional fossil fuel-based generation technologies to meet demand for electricity;

- governmental and administrative support for the deployment of PV systems;
- changes in applicable laws, regulations and policies (or the interpretation thereof), including those laws, regulations and policies governing government subsidies or incentives for renewable energy, including solar energy, and the actions of the Spanish, EU and other governments and their respective regulatory agencies;
- the competitiveness of our PV module and solar thermal products;
- our ability to expand our manufacturing capacity as we intend in a timely and cost-effective manner;
- our ability to develop larger-scale turnkey projects and/or a greater number of smaller-scale turnkey projects for a grid connection point and otherwise;
- our ability to secure, and the price and the availability of, raw materials and components;
- competitive pressure among new and existing participants in the markets we serve or intend to serve;
- our continued investment in research and development;
- our ability to attract new customers and to develop and maintain existing relationships with customers and suppliers;
- investments in additional technologies and the development of these technologies;
- our ability to bring about product improvements and cost reductions and improve production efficiency;
- our failure to comply with laws and regulations, including environmental and health and safety laws and regulations;
- costs associated with safety, security and environmental measures;
- fluctuations in the exchange rate of the euro to the U.S. dollar and other currencies;
- fluctuations in interest rates;
- the loss of key personnel, including our current management, or any shortfall in the supply of highly trained and/or specialized employees;
- the commencement of material legal proceedings; and
- the general economic environment in Spain and elsewhere in Europe.

Additional factors that could cause actual results, financial condition, liquidity, performance, prospects, opportunities, achievements or industry results to differ include, but are not limited to, those discussed under "Risk Factors".

In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur. Additional risks that we may currently deem immaterial or that are not presently known to us could also cause the forward-looking events discussed in this offering memorandum not to occur. Except as otherwise required by Spanish, U.S. federal and other applicable securities laws and regulations and by any applicable stock exchange regulations, we undertake no obligation to update publicly or revise publicly any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this offering memorandum. Given the uncertainty inherent in forward-looking statements, we caution prospective investors not to place undue reliance on these statements.

The managers assume no responsibility or liability for, and make no representation, warranty or assurance whatsoever in respect of, any of the forward-looking statements contained in this offering memorandum.

AVAILABLE INFORMATION

We are currently neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act. For as long as this remains the case, we will furnish, upon written request, to any shareholder, any owner of any beneficial interest in any of our shares or any prospective purchaser designated by such a shareholder or such an owner, the information required to be delivered pursuant to Rule 144A(d)(4), if, at the time of such request, any of our shares remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act. We do not currently intend to make an application for an exemption under Rule 12g3-2(b) under the Exchange Act.

EXCHANGE RATES

The following table sets forth, for the periods indicated, information concerning the noon buying rate for euro, expressed in U.S. dollars per €1.00. The rates set forth below are provided solely for your convenience and were not used by us in the preparation of our financial statements included elsewhere in this offering memorandum. The "noon buying rate" is the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that euro could have been, or could be, converted into U.S. dollars at that rate or at any other rate.

	Noon Buying Rate			
	Period End	Average [1]	High	Low
	(U.S. dollars per €1.00)			
Year:				
2002	1.0485	0.9495	1.0485	0.8594
2003	1.2597	1.1411	1.2597	1.0361
2004	1.3538	1.2478	1.3625	1.1801
2005	1.1842	1.2400	1.3476	1.1667
2006	1.3197	1.2661	1.3327	1.1860
2007 (through June 15, 2007)	1.3365	1.3347	1.3360	1.2904
Month:				
December 2006	1.3197	1.3205	1.3327	1.3073
January 2007	1.2998	1.2993	1.3286	1.2904
February 2007	1.3230	1.3080	1.3246	1.2933
March 2007	1.3374	1.3246	1.3374	1.3094
April 2007	1.3660	1.3513	1.3660	1.3363
May 2007	1.3453	1.3518	1.3616	1.3419
June 2007 (through June 15, 2007)	1.3365	1.3401	1.3526	1.3295

Note: (1) The average of the noon buying rate for euro on the last day of each full month during the relevant year or each business day during the relevant month.

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY

Potential investors should read the following summary together with the more detailed information (including the information set forth under "Risk Factors") and the financial statements (including the notes thereto) included elsewhere in this offering memorandum. For a description of certain technical terms used in this summary, see "Glossary of Technical Terms".

OVERVIEW

We are one of the main participants in the Spanish solar energy market and are experiencing strong and rapid growth. At present, our principal business lines comprise:

- *PV modules.* The design, manufacture and sale of PV modules, which convert sunlight into electricity through the so-called photovoltaic process, for a variety of residential, commercial and industrial uses. Revenues from sales of our PV modules (excluding inter-segment sales) represented 52.4% and 78.0% of our total revenues for the year ended December 31, 2006 and the three months ended March 31, 2007, respectively.

- *Turnkey projects*. The "end-to-end" development of PV parks, incorporating our PV modules, for third party investors. Revenues from our turnkey projects (excluding inter-segment sales) represented 47.6% and 20.9% of our total revenues for the year ended December 31, 2006 and the three months ended March 31, 2007, respectively.

- *Solar thermal panels*. The design, manufacture and sale of solar thermal panels, which use solar energy for the purpose of heating water and supporting heating systems, and the provision of advisory services in connection with the design of heating systems incorporating our solar thermal panels. Revenues from sales of our solar thermal panels represented 1.1% of our total revenues for the three months ended March 31, 2007. We made no commercial sales of solar thermal panels in 2006.

We believe we offer our customers an attractive value proposition, providing reliable products coupled with strong pre- and post-sale technical support and quality of service.

Solar power is one of the most rapidly growing renewable energy sources and industry growth is particularly strong in countries where government incentives are offered for solar power generation. The Spanish solar market, in particular, is currently one of the most attractive European markets, with a combination of feed-in tariffs and subsidized loans supporting Spain's national targets for renewable energy and PV installations. In addition, the recent entry into force of the Spanish Technical Code for Construction (*Código Técnico de Edificación*) is expected to benefit the solar thermal segment, as the Code requires construction companies in Spain to incorporate solar thermal panels in all new or rehabilitated buildings, subject to certain limited exceptions. This supportive regulatory environment, the high average solar radiation in Spain (approximately 1,800 kWh/m^2 per year, compared with an E.U. average of approximately 1,400 kWh/m^2 per year, source: European Commission Joint Research Center) and the relative youth of the Spanish solar energy market combine to provide, we believe, a favorable business environment, with attractive growth opportunities for early participants in the sector, such as our company.

To take advantage of these opportunities, we are significantly increasing our production capacity across our product lines—PV modules (for direct sale to third parties and our turnkey projects) and solar thermal panels. In addition, we intend to become more vertically integrated, expanding into the production of solar cells and wafers for use in the manufacture of our PV modules. This integration will, we believe, increase our control over product design and quality and lead to cost savings. We plan to commence production of solar cells before year-end 2007 and silicon wafers in the second half of 2008. We have constructed a facility for PV module production of approximately 2,300 sqm, a further 2,600 sqm production facility housing both PV module and solar thermal panel production lines and an office block of approximately 1,200 sqm. In addition, we are currently constructing a 12,500 sqm solar cell production facility and a 2,000 sqm warehousing unit, which we expect to be completed in the last quarter of 2007.

We have experienced rapid and significant growth since we commenced operations in January 2003 and have generated operating profit in each financial year during that period. Our total revenues have increased from €408,864 for the year ended December 31, 2004 to €19,146,563 for the year ended December 31, 2006, while our operating profit has also increased from €115,372 to €8,706,002 over the same period. Our total revenues and operating profit for the three months ended March 31, 2007 were €12,968,017 and €4,426,200, respectively, compared with €1,004,728 and €961,700 for the first three months of 2006.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths enable us to compete more effectively and to capitalize on the rapid growth of the solar power market, both in Spain and internationally.

Strengthening presence in one of the fastest growing markets in Europe

The Spanish solar energy market is currently at an earlier stage of development when compared with certain other markets, such as Germany, Japan and the United States, and consequently has recently been growing at a faster pace than most of such other markets. For example, at December 31, 2006, Germany, Japan and the United States had a total installed capacity of 2,581 MW, 1,700 MW and 670 MW, respectively, compared with only 118 MW in Spain at such date (sources: IDAE for Spain, Solarbuzz for Japan, German Federal Ministry of Economics and Technology for Germany and Solarbuzz and EIA for the United States). In the year ended December 31, 2006, however, the annual growth rate of total installed PV capacity in Spain was more than 200%, compared with 55%, 3% and 8% in Germany, Japan and the United States, respectively, over the same period (source: Solarbuzz, 2007). With a supportive regulatory framework, high average solar radiation and the relative youth of its solar energy market, Spain provides, in our view, significant growth opportunities for early market entrants such as our company.

We believe we have a strengthening presence in Spain with a growing customer and manufacturing base and products targeted at the key solar end-customer segments, being PV modules, turnkey projects and solar thermal panels. We have successfully expanded our maximum PV module production capacity up to 90 MW as of date of this offering memorandum, and we have also established our solar thermal panel assembly line, which currently has a maximum production capacity of 90,000 sqm per year.

This growth in production capacity has been complemented by similarly strong growth in our revenues. Our total revenues increased from €408,864 for the year ended December 31, 2004 to €19,146,563 for the year ended December 31, 2006, while our operating profit also increased from €115,372 to €8,706,002 over the same period. Our total revenues and operating profit for the three months ended March 31, 2007 were €12,968,017 and €4,426,200, respectively, compared with €1,004,728 and €961,700 for the first three months of 2006.

We expect this growth to continue in 2007 and 2008. As of March 31, 2007, we had entered into binding customer contracts in respect of 2007 and 2008 sales for an aggregate value of €137 million, in aggregate, across our three business lines. Of that amount, €11.8 million had, as of March 31, 2007, been received by us from customers by way of initial payments in accordance with contractually agreed payment schedules. We believe these customer contracts allow us to predict a significant proportion of our revenues for the year ended December 31, 2007 and the cash flow from initial payments has enabled us to ramp up production and realize economies of scale from capacity expansions quickly. Furthermore, the schedule of payments agreed with our customers, including the initial payments, which we receive before delivery of our products, assist our management of cash flows and working capital.

In addition, in May 2007, we entered into non-binding letters of intent with two customers in respect of the possible development of ten PV parks with an aggregate installed capacity of 110 MW and an aggregate contract value of €660 million. Whether these letters of intent result in our entering into binding contractual arrangements that generate revenues for our business depends on, among other things, our reaching agreement with the Spanish national grid operator, Red Eléctrica de España, S.A. ("Red Eléctrica"), as to the precise terms of our appointment as manager of a grid connection point in Castilla-La Mancha. (See "Business—Products and Services—Turnkey projects—Letters of intent" and "Business—Products and Services—Turnkey projects—"La Paloma" grid connection point").

To capitalize further on the growth we have experienced to date, we are constructing new manufacturing facilities to increase our PV module and solar thermal panel production and to commence production of solar cells and wafers. We expect our additional PV module and solar thermal panel production lines to be operational in the third quarter of 2007 and the first quarter of 2008, respectively. As regards solar cells and wafers, we anticipate that we will commence commercial production in the last quarter of 2007 and the second half of 2008, respectively, with an initial maximum production capacity of 25 MW for solar cells and 100 MW for wafers.

Strong local knowledge and customer support

Strong local knowledge. We have developed a network of relationships with PV and solar thermal customers (including key Spanish renewable energy investors), construction companies and regional and municipal authorities in Castilla-La Mancha. We believe that our technical expertise, knowledge of the local market and relationships with, and proximity to, key clients will, among other things, enable us:

- to identify and exploit local opportunities more rapidly than those of our competitors who are less familiar with local market conditions and/or clients; and

- to offer our clients a more sophisticated and complete "turnkey" service, which includes a significant technical support element founded on our experience with, and understanding of, the particular features of the Spanish PV market and regulatory framework, as well as our strong relationships with key PV installation contractors.

We believe our local knowledge provides a particular advantage in comparison with international competitors seeking to establish a foothold in a high-growth market, such as the Spanish market.

Differentiation through customer support. We also provide all of our customers, turnkey and non-turnkey, with comprehensive pre- and post-sale advice and support, which, we believe, differentiates us from those of our competitors that focus only on production. In our view, providing quality customer support services within our sales process helps us to maintain strong relations with our existing customers and provides a strong selling point to attract new customers.

Flexible and cost-efficient manufacturing base

By managing our rapid growth, we have gained valuable know-how with respect to the planning, financing, implementation and control of rapid capacity expansion, as well as a detailed knowledge of the operation of cost-efficient, high-volume technological production. We believe that this expertise has helped us to establish a manufacturing base with several competitive strengths:

- *Highly flexible manufacturing process.* Our production lines have been designed to allow us to modify our production output in a timely and cost-effective manner. In PV module production, for example, the production lines are capable of manufacturing both mono- and polycrystalline cells of different sizes (4", 5", 6" and 8"). We believe that our manufacturing model provides the flexibility to adapt to available market supply and the demands of our customers. We operate our production lines on a daily three-shift rota, 24 hours a day, 365 days a year.

- *Semi-automated production line.* We have a modern and cost-efficient production plant. We have designed our manufacturing processes to include a mix of automated and manual production methods. While automated processes help to increase the speed, reliability and flexibility of our production lines, manual processes reduce our maintenance costs and allow us to take advantage of our comparatively low labor costs. We therefore consider that our semi-automated manufacturing model is more efficient and reliable than the fully automated processes used by certain of our competitors.

- *Strict quality control systems.* Through our growth, we have gained extensive know-how in quality assurance processes. For example, in our PV module manufacturing process, we source only high quality solar cells, testing and classifying each cell before its introduction into our production line. Our products are then subjected to a series of automated and visual quality

control tests. These processes, which have been certified by leading international quality assurance bodies, such as AENOR, have resulted, we believe, in high quality products and relatively low reject rates.

- *Possibility of gradual expansion at low cost.* We believe that one of our key strengths is our ability to install production lines relatively quickly and to make technical improvements in our PV module and solar thermal panel production processes. In the design and installation of each new production line, we aim to use a systematic replication process designed to enable us to add production lines rapidly and efficiently and to achieve performance and efficiency levels comparable to those of our existing lines. This replication of existing processes also enables us, we believe, to reduce ramp-up costs and enhance economies of scale, enabling further reductions in the price per Watt/per sqm of our PV modules and solar thermal panels.

Strong relationships with key suppliers

We have developed strong relationships with our key suppliers of raw materials, machinery and equipment.

With a view to improving our procurement strength for solar cells and ensuring the high quality of our products, we have focused on building strong relationships with two carefully selected cell suppliers, E-Ton Solar Tech Co., Ltd. ("E-Ton") and Gintech Energy Corporation ("Gintech"), both of which provide us with a high level of technology, in our view. Moreover, we believe that, as a result of their comparatively limited production, our company accounts for a significant proportion of the order book of each supplier and that we are therefore able to obtain solar cells on terms more favorable than certain of our competitors who contract with the largest solar cell producers. In 2006, we purchased 6.77 MW and 1.66 MW of solar cells from E-Ton and Gintech, respectively, and, in the four months ended April 30, 2007, we purchased a further 2.5 MW and 1 MW, respectively. Although we already account for a significant proportion of the solar cell production of each company, we believe we would be able to increase our cell supply, if needed.

We have also closely collaborated with Spire Corporation ("Spire") and Gorosabel, S.A. ("Gorosabel") in the design, installation and refinement of our PV module (Spire and Gorosabel) and solar thermal panel (Gorosabel) production lines, which we believe allows us to exert greater control over the design of our production lines and increases their flexibility. In addition, we have contracted with Spire for the design, construction and installation of our solar cell production lines on a turnkey basis. Both companies provide a team of on-site technicians who monitor the operation of their machinery to improve their production capacity and efficiency, which allows us to reduce the length of the ramp-up period, in our view.

Positioned to become an integrated player

We are presently constructing new facilities with a view to commencing production of solar cells in the last quarter of 2007 and wafers in the second half of 2008. We have completed the design plans and contracted for the supply of machinery for our planned solar cell production, and we are in discussions with two technology suppliers, PVA TePla AG and Meyer Burger AG, for the development of our planned solar wafer production lines.

Once we establish commercial solar cell and wafer production, we believe we will become one of the few players in the Spanish PV market with a presence in the module, cell and wafer production stages of the PV manufacturing value chain. We believe this vertical integration should provide us with several competitive advantages (see "Strategy—Implement the vertical integration of our business"), including increased control over costs and the quality of our products through the improved quality of the key components of our PV modules.

Dynamic and committed management team and highly innovative organization

We have a dynamic senior management team, with over 30 years of combined experience in the Spanish energy industry. Our team has successfully achieved four years of profit since our incorporation in November 2002 — a profitability maintained during the capital-intensive migration of our business from installation to PV module and solar thermal panel production — and has achieved and managed our rapid growth, in terms of both production capacity and financial results.

In addition, our company cooperates closely with the University of Castilla-La Mancha and pursues strategic collaboration with suppliers, customers, machinery manufacturers and other organizations and institutes in the research and development area. In recognition of our research and development efforts and their deployment in our manufacturing processes, we were granted, in December 2006, the Award for Business Innovation (*Premio a la Innovación Empresarial*) by the Spanish Confederation of Business Organizations (*Confederación Española de Organizaciones Empresariales*), a national organization representing over one million businesses, both public and private, within Spain.

STRATEGY

Our aim is to strengthen our presence in the Spanish solar energy market through the implementation of the following strategic objectives:

Become one of the leading Spanish solar players

Increase our PV module production capacity

We intend to capture a significant share of the growth in the Spanish solar PV market by substantially increasing our maximum PV module production capacity from the current 90 MW to 250 MW by the end of 2009 and 400 MW by the end of 2010, which represents a total planned investment in the expansion of our PV module business of approximately €60 million over the three years ended December 31, 2009.

The following table sets forth certain information relating to our historic, current and our objective for future maximum production capacity.

	Maximum production capacity		Maximum production capacity (estimated) [1]			
			At December 31,			
Maximum production capacity [2]	At December 31, 2006	At the date of this offering memorandum	2007E	2008E	2009E	2010E
PV modules	25 MW	90 MW	90 MW	150 MW	250 MW	400 MW
Solar cells	—	—	25 MW	100 MW	250 MW	400 MW
Solar wafers	—	—	—	100 MW	250 MW	400 MW

Notes: (1) For future periods, we set forth our objective for maximum production capacity at the respective year-end. These objectives assume, among other things, that construction of new production facilities is completed in accordance with the contractually agreed timetable and that equipment and machinery are supplied in accordance with the terms of the relevant supply agreements. Moreover, our objectives are based on our current business model, which we may alter due to changing market conditions and other factors, certain of which are beyond our control. Accordingly, we can give no assurance that we will meet our objectives of future increases in our maximum production capacities.

(2) The figures given in this table are maximum production capacities. Accordingly, they do not necessarily reflect actual production levels or our anticipated future production levels, which depend on, among other things, orders received from customers, our supply of raw materials, the reliability of our production lines, our ability to commence production of solar cells and solar wafers successfully and other factors, certain of which are beyond our control.

The following table sets forth certain information relating to our objective for actual production levels.

	Target production (estimated) [1]			
	At December 31,			
Production	2007E	2008E	2009E	2010E
PV modules	58.5 MW	150 MW	200 MW	320 MW
Solar cells	6 MW	75 MW	200 MW	320 MW
Solar wafers	—	37.5 MW	200 MW	320 MW

Note: (1) For future periods, we set forth our objective for target production at the respective year-end. These objectives assume, among other things, that construction of new production facilities is completed in accordance with the contractually agreed timetable and that equipment and machinery are supplied in accordance with the terms of the relevant supply agreements. Moreover, our objectives are based on our current business model, which we may alter due to changing market conditions and other factors, and our actual production levels will depend on, among other things, orders received from customers, our supply of raw materials, the reliability of our production lines, our ability to commence production of solar cells and solar wafers successfully and other factors, certain of which are beyond our control. Accordingly, we can give no assurance that we will meet our objectives of future increases in our target production.

We believe that, in addition to the creation of revenue growth, these intended capacity increases could, if achieved, result in significant economies of scale, enabling us to benefit from substantial savings in our production costs.

Significantly expand our turnkey business

We aim to expand our turnkey business as a percentage of our total revenues, taking advantage of the positive market momentum created by the favorable regulatory framework in Spain and leveraging off our project management expertise. Through this expansion, we will continue to offer our customers (predominantly renewable energy financial investors) "end-to-end solutions" for PV projects, including obtaining relevant licenses, project management, installations services and supply of PV modules and systems.

In addition, we believe that, if our appointment as grid connection manager in respect of up to 200 MW in Castilla-La Mancha is confirmed by the Spanish national grid operator, Red Eléctrica de España, S.A. ("Red Eléctrica"), it is likely to be of material benefit to us in the development of our turnkey business. Grid connection managers in Spain are entitled to allocate power generation quotas to electricity producers, enabling them to provide electricity to the national grid through the relevant connection point (up to, in all cases, the maximum capacity permitted by their quota, which quotas must not, in aggregate, exceed the maximum capacity set by Red Eléctrica). We hope to be able to allocate approximately 150 MW to a turnkey project that we will look to develop for third-party investors if our appointment is confirmed, and we anticipate that a project of this size would contribute significantly to the growth of our turnkey business. For further important information, see "Risk Factors—Our failure to reach agreement with Red Eléctrica as to the terms of our appointment as grid connection point manager, or to connect the required capacity to the national grid in accordance with the timetable to be established by Red Eléctrica, could have a material adverse effect on our business, prospects, financial condition and results of operations".

Grow our solar thermal business

We intend to develop our solar thermal business to benefit further from the unique demand created by the coming into force of the Spanish Technical Code for Construction (*Código Técnico de Edificación*). Subject to certain limited exceptions, the Code requires construction companies in Spain to incorporate solar thermal panels for the heating and hot water systems of all new or rehabilitated buildings, and we believe that demand from the real estate market is likely to provide the key driver for growth in the Spanish solar thermal industry. Accordingly, we have sought to tailor our thermal panel product to the needs of that market, which needs we perceive to be reliability and efficiency at a competitive price. Our focus on a single product line will enable us, we believe, to increase production efficiencies and to focus our efforts on refining our product to the high demand we expect to see in the Spanish market. Our strategic aim is to increase our current maximum production capacity of 90,000 sqm per year to 140,000 sqm per year by December 31, 2008, with a view to reaching 540,000 sqm per year by December 31, 2010. In 2007, however, we do not intend to utilize our production capacity fully, with a target aggregate production of 45,000 sqm.

Implement the vertical integration of our business

Our strategy since inception has been progressive upstream expansion through the PV value chain. We intend to continue to implement this strategy through the production of solar cells and wafers, thereby establishing ourselves in the technologically more advanced stages of PV production. We believe that vertical integration should:

- enable us to realize cost efficiencies through a reduction in transaction costs at the different levels of the PV value chain, principally in the solar wafer production process;
- give us greater control over the design of the manufacturing processes and the quality of our products through our management of the key base materials for the solar cell and PV module production processes;
- reduce our exposure to difficulties that may be experienced within the silicon supply chain by progressively eliminating our reliance on third party suppliers of solar cells and wafers;

- allow us to become better hedged against changes in solar industry dynamics, through a presence at almost all levels of the PV value chain;

- increase our flexibility to produce both mono- and polycrystalline modules or to switch between product types in response to changing market conditions and/or customer requirements; and

- promote product improvements in terms of cell efficiency and wafer thickness.

To capitalize further on the growth we have experienced to date, we are constructing new manufacturing facilities to increase our PV module and solar thermal panel production and to commence production of solar cells and wafers. We aim to have our additional PV module and solar thermal panel production lines operational in the third quarter of 2007 and the first quarter of 2008, respectively. As regards solar cells and wafers, we anticipate that we will commence commercial production in the last quarter of 2007 and the second half of 2008, respectively, with an initial maximum production capacity of 25 MW for solar cells and 100 MW for wafers. Our aim is to make total investments in the development of our solar cell and solar wafer production capacity of approximately €330 million in the four financial years ended December 31, 2010.

Differentiate our company through value-added services

We provide all of our customers, turnkey and non-turnkey, with comprehensive pre- and post-sale advice and support, which, we believe, differentiates us from those of our competitors who focus only on product delivery. In our view, providing quality customer support services within our sales process helps us to maintain strong relations with our existing customers and provides a strong selling point when attracting new customers. Accordingly, we intend to continue to focus on differentiating our company from competitors by providing our clients with end-to-end solutions and value-added services.

Continue to focus on cost efficiencies and cost control

We intend to continue to pursue a policy of rigorous cost and quality control. In particular, we intend to:

- continue our policy of entering into supply contracts that provide for periodic price reviews—a policy which we believe will provide us with the appropriate degree of flexibility to adapt to changing market conditions;

- pursue a lean operating and administrative structure, while operating continuous production shifts 24 hours a day, 365 days a year in normal circumstances;

- take advantage of the economies of scale resulting from our planned production capacity increases and the costs savings provided by the vertical integration process; and

- retain our focus on rigorous quality control testing throughout the manufacturing process to ensure a uniform and reliable product.

Gradually expand internationally

While we expect Spain to continue to be our principal market in the short to medium term, we will seek to increase sales of our products in other markets, such as Italy, Greece, Portugal, Germany or California. Our initial focus will be on Italy and Portugal, which we believe are set to benefit from similarly favorable conditions to Spain over the coming years and represent natural markets for some of our key turnkey customers in Spain.

Initially, we intend to distribute our products internationally through the use of distribution agreements. Our intended approach is generally to train our distributors in the provision of technical advice and assistance and after-sales customer care, rather than directly providing those services ourselves to customers outside Spain where we are less able to capitalize on our core competencies. Our aim is for our exports to account for approximately 15% of our total sales by 2008, although we will continue to review our international expansion strategy in the light of, among other things, the growth of the Spanish market and changing legislative environments in and outside Spain.

Our principal executive offices and our telephone and facsimile numbers are:

Solaria Energía y Medio Ambiente, S.A.
C/Nuñez de Balboa, 120
28006 Madrid
Spain

Telephone: +34 926 44 34 44
Facsimile: +34 926 44 34 36

Our web address is www.solariaenergia.com. Neither the content of our website nor the content of any website accessible from hyperlinks on our website is incorporated into, or forms part of, this offering memorandum.

THE OFFERING

The Company	Solaria Energía y Medio Ambiente, S.A.
The principal shareholder	Solaria DTL Corporación, S.L.
The offering	23,386,667 new shares by the Company to institutional investors in and outside Spain. These shares will be offered (i) in the United States, to qualified institutional buyers, as defined in Rule 144A ("QIBs") in reliance on Rule 144A under the Securities Act and (ii) outside the United States, in compliance with Regulation S.
Total number of shares offered in the offering	23,386,667 new shares.
Number of issued and outstanding shares before and after the offering	Information relating to the shares issued and outstanding immediately before and after the offering is set forth below (assuming the over-allotment option is not exercised).

	Before Offering		After Offering	
	No. of Shares	Percentage	No. of Shares	Percentage
Shares held by our principal shareholder	75,860,000	97.56%	75,860,000	75.00%
Shares held by other shareholders[(1)]	1,900,000	2.44%	1,900,000	1.88%
Shares held by the Company	0	0.00%	0	0.00%
Shares held by the public	0	0.00%	23,386,667	23.12%
Total shares	77,760,000	100.00%	101,146,667	100.00%

Note: (1) Prior to the date of this offering memorandum, our shareholders Enrique Díaz-Tejeiro Gutiérrez, María Dolores Larrañaga Horna, Enrique Díaz-Tejeiro Larrañaga, Arturo Díaz-Tejeiro Larrañaga and Miguel Díaz-Tejeiro Larrañaga entered into an agreement with each of Forlasa Group and Nozar Group for the sale of an aggregate of 1,900,000 shares for a price per share equal to the offering price. Under these agreements, which are subject to a condition subsequent that our shares be admitted to listing on the Spanish Stock Exchanges, each shareholder has agreed to sell 380,000 shares, with Forlasa Group and Nozar Group receiving 950,000 shares each. For the purposes of this table we have assumed that the sale of these shares has been completed.

Assuming that the over-allotment option described below is exercised in full, the number of shares held by our principal and other shareholders and the number of shares publicly held after the offering will be 72,352,000 and 26,894,667, respectively, representing 71.53% and 26.59%, respectively, of our total issued share capital. See "Principal Shareholder" and "Description of Capital Stock".

Over-allotment option	Our principal shareholder has granted an option to the joint global coordinators on behalf of the managers, which is exercisable within 30 calendar days from the date on which our

	shares are listed on the Spanish Stock Exchanges, to purchase up to 3,508,000 additional shares (15% of the total number of shares initially offered in the offering), to cover over-allotments, if any. See "Plan of Distribution".
Pricing of offering	The offering price in the offering is €9.50 per share.
Listings and quotation	We have applied to list the shares on the Spanish Stock Exchanges and to have them quoted on the AQS. We expect the shares to be admitted to listing on the Spanish Stock Exchanges on or about June 19, 2007 under the symbol "SLR". If the shares are not listed on the Spanish Stock Exchanges and quoted on the AQS before July 31, 2007, the offering will terminate, the shares will be returned to us and, if applicable, the principal shareholder and the purchase price will be returned to the purchasers, together with accrued interest. See "Plan of Distribution".
Dividends and dividend policy	The shares offered hereby will be eligible for any dividends paid or declared after the offering, including in respect of the year ending December 31, 2007 and thereafter. We currently do not expect to pay a dividend in respect of the year ending December 31, 2007. See "Dividends and Dividend Policy".
Voting rights	Each share entitles the holder to one vote. Article 30 of our bylaws provides that to attend and vote at general shareholder meetings, a shareholder must hold at least 700 shares. Our Board of Directors intends to propose to our next general shareholders' meeting a modification to our bylaws reducing the required number of shares to 300. See "Description of Capital Stock—Shareholders' Meetings and Voting Rights".
Use of proceeds	We estimate that our net proceeds from the offering will be approximately €210.67 million (after deducting underwriting discounts and commissions and the estimated expenses of the offering). We intend to use the net proceeds received by us to fund the expansion of our production capacity for PV modules and solar thermal panels and the development and commencement of our production of solar cells and silicon wafers. See "Use of Proceeds".
Lock-up agreements: Company lock-up	We have agreed that, without the prior written consent of either of the joint global coordinators on behalf of the managers (such consent not to be unreasonably withheld), we will not, during the period commencing on the date the underwriting agreement is signed and ending 180 days after the listing of the shares on the Spanish Stock Exchanges, (i) directly or indirectly, issue, offer, pledge, sell, announce our intention to or contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of, directly or indirectly, any of our shares or other security convertible into,

	or exercisable or exchangeable for, our shares or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of our shares, whether any such swap or transaction described in (i) or (ii) above be settled by delivery of shares or any securities convertible into or exchangeable for shares, in cash or otherwise, provided, however, the foregoing restrictions shall not apply to (A) the issue and sale of shares pursuant to the offering, or (B) the issue, grant or delivery of shares in connection with any stock option plan established by us in the future.
Principal shareholder's lock-up	Our principal shareholder has agreed to abide by similar restrictions during the period commencing on the date the underwriting agreement is signed and ending 360 days after the listing of the shares on the Spanish Stock Exchanges, provided, however, the foregoing restrictions shall not apply to (A) the sale of shares pursuant to the offering, or (B) the loan of shares in connection with the over-allotment option granted by our principal shareholder to the joint global coordinators on behalf of the managers, (C) transfers of shares among affiliated entities (within the meaning of Article 4 of the Spanish Securities Law (*Ley 24/1988 del Mercado de Valores*)) or transfers in favor of our controlling shareholders, provided that any such transferee shall agree to be bound by the lock-up obligations of such principal shareholder described above, or (D) transfers made by way of acceptance of a public takeover offer (*oferta pública de adquisición*) in respect of all of our issued shares.
Controlling shareholders' lock-up	In addition, each of our controlling shareholders has agreed to abide by similar restrictions during the period commencing on the date the underwriting agreement is signed and ending 360 days (180 days in the case of María Dolores Larrañaga Horna) after the listing of the shares on the Spanish Stock Exchanges in respect of 51% of their respective shareholdings in the capital of our principal shareholder (or such higher percentage as may be required for 51% of the outstanding share capital of our principal shareholder to be held directly, in aggregate, by our controlling shareholders), provided, however, that the foregoing restrictions shall not apply to transfers of shares among affiliated entities (within the meaning of Article 4 of the Spanish Securities Law (*Ley 24/1988 del Mercado de Valores*)) or transfers in favor of direct family members, provided that any such transferee shall agree to be bound by the lock-up obligations of such controlling shareholder described above.
Payment and settlement	We expect the shares to be delivered against payment of the offering price on the settlement date, which is anticipated to be on or about June 21, 2007 to the accounts of purchasers through the book-entry facilities of Iberclear.

SUMMARY SELECTED FINANCIAL INFORMATION

The summary selected financial information set out below is provided for information purposes only and is not necessarily indicative of our future results of operations.

The summary selected audited individual financial information as of and for each of the years ended December 31, 2006, 2005 and 2004 and the summary selected unaudited individual condensed interim financial information as of and for the three-month periods ended March 31, 2007 and 2006, in each case prepared in accordance with IFRS-EU and presented below, have been derived from, and should be read together with, our Audited IFRS-EU Financial Statements and our Unaudited Condensed Interim IFRS-EU Financial Statements, respectively, each of which is included elsewhere in this offering memorandum.

Please see the auditors' report included elsewhere in this offering memorandum for a description of the procedures performed on our Audited IFRS-EU Financial Statements.

	Year Ended December 31,			Three Months Ended March 31,	
	2006	2005	2004	2007	2006
			(in €)	(unaudited)	
IFRS-EU Income Statement Data					
Revenue	19,146,563	698,866	408,864	12,968,017	1,004,728
Deferred income transferred to the income statement	47,337	9,543	—	10,980	11,834
Other government grants related to income	3,907	—	5,694	—	—
Other income	2,497	19	—	2,731	—
Consumption of raw materials and other consumables	(7,849,453)	(51,293)	(116,845)	(7,022,083)	241,777
Other external expenses	(1,333,363)	(2,393)	(26,910)	(300,000)	—
Employee benefits expense	(603,904)	(269,884)	(101,842)	(454,261)	(170,420)
Depreciation expense	(209,662)	(96,966)	(6,016)	(64,228)	(48,427)
Operating expenses	(442,886)	(242,721)	(47,573)	(703,277)	(76,125)
Net loss on disposal of non-current assets	(9,546)	—	—	—	—
Impairment of trade receivables	(14,220)	—	—	—	—
Other expenses	(31,268)	(6,400)	—	(11,679)	(1,667)
Operating profit	8,706,002	38,771	115,372	4,426,200	961,700
Finance income	223,440	27,119	3,637	59,329	29,567
Finance costs	(317,036)	(33,029)	(5,229)	(291,196)	(20,826)
Profit before income tax	8,612,406	32,861	113,780	4,194,333	970,441
Income tax expense	(2,969,647)	(9,858)	(34,134)	(1,364,332)	(335,147)
Profit for the period	5,642,759	23,003	79,646	2,830,001	635,294
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in Euros per share) - Basic and diluted [(1)]	72.57	0.54	4.29	0.04	0.01

Note: (1) Based on the average number of shares in issue during the period in question, save for the three months ended March 31, 2006, where, for comparative purposes, we have used 77,760,000 shares in issue, being the average number of shares in issue during the three months ended March 31, 2007.

	Year Ended December 31,			Three Months Ended March 31,
	2006	2005	2004	2007
				(unaudited)
			(in €)	
IFRS-EU Balance Sheet Data				
ASSETS				
Non-current assets				
Property, plant and equipment	7,219,437	2,216,363	290,642	11,043,989
Other non-current assets[1]	41,554	587,332	77,576	51,486
	7,260,991	2,803,695	368,218	11,095,475
Current assets				
Inventories	17,655,387	125,280	—	21,441,217
Trade and other receivables	8,987,103	275,146	223,547	16,579,543
Cash and cash equivalents	4,227,789	1,267,110	59,914	4,571,728
Other current assets[2]	1,234,262	52,337	460,642	1,269,251
	32,104,541	1,719,873	744,103	43,861,739
Total assets	39,365,532	4,523,568	1,112,321	54,957,214
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	777,600	777,600	242,330	777,600
Reserves	46,588	23,585	3,929	5,689,347
Interim dividend paid	—	—	—	(2,410,000)
Profit for the period	5,642,759	23,003	79,646	2,830,001
Total equity	6,466,947	824,188	325,905	6,886,948
LIABILITIES				
Non-current liabilities				
Borrowings with financial institutions	8,770,100	1,453,472	510,575	9,171,345
Deferred income	4,909,792	421,973	148,435	4,938,706
Deferred tax liabilities	165,859	—	—	159,956
	13,845,751	1,875,445	659,010	14,270,007
Current liabilities				
Borrowings with financial institutions	7,615,194	421,317	35,318	15,126,269
Trade and other payables	8,563,334	1,148,815	72,688	14,310,506
Current income tax liabilities	2,785,162	—	15,286	4,163,602
Other current liabilities[3]	89,144	253,803	4,114	199,882
	19,052,834	1,823,935	127,406	33,800,259
Total liabilities	32,898,585	3,699,380	786,416	48,070,266
Total equity and liabilities	39,365,532	4,523,568	1,112,321	54,957,214

Notes: (1) Other non-current assets includes intangible assets, available-for-sale and other financial assets, loans to related parties and deferred tax assets.

(2) Other current assets includes loans to related parties, available-for-sale and other financial assets, derivative financial instruments and current income tax assets.

(3) Other current liabilities includes deferred income, derivative financial instruments and other current liabilities.

	Year Ended December 31,			Three Months Ended March 31,	
	2006	2005	2004	2007	2006
			(in €)	(unaudited)	
IFRS-EU Cash Flow Data					
Cash flows from operating activities:					
Cash (utilized in)/generated from operations	(5,664,062)	996,642	(19,968)	(1,171,785)	2,330,819
Interest paid	(201,613)	(34,371)	(3,887)	(153,423)	(10,360)
Income taxes paid	(42,598)	(41,456)	(20,827)	(4,080)	—
Net cash (utilized in)/generated from operating activities	(5,908,273)	920,815	(44,682)	(1,329,288)	2,320,459
Cash flows from investing activities:					
Net gain/(loss) from acquisition of property, plant and equipment	(5,067,991)	(1,913,521)	(263,113)	(3,837,687)	(282,837)
Acquisition of intangible assets	(15,740)	—	—	—	(14,200)
Net amounts received/(paid) on deposits with financial institutions	(602,270)	460,000	(460,000)	(3,000)	(300,000)
Acquisition of available-for-sale financial assets	—	—	(36,026)	—	—
Net amounts received/(paid) on loans granted to related parties	98,309	(522,791)	34,079	1,607	(136,744)
Interest received	129,473	4,770	365	34,852	6,078
Net cash utilized in investing activities	(5,458,219)	(1,971,542)	(724,695)	(3,804,228)	(727,703)
Cash flows from financing activities:					
Interim dividend paid	—	—	—	(2,410,000)	—
Proceeds from the issue of share capital	—	475.280	150,030	—	—
Proceeds from government grants received	—	230,770	123,748	—	—
Net amounts received/(paid) on borrowings with financial institutions	11,029,846	1,512,565	544,551	5,896,618	(19,821)
Net proceeds from current accounts held with banks	3,428,705	56,098	—	1,998,801	19,288
Repayment of finance lease liabilities	(131,380)	(16,790)	—	(7,964)	(6,493)
Net cash generated from financing activities	14,327,171	2,257,923	818,329	5,477,455	(7,026)
Net increase in cash and cash equivalents	2,960,679	1,207,196	48,952	343,939	1,585,730
Cash and cash equivalents at the beginning of the year	1,267,110	59,914	10,962	4,227,789	1,267,110
Cash and cash equivalents at the end of the year	4,227,789	1,267,110	59,914	4,571,728	2,852,840

RISK FACTORS

You should carefully consider the following risk factors and the other information contained in this offering memorandum before making an investment decision. The risks described below are not the only ones we face. Additional risks not currently known to us or which we believe to be immaterial at this time may also adversely affect our business.

If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be materially adversely affected. The trading price of our shares could decline due to any of these risks and, as a result, you may lose all or part of your investment.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. The actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this offering memorandum.

Risks related to our industry

The PV industry depends to a significant extent on the continued availability of attractive levels of government and local subsidies and incentives for energy generated by renewable sources and for business development.

The PV industry, including the sale of PV modules and the provision of turnkey services, depends to a significant extent on the continued availability of attractive levels of government subsidies and incentives. The current Spanish subsidy regime for renewable energy generation is embodied in RD 661/2007 which provides financial incentives to producers of solar power by stipulating a purchase requirement for distributors and setting a minimum feed-in tariff (see "Glossary of Technical Terms") for electricity from renewable energy sources, including PV energy.

We have identified a number of factors that, we believe, could possibly result in the reduction or discontinuation of government subsidies and incentives for PV energy in Spain:

- *Pressure to improve the competitiveness of PV products.* To guarantee its long-term future, the PV industry must become able to compete on a non-subsidized basis with conventional and other renewable energy sources in terms of cost and efficiency per Watt of electricity generated. The current levels of government support for PV energy in Spain are intended to grant the PV industry a 'grace period' to reduce the cost per kWh of electricity generated through technological advances, cost reductions and process improvements. Consequently, and as generation costs decrease, this level of government support is likely to be gradually phased out, as has occurred recently in relation to wind power in Spain and in relation to solar energy in certain other countries in Western Europe, such as Germany.

  The Spanish government, in its Renewable Energies Plan 2005-2010, has established an aggregate capacity target of 400 MW to be reached in Spain by 2010. As of December 31, 2006, the aggregate capacity of all PV systems installed in Spain was 118 MW (source: IDAE). The current Spanish subsidy regime, including the extent and availability of the various tariffs, premiums and incentives, is subject to review every four years and at such time as the aggregate capacity of PV installations in Spain reaches 371 MW. In the medium to long term, we anticipate gradual but significant reductions of the tariffs, premiums and incentives in Spain for electricity produced from PV products. If these reductions occur, demand for, and the market prices of, PV modules in Spain (currently a critical market for our products) may decline and market participants, including our company, may need to reduce prices to remain competitive with conventional and other renewable energy sources.

- *Political developments.* It cannot be ruled out that political developments may occur (for example, possible changes in government or a change in energy policy) that could lead to a deterioration in the conditions for support of PV energy in Spain. For example, policy changes could result in government support being switched, in whole or in part, to more favored or less developed renewable energy sources or away from renewable energy generation to energy saving initiatives. Any such developments or changes could have an adverse effect on demand in Spain for PV systems, which could result in a decrease in demand for our products.

- *Legal challenges.* Subsidy regimes for renewable energy generation have been challenged on constitutional and other grounds in other jurisdictions in the past. For example, the subsidy regime

envisaged by the German Electricity Feeding Act (*Stromeinspeisegesetz*) was challenged in Germany's Federal Constitutional Court (*Bundesverfassungsgericht*) and in the European Court of Justice as impermissible state aid. Subsequently, the German Renewable Energies Act (*Gesetz für den Vorrang erneuerbarer Energien*), with a similar remuneration structure, was challenged in Germany's Federal Supreme Court (*Bundesgerichtshof*). Even though the German Federal Constitutional Court, the German Federal Supreme Court and the European Court of Justice ultimately held the Acts to be lawful, proceedings challenging Spain's subsidy and incentive regime could be successfully brought in the future. If all or part of the Spanish subsidy and incentive regime for renewable energy generation were found to be unlawful and, therefore, reduced or discontinued, sales of our PV modules could decline significantly.

We may also face similar issues in relation to our other prospective markets to the extent that our business in those other markets relies, directly or indirectly, on government subsidies and incentives. See "Business—Strategy—Gradually expand internationally".

Our ability to improve the efficiency of our products, to reduce our production costs and, therefore, the price per kWh of electricity generated using our productions will, in our view, be critical if we are to compete effectively with other sources of conventional and other renewable forms of energy and to keep pace with reductions of governmental subsidies and incentives in our key markets. We may not achieve the necessary technological advancements to obtain the efficiency or improvements required and/or reduce our production costs sufficiently, and we may, therefore, be unable to compete effectively with conventional and other renewable forms of energy or with companies that provide turnkey services in relation to other renewable energy sources. If cost reductions, product innovations or process improvements do not occur, or occur at a slower pace than required to achieve the necessary price reductions, this could have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, we have benefited, and expect to benefit in the future, from significant central, regional and local government aid in the form of direct capital subsidies, direct and indirect interest rate subsidies (in relation to our borrowings) and through the acquisition of plots of land from the municipal authority of Puertollano at prices significantly below market prices for the construction of our production facilities. This aid is subject to continuing compliance with conditions and, in certain cases, their availability is limited to companies that do not exceed certain thresholds relating to size. For example, on January 17, 2006, the Spanish Ministry of Industry, Tourism and Trade granted us a subsidy of €4.55 million to develop our solar cells and solar thermal production facilities at Puertollano, Castilla-La Mancha and we have entered into several interest-free loans with Spanish savings banks and the Spanish Official Credit Institute (*Instituto de Crédito Oficial* or *ICO*). These incentives are subject to certain ongoing conditions. Failure to comply with any of these conditions or the conditions to our other subsidies or incentives could require us to return subsidy payments and/or repay outstanding loans immediately or result in subsidized sources of financing becoming unavailable, which could, in turn, have a material adverse effect on our business, prospects, financial condition and results of operations. See "Regulatory Framework".

The PV and solar thermal industries are subject to national and regional regulatory oversight, and the introduction of new regulations or the amendment of existing regulations may adversely affect the markets for PV and solar thermal products.

The PV and solar thermal industries are subject to oversight and regulation, such as national and local regulations relating to building codes, safety, environmental protection, utility interconnection and metering and related matters. These regulations and policies have been modified in the past and may be modified in the future. Any new, or changes to existing, government regulations or utility policies pertaining to PV and/or solar thermal products may require market participants to incur significant additional expenses, which expenses we may not be able to pass on to customers through an increase in the price of such products, which, in turn, could have a material adverse effect on our business, prospects, financial condition and results of operations.

The PV industry is significantly dependent on the price and availability of silicon.

Silicon is the key base raw material for the PV industry. The market for silicon has historically experienced significant volatility. Factors that can affect the price and availability of silicon include:

- *Silicon production capacity.* While there was a considerable excess of supply from 1998 through 2003, demand has, more recently, outstripped supply, resulting in a sharp increase in the price of silicon. This shortage of silicon was, in our view, primarily attributable to strong demand for silicon for

semiconductor and PV products and lack of sufficient investment in silicon production facilities in the past. However, we, together with certain market participants, now foresee that the availability of silicon is likely to increase for a number of reasons. First, certain silicon producers are now investing heavily to expand their production capacities and new market participants are setting up significant production facilities in response to the scarcity of solar-grade silicon. The Prometheus Institute for Sustainable Development reported in 2006 an anticipated aggregate increase in worldwide annual production of silicon from 35,000 metric tons in 2006 to 97,000 metric tons in 2010. Secondly, Chinese producers of silicon, with their access to a large, economic labor force, are playing an increasing role in worldwide production. Thirdly, other producers of silicon products are beginning to incorporate silicon recycling methods, thereby supplying part of their end-production with recycled raw materials. Given the uncertainties inherent in the development of supply and demand in the silicon market, there can be no assurance, however, that the recent supply imbalance will be remedied, in whole or in part.

- *Demand from non-PV users of silicon.* Silicon is used heavily in a broad range of industries, most notably electronics and computer hardware. Fluctuations in demand for electronic-grade and computer hardware-grade silicon (see "Glossary of Technical Terms") can cause volatility in the price and availability of raw silicon and cause manufacturers to switch production between electronic-grade and solar-grade silicon, which, in turn, can affect the price and availability of solar-grade silicon.

As a result of these and other factors, there can be no assurance that the price or availability of silicon will stabilize in the near to medium term. Fluctuations in the price and availability of silicon can significantly affect the results of operations of PV product manufacturers. Where the supply of silicon exceeds demand, the lower cost of the raw material can encourage manufacturers of PV products to increase production, which, in turn, can have a deflationary effect on the market price of PV end-products, such as PV modules. Moreover, in the PV module industry, which is characterized by relatively low technological barriers to entry, supply chain management has historically been a key barrier to entry. Accordingly, any increase in the availability of, or any reduction in the price of, the key raw material could also induce new market entrants to commence manufacturing PV products, resulting in increased competition and reduced prices. By contrast, where demand for silicon exceeds supply and the price of silicon increases, PV product manufacturers are not always able to pass on the price increases to their customers, which can, in turn, have a material adverse effect on their results of operations.

The manufacturing process of silicon consumes significant amounts of electricity. Electricity prices worldwide have increased considerably in recent years and could continue to rise further. Significant increases in electricity costs could result in an increase in the price of silicon.

If our products become uncompetitive or obsolete, or if PV technology is not suitable for widespread adoption, or if sufficient demand for PV modules does not develop or takes longer to develop than we anticipate, our revenues and profits could decline.

The renewable energy markets are characterized by rapidly evolving technology. This requires us to develop new and enhance our existing PV products to keep pace with evolving industry standards and changing customer requirements. Significant future innovations by others in solar or other renewable energy products could cause our current PV modules to become uncompetitive and/or obsolete. All participants in the PV industry, including our company, will need to devote significant financial resources to research and development to maintain and enhance our market position, to keep pace with technological advances in the renewable energy industries and to compete effectively in the future.

While we are aware of other technologies (for example, thin-film PV materials) that certain of our competitors have adopted, we have opted to use silicon as the semiconductor in our PV products for a number of reasons, including:

- We believe silicon offers a more cost-effective means of converting sunlight into electricity than other semiconductor materials, such as cadmium telluride. Solar cells based on other semiconductor materials tend to be more expensive to manufacture and, at present, to have a lower conversion efficiency (around 8%) compared with silicon-based solar cells (16-18%) (source: Prometheus Institute).

- Silicon-based technologies, and the equipment and machinery they employ, have improved over the last five decades through research and development efforts of the silicon-based PV industry, whereas technologies using other semiconductor materials have yet to prove their sustainability given their relative youth.

- The majority of solar cell producers have opted to use silicon as the semiconductor in their products, which, in our view, makes it more difficult to enter into technology cooperation or supply agreements with other market participants in relation to alternative technologies.

If, however, any such other technology were to prove more cost-effective (per Wh or otherwise), it could cause our PV modules to become uncompetitive and/or obsolete, and we may not be able to switch our production effectively or at all in order to adopt the alternative technology.

If we are unable to design, develop and market new PV products successfully, or enhance our existing PV products, we may not be able to compete successfully. If competing renewable energy technologies result in lower manufacturing costs or higher product performance than those expected from our PV products, demand for our PV modules may decline. In addition, if we are unable to manage product transition, our production efficiency and capacity and our quality control may be adversely affected. If any of these circumstances were to arise, it could reduce our market share and cause our revenues and profits to decline.

In addition, the solar energy market is at a relatively early stage of development, and the extent to which PV modules will be widely adopted is uncertain. If PV technology proves unsuitable for widespread adoption or if demand for PV modules fails to develop sufficiently, the market for PV products may contract, stagnate or grow at a reduced rate. Many factors may affect the viability of widespread adoption of PV technology and demand for PV modules, including the following:

- the cost-effectiveness, performance and reliability of PV modules compared to conventional and non-solar renewable energy products;
- the availability and substance of government subsidies and incentives to support the development of the PV industry;
- the success of other renewable energy generation technologies, such as hydroelectric, wind, geothermal, solar thermal, concentrated PV and biomass;
- fluctuations in economic and market conditions that affect the viability of conventional and non-solar renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels;
- fluctuations in demand from end-users of PV modules, which tends to decrease when the economy slows and interest rates increase; and
- deregulation of the electric power industry and the broader energy industry.

The success of our solar thermal business activities depends to a significant extent on the Spanish Technical Code for Construction, which requires the incorporation of solar thermal panels in all new or rehabilitated properties in Spain.

In March 2006, a significant change was brought about in the Spanish solar thermal industry through the entry into force of the Spanish Technical Code for Construction (*Código Técnico de Edificación*), which, among other things, requires the incorporation of solar thermal panels to heat the water system of all new and rehabilitated properties in Spain, subject to certain limited exceptions. Our strategy in relation to our solar thermal business has been, and continues to be, to maintain a single product line specifically tailored to the Spanish real estate market, and the success of our solar thermal business activities therefore depends to a significant degree on the demand created by the Technical Code.

Any revocation or modification of the Technical Code as a result of lobbying or any other circumstance or the diversification of construction companies into solar thermal panel production and installation could significantly reduce demand for our solar thermal panels in Spain, cause our net sales of solar thermal panels to decline and have a material adverse effect on our business, prospects, financial condition and results of operations.

Any increase in interest rates could reduce demand for our products.

Grid-connected PV systems (see "Glossary of Technical Terms") are financed, to a large extent, by the incurrence of debt. This financing method is prevalent for small- and medium-sized PV plants, constructed by private individuals, companies or public authorities, as well as for larger PV plants. The relatively low interest rate environment that prevailed until recently has, therefore, generally had a positive effect on the profitability of PV plants, while reducing the expected return on, and attractiveness of, certain alternative investments.

A continuation of the recent trends towards increasing interest rates could lower the profitability of PV plants financed through the incurrence of debt, increase the expected return on alternative investments and result in a decrease in demand for PV products. If this were to occur, it could, in turn, reduce demand for our products, lower market prices for PV products and have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, further rises in interest rates could increase our payment obligations in respect of our current or future borrowings, which, in turn, could have a material adverse effect on our financial condition and results of operations. To the extent we incur additional financial indebtedness to fund, for example, our planned expansion, the negative effect of any increase in interest rates would be likely to increase proportionately.

Non-compliance with environmental regulations may result in adverse publicity and potentially significant monetary damages and fines and suspension of our business operations.

As with other participants in the solar industry, we are required to comply with all national, regional and local regulations regarding protection of the environment. We believe that our manufacturing processes do not generate any material levels of noise, wastewater, gaseous wastes and other industrial wastes, that we are in compliance with present environmental protection requirements and that we have all necessary environmental permits to conduct our business as it is presently conducted. However, if more stringent regulations are adopted in the future, the costs of compliance with any such new regulations could be substantial. For example, we incurred additional expense to comply with the European Union's Restrictions of Hazardous Substances Directive, which took effect in July 2006, by reducing the amount of lead and other restricted substances used in our PV module products. In addition, as we expand our research and development activities and expand into solar cell and wafer manufacturing, we may begin to generate material levels of noise, wastewater, gaseous wastes and other industrial wastes. The costs associated with our compliance of environmental regulations in such circumstances could be significant. If we fail to comply with present and future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use of, or to restrict adequately the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines and suspensions of our business operations.

Risks related to our business

Our future success depends on our ability to expand our existing operations.

We currently intend to invest approximately €420 million during the four financial years ending December 31, 2010 on the following expansion projects:

- an increase in our existing PV module production capacity from the current 90 MW to 400 MW and an increase in our existing solar thermal panels production capacity from the current 90,000 sqm to 540,000 sqm, in each case, by 2010. These increases require the extension of our existing production lines and the installation of new production lines, for which we have constructed two production facilities with a combined floor space of approximately 4,900 sqm. The first stage of the projected expansion is expected to come on-line before the end of 2007;

- commencement of solar cell production with an initial maximum production capacity of 25 MW and planned progressive increases designed to reach a maximum production capacity of 400 MW by 2010. We have obtained the relevant permits and licenses for, and have started construction of, our new solar cell production facility with a floor space of approximately 12,500 sqm, with the aim of starting commercial production in the last quarter of 2007. We have not previously manufactured solar cells and cannot therefore benefit from the advantages generally associated with replicating existing production lines; and

- we intend to commence production of wafers in the second half of 2008 with an initial maximum production capacity of 100 MW, which we expect to increase to 400 MW by 2010. We intend to commence construction of our wafer production facility, with a floor space of approximately 50,000 sqm, in the last quarter of 2007. As is the case with regard to our planned solar cell production, we have not previously manufactured silicon wafers and cannot therefore benefit from the advantages generally associated with replicating existing production lines.

See "Business—Production Facilities and Construction" for further details on our expansion plans and the production facilities presently under construction.

Our future success is critically dependent on our ability to build these new manufacturing plants and production lines in a cost-effective and timely manner in accordance with our business plan. If we cannot do so, we may be unable to expand our business, decrease our production cost per Wh, maintain our competitive position, satisfy our contractual obligations or increase or maintain our profitability. Our ability to expand production capacity is subject to significant risks and uncertainties, including the following:

- we may not retain the full benefit of our current direct subsidies and government-aided loans or obtain additional direct subsidies and government-aided loans on favorable terms;
- we may not be able to obtain sufficient funding to expand our operations in accordance with our business plan, which assumes a reasonably favorable economic environment;
- we may not be able to secure a reliable supply of the raw materials we need to increase our production of PV modules in line with our expansion plans;
- we may incur delays and cost overruns, which can arise as a result of a number of factors, many of which may be beyond our control (such as delays and cost overruns caused by our construction contractors);
- we may not be able to obtain the necessary approvals, permits and licenses from relevant national, regional and local governments in a timely manner;
- we may not be able to install and ensure the efficient operation of our custom-built production lines, which may never operate entirely as designed, in a timely and cost-effective manner. In particular, we have not, to date, engaged in the production of solar cells and wafers, and we are, therefore, unable to draw on past experience in the design and assembly of our planned solar cell and wafer production lines;
- we are currently seeking a suitable technology supplier for the design and development of our wafer production lines, and we cannot assure you that we will find a suitable partner prepared to enter into contractual arrangements with us on competitive terms or at all;
- we have not yet contracted for the supply of the silicon and equipment and machinery required to commence wafer production, and we cannot assure you we will be able to obtain the necessary supply on competitive terms or at all; and
- we have experienced very strong and rapid growth since our inception, and our business plan envisages implementing our planned expansion into solar cell and wafer production while consolidating our existing production lines. The significant diversion of management attention and time required for our planned expansion may harm our ability to manage our day-to-day operations effectively during its implementation.

If, for any of the reasons outlined above or otherwise, we are unable to expand our existing operations in accordance with our business plan, our business, prospects, financial condition and results of operations could be materially adversely affected.

While we principally intend to use the net proceeds received by us from this offering and future operating income to fund these expansions, we also expect to rely on other sources of funding, such as credit facilities, subsidized loans, to the extent possible, and a subsidy of €4.55 million granted to us by the Spanish Ministry of Industry, Tourism and Trade, which we currently expect to receive by year-end 2007. Any failure to obtain sufficient funding to finance our anticipated investments could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our future success depends on our ability to develop a cost-effective solar cell and solar wafer manufacturing capability.

We do not have any significant operating experience in the manufacture of solar cell and wafers and we expect to face considerable challenges. Unlike PV module and solar thermal panel production, the manufacture of solar cells and, to a lesser degree, solar wafers involves highly complex processes, and we may not be able to manufacture products of sufficient quality to meet our PV module standards or customer requirements. Minor

deviations in the manufacturing process can cause substantial decreases in yield and, in some cases, cause production to be suspended or cease or to yield reduced output. If we were to experience delays in, or a sustained interruption of, production of our solar cells or wafers, it could have a material adverse effect on our ability to deliver our PV products under our contracts with customers. This, in turn, could have a material adverse effect on our business, prospects, financial condition and results of operations.

We will also need to make capital expenditures to purchase manufacturing equipment for solar cell and solar wafer production and to make significant investments in research and development to keep pace with advances in solar power technology. The technologies, designs and customer preferences for solar cells and solar wafers change more rapidly, and solar cell product life cycles are shorter than those for PV modules. We may not be able to address these challenges successfully. We will also face increased costs to comply with environmental laws and regulations, as the manufacturing processes for both solar cells and wafers involve hazardous materials and by-products.

Any failure to develop a cost-effective solar cell and/or wafer manufacturing capability successfully may have a material adverse effect on our business, prospects, financial condition and results of operations.

We may be unable to manage the growth of our business effectively.

To manage the growth of each of our business lines, we will be required to improve our operational and financial systems, procedures and controls, improve efficiency along the production lines (including the new solar cell and wafer production lines) and expand, train and manage a growing employee base. Our management will also be required to maintain and expand our relationships with customers, suppliers and other third parties, as well as attracting and establishing relationships with new customers and suppliers.

Our current and planned operations, personnel, systems and internal procedures and controls might be inadequate to support our future growth. If we cannot manage our future growth effectively, we may be unable to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

In addition, a substantial part of our business activities has, to date, been centered in the Spanish region of Castilla-La Mancha, where all our production facilities are located, as well as other sites, owned by us, on which we develop and install PV parks for our turnkey customers. As our business expands, we expect we will seek to diversify our geographic spread. Factors such as a saturation of the electricity network in Castilla-La Mancha, a change in the political climate and/or an imposition of more onerous purchase conditions for land may require us to expedite such diversification into other Spanish regions. In such regions, we may not have the benefit of our network of relationships in, and local knowledge of, Castilla-La Mancha, and our failure to effect such diversification successfully could have a material adverse effect on our future growth and our ability to take advantage of market opportunities, implement our business plan or withstand competitive pressures.

Because the markets in which we compete are highly competitive and many of our competitors have greater resources than ours, we may not be able to compete successfully and we may lose or fail to gain market share.

We compete with a large number of competitors in the Spanish PV module market. These include our Spanish competitors, such as Isofotón, S.A. and Aplicaciones Técnicas de la Energía, S.L. (Atersa), and international competitors, such as BP Solar España, S.A. and SolarWorld AG. We believe the following factors may lead to significantly increased competition in the Spanish market from both existing and new competitors:

- *High-growth market.* Demand in Spain for PV modules and solar thermal panels is increasing, due, we believe, to the favorable regulatory framework, high average solar radiation and the relative youth of its solar energy industry.

- *Low costs.* The costs associated with establishing and operating production lines for PV modules and solar thermal panels are relatively low, particularly where government subsidies or incentives are available, as is the case in Spain. Moreover, once a PV module or solar thermal production line is in operation, it can be easily replicated at limited cost to expand production.

- *Standardized technology.* The technology, machinery and equipment required to produce PV modules and solar thermal panels are readily available and, to a degree, standardized. Moreover, we have no patents or other intellectual property rights that would preclude or inhibit competitors from entering into the PV module or solar thermal panel businesses.

As a result of the attractiveness of the Spanish market and these low barriers to entry, we expect to be continually faced with increasing competition from our existing competitors and new market entrants. In particular, we expect to face considerable competition from international competitors seeking to import goods from the rest of the European Union, which imports are not subject to import duties, and from Asia, where operators can often benefit from lower labor costs and other cost savings. We will be reliant on the quality of our products and customer service, the continued service of our highly trained personnel and the competitiveness of our prices to compete effectively, and there can be no assurance that we will be able to respond to, or be successful in responding to, increasing competition.

Moreover, during the three months ended March 31, 2007, we entered into two contracts for the sale of PV modules priced significantly above the price per Watt prevailing in the market—a difference warranted, in our view, by our provision of certain additional pre-sale and post-sale services to the customers in question. As has occurred in relation to other markets, additional competition from existing and new market participants is likely to reduce our profit margins in the future, which may have a material adverse effect on our ability to compete successfully and our results of operations.

In addition, certain of our current and potential competitors have longer operating histories, greater name recognition, access to larger customer bases and resources and significantly greater economies of scale than our company. In addition, our competitors may have stronger relationships or may enter into exclusive relationships with our suppliers and/or key customers. As a result, they may be able to respond more quickly to changing customer demand or to devote greater resources to the development, promotion and sales of their products than we can. They may also be better positioned to withstand a decline in the demand for PV products.

Moreover, the PV market, in general, competes with other sources of conventional and renewable power generation. If prices for conventional and other renewable energy resources decline, or if these resources enjoy greater governmental support or public acceptance than solar power, the solar power market could become uncompetitive and unprofitable for its market participants.

If we fail to compete successfully, our business would suffer and we may be unable to gain or maintain our market share, which could, in turn, have a material adverse effect on our business, prospects, financial condition and results of operations.

Evaluating our business and prospects may be difficult because of our limited operating history.

There is limited historical information available about our company upon which to evaluate our business and prospects. We began business operations in January 2003 supplying and installing PV systems manufactured by third parties, gradually evolving to commence production of our first PV modules in the first quarter of 2006 and our first solar thermal panels in the last quarter of 2006. With the rapid growth of the solar power industry, we have experienced a high growth rate since our inception. Moreover, we are currently in a phase of rapid business expansion to increase our production of PV modules and solar thermal panels, and we are also planning to start production of solar cells and wafers for use in the production of PV modules. Certain of these production facilities are still to be constructed or remain under construction (see "—Our future success depends on our ability to expand our existing production capacity and develop a cost-effective solar cell and solar wafer manufacturing capability" above). We also intend to expand our turnkey business significantly. Consequently, our historical operating results may not provide a meaningful basis for an evaluation of our business, financial performance and prospects. We may not be able to achieve a similar growth rate in future periods, and our business model, which assumes higher volumes of production and the other elements of our planned expansion, is unproven. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance. You should consider our business and prospects in light of the risks, expenses and challenges that we will face as an early-stage company seeking to develop and manufacture new products in a rapidly growing market.

Our business depends substantially on the continuing efforts of our executive officers as well as key employees in research and development and other areas, and our business may be severely disrupted if we lose their services.

Our future success depends substantially on the continued services of our executive officers and employees, particularly those employees with research and development expertise. The loss of our executive officers, key employees in the area of research and development or other employees in key positions could have a material adverse effect on our market position and research and development expertise, and our competitors could gain access to considerable expertise relevant to our business. Post-contractual non-competition restrictions exist for

only certain of our executive officers and certain of our employees and for a limited period of time. We cannot assure you that these restrictions will be complied with or that we will be able to enforce them. There is intense competition for qualified executives and employees, and competitors may attract them. We may not be successful in retaining or replacing our executives and key employees or in hiring new employees with appropriate qualifications and expertise. Our failure to do so could have a material adverse effect on our research and development capabilities and on our business, prospects, financial condition and results of operations.

Our dependence on a limited number of customers and our lack of long-term contracts may cause significant fluctuations in, or a decline in, our revenues.

We currently sell a substantial portion of our PV module and solar thermal panel products and provide our turnkey services to a very limited number of customers. For example, we effected PV module sales with only four customers, with our main customer (in terms of volume), Forlasa Group, accounting for 54.8% of our total revenues generated from PV module sales in the three months ended March 31, 2007, and 97.2% for the year ended December 31, 2006. See "Business—Customers". In the three months ended March 31, 2007, we effected all our sales of solar thermal panels to a single customer, Soluciones Térmicas Aplicadas. As is customary in the PV and solar thermal industries, sales to our customers are typically made through non-exclusive, short-term arrangements.

In the three months ended March 31, 2007, our three main customers (in terms of volume) in our turnkey business were Abunvana, S.L., Activos e Inversiones del Retamar, S.L. and Castillo de Ciruela, S.L., which all belong to the same group of companies. This group accounted for 48% of our turnkey sales, with each company accounting for an approximately equal share.

Consequently, any one of the following events may cause material fluctuations in, or a decline in, our revenues and, as a result, have a material adverse effect on our business, prospects, financial condition and results of operations:

- the reduction, delay or cancellation of orders from one or more of our significant customers;
- the loss of one or more of our significant customers and our failure to identify additional or replacement customers;
- the failure of any of our significant customers to make timely payment for our products; and
- the cessation of business by one or more of our significant customers.

Our dependence on short-term contracts with a very limited number of suppliers could prevent us from delivering our products to our customers in the required quantities, at competitive and cost-effective prices, on a timely basis or at all, which could result in penalty payments under our contracts with customers, order cancellations and decreased revenues.

We have contracted for the supply of solar cells and wafers with a limited number of third-party suppliers. These suppliers may not be able to meet the specified minimum levels set forth in the contracts. If we fail to develop or maintain our relationships with these or our other suppliers, we may not be able to secure a supply of solar cells and wafers in the required quantities or quality, at competitive and cost-effective prices, on a timely basis or at all. We may also incur penalty payments under our contracts with our customers. In addition, these suppliers may become unable to meet their delivery obligations and/or warranty claims in respect of solar cells and/or wafers, in whole or in part, due to production, economic or financial difficulties or other reasons. Problems of this kind could cause us to experience increased production costs, order cancellations and loss of market share and harm our reputation, any of which could have a material adverse effect on our business, prospects, financial condition or results of operations.

Our arrangements with solar cell suppliers are typically short-term contracts with quarterly market price reviews. These contracts ordinarily provide that either party may terminate without liability if no agreement is reached as to price during a periodic review. This is in contrast to certain of our competitors who obtain their supply of raw materials through long-term contracts (e.g., five- or ten-year contracts), which can establish prices that are fixed for the duration of the contract. Our strategy of short-term contracts with quarterly price reviews assumes the availability of supply outside their term and a gradual decline in the market price of our raw materials (particularly silicon). During any quarterly price review, a supplier could elect, however, to terminate the supply arrangement if we fail to reach agreement as to price. Similarly, at the end of the term of a supply

contract, a supplier could refuse to renew the arrangement because, for example, they wish to give preference to those of their customers who are prepared to enter into longer-term or fixed price supply contracts. In such circumstances, we may not be able to obtain an alternative supply on competitive terms or at all. Moreover, as the prices under our supply arrangements are reviewed quarterly, we are, in general, more susceptible to increasing silicon prices than those of our competitors who obtain their raw materials under longer-term, fixed price contracts.

In anticipation of the commencement of our production of solar cells in the second half of 2007, on February 24, 2006, we entered into two agreements with Spire for the supply of wafers sufficient to produce solar cells with an aggregate capacity of 15 MW, covering 100% of our anticipated wafer requirements for 2007 and a proportion of our anticipated requirements for 2008. Spire has undertaken to deliver these wafers by installments through to September 30, 2007, with a view to our commencing solar cell production shortly afterwards. Prices are set and reviewed for each installment based on conditions in the global market for wafers and, if agreement is not reached, the purchase price is fixed on the basis of the average purchase price quoted by major international wafer vendors. We have the right to purchase wafers from other suppliers during the term of the contract, in which event Spire's obligation to supply wafers reduces commensurately. Spire grants us a one-year defects and workmanship warranty in respect of all wafers not yet utilized in our manufacturing processes. As we intend to test all wafers supplied to us before they are introduced into our solar cell manufacturing process, this product warranty enables us to return defective wafers for replacement. If Spire becomes unable to meet its delivery obligations in respect of silicon wafers, we may not be able to secure a supply of wafers from other suppliers in the required quantities or quality, at competitive and cost-effective prices, on a timely basis or at all.

Moreover, if we engage in the large-scale production of solar cells and wafers, it may disrupt our existing relationships with solar cell and/or wafer suppliers. These suppliers may discontinue or reduce the supply of solar cells and/or wafers to us, and we may not be able to compensate for any such loss or reduction with our own production of solar cells and/or wafers.

Failure to obtain a continued supply of solar cells and wafers on competitive terms or at all could severely harm our ability to carry on our business and, consequently, our financial condition and results of operations.

We obtain our manufacturing equipment, some of which is developed specifically for us, from a limited number of suppliers and, if this equipment becomes damaged or breaks down, our ability to deliver our products to customers will suffer, which could, in turn, result in penalty payments, order cancellations and loss of revenue.

We obtain our supply of equipment and machinery from a limited number of suppliers. Specifically, we have contracted with Spire for the provision of equipment and machinery for our PV module production lines and our planned solar cell production facility. Under these agreements, Spire guarantees delivery in accordance with an agreed delivery schedule and grants us a one-year and two-year defects and workmanship warranty for equipment and machinery to be used in our PV module and solar cell production lines, respectively. Spire's aggregate liability under the agreement in respect of our solar cell production facility is capped at $1.65 million, while its liability under the agreement relating to the additional PV module production line is uncapped. For the implementation of our expansion plans, we expect to remain dependent on a limited number of suppliers of equipment and machinery.

If any of these or our future suppliers were to fail to supply us in a timely manner, or if they were to fail to supply us with equipment and machinery of a satisfactory quality on terms acceptable to us, we could face delays in, or the curtailment of, our expansion plans and/or incur increased production costs. Moreover, any disruptions to our production schedule resulting from any such failure could cause us to pay penalty payments under our contracts with our customers and result in order cancellations and the loss of customers and revenue.

In addition, as some of the equipment we use in our manufacturing processes has been developed specifically for us, it is not readily available and could be difficult or costly to repair or replace. If any of our manufacturing equipment or machinery were to break down or become damaged, we could incur significant repair or replacement costs and/or experience significant interruptions in our production.

We rely extensively in our turnkey business on third-party professionals and independent contractors to provide a wide range of construction, installation and maintenance services.

In our turnkey business, we enter into agreements with third-party professionals and independent contractors and other companies related to us to provide us with construction, installation and maintenance services required

for our turnkey businesses. On occasion, the professionals and contractors engaged by us may subcontract some of their work to other third parties. In the event that these professionals and independent contractors face problems in fulfilling their contractual obligations, we could be required to provide additional resources to complete their work, or to engage others to complete their work. Any financial difficulty, breach of contract or delay in services by these third-party professionals and independent contractors could significantly damage our reputation and have a material adverse effect on our business, financial condition and results of operations.

Furthermore, in some cases, we could be held jointly and severally liable under Spanish labor laws for any failure of these third parties to pay salaries of employees or applicable social security charges, as well as for any failure to comply with health and safety laws applicable to their employees. In the case of any such violations, we could incur significant obligations that would have a material adverse effect on our financial condition and results of operations.

Problems with product quality or product performance, including defects, in our products could damage our reputation, or result in a decrease in customers and revenue, unexpected expenses and loss of market share. In addition, personal injury claims against us could result in adverse publicity and potentially significant monetary damages.

Our products may contain defects that are not detected until after they are shipped or are installed because we cannot test for all possible scenarios or applications. These defects could cause us to incur significant costs (including re-engineering costs) and divert the attention of our personnel from product development efforts. If we deliver PV module products with errors or defects, or if there is a perception that our products contain errors or defects, our credibility and the market acceptance and sale of our PV module products, as well as our customer relations, could be harmed. Moreover, as our PV modules are typically sold with a two-stage 25-year output warranty, we may be subject to unexpected warranty expense and associated harm to our financial results for a long period after the sale of our products and the recognition of the corresponding revenues.

In addition, as we currently obtain the raw materials and other components that we use in our products from third parties, we have limited control over the quality of the raw materials and components we incorporate into our PV modules, certain of which carry no warranty or a limited warranty. Moreover, once we commence our own production of solar cells and wafers, we may experience operational difficulties in our new manufacturing processes, which could, in turn, adversely affect the quality of the solar cells we use in the assembly of our PV modules. See "Risk related to our business—Our future success depends on our ability to expand our existing operations" above.

The possibility of future product failures could cause us to incur substantial expense to repair or replace defective products. Furthermore, widespread product failures may damage our market reputation, reduce our market share and cause our revenues to decline.

As with other PV module product manufacturers, we are exposed to risks associated with personal injury claims if the use of our PV module products results in injury. Since our products generate electricity, it is possible that users and/or our employees could be injured or killed by our products as a result of product malfunctions, defects, improper installation or other causes. We may not have adequate resources to satisfy a judgment if a successful claim is brought against us. The successful assertion of personal injury claims against us could result in potentially significant monetary damages, and even if a personal injury claim against us were to be determined in our favor, we may nevertheless suffer significant damage to our reputation.

At March 31, 2007, we had made no provision for any amounts in respect of costs we may incur in the future as a result of defective products or personal injury claims.

Our failure to reach agreement with Red Eléctrica as to the terms of our appointment as grid connection point manager, or to connect the required capacity to the national grid in accordance with the timetable to be established by Red Eléctrica, could have a material adverse effect on our business, prospects, financial condition and results of operations.

On March 14, 2007, the Industry and Technology Board of Castilla-La Mancha appointed us as manager of the "La Paloma" grid connection point (*gestor de nudo*) in Castilla-La Mancha. Managers of grid connection points are appointed by the regional Industry and Technology Board (*Dirección General de Industria*) in accordance with the applicable energy plan for the specific region, which is drawn up by the relevant Spanish Industry and Technology Council (*Conserjería de Industria y Tecnología*). Before electricity generation systems can be connected to the electric grid, electricity producers are required to obtain a power generation quota, which

is allocated by the manager of the relevant grid connection point. Each grid connection manager is entitled to allocate power generation quotas up to an aggregate amount equal to the maximum capacity of the grid connection point, as determined by the Spanish national grid operator, Red Eléctrica.

We are currently in the process of negotiating the precise terms of our appointment with Red Eléctrica. In the discussions to date, we have been told that the maximum capacity of the "La Paloma" connection point is likely to be 200 MW, of which we intend to allocate approximately 150 MW to a number of turnkey projects we would look to develop for third-party investors. We can give no assurance, however, that an agreement will be reached with Red Eléctrica for the maximum capacity stated, any other capacity or at all or that, if an agreement were reached, we would be able to allocate any of the capacity of the grid connection point to our own turnkey projects, as intended.

Moreover, we understand that, as a condition to its agreement to our acting as grid connection manager, Red Eléctrica is likely to impose a deadline for the connection of at least 100 MW through the "La Paloma" connection point. Due to the coming into force of RD 661/2007, as a condition to the allocation to us of grid capacity, and in guarantee of our obligations in this regard, we will be required to provide the Spanish Ministry of Industry, Trade and Tourism (*Ministerio de Industria, Comercio y Turismo*) with a first demand bank guarantee for an amount of approximately €50,000,000, which is equivalent to 5% of the total value estimated for the project (based on a maximum capacity of 150 MW). As discussed in "Business—Products and Services—Turnkey projects—Revenues", the total installed capacity of all of the turnkey projects in respect of which we have entered into binding contractual arrangements is just under 3 MW. Accordingly, we do not have experience developing larger 5 MW and 10 MW PV parks, or smaller projects up to an aggregate of 100 MW, and there can be no assurance that we will be able to manage successfully this significant increase in our scale of operations. See "Risk Factors—We may be unable to manage the growth of our business effectively". Our failure to connect PV installations with a minimum aggregate capacity of 100 MW to the connection point in accordance with the timetable to be established by Red Eléctrica could result in such guarantee being executed, in whole or in part, by the Spanish Ministry of Industry, Trade and Tourism.

Our failure to reach agreement with Red Eléctrica as to the terms of our appointment as grid connection point manager, or to connect the required capacity to the national grid in accordance with the timetable to be established by Red Eléctrica, could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may be subject to unexpected warranty expense.

Our PV modules and solar thermal panels are typically sold with a three-year guarantee for defects in materials and workmanship. In addition, our PV modules are typically sold with a two-stage 25-year output warranty, which, we believe, is broadly consistent with industry practice.

We only began selling our own PV modules in 2006, so we cannot predict the likely incidence or amount of warranty claims that we may receive in the future. Moreover, although we conduct quality testing and inspection of our PV modules and solar thermal panels, they are not tested, and cannot be tested, in an environment simulating all scenarios and applications that may occur during the extended warranty periods. As a result, we may be subject to unexpected warranty expense and associated harm to our financial results for as long as 25 years after the sale of our products and the recognition of the corresponding revenue.

We generally seek to obtain guarantees that cover the same periods and assure the same levels of performance as the guarantees we provide to our customers, thereby enabling us to pass on the costs of any warranty expense resulting from defects with, or the underperformance of, the third-party solar cells we use in production. We are not, however, always successful in obtaining guarantees from suppliers that match our own in terms of length of guarantee period and/or performance benchmarks. For example, the two solar cell suppliers we currently use, E-Ton and Gintech, provide a two-year defect and workmanship warranty, compared with the three-year warranty we typically provide our customers. Similarly, under its two-stage output warranty, our principal supplier, E-Ton, guarantees an output of at least 90% of the stated Wp power for the first ten years and 80% of the such stated power during the following 10 years. This does not match the output warrant that we customarily provide, which guarantees at least 90% for the first ten years and 80% during the following 15 years. Moreover, in a limited number of cases, we have provided an output warranty that guarantees that modules installed by us will produce at least 100% of their initial power output for the first two years, 90% for the following 10 years and 80% for the following period of 13 years, which are performance levels that our suppliers have not, to date, been prepared to guarantee. Accordingly, if we are the subject of a claim under one of our

warranties, we can provide no assurance that we will necessarily be able to pass on the costs of such warranty claim to the relevant supplier.

In addition, when we commence production of solar cells and wafers for use in our PV modules, we may not be able to obtain similar warranties from our suppliers of silicon wafers or silicon, as the case may be, and we may experience operational difficulties as we ramp up production, which could adversely affect the quality of the solar cells we use in the assembly of our PV modules, resulting in increased warranty claims and expense.

At March 31, 2007, we had made no provision for amounts in respect of warranty claims, as we had not received any claims under our warranties as at such date (and we have not been notified of any such claims since then). Any increase, however, in the defect rate of our products could cause us to set aside an amount in respect of warranty reserves, which would have a negative impact on our results of operations.

We face risks associated with the marketing, distribution and sale of our PV module products internationally. If we are unable to manage these risks effectively, they could impair our ability to expand our business abroad.

While, as of the date of this offering memorandum, we have not effected any sales outside Spain, we intend to expand into the marketing, distribution and sale of our PV module products internationally in the short to medium term. Our business plan currently envisages expansion into foreign markets, such as Italy, Germany, Greece, Portugal and California, and we expect our exports to reach a significant proportion of total sales by 2008. See "Business—Strategy—Gradually expand internationally". The marketing, distribution and sale of our PV module products in international markets expose us to a number of risks, including:

- difficulty in engaging and retaining distributors who are knowledgeable about, and can function effectively in, overseas markets and who are able to provide our overseas customers with a similar level of customer support to that provided by us in Spain;
- fluctuations in the currency exchange rates between the euro and the currency, principally the U.S. dollar at the date of this offering memorandum, we expect will be used in sales we make outside the euro zone;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and costs relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer our products;
- cultural, language and logistical barriers to working with customers in different countries; and
- trade barriers, such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products, reducing their competitiveness.

We are exposed to exchange rate risks.

In the year ended December 31, 2006, 40% of our operating costs was incurred in U.S. dollars, mainly comprising purchases of solar cells. We expect this percentage to increase as we implement our planned business expansion. Currency exchange rates, particularly between the U.S. dollar and the euro, can therefore have a significant impact on our business, prospects, financial condition and results of operations.

To address these exchange rate risks, we maintain a policy of hedging foreign exchange risks where we consider hedging to be advisable in light of the market conditions (see note 3a)i) to our Audited IFRS-EU Financial Statements). For example, we entered into a currency hedge agreement with Caja Rural de Ciudad Real on December 7, 2006 in relation to a letter of credit in the principal amount of U.S.$3,000,000, which we issued to Spire for the purchase of equipment and machinery for our solar cell production line and paid in full in May 2007. On March 22, 2007 we entered into a hedging transaction with Caja de Ahorros y Monte de Piedad de Madrid, S.A. ("Caja Madrid") with the objective of covering fluctuations in the interest rate applicable to the loan granted and formalized on April 25, 2007 by Caja Madrid to our company in the aggregate principal amount of €6,000,000 (see note 16 to our Unaudited Condensed Interim IFRS-EU Financial Statements). In addition, we intend to enter into hedging transactions for future purchases we make of equipment and machinery, solar cells and wafers in U.S. dollars to mitigate, to the extent possible, the attendant exchange rate risks. As hedging transactions involve certain risks and uncertainties, we cannot assure you that our currency exchange rate hedging transactions will not negatively affect our results of operations.

We may be exposed to infringement claims by third parties, which, if determined adversely to us, could cause us to pay significant damages.

Our success depends on our ability to use and develop our technology and know-how and to sell our PV module products without infringing the intellectual property or other rights of third parties. The validity and scope of claims relating to solar power technology patents involve complex scientific, legal and factual questions and analysis and may, therefore, be highly uncertain. Our company or our employees may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties.

The determination of the validity and scope of the intellectual proprietary rights of others and the defense of intellectual property suits and the related proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such suit or proceedings to which we may become a party could damage our reputation, subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or manufacturing processes or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase until resolution of such litigation.

A Spanish company with a name similar to ours, which also operates in the solar energy market, has registered its name as a trademark and, as a consequence, the Spanish Official Patent and Trademark Office (*Oficina Española de Patentes y Marcas*) has rejected our trademark application in relation to those categories that relate to the provision of solar energy services, such as our turnkey services. Accordingly, we do not, at present, benefit from trademark protection in respect of such activities, and we may encounter further difficulties in protecting our intellectual property rights in Spain or be faced by a claim brought by such company if it believes its intellectual property rights have been, or are being, infringed. In addition, a solar technology company based in Silicon Valley, U.S.A., has registered the word "Solaria" as a U.S. trademark and service mark for categories comprising, among other things, PV systems and the installation, repair and maintenance of PV systems. Accordingly, should we seek to expand our operations into the United States, we expect that we would not be able to obtain trademark protection for our own "Solaria" brand name and that we may be required to operate under a different brand name so as to avoid any potential infringement of the intellectual property rights of such company.

Failure to protect our intellectual property rights may undermine our competitive position.

Our current production of PV modules and solar thermal panels is based on standard technical methods that we have not sought to protect with patents or other intellectual property rights. With respect to our current proprietary know-how, technology and data we rely exclusively on trade secret protection and confidentiality agreements to safeguard our interests. These measures afford, however, only limited protection and may not be adequate. We have not registered our trade name "Solaria" outside Spain, and we are aware of competitors in other markets (in particular, the U.S.), which use, and, in the case of Solaria Corporation, Inc., have registered, the trademark "Solaria", which may require us to operate under a different brand name or sell our products under a different trademark in other markets.

As of the date of this offering memorandum, we have applied for protection of our trade name "Solaria" in Spain and Europe and have registered the trademark "Solaria", including our logo, in Spain for the trademark categories 9, 11, 40 and 41, with a view to protecting our "Solaria" trademark in the categories that cover the manufacture of PV modules and solar thermal panels. As explained above, the Spanish Official Patent and Trademark Office (*Oficina Española de Patentes y Marcas*) has rejected our trademark application in relation to those categories that relate to the provision of solar energy services, such as our turnkey services, and we are in the process of appealing against that decision. Accordingly, we do not, at present, benefit from trademark protection in respect of our turnkey business. We have not yet registered our trademark, "Solaria", outside Spain, although we have applied for, but not yet obtained, two further trademarks at the EU level in respect of our PV modules, solar thermal panels and turnkey projects.

As and when we develop and bring to market solar cells and wafers and other products, we may need to protect our intellectual property, and any failure to protect our intellectual property rights may undermine our competitive position. In addition, policing unauthorized use of proprietary technology can be difficult and expensive, and the prosecution of intellectual property suits and the related proceedings, which can be both costly and time-consuming and significantly divert the efforts and resources of our technical and management personnel, may ultimately be necessary to enforce our intellectual property rights or protect our trade secrets.

Risks related to our shareholding structure

Our principal shareholder will continue to exercise significant control over us after the offering and their interests may differ from the interests of our new shareholders.

Upon completion of the offering, our principal shareholder, which is owned and controlled by the Díaz-Tejeiro family, will own approximately 75% of our issued share capital (or 71.53% if the over-allotment option is exercised in full) and the new shareholders will own approximately 25% of our issued share capital (or 28.47% if the over-allotment option is exercised in full). As a result, our principal shareholder will be able to determine substantially all matters requiring approval by a majority of our shareholders, including the declaration of dividends, the election of directors (as may be limited by Spain's proportional shareholder voting system), changes in our issued share capital and the adoption of amendments to our bylaws. Our principal shareholder will also be able to direct our day-to-day operations and cause or prevent a change in our control. The interests of our principal shareholder may differ from the interests of our other shareholders. See "Principal Shareholder".

Risks related to the offering

The shares eligible for future sale after this offering could affect the market price of our shares.

Sales of a substantial number of our shares in the public market following this offering, or the perception that such sales could occur, could adversely affect the market price of our shares and/or our ability to raise capital through a future public offering of our shares.

We have agreed that, without the prior written consent of either of the joint global coordinators on behalf of the managers (such consent not to be unreasonably withheld), we will not, during the period commencing on the date the underwriting agreement is signed and ending 180 days after the listing of the shares on the Spanish Stock Exchanges, (i) directly or indirectly, issue, offer, pledge, sell, announce our intention to or contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of, directly or indirectly, any of our shares or other security convertible into, or exercisable or exchangeable for, our shares or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of our shares, whether any such swap or transaction described in (i) or (ii) above be settled by delivery of shares or any securities convertible into or exchangeable for shares, in cash or otherwise, provided, however, the foregoing restrictions shall not apply to (A) the issue and sale of shares pursuant to the offering, or (B) the issue, grant or delivery of shares in connection with any stock option plan established by us in the future.

Our principal shareholder has agreed to abide by similar restrictions during the period commencing on the date the underwriting agreement is signed and ending 360 days after the listing of the shares on the Spanish Stock Exchanges, provided, however, the foregoing restrictions shall not apply to (A) the sale of shares pursuant to the offering, or (B) the loan of shares in connection with the over-allotment option granted by our principal shareholder to the joint global coordinators on behalf of the managers, (C) transfers of shares among affiliated entities (within the meaning of Article 4 of the Spanish Securities Law (*Ley 24/1988 del Mercado de Valores*)) or transfers in favor of our controlling shareholders, provided that any such transferee shall agree to be bound by the lock-up obligations of such principal shareholder described above, or (D) transfers made by way of acceptance of a public takeover offer (*oferta pública de adquisición*) in respect of all of our issued shares.

In addition, each of our controlling shareholders has agreed to abide by similar restrictions during the period commencing on the date the underwriting agreement is signed and ending 360 days (180 days in the case of María Dolores Larrañaga Horna) after the listing of the shares on the Spanish Stock Exchanges in respect of 51% of their respective shareholdings in the capital of our principal shareholder (or such higher percentage as may be required for 51% of the outstanding share capital of our principal shareholder to be held directly, in aggregate, by our controlling shareholders), provided, however, that the foregoing restrictions shall not apply to transfers of shares among affiliated entities (within the meaning of Article 4 of the Spanish Securities Law (*Ley 24/1988 del Mercado de Valores*)) or transfers in favor of direct family members, provided that any such transferee shall agree to be bound by the lock-up obligations of such controlling shareholder described above.

After the expiry of the specified lock-up periods, such shareholders could sell their holdings of our shares or shares of our principal shareholder, as the case may be, and we could offer to sell new shares in public or private transactions. Such future sales by us could dilute the ownership interests of our then-existing shareholders, and sales by our shareholders, the shareholders of our principal shareholder or us could materially and adversely affect the trading price of our shares.

There is no established trading market for our shares.

This offering constitutes our initial public offering of shares, and no public market for our shares currently exists. We have applied to list our shares on the Spanish Stock Exchanges, and we expect our shares to be quoted on the AQS on or about June 19, 2007, subject to completion of customary procedures in Spain. Any delay in the commencement of trading of our shares on the Spanish Stock Exchanges would impair the liquidity of the market for our shares and make it more difficult for holders to sell our shares.

In addition, we cannot assure you that an active trading market for our shares will develop or be sustained if our shares are listed on the Spanish Stock Exchanges.

The offering may be terminated or revoked.

This offering will terminate if our shares are not listed on the Spanish Stock Exchanges before July 31, 2007 and in certain other limited circumstances. In the event of any such termination, the newly-issued shares will be repurchased by us and the purchase price will be returned to the purchasers, together with accrued interest.

Neither our company, nor the managers shall be in any way responsible for, or liable to purchasers as a result of, any such termination, postponement or suspension of the offering.

The trading price of our shares may be less than the offering price.

The offering price of €9.50 per share, which would represent a market capitalization of our company of approximately €960.89 million (taking into account newly-issued shares in the offering) has been determined by negotiations among the managers and us, and no independent experts were consulted in determining the offering price. Among the factors considered in determining the offering price were our future prospects and the prospects of our industry in general, our revenues and certain other financial and operating information in recent periods, and the financial ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to ours. We cannot, however, assure you that, following this offering, our shares will trade at a price equal to, or greater than, the offering price.

The market price of our shares may be volatile.

The market price of our shares may be volatile. Factors such as fluctuations in our results of operations, the results of operations of our competitors, negative publicity, changes in stock market analysts' recommendations regarding us, the sector in which we operate, or the securities industry generally and conditions in the financial markets may have a material adverse effect on the market price of our shares. During recent years, securities markets in Spain and worldwide have experienced significant volatility in prices and trading volumes. This volatility could have a material adverse effect on the market price of our shares, irrespective of our results of operations and financial condition.

We do not currently plan to pay cash dividends on our shares.

In February 2007, we declared and paid an interim dividend of €2,410,000 (or €0.03 per ordinary share) out of profits for the year. We had not paid any dividends on our shares prior to that date.

Our future dividend policy will be proposed by our Board of Directors and approved by our shareholders at general shareholders' meetings. We currently intend to retain all available funds for use in the operation and expansion of our business. Accordingly, we do not anticipate declaring or paying cash dividends in the foreseeable future. See "Dividends and Dividend Policy".

Shareholders in certain jurisdictions other than Spain, including the United States, may not be able to exercise their preemptive rights to acquire further shares.

Under Spanish corporate law, holders of our shares generally have the right to subscribe and pay for a sufficient number of shares to maintain their relative ownership percentages prior to the issuance of any new shares. Holders of our shares in certain jurisdictions other than Spain may not be able to exercise preemptive rights unless applicable securities law requirements are complied with or exemptions are available. We may

determine it is not in our best interests to comply with such formalities, and there can be no assurance that such exemptions will be available. Accordingly, the preemptive rights of any such affected shareholders may lapse and their proportional interests may be reduced. In particular, holders of our shares resident in the United States may not be able to exercise any future preferential subscription rights in respect of our shares they hold unless a registration statement under the Securities Act is effective or an exemption from the registration requirements thereunder is available. No assurance can be given that we would file or have declared effective any such registration statement or that any exemption from such registration requirements would be available to allow for the exercise of the preferential rights of U.S. holders, or that we would utilize an exemption if one were available.

Shareholders in countries with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of our shares.

Our shares will be quoted only in euro, and any future payments of dividends on our shares will be denominated in euro. The euro has recently fluctuated significantly in value against many major world currencies, including the U.S. dollar. The U.S. dollar or other currency equivalent of any dividends paid on our shares or received in connection with any sale of our shares could be adversely affected by the depreciation of the euro against the U.S. dollar or other currencies.

USE OF PROCEEDS

We will sell newly-issued shares in the offering, and we estimate that the net proceeds to us from the 23,386,667 shares that we are offering will be approximately €210.67 million, after deducting underwriting discounts and commissions and the estimated expenses of the offering.

We intend to use the net proceeds received by us to fund the expansion of our production capacity for PV modules and solar thermal panels and the development and commencement of our production of solar cells and silicon wafers.

DIVIDENDS AND DIVIDEND POLICY

In February 2007, we declared and paid an interim dividend of €2,410,000 (or €0.03 per ordinary share) out of profits for the year. We had not paid any dividends on our shares prior to that date.

We currently intend to retain all available funds for use in the operation and expansion of our business in the short to medium term. Accordingly, we do not anticipate declaring or paying cash dividends in respect of the year ending December 31, 2007.

Our future dividend policy and the amount of future dividends we decide to pay, if any, will depend upon a number of factors, including, but not limited to, our earnings, financial condition, debt service obligations, cash requirements (including capital expenditure and investment plans), prospects and such other factors as we may deem relevant at the time. The amount of future dividends, if any, will be proposed by our Board of Directors and approved by our shareholders at general shareholders' meetings.

Any dividends paid in the future will be subject to tax under Spanish law. See "Taxation—Spanish Tax Considerations—Taxation of dividends".

The conditions under which we may declare dividends based on Spanish law and our bylaws are described under "Description of Capital Stock—Dividend and Liquidation Rights".

DILUTION

Our net tangible book value at March 31, 2007 was €6,876,117, or €0.09 per share. Our net tangible book value per ordinary share is determined by dividing our net tangible book value at March 31, 2007 by 77,760,000 shares, being the number of shares outstanding on such date and immediately before the offering. Our net tangible book value, which represents total assets minus intangible assets and total liabilities, has been calculated based upon our unaudited condensed balance sheet as of March 31, 2007 prepared in accordance with IFRS-EU included elsewhere in this offering memorandum.

After:

- giving effect to our sale of 23,386,667 newly-issued shares in the offering at €9.50 per share; and
- deducting underwriting discounts and commissions and other estimated expenses payable by us in connection with the offering,

our as adjusted net tangible book value at March 31, 2007 would have been: €217,549,454, or €2.15 per share. This represents an immediate increase in as adjusted net tangible book value to existing shareholders of €2.06 per share, and an immediate dilution to new investors of €7.35 per share. Dilution is determined by subtracting as adjusted net tangible book value per share immediately after this offering from the initial offering price per share.

The following tables illustrate dilution on a per share basis after the offering.

	As of March 31, 2007, per ordinary share
	(unaudited, in €)
Offering price	9.50
Net tangible book value at March 31, 2007	0.09
Increase in net tangible book value attributable to new investors	2.06
As adjusted net tangible book value immediately after the offering	2.15
Dilution to new investors	7.35
Percentage of dilution to new investors (%)[1]	77.36

Note: (1) The calculation of percentage of dilution to new investors is obtained by dividing the dilution in net book value per share to new investors by the initial offering price.

CAPITALIZATION

The following table sets forth our capitalization on (i) an actual basis as of March 31, 2007 derived from our unaudited individual condensed interim IFRS-EU balance sheet as of March 31, 2007 included elsewhere in this offering memorandum and (ii) on an as adjusted basis to reflect the sale by us of 23,386,667 newly-issued shares in the offering at €9.50 per share and after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with the offering.

	As of March 31, 2007	
	Actual	As Adjusted
	(unaudited)	
	(in €)	
Non-current borrowings with financial institutions	9,171,345	9,171,345
Equity		
Share capital	777,600	1,011,467
Reserves	5,689,347	219,578,817
Profit for the period	2,830,001	2,830,001
Interim dividend paid	(2,410,000)	(2,410,000)
Total equity	6,886,948	221,010,285
Total capitalization	16,058,293	230,181,630

Our issued share capital as of March 31, 2007 was €777,600, represented by 77,760,000 shares with a nominal value of €0.01 per share. Immediately following the offering, our share capital is expected to be €1,011,466.67, represented by 101,146,667 shares with a nominal value of €0.01 per share.

SELECTED FINANCIAL INFORMATION

The selected financial information set out below is provided for information purposes only and is not necessarily indicative of our future results of operations.

The selected audited individual financial information as of and for each of the years ended December 31, 2006, 2005 and 2004 and the selected unaudited individual condensed interim financial information as of and for the three-month periods ended March 31, 2007 and 2006, in each case prepared in accordance with IFRS-EU and presented below, have been derived from, and should be read together with, our Audited IFRS-EU Financial Statements and our Unaudited Condensed Interim IFRS-EU Financial Statements, respectively, each of which is included elsewhere in this offering memorandum.

Please see the auditors' report included elsewhere in this offering memorandum for a description of the procedures performed on our Audited IFRS-EU Financial Statements.

	Year Ended December 31,			Three Months Ended March 31,	
	2006	2005	2004	2007	2006
				(unaudited)	
			(in €)		
IFRS-EU Income Statement Data					
Revenue	19,146,563	698,866	408,864	12,968,017	1,004,728
Deferred income transferred to the income statement	47,337	9,543	—	10,980	11,834
Other government grants related to income	3,907	—	5,694	—	—
Other income	2,497	19	—	2,731	—
Consumption of raw materials and other consumables	(7,849,453)	(51,293)	(116,845)	(7,022,083)	241,777
Other external expenses	(1,333,363)	(2,393)	(26,910)	(300,000)	—
Employee benefits expense	(603,904)	(269,884)	(101,842)	(454,261)	(170,420)
Depreciation expense	(209,662)	(96,966)	(6,016)	(64,228)	(48,427)
Operating expenses	(442,886)	(242,721)	(47,573)	(703,277)	(76,125)
Net loss on disposal of non-current assets	(9,546)	—	—	—	—
Impairment of trade receivables	(14,220)	—	—	—	—
Other expenses	(31,268)	(6,400)	—	(11,679)	(1,667)
Operating profit	8,706,002	38,771	115,372	4,426,200	961,700
Finance income	223,440	27,119	3,637	59,329	29,567
Finance costs	(317,036)	(33,029)	(5,229)	(291,196)	(20,826)
Profit before income tax	8,612,406	32,861	113,780	4,194,333	970,441
Income tax expense	(2,969,647)	(9,858)	(34,134)	(1,364,332)	(335,147)
Profit for the period	5,642,759	23,003	79,646	2,830,001	635,294
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in Euros per share)					
- Basic and diluted [(1)]	72.57	0.54	4.29	0.04	0.01

Note: (1) Based on the average number of shares in issue during the period in question, save for the three months ended March 31, 2006, where, for comparative purposes, we have used 77,760,000 shares in issue, being the average number of shares in issue during the three months ended March 31, 2007.

	Year Ended December 31,			Three Months Ended March 31,
	2006	2005	2004	2007
				(unaudited)
		(in €)		
IFRS-EU Balance Sheet Data				
ASSETS				
Non-current assets				
Property, plant and equipment	7,219,437	2,216,363	290,642	11,043,989
Other non-current assets[1]	41,554	587,332	77,576	51,486
	7,260,991	2,803,695	368,218	11,095,475
Current assets				
Inventories	17,655,387	125,280	—	21,441,217
Trade and other receivables	8,987,103	275,146	223,547	16,579,543
Cash and cash equivalents	4,227,789	1,267,110	59,914	4,571,728
Other current assets[2]	1,234,262	52,337	460,642	1,269,251
	32,104,541	1,719,873	744,103	43,861,739
Total assets	39,365,532	4,523,568	1,112,321	54,957,214
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	777,600	777,600	242,330	777,600
Reserves	46,588	23,585	3,929	5,689,347
Interim dividend paid	—	—	—	(2,410,000)
Profit for the period	5,642,759	23,003	79,646	2,830,001
Total equity	6,466,947	824,188	325,905	6,886,948
LIABILITIES				
Non-current liabilities				
Borrowings with financial institutions	8,770,100	1,453,472	510,575	9,171,345
Deferred income	4,909,792	421,973	148,435	4,938,706
Deferred tax liabilities	165,859	—	—	159,956
	13,845,751	1,875,445	659,010	14,270,007
Current liabilities				
Borrowings with financial institutions	7,615,194	421,317	35,318	15,126,269
Trade and other payables	8,563,334	1,148,815	72,688	14,310,506
Current income tax liabilities	2,785,162	—	15,286	4,163,602
Other current liabilities[3]	89,144	253,803	4,114	199,882
	19,052,834	1,823,935	127,406	33,800,259
Total liabilities	32,898,585	3,699,380	786,416	48,070,266
Total equity and liabilities	39,365,532	4,523,568	1,112,321	54,957,214

Notes: (1) Other non-current assets includes intangible assets, available-for-sale and other financial assets, loans to related parties and deferred tax assets.

(2) Other current assets includes loans to related parties, available-for-sale and other financial assets, derivative financial instruments and current income tax assets.

(3) Other current liabilities includes deferred income, derivative financial instruments and other current liabilities.

	Year Ended December 31,			Three Months Ended March 31,	
	2006	2005	2004	2007	2006
			(in €)	(unaudited)	
IFRS-EU Cash Flow Data					
Cash flows from operating activities:					
Cash (utilized in)/generated from operations	(5,664,062)	996,642	(19,968)	(1,171,785)	2,330,819
Interest paid	(201,613)	(34,371)	(3,887)	(153,423)	(10,360)
Income taxes paid	(42,598)	(41,456)	(20,827)	(4,080)	—
Net cash (utilized in)/generated from operating activities	(5,908,273)	920,815	(44,682)	(1,329,288)	2,320,459
Cash flows from investing activities:					
Net gain/(loss) from acquisition of property, plant and equipment	(5,067,991)	(1,913,521)	(263,113)	(3,837,687)	(282,837)
Acquisition of intangible assets	(15,740)	—	—	—	(14,200)
Net amounts received/(paid) on deposits with financial institutions	(602,270)	460,000	(460,000)	(3,000)	(300,000)
Acquisition of available-for-sale financial assets	—	—	(36,026)	—	—
Net amounts received/(paid) on loans granted to related parties	98,309	(522,791)	34,079	1,607	(136,744)
Interest received	129,473	4,770	365	34,852	6,078
Net cash utilized in investing activities	(5,458,219)	(1,971,542)	(724,695)	(3,804,228)	(727,703)
Cash flows from financing activities:					
Interim dividend paid	—	—	—	(2,410,000)	—
Proceeds from the issue of share capital	—	475.280	150,030	—	—
Proceeds from government grants received	—	230,770	123,748	—	—
Net amounts received/(paid) on borrowings with financial institutions	11,029,846	1,512,565	544,551	5,896,618	(19,821)
Net proceeds from current accounts held with banks	3,428,705	56,098	—	1,998,801	19,288
Repayment of finance lease liabilities	(131,380)	(16,790)	—	(7,964)	(6,493)
Net cash generated from financing activities	14,327,171	2,257,923	818,329	5,477,455	(7,026)
Net increase in cash and cash equivalents	2,960,679	1,207,196	48,952	343,939	1,585,730
Cash and cash equivalents at the beginning of the year	1,267,110	59,914	10,962	4,227,789	1,267,110
Cash and cash equivalents at the end of the year	4,227,789	1,267,110	59,914	4,571,728	2,852,840

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the information set forth in "Selected Financial Information" and our financial statements and accompanying notes included elsewhere in this offering memorandum.

This discussion contains certain forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections entitled "Forward-Looking Statements", "Risk Factors" and "Business" and elsewhere in this offering memorandum.

OVERVIEW

We are one of the main participants in the Spanish solar energy market and are experiencing strong and rapid growth. At present, our principal business lines comprise:

- *PV modules.* Includes the design, manufacture and sale of PV modules, which convert sunlight into electricity through the so-called photovoltaic process, for a variety of residential, commercial and industrial uses. Revenues from sales of our PV modules (excluding inter-segment sales) represented 52.4% and 78.0% of our total revenues for the year ended December 31, 2006 and the three months ended March 31, 2007, respectively.

- *Turnkey projects*. Includes the "end-to-end" development of PV parks, incorporating our PV modules, for third party investors. Revenues from our turnkey projects (excluding inter-segment sales) represented 47.6% and 20.9% of our total revenues for the year ended December 31, 2006 and the three months ended March 31, 2007, respectively.

- *Solar thermal panels*. Includes the design, manufacture and sale of solar thermal panels that use solar energy for the purpose of heating water and supporting heating systems and the provision of advisory services in connection with the design of heating systems incorporating our solar thermal panels. Revenues from sales of our solar thermal panels represented 1.1% of our total revenues for the three months ended March 31, 2007. We made no commercial sales of solar thermal panels in 2006.

We are significantly increasing our production capacity across our three existing business lines—PV modules, turnkey projects and solar thermal panels. In addition, we intend to become vertically integrated, expanding into the production of solar cells and wafers for use in the manufacture of our PV modules. This integration will, we believe, increase our control over product design and quality and lead to cost savings. We plan to commence production of solar cells before year-end 2007 and silicon wafers in the second half of 2008.

We have constructed a facility for PV module production of approximately 2,300 sqm, a further 2,600 sqm production facility housing both PV module and solar thermal panel production lines and an office block of approximately 1,200 sqm. In addition, we are currently constructing a 12,500 sqm solar cell production facility and a 2,000 sqm warehousing unit, which we expect to be completed in the last quarter of 2007.

We have generated profits in each financial year since we commenced operations in January 2003 and have experienced rapid and significant growth since then.

	Year Ended December 31,			Three Months Ended March 31, 2007
	2004	2005	2006	
				(unaudited)
Revenues (in €)	408,864	698,866	19,146,563	12,968,017
Operating profit (in €)	115,372	38,771	8,706,002	4,426,200
Total assets (in €)	1,112,321	4,523,568	39,365,532	54,957,214
Number of employees as of balance sheet date	2	18	77	164

PRESENTATION OF FINANCIAL INFORMATION

Financial information

This offering memorandum includes the following financial statements, which have been prepared under IFRS-EU:

- our unaudited individual condensed interim financial statements as of and for the three-month periods ended March 31, 2007 and 2006; and
- our audited individual financial statements as and for the years ended December 31, 2006, 2005 and 2004.

Because we do not currently have any subsidiaries, we are, and we expect we will continue to be, required by Spanish law to prepare our statutory accounts in accordance with Spanish GAAP. Unless otherwise indicated, we have not presented any historical financial information in this offering memorandum in accordance with Spanish GAAP. IFRS-EU differs in certain significant respects from U.S. GAAP and Spanish GAAP.

SEGMENT REPORTING

Business segments

Our company is currently organized into three main business segments: PV modules, turnkey projects and solar thermal panels (referred to in our Audited IFRS-EU Financial Statements and Unaudited IFRS-EU Interim Financial Statements as photovoltaic, projects and thermal, respectively). In 2004 and 2005, our company had only one business segment: the supply and installation of third-party PV modules in PV plants. Accordingly, the financial information relating to our company for each of the years ended December 31, 2005 and 2004 has not been differentiated between business segments, but is grouped together under "other". The following tables set forth a summary of our business segment results for the year ended December 31, 2006 and the three months ended March 31, 2007, respectively:

	For the Year Ended December 31, 2006			
	Photovoltaics	Projects	Thermal	Company
		(in €)		
Total external sales	10,041,071	9,105,492	—	19,146,563
Inter-segment sales	4,745,000	(4,745,000)	—	—
Segment revenue	14,786,071	4,360,492	—	19,146,563
Other operating income	23,161	6,256	24,324	53,741
Segment expense	(9,447,856)	(953,664)	(92,782)	(10,494,302)
Segment result	5,361,376	3,413,084	(68,458)	8,706,002
Net finance income/(costs)				(93,596)
Profit before income tax				8,612,406
Income tax expense				(2,969,647)
Profit for the period				5,642,759

	For the Three Months Ended March 31, 2007			
	Photovoltaics	Projects	Thermal	Company
		(unaudited, in €)		
Total external sales	10,119,493	2,708,364	140,160	12,968,017
Inter-segment sales	1,408,900	(1,408,900)	—	—
Segment revenue	11,528,393	1,299,464	140,160	12,968,017
Other operating income	5,824	—	7,887	13,711
Segment expense	(8,462,099)	(27,608)	(65,821)	8,555,528
Segment result	3,072,118	1,271,856	82,226	4,426,200
Finance income				59,329
Finance costs				(291,196)
Profit before income tax				4,194,333
Income tax expense				(1,364,332)
Profit for the period				2,830,001

Geographical segments

We have not presented our historical financial information by geographical segment because prior to and as of March 31, 2007 we only carried out operations in Spain.

Internal sales

As shown by the tables set forth above, our PV modules business segment makes both external sales to third parties and internal (or inter-segment) sales to our turnkey projects business segment. We recognize revenue from internal sales applying the same criteria we use for external sales (see note 2.21a) to our Audited IFRS-EU Financial Statements). All such internal sales are priced at what we determine to be the market value of the PV modules at the time of sale. When recognizing revenues from our turnkey business, we include the cost of acquisition of PV modules from our PV module business, which represent the largest part of our expenses in that segment, as a negative figure under "inter-segment sales" but calculate profit margins of our turnkey business over total external sales, i.e. without deducting the acquisition cost for PV modules. Conversely, we calculate profit margins of our PV module business over revenue (including inter-segment sales).

Attribution of costs

Costs directly related to a business line are attributed in their entirety to that line. Costs attributed to our PV module business comprise purchase, production and other costs related to the production and sale of the PV modules themselves, whether sold to third parties or to our turnkey business, as well as depreciation and amortization costs for assets, such as equipment and machinery, directly related to the PV module business line. Costs attributed to our turnkey business comprise installation, construction and other related costs.

General costs, such as central staff costs, overheads and other non-segment specific operating costs, and depreciation and amortization costs not capable of attribution to a business line are attributed to our segments pro rata by reference to segment sales to third parties.

KEY FACTORS AFFECTING THE COMPARABILITY OF OUR RESULTS OF OPERATIONS

As a result of the following key factors, our operating results for each financial period discussed in this offering memorandum may not be directly comparable with our operating results for any other financial period discussed herein, or with future financial periods.

Rapid growth since incorporation

We were incorporated on November 27, 2002 and began operations developing and installing PV parks using third-party PV modules in January 2003. In January 2005, we commenced construction of our first PV module assembly plant, which we completed in the last quarter of that year. Before the end of 2005, we successfully concluded the first trial production runs of PV modules and, in the second quarter of 2006, we sold Solaria modules for the first time. During the period from our incorporation until our first sales of PV modules, our operating activities related primarily to developing and installing PV parks using third party PV modules and the initial development of our PV module and solar thermal production capacity and our turnkey business. This development involved, among other things, raising financing, purchasing land and contracting construction works, establishing supply relationships for raw materials and production equipment and machinery (and the design and installation thereof), selecting and training employees, designing and developing our products and production processes through research and development and the building of our customer base. Accordingly, our financial statements for each of the years ended December 31, 2005 and 2004 include no operating results from our PV module, turnkey and solar thermal business lines. Moreover, while our financial statements for the year ended December 31, 2006 do include operating results from our PV module and turnkey business lines (for the entire year in the case of turnkey projects and from June 2006 for PV modules), they reflect a significant ramp-up in production and sales during the course of that year. In addition, since we only effected our first sales of solar thermal panels in February 2007, our financial statements for each of the years ended December 31, 2006, 2005 and 2004 include no operating results from our solar thermal business line. Consequently, our results of operations for the years ended December 31, 2006, 2005 and 2004 are not directly comparable with each other, and may not be a useful measure of our future operating performance.

Significant expansion planned for 2007 and future financial periods

Our business plan anticipates a further significant expansion of our three business segments and the commencement of solar cell and wafer production. We plan to invest approximately €426 million during the four financial years ended December 31, 2010 on the following expansion projects:

- progressive increases in our existing maximum PV module production capacity from the current 90 MW to 400 MW and progressive increases in our existing solar thermal panel production capacity

from the current 90,000 sqm to 540,000 sqm, in each case, by 2010. These increases require the extension of our existing production lines and the installation of new production lines, for which we have constructed two production facilities with a combined floor space of approximately 4,900 sqm;

- commencement of solar cell production by year-end 2007 with an initial maximum capacity of 25 MW and planned progressive increases designed to reach a production capacity of 250 MW by 2009 and 400 MW by 2010. We have obtained the relevant permits and licenses for, and have commenced construction of, our new solar cell production facility with a floor space of approximately 12,500 sqm, with the aim of starting commercial production in the last quarter of 2007; and

- we intend to commence production of wafers in the second half of 2008, and our objective is to reach a maximum production capacity of 250 MW by 2009 and 400 MW by 2010. We intend to commence construction of our wafer production facility with a floor space of approximately 30,000 sqm in the last quarter of 2007.

As a result of this intended significant expansion and diversification of our business, our results of operations in future periods may not be comparable with our results of operations for the financial periods discussed in this offering memorandum.

Quarterly variations in our results of operations

Given our limited operating history and scale of operations, our results of operations and the sources and amounts of our cash from our operations may vary significantly from period to period, depending on, among other things, the volume of sales in our PV module, turnkey and solar thermal businesses. In particular, the timing of sales or of the recognition of revenues (notably from our larger-scale turnkey projects) can have a significant effect on our quarterly results and affect their comparability with historical and future periods. As a result, until we reach a scale of operations that mitigates these effects, period-to-period comparisons of our results of operations may not be meaningful or indicative of our future performance.

Profit margins

We have so far been able to obtain profit margins in each of our business lines that, we believe, were higher than those achieved by our competitors in Spain and significantly higher than those achieved by competitors in other markets over the same periods. In particular, these profit margins are reflected in our PV module revenues for the three months ended March 31, 2007. During that period, we entered into two contracts for the sale of PV modules at a price per Watt significantly above the price per Watt prevailing in the market, warranted, in our view, by our provision of certain additional pre-sale and post-sale services to the customers in question. As has occurred in relation to other markets, additional competition from existing and new market participants is likely to reduce our profit margins in the future. Accordingly, our results of operations for the years ended December 31, 2006, 2005 and 2004 and for the three months ended March 2007 and 2006 are not directly comparable with each other, and may not be a useful measure of our future operating performance.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The most significant factors that affect our results of operations are:

Availability and price of silicon

Silicon is the key base raw material for the cells we use in our solar module production and will be the key base material for our solar cells and wafers once we commence production. The market for silicon has historically experienced significant volatility and price increases. Factors that can affect the price and availability of silicon include:

- *Silicon production capacity.* While there was a considerable excess of supply from 1998 through 2003, demand has, more recently, outstripped supply, resulting in a sharp increase in the price of silicon. This shortage of silicon was, in our view, primarily attributable to strong demand for silicon for semiconductor and PV products and lack of sufficient investment in silicon production facilities in the past. However, we now foresee that the availability of silicon is likely to increase for a number of reasons. First, certain silicon producers are now investing heavily to expand their production capacities and new market participants are setting up significant production facilities in response to the scarcity of solar-grade silicon. The Prometheus Institute for Sustainable Development reported in 2006 an anticipated aggregate increase in worldwide annual production of silicon from approximately 35,000

metric tons in 2006 to approximately 97,000 metric tons in 2010. Secondly, Chinese producers of silicon, with their access to a large, economic labor force, are playing an increasing role in worldwide production. Thirdly, other producers of silicon products are beginning to incorporate silicon recycling methods, thereby supplying part of their end-production with recycled raw materials. Given the uncertainties inherent in the development of supply and demand in the silicon market, there can be no assurance, however, that the recent supply imbalance will be remedied, in whole or in part.

- *Demand from non-PV users of silicon.* Silicon is used heavily in a broad range of industries, most notably electronics and computer hardware. Fluctuations in demand for electronic-grade silicon can cause volatility in the price and availability of raw silicon and cause manufacturers to switch production between electronic-grade and solar-grade silicon, which, in turn, can affect the price and availability of solar-grade silicon.

We have contracted for the supply of silicon products (solar cells and wafers) with a limited number of third-party suppliers, and our arrangements with them are typically short-term contracts with quarterly price reviews. These contracts ordinarily provide that either party may terminate without liability if no agreement is reached as to price during a periodic review. This is in contrast to certain of our competitors who obtain their supply of raw materials through long-term contracts (e.g., five- or ten-year contracts), which can provide for prices that are fixed for the duration of the contract. Our strategy of short-term contracts with quarterly price reviews assumes the availability of supply outside their term and a gradual decline in the market price of our raw materials. During any quarterly price review, a supplier could elect, however, to terminate the supply arrangement if we fail to reach agreement as to price. Similarly, at the end of the term of a supply contract, a supplier could refuse to renew the arrangement because, for example, they wish to give preference to those of their customers who are prepared to enter into longer-term or fixed price supply contracts. In such circumstances, we may not be able to obtain an alternative supply on competitive terms or at all. Moreover, as the prices under our supply arrangements are reviewed quarterly, we are, in general, more susceptible to increasing silicon prices than those of our competitors who obtain their raw materials under longer-term, fixed price contracts.

While we have not, to date, experienced difficulties in obtaining a stable supply of silicon products on terms that we consider favorable, and we believe that, in the near to medium term, the supply of silicon will exceed demand, resulting in a gradual decline in prices, there can be no assurance that the price or availability of silicon will meet our expectations or that we will be able to continue to obtain a continued supply of solar cells and wafers on competitive terms or at all. The availability, contractual procurement and price of solar cells and wafers are of key significance for our capacity utilization (and, therefore, the planning of any future capacity expansion), our sales and revenue growth and our ability to meet our delivery obligations. Accordingly, fluctuations in the price of silicon can significantly affect our results of operations, while late delivery and supply shortages can adversely affect our production. For information about our supply arrangements and related risks, see “Business—Suppliers” and “Risk Factors—Our dependence on short-term contracts with a limited number of suppliers could prevent us from delivering our products to our customers in the required quantities, at competitive and cost-effective prices, on a timely basis or at all, which could result in penalty payments under our contracts with customers, order cancellations and decreased revenues”.

Industry demand

Our business and revenue growth depends on demand for solar power. Although solar power has been used for several decades, the solar power market has grown most significantly in recent years. According to the international solar energy research and consulting company, Solarbuzz, the aggregate output of new PV systems installed worldwide each year, is estimated to increase from approximately 1,700 MW in 2006 to 3,400 MW in 2010. Despite this significant recent growth, the solar energy market remains at a relatively early stage of development, and the extent to which PV modules will be widely adopted is uncertain. If PV technology proves unsuitable for widespread adoption or if demand for PV modules fails to develop sufficiently, the market for PV products may contract, stagnate or grow at a reduced rate. See “Industry Overview” and “Risk Factors—If our products become uncompetitive or obsolete, or if PV technology is not suitable for widespread adoption, or if sufficient demand for PV modules does not develop or takes longer to develop than we anticipate, our revenues and profits could decline.” for a more detailed discussion of the factors driving growth of the solar power industry and the challenges that it faces.

In addition, the significant growth and rapid technological advances in the solar power market have resulted in, and may continue to result in, considerable volatility in the price of PV products. If demand for solar power continues to increase, new market entrants may emerge and/or our existing competitors may expand and

diversify their production. Any increase in the levels of competition in our current markets may reduce our profitability, while heightened competition in markets we may seek to penetrate in the future could prevent us from establishing a presence in such markets profitably or at all. Moreover, technological innovations in PV products, such as technologies that increase the electrical efficiency of solar cells or that reduce the amount of raw materials used in the production of solar cells, could lead to our PV products becoming uncompetitive or obsolete. If we are not able to sell our products competitively, both in terms of pricing and performance, we may lose market share, which could, in turn, reduce our revenues and profitability and negatively affect our results of operations.

Government subsidies

Today, the per Watt cost of electricity generated from solar power substantially exceeds the per Watt cost of electricity generated from other sources, such as fossil fuel plants, hydroelectric plants, nuclear power and wind farms. As a result, national, regional and local government bodies in Spain have made available certain subsidies and economic incentives to allow the solar power industry a period of time during which to improve its competitiveness versus other technologies and to reduce Spain's dependence on conventional sources of energy. These subsidies and incentives have come in the form of tariffs, premiums, low interest rate loans and other incentives to end-users, distributors, system integrators and manufacturers of solar power products to promote the use of solar energy in on-grid and, to a lesser extent, off-grid applications.

We have benefited in the past, and continue to benefit, from central, regional and local government aid in the form of investment subsidies, grants and subsidized loans. In addition, the demand for our PV module products and turnkey services is affected significantly by the availability and size of government subsidies and economic incentives for end-users as they generate demand for our PV products. Any reduction in, or elimination of, these government subsidies and economic incentives could have a material adverse effect on our income and results of operations. For information about government subsidies and economic incentives and related risks, see "Regulatory Framework" and "Risk Factors—The PV industry depends to a significant extent on the continued availability of attractive levels of government and local subsidies and incentives for energy generated by renewable sources and for business development".

Subsidies available to end-users of PV installations

We believe that the near-term growth of the market for on-grid applications depends, in large part, on the availability and size of government subsidies and other economic incentives. The current Spanish subsidy regime for renewable energy generation is embodied in RD 661/2007 (which will come into force on June 1, 2007, replacing RD 436/2004), providing financial incentives to producers of solar power by stipulating a purchase requirement for distributors and setting a minimum feed-in tariff for electricity from renewable energy sources, including PV energy. For example, under the new Royal Decree, generators who sell PV-generated electricity to distributors will receive, depending on generation levels, a fixed feed-in tariff of between 44.0381 € cents per kWh and 22.9764 € cents per kWh during the first 25 years. In addition, producers also have the option to sell their electricity on the de-regulated Spanish energy market and receive, depending on generation levels, certain premiums and incentives over and above the price achieved in the market. See "Regulatory Framework".

Investment grants and subsidies for business development

In the past, a considerable part of our capital needs for developing and expanding our business was covered by central, regional and local government investment grants, subsidies and subsidized loans. We recognize these government grants at their fair value in our IFRS financial statements when there is reasonable assurance that the grant will be received and that we will comply with all of the conditions of the grant, if any. Investment grants and subsidies relating to the acquisition of property, plant and equipment are recorded in the IFRS balance sheet as a liability under the line item "Deferred income". The following table sets forth deferred income (both non-current and current) as of December 31, 2006, 2005 and 2004 and as of March 31, 2007.

	As at December 31,			As at March 31, 2007
	2006	2005	2004	(unaudited)
		(in €)		
Non-current deferred income				
- Government grants related to income	38,173	47,717	24,687	79,372
- Government grants related to assets	4,871,619	374,256	123,748	4,859,334
	4,909,792	421,973	148,435	4,938,706
Current deferred income				
- Government grants related to income	9,543	216,010	4,114	97,081
- Government grants related to assets	49,001	37,793	—	49,001
	58,544	253,803	4,114	146,082
	4,968,336	675,776	152,549	5,084,788

We transfer these subsidies and grants to the income statement on a straight-line basis over the expected useful lives of the assets financed by means of the grants. The transfer to the income statement of government grants related to assets and other deferred income is recognized in the line item "Deferred income transferred to the income statement" and is not offset against the depreciation expense of the subsidized assets or against subsidized expenses.

The following table sets forth a breakdown of amounts received by us under subsidies, assistance and grants, as well as subsidized loans between January 1, 2004 to December 31, 2006:

	Year ended December 31,				
Granting entity	2006	2005	2004	Purpose	Date granted
		(in €)			
IDAE	123,748	123,748	123,748	Accelerated repayment of loan	October 26, 2004
IDAE	163,967	163,967	—	Accelerated repayment of loan	April 14, 2005
Ministry of Industry	4,546,364[1]	—	—	Financing of fixed assets	January 17, 2006
IDAE	28.801	28.801	28.801	Assistance relating to loan interest payments	October 26, 2004
IDAE	38,002	38,002	—	Assistance relating to loan interest payments	April 14, 2005
Ministry of Industry	225,872	225,872	—	Financing of assets and subsidy of operating expenses	October 5, 2005
Ministry of Industry	104,929	104,929	—	Financing of assets and subsidy of operating expenses	July 26, 2005
CDTI	52,144	—	—	Financing of assets and subsidy of operating expenses	September 29, 2004
	5,283,827	685,319	152,549		

Note: (1) As of March 31, 2007, payment to us of the full amount of €4,546,364.50 was still pending.

- Grants from the Ministry of Industry, Tourism and Trade. On January 17, 2006 we were granted a subsidy by the Ministry of Industry, Tourism and Trade through its Institute of Coal Mining Restructuring and Alternative Development of Mining Areas (Instituto para la Reestructuración de la Minería del Carbón y Desarrollo Alternativo de las Comarcas Mineras, the "Institute") in relation to the construction of our product facilities for PV modules, solar thermal panels and solar cells in Puertollano. The subsidy amounts to €4,546,365.50, which represents approximately 20% of the total investment, and is payable upon completion of the project. However, we are entitled to request part payments under the grant at different stages of completion of the project. We are required to comply

with certain conditions to secure the ongoing availability of the grant, such as maintaining the production facilities on our balance sheet until at least December 31, 2012 and contract 90 additional employees before February 28, 2008 and maintaining such number of additional employees until at least February 28, 2011. We are also obliged to provide a bank guarantee to the Institute for an amount equal to the subsidy amount plus interest, which expires on February 28, 2011.

In addition, on July 26, 2005 and October 5, 2005, the Ministry of Industry, Tourism and Trade granted us two subsidized loans to assist us in financing the development of our PV and solar thermal business lines, respectively. The loans are for amounts of €400,000 and €861,052.50, respectively, and are repayable over 10 years, with a 3-year grace period. We have deposited bank guarantees for the full amount of each loan in favor of the Ministry of Industry to secure our repayment obligations under these loans.

On July 12, 2006 the Ministry of Industry, Tourism and Trade granted us, on a provisional basis, a subsidy for an aggregate amount of €500,000. Although the Ministry has not yet formally confirmed the grant, we received the amount under it during the three months ended March 31, 2007 and, accordingly, recorded it in our unaudited individual condensed interim financial statements, included elsewhere in this offering memorandum.

- *Subsidies from IDAE.* On November 12, 2004, and April 14, 2005, we obtained two low-interest loans from Caja Duero pursuant to a financing scheme promoting investments in renewable energies established by the Official Credit Institute (ICO) and the Energy Savings and Diversification Institute (*Instituto para la Diversificación y Ahorro de Energía, IDAE*) for two investment projects related to our PV module and solar thermal production lines. The aggregate amount borrowed under the loans is €959,053 and we are required to maintain the related investments on our balance sheet for at least five years from the date the loans were granted. In addition, the IDAE awarded us a number of subsidies for an aggregate amount of €354,518 to cover the initial repayment of, and the payment of accrued interest under, these loans.

- Grant from CDTI. On September 29, 2004, the Industrial Technological Development Centre (Centro para el Desarrollo Tecnológica Industrial, CDTI) granted us an interest-free loan for an amount of €347,680 for the development of our PV module production line with a total project value of €869,200. Under the terms of the grant, we agreed with CDTI to pre-finance the loan until the subsidy became available. Accordingly, on November 30, 2004, we obtained a loan from Banco Santander Central Hispano, S.A. for an amount of €260,760, which we have since fully repaid, and, on September 30, 2006, we received the full loan amount from CDTI. We have also provided CDTI with several bank guarantees for an aggregate amount equal to the loan amount to secure our repayment obligations under the loan.

- Loans from Caja Rural / ICO. On May 9, 2006, we obtained two low-interest loans from Caja Rural for an aggregate amount of €6,000,000 under a financing scheme for small and medium-sized companies between Caja Rural and the Spanish Official Credit Institute (Instituto de Crédito Oficial or ICO). We have mortgaged one of our plots of land situated at our production site in Puertollano to secure our repayment obligations under this loan.

Certain of the subsidies and other incentives we have received to date are subject to a number of conditions which, if not satisfied, may result in such subsidies and incentives not being available to us in future financial periods. In particular, we believe that in the 2008 financial period we will not be able to avail ourselves of the loans we have received from ICO, as we expect that certain of the conditions to such loans will not be satisfied at December 31, 2007. See "Risk Factors—Risks related to our industry—The PV industry depends to a significant extent on the continued availability of attractive levels of government and local subsidies and incentives for energy generated by renewable sources and for business development.

In addition, on September 5, 2004, we entered into an agreement with Fundescop, a municipal body responsible for promoting economic development in Puertollano, for the granting of subsidies and economic incentives for the development of a business project in the area. As a result of this agreement, we acquired a plot of land of 41,291 sqm from the municipal authority of Puertollano for a subsidized price of €1 per sqm.

On April 12, 2007, we entered into an agreement with Fundescop in relation to the construction of the manufacturing facilities needed to accommodate our anticipated expansion into the production of solar cells and wafers. Under this agreement, Fundescop has agreed to provide us with technical assistance in connection with the development of our solar cell and wafer manufacturing capabilities and to assist us in obtaining certain

subsidies, including the subsidized purchase from the municipality of Puertollano of a plot of land of 62,722 sqm in Puertollano (La Nava III), at a price of €5 per square meter, totaling €313,610. The subsidized purchase is subject to our compliance with certain conditions, such as the contracting of an additional 120 employees for a minimum period of four years.

To secure our compliance with these conditions, the agreements with Fundescop stipulate that a charge shall be created over the land and the buildings constructed on the land, which can only be released by the municipal authority of Puertollano once it is satisfied that all relevant conditions have been met.

Certain of these financial incentives were made available subject to certain conditions, and, while our management constantly monitors their compliance, failure to fulfill any of these conditions could require us to repay outstanding loans and grants immediately. As of the date of this offering memorandum, we believe that all of the conditions to our financial incentives have been satisfied or will be satisfied without giving rise to any circumstances in which all or part of the incentives may become repayable.

Expansion of our production capacity and commencement of new production lines

As a result of the strong growth of the PV sector, demand for PV modules has generally exceeded available supply in recent years. In these market conditions, we believe the rapid development and the expansion of our production capacity has been of decisive importance for our revenue and earnings growth, which has, in broad terms, developed in line with the expansion of our production output and capacity. Capacity expansion was achieved through extensive investments in production facilities and plant and equipment (particularly production machinery), reflected in an increase in the balance sheet item "Property, plant and equipment" from €290,642 as of December 31, 2004 to €7,219,437 as of December 31, 2006 and to €11,043,989 as of March 31, 2007. These investments were financed from equity, borrowings, government subsidies and incentives as well as from profits from operations. See "—Liquidity and Capital Resources".

As discussed above, we plan to invest approximately €426 million during the financial years 2007 to 2010 on a number of additional expansion projects (see "—Key Factors Affecting the Comparability of Our Results of Operations—Significant expansion planned for future financial periods"). Our future success is, in our view, critically dependent on our ability to build the planned manufacturing plants and production lines in a cost-effective and timely manner in accordance with our business plan. If we cannot do so, we may be unable to expand our business, decrease our cost per Wh, maintain our competitive position, satisfy our contractual obligations or increase or maintain our profitability. Our ability to expand our production capacity and commence production of solar cells and wafers is subject to significant risks and uncertainties, certain of which are beyond our control (see "Risk Factors—Our future success depends on our ability to expand our existing operations"). If we are unable to expand our existing operations in accordance with our business plan, it is likely that our business, prospects, financial condition and results of operations would be materially adversely affected.

Exchange rate fluctuations

We enter into certain transactions in foreign currencies, in particular in U.S. dollars. Of particular importance are our payment obligations in U.S. dollars for the supply of solar cells and manufacturing equipment. In 2006, approximately 40% of our operating costs was incurred in U.S. dollars, mainly comprising purchases of solar cells. We are, therefore, exposed to certain exchange rate fluctuations, which could lead to currency losses. Due to the fact that recent years have seen a falling U.S. dollar against the euro, we have not generally engaged in hedging transactions to date, except only for one hedging arrangement we have entered into in relation to a letter of credit issued by us in the principal amount of U.S.$3,000,000 to Spire for the supply of solar cell manufacturing equipment. We will continue to follow the development of the euro/U.S. dollar exchange rate carefully and initiate hedging transactions when and to the extent appropriate. Regardless of whether and the extent to which we enter into hedging arrangements, any sustained unfavorable development of exchange rates, in particular of the euro/U.S. dollar, could have an adverse effect on our financial condition and results of operations.

Interest rate levels

Grid-connected PV plants are financed, to a large extent, by debt. This financing method is prevalent for small and medium-sized PV plants, constructed by private individuals, companies or public authorities, as well as for larger PV plants. The relatively low interest rate environment in recent years has, therefore, generally had a positive effect on the profitability of PV plants, while reducing the expected return on, and attractiveness of, certain alternative investments.

A sustained increase in interest rates could lower the profitability of PV plants financed through the incurrence of debt, increase the expected return on alternative investments and result in a decrease in demand for PV systems. If this were to occur, it could, in turn, reduce demand for our products, lower market prices for PV products and have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, further rises in interest rates could increase our payment obligations in respect of our current or future borrowings, which, in turn, could have a material adverse effect on our financial condition and results of operations. To the extent we incur additional financial indebtedness to fund, for example, our planned expansion, the negative effect of any increase in interest rates would be likely to increase proportionately.

General economic environment

In our view, our business, prospects, financial condition and results of operations depend to a far greater extent on the regulatory environment than on general economic conditions, and, accordingly, the European PV market has experienced growth that has generally outpaced the general economic performance of the EU. Nonetheless, a sustained slowdown in economic growth in Spain and/or the EU generally could result in a decline in investments in general and in the renewable energies sector and prompt the public sector, in particular, to reduce government subsidies and incentives.

CRITICAL ACCOUNTING POLICIES

Our financial statements contain information that is pertinent to the discussion and analysis of our financial condition and results of operations set forth below. We have prepared the financial statements included elsewhere in this offering memorandum in accordance with IFRS-EU, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities, (ii) the disclosure of our contingent assets and liabilities at the end of each financial period, and (iii) the reported amounts of income and expenses during each financial period. We continually evaluate these estimates based on our own experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and reasonable assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our financial statements and the discussion and analysis of our financial condition and results of operations set forth below, you should consider (i) our selection of critical accounting policies (which are described in note 2 to our audited financial statements for the years ended December 31, 2006, 2005 and 2004), (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of the reported results to changes in conditions and assumptions. We believe that, in particular, the critical accounting policies and estimates discussed below involve significant management judgment due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts.

Revenue and cost recognition

When recognizing revenues from our turnkey projects, we follow the ‘percentage-of-completion’ method, which recognizes revenues gradually during the period from design to delivery of each of our turnkey projects. This means that we record income and expenses 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.

The percentage-of-completion method of revenue recognition requires us to estimate, as at each accounting close date, our costs incurred on a project as a percentage of the total anticipated costs required to complete the project. We then recognize, as at such date, the same percentage of the contract price agreed in respect of such project. Accordingly, where the revenue of a turnkey contract can be reliably estimated and the contract is likely to be profitable, revenues are recognized over the term of the contract. The difference between the amount of work performed and the amount invoiced to customers at the balance sheet date is recorded as “trade receivables for invoices yet to be issued”, included in the line item “trade and other receivables”. In contrast, amounts invoiced to customers in advance for various reasons (“prepayments from customers”) are reflected as a liability on the balance sheet under “trade and other payables”.

Where the revenue of a turnkey contract cannot be reliably estimated, contract revenues are recognized only in the same proportion as the proportion of the contract costs incurred that are likely to be recovered. In addition,

if we determine the contract costs are likely to exceed the total revenues in relation to a specific project, the expected loss is immediately recognized as an expense.

Revenues from our PV modules and solar thermal panels are recognized when we have transferred all significant risks and rewards of ownership to the purchaser, which typically coincides with delivery of the PV module or solar thermal panel in question or when we make such module or panel available for collection from our production facilities in Puertollano.

We record the cost of raw materials and other costs of finished goods as an asset in inventories as such costs are incurred. Costs directly related to the production and sale of PV modules and solar thermal panels to third parties are transferred from inventories and expensed on delivery of the product in question to the customer.

Costs directly related to turnkey projects are expensed in accordance with the percentage-of-completion method, by reference to the four project phases mentioned above.

Turnkey revenue invoicing

We typically invoice our customers for four phases of each turnkey project, and, accordingly, we receive our revenues from turnkey sales gradually over the development process. The different project phases ordinarily comprise the following, and our invoicing is based on our estimates of the percentage of total anticipated costs that we believe is likely to be incurred during each phase:

- the engineering phase, for which we generally invoice approximately 25% of the total contract price of the turnkey project in question;
- the PV module supply phase, for which we generally invoice approximately 62% of the total contract price of the turnkey project in question;
- the construction phase, for which we generally invoice approximately 3% of the total contract price of the turnkey project in question; and
- the electric installation and grid connection phase, for which we generally invoice approximately 10% of the total contract price of the turnkey project in question.

We base our estimates of the likely costs attributable to each phase on historical results, taking into account the type of customer and the specific terms of each agreement. Percentages invoiced may be different from those referred to above.

Useful life of property, plant and equipment

Under IFRS-EU, property, plant and equipment is depreciated, on a straight-line basis, over its useful life. Our management estimates the useful life of our property, plant and equipment based on the life cycles that we anticipate for the products we manufacture using technologically advanced techniques or equipment. Accordingly, if we believe that one of our products is likely to remain marketable for a period of 10 years before becoming obsolete due to, for example, the development of a more efficient alternative technology, we would depreciate the plant and equipment used to manufacture that product over a 10-year period. These estimates involve inherent uncertainties, and the actual useful life of our plant and equipment could differ significantly as a result of a number of factors, including, for example, unforeseen technological advancements or the actions of our competitors in response to market evolution. We therefore generally review and, if necessary, adjust the residual values and useful lives of our property, plant and equipment at each balance sheet date if conditions or changes in circumstances indicate that the carrying value may not be recoverable. If, following such a review, we believe that the useful life of an asset is shorter than previously estimated, we would adjust its useful life accordingly, which would result in an increase to the charge to depreciation. Similarly, we would fully write off those assets that have become technically obsolete or redundant and, as a result, have been abandoned or sold.

Fair value of financial instruments

The fair values of our financial instruments that are not traded on an active market are determined using certain valuation techniques. Our management team exercises its judgment in the selection of a number of methods and hypotheses to be used in such valuation. These methods and hypotheses are principally based on the prevailing market conditions as at the relevant balance sheet date. See note 2.10 to our Audited IFRS-EU Financial Statements included elsewhere in this offering memorandum.

Deferred income

We rely on various financial incentives (grants, subsidized loans and other economic incentives) for the financing of our investments and capital expenditure. Given the different characteristics of each of these financial incentives, our management exercises its judgment in determining their fair value. We recognize grants from public entities at their fair value when we believe there is reasonable assurance that the grant will be received and that we will comply with all conditions attached to it, if any. These grants and subsidies are recorded as "deferred income" in the balance sheet and transferred to the income statement, depending on their relevant characteristics.

Government grants related to assets. Government grants relating to the acquisition of property, plant and equipment are credited to the income statement on a straight-line basis over the expected useful lives of the assets financed by means of the grants.

Other deferred income. Grants relating to subsidies of interest expenses on loans obtained from financial institutions are recognized in the income statement over the term of the loan in accordance with the effective interest method.

As with government grants related to assets, we do not offset such amounts transferred to the income statement against the depreciation expense of the subsidized assets or against subsidized expenses.

Subsidized loans granted by public entities. We record subsidized loans we obtained at their present value and calculate their implicit interest rate using effective market interest rates to obtain a fair valuation of the loan. The difference between the nominal value of the loan and its present value so calculated is transferred to the income statement under the line item "deferred income transferred to the income statement" and recognized evenly over the useful life of the asset where the loan was granted to purchase an asset. Where the loan is to be used to finance an expense relating to an investment project, the difference between the nominal value of the loan and its present value is recorded as a reduction of the related expenses in the income statement. In circumstances where the expense has not yet been incurred, this amount is recognized in the income statement as a reduction of the relevant expense when it is incurred.

Warranty cost

In line with industry practice, we warrant or guarantee the materials and workmanship and performance of our PV module and turnkey products at certain levels of output performance for extended periods. Our PV modules are typically sold with a three-year guarantee for defects in materials and workmanship and a two-stage 25-year output warranty. In addition, we generally provide a limited warranty to the purchasers of our solar thermal panels for three years following delivery for defects in materials and workmanship under normal use and service conditions.

Our management exercises its judgment in determining the provisions to be made in respect of warranty reserves. Given our limited operating history and the fact that we have experienced no warranty claims to date, we have had to base ourselves fundamentally on the experience of those of our competitors with a longer history and on the percentage of defective products we have detected during the quality control testing process of our PV products, which typically amounts to less than 0.6% of our total production output. As of March 31, 2007, we had made no provision in respect of warranty claims. For further details on the guarantees offered by us to our customers, see notes 2.18 and 25 to our Audited IFRS-EU Financial Statements included elsewhere in this offering memorandum.

Inventories

We record as inventories the cost of raw materials used in our manufacturing processes as well as the other costs of finished goods from our PV module and solar thermal panel businesses. We determine the cost of raw materials on the basis of weighted average acquisition cost, whereas finished goods are carried at the lower of cost and net realizable value. Cost of finished goods includes design costs, raw materials, direct labor, other direct costs and manufacturing overheads (based on normal operating capacity) but excludes interest cost. We determine the net realizable value of finished goods as their estimated selling price in the ordinary course of business, less applicable variable selling costs.

INCOME STATEMENT LINE ITEMS UNDER IFRS-EU

Income

Revenue. Revenue consists of sales of goods and revenue from services rendered. Sales of goods includes sales of our PV modules and turnkey projects (which we commenced in 2006, in each case) and sales of solar thermal panels (which we commenced in 2007), whereas revenue from services rendered represents revenue generated from the development and installation of PV parks using third party PV modules (which we carried out in 2004 and 2005). Revenue is presented net of value added tax, returns, rebates and discounts.

Deferred income transferred to the income statement. Deferred income transferred to the income statement constitutes that portion of government grants in respect of the purchase of assets transferred to the income statements on a straight-line basis over the expected useful life of the related assets.

Other government grants related to income. Other government grants related to income constitutes that portion of subsidies and grants we received for the payment of expenses incurred in relation to assets financed with government grants transferred to the income statements on a straight-line basis during the same period in which the expenses are incurred.

Other income. Other income includes employment subsidies from local government.

Expenses

Consumption of raw materials and other consumables. Consumption of raw materials and other consumables includes the purchase of raw materials and other consumables, such as solar cells, aluminum, copper and electrical components when this line item presents a positive balance (income) this is due to a change in inventories higher than the purchases of raw materials. Correspondingly, if the change in inventories is lower than the purchases of raw materials, the balance is negative (expense).

Other external expenses. Other external expenses include management fees for administration services rendered, solar installation licenses (obtained in relation to our turnkey projects), aluminum cutting costs, and certain other external fees and expenses.

Employee benefits expense. Employee benefits expense includes all staff-related cost, including wages, salaries and similar remuneration, severance payments and social security expenses. These are offset by any deferred income arising in respect of the subsidized loans and subsidies, granted to us to subsidize our staff-related costs, among other things. As this deferred income is offset against expenses, we record no deferred income in respect of these subsidized loans in the line item “deferred income transferred to the income statement”.

Depreciation expense. Depreciation expense represents the depreciation of property, plant and equipment, such as buildings, plant and machinery, and the amortization of intangible fixed assets, such as computer software. Depreciation and amortization is recorded on a straight-line basis, with the term depending on the type of asset. See notes 4(b), 7 and 8 to our Audited IFRS-EU Financial Statements included elsewhere in this offering memorandum.

Operating expenses. Operating expenses include lease and rental expenses in relation to vehicles and our Madrid office, repairs and maintenance of our equipment and machinery, independent professional services, bank charges, security expenses and other expenses, such as travel costs and office expenses. These are partly offset by any deferred income arising in respect of the subsidized loans and subsidies granted to us to subsidize our operating expenses, among other things. Accordingly, we record no deferred income in respect of these subsidized loans in the line item “deferred income transferred to the income statement”.

Net loss on disposal of non-current assets. Net loss on disposal of non-current assets represents a net loss on the sale of vehicles.

Impairment of trade receivables. Impairment of trade receivables represents provisions made in respect of customers whose payment is more than 12 months overdue.

Other expenses. Other expenses includes payments in respect of non-deductible VAT and other taxes in relation to leased property.

Operating profit

Operating profit represents the excess of income over expenses.

Finance income

Finance income includes interest income from related parties, banks and other financial institutions, positive changes in fair values of derivative financial instruments and gains arising from exchange differences.

Finance costs

Finance costs include interest expenses, negative changes in fair values of derivative financial instruments and losses arising from exchange differences.

Income tax expense

Income tax expense represents the estimated amount of tax expenses on the profit for the period according to tax law and regulation in Spain. In accordance with Articles 108 and 144 of the Spanish Corporate Income Tax Act, which establish the requirements to be met by a company wishing to avail itself of the tax incentives for small and medium-sized companies, we calculate income tax by applying a 30% rate to taxable income up to an amount of €90,151.81 and a 35% rate thereafter.

In accordance with Law 35/2006 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 will be 32.5% for tax periods commencing on January 1, 2007 and 30% for tax periods commencing on January 1, 2008. We have taken into account the effect of the change in tax rates in the calculation of deferred taxes.

See note 19 to our Audited IFRS-EU Financial Statements, included elsewhere in this offering memorandum, for further information on the calculation of our income tax expense.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected financial information relating to our consolidated results of operations and each item expressed as a percentage of our total income. Our historical results presented below are not necessarily indicative of the results that may be expected for any current or future financial period.

	Year Ended December 31,						Three Months Ended March 31,	
	2004		2005		2006		2006	2007
IFRS-EU Income Statement:	**€**	**% of total income**	**€**	**% of total income**	**€**	**% of total income**		
							(unaudited)	
Revenue	408,864	98.6%	698,866	98.7%	19,146,563	99.7%	1,004,728	12,968,017
Deferred income transferred to the income statement	—	—	9,543	1.3%	47,337	0.2%	11,834	10,980
Other government grants related to income	5,694	1.4%	—	—	3,907	0.0%	—	—
Other income	—	—	19	0.0%	2,497	0.0%	—	2,731
Total income	414,558	100.0%	708,428	100.0%	19,200,304	100.0%	1,016,562	12,981,728
Consumption of raw materials and other consumables	(116,845)	28.2%	(51,293)	7.2%	(7,849,453)	40.9%	241,777	(7,022,083)
Other external expenses	(26,910)	6.5%	(2,393)	0.3%	(1,333,363)	6.9%	—	(300,000)
Employee benefits expense	(101,842)	24.6%	(269,884)	38.1%	(603,904)	3.1%	(170,420)	(454,261)
Depreciation expense	(6,016)	1.5%	(96,966)	13.7%	(209,662)	1.1%	(48,427)	(64,228)
Operating expenses	(47,573)	11.5%	(242,721)	34.3%	(442,886)	2.3%	(76,125)	(703,277)
Net loss on disposal of non-current assets	—	—	—	—	(9,546)	0.0%	—	—
Impairment of trade receivables	—	—	—	—	(14,220)	0.1%	—	—
Other expenses	—	—	(6,400)	0.9%	(31,268)	0.2%	(1,667)	(11,679)
Total operating expenses	(299,186)	72.2%	(669,657)	94.5%	(10,494,302)	54.7%	(54,862)	(8,555,528)
Operating profit	115,372	27.8%	38,771	5.5%	8,706,002	45.3%	961,700	4,426,200
Finance income	3,637	0.9%	27,119	3.8%	223,440	1.2%	29,567	59,329
Finance costs	(5,229)	1.3%	(33,029)	4.7%	(317,036)	1.7%	(20,826)	(291,196)
Profit before income tax	113,780	27.4%	32,861	4.6%	8,612,406	44.9%	970,441	4,194,333
Income tax expense	(34,134)	8.2%	(9,858)	1.4%	(2,969,647)	15.5%	(335,147)	(1,364,332)
Profit for the period	79,646	19.2%	23,003	3.2%	5,642,759	29.4%	635,294	2,830,001

Three months ended March 31, 2007 compared to three months ended March 31, 2006

Total income. Total income increased from €1,016,562 in the three months ended March 31, 2006 to €12,981,728 in the three months ended March 31, 2007. The increase was mainly attributable to an increase in revenue, which represented 99.9% of total income for the three months ended March 31, 2007, compared with 98.8% for the three months ended March 31, 2006, as our PV module and solar thermal panel production lines became operational only in late 2006.

- *Revenue.* Revenue increased from €1,004,728 in the three months ended March 31, 2006 to €12,968,017 in the three months ended March 31, 2007. The increase was mainly attributable to an increase in sales of our PV modules, which accounted for €11,528,393 (of which €10,119,493 was generated by sales to third parties and €1,408,900 was generated by internal sales to our turnkey business) in the three months ended March 31, 2007, compared with €456,250 (which was generated entirely by internal sales to our turnkey business) in the three months ended March 31, 2006. Our revenues from our turnkey projects also increased from €548,478 (net of the cost of internal purchases of PV modules) in the three months ended March 31, 2006 to €1,299,464 (net of the cost of internal purchases of PV modules) in the three months ended March 31, 2007. In addition, during the three months ended March 31, 2007, we completed our first sales of solar thermal panels, which accounted for €140,160 of our total revenues for such period.

- *Deferred income transferred to the income statement.* Deferred income transferred to the income statement decreased from €11,834 in the three months ended March 31, 2006 to €10,980 in the three months ended March 31, 2007, reflecting amounts received under the subsidies granted to us by IDAE to cover the repayment of principal and the payment of accrued interest under loans received from Caja Duero pursuant to the financing scheme established by ICO and IDAE.

- *Other income.* Other income amounted to €2,731 in the three months ended March 31, 2007 reflecting employment subsidies we received from the municipal authority of Puertollano. Other income was nil in the three months ended March 31, 2006.

Total operating expenses. Total operating expenses increased from €54,862 in the three months ended March 31, 2006 to €8,555,528 in the three months ended March 31, 2007. The increase was mainly attributable to an increase in the consumption of raw materials and other consumables.

- *Consumption of raw materials and other consumables.* Consumption of raw materials and other consumables accounted for 82.1% of total operating expenses in the three months ended March 31, 2007. Consumption of raw materials and other consumables varied from a positive figure of €241,777, arising from a net increase in our inventories, in the three months ended March 31, 2006 to an expense of €7,022,083 in the three months ended March 31, 2007. This was attributable to the increase in our sales of PV modules and solar thermal panels in the three months ended March 31, 2007 and the consequent increase in our use of raw materials and other consumables during that period.

- *Other external expenses.* Other external expenses accounted for 3.5% of total operating expenses in the three months ended March 31, 2007. Other external expenses amounted to €300,000 in the three months ended March 31, 2007, representing the management fee for administration services rendered by Solaria DTL Corporación, S.L. See “Related Party Transactions”. External expenses was nil in the three months ended March 31, 2006, as we had not yet entered into the management agreement at that time.

- *Employee benefits expense.* Employee benefits expense accounted for 5.3% of total operating expenses in the three months ended March 31, 2007. Employee benefits expense increased from €170,420 in the three months ended March 31, 2006 to €454,261 in the three months ended March 31, 2007. The increase was mainly attributable to the increase in our number of employees from 21 as of March 31, 2006 to 164 as of March 31, 2007.

- *Depreciation expense.* Depreciation expense accounted for 0.8% of total operating expenses in the three months ended March 31, 2007. Depreciation expense increased from €48,427 in the three months ended March 31, 2006 to €64,228 in the three months ended March 31, 2007. The increase was mainly attributable to the incorporation of new fixed assets since March 31, 2006, including, in particular, the plant and equipment installed in our PV module and solar thermal production facilities. The total value of property, plant and equipment increased from €2,602,476 at March 31, 2006 to €11,392,374 at March 31, 2007.

- *Operating expenses.* Operating expenses accounted for 8.2% of total operating expenses in the three months ended March 31, 2007. Operating expenses increased from €76,125 in the three months ended March 31, 2006 to €703,277 in the three months ended March 31, 2007. The increase was mainly attributable to external advisors' fees incurred in connection with this offering, as well as advertising costs of €120,437 incurred during the three months ended March 31, 2007 and fees payable during that period of €93,405 for certifications obtained in relation to our PV turnkey projects.

- *Other expenses.* Other expenses accounted for 0.1% of total operating expenses in the three months ended March 31, 2007. Other expenses increased from €1,667 in the three months ended March 31, 2006 to €11,679 in the three months ended March 31, 2007. The increase was mainly attributable to a payment in respect of non-deductible VAT on leased property.

Operating profit. As a result of the above factors, operating profit increased from €961,700 in the three months ended March 31, 2006 to €4,426,200 in the three months ended March 31, 2007.

Finance income. Finance income increased from €29,567 in the three months ended March 31, 2006 to €59,329 in the three months ended March 31, 2007, reflecting an increase in interest income in relation to amounts lent under a current account agreement with Instalaciones Díaz-Tejeiro, S.L, a related company. See "Related Party Transactions".

Finance costs. Finance costs increased from €20,826 in the three months ended March 31, 2006 to €291,196 in the three months ended March 31, 2007. The increase was mainly attributable to an increase in interest expenses under our lending facilities and a negative change in the euro/U.S. dollar exchange rate.

Profit before income tax. As a result of the above factors, profit before income tax increased from €970,441 in the three months ended March 31, 2006 to €4,194,333 in the three months ended March 31, 2007.

Income tax expense. Income tax expense increased from €335,147 in the three months ended March 31, 2006 to €1,364,332 in the three months ended March 31, 2007. The effective corporate income tax rate was 32.5% for the three months ended March 31, 2007 and 34.5% for the three months ended March 31, 2006.

Profit for the period. As a result of the above factors, profit for the period increased from €635,294 in the three months ended March 31, 2006 to €2,830,001 in the three months ended March 31, 2007.

Year ended December 31, 2006 compared to year ended December 31, 2005

Total income. As a result of the rapid growth of our business, total income increased from €708,428 in the year ended December 31, 2005 to €19,200,304 in the year ended December 31, 2006. The increase was mainly attributable to an increase in revenue, which represented 99.7% of total income for the year ended December 31, 2006, compared with 98.7% for the year ended December 31, 2005.

- *Revenue.* Revenue increased from €698,866 in the year ended December 31, 2005 to €19,146,563 in the year ended December 31, 2006. The increase was mainly a result of our first sales of our own PV modules, which accounted for €14,786,071 (of which €10,041,071 was generated by sales to third parties and €4,745,000 was generated by internal sales to our turnkey business line), and our first sales of turnkey projects, which accounted for €4,360,492 (net of the cost of internal purchases of PV modules). There was no revenue from other operating services as we concentrated our business activities on developing our PV module and turnkey business lines and ceased providing services in relation to the development and installation of PV parks using third party PV modules.

- *Deferred income transferred to the income statement.* Deferred income transferred to the income statement increased from €9,543 in the year ended December 31, 2005 to €47,337 in the year ended December 31, 2006. The increase was attributable to an increase in the amounts received through government grants and subsidies.

- *Other government grants related to income.* We recorded as revenue €3,907 in other government grants related to income in the year ended December 31, 2006, reflecting employment subsidies.

- *Other income*. Other income increased from €19 in the year ended December 31, 2005 to €2,497 in the year ended December 31, 2006. The increase was mainly attributable to the profit generated or the sale of our 0.47% holding in Brumale, S.L. to Solaria DTL Corporación, S.L. See "Related Party Transactions".

Total operating expenses. Total operating expenses increased from €669,657 in the year ended December 31, 2005 to €10,494,302 in the year ended December 31, 2006. The increase was mainly attributable to an increase in consumption of raw materials and other consumables and other external expenses.

- *Consumption of raw materials and other consumables.* Consumption of raw materials and other consumables accounted for 7.7% and 74.8% of total operating expenses in the years ended December 31, 2005 and 2006, respectively.

  Consumption of raw materials and other consumables increased from €51,293 in the year ended December 31, 2005 to €7,849,453 in the year ended December 31, 2006. The increase was attributable to the commencement of our PV module and solar thermal panel sales during 2006, and the consequent increase in our use of raw materials and other consumables.

  As a percentage of total income, consumption of raw materials and other consumables increased from 7.2% in the year ended December 31, 2005 to 40.9% in the year ended December 31, 2006.

- *Other external expenses.* Other external expenses accounted for 0.4% and 12.7% of total operating expenses in the years ended December 31, 2005 and 2006, respectively.

  Other external expenses increased from €2,393 in the year ended December 31, 2005 to €1,333,363 in the year ended December 31, 2006. The increase was mainly attributable to the incurrence of management fees for administration services rendered by Solaria DTL Corporación, S.L. (€933,057, see "Related Party Transactions"), the procurement of certificates in respect of certain of our PV turnkey projects (€300,348) and the preparation (cutting) of our aluminum supplies (€52,742). Due to our reduced level of activity in 2005, no such costs were incurred.

  As a percentage of total income, other external expenses increased from 0.3% in the year ended December 31, 2005 to 6.9% in the year ended December 31, 2006.

- *Employee benefits expense.* Employee benefits expense accounted for 40.3% and 5.8% of total operating expenses in the years ended December 31, 2005 and 2006, respectively.

  Employee benefits expense increased from €269,884 in the year ended December 31, 2005 to €603,904 in the year ended December 31, 2006. The increase was mainly attributable to the increase in our number of employees from 18 as of December 31, 2005 to 77 as of December 31, 2006.

  As a percentage of total income, employee benefits expense decreased from 38.1% in the year ended December 31, 2005 to 3.1% in the year ended December 31, 2006.

- *Depreciation expense.* Depreciation expense accounted for 14.5% and 2.0% of total operating expenses in the years ended December 31, 2005 and 2006, respectively.

  Depreciation expense increased from €96,966 in the year ended December 31, 2005 to €209,662 in the year ended December 31, 2006. The increase was mainly attributable to new fixed assets coming on-line during 2006, including, in particular, the plant and equipment installed in our PV module and solar thermal production facilities. We invested €5,328,043 in new property, plant and equipment in the year ended December 31, 2006 (with the total value of our fixed assets amounting to €7,501,144 at such date), compared with an investment in new fixed assets of €2,022,687 in the year ended December 31, 2005 (with the total value of our fixed assets amounting to €2,319,639 at such date).

  As a percentage of total income, depreciation expense decreased from 13.7% in the year ended December 31, 2005 to 1.1% in the year ended December 31, 2006.

- *Operating expenses.* Operating expenses accounted for 36.2% and 4.2% of total operating expenses in the years ended December 31, 2005 and 2006, respectively.

  Operating expenses increased from €242,721 in the year ended December 31, 2005 to €442,886 in the year ended December 31, 2006. The increase was mainly attributable to (i) the incurrence of costs in respect of security services at our Puertollano production site (€121,714), (ii) an increase in costs for bank charges from €11,578 in the year ended December 31, 2005 to €85,528 in the year ended

December 31, 2006, (iii) an increase in expenses for utility supplies, such as water and electricity, from €4,453 in the year ended December 31, 2005 to €51,781 in the year ended December 31, 2006, and (iv) an increase in other costs, such as costs for cleaning services, membership fees for industry bodies and other costs incurred in relation to the day-to-day running of our business from €40,914 in the year ended December 31, 2005 to €163,053 in the year ended December 31, 2006. These increases were partly offset by decreases in fees for independent professional services (a 27.6% decrease to €46,273 in 2006), transport costs (a 67.3% decrease to €16,808 in 2006) and advertising costs (an 8.8% decrease to €28,331 in 2006).

As a percentage of total income, operating expenses decreased from 34.3% in the year ended December 31, 2005 to 2.3% in the year ended December 31, 2006.

- *Net loss on disposal of non-current assets.* Net loss on disposal of non-current assets was €9,546 in the year ended December 31, 2006, reflecting the disposal of leased vehicles. No gains were generated or net losses incurred in respect of the disposal of non-current assets in the year ended December 31, 2005.

- *Impairment of trade receivables.* Impairment of trade receivables was €14,220 in the year ended December 31, 2006 reflecting an outstanding payment from one of our customers that remained overdue at December 31, 2006.

- *Other expenses.* Other expenses accounted for 1.0% and 0.3% of total operating expenses in the years ended December 31, 2005 and 2006, respectively.

  Other expenses increased from €6,400 in the year ended December 31, 2005 to €31,268 in the year ended December 31, 2006. The increase was mainly attributable to an increase in local taxes and fees in relation to our PV turnkey projects.

  As a percentage of total income, other expenses decreased from 0.9% in the year ended December 31, 2005 to 0.2% in the year ended December 31, 2006.

Operating profit. As a result of the above factors, Operating profit increased from €38,771 in the year ended December 31, 2005 to €8,706,002 in the year ended December 31, 2006.

Finance income. Finance income increased from €27,119 in the year ended December 31, 2005 to €223,440 in the year ended December 31, 2006. The increase was attributable to (i) an increase in interest income in relation to amounts lent under a current account agreement with Instalaciones Díaz-Tejeiro, S.L, a related company, from €22,991 in the year ended December 31, 2005 to €82,001 in the year ended December 31, 2006, (ii) a positive change of €11,966 in the book value of our derivative financial instruments (we held no derivative financial instruments in 2005), (iii) a positive change in exchange rate fluctuations of €51,877 resulting from the increase in the value of the euro against the U.S. dollar, and (iv) an increase in interest income we received from financial institutions for an aggregate amount of €73,468.

Finance costs. Finance costs increased from €33,029 in the year ended December 31, 2005 to €317,036 in the year ended December 31, 2006. The increase was attributable to (i) an increase in interest expenses under various finance agreements with financial institutions from €25,169 in the year ended December 31, 2005 to €285,918 in the year ended December 31, 2006, (ii) a negative change of €30,600 in the book value of our derivative financial instruments (we held no financial instruments in 2005). This was partly offset by a decrease in negative changes in euro/U.S.dollar exchange rate fluctuations, which accounted for €518 for the year ended December 31, 2006, compared with €7,860 for the year ended December 31, 2005.

Profit before tax. As a result of the above factors, profit before tax increased from €32,861 in the year ended December 31, 2005 to €8,612,406 in the year ended December 31, 2006.

Income tax expense. Income tax expense increased from €9,858 in the year ended December 31, 2005 to €2,969,647 in the year ended December 31, 2006. The effective corporate income tax rate was 34.5% for the year ended December 31, 2006 and 30.0% for the year ended December 31, 2005 (compared with the relevant statutory rates for small and medium-sized companies, which were applicable to us in the years ended December 31, 2005 and 2006, of 30% up to a taxable income of €90,151.81, and 35% thereafter).

Profit for the year. As a result of the above factors, profit for the year increased from €23,003 in the year ended December 31, 2005 to €5,642,759 in the year ended December 31, 2006.

Year ended December 31, 2005 compared to year ended December 31, 2004

Total income. Total income increased from €414,558 in the year ended December 31, 2004 to €708,428 in the year ended December 31, 2005. The increase was mainly attributable to an increase in revenue, which represented 98.7% of total income for the year ended December 31, 2005, compared with 98.6% for the year ended December 31, 2004.

- *Revenue.* Revenue increased from €408,864 in the year ended December 31, 2004 to €698,866 in the year ended December 31, 2005. The increase was attributable to an increase in services rendered in relation to the development and installation of PV parks using third party PV modules.

- *Deferred income transferred to the income statement.* Deferred income transferred to the income statement was €9,543 in the year ended December 31, 2005, reflecting amounts received from government subsidies and grants. There was no deferred income transferred to the income statement in the year ended December 31, 2004.

- *Other government grants related to income.* We recorded as revenue €5,964 in other government grants related to income in the year ended December 31, 2004, reflecting employment subsidies for an amount of €3,737 and amounts of €1,957 received under the subsidies granted to us by IDAE to cover the repayment of principal and the payment of accrued interest under loans received from Caja Duero pursuant to the financing scheme established by ICO and IDAE. We recorded no revenue from government grants in the year ended December 31, 2005.

- *Other income.* There was no significant other income in the years ended December 31, 2005 and 2004.

Total operating expenses. Total operating expenses increased from €299,186 in the year ended December 31, 2004 to €669,657 in the year ended December 31, 2005. The increase was mainly attributable to an increase in employee benefits expense, operating expenses and depreciation expense.

- *Consumption of raw materials and other consumables.* Consumption of raw materials and other consumables accounted for 7.7% and 39.1% of total operating expenses in the years ended December 31, 2005 and 2004, respectively.

  Consumption of raw materials and other consumables decreased from €116,845 in the year ended December 31, 2004 to €51,293 in the year ended December 31, 2005. The decrease was mainly attributable to variations in our inventory, which amounted to a gain of €125,280 during that period, due to the purchase of raw materials at the end of 2005, which remained in stock at December 31, 2005.

  As a percentage of total income, consumption of raw materials and other consumables decreased from 28.2% in the year ended December 31, 2004 to 7.2% in the year ended December 31, 2005.

- *Other external expenses.* Other external expenses accounted for 0.4% and 9.0% of total operating expenses in the years ended December 31, 2005 and 2004, respectively.

  Other external expenses decreased from €26,910 in the year ended December 31, 2004 to €2,393 in the year ended December 31, 2005. The decrease was attributable to a decrease in fees paid to Instalaciones Díaz-Tejeiro, S.L., a related company, for installation services rendered to our company.

  As a percentage of total income, other external expenses decreased from 6.5% in the year ended December 31, 2004 to 0.3% in the year ended December 31, 2005.

- *Employee benefits expense.* Employee benefits expense accounted for 40.3% and 34.0% of total operating expenses in the years ended December 31, 2005 and 2004, respectively.

  Employee benefits expense increased from €101,842 in the year ended December 31, 2004 to €269,884 in the year ended December 31, 2005. The increase was mainly attributable to the increase in the number of employees from 2 as of December 31, 2004 to 18 as of December 31, 2005.

As a percentage of total income, employee benefits expense increased from 24.6% in the year ended December 31, 2004 to 38.1% in the year ended December 31, 2005.

- *Depreciation expense.* Depreciation expense accounted for 14.5% and 2.0% of total operating expenses in the years ended December 31, 2005 and 2004, respectively.

  Depreciation expense increased from €6,016 in the year ended December 31, 2004 to €96,966 in the year ended December 31, 2005. The increase was mainly attributable to new property, plant and equipment coming on-line during 2006, including, in particular, our new production facilities in Puertollano and the machinery and equipment used in our first PV module production line.

  As a percentage of total income, depreciation expense increased from 1.5% in the year ended December 31, 2004 to 13.7% in the year ended December 31, 2005.

- *Operating expenses.* Operating expenses accounted for 36.2% and 15.9% of total operating expenses in the years ended December 31, 2005 and 2004, respectively.

  Operating expenses increased from €47,573 in the year ended December 31, 2004 to €242,721 in the year ended December 31, 2005. The increase was mainly attributable to (i) increase in fees for independent professional services, such as tax advisors and notaries from €3,870 in the year ended December 31, 2004 to €63,914 in the year ended December 31, 2005, (ii) transport costs amounting to €51,332 in the year ended December 31, 2005 (there were no such costs in 2004), and (iii) an increase in other costs from €13,541 in the year ended December 31, 2004 to €40,914 in the year ended December 31, 2005, reflecting, among other things, travel costs and business expenses.

  As a percentage of total income, operating expenses increased from 11.5% in the year ended December 31, 2004 to 34.3% in the year ended December 31, 2005.

- *Other expenses.* Other expenses was €6,400 in the year ended December 31, 2005, reflecting a payment in respect of non-deductible VAT on leased property. Other expenses accounted for 1.0% of total operating expenses and 0.9% of total income in the year ended December 31, 2005, respectively. There were no other expenses in the year ended December 31, 2004.

Operating profit. As a result of the above factors, operating profit decreased from €115,372 in the year ended December 31, 2004 to €38,771 in the year ended December 31, 2005.

Finance income. Finance income increased from €3,637 in the year ended December 31, 2004 to €27,119 in the year ended December 31, 2005, reflecting an increase in interest income in relation to amounts lent under a current account agreement with Instalaciones Díaz-Tejeiro, S.L, a related company. See “Related Party Transactions”.

Finance costs. Finance costs increased from €5,229 in the year ended December 31, 2004 to €33,029 in the year ended December 31, 2005. The increase was entirely attributable to an increase in interest expenses.

Profit before tax. As a result of the above factors, profit before tax decreased from €113,780 in the year ended December 31, 2004 to €32,861 in the year ended December 31, 2005.

Income tax expense. Income tax expense decreased from €34,134 in the year ended December 31, 2004 to €9,858 in the year ended December 31, 2005. The effective corporate income tax rate for small and medium-sized companies, which were applicable to us in the years ended December 31, 2004 and 2005, was 30% up to a taxable income of €90,151.81, and 35% thereafter.

Profit for the year. As a result of the above factors, profit for the year decreased from €79,646 in the year ended December 31, 2004 to €23,003 in the year ended December 31, 2005.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

To date, we have financed our operations primarily through cash flow from operations, government subsidies, subsidized loans and other incentives, as well as equity contributions by our shareholders. Our principal external source of liquidity is financing from credit institutions. As of March 31, 2007, we had total available credit facilities of €3,300,000. We will continue to need significant cash resources, among other things, (i) to finance the continued expansion of our production capacity and the construction of our new production facilities, (ii) to fund our purchase of raw materials, which we expect to acquire in increasing quantities as we grow our business, and (iii) to fund our other operating expenses. We expect to continue to require significant levels of market-based financing for our capital requirements, particularly as we anticipate that certain of the subsidies and incentives currently utilized by us may, in the near term, no longer be available as a result of the expansion of our business.

The following table sets forth our liabilities as of December 31, 2006, 2005 and 2004 and as of March 31, 2007:

	As of December 31,			As of March 31, 2007
	2004	2005	2006	(unaudited)
			(in €)	
Non-current liabilities:				
Borrowings with financial institutions	510,575	1,453,472	8,770,100	9,171,345
Deferred income	148,435	421,973	4,909,792	4,938,706
Deferred tax liabilities	—	—	165,859	159,956
	659,010	1,875,445	13,845,751	14,270,007
Current liabilities:				
Borrowings with financial institutions	35,318	421,317	7,615,194	15,126,269
Trade and other payables	72,688	1,148,815	8,563,334	14,310,506
Deferred income	4,114	253,803	58,544	146,082
Derivative financial instruments	—	—	30,600	53,800
Current income tax liabilities	15,286	—	2,785,162	4,163,602
	127,406	1,823,935	19,052,834	33,800,259
Total liabilities	786,416	3,699,380	32,898,585	48,070,266

Borrowings. The following table sets forth a breakdown, in terms of maturity, of our borrowings and net borrowings as of December 31, 2006, 2005 and 2004 and as of March 31, 2007:

	As of December 31,			As of March 31, 2007
	2004	2005	2006	(unaudited)
			(in €)	
Short-term borrowings [1]	35,318	421,317	7,615,194	15,126,269
Medium-term borrowings [2]	419,766	566,685	4,865,064	5,251,215
Long-term borrowings [3]	90,809	886,787	3,905,036	3,920,130
Total borrowings with financial institutions	545,893	1,874,789	16,385,294	24,297,614
Cash and cash equivalents	59,914	1,267,110	4,227,789	4,571,728
Net borrowings	485,979	607,679	12,157,505	19,725,886

Notes: (1) Debt with financial institutions maturing in one year or less from the balance sheet date.
(2) Debt with financial institutions maturing in over one year but within five years from the balance sheet date.
(3) Debt with financial institutions maturing in over five years from the balance sheet date.

On April 25, 2007, we formalized a further loan from Caja Madrid to our company in the aggregate principal amount of €6,000,000, in respect of which we entered into a new interest rate hedging transaction with the same bank on March 22, 2007. For further details of this hedging arrangement, please see note 16 to our Unaudited Condensed Interim IFRS-EU Financial Statements, and for further details on our borrowings with financial institutions, please see note 16 to our Audited IFRS-EU Financial Statements.

In connection with two credit facilities granted to us by Caja Rural on April 9, 2006, in an aggregate principal amount of €6,000,000, we have granted a mortgage for the benefit of such lender over both of our production facilities at Puertollano. The final maturity dates are June 10, 2013 and June 15, 2016, respectively.

Trade and other payables. The following table sets forth a breakdown of our trade and other payables as of December 31, 2006, 2005 and 2004 and as of March 31, 2007:

	As of December 31,			As of March 31, 2007
	2004	2005	2006	(unaudited)
			(in €)	
Suppliers and trade creditors	64,140	1,110,977	3,519,952	3,593,341
Prepayments from customers[(1)]	—	—	2,565,348	3,318,692
Taxes payable	8,548	37,838	52,036	79,324
Fixed asset suppliers	—	—	2,424,826	7,319,026
Other current liabilities	—	—	1,172	123
Total trade and other payables	72,688	1,148,815	8,563,334	14,310,506

Notes: (1) This reflects amounts invoiced to our clients prior to completion, which we record as a liability on our balance sheet until we are able to recognize the revenues. See note 2.21 to our Audited IFRS-EU Financial Statements

Cash flows

The following table sets forth certain cash flow information for the years ended December 31, 2006, 2005 and 2004 and for the three months ended March 31, 2007:

	Year Ended December 31,			Three Months Ended March 31, 2007
	2004	2005	2006	(unaudited)
			(in €)	
Net cash (utilized in)/generated from operating activities	(44,682)	920,815	(5,908,273)	(1,329,288)
Net cash utilized in investing activities	(724,695)	(1,971,542)	(5,458,219)	(3,804,228)
Net cash generated from financing activities	818,329	2,257,923	14,327,171	5,477,455
Cash and cash equivalents at the beginning of the year	10,962	59,914	1,267,110	4,227,789
Cash and cash equivalents at the end of the year	59,914	1,267,110	4,227,789	4,571,728

Our sources of funds and cash flows are closely linked to the structure and nature of our income and expenses.

Net cash utilized in/(generated from) operating activities

During the year ended December 31, 2006 and the three months ended March 31, 2007, we applied funds to finance certain expenses derived from our operating activities, comprising mainly the purchase of raw materials for the production of PV modules and solar thermal panels and the creation of a minimum reserve stock of solar cells. Net cash utilized in operating activities amounted to €5,908,273 and €1,329,288 for the year ended December 31, 2006 and the three months ended March 31, 2007, respectively. During the year ended December 31, 2005, net cash generated from operating activities amounted to €920,815, mainly attributable to trade and other receivables of €1,076,127, representing credit granted to us by our suppliers under the terms of our supply arrangements. By contrast, for the year ended December 31, 2004, net cash utilized in operating activities was €19,968, mainly attributable to funds used to reduce our balance of trade and other receivables.

Net cash utilized in investing activities

During the year ended December 31, 2006 and the three months ended March 31, 2007, we applied funds to increase our maximum production capacity for both PV modules and solar thermal panels at our production site in Puertollano. Net cash utilized in investing activities during those periods was €5,458,219 and €3,804,228, respectively. During the year ended December 31, 2005, we also invested in equipment and machinery to commence the development of our production facilities in Puertollano, and our net cash utilized in investing activities in the year ended December 31, 2004 mainly represents advance payments we made in respect of such equipment and machinery and certain cash outflows resulting from the creation of short-term deposits with certain finance institutions. Net cash utilized in investing activities amounted to €1,971,542 and €724,695 for the years ended December 31, 2005 and 2004, respectively.

Net cash generated from financing activities

For the year ended December 31, 2006 and the three months ended March 31, 2007, our primary source of financing was subsidized loans we obtained from a number of financial institutions (see " —Key Factors

Affecting our Results of Operations—Government subsidies" above). Net cash generated from financing activities during such periods was €14,327,171 and €5,477,455, respectively. During the years ended December 31, 2005 and 2004, our principal sources of financing were (i) funds received from our shareholders through capital increases, (ii) certain subsidies granted to us by governmental bodies, and (iii) to a lesser extent, subsidized loans from financial institutions. Net cash generated from financing activities amounted to €2,257,923 and €818,329 for the years ended December 31, 2005 and 2004, respectively

Cash and cash equivalents

The increase in cash and cash equivalents between January 1, 2004 and March 31, 2007 mainly reflects the increase in cash received under our borrowings with financial institutions that, at March 31, 2007, had not been utilized to fund the purchase of equipment and machinery and construction of our facilities, which together account for substantially all of our capital expenditure. In addition, the balance at March 31, 2007 also reflects cash received from customers, which we have invoiced and received prior to paying certain suppliers for the raw materials used in the manufacture of the products sold.

Working capital

Taking into account our existing cash and cash equivalents as of the date of this offering memorandum, the operating cash flow we expect to generate in the 12 months following the date of this offering memorandum, in addition to the net proceeds of the offering and available credit facilities, we believe we will be able to serve our working capital requirements for the 12 months following the date of this offering memorandum, but we cannot assure you this will be the case.

Notwithstanding the foregoing, we may need to obtain additional debt financing to implement our desired strategy and to fund the costs associated with the construction of our new production lines and facilities required by our expansion plans and the purchase of equipment and machinery to be employed in the production processes of our current and intended business lines, which debt financing may not be available on commercially attractive terms or at all.

The following table, which has been derived from the relevant financial statements included elsewhere in this offering memorandum, sets forth balances comprising our working capital at December 31, 2006, 2005 and 2004 and at March 31, 2007, prepared in accordance in IFRS-EU.

	At December 31,			At March 31, 2007
	2004	2005	2006	
				(unaudited)
Inventories	—	125,280	17,655,387	21,441,217
Trade and other receivables	223,547	275,146	8,987,103	16,579,543
Prepaid expenses	—	—	—	20,135
Current income tax assets	—	16,311	31,102	35,174
Current assets	223,547	416,737	26,673,592	38,076,070
Trade and other payables	72,688	1,148,815	8,563,334	14,310,506
Deferred income	4,114	253,803	58,544	146,082
Current income tax liabilities	15,286	—	2,785,162	4,163,602
Current liabilities	92,088	1,402,618	11,407,040	18,620,190
Operating working capital	131,459	(985,881)	15,266,552	19,455,880

At December 31, 2004, we had positive working capital of €131,459, which was mainly attributable to trade and other receivables (€223,547) being greater than our trade and other payables (€72,688).

The negative working capital of €(985,881) at December 31, 2005 is principally attributable to trade and other payables in the aggregate amount of €1,148,815, which represents amounts owed by our company to suppliers, public administrative bodies and other creditors.

At December 31, 2006 and March 31, 2007, we had positive working capital of €15,266,552 and €19,455,880, respectively. These balances were primarily attributable to a significant increase in our inventories following the commencement of our production of PV modules and solar thermal panels, which led to a consequential increase in our current assets. In addition, during the year ended December 31, 2006, with a view to establishing and maintaining a minimum reserve stock of raw materials, we acquired solar cells in larger quantities than in previous financial periods, and this minimum reserve stock of solar cells was recorded under inventories, within current assets, as at each balance sheet date. We believe that our minimum reserve stock of raw materials would allow for approximately one month of production of PV modules. In addition, during the three months ended March 31, 2007, the increase in trade and other receivables was greater than the increase in trade and other payables. During both the year ended December 31, 2006 and the three months ended March 31, 2007, these increases in working capital were partially offset by an increase in current income tax liabilities.

Capital expenditure

We currently intend to invest approximately €426 million during the four years ending December 31, 2010 on a number of expansion projects. As of the date of this offering memorandum, we have entered into two agreements with Spire for the supply of equipment and machinery in relation to our anticipated expansion:

- a contract for the supply of equipment and machinery for use in our solar cell production lines, for an aggregate amount of U.S.$8,950,165; and

- a contract for the supply of equipment and machinery for use in our PV module production lines, including, among other things, an assembler, three laminating machines and an EVA cutting machine for an aggregate amount of U.S.$2,525,000.

While we have not entered into other binding agreements in relation to our anticipated expansion, we expect to make significant investments in fixed assets in the near to medium term in order to accommodate the planned increase of our existing PV module and solar thermal panel production capacity, as well as the commencement of our solar cell and solar wafer production. This will require us to build new plants and acquire new machinery for use in our additional production lines, as described in more detail below.

- *Increase in PV module capacity.* We intend to increase our existing maximum PV module production capacity from the current 90 MW to 400 MW by 2010, which requires the installation of additional lines. To accommodate these new and additional production lines, construction work is currently being carried out on our existing manufacturing site in Puertollano to build a new PV module plant with a floor space of approximately 2,600 sqm, which sits adjacent to our existing 2,300 sqm plant. We expect our new PV module plant to be operative before year-end 2007.

- *Solar cell production.* We intend to commence the production of solar cells with an initial maximum production capacity of 25 MW and planned progressive increases designed to reach a maximum production capacity of 400 MW by 2010. We have obtained the relevant permits and licenses for, and have started construction of, our new solar cell production facility with a floor space of approximately 12,500 sqm, with the aim of starting commercial production in the last quarter of 2007.

- *Solar wafer production.* We intend to commence production of wafers in the second half of 2008 with an initial maximum production capacity of 100 MW, which we expect to increase to 400 MW by 2010. We intend to commence construction of our wafer production facility, with a floor space of approximately 50,000 sqm, in the last quarter of 2007. Accordingly, we expect the major part of our investments in relation to our expansion into solar wafer production to be incurred in 2007 and 2008.

- *Increase in solar thermal capacity.* We intend to increase our existing maximum solar thermal panel production capacity from the current 90,000 sqm to 140,000 sqm and 540,000 sqm by 2008 and 2010, respectively. These planned increases are with a view to supplying the increased demand we expect will be created by the coming into force of the Spanish Technical Code for Construction (*Código Técnico de Edificación*). Subject to certain limited exceptions, the Code requires construction companies in Spain to incorporate solar thermal panels for the heating and hot water systems of all new or rehabilitated buildings.

The following table sets forth our objective for our aggregated investment for each of the years ended December 31, 2007, 2008, 2009 and 2010, broken down between our PV module and solar thermal panel production lines and our planned solar cell and silicon wafer production lines.

Estimated aggregate investment (in €) [1]

Product	Years ended December 31, 2007E	2008E	2009E	2010E	Total
PV modules	18,000,000	20,000,000	20,000,000	7,000,000	65,000,000
Solar cells	35,000,000	55,000,000	40,000,000	15,000,000	145,000,000
Silicon wafers	55,000,000	80,000,000	30,000,000	20,000,000	185,000,000
Solar thermal panels	5,600,000	13,000,000	5,500,000	4,000,000	28,100,000
Warehouse	2,000,000	1,500,000	—	—	3,500,000
Total	115,600,000	169,500,000	95,500,000	46,000,000	426,600,000

Note: (1) While our current intended investment plans represent our best estimate at the date of this offering memorandum, they form part of a four-year business plan through to December 31, 2010 and, accordingly, may be affected by changing circumstances in a dynamic, high-growth market, such as the solar energy market. Factors, certain of which are outside our control, such as the entry of new market participants or rapid advancements in PV technology, amongst others, may require us to revise our anticipated investments upwards or downwards or to alter their timing. In addition, the table does not include investments we expect to make in relation to the 150 MW turnkey project we hope to develop for third parties in relation to our appointment as manager of a grid connection point, which investments mainly relate to the acquisition of land, which we currently estimate to amount to approximately €3,600,000.

To fund our investment plans, we intend to use the net proceeds received by us in this offering, as well as other sources of funds, such as borrowings from financial institutions, including subsidized loans to the extent possible, and, to a lesser extent, the subsidy granted to us by the Ministry of Industry, Tourism and Trade through its Institute of Coal Mining Restructuring and Alternative Development of Mining Areas (*Instituto para la Reestructuración de la Minería del Carbón y Desarrollo Alternativo de las Comarcas Mineras*) for an aggregate amount of €4,546,365.50, which, as of the date of this offering memorandum, we have not yet received.

Contractual obligations

Our principal contractual commitments derive from (i) our financial indebtedness (see "—Key Factors Affecting our Results of Operations—Government subsidies" above), (ii) the construction contract we have entered into with Grupo Rayet for the construction of the new Production Facilities at our two sites in Puertollano, Castilla-La Mancha (see "Business—Production Facilities and Construction"), and (iii) our supply contracts in respect of raw materials and equipment and machinery (see "Business—Suppliers").

In addition, we anticipate that we may enter into certain significant contractual obligations, which relate to, and are contingent upon, among other things (i) the agreement of a project plan with Red Eléctrica for the management of 200 MW at the "La Paloma" grid connection point in Castilla-La Mancha, and (ii) our ability to allocate 150 MW of that the maximum capacity to our own turnkey projects, neither of which can be assured at the date of this offering memorandum. These contractual obligations may arise in connection with:

- Non-binding letters of intent that we entered into with two customers in May 2007 for the development of ten PV parks over a period of several years with an aggregate installed capacity of 110 MW (and an expected maximum connection capacity of 100 MW), which we intend to connect to the grid through the La Paloma connection point. Although we currently anticipate that these letters of intent will lead to the entry into of legally binding contractual arrangements on the terms indicated, we can give no assurance to that effect.

- If formally appointed grid connection manager of the La Paloma connection point, we will be required to develop the required PV parks within a period to be specified by the operator of the Spanish national electricity grid, Red Eléctrica. In addition, in guarantee of our obligations in respect of the project, we expect we will be required to provide the Spanish Ministry of Industry, Trade and Tourism (*Ministerio de Industria, Comercio y Turismo*) with a first—demand bank guarantee for an amount of approximately €50,000,000, which is broadly equivalent to 5% of the total estimated value of the project. If we fail to deliver the required PV parks on time or at all, we may be required to pay all or part of the amount guaranteed.

Moreover, if we are successful in growing our business in line with our expansion plans, we expect that we will enter into significant additional contractual commitments, principally relating to the supply of raw materials and equipment and machinery for our additional production lines, the sale of PV modules and solar thermal panels and the provision of turnkey services.

Off-balance sheet arrangements

We do not utilize off-balance sheet arrangements and do not have any special purpose entities or unconsolidated affiliates. We are required under the terms of certain of our subsidies to provide bank guarantees to public entities. At March 31, 2007, the total aggregate amount of our bank guarantees was €4,530,612. We also provide warranties to our customers. At March 31, 2007, we made no provision for warranty claims given that, as of such date, we had received no warranty claims in respect of our products.

Market risk

We are exposed to certain market risks relating to fluctuations in foreign exchange rates (particularly the euro/U.S. dollar), the price of raw materials (particularly silicon) and interest rates. We have implemented policies that seek to reduce the possible adverse effects of any such fluctuations:

- *Foreign exchange risk.* Foreign exchange risk arises from certain commercial transactions that we enter into to purchase machinery, equipment and raw materials. We have implemented a procedure whereby all of our transactions in currencies other than the euro falling due after more than 30 days must be hedged against the relevant foreign exchange risk, unless, in our judgment, the hedging transaction is not advisable in view of the prevailing market conditions.

- *Price risk.* As discussed elsewhere in this offering memorandum, we are exposed to risks arising from the market price of the raw materials used in our production processes (see "Risk Factors—The PV industry is significantly dependent on the price and availability of silicon"). We seek to manage this risk by varying the term and pricing structure of our supply contracts in light of prevailing market prices. For example, when we anticipate a sustained decline in the price of silicon, we generally seek to enter into supply arrangements for a shorter term with quarterly price reviews and a termination right for both parties if no agreement is reached on price.

- *Interest rate risk.* At March 31, 2007, we had no significant interest-bearing assets. Moreover, our revenues and cash flows from our operating activities are relatively unaffected by interest-rate fluctuations. Our interest rate risk principally derives from our non-current borrowings with banks, certain of which borrowings are subject to variable interest rates that we hedge through the use of derivative financial instruments for variable-rate loans.

As risk management involves certain risks and uncertainties, we cannot assure you that our policies will be effective or that our currency exchange rate or hedging transactions will not negatively affect our results of operations.

RENEWABLE ENERGIES

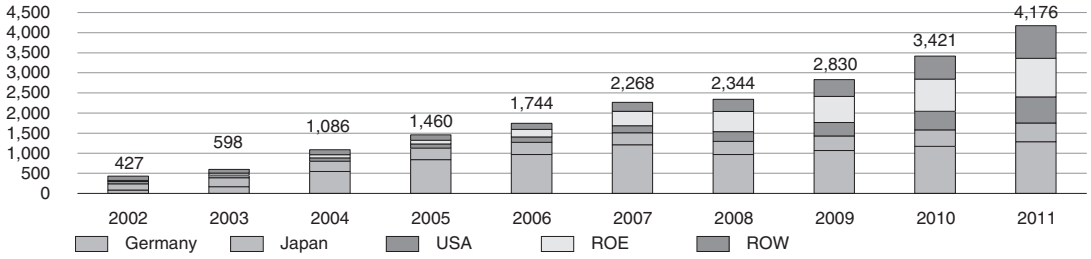
Overview

Historically, the world's energy needs have been met through the exploitation of non-renewable energy sources, such as fossil fuels (e.g., oil, coal and natural gas) and nuclear power. In recent years, however, power generated from renewable energy sources, such as wind, water or sunlight, has experienced considerable and rapid growth, and industry observers generally expect that growth to continue. The primary drivers of demand for renewable energy sources include the following:

- increased environmental concern regarding the carbon dioxide and other emissions generated by the use of fossil fuels, which many believe to be responsible for global climate change, resulting in a supportive legislative environment in many countries for energy generated from renewable sources;
- political instability in oil-exporting countries contributing towards increased and volatile energy prices, and the desire of certain countries with limited own supply of fossil fuels to reduce their dependence on imported coal, oil and gas;
- rapidly increasing global energy demand, particularly from fast-developing countries, such as China or India; and
- environmental and other concerns regarding any significant increase in global dependency on nuclear power.

Photovoltaic energy

In accordance with data published by the European Renewable Energy Council, EREC, photovoltaic (or PV) energy is the fastest growing form of renewable energy globally. The aggregate capacity of worldwide PV installations grew by 19% to reach 1,744 MW in 2006 (source: Solarbuzz, 2007).



During 2006, Europe accounted for 66% of global installed PV capacity, with the largest single markets being Germany, Japan and the U.S., accounting for 55%, 17% and 8% of worldwide installed capacity, respectively (source: Solarbuzz). The fastest growing market for PV energy was Spain, with installed capacity increasing from 58 MWp at December 31, 2005 to 118 MWp at December 31, 2006, representing an annual growth rate of more than 200% (source: IDAE).

Current trends in the global PV market include:

- *Emergence of new high growth markets*. The establishment of new supportive legislation for renewable energy generation in certain European countries, such as Spain, as well as in emerging countries, such as China, has resulted in the development of new markets, alongside the larger but more mature German and Japanese markets. Growth in these new markets is benefiting both local market participants as well as more established companies seeking to expand outside their home markets.
- *Internationalization.* The emergence of new markets and a substantial increase in PV production capacity over recent years have driven established solar companies to expand beyond their home markets. This is particularly the case with German solar companies, which are experiencing increased competition in their home market against a backdrop of slowing demand, as well as Asian market participants with high production capacities, which are capable of absorbing demand in other markets.

- *Vertical integration*: The recent shortage in the supply of silicon due to strong demand for silicon for semiconductor and PV products and lack of sufficient investment in silicon production facilities in the past, have led to market participants further down the PV value chain to experience significant bottlenecks and increasing supply costs. Several of these companies have therefore expanded, or are planning to expand, further upstream in the PV value chain in order to realize cost savings through a reduction in transaction costs and reduce their dependence on suppliers in terms of procurement prices or changes to their production capacities. Conversely, several companies, that have so far solely been active in the upstream stages of the PV value chain, such as Sunpower Corporation, a U.S. company, are expanding their operations downstream. These two trends are contributing towards an increasing resemblance between market participants, which had originally been active in different stages of the value chain.

- *Cost competitiveness*: The combination of increased competition, due to internationalization and the emergence of new market participants, as well as increased production costs, in particular higher raw material costs, has rendered cost competitiveness a key differentiating factor for solar companies. In addition, as PV energy would currently not be able to compete on a non-subsidized basis with conventional energy sources in terms of cost and efficiency per Watt of electricity generated, market participants are focusing on substantial cost improvements to secure the long-term viability of the solar sector. Companies are competing on cost either through (i) increasing cell efficiencies to achieve a lower price per kWh of electricity generated, (ii) developing production facilities in areas with relatively low labor costs, (iii) the use of alternative thin-film technologies that use less silicon and hence reduce raw material costs, and (iv) the development of more efficient production processes.

PHOTOVOLTAIC ENERGY

Overview

Photovoltaic (PV) energy is generated by converting sunlight into energy through semiconductor materials, such as silicon. Sunlight is generally regarded as a renewable energy source with significant potential for widespread exploitation for a number of reasons. First, the amount of energy radiated from the sun to the earth's surface is believed to be sufficient to cover a large portion of the world's energy demand. Secondly, as solar radiation tends to be at its strongest during the peak hours of demand (lunchtime and early afternoon), it offers a particularly attractive solution to meet power shortages. Thirdly, with the recent technological advances achieved in the PV industry to lower production costs and improved conversion efficiencies of solar cells, it is believed that PV technologies will be capable of providing a cost-effective energy supply in the future. Lastly, as PV systems do not require fossil fuels to generate electricity, their running costs, mainly consisting of module and system maintenance, are comparatively low. Moreover, the typical useful life of a PV module is 25 years, although some can operate for as long as 40 years in favorable weather conditions.

The following PV systems are generally distinguished:

- *On-grid systems.* This type of system is characterized by a connection between the solar module system and the public power grid, into which is fed the electricity produced by the module system. Small and mid-sized systems (up to 100kWp) are typically distinguished from large-scale systems (over 100kWp). The smaller systems are generally found on residential, commercial and public administration buildings (for example, mounted on, or integrated in, the roof or other parts of the building, such as façades), while large-scale systems operate as power generation plants and are frequently found on open land. In countries with high levels of solar radiation, such as Spain, on-grid systems can be of particular benefit, serving to support the power grid and to improve the coverage of the power load curve according to the time of day. In such countries, the power load curve demonstrates that the maximum demand for power is often at times of maximum solar radiation due to the use of air-conditioning systems.

- *Off-grid systems.* Off-grid systems are PV systems that supply electricity for lighting, cooling and other low-voltage applications, independently of, and without being connected to, a power grid. Off-grid systems have diverse uses, including (i) the electrification of remote rural areas with no or inadequate access to a power grid, (ii) household applications to replace or supplement the supply from a power grid, (iii) power supplies to remote telecommunications uses, including power generation for network masts, and (iv) other industrial uses, such as water pumps for crop irrigation, street lighting, parking ticket machines and weather stations.

PV systems

A PV system is made up of one or more PV modules. Each module contains a matrix of interconnected solar cells made from semiconductor materials. When a solar cell is exposed to light, photons are absorbed, which process results in the release of negatively charged electrons from atoms on the surface of the cell. These electrons are drawn towards the positively charged inner core of the cell, thereby creating a flow of electrons within the cell. The positive and negative elements then mix to form a barrier (called a tandem or junction) which impedes the further flow of electrons, and an electrical charge imbalance is thus created between the exposed surface of the cell (negative) and the reverse side of the cell (positive). Electric contact layers applied to the surface of each cell provide the blocked electrons with a path of lower resistance to the positively charged reverse side of the cell, and a direct current is thereby created in the electric contacts by the continuous flow of electrons. Direct current (or DC) can be used directly with DC-appliances, stored in an electric battery for future use or converted, via an inverter, into alternating current (or AC), which is more commonly used for household appliances. The DC watt output of a PV module is measured at the end of the production process under standardized testing conditions that allow comparability between the different products on the market. The output of PV modules is commonly measured in Watts produced at peak sunlight (Watt-peak or Wp).

PV technologies

There are several key technologies that are currently being employed in the manufacture of PV modules, the most important of which relate to the semiconductor materials used in solar cells. The key challenges for these technologies are:

- *Quality.* Maximizing the amount of energy produced by a solar cell. This is referred to as "conversion efficiency" and is expressed as the percentage of solar radiation reaching the cell that is captured and converted into usable electricity. Conversion efficiency is one of the key measures of the quality of a cell, as products with higher-grade raw materials and enhanced levels of technology would generally have a higher conversion efficiency. Our solar cells typically have a conversion efficiency of between 13.5% and 16.5%.

- *Cost efficiency.* Reducing the amount of raw materials used in the manufacture of each cell, without a resulting reduction in conversion efficiency. By reducing the amount of raw materials in a cell, without materially affecting its performance, the cost efficiency of a cell (measured in currency units per Watt generated) is enhanced, which can lead to improved operating margins.

As purchasers of modules for larger-scale PV systems are primarily concerned with the overall output of the PV system, the conversion efficiency of the system tends to be of less importance to them than its price, which is driven, in large part, by cost efficiency. In contrast, the conversion efficiency of PV modules may be of greater interest to purchasers of modules for smaller scale PV systems, where space can be more limited, as they may be looking to generate the maximum amount of power possible from the limited surface area available.

Silicon-based technologies

Historically, crystalline silicon has been used as the light-absorbing semiconductor in most solar cells, and we use only silicon-based technologies in our PV products. There are two types of crystalline silicon used in the industry: monocrystalline and polycrystalline. Monocrystalline silicon is produced by slicing wafers (up to 150mm in diameter and 350 microns thick) from a high-purity single crystal ingot. Polycrystalline silicon, by contrast, is made by sawing a cast block of silicon first into bars and then into wafers.

While polycrystalline cells are less expensive to produce (and, therefore, to buy as a raw material), they tend to have a lower conversion efficiency than monocrystalline cells and, thus, the cost efficiency of both types of solar cell is presently comparable. We use both silicon types in our current production of PV modules. Conversion efficiency for silicon-based technologies ranges from 13% to 18% for polycrystalline solar cells to 14% to 22% for monocrystalline solar cells, whereas their cost efficiency tends to range between U.S.$1.75 and U.S.$2.40 per Watt for polycrystalline solar cells and U.S.$2.00 and U.S.$2.50 per Watt for monocrystalline cells (source: Prometheus Institute, 2005-2010 forecast).

Thin-film technologies

Some solar cell producers have, however, opted to use thinner layers of semiconductor materials in their solar cells. These so-called "thin-film technologies" use much less or no silicon and incorporate other raw materials, such as cadmium telluride, as semiconductors. While thin-film technologies generally tend to be

cheaper as they use less expensive raw materials, the conversion efficiency of solar cells based on thin-film semiconductors tends to be lower than that of silicon-based solar cells. Conversion efficiency for thin-film technologies is usually below 10%, whereas their cost efficiency tends to range between U.S.$1.20 and U.S.$2.00 per Watt (source: Prometheus Institute, 2005-2010 forecast).

Concentration technologies

Concentration technologies, which attempt to increase the output of solar cells by concentrating solar radiation on the surface of specially designed cells through the use of lenses and/or mirrors, have not yet achieved widespread adoption. Given the concentration of the solar radiation, heat sinks or active cooling systems are used to dissipate the large amount of heat generated. Unlike conventional flat plate PV arrays, concentrator systems require direct sunlight (i.e., clear skies) and do not operate effectively in cloudy conditions. They generally follow the sun's path through the sky during the day using single-axis tracking, and to adjust to the sun's varying height in the sky through the seasons, two-axis tracking is sometimes also used. The technology allows for conversion efficiency levels exceeding 35% (source: Prometheus Institute).

Key challenges

Moreover, the PV industry is at a relatively early stage of development, and the extent to which PV modules will be widely adopted is uncertain. In particular, PV energy is not yet cost-efficient compared with energy produced from conventional sources of energy. Consequently, the PV industry depends to a significant extent on the availability of attractive levels of government subsidies and other incentives to compete effectively with other forms of energy. In addition, the technologies employed in the PV value manufacturing chain tend to be expensive. Key market participants are therefore seeking to improve the competitiveness of their products through:

- higher solar cell conversion efficiency;
- reduced reliance on expensive raw materials, such as silicon, in the production process (for example, through the use of thinner silicon wafers); and
- reduced operating costs resulting from economies of scale and enhanced manufacturing processes.

Accordingly, to guarantee its long-term future, the PV industry must become able to compete on a non-subsidized basis with conventional and other renewable energy sources in terms of cost efficiency (i.e., cost per Watt of electricity generated). If the industry does not develop the required cost efficiencies within the timeframes established for the gradual phasing out of government subsidies, it may be unable to compete effectively with conventional and other renewable forms of energy in the medium to long term.

Silicon-based technologies

The market for silicon has historically experienced significant volatility. While there was a considerable excess of supply of silicon from 1998 through 2003, demand has, more recently, outstripped supply, resulting in a sharp increase in the price of silicon. This shortage of silicon was, in our view, primarily attributable to strong demand for silicon for semiconductor and PV products and the lack of sufficient investment in silicon production facilities historically. While certain market observers expect the availability of silicon to increase in the medium term, there can be no assurance, however, that the recent supply imbalance will be remedied, in whole or in part.

Fluctuations in the price and availability of silicon can significantly affect the results of operations of manufacturers of silicon-based PV products. Accordingly, to guarantee its long-term viability, the silicon-based PV industry must establish and maintain a stable supply of solar-grade silicon at prices that enable manufacturers of silicon-based products to compete effectively with other PV products and with other renewable and conventional energy sources.

Thin-film technologies

In addition, silicon-based technologies face competition from PV technologies using other semiconductor materials, such as cadmium telluride (the so-called "thin film technologies"). While these technologies generally use smaller quantities of, and/or less expensive, raw materials, their production processes are less well developed and more expensive than the processes for silicon-based production and they tend to yield lower conversion efficiency levels. Moreover, as the PV industry has predominantly opted to use silicon semiconductors, it is, in our view, more difficult for manufacturers of thin-film products to enter into technology cooperation or supply agreements with other market participants in relation to these alternative technologies. We believe that, given its relative youth, the thin-film PV industry has yet to prove its sustainability and that its long-term future will be largely dependent on its ability to match, on a sustained basis, the cost efficiency and reliability of silicon-based products.

Concentration technologies

Concentration technologies currently face two major challenges. System development costs remain high and the resulting electricity generation cost, despite the higher efficiency levels, exceeds that of other technologies. In addition, concentration technologies have not yet matured and the performance of PV system based on concentration technologies is very susceptible to changing weather conditions, depending on direct sunlight (i.e. clear skies) and low levels of dust in the atmosphere.

SOLAR THERMAL ENERGY

Overview

In contrast to PV systems, which are used to generate electricity from solar radiation, solar thermal technologies convert solar radiation into heat.

Solar thermal systems

Solar thermal panels, which are designed to be mounted on, or integrated into, external building surfaces, act as collectors of solar radiation, insulating the captured solar energy and transferring it to a fluid heat transfer medium. The captured heat is then transferred from the fluid transfer medium to its final destination (for example, a domestic hot water system) by means of a heat exchanger. As with PV modules, once solar thermal panels are installed, future maintenance costs tend to be low.

Solar thermal technologies

Solar thermal heating technology is much less capital intensive than PV technologies, as it is based on less sophisticated technology and does not involve the use of expensive raw materials. There are two main types of solar DHW systems, those designed as thermo-siphons (also known as "natural flow") and those designed with forced circulation:

- *Thermo-siphons*. These systems use gravity to circulate the heat transfer medium (e.g. water) from the collector to the tank, as hot fluids are lighter than cold fluids. The medium is heated in the collector, rises to the top of the tank and cools down on its way back to the collector as the heat is transferred to the DHW. While a thermo-siphon system is rather simple in its operation, working without a pump and controller, it does require the tank to be placed above or beside the collector, which in most cases means on the roof.

- *Forced circulation.* It is possible with these systems to separate the tank and the collector, as the heat transfer medium is pumped between the two. This means, for example, that the tank or tanks could be placed inside the building (e.g., one tank inside each apartment). A well-designed forced circulation system shows the same efficient and reliable performance as a thermo-siphon system, and we believe its added flexibility generally makes it simpler to integrate the solar system with the heating system. The aesthetics of avoiding a tank on the roof of the property—a feature of thermo-siphon systems—is, in our view, a further advantage.

As we anticipate increases in demand for thermal panels in Spain to be principally driven by collective DHW systems (e.g., new apartment blocks and other multi-residence buildings), we have opted to design our product exclusively for forced circulation systems, which are more suited to collective DHW application.

Key challenges

In September 2006, a significant change was brought about in the Spanish solar thermal industry through the entry into force of the Spanish Technical Code for Construction (*Código Técnico de Edificación*), which, among other things, requires the incorporation of solar thermal panels to heat the water system of all new and rehabilitated buildings in Spain, subject to certain limited exceptions. The success of the solar thermal industry in Spain therefore depends, to a significant degree, on the demand created by the Technical Code. Any revocation or modification of the Technical Code as a result of lobbying by construction companies or any other circumstance could significantly reduce demand for solar thermal panels in Spain.

THE SPANISH MARKET

At present, we operate only in Spain. Our principal business lines comprise:

- *PV modules*: including the design, manufacture and sale of PV modules for a variety of residential, commercial and industrial uses.

- *Turnkey projects*: including the "end-to-end" development of PV parks, incorporating our PV modules, for third party investors.

- *Solar thermal panels*: including the design, manufacture and sale of solar thermal panels and advice in the design of heating systems incorporating our solar thermal panels.

PV modules

Market dynamics

The PV market in Spain is the second biggest in the EU, after Germany, in terms of PV installed capacity—118 MW in 2006, compared with 2,581 MW in Germany (source: IDAE for Spain and German Federal Ministry of Economics and Technology). Moreover, the Spanish PV market has experienced, and will, in our view, continue to experience, significant growth for a number of reasons, including:

- a favorable subsidy regime for PV installations, providing financial incentives to producers of solar power by stipulating a purchase requirement for distributors and setting a minimum feed-in tariff for electricity generated by a PV system during its first 25 years of operation (see "Regulatory Framework");

- a high solar radiation with approximately 1,800 kWh/m^2 per year, compared with an EU average of 1,400 kWh/m^2 per year (source: European Commission Joint Research Center);

- a large and active renewable energy investor base; and

- increased public awareness of renewable energy, in particular PV energy.

Installed capacity

According to the Energy Savings and Diversification Institute (*Instituto para la Diversificación y Ahorro de Energía, IDAE*), the estimated PV installed capacity in Spain has developed as follows:

	2001	2002	2003	2004	2005	2006
Installed MWp	16	21	27	37	58	118

Source: IDAE (at December 31)

The regions that have principally contributed to this growth in installed PV capacity in Spain are Navarra, Valencia, Murcia, the Basque Country and Castilla y Leon, which together accounted for almost 65% of the total power installed in Spain in 2006 (source: IDAE).

Key competitors

Our key competitors in relation to the production and sale of PV modules can be divided into three main groups:

- *Spanish companies.* This group includes Isofotón, S.A., BP Solar España, S.A. ("BP Solar"), Aplicaciones Técnicas de la Energía, S.L. ("Atersa") and Siliken, S.L. Isofotón and BP Solar are present at various stages of the PV manufacturing value chain, producing both solar cells and PV modules. By contrast Atersa and Siliken, S.L. only manufacture PV modules. In October 2006, PV module production capacity in Spain was 270 MWp and solar cell production capacity was 212 MWp, while, in 2005, actual production was compared with 83 MWp and 70 MWp, respectively (source: ASIF).

- *German companies.* A number of German PV module manufacturers have expressed their intention to expand into the Spanish market and some have established manufacturing facilities in Spain, while others have plans to do so in the future. Our key competitors here include Aleo Solar AG and Conergy AG.

- *Asian companies*. A number of Asian PV module manufacturers are exporting their products into the Spanish market, such as Suntech Power Holdings Co., Ltd and Trina Solar Limited.

Barriers to entry

In our view, the key barriers to entry in the market include:

- *Contracts / relationships with suppliers*. It may prove difficult for new market entrants to secure adequate supplies of solar cells to produce PV modules, as demand has recently tended to outstrip supply.

- *Manufacturing capacity*. There is, at present, significant demand for PV modules in Spain, which we believe favors those market participants with existing manufacturing capacities who have the ability to absorb new contracts and forge customer relationships rapidly, thereby making it more difficult for later market entrants to create a customer base once they have set up production facilities.

- *Ability to provide value added services*. The ability to provide additional value added services, such as advice on the design, installation and planning process and other engineering expertise in relation to PV modules, depends to a significant extent on knowledge of the local market, which new market entrants may not have or may not be able to procure rapidly or at all.

Turnkey projects

Market dynamics

Demand for turnkey projects in Spain has, in our experience, tended to be generated by financial investors looking for alternative investments with stable returns from larger-scale PV installations. These investors generally do not wish to, or do not have the ability to, develop the PV plants themselves, and they therefore require the services of a turnkey developer.

Key competitors

Our turnkey competitors tend to be companies with a strong local presence and significant development and construction expertise. The most active companies in this market are currently two Spanish companies, Acciona Solar, S.A. and Gamesa Corporación Tecnológica, S.A.

Barriers to entry

In our view, the key barriers to entry in the market include:

- *Local knowledge and experience.* The development of PV parks on a turnkey basis includes, among other things, the location and evaluation of sites suitable for PV development and the handling of all administrative matters, such as obtaining all necessary consents and licenses for the operation of the PV installation. New market entrants without sufficient knowledge of local laws and regulations and the local real estate sector may encounter difficulties in competing with well-established local market participants.

- *Ability to secure grid connection.* As producers of PV energy only receive benefits under the Spanish subsidy regime when they sell their electricity to distributors or in the deregulated energy market, it is necessary for a PV installation to be connected to the electric grid to derive these benefits. Managers of grid connection points are responsible for the allocation of power generation quotas to electricity producers and new market participants may find it difficult to obtain quotas for the turnkey projects they develop.

- *Ability to secure supply.* As there is currently high demand for PV modules, new market participants without their own production may find it difficult to secure a sufficient supply of PV modules to develop turnkey projects.

Solar thermal

Market dynamics

In September 2006, a significant change was brought about in the Spanish solar thermal industry through the entry into force of the Spanish Technical Code for Construction, which, among other things, requires the incorporation of solar thermal panels to heat the water system of all new and rehabilitated buildings Spain, subject to certain limited exceptions.

By 2007, more than 900,000 sqm of solar thermal panels had been installed in Spain (source: ASIT). However, the aggregate surface area of solar thermal panels installed per inhabitants in Spain of 13.2 sqm/1000 inhabitants remains considerably lower than certain other EU countries, such as Austria (319.1 sqm/1000 inhabitants) and Germany (85.9 sqm/1000 inhabitants), presenting, we believe, a significant opportunity for further growth (source: EurObserv'ER).

Although demand by the residential real estate market continues to be the main driver for the solar thermal industry in Spain, the services sector and, to a lesser extent, the industrial and agricultural sectors are gaining

importance. During 2005, approximately 65% of the installed surface area of solar thermal panels was attributable to residential developments, while approximately 30% was attributable to the services sector and the remaining 5% was attributable to the industrial and agricultural sectors (source: IDAE).

Key competitors

Our competitors in the Spanish solar thermal sector include Isofotón, S.A., Viessmann Werke GmbH & Co KG and Chromagen España, S.L. The number of market participants in Spain has increased significantly over recent years. Producers of solar thermal panels are currently focusing on modernizing their manufacturing processes and developing new products adapted to specific applications, such as industrial air conditioning or other industrial processes.

Barriers to entry

In our view, the key barriers to entry in the market include:

- *Relationships with construction companies.* As revenues in the Spanish solar thermal industry are principally generated by the sale of solar thermal panels for incorporation into new or rehabilitated buildings pursuant to the Technical Code, strong relationships with local construction companies are key, in our view, to securing a loyal customer base, and new market entrants may encounter difficulties in forging such relationships.

- *Local knowledge.* Solar thermal modules tend to be tailored specifically to local climatic conditions to avoid over-heating and heat conversion inefficiencies. New market entrants may lack knowledge of the local market, and the choices they make regarding materials and/or technologies may not be optimal taking into account the average and peak temperatures of the region in which the modules are to be installed.

BUSINESS

OVERVIEW

We are one of the main participants in the Spanish solar energy market and are experiencing strong and rapid growth. At present, our principal business lines comprise:

- *PV modules.* The design, manufacture and sale of PV modules, which convert sunlight into electricity through the so-called photovoltaic process, for a variety of residential, commercial and industrial uses. Revenues from sales of our PV modules (excluding inter-segment sales) represented 52.4% and 78.0% of our total revenues for the year ended December 31, 2006 and the three months ended March 31, 2007, respectively.

- *Turnkey projects*. The "end-to-end" development of PV parks, incorporating our PV modules, for third party investors. Revenues from our turnkey projects (excluding inter-segment sales) represented 47.6% and 20.9% of our total revenues for the year ended December 31, 2006 and the three months ended March 31, 2007, respectively.

- *Solar thermal panels*. The design, manufacture and sale of solar thermal panels, which use solar energy for the purpose of heating water and supporting heating systems, and the provision of advisory services in connection with the design of heating systems incorporating our solar thermal panels. Revenues from sales of our solar thermal panels represented 1.1% of our total revenues for the three months ended March 31, 2007. We made no commercial sales of solar thermal panels in 2006.

We believe we offer our customers an attractive value proposition, providing reliable products coupled with strong pre- and post-sale technical support and quality of service.

Solar power is one of the most rapidly growing renewable energy sources and industry growth is particularly strong in countries where government incentives are offered for solar power generation. The Spanish solar market, in particular, is currently one of the most attractive European markets, with a combination of feed-in tariffs and subsidized loans supporting Spain's national targets for renewable energy and PV installations. In addition, the recent entry into force of the Spanish Technical Code for Construction (*Código Técnico de Edificación*) is expected to benefit the solar thermal segment, as the Code requires construction companies in Spain to incorporate solar thermal panels in all new or rehabilitated buildings, subject to certain limited exceptions. This supportive regulatory environment, the high average solar radiation in Spain (approximately 1,800 kWh/m^2 per year, compared with an E.U. average of approximately 1,400 kWh/m^2 per year, source: European Commission Joint Research Center) and the relative youth of the Spanish solar energy market combine to provide, we believe, a favorable business environment, with attractive growth opportunities for early participants in the sector, such as our company.

To take advantage of these opportunities, we are significantly increasing our production capacity across our product lines—PV modules (for direct sale to third parties and our turnkey projects) and solar thermal panels. In addition, we intend to become more vertically integrated, expanding into the production of solar cells and wafers for use in the manufacture of our PV modules. This integration will, we believe, increase our control over product design and quality and lead to cost savings. We plan to commence production of solar cells before year-end 2007 and silicon wafers in the second half of 2008. We have constructed a facility for PV module production of approximately 2,300 sqm, a further 2,600 sqm production facility housing both PV module and solar thermal panel production lines and an office block of approximately 1,200 sqm. In addition, we are currently constructing a 12,500 sqm solar cell production facility and a 2,000 sqm warehousing unit, which we expect to be completed in the last quarter of 2007.

We have experienced rapid and significant growth since we commenced operations in January 2003 and have generated operating profit in each financial year during that period. Our total revenues have increased from €408,864 for the year ended December 31, 2004 to €19,146,563 for the year ended December 31, 2006, while our operating profit has also increased from €115,372 to €8,706,002 over the same period. Our total revenues and operating profit for the three months ended March 31, 2007 were €12,968,017 and €4,426,200, respectively, compared with €1,004,728 and €961,700 for the first three months of 2006.

HISTORY

Our shareholders, members of the Díaz-Tejeiro family, have been involved in the energy business for over 20 years. Until 2001, the family was principally engaged in the installation of gas-powered heating systems for

residential, commercial and industrial properties in Spain. At the beginning of that year, however, our chairman, Enrique Díaz-Tejeiro Gutiérrez, recognized the potential opportunity offered by the Spanish solar energy market, and the principal focus of the Díaz-Tejeiro family has since been towards PV products.

Between 2001 and 2003, the family's business gradually evolved from the installation of gas-powered heating systems to the installation of PV modules at properties owned by third parties and the development of PV parks. With the growing success of the PV module installation business, the Díaz-Tejeiro family incorporated Solaria on November 27, 2002 with a view to centering the solar energy business in a company separate from their other business operations. While the initial focus was on the installation of PV modules manufactured by third parties, the long-term business strategy envisaged expansion further into the upstream elements of the PV manufacturing value chain (being silicon wafer, solar cell and PV module production) and into the solar thermal sector through the manufacture of solar thermal panels.

We began operations developing and installing PV parks using third-party PV modules in January 2003. Set forth below are certain of the key milestones we have achieved since then:

2004 In 2004, we determined that the first stage of the planned expansion into the upstream elements of the PV value chain should take place and we began searching for a suitable technology supplier to assist us with the design, installation and operation of a PV module assembly plant. In August 2004, we began our current collaboration with our U.S. technology supplier, Spire Corporation, a NASDAQ-listed company that has been manufacturing PV equipment in the United States since 1980, for the design and installation of our first PV module assembly line.

2005 In May 2005, we acquired a plot of land of 41,291 sqm, situated in the industrial area La Nava II (*Polígono Industrial La Nava II*) on the outskirts of Puertollano, Castilla-La Mancha (Spain) for the construction of the manufacturing facilities needed to accommodate our expansion into the manufacture of PV modules and solar thermal panels. We acquired this plot from the local council at a price of €1 per square meter, pursuant to an agreement between us and Fundescop, a municipal body responsible for promoting economic development in Puertollano, a former mining town and development zone in Castilla-La Mancha. We also commenced construction of our first PV module assembly plant in the early part of the year, completing construction and successfully concluding the first trial production runs of PV modules before the end of the year.

In December 2005, we acquired from the municipal authority of Puertollano a further plot of land of approximately 10,000 sqm, also situated in the industrial area La Nava II adjacent to our existing facilities. In consideration of the land acquired, we granted the municipal authority a right over 25 years to an annual output of 5 kW of electricity generated by a PV park currently being developed by us on such land.

2006 In June 2006, we sold Solaria PV modules for the first time, and, during that year, we completed the construction of a further assembly plant at our Puertollano site. Since January 2006 we have opened six additional production lines for PV modules, increasing our maximum production capacity from 20 MW to 90 MW per year. In October 2006, we also installed a production line for solar thermal panels, which we designed ourselves in collaboration with Gorosabel, part of the DAM group, a Spanish manufacturing group with 50 years' experience in the design and production of specialized automated machinery and equipment.

2007 In March 2007, the Industry and Technology Board of Castilla-La Mancha appointed us as manager of the "La Paloma" grid connection point (*gestor de nudo*) in Castilla-La Mancha. We are in the process of negotiating the precise terms of our appointment with the Spanish national grid operator, Red Eléctrica. In the discussions to date, we have been told that the maximum capacity of the "La Paloma" connection point is likely to be 200 MW, of which we intend to allocate approximately 150 MW to a number of turnkey projects we would look to develop for third-party investors. We can give no assurance, however, that an agreement will be reached for the maximum capacity stated, any other capacity or at all or that, if an agreement were reached, we would be able to allocate any of the capacity of the grid connection point to our own turnkey projects, as intended. In Spain, grid connection managers are entitled to allocate power generation quotas to electricity producers, enabling them to provide electricity to the national grid through the relevant connection point (up to, in all cases, the maximum capacity permitted by their quota, which quotas must not, in aggregate, exceed the maximum capacity set by Red Eléctrica). For further important information, see "Risk Factors—Our failure to reach agreement with Red Eléctrica as

to the terms of our appointment as grid connection point manager, or to connect the required capacity to the national grid in accordance with the timetable to be established by Red Eléctrica, could have a material adverse effect on our business, prospects, financial condition and results of operations".

In April 2007, we entered into an agreement with the Spanish construction company, Grupo Rayet, for the construction of our new solar cell production facility in Puertollano (La Nava II). The contract price, which does not include the equipment and machinery required for the production lines, is €14,469,138.31 (exclusive of VAT), subject to certain adjustments. Delivery of the different stages of construction work must take place in accordance with a pre-agreed construction schedule, which stipulates that the project, as a whole, must be completed by January 2008. The contract also stipulates that the first cleanroom (see "Glossary of Technical Terms") of the production facility must be operational by October 2007. See "—Production Facilities and Construction".

In that same month, we also entered into an agreement with Fundescop in relation to the construction of the manufacturing facilities needed to accommodate our anticipated expansion into the production of solar cells and wafers. Under this agreement, Fundescop has agreed to provide us with technical assistance in connection with the development of our solar cell and wafer manufacturing capabilities and to assist us in obtaining certain subsidies, including the subsidized purchase from the municipality of Puertollano of a plot of land of 63,722 sqm in Puertollano (La Nava III), at a price of €5 per square meter, totaling €313,610. The subsidized purchase is subject to our compliance with certain conditions, such as the contracting of an additional 120 employees for a minimum period of four years. We intend our wafer production plant to have a total floor space of approximately 30,000 sqm and expect commercial production of wafers to commence in the second half of 2008.

In May 2007, members of the Díaz-Tejeiro family agreed to the conditional sale of 1,900,000 shares in our company (representing 0.94% of our share capital following the offering) to Forlasa Group and Nozar Group in equal proportion. The sales will be effected at the offering price and are subject to a condition subsequent relating to the admission of our shares to trading. See "Principal Shareholder".

COMPETITIVE STRENGTHS

We believe that the following competitive strengths enable us to compete more effectively and to capitalize on the rapid growth of the solar power market, both in Spain and internationally.

Strengthening presence in one of the fastest growing markets in Europe

The Spanish solar energy market is currently at an earlier stage of development when compared with certain other markets, such as Germany, Japan and the United States, and consequently has recently been growing at a faster pace than most of such other markets. For example, at December 31, 2006, Germany, Japan and the United States had a total installed capacity of 2,581 MW, 1,700 MW and 670 MW, respectively, compared with only 118 MW in Spain at such date (sources: IDAE for Spain, Solarbuzz for Japan, German Federal Ministry of Economics and Technology for Germany and Solarbuzz and EIA for the United States). In the year ended December 31, 2006, however, the annual growth rate of total installed PV capacity in Spain was more than 200%, compared with 55%, 3% and 8% in Germany, Japan and the United States, respectively, over the same period (source: Solarbuzz, 2007). With a supportive regulatory framework, high average solar radiation and the relative youth of its solar energy market, Spain provides, in our view, significant growth opportunities for early market entrants such as our company.

We believe we have a strengthening presence in Spain with a growing customer and manufacturing base and products targeted at the key solar end-customer segments, being PV modules, turnkey projects and solar thermal panels. We have successfully expanded our maximum PV module production capacity up to 90 MW as of date of this offering memorandum, and we have also established our solar thermal panel assembly line, which currently has a maximum production capacity of 90,000 sqm per year.

This growth in production capacity has been complemented by similarly strong growth in our revenues. Our total revenues increased from €408,864 for the year ended December 31, 2004 to €19,146,563 for the year ended December 31, 2006, while our operating profit also increased from €115,372 to €8,706,002 over the same period. Our total revenues and operating profit for the three months ended March 31, 2007 were €12,968,017 and €4,426,200, respectively, compared with €1,004,728 and €961,700 for the first three months of 2006.

We expect this growth to continue in 2007 and 2008. As of March 31, 2007, we had entered into binding customer contracts in respect of 2007 and 2008 sales for an aggregate value of €137 million, in aggregate, across

our three business lines. Of that amount, €11.8 million had, as of March 31, 2007, been received by us from customers by way of initial payments in accordance with contractually agreed payment schedules. We believe these customer contracts allow us to predict a significant proportion of our revenues for the year ended December 31, 2007 and the cash flow from initial payments has enabled us to ramp up production with a view to realizing economies of scale from capacity expansions quickly. Furthermore, the schedule of payments agreed with our customers, including the initial payments, which we receive before delivery of our products, assist our cash flows and working capital management.

In addition, in May 2007, we entered into non-binding letters of intent with two customers in respect of the possible development of ten PV parks with an aggregate installed capacity of 110 MW and an aggregate contract value of €660 million over several years. Whether these letters of intent result in our entering into binding contractual arrangements that generate revenues for our business depends on, among other things, our reaching agreement with the Spanish national grid operator, Red Eléctrica, as to the precise terms of our appointment as manager of a grid connection point in Castilla-La Mancha (see "Business—Projects and services—Turnkey projects—Letters of intent" and "Business—Projects and Services—Turnkey projects—"La Paloma" grid connection point").

To capitalize further on the growth we have experienced to date, we are constructing new manufacturing facilities to increase our PV module and solar thermal panel production and to commence production of solar cells and wafers. We expect our additional PV module and solar thermal panel production lines to be operational in the third quarter of 2007 and the first quarter of 2008, respectively. As regards solar cells and wafers, we anticipate that we will commence commercial production in the last quarter of 2007 and the second half of 2008, respectively, with an initial maximum production capacity of 25 MW for solar cells and 100 MW for wafers.

Strong local knowledge and customer support

Strong local knowledge. We have developed a network of relationships with PV and solar thermal customers (including key Spanish renewable energy investors), construction companies and regional and municipal authorities in Castilla-La Mancha. We believe that our technical expertise, knowledge of the local market and relationships with, and proximity to, key clients will, among other things, enable us:

- to identify and exploit local opportunities more rapidly than those of our competitors who are less familiar with local market conditions and/or clients; and

- to offer our clients a more sophisticated and complete "turnkey" service, which includes a significant technical support element founded on our experience with, and understanding of, the particular features of the Spanish PV market and regulatory framework, as well as our strong relationships with key PV installation contractors.

We believe our local knowledge provides a particular advantage in comparison with international competitors seeking to establish a foothold in a high-growth market, such as the Spanish market.

Differentiation through customer support. We also provide all of our customers, turnkey and non-turnkey, with comprehensive pre- and post-sale advice and support, which, we believe, differentiates us from those of our competitors that focus only on production. In our view, providing quality customer support services within our sales process helps us to maintain strong relations with our existing customers and provides a strong selling point to attract new customers.

Flexible and cost-efficient manufacturing base

By managing our rapid growth, we have gained valuable know-how with respect to the planning, financing, implementation and control of rapid capacity expansion, as well as a detailed knowledge of the operation of cost-efficient, high-volume technological production. We believe that this expertise has helped us to establish a manufacturing base with several competitive strengths:

- *Highly flexible manufacturing process.* Our production lines have been designed to allow us to modify our production output in a timely and cost-effective manner. In PV module production, for example, the production lines are capable of manufacturing both mono- and polycrystalline cells of different sizes (4", 5", 6" and 8"). We believe that our manufacturing model provides the flexibility to adapt to available market supply and the demands of our customers. We operate our production lines on a daily three-shift rota, 24 hours a day, 365 days a year.

- *Semi-automated production line.* We have a modern and cost-efficient production plant. We have designed our manufacturing processes to include a mix of automated and manual production methods. While automated processes help to increase the speed, reliability and flexibility of our production lines, manual processes reduce our maintenance costs and allow us to take advantage of our comparatively low labor costs. We therefore consider that our semi-automated manufacturing model is more efficient and reliable than the fully automated processes used by certain of our competitors.

- *Strict quality control systems.* Through our growth, we have gained extensive know-how in quality assurance processes. For example, in our PV module manufacturing process, we source only high quality solar cells, testing and classifying each cell before its introduction into our production line. Our products are then subjected to a series of automated and visual quality control tests. These processes, which have been certified by leading international quality assurance bodies, such as AENOR, have resulted, we believe, in high quality products and relatively low reject rates.

- *Possibility of gradual expansion at low cost.* We believe that one of our key strengths is our ability to install production lines relatively quickly and to make technical improvements in our PV module and solar thermal panel production processes. In the design and installation of each new production line, we aim to use a systematic replication process designed to enable us to add production lines rapidly and efficiently and to achieve performance and efficiency levels comparable to those of our existing lines. This replication of existing processes also enables us, we believe, to reduce ramp-up costs and enhance economies of scale, enabling further reductions in the price per Watt / per sqm of our PV modules and solar thermal panels.

Strong relationships with key suppliers

We have developed strong relationships with our key suppliers of raw materials, machinery and equipment.

With a view to improving our procurement strength for solar cells and ensuring the high quality of our products, we have focused on building strong relationships with two carefully selected cell suppliers, E-Ton and Gintech, both of which provide us with a high level of technology, in our view. Moreover, we believe that, as a result of their comparatively limited production, our company accounts for a significant proportion of the order book of each supplier and that we are therefore able to obtain solar cells on terms more favorable than certain of our competitors who contract with the largest solar cell producers. In 2006, we purchased 6.77 MW and 1.66 MW of solar cells from E-Ton and Gintech, respectively, and, in the four months ended April 30, 2007, we purchased a further 2.5 MW and 1 MW, respectively. Although we already account for a significant proportion of the solar cell production of each company, we believe we would be able to increase our cell supply, if needed.

We have also closely collaborated with Spire and Gorosabel in the design, installation and refinement of our PV module (Spire and Gorosabel) and solar thermal panel (Gorosabel) production lines, which we believe allows us to exert greater control over the design of our production lines and increases their flexibility. In addition, we have contracted with Spire for the design, construction and installation of our solar cell production lines on a turnkey basis. Both companies provide a team of on-site technicians who monitor the operation of their machinery to improve their production capacity and efficiency, which allows us to reduce the length of the ramp-up period, in our view.

Positioned to become an integrated player

We are presently constructing new facilities with a view to commencing production of solar cells in the last quarter of 2007 and wafers in the second half of 2008. We have completed the design plans and contracted for the supply of machinery for our planned solar cell production, and we are in discussions with two technology suppliers, PVA TePla AG and Meyer Burger AG, for the development of our planned solar wafer production lines.

Once we establish commercial solar cell and wafer production, we believe we will become one of the few players in the Spanish PV market with a presence in the module, cell and wafer production stages of the PV manufacturing value chain. We believe this vertical integration should provide us with several competitive advantages (see “Strategy—Implement the vertical integration of our business”), including increased control over costs and the quality of our products through the improved quality of the key components of our PV modules.

Dynamic and committed management team and highly innovative organization

We have a dynamic senior management team, with over 30 years of combined experience in the Spanish energy industry. Our team has successfully achieved four years of profit since our incorporation in November

2002—a profitability maintained during the capital-intensive migration of our business from installation to PV module and solar thermal panel production—and has achieved and manage our rapid growth, in terms of both production capacity and financial results.

In addition, our company cooperates closely with the University of Castilla-La Mancha and pursues strategic collaboration with suppliers, customers, machinery manufacturers and other organizations and institutes in the research and development area. In recognition of our research and development efforts and their deployment in our manufacturing processes, we were granted, in December 2006, the Award for Business Innovation (*Premio a la Innovación Empresarial*) by the Spanish Confederation of Business Organizations (*Confederación Española de Organizaciones Empresariales*), a national organization representing over one million businesses, both public and private, within Spain.

STRATEGY

Our aim is to strengthen our presence in the Spanish solar energy market through the implementation of the following strategic objectives:

Become one of the leading Spanish solar players

Increase our PV module production capacity

We intend to capture a significant share of the growth in the Spanish solar PV market by substantially increasing our maximum PV module production capacity from the current 90 MW to 250 MW by the end of 2009 and 400 MW by the end of 2010, which represents a total planned investment in the expansion of our PV module business of approximately €65 million over the four years ended December 31, 2010.

The following table sets forth certain information relating to our historic, current and our objectives for future maximum production capacity.

	Maximum production capacity		Maximum production capacity (estimated) [1]			
			At December 31,			
Maximum production capacity [2]	At December 31, 2006	At the date of this offering memorandum	2007E	2008E	2009E	2010E
PV modules	25 MW	90 MW	90 MW	150 MW	250 MW	400 MW
Solar cells	—	—	25 MW	100 MW	250 MW	400 MW
Solar wafers	—	—	—	100 MW	250 MW	400 MW

Notes: (1) For future periods, we set forth our objectives for maximum production capacity at the respective year-end. These objectives assume, among other things, that construction of new production facilities is completed in accordance with the contractually agreed timetable and that equipment and machinery are supplied in accordance with the terms of the relevant supply agreements. Moreover, our objectives are based on our current business model, which we may alter due to changing market conditions and other factors, certain of which are beyond our control. Accordingly, we can give no assurance that we will meet our objectives of future increases in our maximum production capacities.

(2) The figures given in this table are maximum production capacities. Accordingly, they do not necessarily reflect actual production levels or our anticipated future production levels, which depend on, among other things, orders received from customers, our supply of raw materials, the reliability of our production lines, our ability to commence production of solar cells and solar wafers successfully and other factors, certain of which are beyond our control.

The following table sets forth certain information relating to our objective for actual production levels.

	Target production (estimated) [1]			
	At December 31,			
Production	2007E	2008E	2009E	2010E
PV modules	58.5 MW	150 MW	200 MW	320 MW
Solar cells	6 MW	75 MW	200 MW	320 MW
Solar wafers	—	37.5 MW	200 MW	320 MW

Note: (1) For future periods, we set forth our objective for target production at the respective year-end. These objectives assume, among other things, that construction of new production facilities is completed in accordance with the contractually agreed timetable and that equipment and machinery are supplied in accordance with the terms of the relevant supply agreements. Moreover, our objectives are based on our current business model, which we may alter due to changing market conditions and other factors, and our actual production levels will depend on, among other things, orders received from customers, our supply of raw materials, the reliability of our production lines, our ability to commence production of solar cells and solar wafers successfully and other factors, certain of which are beyond our control. Accordingly, we can give no assurance that we will meet our objectives of future increases in our target production.

We believe that, in addition to the creation of revenue growth, these intended capacity and production increases could, if achieved, result in significant economies of scale, enabling us to benefit from substantial savings in our production costs.

Significantly expand our turnkey business

We aim to expand our turnkey business as a percentage of our total revenues, taking advantage of the positive market momentum created by the favorable regulatory framework in Spain and leveraging off our project management expertise. Through this expansion, we will continue to offer our customers (predominantly renewable energy financial investors) "end-to-end" solutions for PV projects, including obtaining relevant licenses, project management, installations services and supply of PV modules and systems.

In addition, we believe that, if our appointment as grid connection manager in respect of up to 200 MW in Castilla-La Mancha is confirmed by the Spanish national grid operator, Red Eléctrica, it is likely to be of material benefit to us in the development of our turnkey business. Grid connection managers in Spain are entitled to allocate power generation quotas to electricity producers, enabling them to provide electricity to the national grid through the relevant connection point (up to, in all cases, the maximum capacity permitted by their quota, which quotas must not, in aggregate, exceed the maximum capacity set by Red Eléctrica). We hope to be able to allocate approximately 150 MW to a number of turnkey projects that we will look to develop for third-party investors if our appointment is confirmed, and we anticipate that these projects would contribute significantly to the growth of our turnkey business. For further important information, see "Risk Factors—Our failure to reach agreement with Red Eléctrica as to the terms of our appointment as grid connection point manager, or to connect the required capacity to the national grid in accordance with the timetable to be established by Red Eléctrica, could have a material adverse effect on our business, prospects, financial condition and results of operations".

Grow our solar thermal business

We intend to develop our solar thermal business to benefit further from the unique demand created by the coming into force of the Spanish Technical Code for Construction (*Código Técnico de Edificación*). Subject to certain limited exceptions, the Code requires construction companies in Spain to incorporate solar thermal panels for the heating and hot water systems of all new or rehabilitated buildings, and we believe that demand from the real estate market is likely to provide the key driver for growth in the Spanish solar thermal industry. Accordingly, we have sought to tailor our thermal panel product to the needs of that market, which we perceive to be reliability and efficiency at a competitive price. Our focus on a single product line will enable us, we believe, to increase production efficiencies and to focus our efforts on refining our product to the high demand we expect to see in the Spanish market. Our strategic aim is to increase our current maximum production capacity of 90,000 sqm per year to 140,000 sqm per year by December 31, 2008, with a view to reaching 540,000 sqm per year by December 31, 2010 which represents a total planned investment in the expansion of our solar thermal business of approximately €28.1 million over the four years ended December 31, 2010. We do not intend to utilize our production capacity fully, however with a target aggregate production of 45,000 sqm in 2007, 112,000 sqm in 2008 and 432,000 sqm in 2010.

Implement the vertical integration of our business

Our strategy since inception has been progressive upstream expansion through the PV value chain. We intend to continue to implement this strategy through the production of solar cells and wafers, thereby establishing ourselves in the technologically more advanced stages of PV production. We believe that vertical integration should:

- enable us to realize cost efficiencies through a reduction in transaction costs at the different levels of the PV value chain, principally in the solar wafer production process;
- give us greater control over the design of the manufacturing processes and the quality of our products through our management of the key base materials for the solar cell and PV module production processes;
- reduce our exposure to difficulties that may be experienced within the silicon supply chain by progressively eliminating our reliance on third party suppliers of solar cells and wafers;
- allow us to become better hedged against changes in solar industry dynamics, through a presence at almost all levels of the PV value chain;

- increase our flexibility to produce both mono- and polycrystalline modules or to switch between product types in response to changing market conditions and/or customer requirements; and

- promote product improvements in terms of cell efficiency and wafer thickness.

To capitalize further on the growth we have experienced to date, we are constructing new manufacturing facilities to increase our PV module and solar thermal panel production and to commence production of solar cells and wafers. We aim to have our additional PV module and solar thermal panel production lines operational in the third quarter of 2007 and the first quarter of 2008, respectively. As regards solar cells and wafers, we anticipate that we will commence commercial production in the last quarter of 2007 and the second half of 2008, respectively, with an initial maximum production capacity of 25 MW for solar cells and 100 MW for wafers. Our aim is to make total investments in the development of our solar cell and solar wafer production capacity of approximately €330 million in the four financial years ended December 31, 2010.

Differentiate our company through value-added services

We provide all of our customers, turnkey and non-turnkey, with comprehensive pre- and post-sale advice and support, which, we believe, differentiates us from those of our competitors who focus only on product delivery. In our view, providing quality customer support services within our sales process helps us to maintain strong relations with our existing customers and provides a strong selling point when attracting new customers. Accordingly, we intend to continue to focus on differentiating our company from competitors by providing our clients with end-to-end solutions and value-added services.

Continue to focus on cost efficiencies and cost control

We intend to continue to pursue a policy of rigorous cost and quality control. In particular, we intend to:

- continue our policy of entering into supply contracts that provide for periodic price reviews—a policy which we believe will provide us with the appropriate degree of flexibility to adapt to changing market conditions;

- pursue a lean operating and administrative structure, while operating continuous production shifts 24 hours a day, 365 days a year in normal circumstances;

- take advantage of the economies of scale resulting from our planned production capacity increases and the costs savings provided by the vertical integration process; and

- retain our focus on rigorous quality control testing throughout the manufacturing process to ensure a uniform and reliable product.

Gradually expand internationally

While we expect Spain to continue to be our principal market in the short to medium term, we will seek to increase sales of our products in other markets, such as Italy, Greece, Portugal, Germany or California. Our initial focus will be on Italy and Portugal, which we believe are set to benefit from similarly favorable conditions to Spain over the coming years and represent natural markets for some of our key turnkey customers in Spain.

Initially, we intend to distribute our products internationally through the use of distribution agreements. Our intended approach is generally to train our distributors in the provision of technical advice and assistance and after-sales customer care, rather than directly providing those services ourselves to customers outside Spain where we are less able to capitalize on our core competencies. Our aim is for our exports to account for approximately 15% of our total sales by 2008, although we will continue to review our international expansion strategy in the light of, among other things, the growth of the Spanish market and changing legislative environments in and outside Spain.

PRODUCTS AND SERVICES

PV modules

Our core business is the development, production and marketing of PV modules. A PV module is an array of electrically interconnected solar cells encased in a robust, weatherproof frame, which converts sunlight into electricity.

We principally produce three series of PV modules (Series 5M, Series 6M and Series 6P) and three types of module within each series. These modules range from 156 Wp to 245 Wp in power and employ both polycrystalline and monocrystalline solar cells. They are built to standardized specifications for on-grid use (e.g., PV parks, including our turnkey projects) and for incorporation in off-grid residential, commercial and industrial solar power systems.

All of our PV modules are produced in a manufacturing process that we have sought to enhance through strict quality control tests at various stages of production and the use, where appropriate, of technologically advanced automated machinery (see "Business—Production—PV modules"). Our modules are designed to be durable under harsh weather conditions and easy to transport and install.

The following table presents the key characteristics of the 5M, 6M and 6P series:

Series	Type[1]	Maximum power[2] (Wp)	Efficiency[2]	Type of silicon	Size of solar cells (in inches)	Number and configuration of solar cells	Dimensions of module (in mm) (+/- 3mm)	Weight of module (in kg)
5M	S5M174	174	13.8%	Monocrystalline	5	72 cells (6 x 12)	1584x790x35	14.3
	S5M165	165	13.2%					
	S5M156	156	12.5%					
	S6M245	245	15.2%					
6M	S6M230	230	14.3%	Monocrystalline	6	60 cells (6 x 10)	1647x977x35	21
	S6M215	215	13.4%					
	S6P245	245	15.2%					
6P	S6P230	230	14.3%	Polycrystalline	6	60 cells (6 x 10)	1647x977x35	21
	S6P215	215	13.4%					

Notes: (1) In addition to our key modules set forth in the table above, we also produce, on a limited scale, PV modules with a maximum power output of 147Wp and 130Wp, respectively.

(2) Maximum power and efficiency obtained under standard testing conditions (STC), with an irradiation of 1000W/sqm, a spectral distribution of AM 1.5 and a cell temperature of 25ºC.

Revenues

For the year ended December 31, 2006, we generated revenues from PV module sales of €14,786,071, of which €10,041,071 was generated by sales to third parties (approximately 2.7 MW) and €4,745,000 was generated by internal sales to our turnkey business line (approximately 1.4 MW). Our operating profit from PV modules was €5,361,376 for the year ended December, 31 2006.

Our PV module sales in the three months ended March 31, 2007 amounted to approximately 2.2 MW, of which 1.8 MW and 0.4 MW represented sales to third party customers and our turnkey business, respectively. During the same period, our revenues from PV module sales were €11,528,393, of which €10,119,493 was generated by sales to third parties and the balance by sales to our turnkey business, and our operating profit was €3,072,118. Our sales contracts are typically for 3 to 18 months and require our customers to make an initial payment, which can range between 15% and 35% of the contract price, in advance of delivery. Our contracts typically state that our obligations are satisfied once a PV module is ready for collection at our production facilities, although we have recently entered into contracts under which we also provide certain additional services (including delivery of PV modules). We also ordinarily require the payment of the balance of the contract price upon delivery.

The following table sets forth certain information in relation to the sale of PV modules to third party customers, taking into account the provision of pre- and post-sale services we agreed to render under certain of our PV module sale contracts:

	Year ended December 31, 2006	Three months ended March 31, 2007
Aggregate capacity of PV modules sold to third party customers	2.7 MW	1.8 MW
Revenues received for PV module sales to third party customers	€10,041,071	€10,119,493

The difference in our revenues per Watt supplied between the year ended December 31, 2006 and the three months ended March 31, 2007 partly reflect certain additional pre- and post-sale services we agreed to provide to

certain of our purchasers of PV modules during the first three months of 2007. Of our PV module revenues for such period, 45.2% relates to services we agreed to provide under contracts with Nozar Group and Vértice Solar, S.L. for PV modules with an aggregate capacity of 6.6 MW and 2.5 MW, respectively.

We are planning to increase significantly our production of PV modules from our current maximum production capacity of 90 MW to 250 MW and 400 MW by the end of 2009 and 2010, respectively, through the incorporation of additional production lines and the construction of a further production facility, although, in 2007, we do not expect to utilize this capacity fully, with a target aggregate production of 58.5 MW. See "Production Facilities and Construction" for an overview of our expansion plans.

For details on the manufacturing process of our PV modules, see "Business—Production—PV modules".

Forward sales and initial payments received from customers

As of March 31, 2007, we had entered into agreements in respect of sales of PV module due for delivery during 2007 and 2008 for an aggregate value of €137,258,450 in respect of 37.4 MW. Of that amount, €11,866,800 had, as of March 31, 2007, been received by us from customers. These PV module sale contracts represent approximately 64% of our anticipated total production of PV modules for 2007.

The following table presents certain details relating to the contracts we have so far entered into in respect of sales of PV modules to be delivered during the two years existing on December 31, 2008:

Client	Date of signing	End of term	Capacity	Price
Forlasa	January 24, 2007	July 31, 2007	13.2 MW	€49,104,000
Nozar Group	January 26, 2007	October 31, 2007	6.6 MW	€25,080,000
Sergesa Group	February 1, 2007	End of 2007	0.11 MW	€411,950
Forlasa[(1)]	February 14, 2007	June 30, 2008	15 MW	€54,000,000
Vértice Solar, S.L.	March 16, 2007	December 2007	2.48 MW	€8,662,500
Total			**37.9 MW**	**€137,258,450**

Note: (1) Forlasa has informed us of its intention to exercise an option under the contract to purchase additional PV modules with an aggregate capacity of 25 MW. We are currently negotiating with Forlasa the terms and pricing in relation to the exercise of this option and, accordingly, there can be no assurance that a sale will be agreed on favorable terms or at all. The figures given in the table for Forlasa are, however, contractually agreed.

Applications

Our PV modules can be employed for both on-grid and off-grid applications (see "Industry Overview—Photovoltaic Energy—Overview"). As government subsidies play a minor role, if at all, in the area of off-grid systems in Spain and most other markets, we expect to generate the greater part of our future growth from the subsidized on-grid application of our modules. At the date of this offering memorandum, all of our contracted sales of PV modules have been for on-grid application.

Warranties

Subject to certain exceptions, we generally provide a limited warranty to the purchasers of our PV modules covering a period of three years following delivery for defects in materials and workmanship under normal use and service conditions. We also generally warrant to our customers that modules installed in accordance with our procedures will produce at least 90% of their initial power output rating during the first 10 years following their installation and at least 80% of their initial power output rating during the following 15 years, which amounts to an aggregate warranty period of 25 years. In a limited number of cases, we have also provided customers with warranties that differ from our standard warranty. For example, in specific circumstances, we have provided an output warranty that guarantees that modules installed by us will produce at least 100% of their initial power output for the first two years, 90% for the following 10 years and 80% for the following period of 13 years.

In resolving claims under both the defects and the power output warranties, we have the option of either repairing or replacing the covered PV module or, under the power output warranty, providing additional PV modules to remedy the shortfall. Our warranties may be transferred from the original purchaser of our PV modules to a subsequent purchaser. We believe that the scope of our warranties for defects in materials and

workmanship and in relation to power output is market standard. As of the date of this offering memorandum, we have not received any warranty claims in relation to our PV modules, and, accordingly, as of March 31, 2007, we had not set aside any amounts in respect of warranty reserves.

Turnkey projects

Our solar energy business has its foundations in the installation of PV modules. We have maintained and developed this business line through our recent expansion into module production, and we are now able to offer our clients a full "turnkey" solution for a wide range of PV systems using our own PV modules. Our comprehensive "end-to-end" service includes:

- the location and evaluation of sites suitable for PV development;
- the in-depth planning and design of the PV system, which involves the production of a comprehensive report in relation to each project;
- the construction and installation of the PV system, including the supervision of our construction and installation subcontractors and the provision of testing services during the initial operational phase;
- the management of all of the technical aspects of a project and overall project management;
- the handling of all administrative matters in relation to the PV development, such as obtaining all of the necessary consents, licenses and permits; and
- where specifically agreed with the customer, the provision of ongoing maintenance services.

Our turnkey projects can range from small residential, commercial and industrial installations with only a few kilowatts of power to large-scale Megawatt power plants. For further details, see "Business—Products and services—Turnkey projects—Process".

Revenues

Our revenues from turnkey projects (excluding inter-segment sales) for the year ended December 31, 2006 were €9,105,492. Our operating profit from turnkey activities was €3,413,084 over the same period. For the three months ended March 31, 2007, our revenues (excluding inter-segment sales) increased to €2,708,364 from €1,004,728 for the three months ended March 31, 2006, and our operating profit increased to €1,271,856 from €477,540 over the first three months of 2006.

As of March 31, 2007, we had entered into agreements in respect of turnkey projects to be delivered in 2007 for an aggregate capacity of approximately 3 MW and an aggregate value of €17,064,000. Of that amount, €10,493,100 had, as of March 31, 2007, been received by us from customers. The following table presents certain details relating to the turnkey contracts we entered into during 2006 and 2007 (to date).

Counterparty	Date	Term	Installed capacity[1]	Total contract price (excl. VAT)	Part payments received[2]	% of total contract price
			(kW)	(in €)		
Bitumat, S.A.	January 17, 2007	June 17, 2007	100	600,000	150,000	25%
Rio Arimosan, S.L.	January 17, 2007	June 17, 2007	100	600,000	150,000	25%
Río Energía, S.L	January 17, 2007	June 17, 2007	100	600,000	150,000	25%
Productos Bituminosos de La Meseta, S.A	January 17, 2007	June 17, 2007	100	600,000	150,000	25%
Bitusolar, S.L	January 17, 2007	June 17, 2007	100	600,000	150,000	25%
Bitumat Holding, S.A	January 17, 2007	June 17, 2007	100	600,000	150,000	25%
Pago del Mare Nostrum, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Activos e Inversiones del Retamar, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%

Counterparty	Date	Term	Installed capacity[1]	Total contract price (excl. VAT)	Part payments received[2]	% of total contract price
			(kW)	(in €)		
La Heredad de Torrecilla, S.L.	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Agropecuaria Villadiego, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Bidrelia, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Calatrava Agropecuaria, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Dehesa Vaqueros, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Inveral 2000, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Lesepa Inversiones, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Sociedad de Actividades Diversas Inmobiliarias y Agrarias, S.L.	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Urbaja Desarrollo Promocional, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Urbaja Proyectos, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Urbanizaciones del Jabalón, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Inversiones Petrea, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Castillo de Ciruela, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Inversiones Vacas Narváez, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Iniciativas Publicitarias y Editoriales, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Lebrachos, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Abunvana, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Golovana, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Gazavana, S.L	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Pago del Vicario, S.L.	January 9, 2006	April 9, 2007	109	612,000	436,050	71%
Total projects			2,998	17,064,000	10,493,100	

Notes: (1) The maximum permitted connection capacity of each installation is typically 10% below the installed capacity so as to reduce the risk that factors that may reduce the output of a PV park reduce the output of the park below the permitted maximum.

(2) As of March 31, 2007. When recognizing revenues from our turnkey projects, we follow the "percentage-of-completion" method, which recognizes revenues gradually in line with the incurrence of the corresponding expenses. Accordingly, receipt of these amounts does not necessarily mean that we have recognized them, in whole or in part, as revenue in our income statement. Amounts received from our turnkey customers are first recorded as a liability on our balance sheet under "Prepayments from customers" until such time as we are able to recognize the revenue in accordance with the "percentage-of-completion" method. See ""Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Revenue and cost recognition".

"La Paloma" grid connection point

On March 14, 2007, the Industry and Technology Board of Castilla-La Mancha appointed us as manager of the "La Paloma" grid connection point (*gestor de nudo*) in Castilla-La Mancha. We are in the process of negotiating the precise terms of our appointment with the Spanish national grid operator, Red Eléctrica. In the discussions to date, we have been told that the maximum capacity of the "La Paloma" connection point is likely to be 200 MW, of which we intend to allocate approximately 150 MW to a number of turnkey projects we would look to develop for third-party investors. We can give no assurance, however, that an agreement will be reached for the maximum capacity stated, any other capacity or at all.

Managers of grid connection points are appointed by the regional Industry and Technology Board (*Dirección General de Industria*) in accordance with the applicable energy plan for the specific region, which is

drawn up by the relevant Spanish Industry and Technology Council (*Conserjería de Industria y Tecnología*). Before electricity generation systems can be connected to the electric grid, electricity producers are required to obtain a power generation quota, which is allocated by the manager of the relevant grid connection point. Each grid connection manager is entitled to allocate power generation quotas up to an aggregate amount equal to the maximum capacity of the grid connection point, as determined by Red Eléctrica.

If agreement is reached with Red Eléctrica, the jointly developed project plan will establish, among other things, a timetable for completion of the PV parks to be connected to the national grid through the "La Paloma" connection point. As a condition to the allocation to us of grid capacity, and in guarantee of our obligations in respect of the project, we would be required to provide the Spanish Ministry of Industry, Trade and Tourism (*Ministerio de Industria, Comercio y Turismo*) with a first demand bank guarantee for an amount of approximately €50,000,000, which is equivalent to 5% of the total value estimated for the project.

On May 7, 2007 and May 8, 2007, we entered into non-binding letters of intent with two customers relating to the development of ten PV parks over a period of several years with an aggregate installed capacity of 110 MW (and an expected connection capacity of 100 MW), which we intend to connect to the national grid through the "La Paloma" grid connection point if agreement is reached with Red Eléctrica. Although we expect the aggregate installed capacity of these PV parks to be 110 MW, it is customary for more capacity to be installed than is fed into the grid at any given moment to allow for potential loss of power output. These non-binding letters of intent relate to potential contracts with an aggregate volume of €660 million (this amount has been calculated on the basis of our best estimates of the prices for PV parks at March 31, 2007). Although we currently anticipate that these letters of intent will lead to the entry into of legally binding contractual arrangements on the terms indicated, we can give no assurance to that effect.

For further important information relating to the La Paloma grid connection point, see "Risk Factors—Our failure to reach agreement with Red Eléctrica as to the terms of our appointment as grid connection point manager, or to connect the required capacity to the national grid in accordance with the timetable to be established by Red Eléctrica, could have a material adverse effect on our business, prospects, financial condition and results of operations".

Process

Our turnkey projects involve three principal workstreams, which can, at times, take place simultaneously:

- *Site location and evaluation.* Unless we are approached by a client that has already located a site suitable for PV development (or have already located such a site ourselves), the initial phase of a turnkey project is the location and evaluation of a suitable site. This process can take up to 6 months and involves, among other things, an assessment of planning and urban development issues, a study of the feasibility of connecting the site to the grid and a general cost-benefit analysis.

- *Design, construction and installation.* We design, construct and install all of our turnkey projects, which can take up to between 7 and 12 months. We also manage the process of obtaining planning consents, if necessary, and the relevant works permits (*licencias de obras*). While we undertake the design work ourselves, we contract out the construction and installation work to third-party subcontractors and assume the associated costs in accordance with the "turnkey" principle. Our own technical teams supervise the installation of the PV system once the construction work is complete to ensure its proper installation, safety and optimum efficiency. Once operational, we test the performance and safety of the PV system and its connection to the grid.

- *Registration, licensing and grid connection.* We also manage the finalization of the administrative steps necessary to connect the PV system to the grid and to commence operation. These steps can take up to 2 to 3 months to complete. In Spain, the administrative process includes (i) registration of the system as a Special Regime electrical energy production installation (*instalación de producción de energía eléctrica en régimen especial*), (ii) registration of the system in the administrative register of Special Regime installations, (iii) obtaining administrative authorization from, and approval of the project by, the Spanish Ministry of Industry, Tourism and Trade, and (iv) obtaining permission from the regional authority and the distributor to connect the PV system to the grid. See "Regulatory Framework" for further information on the Special Regime.

Warranties

While we separately agree our warranty arrangements with each customer, our turnkey warranty typically covers defects in materials and workmanship covering a period of three years following the date on which our customer takes ownership of the PV installation. In addition, we generally warrant to our customers that our PV modules installed in our PV turnkey projects will produce at least 90% of their initial power output rating during the first 10 years following their installation and at least 80% of their initial power output rating during the following 15 years, which amounts to an aggregate warranty period of 25 years. Our potential liability under this warranty is expressly limited to direct losses. We are not, therefore, liable under this warranty for any consequential or indirect loss suffered by a customer due to the permanent or temporary closure of a PV installation. Our warranties may be transferred from the original purchaser of our PV modules to a subsequent purchaser. As of the date of this offering memorandum, we have not received any warranty claims in relation to our turnkey projects. Accordingly, as of March 31, 2007, we had not set aside any amounts in respect of warranty reserves.

Revenues from turnkey business

We typically invoice our customers at the completion of four stages of each turnkey project, and, accordingly, we receive our revenues from turnkey sales gradually over the development process. We ordinarily invoice our turnkey customers for each of the following project phases:

- the engineering phase, for which we generally invoice approximately 25% of the total contract price of the turnkey project in question;
- the PV module supply phase, for which we generally invoice approximately 62% of the total contract price of the turnkey project in question;
- the construction phase, for which we generally invoice approximately 3% of the total contract price of the turnkey project in question; and
- the electric installation and grid connection phase, for which we generally invoice approximately 10% to 65% of the total contract price of the turnkey project in question.

When recognizing revenues from our turnkey projects, however, we follow the "percentage-of-completion" method, which recognizes revenues gradually in line with the incurrence of the corresponding expenses. Accordingly, receipt of these invoiced amounts does not necessarily mean that we directly recognize them, in whole or in part, as revenue in our income statement. Amounts received from our turnkey customers are first recorded as a liability on our balance sheet under "Prepayments from customers" until such time as we are able to recognize the revenue in accordance with the "percentage-of-completion" method. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Revenue and cost recognition".

In addition to the revenues we generate from the design, construction, installation and putting into operation of PV parks, we also derive income from: (i) the provision of technical supervision and assistance, security and maintenance services, and (ii) the leasing to third party customers of PV parks installed on our own land.

Maintenance

We are occasionally requested by our customers to carry out ongoing maintenance of our PV installations. In such circumstances, we will typically provide technical supervision and assistance, security and maintenance services. Our maintenance agreements are generally for an initial five-year term, renewable, by mutual agreement, for a further five years. We ordinarily receive a payment, usually paid in monthly installments, equal to 10% of the revenues generated by those installations during each year, plus VAT.

Rental of PV sites

During the three months ended March 31, 2007, we commenced construction of a 1 MW turnkey project for the first time on land owned by us, a one-hectare site in Puertollano. In consideration for the acquisition of such land from the municipal authority of Puertollano, we granted such municipal authority a right over 25 years to an annual output of 5kW of electricity generated by the PV park resulting from such project. All of our other turnkey projects to date have been built or are being built on land owned by our customers or other PV project developers.

The modules assigned to each client on our own Puertollano site are separately metered to allow us to calculate the revenues generated on an individual basis. We charge each client an amount equal to 10% of the revenues generated by such modules during each year as a rental and maintenance payment. This rental payment is paid in monthly installments.

Solar thermal panels

In October 2006, we completed the construction of our first assembly line of solar thermal panels. As we had not, at March 31, 2007, obtained the final works license (*Certificado de Final de Obra*), we recorded this production line as "work in progress" in our unaudited individual condensed interim financial statements as of and for the three months then ended. This license is not, however, required to commence production.

In contrast to PV systems, which are used to generate electricity from solar energy, solar thermal technologies transform solar energy into heat. Our solar thermal panels, which are designed to be mounted on, or integrated into, external building surfaces, act as collectors of solar radiation, insulating the captured solar energy and transferring it to a fluid heat transfer medium. The captured heat is then transferred from the fluid transfer medium to its final destination (for example, a domestic hot water system) by means of a heat exchanger.

In March 2006, a significant change was brought about in the Spanish solar thermal industry through the coming into force of the Spanish Technical Code for Construction (*Código Técnico de Edificación*), which, among other things, stipulates that, subject to certain limited exceptions, all new or rehabilitated buildings in Spain must incorporate solar thermal panels to heat their water systems. In our view, this is likely to provide the key driver for growth in the Spanish market for solar thermal panels in the short to medium term.

Given this feature of the Spanish market, we have sought to tailor our thermal panel product to the needs of the real estate industry, and we have therefore designed the solar collector with a view to offering efficiency and reliability at low cost. We believe our focus on a single product line, which we sell exclusively under our brand name, enables us to increase production efficiencies and to focus our efforts on delivering a product suited to the Spanish market and its climate. As part of our sales process for solar thermal panels, we also assist our customers, mainly construction companies, with the technical and engineering aspects of integrating our solar thermal panels within the related hot water and heating installation.

Our technical department collaborates with certain architecture firms with the aim of facilitating the installation of solar thermal panels on roofs of buildings. In addition, we co-operate with engineering firms in the development of heating systems, which incorporate our solar thermal panels, so as to improve the related energy savings and overall efficiency of the system.

Production and revenues

Between October 2006, when we commenced production, and December 31, 2006, our thermal panel production totaled approximately 1,700 sqm. As we did not complete any sales during that period, we did not generate any revenues from solar thermal panels for the year ended December 31, 2006, incurring an operating loss of €68,458 for the year. For the three months ended March 31, 2007, we produced approximately 538 sqm and sold 690 sqm of solar thermal panels (which we partly sourced from stock produced during 2006), generating revenues of €140,160 and operating profit of €82,226. Our sales contracts for solar thermal panels are typically for 3 to 18 months and require our customers to make an initial payment, which can range between 15% and 35% of the contract price, in advance of delivery. We also typically require the payment of the balance of the contract price upon delivery.

We are planning to increase significantly our thermal panel production from our current maximum capacity of 90,000 sqm to 140,000 sqm per year by 2008, with a view to reaching 540,000 sqm per year by 2010. In 2007, however, we do not intend to utilize our production capacity fully, with a target aggregate production of 45,000 sqm. See "Production Facilities and Construction" for an overview of our expansion plans.

For details on the manufacturing process of our panels, see "Business—Production—Solar thermal panels".

Applications

We have produced our thermal panel product primarily for domestic hot water (DHW) and collective hot water applications, although it is sufficiently flexible in its design to be used in other solar thermal applications, such as combined DHW and space heating systems (combisystems) and district and block heating applications.

There are two main types of solar DHW systems, those designed with forced circulation and those designed as thermo-siphons, also known as natural flow (see "Industry Overview—Solar Thermal Energy—Solar thermal technologies"). As we anticipate increases in demand for solar thermal panels in Spain to be principally driven by collective DHW systems (e.g., new apartment blocks and other multi-residence buildings), we have opted to design our product exclusively for forced circulation systems, which are more suited to collective DHW application.

Warranties

We generally provide a limited warranty to the purchasers of our solar thermal panels covering a period of three years following delivery for defects in materials and workmanship under normal use and service conditions. Our warranties may be transferred from the original purchaser of our solar thermal panels to a subsequent purchaser. As of the date of this offering memorandum, we have not received any warranty claims in relation to our solar thermal panels. Accordingly, as of March 31, 2007, we had not set aside any amounts in respect of warranty reserves.

PRODUCTION

Our production site is located in Puertollano, Castilla-La Mancha (Spain). As of the date of this offering memorandum, we have 8 operational production lines (7 lines for the manufacture of PV modules and one for the production of solar thermal panels), which we operate 24 hours a day, 365 days a year on a daily three-shift rota. At March 31, 2007, we employed 141 persons across these production lines, of which 125 were assigned to our PV module production lines and 23 were assigned to the design, production and installation of our solar thermal production line. In addition, 16 employees were assigned to the marketing and sale of our turnkey business.

We are currently expanding our production facilities at Puertollano, which, we expect, will significantly increase our PV module and solar thermal production capacity and enable us to commence production of solar cells and wafers. (See "Business—Production Facilities and Construction").

We manufacture our PV modules and solar thermal panels on modern, semi-automated, high-throughput production lines. We believe that our manufacturing model provides greater cost efficiencies than a fully automated system, improved reliability and the flexibility to modify our production output in a timely and cost-effective manner. We subject all of our products, PV modules and solar thermal panels, to a rigorous series of quality control tests, which have been certified against international quality assurance standards. (See "Business—Quality Control and Certifications").

PV modules

The production of PV modules currently represents our core business. Each PV module is an array of interconnected solar cells encased in a weatherproof frame with a robust and easy-to-install design. The following discussion provides a brief overview of the most important steps in the manufacturing process:

- *Pre-production quality checks and classification of solar cells.* We first perform a series of quality control checks on each solar cell supplied to us, classifying each cell according to its power output. This serves two key functions. First, we eliminate any defective cells from the manufacturing process and return them to the supplier for replacement. Secondly, as the maximum power output of each "string" of cells is limited by the output of the weakest cell in the string, we ensure, through our classification system, that we only "string" together solar cells with comparable power outputs, thereby ensuring the efficient utilization of our solar cell inventory. These quality control checks are performed by fully automated classification machines, which use a xenon flash lamp to identify the key parameters of a solar cell in microseconds. An on-board computer records the results and specialist software then simulates solar radiation in a variety of scenarios, such as high temperature or low radiation, to estimate the performance of each cell under different climactic conditions.

- *String and matrix assembly.* Solar cells with comparable outputs are then grouped together in "strings" and connected by metallic strips. These strips are made of aluminum, to which a metal coating is applied to facilitate their soldering to the cells. This assembly process is fully automated and employs the use of infrared lamps to detect potential defects in the soldering process. Once the cells are interconnected, two high definition cameras, capable of detecting microscopic impurities, perform a computerized surface inspection of each "string". A robotic arm then arranges a matrix of "strings" on a high-transparency hardened glass panel covered by an ethylene-vinyl acetate (EVA) sealing film.

- *Interconnection and insulation*. Once a full matrix is assembled on a glass panel, the "strings" forming the matrix are interconnected and the external connections are prepared. Skilled workers perform these soldering steps. Although it would be possible to automate this process, we believe that the available technology has not yet demonstrated its reliability and cost efficiency. Further layers of EVA sealing film and Tedlar polyester (TP) foil are then laid over the matrix to protect the unit from the degrading effects of ultraviolet radiation.

- *Lamination.* The protective EVA and TP layers encasing the solar cell matrix are then sealed using heat in a fully automated laminator. Our laminators create an air vacuum within the module to achieve an improved seal, and are capable of handling standard and non-standard modules, such as all-glass modules. This gives us, we believe, the flexibility to respond to a wide variety of orders.

- *Electrical testing and solar simulation.* The sealed solar cell matrix is affixed to an anodized aluminum frame, which we use to facilitate handling and installation of the module and to improve its weather resistance. The unit is then subjected to an electrical safety test to ensure that there are no short circuits that could lead to an electrical discharge to the module's frame, for example. Each completed module is then submitted to a further solar simulation to measure its electrical output in a variety of scenarios. The results of this automated simulation process are recorded and each module is labeled with its electrical characteristics.

- *Post-production quality checks.* Finally, quality control managers subject each PV module to a detailed inspection, involving checks on more than 30 different characteristics of the product.

Solar thermal panels

We have one solar thermal panel product, the solar collector "SOLARIA STH". We have designed it with a view to maximizing solar absorption, minimizing heat loss and providing a cost-effective solution for our customers (mainly construction companies operating in Spain). Each panel consists of an anodized aluminum case, within a galvanized steel frame (measuring 1955 x 1225 x 92 mm), with a tempered glass cover and a black absorption back-plate. The insulated casing houses a copper grid comprised of 11 copper tubes, flanked by copper filaments covered with a thin layer of titanium nitrate (Tinox) to improve heat absorption. The total absorption surface area of each of our solar thermal panels is 2.12 sqm. While copper is more expensive than aluminum, we use it as the raw material for the tubes and filaments as it is a better heat conductor and is less prone to corrosion than aluminum.

There are principally two alternative production systems we could use for our solar thermal panel production: "job shop" and "flow shop". A "job shop" is a manufacturing process in which small batches of a variety of custom products are made. Accordingly, most of the products produced in a "job shop" system require a unique set-up and sequencing of processing steps. A "flow shop" production system, by contrast, is a manufacturing process in which machine tools and workers perform a discrete task, with all products passing through the same sequence of manufacturing steps in a continuous flow. As a failure of any part of the assembly line would ordinarily result in a suspension of the manufacturing process, prevention maintenance is of critical importance in a "flow shop" system to ensure the continuous operation of the assembly line. We manufacture our solar thermal panels using a "flow shop" production system, which we believe improves our productivity and resource utilization. We have designed the assembly line to maximize its throughput, while ensuring, through mid-line warehousing units, that a bottleneck at one stage of the assembly line does not jam earlier phases of production. We assemble our solar thermal panels mainly by hand and make use of automated processes and machinery only where necessary or where, following a cost-benefit analysis, we believe it represents an advantage over manual assembly.

The manufacturing process consists of six key stages:

- first, the aluminum frame is assembled;

- then, insulating foils and thermoplastics are attached to all sides of the casing to minimize heat loss;

- the absorption plate and copper grid, which we source from third-party suppliers, are then affixed in an arrangement designed to improve absorption;

- the panel is then subjected to a computerized quality test at 15 bar of pressure to ensure the optimum flow of the heat transfer medium and to check for leakages;

- once the panel has passed this quality control check, the tempered glass is attached, and

- lastly, the galvanized frame, which facilitates handling and installation and supports heat retention, is affixed and sealed.

Solar cells

We plan to start the production of solar cells in the last quarter of 2007 and are currently expanding our production facilities in Puertollano to accommodate the new solar cell production lines (see "Business—Production Facilities and Construction"). We expect to have a maximum production capacity of 25 MW by the end of 2007, which we plan to increase to 100 MW, 250 MW and 400 MW by 2008, 2009 and 2010, respectively. In 2007 and 2008, however, we do not intend to utilize our production capacity fully, with a target aggregate production of 6 MW and 75 MW in 2007 and 2008, respectively.

We have designed our solar cell production line to be capable of handling both mono- and polycrystalline wafers and we intend to use only high-performance wafers that deliver a minimum efficiency of 15% under standard testing conditions. The production of solar cells is the technologically most complex part of the PV value chain. We have, in collaboration with Spire, our U.S. technology supplier, devised a modern, highly automated manufacturing process that will, in our view, enable us to produce a variety of solar cells to a consistently high standard with operational efficiency. The following provides a brief overview of the most important steps in the intended manufacturing process:

- *Pre-production quality checks.* We will perform a series of pre-checks on all of the wafers sourced from third-party suppliers and our own wafer production, once it commences. If defects are identified, the electrical properties of the wafers will be subjected to a separate examination regarding their potential life. The wafers will subsequently be examined, as part of a further quality control process, to check their surface properties and mechanical conformity. Wafer quality is a key factor for cell performance and damaged or defective wafers will be removed before entering our production line.

- *Texturization.* Each wafer will then be subjected to a chemical process called 'texturization' where the wafers are cleaned, etched and rinsed. The object of texturizing is (i) to eliminate the tiny impurities that can arise when the wafer is cut from the silicon ingot, and (ii) to reduce the reflectivity of the surface of the wafer, thereby improving its ability to capture solar radiation and increasing its final efficiency. After completion of the surface treatment, the wafers will be dried using hot air.

- *Diffusion furnace.* A negatively charged coating will then be applied to the positively charged raw wafers in a diffusion furnace at approximately 800 to 900 degrees Celsius using phosphorous gas. At the high furnace temperatures, the phosphorous atoms diffuse into the wafer surface, which changes from positive-type (p-type) to negative-type (n-type). This process, which is often referred to as "doping" (see "Glossary of Technical Terms"), creates two separate layers within each wafer: a negatively charged layer on the surface and a positively charged layer below it. It is this positive-negative field that permits the solar cell to generate electricity when exposed to sunlight. Sample surface resistivity measurements will be taken to check the effectiveness of the diffusion process.

- *Edge isolation/removal of phosphorous silicon glass.* To achieve a clean separation of the negative and positive layers, the edges of the wafers will be isolated using a plasma etching technique. Then, the phosphorous silicon glass that was formed as a by-product of the doping process will be removed by an automated etching station, where the cells are placed in an acid solution and subsequently rinsed and dried.

- *Silicon nitrate coating.* Due to its metallic characteristics, the solar cell at this stage of the manufacturing process would reflect away around 33% of the solar radiation falling on its surface. To ensure that our cells capture as much solar incidence as possible, we plan to apply an antireflective silicon nitrate coating to the surface of each solar cell, reducing reflection rates to around 10% to 12%. The hydrogen contained in the silicon nitrate will also significantly enhance the performance of polycrystalline cells due to their particular characteristics. A camera will then be used to check the color homogeneity of the cells that have been coated with the anti-reflective layer.

- *Contacts.* To capture the electrical energy created by a solar cell, electric contact layers are attached. Each solar cell must have two such layers to allow electric current to flow in and out of the cell. These contacts made of silver paste will be screen printed onto the front of the cells to act as a conductor for

the electricity generated. Two contact strips made of silver paste will also be attached to the reverse side, together with a layer of aluminum. The contacts will subsequently be burned into the cell in a furnace, forming a reliable electrical contact. The aluminum layer on the back of the cell will also serve as a mirror for particles, further enhancing the efficiency level.

The design of the front electrical contacts is, in our view, of key importance, as it directly affects each cell's performance. With more electric contacts on the exposed surface, a greater amount of electrical current is captured but the surface area exposed to solar radiation is reduced, as the contact layers are impermeable to solar radiation. The grid pattern designed by our engineers achieves, we believe, the optimal balance between solar radiation and electrical current capture. The electrical contacts on the reverse side are not so restricted, and thus cover all of the back of the cell.

- *Sorting.* A sun simulator will then be used to test each finished cell's power output and efficiency levels, and the cells will be sorted according to the results and optical criteria. The cells will be tested under both standard and weak light conditions. This testing and classification of our cells will make it possible, we believe, to supply cells with clearly defined performance properties and narrow cell-performance tolerances.

Silicon wafers

We intend to commence commercial production of silicon wafers in the second half of 2008 and are currently in discussions with two technology suppliers, PVA TePla and Meyer Burger, in relation to the development, design, construction and installation of our solar wafer production lines. PVA TePla is a German company listed on the Frankfurt stock exchange, specializing in the development, manufacture and distribution of plasma systems for industrial applications. Plasma systems are used, among other things, for the casting process of silicon wafers. PVA TePla supplies equipment and machinery to various industries, including the semiconductor, energy and PV industries. Meyer Burger is a Swiss quoted company specializing in the production of high precision cutting equipment for raw materials, such as silicon, glass and quartz. Meyer Burger supplies equipment and machinery to various industries, including the semiconductor industry, the PV industry and the optical industry.

QUALITY CONTROL AND CERTIFICATIONS

Our aim is to provide our customers with high quality products and value-added customer service. In order to achieve and maintain this goal, we have implemented a rigorous quality control system that focuses on key aspects of our manufacturing processes and turnkey project development and the provision of pre- and post-sale advice and support to our customers.

In May 2007, our quality control system was certified according to the quality management system requirements of ISO 9001:2000 of the International Organization for Standardization. The certification was carried out by SGS Tecnos, S.A., which forms part of the SGS group, a leading international group that audits and certifies the safety and quality of products, systems and services in Europe, Asia and Africa.

In addition, the Spanish engineering consultancy, Euroconsult, which is accredited by AENOR, the Spanish Association for Standardization and Certification (*Asociación Española de Normalización y Certificación*) has certified our manufacturing processes and the quality of the materials used to manufacture our products, and we intend to continue to seek periodic certification of our products. As a further safeguard, Euroconsult carries out quality audits to evaluate our manufacturing processes against the quality management system implemented by us in our production facilities in Puertollano. There are two audits each year comprising the following phases:

- evaluation and analysis of our quality management system;
- audits of our manufacturing processes;
- certification; and
- where necessary, implementation of correcting measures.

In addition, we have developed and implemented an internal system of quality control that applies to all of our PV module and solar thermal panel production lines.

PV modules

All our PV modules are subject to rigorous quality control testing procedures and are certified to comply with international quality control standards. Our quality control in the manufacturing process of our PV modules focuses on:

- *Pre-production.* Quality control through automated inspection of all of the solar cells supplied to us, through which we seek to ensure the quality of the raw materials that we source from third parties and to group together cells with equivalent output to maximize the power output of the resulting module.

- *Mid-production.* Quality control by automated solar cell testers and visual inspections, through which we seek to maximize the efficiency of the production line by removing defective cells from the line as soon as a defect is detected.

- *Post-production.* Quality control by solar simulators and over 30 further visual inspections, through which we seek to determine the initial power output of a finished module and to detect any defects in the materials and/or workmanship of the product. Quality control managers then randomly select completed PV modules and subject them to a series of quality tests and analyze, under laboratory conditions, the materials used in our manufacturing process.

Turnkey projects

We use internal audit checklists and customized project management software when undertaking turnkey projects to ensure timely completion. We also carry out a range of tests to measure the power output of our installed PV modules with the aim of ensuring the correct operation of the installation.

Solar thermal panels

All our solar thermal panels are subject to rigorous quality control testing procedures and are certified to comply with international quality control standards.

Our main quality control procedure consists of a leakage test of each panel at 15 bar of pressure. The maximum operational pressure recommended is 9 bar. In addition, Euroconsult carries out a quality audit of samples of the materials used in the production of our solar thermal panels.

The performance of our thermal solar panels has been tested and certified by CENER, the Spanish industry body for the renewable energy industry (*Centro Nacional de Energías Renovables*). Our thermal solar panels have also obtained official approval (*certificado de homologación*) from the Spanish Ministry for Industry, Tourism and Trade, which means that, under current regulations, our customers may benefit from government subsidies when they install our solar thermal panels. In addition, in accordance with Order ITC/71/2007, of January 22, 2007, of the Spanish Ministry for Industry, Tourism and Trade, our solar thermal panels have also been certified compliant with UNE-EN 12975 by AENOR.

PRODUCTION FACILITIES AND CONSTRUCTION

Our property, plant and equipment was valued at €7,219,437 and €11,043,989 at December 31, 2006 and March 31, 2007, respectively. Of these amounts, machinery accounted for €1,014,012 and €3,044,740, respectively.

Properties owned by us

Our production facilities and offices are located at our 41,291 sqm site situated in the industrial area La Nava II (*Polígono Industrial La Nava II*) on the outskirts of Puertollano (Ciudad Real), Castilla-La Mancha (Spain). They presently comprise a PV assembly plant for the production of PV modules, a solar thermal panel assembly plant and offices, which together have an aggregate floor space of approximately 6,000 sqm. We acquired this plot from the local council at a price of €1 per square meter, subsidized by Fundescop, a municipal body responsible for promoting economic development in Puertollano.

In December 2005, we acquired a further plot of land of approximately 10,000 sqm, also situated in the industrial area La Nava II adjacent to our existing facilities, from the municipal authority of Puertollano. In consideration of the land acquired, we granted the municipal authority a right over 25 years to an annual output of 5 kW of electricity generated by a PV park currently being developed by us on such land.

Construction work is currently being carried out to expand our facilities by adding a solar cell assembly plant and a warehouse. These new facilities will have a combined floor space of approximately 14,500 sqm, and we expect to complete construction before year-end 2007.

On April 2, 2007, we entered into an agreement with the Spanish construction company, Grupo Rayet, for the construction of our new solar cell production facility in Puertollano (La Nava II). The contract price, which does not include the equipment and machinery required for the production lines, is €14,469,138.31 (exclusive of VAT), subject to certain adjustments. Delivery of the different stages of construction work must take place in accordance with a pre-agreed construction schedule, which stipulates that the project, as a whole, must be completed by January 2008. The contract also stipulates that the first cleanroom of the production facility must be operational by October 2007.

On April 12, 2007, we also entered into an agreement with Fundescop in relation to the construction of the manufacturing facilities needed to accommodate our anticipated expansion into the production of solar cells and wafers. Under this agreement, Fundescop has agreed to provide us with technical assistance in connection with the development of our solar cell and wafer manufacturing capabilities and to assist us in obtaining certain subsidies, including the subsidized purchase from the municipality of Puertollano of a plot of land of 62,722 sqm in Puertollano (La Nava III), at a price of €5 per square meter, totaling €313,610. The subsidized purchase is subject to our compliance with certain conditions, such as the contracting of an additional 120 employees for a minimum period of four years. We intend our wafer production plant to have a total floor space of approximately 30,000 sqm and expect commercial production of wafers to commence in the second half of 2008.

The following table provides an overview of our facilities and planned expansion as of the date of this offering memorandum:

Facility	Approximate surface area	Expected completion date[1]	Cost[2]
In operation			**(in €)**
PV module production facility	2,300 sqm	Constructed	869,978
PV module and solar thermal production facility	2,600 sqm	Constructed	1,290,000
Office building	1,200 sqm	Constructed	1,011,000
Under construction			
Warehouse	2,000 sqm	Q4 2007	3,500,000
Solar cell production facility	12,500 sqm	Q4 2007	14,710,000

Notes: (1) The expected completion date is based on the contractually agreed timetable for construction. This may change due to unforeseen events, which may be beyond our control (see "Risk Factors—Risks related to our business—Our future success depends on our ability to expand our existing operations.").

(2) The anticipated cost of facilities is our estimate based (i) on the costs for construction and (ii) the costs for the supply and installation of machinery, as set out in the relevant agreements, respectively.

Leased properties

We are currently renting office premises, with a floor space of approximately 236 sqm, located at 120, Calle Nuñez de Balboa, 3º izquierda, Madrid (Spain). The rental payments amount to €6,000 per month. The owner has recently informed us of his intention not to extend the lease after its expiry on December 31, 2007. We are, therefore, in the process of seeking office premises in the city of Madrid with similar characteristics and on similar terms to those of our current rental premises.

SUPPLIERS

Overview

We currently rely on a limited number of third party suppliers for the necessary raw materials, equipment and machinery used in our manufacturing processes. While we intend to maintain our focus on a reduced number of suppliers, we may also explore the possibility of increasing the number of suppliers to obtain more favorable terms or if we consider that a diversification of our supply is otherwise beneficial.

Our main solar cell suppliers are currently E-Ton and Gintech. E-Ton, which is based in Taiwan, specializes in the production of solar cells for incorporation in PV systems and collaborates with a number of research institutes in Taiwan, such as the Industrial Technology Research Institute. Gintech, which is also based in Taiwan, similarly specializes in the production and distribution of solar cells.

Solar cells supplied to us by E-Ton accounted for 71% and 57% of our total operating expenses in respect of raw materials and consumables in the year ended December 31, 2006 and the three-month period ended March 31, 2007, respectively, whereas solar cells supplied to us by Gintech represented 10% and 23% of our total operating expenses in respect of raw materials and consumables over the same periods, respectively.

Our main suppliers of key manufacturing equipment and machinery are currently Spire and Gorosabel. Spire, which is based in the U.S., specializes in the development, manufacture and distribution of engineering products and services, including equipment and machinery for the producers of PV products. Gorosabel, part of the Spanish manufacturing group, DAM, similarly specializes in the production of equipment and machinery for manufacturers of PV and solar thermal products.

Machinery and equipment purchased from Spire accounted for 41% and 39% of our total investment in equipment and machinery in the year ended December 31, 2006 and the three-month period ended March 31, 2007, respectively, whereas machinery and equipment purchased from Gorosabel represented 13% and 13% of our total investment in equipment and machinery in the same periods, respectively.

Strategy

We currently pursue a supply strategy that stipulates minimum stock for each of the materials used in our manufacturing processes. These stock levels are set by our stock managers, who prescribe the exact amount of stock to be stored at our production facilities. If it becomes apparent that our stock levels may be reaching the minimum stock level, taking into account the delivery times agreed with our suppliers, we place an order for new supplies. These minimum stock levels are defined as stocks for a number of days of full production having regard to, among other things, the maximum delivery times agreed with our suppliers. These maximum delivery times are generally short (around one week) as our key supplies are generally shipped by air. This strategy allows us, in our view, to mitigate risks associated with short-term supply contracts, as it provides us with a period of time to seek alternative sources of supply should a contract with one of our suppliers not be renewed. While we pursue this supply strategy in respect of all raw materials used in our production processes, it is of particular relevance in respect of solar cells, as these account for the major part of our raw material expenses.

Solar cells

The main raw material used in our production process for PV modules is the solar cell. While we intend to commence our own production of solar cells before the end of 2007 (and for which we are, at present, constructing new production facilities), we currently source our solar cells from third party suppliers and expect to continue to do so until such time our own production of solar cells satisfies the supply needs of our PV module production in full.

With a view to improving our procurement strength for solar cells and ensuring the high quality of our products, we have focused on building strong relationships with two carefully selected cell suppliers, E-Ton and Gintech. Both of these Taiwanese companies have, in our view, a high level of technology and a stable supply of silicon. Moreover, we believe that, as a result of their comparatively limited production, our company accounts for a significant proportion of the order book of each supplier and that we are therefore able to obtain solar cells on terms more favorable than certain of our competitors who contract with the largest solar cell producers. In 2006, we purchased 6.77 MW and 1.66 MW of solar cells from E-Ton and Gintech, respectively, and, in the four months ended April 30, 2007, we purchased a further 2.5 MW and 1 MW, respectively.

We presently have two key supply agreements in respect of solar cells with these suppliers:

- *E-Ton*. On March 2, 2007, we entered into an agreement with E-Ton for the supply of 25 MW of monocrystalline and polycrystalline solar cells with a fixed term ending on December 31, 2007. The contract will automatically renew annually until December 31, 2010 unless terminated by one of the parties at least two months before December 31, 2007 (or any anniversary thereof until and including December 31, 2009).

  Prices are set and reviewed quarterly and, if agreement is not reached, either party may terminate the agreement. Neither party may claim damages for losses incurred because of any such termination.

  Delivery of the solar cells takes place in accordance with a pre-agreed delivery schedule, and payment must be made within 30 calendar days of receipt of the relevant shipping documents. A penalty of 1% of the purchase price of a shipment is payable in the event of late delivery for every 15 days' delay in delivery. This amount increases to 2.5% if the delay exceeds 30 calendar days.

E-Ton grants us a two-year defects and workmanship warranty and guarantees a minimum output of at least 90% of the stated Wp power during the first 10 years, with an electrical efficiency ranging between 14% and 17%, and an output of at least 80% during the following 10 years. E-Ton's maximum aggregate liability under the agreement is capped, however, at the total amount paid by us under the supply arrangement.

- *Gintech*. On April 18, 2007, we entered into an agreement with Gintech for the supply of a minimum of 8 MW and a maximum of 12 MW of monocrystalline and polycrystalline solar cells with a fixed term ending on December 31, 2007. The contract will automatically renew annually until December 31, 2010 unless terminated by one of the parties at least one month prior to December 31, 2007 (or any anniversary thereof until December 31, 2010). In addition, the contract includes a statement of intent to extend the supply agreement until December 31, 2010, although the relevant terms for such extension are still to be agreed between both parties.

  Prices are set and reviewed quarterly and, if agreement is not reached, either party may terminate the agreement. Neither party may claim damages for losses incurred because of any such termination.

  Delivery of the solar cells takes place in accordance with a pre-agreed delivery schedule, and payment must be made within 30 calendar days of receipt of the relevant solar cells at our production facilities. A penalty of 5% of the purchase price of a shipment is payable for every 15 days' delay in delivery. If the delay exceeds 45 calendar days, we have the right to terminate the agreement.

  Gintech grants us a two-year defects and workmanship warranty and guarantees a minimum output of at least 90% of the stated Wp power during the first 10 years, with an electrical efficiency ranging between 15% and 17.5%, and an output of at least 85% during the following 15 years. Under the agreement, we have the right to elect between replacing defective cells or receiving additional cells to make up for any shortfall in power output.

Wafers

Silicon wafers are the key raw material for the production of solar cells. We are currently sourcing wafers for our planned solar cell production from third party suppliers and expect to continue to do so until such time our own production of silicon wafers satisfies the supply needs of our solar cell production in full. We intend to commence our own production of solar wafers before year-end 2008.

In anticipation of the commencement of our production of solar cells in the second half of 2007, on February 24, 2006, we entered into two agreements with Spire for the supply of wafers sufficient to produce solar cells with an aggregate capacity of 15 MW, covering 100% of our anticipated wafer requirements for 2007 and a proportion of our anticipated requirements for 2008. Spire has undertaken to deliver these wafers by installments through to September 30, 2007, with a view to our commencing solar cell production shortly afterwards. Prices are set and reviewed for each installment based on conditions in the global market for wafers and, if agreement is not reached, the purchase price is fixed on the basis of the average purchase price quoted by major international wafer vendors. We have the right to purchase wafers from other suppliers during the term of the contract, in which event Spire's obligation to supply wafers reduces commensurately. Spire grants us a one-year defects and workmanship warranty in respect of all wafers not yet utilized in our manufacturing processes. As we intend to test all wafers supplied to us before they are introduced into our solar cell manufacturing process, this product warranty enables us to return defective wafers for replacement.

While we intend to maintain these supply relationships in the near future, we expect that, with our expansion into solar cell and wafer production, we will increasingly be able to source the base materials (e.g., solar cells and, eventually, wafers) for our PV modules from our own production. We believe that this transition will lead to operational efficiencies and enable us to exert greater control over the quality and design of our products.

As of the date of this offering memorandum, we have not entered into an agreement for the supply of silicon that we will require once we commence our planned wafer production, which we expect to take place during the second half of 2008.

Solar thermal panels

We have entered into various agreements with suppliers for the supply of raw materials used in the manufacturing process of our solar thermal panels, such as glass or aluminum. We do not rely on any particular

supplier, as the raw materials in question are widely available in the market and are comparable in terms of quality and price. The principal raw materials used in our manufacturing process are aluminum frames, insulating foil, aluminum film, absorption plates, rubber joints and glass.

We purchase our copper absorption plates from a supplier in Greece, and we also have agreements in place with a glass manufacturer (Saint-Gobain Glass) and an aluminum producer (Sapa Group) for the supply of these materials for use in our solar thermal panels. Our supplier of glass specializes in the production and distribution of flat glass for use in a variety of industrial and commercial applications. It forms part of the international Saint-Gobain Group, whose principal business activities include the production and distribution of raw materials, such as glass, ceramics and plastics. Sapa Group is a Swedish company with a presence in Europe, the U.S. and Asia. It specializes in the development and distribution of aluminum products, including heat transfer strips for use in solar thermal panels.

Equipment and machinery

We have closely collaborated with our technology suppliers, Spire and Gorosabel, in the design, installation and refinement of our PV module and solar thermal production lines. As part of such collaboration, both Spire and Gorosabel provide a team of on-site technicians who monitor the operation of our machinery to improve production capacity and efficiency. For the three months ended March 31, 2007, the total amount of investment for the supply of equipment and machinery for use in our PV module production line was €1,523,606, while our solar thermal production line accounted for €702,437.

In addition, in January 2007, we entered into several agreements with Spire for the supply of equipment and machinery for use in (i) our additional PV module production line, in an amount of U.S.$2,525,000, which we expect to come on-line during 2007, and (ii) our new solar cell production facility, in an amount of U.S.$8,950,165, which we have designed in collaboration with Spire (see "Business—Production Facilities and Construction"). Under these agreements, Spire guarantees delivery in accordance with an agreed delivery schedule and grants us a one-year and two-year defects and workmanship warranty for equipment and machinery to be used in our PV module and solar cell production lines, respectively. Spire's aggregate liability under the agreement in respect of our solar cell production facility is capped at $1.65 million, while its liability under the agreement relating to the additional PV module production line is uncapped. The new equipment and machinery will be stored in our current facilities until they are transferred to our new production facilities upon completion of construction works.

We are also in discussions with two technology suppliers, PVA TePla and Meyer Burger, for the supply of plant and machinery for use in our planned solar wafer production.

CUSTOMERS

PV modules

We currently market and sell our PV modules exclusively in Spain and effect these sales through a direct sales force. In our other target markets, such as Italy, Greece, Portugal, Germany or California, we intend to establish a presence through a network of local distributors with a strong local presence and customer base. Our marketing programs include conferences and technology seminars, trade show exhibitions, public relations and advertising.

Our main customers in our PV module business line are customers who invest significantly in renewable energy (through, for example, investments in large-scale PV parks). Typically, these customers seek a reliable provider of solutions that incorporate additional value-added services, such as technical and engineering advice. For the year ended December 31, 2006, we sold approximately 1.4 MW to our turnkey business, with 2.7 MW being sold to third party customers directly.

As of the date of this offering memorandum, we have seven full-time dedicated salespersons who follow up with potential customers once initial contact has been made. We typically assign one salesperson to each customer account. We enter into short-term sales contracts with most of our customers and deliver PV modules according to a pre-agreed monthly or quarterly schedule. Orders are generally placed for a specific power output subject to a maximum variation of +/-3% in power output.

We have initially focused on a few large customers, with relatively high volume demand in each account. Since we commenced commercial sales of PV modules in June 2006, we have forged strong relationships with

several key customers. For the year ended December 31, 2006, our main client for PV modules, Forlasa Group, accounted for 97.2% of our PV module sales. For the three months ended March 31, 2007, our top two customers, Forlasa Group and Nozar Group, accounted for 87.9% of our revenues from PV modules, with Forlasa Group and Nozar Group representing 54.8% and 33.1% of our PV module sales during the period, respectively.

As of March 31, 2007, we had entered into agreements in respect of sales of PV module due for delivery during 2007 and 2008 for an aggregate value of €137,258,450 in respect of 37.4 MW. Of that amount, €11,866,800 had, as of March 31, 2007, been received by us from customers. The PV module sale contracts for delivery in 2007 represent approximately 64% of our anticipated total production of PV modules for that year. As we expect to experience substantial growth in our turnkey business in the near future (see "Business—Products and Services—Turnkey projects"), we anticipate that our turnkey projects will absorb a significant proportion of our future module production in the short to medium term.

As we expand our production capacity, we anticipate developing additional customer relationships in other markets to reduce any customer and/or market concentration and dependence. As part of our business plan, we aim to penetrate new markets, such as Italy, Greece, Portugal, Germany or California in the short to medium term. These markets are characterized, in our view, by significant government subsidies and incentives for solar generated energy and/or favorable average solar radiation or market conditions. While we are planning to establish a growing international presence, we nevertheless anticipate that Spain will remain our major market in the medium term.

Turnkey projects

Our main customers in our turnkey business are financial investors who generally do not wish to, or do not have the ability to, develop PV plants themselves.

Our revenues from turnkey projects (excluding inter-segment sales) for the year ended December 31, 2006 were €9,105,492. Our operating profit from turnkey activities was €3,413,084 over the same period. For the three months ended March 31, 2007, our revenues (excluding inter-segment sales) increased to €2,708,364 from €1,004,728 for the three months ended March 31, 2006, and our operating profit increased to €1,271,856 from €477,540 over the first three months of 2006.

As of March 31, 2007, we had entered into agreements in respect of turnkey projects to be delivered in 2007 for an aggregate capacity of approximately 3 MW and an aggregate value of €17,064,000. Of that amount, €10,493,100 had, as of March 31, 2007, been received by us from customers.

In addition, on May 7, 2007 and May 8, 2007, we entered into non-binding letters of intent with two customers relating to the development of ten PV parks with an aggregate installed capacity of 110 MW (and an expected connection capacity of 100 MW). The aggregate contract value of these non-binding letters of intent is €660 million. Our intention is that these PV parks will each be connected to the grid through the connection point we expect to manage at La Paloma, Castilla-La Mancha (see "Products and Services—Turnkey projects—La Paloma grid connection point"). Although we believe that these letters of intent will lead to the entry into of legally binding contractual arrangements on the terms indicated, we can give no assurance to that effect.

Solar thermal panels

With commercial production of our solar thermal panels only having commenced in October 2006, our sales and distribution network is still in its formative stages. As a consequence, our solar thermal panel business currently deals with a very limited number of customers, primarily construction companies operating in Spain. In the three months ended March 31, 2007, one client accounted for all of our solar thermal panel sales.

The Spanish Technical Code for Construction stipulates, among other things, that from March 2006 all new or rehabilitated buildings in Spain must incorporate solar thermal panels to heat their water systems, unless the building in question is subject to one of certain transitory provisions contained in the Code. We therefore believe the key driver for growth in the Spanish thermal panel market in the short to medium term is likely to be demand from the Spanish real estate industry, and we have sought to tailor our product to that market.

Given what we view as the unique market opportunity presented in Spain by the recently introduced Technical Code, we have no plans, at present, to develop commercial relationships in other markets. We will, however, keep this focus on the Spanish market under review.

RESEARCH AND DEVELOPMENT

As of the date of this offering memorandum, we have seven employees involved in research and product development. We have established collaborative research and development relationships with the University of Castilla-La Mancha and other research institutes. In addition, we pursue strategic cooperation with suppliers, customers and manufacturers of machinery to improve our products and manufacturing processes. We have collaborated and continue to collaborate closely with Spire and Gorosabel in the design, construction and optimization of our PV module and planned solar cell production lines. As part of this collaboration, Spire and Gorosabel provide a number of on-site technicians who monitor and regulate the operation of our machinery to improve their production capacity and efficiency. In addition, we are currently in discussions with the technology suppliers, PVA TePla and Meyer Burger, to progress our planned expansion into solar wafer production.

In recognition of our research and development efforts and their deployment in our manufacturing processes, we were granted, in December 2006, the Award for Business Innovation (*Premio a la Innovación Empresarial*) by the Spanish Confederation of Business Organizations (*Confederación Española de Organizaciones Empresariales*), a national organization representing over one million businesses, both public and private, within Spain.

The principal focus of our research and development is product and process optimization, with a particular focus on improving product efficiency levels, and the realization of associated cost reductions.

Photovoltaic

In the area of PV modules, most of our research and development efforts have, to date, been focused on increasing productivity through developing more efficient production equipment, increasing automation and eliminating bottlenecks. For the upstream stages of the PV value chain (cells and wafers), we have investigated, together with Spire, the latest manufacturing technologies, for the purposes of the design of our planned production lines.

We intend to continue to devote significant resources to research and development with the long-term objective of further lowering the per Watt cost of solar electricity generated by PV systems using our PV modules to a level that competes, on a non-subsidized basis, in the key markets in Europe. In this regard, we aim to focus on the following research and development initiatives, which we believe will contribute further towards our competitiveness:

- *PV module manufacturing technologies.* We intend to focus on developing improvements in PV module production yield and efficiency. We are also studying certain light transmission and reflection technologies with a view to increasing the light absorption of solar cells and, consequently, their power output.

- *Solar cell and wafer manufacturing technologies.* As we expand into solar cell and wafer manufacturing, we plan to invest in the development of process technologies to increase the conversion efficiencies of our solar cells and to achieve higher productivity and automation.

- *New module technologies.* We will focus on a series of mid-to-long term research projects to develop concentration technologies and high efficiency cells (greater than 15%).

We will conduct these research projects using both our internal resources and through our collaborative relationships with the University of Castilla-La Mancha and research institutes and our strategic collaborations with equipment suppliers.

Solar thermal

In the area of solar thermal panels, our research and development efforts have, to date, focused on the design and construction of our assembly line and panels, and we intend to continue to devote research and development resources to improving the productivity and efficiency of the line. We also intend to work closely with our customers to improve our solar collector product, with a view to making adjustments for the changing demands of the Spanish real estate industry in terms of both performance and price. We expect that the focus of these improvements will cover the aesthetics and absorption and conversion rates of the product.

In addition, we are exploring the possibility of developing and manufacturing our own absorption grills in order to increase our control over this stage of the solar thermal manufacturing process. In a solar thermal panel,

copper absorption grills, filled with an antifreeze solution, are arranged over an absorption plate that allows heat generated by solar radiation to be absorbed and emitted to the copper grill, thus heating the antifreeze solution. The heated antifreeze solution flows through the copper grill into a unit connected to the domestic hot water system, where it warms, by way of heat transfer, the unheated water heading into the conventional hot water tank.

PATENTS, LICENSES, TRADEMARKS AND DOMAINS

Patents and licenses

At present, we believe our business is not dependent on patents, licenses or protected manufacturing processes and there are, in our view, no patents or licenses necessary for the operation of our business. Our current production of PV modules and solar thermal panels is based on standard technical methods that are not, to our knowledge, protected by patent. As we further develop our methods for producing PV modules and solar thermal panels and commence our production of solar cells and wafers, the legal protection of our own intellectual property, as well as the non-infringement of third party intellectual property, may become of increasing importance. See "Risk Factors—Risks related to our business—Failure to protect our intellectual property rights may undermine our competitive position". While we believe that our business is not dependent on patents, licenses or protected manufacturing processes, we are, however, contemplating patent applications for certain technologies we deploy in our manufacturing process.

With respect to, among other things, proprietary knowledge that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests. We believe that many elements of our current and planned manufacturing processes involve knowledge, technology or data that are not covered by patents or patent applications, including technical processes, equipment designs and procedures. All of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies they help to develop during the course of their employment with us. We also require suppliers and business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our technology or business plans.

While we do not consider ourselves reliant on patents and licenses at present, we are, however, dependent on a number of experts and specialists within the company. See "Risk Factors—Risks related to our business—Our business depends substantially on the continuing efforts of our executive officers as well as key employees in research and development and other areas, and our business may be severely disrupted if we lose their services".

Trademarks

As of the date of this offering memorandum, we have applied for protection of our trade name "Solaria " in Spain and have registered the trademark "Solaria", including our logo, in Spain for the trademark categories 9, 11, 40 and 41, with a view to protecting our "Solaria" trademark in the categories that cover the manufacture of PV modules and solar thermal panels.

A Spanish company with a name similar to ours, which is also active in the solar energy market, has registered its name as a trademark and, as a consequence, the Spanish Official Patent and Trademark Office (*Oficina Española de Patentes y Marcas*) has rejected our trademark application in relation to those categories that relate to the provision of solar energy services, such as our turnkey services. Accordingly, we do not, at present, benefit from trademark protection in respect of such activities, and we may encounter further difficulties in protecting our intellectual property rights in Spain or be faced by a claim brought by such company if it believes its intellectual property rights have been, or are being, infringed. We are not, however, aware of any infringement of any such intellectual property rights.

Similarly, a solar technology company based in Silicon Valley, U.S.A., has registered the word "Solaria" as a U.S. trademark and service mark for categories comprising, among other things, PV systems and the installation, repair and maintenance of PV systems. Accordingly, should we seek to expand our operations into the United States, we expect that we would not be able to obtain trademark protection for our own "Solaria" brand name and that we may be required to operate under a different brand name so as to avoid any potential infringement of the intellectual property rights of such company.

Domains

We are the registered holder of the internet domain "solariaenergia.com", "solariaenergia.net", "solariaenergia.info" and "solariaenergia.biz". Neither the content of our website nor the content of any website accessible from hyperlinks on our website is incorporated into, or forms part of, this offering memorandum.

As of the date of this offering memorandum, we have not been subject to any material intellectual property claims.

EMPLOYEES

As of December 31, 2006, 2005 and 2004, we had 77, 18 and 2 full-time employees. As a result of our recent expansion, we have experienced a significant increase in the number of employees since December 31, 2006. As of March 31, 2007, we had 164 full-time employees, and, at May 31, 2007, we had 253 full-time employees. The following table sets forth our full-time employees categorized by their functions and qualifications at December 31, 2006, March 31, 2007 and May 31, 2007:

	At December 31, 2006		At March 31, 2007	
	Number of employees	Percentage of total	Number of employees	Percentage of total
Labor	11	14.2%	58	35.4%
Skilled labor	53	68.8%	83	50.6%
Logistics	1	1.3%	1	0.6%
Team coordinators	1	1.3%	6	3.7%
Administration	—	0%	1	0.6%
Engineering (and other graduates)	11	14.2%	15	9.1%
Total	**77**	**100.0%**	**164**	**100.0%**

At March 31, 2007, 125 employees were assigned to our PV module production line, 23 employees were assigned to the design, production and installation of our solar thermals and 16 employees were assigned to the marketing and sale of our turnkey projects. 16 of these employees worked, however, in both our PV module and turnkey business lines. We consider our relations with our employees to be good and we plan to hire additional employees as we expand.

INSURANCE

We maintain a property insurance policy with Allianz, Compañía de Seguros y Reaseguros, S.A. ("Allianz Seguros") to cover our equipment, facilities, buildings and their improvements, furniture and inventory. This insurance policy covers direct losses due to fire, explosion, burglary, breakage of fixed glass and lightning. Insurance coverage for our fixed and current assets presently amounts to €4 million. There is, however, no coverage for losses that we suffer because, following the occurrence of an insured event, we are unable to supply our customers on time or at all and such customers then assert contractual claims against us. We also maintain civil liability insurance with Allianz Seguros for an aggregate coverage amount of approximately €1.2 million. This policy covers civil, commercial and product liability. We paid an aggregate of €25,541 in insurance premiums during 2006.

We do not maintain insurance relating to the delivery of our products because our customers generally assume transit risk under our sales contracts. Similarly, we have chosen not to maintain business interruption insurance. We base our decisions regarding our insurance portfolio and the scope of such portfolio on commercial cost-benefit analyses to cover appropriately what we deem to be material risks. We cannot assure you, however, that our insurance coverage will adequately protect us from all risks that may arise or in amounts sufficient to prevent material loss.

HEALTH AND SAFETY AND ENVIRONMENT

Our objective is to ensure compliance with applicable laws and regulations and the continuous improvement in the areas of health and safety and environmental protection.

Health and safety

We have contracted with the Spanish mutual assurance company, Asepeyo, for a preventive plan against risks to our employees' health and safety from work-related activities. The work to be undertaken for us by

Asepeyo includes (i) the periodic assessment of these risks at our facilities, (ii) the proposal of preventative measures and the evaluation of their effectiveness, once implemented, (iii) the investigation of work-related accidents, and (iv) the production of an annual report on the steps taken by Asepeyo during the year. Asepeyo also carries out the health and safety training of our employees.

We have separately contracted a medical policy with Asepeyo covering our employees. The work to be undertaken by Asepeyo in this regard includes: (i) the audit of our facilities and proposal of measures to control any potential health risks, (ii) the performance of free health checks, consultations and vaccinations, and (iii) the production of an annual report on the steps taken by Asepeyo during the year.

Environmental protection

We consider that our current manufacturing processes are environmentally friendly and do not generate any significant levels of noise, waste water or gaseous or other industrial wastes.

We believe we have obtained all environmental permits necessary to conduct our business and that we comply with applicable environmental requirements. We could, however, incur substantial costs (including clean-up costs, fines, civil or criminal sanctions and costs arising from third-party property damage or personal injury claims) because of violations of, or liabilities under, environmental laws or non-compliance with environmental permits required at our facilities. See "Risk Factors—Risks related to our business—Non-compliance with environmental regulations may result in adverse publicity and potentially significant monetary damages, fines and suspensions of our business operations".

We are currently in the process of implementing a range of environmental measures at our production facilities aimed at promoting the efficient use of resources. We have installed solar thermal panels at our production facilities in Puertollano to support our heating system, and we also expect to cover part of the electricity requirements of our facilities by developing and installing a PV park with a capacity of 3 MW.

LITIGATION

From time to time, we are or may become engaged in litigation incidental to our business. As of the date of this offering memorandum, we are not, and, for the preceding 12 months, have not been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware), which may have, or have had in the recent past, a significant effect on our financial position or profitability.

REGULATORY FRAMEWORK

INTRODUCTION

The renewable energy industry, and in particular the solar industry, benefits from substantial government subsidies and incentives in Spain and our other target markets. The majority of these incentives applies at the power generation level. There are, however, subsidies available for manufacturers of solar energy products, such as our company. (For a discussion of the subsidies awarded to us, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—Government subsidies"). Subsidies for producers of electricity from renewable energy sources include:

- *Feed-in systems.* Under this system, distributors are required to purchase electricity generated from PV systems at regulated prices that are significantly higher than market prices.

- *Tax credits*. Producers of PV energy are able to deduct the cost of purchasing a PV installation from their tax liability.

- *Direct subsidies.* Producers of PV energy can obtain subsidies or subsidized loans for the purchase of a PV installation.

- *Net metering*. Under this system, producers of PV energy can sell surplus electricity generated by their PV installations back to the grid at market prices.

The availability of these incentives is of fundamental importance to our business as they generate demand for our products. In the absence of government subsidies and incentives, solar energy would not currently be able to compete with conventional forms of energy, in our view. See "Risk Factors—Risks related to our industry—The PV industry depends to a significant extent on the continued availability of attractive levels of government and local subsidies and incentives for energy generated by renewable sources and for business development."

SPAIN

Overview

A range of European Union regulations, directives and policies aimed at promoting the use of renewable energy and requiring Member States to stimulate the use of renewable energy sources in their domestic markets has been the key driver for the regulatory framework on renewable energy in Spain. On November 26, 1997 the European Commission published a White Paper on renewable energy which set an aggregate capacity target of 3,000 MWp for PV systems to be installed in Europe by 2010. As a result, the Spanish government adopted the Renewable Energies Plan 1999-2004 (*Plan de Fomento de las Energías Renovables*) which set an aggregate capacity target of 144 MWp for PV systems in Spain to be reached by 2004. In August 2005, the Spanish government approved the Renewable Energies Plan 2005-2010 setting an aggregate capacity target of up to 400 MWp by 2010.

The current regulatory framework for renewable energy in Spain, including PV and solar thermal, is embodied in several laws and regulations, the most important of which are:

- *Law 54/1997* establishing the basic framework for the promotion of renewable energy and the liberalization of the Spanish energy market. It also introduced the so-called "Special Regime" (régimen especial), which allows producers to sell electricity generated from renewable energy sources to distributors at prices that are significantly higher than market prices;

- *Royal Decree 1663/2000* laying down the basic administrative and technical conditions for the connection to the electric grid of PV installations with a maximum capacity of 100 kW;

- *Royal Decree 1955/2000* establishing, among other things, the administrative procedures for the construction and operation of electricity generating installations and the conditions for connecting new installations to the electric grid;

- *Royal Decree 1432/2003* establishing the methodology to determine the "legal reference tariff" (Tarifa Eléctrica Media o de Referencia) which aims to ascertain the average market price for electricity in a given year and currently forms the basis for calculating the regulated tariff and the various premiums and incentives under the Special Regime;

- *Royal Decree 436/2004* consolidating the legal framework laid down by Law 54/1997 by amending the Special Regime and setting prices for electricity generated from different forms of renewable energy sources, including PV energy, both for sale to distributors and sale on the de-regulated energy market;

- *Royal Decree 314/2006* approving the Technical Code for Construction (*Código Técnico de la Edificación*), which lays down a range of measures with the aim of increasing the energy efficiency of new and rehabilitated buildings; and

- *Royal Decree 661/2007* amending the Special Regime and replacing RD436/2004.

Photovoltaic

The regulatory framework of the PV industry comprises both the regulation of the sale of PV energy to distributors or market counterparties through the Special Regime and the conditions for the installation and operation of a PV system.

Special Regime

The current Special Regime is embodied in Royal Decree 436/2004, which consolidates the legal framework for the sale of electricity generated from renewable energy sources. It generally grants producers the right to connect their installations to the electric grid and, once connected, feed in the electricity generated, on the condition that such absorption is technically possible (which is determined by the manager of the relevant grid connection point upon application by the producer).

Under the system, owners of PV installations with a maximum capacity of 50 MW have the choice between receiving the so-called regulated tariff (a multiple of the "legal reference tariff") for each kWh fed into the electric grid and a wholesale market price, negotiated on the de-regulated energy market, plus an incentive and a premium (which are also multiples of the "legal reference tariff"). The election is valid for one year, after which producers are able to switch to the alternative option by giving the distributor and the *Dirección General de Política Energética y Minas* at least one month's notice.

The "legal reference tariff" is defined in Royal Decree 1432/2003 and aims to ascertain, according to a formula, the average market price for electricity in a given year. It is revised annually (with effect from January 1 of each year) or when special circumstances render such revision expedient. The "legal reference tariff" currently applicable to producers under the Special Regime took effect on January 1, 2006 (7.6588 eurocents per kWh), and any later revisions of the tariff will only apply when revised regulations for the Special Regime come into effect.

- *Sale to distributor at regulated tariff.* Under this option, producers of PV energy are entitled to sell their electricity to the nearest distributor possessing the technical and economic means necessary for the onward distribution of the electricity. The owner of the PV installation and the distributor then enter into an agreement with a minimum term of five years under which the necessary technical and economic parameters are regulated.

  The distributor is obliged to pay the producer a multiple of the "legal reference tariff", depending on the capacity of the PV installation, for the electricity fed into the grid. Owners of PV systems with a maximum installed capacity of up to 100 kW receive 575% of the "legal reference tariff" during the first 25 years of operation and 460% thereafter, whereas owners of PV installations with a capacity of more than 100 kW receive 300% of the "legal reference tariff" for the first 25 years of operation and 240% thereafter.

- *Sale on de-regulated market*. Under this option, producers of PV energy are able to sell the electricity they generate on the de-regulated energy market. The price they receive is determined by (i) a bidding system managed by the market operator OMEL *(Operador del Mercado Ibérico de Energía),* (ii) through direct contractual negotiations with a counterparty, or (iii) by a combination of the two. While owners of PV installations with a capacity of less than 100 kW only receive the price determined in the market, PV installations with a capacity of more than 100 kW also receive a premium of 250% of the "legal reference tariff" for the first 25 years of operation and 200% thereafter, plus a further premium of 10% of the "legal reference tariff" which is paid as an incentive for participating in the de-regulated market.

Owners of PV installations with a capacity of more than 50 MW are not entitled to sell their electricity to distributors at the regulated tariff but are obliged to sell the electricity they generate on the de-regulated market. RD 436/2004 stipulates that, depending on consultations between the Spanish government and the autonomous regions (*Comunidades Autonómas*), these producers may receive a premium of 30% of the "legal reference tariff" in addition to the price achieved in the de-regulated market.

Distributors will be reimbursed for the costs incurred under the system by the CNE. The system, including the extent and availability of the regulated tariff and the various premiums and incentives, is subject to review every four years and at such time as the aggregate capacity of PV installations in Spain reaches 150 MW. Given that this is less than the capacity target of up to 400 MW set out in the Renewable Energies Plan 2005-2010, it is possible that once PV installations in Spain reach a capacity of 150 MW, the regulated tariff, as well as premiums and incentives will be revised downwards. However, RD 436/2004 stipulates that future adjustments and changes to the regulated tariff and the various premiums and incentives will not apply to PV systems already installed.

New Royal Decree

On May 25, 2007, RD 661/2007 on electricity generation activity under the Special Regime was approved, replacing RD 436/2004. Among other things, RD 661/2007 introduces the following changes to the Special Regime:

- changes to the regulated tariff available to producers of PV energy as set forth in the following table:

Capacity of PV installation	Period	Regulated tariff (€ cents/kWh)
< 100 kW	first 25 years	44.0381
	thereafter	35.2305
100 kW ≤ 10 MW	first 25 years	41.7500
	thereafter	33.4000
10 MW ≤ 50 MW	first 25 years	22.9764
	thereafter	18.3811

- changes to the current system of payment: instead of receiving the full amount of remuneration for the electricity sold from the distributor / market counterparty, the producer receives directly from the CNE or its nominated representative the difference between the market price determined by OMEL's bidding system and the regulated tariff, with the balance being paid to the producer by the distributor or market counterparty, respectively;

- abolition of the 10% incentive over the "legal reference tariff" paid for participating in the de-regulated market to producers of PV energy;

- annual adjustment of the regulated tariff and incentives for PV energy by reference to the Spanish retail price index (*Índice de Precios al Consumo, IPC*) minus (i) 0.25% until December 31, 2012 and (ii) 0.5% thereafter; and

- setting premiums for installations with a capacity of 50 MW or more.

In addition, RD 661/2007 stipulates that reviews of the regulated tariff, premiums and minimum and maximum levels will occur every four years starting in 2010, and at such time as the aggregate capacity of PV systems installed in Spain reaches 371 MW.

RD 661/2007 further provides that once 85% of this capacity target is reached, the Secretary General for Energy shall establish a maximum term, during which PV producers wishing to benefit from the subsidy regime, will have to obtain definitive entry under the Spanish Regime in order to be entitled to the then current regulated tariff and levels of premium for their electricity sold. This term cannot be less then 12 months. Those applicants who fail to obtain definitive entry under the Special Regime during this period, are not entitled to the regulated tariff or premiums but merely receive the closing market price determined by OMEL's bidding system (if they opted to sell their electricity to a distributor) or the price achieved on the de-regulated market.

In addition, RD 661/2007 stipulates that the CNE, within two months of the entry into force of the new Royal Decree, shall publish on their website the then current levels of total installed capacity for each renewable energy source, and update such information on a monthly basis.

The new Royal Decree will come into effect on June 1, 2007 and will apply to all PV installations in operation at such date.

The demand for our PV module products and turnkey services is affected significantly by the availability and size of government subsidies and economic incentives for end-users as they generate demand for our PV products. Accordingly, any changes to the Special Regime could have a material effect on our business, prospects, financial condition and results of operations. See "Risk Factors—Risks related to our industry—The PV industry depends to a significant extent on the continued availability of attractive levels of government and local subsidies and incentives for energy generated by renewable sources and for business development".

Regulation for the installation and operation of PV systems

Under Spanish law, it is necessary to obtain certain permits and licenses, primarily from regional authorities, for the installation and operation of a PV system. The main steps in the authorization process, certain of which may occur simultaneously, are set out below:

- admission of the PV installation to the Special Regime and provisional entry in the register of installations under the Special Regime (*Registro Administrativo de Instalaciones de Producción en Régimen Especial*);

- administrative authorization and project approval by applicants attesting the technical and safety features of their PV installation, the proper compliance with environmental requirements and confirming their legal, technical and financial capacity for the kind of product they propose to develop;

- access and connection to the grid by issuing a request to the manager of the regional grid connection point (*gestor de la red de distribución de la zona*) who informs the applicant within 15 days whether there is sufficient capacity for electricity to be fed into the grid. In such circumstances, the applicant is required to present to the distributor a project plan for the installation and operation of the PV system within six months;

- issue and presentation to the relevant regional authority (*órgano autonómico española*) of an Installation Certificate (*Certificado de instalación*) upon completion of construction of the PV installation;

- issue of the operation license (*acta de puesta en servicio*) by the relevant regional authority; and

- definitive entry in the register of installations under the Special Regime (*Registro Administrativo de Instalaciones de Producción en Régimen Especial*) upon presentation to the regional authority of the contract between the producer and the distributor for the sale of electricity generated by the PV system.

In addition, the construction and installation of PV plants also require the necessary land use permits, as well as the relevant municipal licenses.

Solar thermal

Royal Decree 314/2006 approving the Technical Code for Construction (Código Técnico de la Edificación)

On March 17, 2006, the Spanish government adopted the Technical Code for Construction. This Code sets out, among other things, a range of measures with the aim of increasing the energy efficiency of new and rehabilitated buildings. For example, it stipulates that a minimum percentage (ranging from 30% to 70%) of a building's annual energy requirements for the production of domestic hot water (DHW) must be met by solar energy and therefore requires the incorporation of solar thermal panels in these buildings, unless the building in question is subject to one of certain transitory provisions contained in the Code. The exact percentage depends, among other things, on the geographical location and specific DHW demands of the building. The Code also requires that certain types of new or rehabilitated buildings that exceed a certain size must be fitted with PV installations to supplement their energy consumption. These buildings include (i) office buildings exceeding 4,000 sqm, (ii) hotels and hospitals with more than 100 beds, (iii) supermarkets exceeding 5,000 sqm and (iv) shopping centers (*centros comerciales*) exceeding 3,000 sqm.

EUROPEAN UNION

A range of European regulations form the basis of the national laws and regulations relating to the domestic electricity markets, in particular E.U. Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources. This Directive aims to increase the contribution of renewable energy sources to electricity production in the European Union and requires Member States to set national targets for electricity consumption from renewable sources. While Member States are free to choose which measures to adopt to achieve this aim, they must ensure, among other things, that distributors grant producers of electricity from renewable sources access to the electricity grid.

The majority of the markets that we have currently identified for potential expansion offers incentives for the generation of electricity from renewable sources, including PV energy. These incentives predominantly take the form of feed-in tariffs, not dissimilar to the feed-in tariff system adopted by the Spanish government described above. Some countries also offer subsidized loans or tax breaks relating to the financing of renewable energy systems.

BOARD OF DIRECTORS

Spanish corporate law provides that a company's board of directors is responsible for the management, administration and representation of a company in all matters concerning the business of a company, subject to the provisions of such company's bylaws (*estatutos*) and the powers given by shareholders' resolutions.

Our bylaws provide for a Board of Directors consisting of between 4 and 12 members. Our Board of Directors currently consists of 6 members. Directors are elected by our shareholders to serve for a term of four years, and may be re-elected to serve for an unlimited number of terms. Any natural or legal person may serve on our Board of Directors, except those persons who are specifically prohibited by applicable law to serve on a board of directors. A Director may resign or be removed from office by our shareholders at a general shareholders' meeting.

Board of Directors Regulations

Pursuant to the Board of Directors Regulations (*Reglamento de Consejo de Administración*) approved by our general shareholders' meeting held on May 24, 2007, and adopted by our Board of Directors on May 24, 2007, Directors must tender their resignation to the Board of Directors and the Board of Directors may accept such resignation, in its discretion, under the following circumstances: (i) where the Director ceases to hold the executive officer position to which his appointment was related; (ii) where such Director's participation on the Board of Directors is contrary to applicable law; (iii) when such Director has been seriously reprimanded for breaching his obligations as a Director; (iv) where the Director's participation on the Board of Directors is contrary to the interests of our Company or where the reason for his appointment ceases to exist (e.g., where a corporate member of our Board of Directors disposes of his interest in our company) or (v) in the case of other external directors, where the shareholder represented by such Director transfers its entire shareholding or significantly reduces it to a level that requires a reduction in the number of other external directors.

Our Board of Directors is responsible for our management and establishes our strategic, accounting, organizational and financing policies. Our Board of Directors Regulations provides that the Chairman of our Board of Directors shall be elected from among the members of the Board of Directors. The Board of Directors appoints our executive officers and our authorized signatories and supervises our operations. Moreover, the Board of Directors is entrusted with preparing shareholders' meetings and carrying out shareholders' resolutions.

Our Board of Directors Regulations provide that the Board of Directors shall meet at least 8 times a year. Our bylaws provide that a majority of Directors shall constitute a quorum and that, except as otherwise provided by law or specified in our bylaws, resolutions of the Board of Directors are passed by a simple majority of the Directors present. In the case of an equality of votes, the Chairman of the Board shall have a casting vote.

In addition, our Board of Directors Regulations provide specific rules related to non-competition and conflicts of interest:

- *Non-competition obligations*. A Director cannot hold a management position or serve as director in any of our competitors, except if such Director has obtained prior approval at a general shareholders' meeting.

- *Conflict of interest*. A Director must disclose to the Board any potential conflict of interest, direct or indirect, and must refrain from taking part in deliberations relating to those matters of conflict of interest that affect him personally. Similarly, a Director cannot engage in any professional or commercial transaction with our Company, directly or indirectly, unless he discloses in advance such potential conflict of interest, and the Board approves such transaction. See "—Conflicts of Interests" below.

Directors

The following table sets forth the name, date of first appointment and title of each of our Directors as of the date of this offering memorandum.

Name	Date of Appointment [1]	Title
Enrique Díaz-Tejeiro Gutiérrez [2]	May 24, 2007	Chairman [3]
Enrique Díaz-Tejeiro Larrañaga	May 24, 2007	Director
Arturo Díaz-Tejeiro Larrañaga	May 24, 2007	Director
Miguel Díaz-Tejeiro Larrañaga	May 24, 2007	Director
Manuel Azpilicueta	May 24, 2007	Independent Director [3]
Iñigo Sagardoy de Simón	May 24, 2007	Independent Director [3]
Joaquín Hervada Yáñez	May 24, 2007	Secretary (non-voting member)

Notes: (1) All of our Directors have employment terms that expire on May 24, 2011.
(2) Enrique Díaz-Tejeiro Gutiérrez is the father of Enrique Díaz-Tejeiro Larrañaga, Arturo Díaz-Tejeiro Larrañaga and Miguel Díaz-Tejeiro Larrañaga.
(3) Enrique Díaz-Tejeiro Gutiérrez, Manuel Azpilicueta and Iñigo Sagardoy de Simón are non-executive members of our Board.

None of our Directors named above has, in the five years prior to the date of this offering memorandum: (i) been convicted in relation to any fraud; (ii) been involved or associated, in a capacity as a director or senior manager, with any bankruptcies, receiverships or liquidations; or (iii) been the subject of any official public incrimination and or sanctions by any statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs or any issuer.

Biographical Information

Biographical information for each of our Directors, including a brief description of their professional experience and education, is presented below.

Enrique Díaz-Tejeiro Gutiérrez

Mr. Díaz-Tejeiro Gutiérrez holds a degree in industrial engineering from the *Universidad Politécnica de Madrid* and is a member of the College of Industrial Engineers in Madrid (*Colegio Oficial de Ingenieros Industriales de Madrid*).

He served as a director of Camping Gas Española, part of the Cointra group of companies, as general manager of Divigrasa, part of the INI group of companies and as network director (*Director Facultativo de Redes de Transporte*) of ASEI, which forms part of the Enagás group of companies.

Since 1991, he has also held a number of positions in family-owned companies participating in the energy sector, including (i) chairman of Instalaciones Díaz-Tejeiro, S.L., a company specializing in gas installations, and (ii) managing director of SEIDT, a company specializing in the provision of gas supply to the northern part of the city of Madrid.

Enrique Díaz-Tejeiro Larrañaga

Mr. Enrique Díaz-Tejeiro Larrañaga holds a degree in business administration from the *Universidad Complutense de Madrid*. He also completed a number of AENOR (*Associación Española de Normalización y Certificación*) skill enhancement courses, including a course covering the implementation and documentation of quality management systems and is an AENOR certified Internal Quality Auditor under ISO 9000 (*Auditor de Calidad*) and an Internal Environment Auditor under ISO 14000 (*Auditor de Medioambiente*).

Before his appointment to our Board of Directors, Mr. Enrique Díaz-Tejeiro Larrañaga worked for a number of Díaz-Tejeiro family companies. He served as quality management director (*Director del Departamento de Calidad*) for Instalaciones Díaz-Tejeiro, S.L., where he was responsible for the coordination, management and implementation of industry norms UNE EN ISO 9001 and ISO 14000, as well as overseeing the related certification process through AENOR. He also worked as finance director of IDT-SEIDT.

Arturo Díaz-Tejeiro Larrañaga

Mr. Arturo Díaz-Tejeiro Larrañaga holds a degree in industrial engineering from the *Universidad Politécnica de Madrid* (ETSII), an MBA from the *Instituto de Empresa* and a diploma in PV systems from the National Distance Learning University (*Universidad Nacional de Educación de Distancia*).

He has also published a number of research papers, including (i) "Signal Digital Processing, applications to the Semiconductors Industry" (University of Liege), (ii) "Development Projections of the Photovoltaic and Solar Thermal Industry" ("*Proyectista Energía Solar Térmica y Fotovoltaica*", *Centro de la Energía Solar*), and (iii) "Technology, Manufacturing and Market Trends in the International Photovoltaics Industry".

Before his appointment to our Board of Directors, Mr. Arturo Díaz-Tejeiro Larrañaga held various positions in the Díaz-Tejeiro family company, Instalaciones Díaz-Tejeiro, S.L., including that of technical director.

Miguel Díaz-Tejeiro Larrañaga

Mr. Miguel Díaz-Tejeiro Larrañaga holds a degree in IT engineering from the *Universidad Alfonso X el Sabio de Madrid*.

Before his appointment to our Board of Directors, he worked in the sales department of the family-owned company, Instalaciones Díaz-Tejeiro, S.L.

Manuel Azpilicueta Ferrer

Mr. Azpilicueta Ferrer has a governmental qualification in commerce and economics (*Técnico Comercial y Economista del Estado*). Between 1976 and 1985, he served as deputy chairman of the National Institute of Industry (*Instituto Nacional de Industria, INI*), chairman of Banco Unión and Repsol Butano. He also worked as a director of Russell Reynolds Associates, a leading international recruitment consultancy, for 15 years.

He is currently the chairman of Europistas and holds several directorships. In addition, he is honorary chairman of the *Circulo de Empresarios*, after having served as chairman of the organization previously.

Iñigo Sagardoy de Simón

Mr. Sagardoy de Simón holds a degree in law and economics from the University Pontificia de Comillas (*ICADE*) in Madrid and a doctorate in employment law from the *Universidad de Alcalá de Henares*. In 2003, he completed the General Management Program (PDG) at the IESE Business School. He is a managing partner of Sagardoy Abogados and vice chairman and member of the executive committee of "ius laboris", the International Employment Law, Pensions and Employee Benefits Alliance since 2000. He also serves as chairman of the advisory board of the International Research Center on Organizations (IRCO), which forms part of the IESE Business School, and is a member of the advisory board of Global Strategies, S.L. He also serves on the board of directors of Broad Optical Access, S.L. and as chairman of Laborpyme, S.L. and is currently deputy chairman and member of the governing board of the Sagardoy Foundation. In addition, he is a member of the European Employment Lawyers Association. Mr. Sagardoy de Simón was also a member of the advisory board of the Randstad Foundation and the companies People Matters and CREADE. He also served on the boards of directors of La Moraleja Business Resort, S.L., Audelco S.L., Fashion World Design, S.L. and Watson Wyatt.

Mr. Sagardoy de Simón also works as a lecturer of employment law at various universities and teaches a course in employment relations at the Madrid Business Institute (*Instituto de Empresa de Madrid*). He also teaches at the Private Law Practice Master (*Abogacía Privada*) of the Madrid Law School (*Colegio de Abogados de Madrid*) and the Employment Law Master (*Asesoría Juridica Laboral*) of the *Centro Garrigues*.

Joaquín Hervada Yáñez

Mr. Hervada Yáñez holds a degree in law and economics from the Universidad Pontificia de Comillas (ICADE) of Madrid. He worked as a partner at the Spanish law firms José Mario Armero and Hervada & Klingenberg before joining the international law firm Freshfields Bruckhaus Deringer, where he is currently a partner in the corporate law department. Freshfields Bruckhaus Deringer advised the issuer in the offering.

He has broad experience in providing legal advice to companies and served as non-voting secretary of Corporación Noroeste, S.A., legal counsel of Cementos Cosmos, S.A. and personal representative of Cementos Lemona, S.A., part of the Cimpor group. In addition, Mr. Hervada Yáñez is currently non-voting secretary of JT International (JTI), a division of Japan Tobacco Inc.

Independent Directors

At our general shareholders' meeting on May 24, 2007, our shareholders appointed Manuel Azpilicueta Ferrer and Iñigo Sagardoy de Simón as non-executive Independent Directors without their having first been recommended by an Appointments and Recommendation Committee (as is recommended by the *Código Unificado de Gobierno Corporativo*, the Code of Good Governance, as approved by the CNMV), as such a committee had not been established at the date of the meeting. We anticipate, however, that our Appointments and Remuneration Committee, once established, will determine the corporate status of each of our Directors, that is, executive director (*ejecutivo*), independent director (*independiente*), other external director (*externo*) or corporate director (*dominical*), in accordance with the terms of the Code of Good Governance, and that the appointment of those Directors determined by the committee to be independent directors or other external directors, will be ratified by our shareholders in the first general meeting that takes place after the Appointments and Recommendation Committee has been established.

We believe it is our duty to act with the greatest possible transparency in all aspects of our internal management, and we intend to implement progressively the internal good governance regime to be drawn up by the Audit and Compliance Committee under their remit.

In addition, Article 38 of our bylaws stipulates that our general shareholders' meeting will procure, to the extent possible, that independent directors or non-executive directors represent a majority on our Board. As of the date of this offering memorandum, we do not yet comply with this provision as our Board comprises an equal number of executive and non-executive directors.

Board Committees

Our Board of Directors may delegate to one or more committees all of its functions and powers to the extent permitted under applicable law or may create committees with mere consulting and advisory roles. Notwithstanding the foregoing, our Board is required under applicable securities laws to establish an Audit and Compliance Committee. In addition, our Board of Directors Regulations stipulate that our Board shall also establish an Appointments and Remuneration Committee.

Audit and Compliance Committee

At the shareholders' meeting held on May 24, 2007, in anticipation of the admission to listing of our shares on the Spanish Stock Exchanges, our shareholders approved amendments to our bylaws in relation to the creation of an Audit and Compliance Committee. Article 47 of our bylaws stipulates the requirement of our Board of Directors to establish an Audit and Compliance Committee subject to the composition, responsibilities and rules set forth under the Spanish securities laws. The main purpose of our Audit and Compliance Committee is to evaluate our accounting auditing procedures, to insure the independence of our external auditors and to supervise our internal control systems.

Article 48 of our bylaws and Article 13 of our Board of Directors Regulations, as adopted by our Board of Directors on May 24, 2007, set out the committee's composition and rules of operation.

Our Audit and Compliance Committee is required to have three members, the majority of which must be non-executive Directors of our Company, and will be appointed by our Board of Directors. The chairman of the Audit and Compliance Committee must be selected from among our non-executive Directors for a term of four years, and can only be re-appointed one year after vacating office under the previous term.

The Audit and Compliance Committee is responsible, among other thing, for the following matters:

- reporting to the general shareholders' meeting with respect to matters within its competency raised by the shareholders at such meeting;
- making proposals to the Board of Directors, for submission by the Board of Directors to the general shareholders' meeting, regarding the appointment of our external auditors;
- supervising our internal auditing systems, reviewing our accounts and monitoring compliance with legal requirements and the correct application of generally accepted accounting principles, with the assistance of our external and internal auditors;

- remaining informed about our financial reporting process and internal control systems, and verifying the adequacy and integrity of such process and systems, as well as reviewing the appointment or replacement of those responsible for such process and systems;

- dealing with our external auditors in order to receive information about any matters that might jeopardize such auditors' independence and any other matters related to the audit process and other communications as provided in laws regarding the auditing and technical standards applied to auditing;

- overseeing the auditors' compliance with the terms of the auditors' engagement, ensuring that the audit opinion in respect of our financial statements is clearly and precisely formulated and evaluating the results of each audit;

- reviewing periodic financial information furnished by the Board of Directors to the capital markets and securities regulatory authorities;

- overseeing compliance with regard to related party transactions;

- reviewing compliance with our internal code of conduct, the Board of Directors Regulations and other corporate governance rules in general and proposing necessary changes to improve such rules and regulations; and

- receiving information or, if applicable, issuing reports in respect of disciplinary measures to be imposed on executive officers.

The Audit and Compliance Committee shall meet at least once each fiscal quarter or whenever requested by its members or its chairman.

We anticipate that Manuel Azpilicueta Ferrer (as chairman), Iñigo Sagardoy de Simón and Enrique Díaz-Tejeiro Larrañaga will be appointed to our Audit and Compliance Committee, once our shares will be admitted to trading.

Appointments and Remuneration Committee

Article 47 of our bylaws gives our Board of Directors the discretion to create an Appointments and Remuneration Committee but there is no obligation to do so. However, Article 14 of our Board of Directors Regulations, as approved by our shareholders at their general meeting on May 24, 2007, stipulates the requirement of our Board of Directors to establish such a committee.

The main goals of the Appointment and Remuneration Committee are to ensure the integrity of the selection process for new Directors and officers of our Company, to ensure that the relevant candidates have the necessary qualifications, and to assist the Board in formulating and reviewing the remuneration policies for our Directors and officers.

The Appointments and Remuneration Committee is required to have three non-executive Directors, and shall be appointed by the Board of Directors. The chairman of the Appointments and Remuneration Committee must be selected from among our non-executive Directors for a term of four years, and can only be re-appointed one year after vacating office under the previous term.

The Appointments and Remuneration Committee is responsible, among other things, for the following matters:

- formulating and reviewing the criteria to be applied regarding the composition of the management team of the Company and its subsidiaries and in selecting candidates;

- submitting to the Board of Directors proposals for the appointment of managers and executive officers;

- periodically analyzing, formulating and reviewing the proposed policies for hiring and securing the loyalty of new managers and executive officers;

- periodically analyzing, formulating and reviewing the proposed policies regarding the remuneration of managers and executive officers and measuring their suitability and performance;

- monitoring the transparency of compensation; and
- reporting on transactions which involve, or may involve, a conflict of interests.

We anticipate that Iñigo Sagardoy de Simón (as chairman), Manuel Azpilicueta Ferrer and Enrique Díaz-Tejeiro Larrañaga will be appointed to our Appointments and Remuneration Committee, once our shares are admitted to trading.

CONFLICTS OF INTEREST

Except as stated below, we do not believe that any member of our Board of Directors or our senior management team has any conflict of interest between his duties and responsibilities to our company and his private interests.

Shareholdings of Directors

As of the date of this offering memorandum, our Directors and members of our senior management team beneficially owned, directly and indirectly, an aggregate of 62,208,000 shares, representing 80.0% of our shares prior to the offering. However, prior to the date of this offering memorandum, our shareholders Enrique Díaz-Tejeiro Gutiérrez, María Dolores Larrañaga Horna, Enrique Díaz-Tejeiro Larrañaga, Arturo Díaz-Tejeiro Larrañaga and Miguel Díaz-Tejeiro Larrañaga entered into an agreement with each of Forlasa Group and Nozar Group for the sale of an aggregate of 1,900,000 shares for a price per share equal to the offering price. Under these sales, which are subject to a condition subsequent that our shares be admitted to listing on the Spanish Stock Exchanges, each shareholder has agreed to sell 380,000 shares, with Forlasa Group and Nozar Group receiving 950,000 shares each. For the purposes of this table we have assumed that the sale of these shares has been completed.

		Number of Shares (in thousands)		
Name	Position	directly held	indirectly held	Percentage
Enrique Díaz-Tejeiro Gutiérrez	Chairman	—	15,172,000	19.51%
Enrique Díaz-Tejeiro Larrañaga	Director	—	15,172,000	19.51%
Arturo Díaz-Tejeiro Larrañaga	Director	—	15,172,000	19.51%
Miguel Díaz-Tejeiro Larrañaga	Director	—	15,172,000	19.51%
Total		—	60,688,000	78.04%

For further information, see "Risk Factors—Risks Related to our Shareholding Structure".

Conflicts of interest within the Board of Directors

Some members of our Board of Directors own interests or hold positions in companies that carry out activities that are similar or complementary to ours. The following table sets forth these shareholdings and positions held by each individual, where applicable

Name	Company	Shareholding	Position
Enrique Díaz-Tejeiro Gutiérrez	Instalaciones Díaz-Tejeiro, S.L.	50%	Sole Director
	Solaria DTL Corporación, S.L.	20%	Director
Enrique Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L.	20%	—
Arturo Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L.	20%	—
Miguel Díaz-Tejeiro Larrañaga	Solaria DTL Corporación, S.L.	20%	Director

Instalaciones Díaz-Tejeiro, S.L. Instalaciones Díaz-Tejeiro, S.L. is principally engaged in the installation of gas and air conditioning systems. In 2004, we entered into a current account agreement with Instalaciones Díaz-Tejeiro, S.L. Interest on amounts drawn down by Instalaciones Díaz-Tejeiro, S.L under this agreement accrued at a market-related rate of Euribor plus 0.5% per year. The aggregate amounts drawn by Instalaciones Díaz-Tejeiro under the agreement were €463,402, €561,711 and €38,920 at December 31, 2006, 2005 and 2004, respectively, and the effective rate of interest on these loans was 4.10%, 3.17% and 2.85% for the years then ended. On April 3, 2007, we agreed with Instalaciones Díaz-Tejeiro to terminate the agreement and all amounts lent under it have since been repaid.

During 2006, we also entered into a number of agreements with Instalaciones Díaz-Tejeiro, S.L. for the supply of raw materials and the provision of installation services in relation to our turnkey projects for an aggregate principal amount of €1,068,908. For the three months ended March 31, 2007, the aggregate expense under these agreements amounted to €1,029,012. These agreements have been terminated since and we have no ongoing business relations with Instalaciones Díaz-Tejeiro, S.L.

Solaria DTL Corporación. The principal business activity of Solaria DTL Corporación, S.L., our principal shareholder, consists in the management of its investment in our company, as well as the provision of administration and management services to our company.

On April 1, 2006 we entered into a management agreement with our principal shareholder, Solaria DTL Corporación, S.L. for the provision of management and administration services. Under the terms of the agreement, certain of our management personnel were employed by Solaria DTL Corporación, S.L. and provide administration services to our company. We did not have any commitments relating to pensions or similar items under the agreement, and no advance payments, loans, retirement awards, life insurance or special indemnities were granted. The management fee for services rendered under the agreement comprised a fixed amount and a variable amount expressed as a percentage of our net revenues. These amounts are agreed by mutual consent each year. For the year ended December 31, 2006 and the three months ended March 31, 2007, the aggregate fee paid by us to Solaria DTL Corporación, S.L. under the agreement amounted to €933,057 and €276,718 (and €23,282 remained outstanding at March 31, 2007, in respect of the three months then ended), respectively. The management agreement with Solaria DTL Corporación, S.L. has now been terminated.

For further information on these transactions, see "Related Party Transactions".

Rules governing conflicts of interest and non-competition provisions

Our Board of Directors Regulations include a set of rules of conduct that impose specific obligations on our Directors in circumstances where a potential conflict of interest may arise, as well as certain non-competition provisions.

Conflicts of Interest: Our Directors must disclose to the Board any potential conflict of interest, direct or indirect, and must refrain from taking part in deliberations relating to those matters giving rise to a potential conflict of interest that affect them personally or a connected person. In addition, any transactions between our company and our Directors, their representatives or connected persons, save for those transactions that form part of our company's ordinary course of dealing, must be authorized or ratified, without the involvement of the Director, or Directors in question, by our Board.

Non-competition: Our Directors must disclose their shareholdings in, any functions they perform in relation to, and any financial gains they receive from, companies with a corporate purpose similar or complementary to our corporate purpose. Any of our shareholders may request the resignation of any Director who holds a directorship of any of our competitors or who has interests, of whatever nature, that otherwise conflict with those of our company. If such a request is approved by our shareholders in general meeting, the Director in question must resign.

In addition, our Internal Code of Conduct establishes restrictions on, and conditions for, the purchase or sale of our securities and our other financial instruments.

CODE OF INTERNAL CONDUCT AND CORPORATE GOVERNANCE RECOMMENDATIONS

On May 23, 2007 our Board of Directors adopted the Capital Markets Code of Conduct (*Reglamento Interno de Conducta*) (the "Internal Code of Conduct"). The Internal Code of Conduct regulates our Directors' and management's conduct with regard to the treatment, use and disclosure of our material information. The Internal Code of Conduct applies to, among other persons, all Directors, senior management and employees who have access to material non-public information and to our external advisors when they handle such material non-public information.

The Internal Code of Conduct, among other things:

- establishes the restrictions and conditions for the purchase or sale of securities or other financial instruments of our company by persons subject to the Internal Code of Conduct and those who possess material non-public information;

- provides that persons subject to the Internal Code of Conduct shall not engage in market manipulation with respect to securities or other financial instruments of our company;

- provides that our company shall not engage in open market purchases with a view to manipulating the market price of securities or other financial instruments of our company or favoring any particular shareholder(s); and

- provides that persons who have a conflict of interest shall act in good faith and with loyalty towards our company and its shareholders and without regard to such person's individual interests.

Accordingly, such persons shall (i) not act in their own interest at the expense of our company or in the interest of particular shareholders at the expense of other shareholders, (ii) not participate in decisions that may affect other persons or entities with whom such person has a conflict of interest and (iii) inform our company secretary of potential conflicts of interest.

DIRECTOR AND EXECUTIVE OFFICER COMPENSATION

Director remuneration

As of the date of this offering memorandum, none of our current or previous Directors has received remuneration in relation to their holding office, except for Enrique Díaz-Tejeiro Gutiérrez who received €114,162 for the year ended December 31, 2005, in which he served as our Sole Director. Our directors have, however, received remuneration from us in their capacity as employees of our company (see "—Senior Management Remuneration").

Notwithstanding the foregoing, our shareholders approved a new draft of our bylaws in relation to Directors' remuneration at their general meeting on May 24, 2007. Article 46 of our bylaws and Article 25 of our Board of Directors Regulations stipulate that each Director shall receive, in each financial year, a fixed cash amount, to be set by our shareholders at a general meeting. The aggregate amount of such remuneration shall not exceed 2% of the operating profit for the year immediately preceding the financial year in question, after allocations for legal reserves have been made and a dividend of 4% has been accounted for. While the amount so determined by our shareholders cannot be changed by our Board, it may be adjusted annually by reference to the Spanish retail price index (*Índice de Precios al Consumo, IPC*), if so suggested by our Appointments and Remuneration Committee.

According to Article 25 of our Board of Directors Regulations, those Directors who also perform management functions in our company shall have the right to receive additional remuneration, which may consist of all or any of the following components: (i) a fixed amount reflecting the tasks performed and responsibilities assumed, (ii) a variable cash amount linked to certain objective parameters, to be agreed with the company, and (iii) insurance contributions.

In addition, our executive Directors may also receive shares in our company or a group company, share options or other financial instruments related to such shares as remuneration for their services, if approved by our shareholders in general meeting. In such circumstances, our shareholder shall determine the number of shares to be received by each Director, the strike price of the share options and the value of the shares referenced by the financial instrument.

In their general meeting held on May 24, 2007, our shareholders have approved an aggregate amount of €370,000 as remuneration for our Directors for the year 2007.

Senior management remuneration

Remuneration for our senior management team amounted to €55,144 and €240,023 in the years ended December 31, 2004 and 2005, respectively, while we paid an aggregate amount of €97,484 to our senior managers for the three months ended March 31, 2006.

On April 1, 2006 we entered into a management agreement with our principal shareholder, Solaria DTL Corporación, S.L. for the provision of management and administration services. Under the terms of the agreement, certain of our management personnel were employed by Solaria DTL Corporación, S.L. and provide administration services to our company. We did not have any commitments relating to pensions or similar items under the agreement, and no advance payments, loans, retirement awards, life insurance or special indemnities

were granted. The management fee for services rendered under the agreement comprised a fixed amount and a variable amount expressed as a percentage of our net revenues. These amounts are agreed by mutual consent each year. For the year ended December 31, 2006 and the three months ended March 31, 2007, the aggregate fee paid by us to Solaria DTL Corporación, S.L. under the agreement amounted to €933,057 and €276,718 (and €23,282 remained outstanding at March 31, 2007, in respect of the three months then ended), respectively. The management agreement with Solaria DTL Corporación, S.L. has now been terminated.

In accordance with Article 14 of our Board of Directors Regulations, our Appointments and Remuneration Committee, once established, shall formulate and report to our Board the amount and relevant terms and conditions of our senior management remuneration.

Our senior management team currently consists of our three executive Directors with Enrique Díaz-Tejeiro Larrañaga working as chief financial officer, Arturo Díaz-Tejeiro Larrañaga working as chief operating officer and Miguel Díaz-Tejeiro Larrañaga working as head of corporate development. Each of our executive Directors receives a fixed gross annual salary of €720,000 and their contracts of employment provide for the possibility of variable remuneration of up to 35% of their fixed annual salary, as well as stock options, should a system of variable remuneration be implemented in the future. Once established, we expect that our Appointments and Remuneration Committee will review the economic terms of the contracts of employment of our senior managers and, if confirmed, submit then to our Board of Directors for approval. The contracts also provide for termination payments of 180 days' salary for each year of service, with a minimum amount equivalent to two years' salary. In addition, our three executive directors have agreed to abide by a non-competition covenant included in their contracts of employment for a period of two years from the termination of their contracts.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our shares prior to and after the offering. For the purposes of this table, we have assumed the sale of 950,000 shares to each Forlasa Group and Nozar Group as described in note (3) below.

	Prior to the offering			After the offering (assuming no exercise of the over-allotment option)		After the offering (assuming full exercise of the over-allotment option)	
Owner	**Number of shares beneficially owned**	**Percent.**	**Number of shares being offered [1]**	**Number of shares beneficially owned**	**Percent.**	**Number of shares beneficially owned**	**Percent.**
Solaria DTL Corporación,S.L. [2]	75,860,000	97.56%	3,508,000	75,860,000	75.00%	72,352,000	71.53%
Forlasa Group [3]	950,000	1.22%	—	950,000	0.94%	950,000	0.94%
Nozar Group [3]	950,000	1.22%	—	950,000	0.94%	950,000	0.94%
Public [4]	—	—	—	23,386,667	23.12%	26,894,667	26.59%
Total	77,760,000	100.00%	26,894,667[4]	101,146,667	100.00%	101,146,667	100.00%

Notes:

(1) The number of shares being offered in the offering by our principal shareholder, Solaria DTL Corporación, S.L., assumes the over-allotment is exercised in full. If the over-allotment is not exercised, the total number of shares being offered will be 23,386,667, comprised entirely by the issuance by us of new ordinary shares.

(2) Solaria DTL Corporación, S.L. is controlled by members of the Díaz-Tejeiro family, with Enrique Díaz-Tejeiro Gutiérrez, our Chairman, María Dolores Larrañaga Horna, his wife, and Enrique Díaz-Tejeiro Larrañaga, Arturo Díaz-Tejeiro Larrañaga and Miguel Díaz-Tejeiro Larrañaga, our executive directors, each holding a 20% interest in the company.

(3) Prior to the date of this offering memorandum, our shareholders Enrique Díaz-Tejeiro Gutiérrez, María Dolores Larrañaga Horna, Enrique Díaz-Tejeiro Larrañaga, Arturo Díaz-Tejeiro Larrañaga and Miguel Díaz-Tejeiro Larrañaga entered into an agreement with each of Forlasa Group and Nozar Group for the sale of an aggregate of 1,900,000 shares for a price per share equal to the offering price. Under these agreements, which are subject to a condition subsequent that our shares be admitted to listing on the Spanish Stock Exchanges, each shareholder has agreed to sell 380,000 shares, with Forlasa Group and Nozar Group receiving 950,000 shares each. For the purposes of this table we have assumed that the sale of these shares has been completed.

(4) The number of shares being offered in the offering and the number of shares publicly owned after the offering each includes the issuance by us of 23,386,667 new ordinary shares in the offering.

For a description of certain transactions between us and certain of the shareholders listed below, see "Related Party Transactions".

Lock-up arrangements

See "Plan of Distribution" for a discussion of certain lock-up arrangements.

RELATED PARTY TRANSACTIONS

Other than set forth below, we have not entered into any agreements or contracts that we believe would merit consideration as related party transactions, except for those agreements or contracts that are executed in the ordinary course of business.

The following table sets forth certain information with regard to related party transactions we have entered into during each of the years ended December 31, 2006, 2005 and 2004 and in the three months ended March 31, 2007:

	Year Ended December 31,			Three Months Ended March, 31
	2006	2005	2004	2007
				(unaudited)
			(in €)	
Non-current loans				
Loans to related parties	—	561,711	38,920	—
Interest on loans to related parties	—	25,621	2,630	—
	—	587,332	41,550	—
Current loans				
Amounts owed by related parties	20,170	—	—	20,170
Loans to related parties	463,402	—	—	461,795
Interest on loans to related parties	107,622	—	—	129,149
	591,194	—	—	611,114
Solaria DTL Corporación, S.L. management fee	933,057	—	—	300,000
Transactions with Instalaciones Díaz-Tejeiro, S.L.	1,068,908	—	—	1,029,012
Transactions with Sagardoy Abogados	—	—	—	14,142(1)

Note: (1) This sum includes payments made and incurred over a period between September 9, 2006 and the date of this offering memorandum to Sagardoy Abogados, of which our Independent Director Iñigo Sagardoy de Simón is a managing partner.

Loans to related parties. In 2004, we entered into a current account agreement with Instalaciones Díaz-Tejeiro, S.L., a related company. Enrique Díaz-Tejeiro Gutiérrez, our Chairman and one of our principal indirect shareholders, owns 50% of Instalaciones Díaz-Tejeiro, S.L. Interest on amounts drawn down by Instalaciones Díaz-Tejeiro, S.L under this agreement accrued at a market-related rate of Euribor plus 0.5% per year. The aggregate amounts drawn by Instalaciones Díaz-Tejeiro under the agreement were €463,402, €561,711 and €38,920 at December 31, 2006, 2005 and 2004, respectively, and the effective rate of interest on these loans was 4.10%, 3.17% and 2.85% for the years then ended. On April 3, 2007, we agreed with Instalaciones Díaz-Tejeiro to terminate the agreement and all amounts lent under it have since been repaid.

Amounts owed by related parties. On December 19, 2006, we sold our 0.47% interest in Brumale, S.L. to Solaria DTL Corporación, S.L., our principal shareholder. As of March 31, 2007, there was an outstanding balance of €20,170 owed by Solaria DTL Corporación, S.L. to us, relating to the sale.

Solaria DTL Corporación management fee. On April 1, 2006 we entered into a management agreement with our principal shareholder, Solaria DTL Corporación, S.L. for the provision of management and administration services. Solaria DTL Corporación, S.L. is controlled by members of the Díaz-Tejeiro family, with Enrique Díaz-Tejeiro Gutiérrez, our Chairman, María Dolores Larrañaga Horna, his wife, and Enrique Díaz-Tejeiro Larrañaga, Arturo Díaz-Tejeiro Larrañaga and Miguel Díaz-Tejeiro Larrañaga, our executive directors, each holding a 20% interest in the company. Under the terms of the agreement, certain of our management personnel were employed by Solaria DTL Corporación, S.L. and provide administration services to our company. We did not have any commitments relating to pensions or similar items under the agreement, and no advance payments, loans, retirement awards, life insurance or special indemnities were granted. The management fee for services rendered under the agreement comprised a fixed amount and a variable amount expressed as a percentage of our net revenues. These amounts are agreed by mutual consent each year. For the year ended December 31, 2006 and the three months ended March 31, 2007, the aggregate fee paid by us to Solaria DTL Corporación, S.L. under the

agreement amounted to €933,057 and €276,718 (and €23,282 remained outstanding at March 31, 2007 in respect of the three months then ended), respectively. The management agreement with Solaria DTL Corporación, S.L. has now been terminated.

On May 22, 2007, we adopted a protocol of good governance laying down certain rules of conduct in relation to any potential future transactions between us and Solaria DTL Corporación, S.L. This protocol was subsequently adopted by our Board on May 23, 2007 in accordance with our Internal Code of Conduct. We believe that by implementing these measures, no potential conflict of interest will arise out of any future business relations we may have with Solaria DTL Corporación, S.L., thereby ensuring transparency over our relations with Solaria DTL Corporación, and protecting the interests of our other shareholders. In addition, Solaria DTL Corporación has agreed under the protocol and for as long as it remains in force, not to compete with us in respect of our business activities.

Transactions with Instalaciones Díaz-Tejeiro, S.L. During 2006, we also entered into a number of agreements with Instalaciones Díaz-Tejeiro, S.L. for the supply of raw materials and the provision of installation services in relation to our turnkey projects for an aggregate principal amount of €1,068,908. For the three months ended March 31, 2007, the aggregate expense under these agreements amounted to €1,029,012. As of the date of this offering memorandum, these agreements have been terminated and we have no ongoing business relations with Instalaciones Díaz-Tejeiro, S.L.

Should we resume business relations with Instalaciones Díaz-Tejeiro, S.L. in the future, we will consider such company a third party market participant and enter into a written agreement in respect of the transaction or transactions in question applying arm's length market standards. In addition, such transactions will comply with all relevant rules in relation to related party transactions that may be applicable at the time.

Forlasa Group and Nozar Group. Since we commenced commercial sales of PV modules in June 2006, we have forged strong relationships with two of our main customers, Forlasa Group and Nozar Group. For the year ended December 31, 2006, Forlasa Group accounted for 97.2% of our PV module sales, while for the three months ended March 31, 2007, Forlasa Group and Nozar Group, accounted for 87.9% of our sales from PV modules, with Forlasa Group and Nozar Group representing 54.8% and 33.1% of our PV module sales during the period, respectively.

Prior to the date of this offering memorandum, our shareholders Enrique Díaz-Tejeiro Gutiérrez, María Dolores Larrañaga Horna, Enrique Díaz-Tejeiro Larrañaga, Arturo Díaz-Tejeiro Larrañaga and Miguel Díaz-Tejeiro Larrañaga entered into an agreement with each of Forlasa Group and Nozar Group for the sale of an aggregate of 1,900,000 shares for a price per share equal to the offering price. Under these sales, which are subject to a condition subsequent that our shares be admitted to listing on the Spanish Stock Exchanges, each shareholder has agreed to sell 380,000 shares, with Forlasa Group and Nozar Group receiving 950,000 shares each, representing 1.22% and 0.74% of our issued share capital prior to and after the offering, respectively. Accordingly, upon admission of our shares to listing, two of our main customers will also hold shares in our company.

Should we continue our business relations with the Forlasa Group or the Nozar Group, as we expect to do, we will consider each of them a third party market participant and enter into a written agreement in respect of the transaction or transactions in question applying arm's length market standards. In addition, such transactions will comply with all relevant rules in relation to related party transactions that may be applicable at the time.

Transactions with Sagardoy Abogados. Between September 9, 2006 and the date of this offering memorandum, the law firm Sagardoy Abogados, of which our Independent Director Iñigo Sagardoy de Simón is a managing partner, provided us with legal advice. These services were provided to us before Mr. Sagardoy de Simón's appointment and were not rendered by him personally but by other employees of Sagardoy Abogados. The total amount we paid Sagardoy Abogados for these services during this period was €14,142.

There is no shareholders' agreement regulating voting rights or limiting or conditioning the free transferability of our shares, except for the lock-up commitments described elsewhere in this offering memorandum.

For additional information regarding our related party transactions, see note 32 to our Audited IFRS-E.U. Financial Statements.

MARKET INFORMATION

Prior to the offering, there has been no public market for our shares. We have applied to list our shares on the Spanish Stock Exchanges and to have the shares quoted through the AQS of the Spanish Stock Exchanges.

The Spanish securities market for equity securities consists of the four stock exchanges located in Madrid, Barcelona, Bilbao and Valencia and the AQS, or *Mercado Continuo*. During 2006, the AQS accounted for the majority of the total trading volume of equity securities on the Spanish Stock Exchanges.

The AQS links the four Spanish Stock Exchanges, providing the securities listed on it with a uniform continuous market that eliminates certain of the differences among the local exchanges. The principal feature of the system is the computerized matching of buy and sell orders at the time of entry of the order. Each order is executed as soon as a matching order is entered, but can be modified or canceled until executed. The activity of the market can be continuously monitored by investors and brokers. The AQS is operated and regulated by Sociedad de Bolsas, S.A., a corporation owned by the companies that manage the stock exchanges. All trades on the AQS must be placed through a brokerage firm, a dealer firm or a credit entity that is a member of a Spanish Stock Exchange.

In a pre-opening session held from 8:30 a.m. to 9:00 a.m. each trading day, an opening price is established for each security traded on the AQS based on a real-time auction in which orders can be entered, modified or canceled but are not executed. During this pre-opening session, the system continuously displays the price at which orders would be executed if trading were to begin.

Market participants only receive information relating to the auction price (if applicable) and trading volume permitted at the current bid and offer price. If an auction price does not exist, the best bid and offer price and associated volumes are shown. The auction terminates with a random period of 30 seconds during which share allocation takes place. Until the allocation process has finished, orders cannot be entered, modified or canceled.

In exceptional circumstances (including the inclusion of new securities on the AQS) and after giving notice to the CNMV, Sociedad de Bolsas, S.A. may establish an opening price without regard to the reference price (the previous trading day's closing price), alter the price range for permitted orders with respect to the reference price and modify the reference price.

The computerized trading hours (the "Open Session") are from 9:00 a.m. to 5:30 p.m. During the Open Session, the trading price of a security is permitted to vary up to a maximum so-called "static" range of the reference price (the price resulting from the Closing Auction (as defined below) of the immediately preceding trading day, or the immediately preceding Volatility Auction (as defined below) in the current Open Session), provided that the trading price for each trade of such security is not permitted to vary in excess of a maximum so-called "dynamic" range with respect to the trading price of the immediately preceding trade of the same security. If, during the trading session, there exist matching bid and ask orders over a security within the computerized system which exceed any of the above "static" and "dynamic" ranges, trading on the security is automatically suspended and a new auction (a "Volatility Auction") is held where a new reference price is set, and the "static" and "dynamic" ranges will apply over such reference price. The "static" and "dynamic" ranges applicable to each particular security are set up and reviewed periodically by Sociedad de Bolsas, S.A. From 5:30 p.m. to 5:35 p.m. (the "Closing Auction") orders can be entered, modified and canceled, but no trades can be made.

Between 5:30 p.m. and 8:00 p.m., trades may occur outside the computerized matching system without prior authorization of Sociedad de Bolsas, S.A., at a price within the range of 5% above the higher of the average price and closing price for the day and 5% below the lower of the average price and closing price for the day if there are no outstanding bids or offers, respectively, on the system matching or bettering the terms of the proposed off-system transaction and, if, among other things, the trade involves more than €300,000 and more than 20% of the average daily trading volume of the stock during the preceding three months. These trades must also relate to individual orders from the same person or entity and be reported to Sociedad de Bolsas, S.A. before 8:00 p.m. At any time trades may take place (with the prior authorization of Sociedad de Bolsas, S.A.) at any price if:

- the trade involves more than €1.5 million and more than 40% of the average daily volume of the stock during the preceding three months;
- the transaction derives from a merger or spin-off process or from the reorganization of a group of companies;

- the transaction is executed for the purposes of settling a litigation or completing a complex group of contracts; or

- Sociedad de Bolsas, S.A. finds other justifiable cause.

Information with respect to the computerized trades during the Open Session is made public immediately, and information with respect to trades outside the computerized matching system is reported to Sociedad de Bolsas, S.A. by the end of the trading day and published in the *Boletin de Cotización* and in the computer system by the beginning of the next trading day.

CLEARANCE AND SETTLEMENT SYSTEM

Transactions carried out on the AQS are cleared and settled through Iberclear. Only participating entities of the system are entitled to use it, and the ability to become a participating entity is restricted to authorized members of the AQS, the Bank of Spain (when an agreement, approved by the Spanish Ministry of Economy, is reached with Iberclear) and, with the approval of the CNMV, other brokers who are not members of the Spanish Stock Exchanges, banks, savings banks and foreign settlement and clearing systems. Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., a holding company which holds a 100% interest in each of the Spanish official secondary markets and settlement systems. The clearance and settlement system and its members are responsible for maintaining records of purchases and sales under the book-entry system. Shares of listed Spanish companies are held in book-entry form. Iberclear, which manages the clearance and settlement system, maintains a registry reflecting the number of shares held by each of its member entities on its own behalf as well as the number of shares held on behalf of third parties. Each member entity, in turn, maintains a registry of the owners of such shares. Spanish law considers the legal owner of the shares to be:

- the member entity appearing in the records of Iberclear as holding the relevant shares in its own name; or

- the investor appearing in the records of the member entity as holding the shares.

The settlement of any transactions must be made within three business days following the date on which the transaction was carried out ("T+3 Settlement System").

As a general rule, obtaining legal title to shares of a company listed on a Spanish Stock Exchange requires the participation of a Spanish official stockbroker, broker dealer or other entity authorized under Spanish law to record the transfer of shares. To evidence title to shares, at the owner's request the relevant member entity must issue a certificate of ownership. If the owner is a member entity, Iberclear is in charge of the issuance of the certificate with respect to the shares held in the member entity's name. Spanish Law 37/1998, which implements a European Union directive, allows, in specified circumstances, for the transfer of ownership of shares of a company listed on a Spanish Stock Exchange without complying with one or more of the requirements described above. However, secondary legislation required to implement this law in Spain has not been enacted as of the date of this offering memorandum.

SHARES DEPOSITED WITH EUROCLEAR AND CLEARSTREAM, LUXEMBOURG

Shares deposited with depositories for Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream") and credited to the respective securities clearance account of purchasers in Euroclear or Clearstream against payment to Euroclear or Clearstream will be held in accordance with the Terms and Conditions Governing Use of Euroclear and Clearstream, the operating procedures of the Euroclear System, as amended from time to time, and the Management Regulations of Clearstream and the instructions to Participants of Clearstream as amended from time to time, as applicable. Persons on whose behalf accounts at Euroclear or Clearstream are maintained and to which shares have been credited ("investors") shall have the right to receive the number of shares equal to the number of shares so credited, upon compliance with the foregoing regulations and procedures of Euroclear or Clearstream.

With respect to the shares that are deposited with depositories for Euroclear or Clearstream, such shares will be initially recorded in the name of Euroclear or one of its nominees or in the name of Clearstream or one of its nominees, as the case may be. Thereafter, investors may withdraw shares credited to their respective accounts if they wish to do so, upon payment of the applicable fees described below, if any, and obtaining the relevant recording in the book-entry registries kept by the members of lberclear.

Under Spanish law, only the record holder of the shares according to the registry kept by Iberclear is entitled to receive dividends and other distributions and to exercise voting, pre-emptive and other rights in respect of such shares. Euroclear or its nominee or Clearstream or its nominee will be the sole record holder of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, until such time as investors exercise their rights to withdraw such shares and cause them to obtain the recording of the investor's ownership of the shares in the book-entry registries kept by the members of Iberclear.

Cash dividends or cash distributions, as well as stock dividends or other distributions of securities, received in respect of the shares that are deposited with the depositories for Euroclear and Clearstream will be credited to the cash accounts maintained on behalf of the investors at Euroclear and Clearstream, as the case may be, after deduction for applicable withholding taxes, in accordance with the applicable regulations and procedures of Euroclear and Clearstream. See "Taxation".

Each of Euroclear and Clearstream will endeavor to inform investors of any significant events of which they have notice affecting the shares recorded in the name of Euroclear or its nominees and Clearstream or its nominees and requiring action to be taken by investors. Each of Euroclear and Clearstream may, at its discretion, take such action as it shall deem appropriate in order to assist investors to direct the exercise of voting rights in respect of the shares. Such actions may include (i) acceptance of instructions from investors to execute or to arrange for the execution of, proxies, powers of attorney or other similar certificates for delivery to us, or our agent or (ii) voting of such shares by Euroclear or its nominees and Clearstream or its nominees in accordance with the instructions of investors.

If we offer or cause to be offered to Euroclear or its nominees and Clearstream or its nominees, as the record holders of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, any rights to subscribe for additional shares or rights of any other nature, each of Euroclear and Clearstream will endeavor to inform investors of the terms of any such rights issue of which it has notice in accordance with the provisions of its regulations and procedures referred to above. Such rights will be exercised, insofar as practicable and permitted by applicable law, according to written instructions received from investors, or such rights may be sold and, in such event, the net proceeds will be credited to the cash account maintained on behalf of the investor with Euroclear or Clearstream.

TENDER OFFERS

Pursuant to Spanish law, any person or entity (the "bidder") intending to acquire for valuable consideration, in one or several transactions, shares of a company listed on a Spanish Stock Exchange (the "target company") or any other equity securities which may include a right to subscribe for or acquire additional shares (*e.g.*, preemptive rights, convertible bonds or warrants) in order to reach, together with any stake previously held, a significant shareholding in the voting stock of the target company, may not do so without launching a public tender offer.

The bidder must launch a tender offer over an amount of shares that represents at least 10% of the share capital of the target company if:

- the bidder intends to acquire a shareholding equal to or greater than 25% but less than 50%; or
- the bidder already holds a shareholding equal to or greater than 25% but less than 50%, and intends to increase such holding by at least 6% within a period of 12 months; or
- the bidder intends to acquire a shareholding less than 25% and to appoint a number of directors of the target company which, in addition to those already appointed by the bidder, if any, represents more than a third but less than one half plus one of the directors of the target company.

The bidder must launch a tender offer for 100% of the share capital of the target company if:

- the bidder intends to acquire a shareholding equal to or greater than 50%; or
- the bidder intends to acquire a shareholding lower than 50% and to appoint a number of directors of the target company which, in addition to those already appointed by the bidder, if any, represents more than half plus one of the directors of the target company.

In addition, Spanish law also establishes additional circumstances in which the mandatory tender offer regime will apply, such as indirect acquisitions of significant shareholdings, amendments of the target company's bylaws and delisting of securities.

Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids has set forth measures for the harmonization of rules on takeovers in order to establish a framework consisting of certain common principles in the European Union. Member states must implement the laws, regulations and administrative provisions necessary to comply with this Directive no later than May 20, 2006. On April 12, 2007, the Spanish parliament approved a law for the implementation of this Directive. The law, which will come into force on August 13, 2007 introduces significant amendments to the current Spanish rules governing tender offers (as summarized above). In particular:

- a bidder must make a tender offer in respect of 100% of the issued share capital of a target company if:
  - it acquires an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30% or more of the voting rights of the target company;
  - it acquires an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry less than 30% of the voting rights but enables the bidder to appoint a majority of the members of the target company's board of directors; or
  - it holds 30% or more of the voting rights of the target company on the date the law comes into force, and subsequently:
    - acquires, within 12 months, an additional interest in shares which carries 5% or more of the voting rights;
    - acquires an additional interest in shares so that the bidder's aggregate interest carries 50% or more of the voting rights; or
    - acquires an additional interest in shares which enables the bidder to appoint a majority of the members of the target company's board of directors;
- "a priori" or partial tender offers (i.e. in respect of less than 100% of the issued share capital of a target company) become voluntary;
- the board of directors of a target company is exempt from the rule prohibiting board interference with a tender offer (the "passivity rule"), provided that (i) it has been authorized by the general shareholders' meeting to take the action or enter into the transaction which could disrupt the offer, or (ii) it has been released from the passivity rule by the general shareholders' meeting vis-à-vis bidders whose boards of directors are not subject to an equivalent passivity rule; and
- defensive measures included in a listed company's bylaws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer unless the general shareholders' meeting resolves otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected may be entitled to compensation).

Once the law comes into force, the new Spanish rules on tender offers will be further developed by implementing regulations. As of the date of this offering memorandum, drafts of implementing regulations have not been made publicly available and any implementing regulations that are finally adopted could result in changes to the current Spanish tender offer rules described above.

DESCRIPTION OF CAPITAL STOCK

The following summary provides information concerning our capital stock and briefly describes certain significant provisions of our bylaws (*estatutos*) and Spanish corporate law. This summary does not purport to be complete and is qualified in its entirety by reference to our bylaws and Spanish corporate law. Copies of our bylaws are available at our principal executive offices.

GENERAL

At the date of this offering memorandum, our issued share capital amounts to €777,600 divided into a single series of 77,760,000 ordinary shares in book-entry form, with a nominal value of €0.01 each. All of our shares are fully paid and non-assessable. Non-residents of Spain may hold and vote our shares subject to the restrictions described below under "—Restrictions on Foreign Investments".

DIVIDEND AND LIQUIDATION RIGHTS

Payment of dividends is proposed by the Board of Directors and must be authorized by our shareholders at a general shareholders' meeting. Holders of shares participate in such dividends for each year from the date such dividends are agreed by a general shareholders' meeting. Spanish law requires each company to contribute at least 10% of its net operating profit each year to a legal reserve until the balance of such reserve is equivalent to at least 20% of such company's issued share capital. A company's legal reserve is not available for distribution to its shareholders except upon such company's liquidation. Since, as of the date of this offering memorandum, we have not been profitable for any financial year, we have not made any contributions to our legal reserve. According to Spanish law, dividends may only be paid out from the portion of profits or distributable reserves that exceeds our amortizable goodwill and start-up expenses and only if the value of our net worth is not, and as a result of distribution would not be, less than our share capital plus legal reserve. In accordance with Section 947 of the Spanish Commercial Code, the right to a dividend lapses and reverts to us if it is not claimed within five years after it becomes payable.

Dividends payable by us to non-residents of Spain are subject to Spanish withholding tax at the rate of 15%. However, residents of certain countries will be entitled to the benefits of a Double Taxation Convention. See "Taxation—Spanish Tax Considerations—Taxation of dividends".

Upon our liquidation, our shareholders would be entitled to receive proportionately any assets remaining after the payment of our debts and taxes and expenses of the liquidation.

SHAREHOLDERS' MEETINGS AND VOTING RIGHTS

Pursuant to our bylaws, rules of the general shareholders' meeting and Spanish corporate law, the annual general meeting of our shareholders is held during the first six months of each fiscal year on a date fixed by the Board of Directors. Extraordinary shareholders' meetings may be called by the Board of Directors whenever the Board of Directors deems it appropriate or at the request of shareholders representing at least 5% of our share capital (unless the Board of Directors deems such request to be abusive, in which case it will refuse to call the general shareholders' meeting and will immediately apply for the courts' ratification of such refusal). Such meetings must be called at least one month before the date on which the meeting shall be held. Notices of all shareholders' meetings are published in the Commercial Registry's Official Gazette (*Boletín Oficial del Registro Mercantil*) and in a local newspaper of wide circulation in the province where we are domiciled (currently Madrid, Spain) at least one month prior to the meeting.

Action is taken at ordinary shareholders' meetings on the following matters: the approval of the management of the Company by the directors during the previous fiscal year; the approval of the annual accounts from the previous fiscal year; and the application of the previous fiscal year's income or loss. All other matters can be considered at either an extraordinary shareholders' meeting or at an ordinary shareholders' meeting if the matter is within the authority of the meeting and is included on the agenda.

In general, each share entitles the holder to one vote. Under Spanish corporate law, shareholders who voluntarily aggregate their shares so that the capital stock so aggregated is equal to or greater than the result of dividing the total capital stock by the number of directors have the right, provided there are vacancies on the Board of Directors, to appoint a corresponding proportion of the members of the Board of Directors (disregarding fractions). Shareholders who exercise this right may not vote on the appointment of other directors. Any share may be voted by proxy. Proxies must be in writing or in electronic form acceptable under applicable law and are

valid for a single shareholders' meeting. Proxies may be given to any person and may be revoked, either expressly by written notice to us or by attendance by the shareholder at the meeting or by the exercise by the shareholder of a non-attendance vote.

Holders of 700 shares duly registered in the book-entry records maintained by Iberclear and its member entities at least five days prior to the day on which a shareholders' meeting is scheduled may, in the manner provided in the notice for such meeting, attend and vote at such meeting. Our Board of Directors intends to propose to our next general shareholders' meeting a modification to our by-laws reducing the required number of shares to 300.

Our bylaws provide that, on the first call of an ordinary or extraordinary general shareholders' meeting, the presence in person or by proxy of shareholders representing at least 25% of our voting capital will constitute a quorum. If on the first call a quorum is not present, the meeting can be reconvened by a second call, which according to Spanish corporate law requires no quorum. However, a resolution in a shareholders' meeting to change our share capital or corporate purpose, issue bonds, merge, dissolve, spin off assets, transform our legal form or modify our bylaws, requires on first call the presence in person or by proxy of shareholders representing at least 50% of our voting capital and on second call the presence in person or by proxy of shareholders representing at least 25% of our voting capital. On second call, such resolutions may only be passed upon the vote of shareholders representing two-thirds of our capital present or represented at such meeting. The interval between the first and the second call for a shareholders' meeting must be at least 24 hours. Resolutions in all other cases are passed by a majority of the votes cast.

A resolution passed in a shareholders' meeting is binding on all shareholders. However, in the case of resolutions contrary to Spanish law or the Company's bylaws, the right to contest is extended to all shareholders, directors and interested third parties. In the case of resolutions prejudicial to the interests of the Company or contrary to the Company's bylaws, such right is extended to shareholders who attended the shareholders' meeting and recorded their opposition in the minutes of the meeting, to shareholders who were absent and to those unlawfully prevented from casting their vote as well as to members of the Board of Directors. In certain circumstances (such as a modification of corporate purpose or change of the corporate form), Spanish corporate law gives dissenting or absent shareholders the right to withdraw from the Company. If this right were exercised, the Company would be obliged to purchase the relevant shareholding(s) at a price equal to the average market value of the shares for the quarter preceding the date of exercise of this right.

SHAREHOLDER SUITS

Under Spanish corporate law, directors are liable to shareholders for illegal acts, acts that violate the bylaws and failure to carry out their legal duties with due diligence. Shareholders are not required to submit these actions to arbitration. Under Spanish law, shareholders must generally bring actions against us in the province where we are domiciled (currently Madrid, Spain).

REGISTRATION AND TRANSFERS

Our shares are in registered book-entry form and are indivisible. Joint holders of one share must designate a single person to exercise their shareholders' rights, but they are jointly and severally liable to us for all the obligations relating to their status as shareholders, such as the payment of any pending capital calls. Iberclear, which manages the Spanish clearance and settlement system of the Spanish Stock Exchanges, maintains the central registry reflecting the number of shares held by each of its member entities (*entidades participantes*) as well as the amount of these shares held by beneficial owners. Each member entity, in turn, maintains a registry of the owners of such shares.

Since our shares are in registered form, we will keep an electronic shareholder registry to which effect Iberclear shall report to us on a daily basis all transactions entered into by our shareholders in respect of our shares. Our bylaws authorize us to request from all shareholders who hold shares in trust for other persons to identify the beneficial owner of the shares and the disposal or granting of securities for the same.

As a general rule, transfers of shares quoted on the Spanish Stock Exchanges must be made through or with the participation of a member of a Spanish Stock Exchange. Brokerage firms, official stockbroker or dealer firms, Spanish credit entities, investment services entities authorized in other E.U. member states and investment services entities authorized by their relevant authorities and in compliance with Spanish regulations are eligible to be members of the Spanish Stock Exchanges. See "Market Information". The transfer of shares may be subject to certain fees and expenses.

RESTRICTIONS ON FOREIGN INVESTMENT

Subject to the restrictions described below, foreign investors may freely invest in shares of Spanish companies as well as transfer invested capital, capital gains and dividends out of Spain without limitation (subject to applicable taxes and exchange controls), and need only file a notification with the Spanish Registry of Foreign Investments maintained by the General Bureau of Commerce and Investments within the Ministry of Economy following any investment or divestiture. Such filing is required solely for statistical and administrative purposes. Where the investment or divestiture is made in shares of Spanish companies listed on any of the Spanish Stock Exchanges, the duty to provide notice of a foreign investment or divestiture lies with the relevant entity with whom the shares in book-entry form have been deposited or which has acted as an intermediary in connection with the investment or divestiture. If the foreign investor is a resident of a tax haven, as defined under Spanish law (Royal Decree 1080/1991 of July 5, 1991), notice must be provided to the Registry of Foreign Investments prior to making the investment, as well as after consummating the transaction. However, prior notification is not necessary in the following cases:

- investments in listed securities, whether or not trading on an official secondary market, as well as investments in participations in investment funds registered with the CNMV; and

- foreign shareholdings that do not exceed 50% of the capital of the Spanish company in which the investment is made.

In addition to the notices relating to significant shareholdings that must be sent to the relevant company, the CNMV and the relevant Spanish Stock Exchanges, as described in this section under "Reporting Requirements", foreign investors are required to provide said notices to the Registry of Foreign Investments.

PREEMPTIVE RIGHTS AND INCREASES OF SHARE CAPITAL

Pursuant to Spanish corporate law, shareholders and holders of convertible bonds have preemptive rights to subscribe for any new shares issued by the Company and for any new bonds convertible into shares. Such preemptive rights may be waived under special circumstances by a resolution passed at a meeting of shareholders or the Board of Directors (when the Company is listed and the shareholders' meeting delegates to the Board of Directors the right to increase the capital stock and waive preemptive rights), in accordance with Article 159 of the Spanish corporate law. At the date of this offering memorandum, we have no convertible bonds outstanding. Further, preemptive rights, in any event, will not be available in connection with an increase in share capital to meet the requirements of a convertible bond issue or a merger in which shares are issued as consideration.

Preemptive rights are transferable, may be traded on the AQS and may be of value to existing shareholders because new shares may be offered for subscription at prices lower than prevailing market prices.

REPORTING REQUIREMENTS

Because our shares are to be listed on the Spanish Stock Exchanges, agreements with respect to the acquisition or disposition thereof must be reported within seven business days of the acquisition or disposal to us, the CNMV, each of these Spanish Stock Exchanges and, if the person or group effecting the transaction is a non-resident of Spain, the Spanish Registry of Foreign Investments, where:

- in the case of an acquisition, the acquisition results in that person or group holding 5% (or successive multiples thereof) of our share capital; or

- in the case of a disposal, the disposal takes any existing holding of that person or group below a threshold of 5% of our share capital.

Similar disclosure obligations apply to voting agreements among parties holding in the aggregate 5% or more of our share capital. Should the person or group effecting the transaction be resident in a tax haven (as defined by applicable Spanish regulations), the threshold that triggers the obligation to disclose the acquisition or disposition of our shares is reduced to 1% (and successive multiples thereof).

We will also be required to report to the CNMV and each of the relevant Spanish Stock Exchanges any acquisition of our shares to be held by us as treasury stock where such acquisition added to any previous share purchases conducted by us represents 1% or more of our share capital (and successive multiples thereof), disregarding share sales within the same period.

Any member of the Board of Directors must report to us, the CNMV and each of the relevant Spanish Stock Exchanges any percentage or number of shares and stock options held at the time of becoming a member of the Board of Directors.

Furthermore, any member of our Board of Directors must similarly report any acquisition or disposition of our shares, regardless of the amount, as well as any acquisition, transfer or exercise of option rights over our shares and any other interest or right that enables the director to acquire or subscribe for our shares. In addition, our senior managers (defined as those persons who carry out executive functions within the Company and report directly to our Board of Directors, executive committee or chief executive officer) must also report any stock-based compensation that they may receive pursuant to any of our compensation plans.

In addition, according to Royal Decree 1333/2005, of November 11, 2005 (implementing European Directive 2004/72/EC), any member of our Board of Directors and any of our senior managers or any parties related to any of them, as defined in such Royal Decree 1333/2005, must report to the CNMV any transactions carried out with respect to our shares or derivatives or other financial instruments relating to our shares within five business days of such transaction. The notification of the transaction must include particulars such as, among others, the type of transaction, the date of the transaction and the market in which the transaction was carried out, the number of shares traded and the price paid in connection with the transaction.

On July 17, 2003, the Spanish government enacted the Transparency Act (Act 26/2003), amending the Securities Market Act (Act 24/1998) and the Public Companies Act (Royal Decree 1564/1989). The Transparency Act requires parties to disclose certain types of shareholders' agreements concerning the exercise of voting rights at a general shareholders' meeting or containing restrictions or conditions on the free transferability of shares or bonds that are convertible or exchangeable into shares. If our shareholders enter into such agreements with respect to our shares, they must disclose the execution, amendment or extension of such agreements to us and the CNMV and must file such agreements with the appropriate commercial registry. Failure to comply with these disclosure obligations renders any such shareholders' agreement unenforceable and constitutes a violation of the Spanish Securities Market Act.

SHARE REPURCHASES

Pursuant to Spanish corporate law, we may only repurchase our own shares within certain limits and in compliance with the following requirements:

- the repurchase must be authorized by the general shareholders' meeting by a resolution establishing the maximum number of shares to be acquired, the minimum and maximum acquisition price and the duration of the authorization, which may not exceed 18 months from the date of the resolution;
- the aggregate nominal value of the shares repurchased, together with the aggregate nominal value of the shares already held by us and our subsidiaries, must not exceed 5% of our share capital;
- we must be able to set aside non-distributable reserves in an amount corresponding to the book value of the repurchased shares; and
- the shares repurchased must be fully paid.

Treasury shares do not have voting rights or economic rights (e.g., the right to receive dividends and other distributions and liquidation rights), except the right to receive bonus shares, which will accrue proportionately to all of our shareholders. Treasury shares are counted for purposes of establishing the quorum for shareholders' meetings and majority voting requirements to pass resolutions at shareholders' meetings.

Directive 2003/6/EC of the European Parliament and the European Council dated January 28, 2003 on insider dealing and market manipulation establishes rules in order to ensure the integrity of European Community financial markets and to enhance investor confidence in those markets. Article 8 of this Directive establishes an exemption from the market manipulation rules regarding share buy-back programs by companies listed on a stock exchange in an E.U. member state. European Commission Regulation No. 2273/2003, dated December 22, 2003, implemented the aforementioned Directive with regard to exemptions for buy-back programs. Article 3 of this Regulation states that in order to benefit from the exemption provided for in Article 8 of the Directive, a buy-back program must comply with certain requirements established under such Regulation and the sole purpose of the buy-back program must be to reduce the share capital of an issuer (in value or in number of shares) or to meet obligations arising from either of the following:

- debt financial instruments exchangeable into equity instruments; or
- employee share option programs or other allocations of shares to employees of the issuer or an associated company.

TAXATION

SPANISH TAX CONSIDERATIONS

General

The following is a summary of the material Spanish tax consequences of the acquisition, ownership and disposition of our shares by non-Spanish resident investors. This summary is not a complete analysis or listing of all the possible tax consequences of such transactions and does not address all tax considerations that may be relevant to all categories of potential purchasers, some of whom may be subject to special rules. In particular, this tax section does not address the Spanish tax consequences applicable to "look-through" entities (such as trusts or estates) that may be subject to the tax regime applicable to such non-Spanish entities under the Spanish Non-Resident Income Tax Law.

Accordingly, prospective investors in the shares should consult their own tax advisors as to the applicable tax consequences of their purchase, ownership and disposition of the shares, including the effect of tax laws of any other jurisdiction, based on their particular circumstances.

The description of Spanish tax laws set forth below is based on Spanish law as of the date of this offering memorandum and on administrative interpretations of Spanish law. As a result, this description is subject to any changes in such laws or interpretations occurring after the date hereof, including changes having retroactive effect.

As used in this "Spanish Tax Considerations" section, the term "Holder" means a beneficial owner of our shares:

- who is an individual or corporation resident for tax purposes in any country other than Spain;
- whose ownership of shares is not effectively connected with a permanent establishment in Spain through which such Holder carries on, or has carried on, business or with a fixed base in Spain from which such Holder performs, or has performed, independent personal services; and
- who is not treated as owning 5% or more of the shares.

Taxation of dividends

Under Spanish law, dividends paid by a Spanish resident company, such as us, to a Holder are subject to Spanish Non-Resident Income Tax, approved by Royal Decree Legislative 5/2004 of March 5 ("NRIT"), withheld at the source on the gross amount of dividends, currently at a tax rate of 18%. Notwithstanding the above, the NRIT Law includes an exemption in respect of the first €1,500 of any dividends received annually by individuals (without a permanent establishment in Spain and not acting through a tax haven) who are resident in an E.U. member state or in a territory or country that has an effective exchange of fiscal information agreement with Spain.

However, Holders resident in certain countries will be entitled to the benefits of applicable Double Taxation Conventions ("DTC") in effect between Spain and their country of tax residence. Such Holders may benefit from a reduced tax rate or an exemption, subject to the satisfaction of any conditions specified in the relevant DTC, including providing evidence of the tax residence of the Holder by means of a certificate of tax residence duly issued by the tax authorities of the country of tax residence of the Holder or, as the case may be, the equivalent document regulated in the Order which further develops the applicable DTC. The DTC between Spain and the United States generally provides for a 15% tax rate on dividends.

Upon distribution of a dividend, we or our paying agent will withhold an amount equal to the tax amount required to be withheld according to the general rules set forth above (i.e., applying the general withholding tax rate of 18%) transferring the resulting net amount to the depositary. For this purpose, the depositary is the financial institution with which the Holder has entered into a contract of deposit or management with respect to our shares held for such Holder. If the depositary of the Holder is resident, domiciled or represented in Spain and it provides timely evidence (i.e., a certificate of tax residence issued by the relevant tax authorities of the Holder's country of residence stating that, to the best knowledge of such authorities, the Holder is, for tax purposes, a resident of such country within the meaning of the relevant DTC or, if applicable, the equivalent document provided for in the order which further develops the applicable DTC) of the Holder's right to obtain the DTC-reduced rate or exemption, it will immediately receive the excess amount withheld. For these purposes,

the relevant certificate of tax residence must be provided before the tenth day following the end of the month in which the dividends were paid. The tax residence certificate is valid only for a period of one year from the date of issuance. For U.S. Holders, the certificate of residence form is IRS Form 6166. U.S. Holders must request the IRS Form 6166 certificate of residence by filing IRS Form 8802 with the IRS. The U.S. Holder must attach to IRS Form 8802 a statement declaring that it was or will be a resident of the United States for the period for which the treaty benefit was claimed.

If this certificate of residence or, if applicable, the equivalent document referred to above, is not provided within this time period or if the depositary of the Holder is not resident, domiciled or represented in Spain, the Holder may subsequently obtain a refund of the excess amount withheld from the Spanish tax authorities, following the standard refund procedure established by Royal Decree 1776/2004, dated July 30, 2004, and an Order dated December 23, 2003, as amended.

Spanish refund procedure

According to Spanish Regulations on NRIT, approved by Royal Decree 1776/2004 and the Order dated December 23, 2003, a refund for the amount withheld in excess of the DTC-reduced rate can be obtained from the relevant Spanish tax authorities. To pursue the refund claim, the Holder is required to file:

- the applicable Spanish Tax Form (currently, Form 210);
- the certificate of tax residence or equivalent document referred to above under "Taxation of Dividends"; and
- a certificate from us stating that Spanish NRIT was withheld with respect to such Holder.

For further details, prospective Holders should consult their own tax advisors.

Taxation of rights

Distributions to Holders of preemptive rights to subscribe for new shares made with respect to the shares are not treated as income under Spanish law and, therefore, are not subject to Spanish NRIT. The exercise of such preemptive rights is not considered a taxable event under Spanish law and thus is not subject to Spanish NRIT. However, if these preemptive rights are transferred by the Holders, the amount received as a result of the transfer will reduce the acquisition cost of the shares to which they pertain. If the amount received exceeds this acquisition cost, the excess will be regarded as a capital gain and subject to Spanish NRIT in the manner described under "Taxation of Capital Gains" below.

Taxation of capital gains

Capital gains derived from the transfer, exchange, redemption or sale of the shares will be deemed income arising in Spain, and, therefore, are taxable in Spain at a rate of 18%.

Capital gains and losses will be calculated separately for each transaction. It is not possible to offset losses against capital gains.

However, capital gains derived from the transfer, exchange, redemption or sale of our shares will be exempt from taxation in Spain in the following cases:

- Capital gains derived from the transfer of the shares on an official Spanish secondary stock market (such as the Spanish Stock Exchanges) by any Holder who is resident of a country that has entered into a DTC with Spain containing an "exchange of information" clause. This exemption is not applicable to capital gains obtained by a Holder through a country or territory that is defined as a tax haven by Spanish regulations.
- Capital gains obtained directly by any Holder resident of another E.U. Member State or indirectly through a permanent establishment of such Holder in an E.U. Member State other than Spain, provided that our assets are not mainly composed of, directly and indirectly, real estate located in Spain and during the preceding twelve months, the Holder has not had a direct or indirect interest of at least 25% in our capital or net equity; and the gain is not obtained through a country or territory defined as a tax haven under applicable Spanish regulations.

- Capital gains realized by non-residents of Spain who benefit from a DTC that provides for taxation only in the Holder's country of residence. Under the DTC between Spain and the United States, capital gains realized by U.S. Holders arising from the disposition of shares will not be taxed in Spain provided that the seller has not had a direct or indirect holding of 25% of our capital during the twelve months preceding the disposition of the stock, and the main assets of the company are not, directly or indirectly, real estate located in Spain.

Holders must submit a Spanish Tax Form (currently Form 210) within one month from the date on which the relevant capital gain is realized in order to pay the corresponding tax. In order for the exemptions mentioned above to apply, a Holder must provide a certificate of tax residence issued by the tax authority of its country of residence (which, if applicable, must state that, to the best knowledge of such authority, the Holder is resident for tax purposes of such country within the meaning of the relevant DTC) or equivalent document meeting the requirements of the order which further develops the applicable DTC, together with the Spanish Tax Form. The Holder's tax representative in Spain and the depositary of the shares are also entitled to carry out such filing.

Spanish Wealth Tax

Unless an applicable DTC provides otherwise (and the DTC between Spain and the United States does not provide otherwise), Spanish non-resident individuals who hold shares located in Spain, including our shares, or rights attached to such shares exercisable in Spain are subject to the Spanish Wealth Tax (Spanish Law 19/1991), which imposes a tax on property and rights located in Spain, or that can be exercised within the Spanish territory, on the last day of any year. Therefore, non-Spanish resident individuals who hold shares on the last day of any year would be subject to the Spanish Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the shares during the last quarter of such year.

The Ministry of Treasury will publish each year such average market value of the shares. Holders who benefit from a DTC that provides for taxation only in the Holder's country of residence will not be subject to the Spanish Wealth Tax.

Spanish Inheritance and Gift Tax

Unless otherwise provided under an applicable DTC (and the DTC between Spain and the United States does not so provide), transfers of shares upon death and by gift to individuals not resident in Spain for tax purposes are subject to Spanish Inheritance and Gift Tax (Spanish Law 29/1987) if the shares are located in Spain (as is the case with our shares) or the rights attached to such shares are exercisable in Spain, regardless of the residence of the heir or the beneficiary. The applicable tax rate, after applying all relevant factors, ranges between 7.65% and 81.6% for individuals. Gifts granted to non-Spanish resident corporations will be generally subject to Spanish NRIT as capital gains, without prejudice to the exemptions referred to above under "Taxation of Capital Gains".

Spanish Transfer Tax

Subscription, acquisition and transfers of shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no stamp duty will be levied on such subscription, acquisition and transfers.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary based on current law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of our shares. The summary is not tax advice. It does not describe all tax considerations that may be relevant to a particular holder. It addresses only U.S. Holders (as defined below) that purchase our shares in this offering, hold our shares as capital assets and use the U.S. dollar as their functional currency. It does not address the tax treatment of investors subject to special rules, such as banks, tax-exempt entities, insurance companies, dealers, traders in securities that elect to mark to market, investors liable for alternative minimum tax, U.S. expatriates, investors that directly, indirectly or constructively own 10% or more of our shares, investors that have a permanent establishment or fixed base in Spain or investors that hold shares as part of a straddle, hedging, conversion or other integrated transaction. It also does not address U.S. state and local tax considerations. The Company believes, and this discussion assumes, that it is not and will not become a passive foreign investment company ("PFIC") for U.S. federal income tax purposes.

THE STATEMENTS ABOUT U.S. FEDERAL TAX CONSIDERATIONS ARE MADE TO SUPPORT THE MARKETING OF OUR SHARES. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. INVESTORS SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER THEIR OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN THE INTERNATIONAL OFFER UNDER THE LAWS OF SPAIN, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTIONS WHERE AN INVESTOR MAY BE SUBJECT TO TAXATION.

As used here, a "U.S. Holder" means a beneficial owner of shares that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation or other business entity created or organized under the laws of the United States or its political subdivisions, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or that has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds our shares will depend on the status of the partner and the activities of the partnership. An investor purchasing our shares through a partnership should consult an independent tax advisor about the U.S. federal income tax consequences of investing in our shares.

Taxation of dividends

A U.S. Holder generally must treat dividends on our shares (including the amount of Spanish tax withheld) as ordinary income from foreign sources. The dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations, but they should qualify for the reduced rate on qualified dividend income available to non-corporate holders that meet the eligibility requirements. Dividends paid in euro will be includable in income at their U.S. dollar amount based on the exchange rate in effect on the date of receipt whether or not the payment is converted into U.S. dollars. Any gain or loss on a subsequent conversion or other disposition of euro for a different U.S. dollar amount generally will be U.S. source ordinary income or loss. A U.S. Holder eligible for benefits under the income tax treaty between Spain and the United States generally may claim a reduced 15% rate of Spanish withholding tax. Investors should consult their own tax advisor about eligibility for treaty benefits. A U.S. Holder may claim a deduction or a foreign tax credit (subject to other applicable limitations) only for tax withheld at the appropriate rate. A U.S. Holder will not be allowed a foreign tax credit for withholding tax it could have avoided by claiming benefits under the treaty. In computing foreign tax credit limitations, non-corporate U.S. Holders may take into account only the portion of the dividend effectively taxed at the highest applicable marginal rate.

Taxation of rights

A U.S. Holder generally should not recognize income on account of a pro rata distribution to shareholders of preemptive rights to subscribe for new shares or on account of an exercise or lapse of preemptive rights. The holder's tax treatment will depend, however, on the circumstances. A portion of the holder's basis in its existing shares may be allocated or allocable to the rights, and a holder generally will recognize income or gain to the extent it receives cash in lieu of rights or shares.

Taxation of gains

A U.S. Holder will recognize capital gain or loss on the sale or other disposition of our shares in an amount equal to the difference between the U.S. Holder's adjusted tax basis in the shares and the amount realized from the disposition. Any gain or loss generally will be long-term capital gain or loss if the shares have been held for more than one year. Deductions for capital losses are subject to limitations. For purposes of computing the U.S. Holder's foreign tax credit limitation, the gain or loss generally will be treated as arising from U.S. sources.

A U.S. Holder that receives a currency other than U.S. dollars on the sale or other disposition of our shares will realize an amount equal to the U.S. dollar value of the currency received on the date of sale or other disposition (or, in the case of cash basis and electing accrual basis U.S. Holders, the settlement date). The U.S. Holder will recognize currency gain or loss if the U.S. dollar value of the currency received differs from the amount taken into income. A U.S. Holder will have a tax basis in the currency received equal to the U.S. dollar value of the currency on the settlement date. Currency gain or loss, including any gain or loss on a subsequent conversion or other disposition of the currency for a different U.S. dollar amount, generally will be U.S. source ordinary income or loss.

Backup withholding and information reporting

Dividends on our shares and proceeds from the sale or other disposition of our shares may be reported to the U.S. Internal Revenue Service unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number. The amount of any backup withholding tax will be refunded or allowed as a credit against the holder's U.S. income tax liability if the holder furnishes the appropriate information to the Internal Revenue Service.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN OUR SHARES UNDER THE INVESTOR'S OWN CIRCUMSTANCES.

PLAN OF DISTRIBUTION

THE OFFERING

We will enter into an underwriting agreement with the controlling shareholders and the managers named below with respect to the shares being offered by this offering memorandum. Subject to specified conditions, each manager will severally agree to subscribe or procure subscribers for the purchase of the number of shares indicated in the following table:

Managers	Number of shares	Percentage
Banco Español de Crédito, S.A.	10,524,001	45%
Morgan Stanley & Co. International plc	10,524,000	45%
Banco Espirito Santo de Investimento, Sucursal en España	1,169,333	5%
Banco de Sabadell, S.A.	1,169,333	5%
Total	23,386,667	100%

The offering comprises an institutional offering, by way of this offering memorandum to (a) QIBs within the United States in reliance on Rule 144A, and (b) institutional investors outside the United States (including Spain) in reliance on Regulation S. See "Transfer and Selling Restrictions".

In consideration of the agreement by the managers to purchase or procure the purchase of the shares, and subject to the shares being sold as provided in the underwriting agreement, we will pay to the managers (i) selling, underwriting and management commissions totaling 2.5% of the aggregate offer price of the shares sold in the offering (including shares sold pursuant to the over-allotment option, if and to the extent exercised), and (ii) an additional fee of 0.5% of the aggregate offer price of the shares sold in the offering (including shares sold pursuant to the over-allotment option, if and to the extent exercised), if our shares are admitted to trading on the Spanish Stock Exchanges prior to July 1, 2007. In addition, we have agreed that we may, at our discretion, pay to the managers a further incentive fee of up to 1.5% of the aggregate offer price of the shares sold in the offering (including shares sold pursuant to the over-allotment option, if and to the extent exercised). We have also agreed to indemnify the managers against certain liabilities that the managers may incur in connection with the offering. Furthermore, we have agreed to reimburse the managers for expenses incurred by them in connection with this offering.

In order to expedite the registration and listing of the shares to be issued and offered by us, it is expected that the managers will subscribe for such shares on June 18, 2007. Payment for these shares is expected to be made to us in our account maintained with Banco Español de Crédito, S.A., as agent bank, and these shares will come into existence once registered at the Mercantile Registry of Madrid and recorded in book-entry form with Iberclear. These shares will be delivered following their registration and receipt of evidence thereof by Iberclear on the settlement date.

We expect the closing date of the offering, or *fecha de operación bursátil*, to be on or about June 18, 2007. The underwriting agreement provides that the obligations of the managers are subject to certain customary conditions precedent. The underwriting agreement may be terminated by the managers at any time prior to the registration of the notarial deed of the capital increase relating to the shares upon the occurrence of certain events. Under Spanish law, on the closing date, purchasers become unconditionally obliged to pay for, and entitled to receive delivery of, shares purchased in the offering. We expect that the shares will be delivered against payment on or about June 21, 2007 through the facilities of Iberclear.

In addition, the offering will be automatically revoked if the shares are not admitted to listing on the Spanish Stock Exchanges and the AQS of the Spanish Stock Exchanges on or before July 31, 2007. Upon termination of the underwriting agreement, and in certain other circumstances, the offering will automatically be revoked. In these circumstances, where shares have already been delivered by us, and the purchase price has been paid by the managers or investors, the principal consequences of revocation of the offering are (i) the managers or investors (as applicable) would be obliged to return title to the shares to us, and (ii) we would be obliged to return the moneys paid by such investors or the managers (as applicable) in respect of the sale of the shares in the offering, together with interest calculated at the statutory rate from the date on which the managers or investors (as applicable) paid for the shares until the date on which we repay the purchase price. If the new shares have been issued and paid for by investors or the managers (as applicable) before revocation of the offering takes place, we will reduce our share capital and cancel the new shares in order to return the subscription moneys received by us.

Except as set out above, none of the Company, the principal shareholder or the managers shall be liable to any person as a result of the revocation of the offering.

Buyers of shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price.

The shares have not been registered under the Securities Act, and may not be offered or sold within the United States, except in certain transactions exempt from the registration requirements of the Securities Act. The managers have advised us that they propose to resell the shares initially at the offering price set forth herein (i) in the United States, through their respective selling agents, to QIBs in reliance on Rule 144A, and (ii) outside the United States in compliance with Regulation S. Any offer or sale of shares in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act. In addition, until 40 days after the closing of the offering, any offer or sale of shares that is made in the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if made otherwise than in accordance with Rule 144A.

As an additional means of facilitating the offering, Morgan Stanley & Co. International plc as stabilization agent(s), or its agent, acting on behalf of the managers, may, to the extent permitted by applicable law, at its discretion engage in transactions that stabilize, support, maintain or otherwise affect the price of the shares for a period of 30 calendar days from the date our shares are listed on the Spanish Stock Exchanges. The stabilization period is expected to commence on June 19, 2007 and end on July 18, 2007. Specifically, such person may sell more shares than are required to be purchased under the underwriting agreement, thereby creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase under the over-allotment option. The stabilization agent, or its agent, on behalf of the managers, can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the stabilization agent or its agent will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. Such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise. The stabilization agent, or its agent, may over-allot up to a maximum of 15% of the total number of shares comprised in the offering.

Except as required by law or regulation, none of the stabilization agent, any of its agents or any of the managers intends to disclose the extent of any stabilization and/or over-allotment transactions in connection with the offering and/or any investments or transactions of the nature described in the preceding paragraph.

These stabilization activities may support the market price of the shares at a level higher than that which might otherwise prevail in the open market. None of the stabilization agent, any of its agents or any of the managers is required to engage in these activities, and may end any of these activities at any time. There can be no assurance that any such activities will be undertaken. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the shares.

In connection with the offering, the managers and any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase shares and, in that capacity, may retain, purchase, sell, offer to sell, or otherwise deal for its or their own account(s) in such securities, any of our other securities or other related investments in connection with the offering or otherwise. Accordingly, references in this offering memorandum to the shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the managers or any of them and any of their affiliates acting as an investor for its or their own account(s). The managers do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

From time to time, certain of the managers and their respective affiliates may have provided us, the controlling shareholders and our respective affiliates with investment banking, commercial banking and other advisory services. They may provide us, the controlling shareholders and our respective affiliates with similar or other services, and engage in similar activities, in the future.

OVER-ALLOTMENT OPTION

Our principal shareholder has granted the joint global coordinators on behalf of the managers an option to purchase up to an additional 3,508,000 shares to cover over-allotments, if any, made in connection with the offering. The managers may exercise the over-allotment option, in whole or in part, on one or more occasions, during the 30 days following the listing of our shares on the Spanish Stock Exchanges and the quotation of the shares on the AQS of the Spanish Stock Exchanges. This period is expected to commence on June 19, 2007 and

end on July 18, 2007. If the over-allotment option is exercised, the managers will purchase such shares severally in approximately the same proportions as they purchased shares in the initial offering, at the offering price set forth herein.

LOCK-UP PERIODS

We have agreed that, without the prior written consent of either of the joint global coordinators on behalf of the managers (such consent not to be unreasonably withheld), we will not, during the period commencing on the date the underwriting agreement is signed and ending 180 days after the listing of the shares on the Spanish Stock Exchanges, (i) directly or indirectly, issue, offer, pledge, sell, announce our intention to or contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of, directly or indirectly, any of our shares or other security convertible into, or exercisable or exchangeable for, our shares or file any registration statement under the Securities Act with respect to the foregoing (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of our shares, whether any such swap or transaction described in (i) or (ii) above be settled by delivery of shares or any securities convertible into or exchangeable for shares, in cash or otherwise, provided, however, the foregoing restrictions shall not apply to (A) the issue and sale of shares pursuant to the offering, or (B) the issue, grant or delivery of shares in connection with any stock option plan established by us in the future.

Our principal shareholder has agreed to abide by similar restrictions during the period commencing on the date the underwriting agreement is signed and ending 360 days after the listing of the shares on the Spanish Stock Exchanges, provided, however, the foregoing restrictions shall not apply to (A) the sale of shares pursuant to the offering, or (B) the loan of shares in connection with the over-allotment option granted by our principal shareholder to the joint global coordinators on behalf of the managers, (C) transfers of shares among affiliated entities (within the meaning of Article 4 of the Spanish Securities Law (*Ley 24/1988 del Mercado de Valores*)) or transfers in favor of our controlling shareholders, provided that any such transferee shall agree to be bound by the lock-up obligations of such principal shareholder described above, or (D) transfers made by way of acceptance of a public takeover offer (*oferta pública de adquisición*) in respect of all of our issued shares.

In addition, each of our controlling shareholders has agreed to abide by similar restrictions during the period commencing on the date the underwriting agreement is signed and ending 360 days (180 days in the case of María Dolores Larrañaga Horna) after the listing of the shares on the Spanish Stock Exchanges in respect of 51% of their respective shareholdings in the capital of our principal shareholder (or such higher percentage as may be required for 51% of the outstanding share capital of our principal shareholder to be held directly, in aggregate, by our controlling shareholders), provided, however, that the foregoing restrictions shall not apply to transfers of shares among affiliated entities (within the meaning of Article 4 of the Spanish Securities Law (*Ley 24/1988 del Mercado de Valores*)) or transfers in favor of direct family members, provided that any such transferee shall agree to be bound by the lock-up obligations of such controlling shareholder described above.

PRICING OF THE OFFERING

The offering price per share indicated on the cover of this offering memorandum has been determined by negotiations among the managers, the controlling shareholders and us, and no independent experts were consulted in determining the offering price. Among the factors considered in determining the offering price were our future prospects and the prospects of our industry in general, our revenues and certain other financial and operating information in recent periods, and the financial ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to ours.

ENFORCEMENT OF CIVIL LIABILITIES

We are a Spanish company, and the substantial majority of our assets are located within Spain. In addition, all of our directors and executive officers reside within Spain. As a result, investors may not be able to effect service of process outside Spain upon us or these persons, or to enforce judgments obtained against us or these persons in foreign courts predicated solely upon the civil liability provisions of non-Spanish securities laws.

We have been advised by Freshfields Bruckhaus Deringer, our Spanish counsel, that there is doubt that a lawsuit based upon U.S. federal or state securities laws could be brought in an action originating in Spain and that a foreign judgment based upon U.S. securities laws would be enforced in Spain.

TRANSFER AND SELLING RESTRICTIONS

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of our shares in the United States are advised to consult legal counsel prior to making any offer for, or resale, pledge or other transfer of, the shares.

The shares offered hereby are being offered in accordance with Rule 144A and Regulation S. Terms used in this section that are defined in Rule 144A or in Regulation S are used herein as defined therein. The shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction within the United States and, accordingly, may not be offered, sold or delivered within the United States except to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and outside the United States in accordance with Regulation S.

In addition, until 40 days after the closing of the offering, any offer or sale of the shares that is made within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if made otherwise than in accordance with Rule 144A.

Each purchaser of our shares offered hereby in reliance on Rule 144A will be deemed to have represented and agreed as follows:

(1) The purchaser is (a) a QIB, (b) aware, and each beneficial owner of our shares has been advised, that the sale of our shares to it is being made in reliance on Rule 144A and (c) acquiring our shares for its own account or for the account of a QIB.

(2) The purchaser understands that our shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person whom the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (B) in accordance with applicable securities laws of the states of the United States. Such purchaser acknowledges that our shares offered and sold in accordance with Rule 144A are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of our shares.

(3) We, the principal shareholder, the managers (and their affiliates) and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If the purchaser is acquiring any shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that the sellers of the shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

SELLING RESTRICTIONS

European Economic Area

In relation to each Relevant Member State, each manager has severally represented, warranted and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in the Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer to the public of any shares which are the subject of the offering contemplated by this offering memorandum (the "Shares") in that Relevant Member State prior to the publication of a prospectus in relation to the Shares that has been approved by the relevant competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer to the public in that Relevant Member State of any Shares:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the managers for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospective Directive which do not require the publication by the Company or any manager of a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any Shares under, the offering contemplated in this offering memorandum will be deemed to have represented, warranted and agreed to and with each manager, the principal shareholder and the Company that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospective Directive; and

(b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the managers has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each manager has severally represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any shares in circumstances in which section 21(1) of the FSMA does not apply to the principal shareholder or us; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

LEGAL MATTERS

The validity of our shares and certain matters governed by Spanish law will be passed on for us by Freshfields Bruckhaus Deringer, our Spanish counsel, and for the managers by Linklaters, S.L., Spanish counsel to the managers.

Certain other matters governed by U.S. federal and New York state law will be passed on for us by Freshfields Bruckhaus Deringer, our U.S. counsel, and for the managers by Linklaters, S.L., U.S. counsel to the managers.

INDEPENDENT AUDITORS

The Audited IFRS-EU Financial Statements, included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers Auditores, S.L., independent public auditors, as stated in their reports appearing elsewhere in this offering memorandum.

GLOSSARY OF TECHNICAL TERMS

"cleanroom"	An enclosed space in which airborne particulates, contaminants, and pollutants are kept within strict limits to facilitate accurate research and production needs. Cleanrooms typically form part of solar cell production facilities.
"concentration technologies"	Solar cell technologies, which attempt to increase the output of solar cells by concentrating solar radiation on the surface of specially designed cells through the use of lenses and/or mirrors. Unlike conventional flat plate PV arrays, concentrator systems require direct sunlight (i.e., clear skies) and do not operate effectively in cloudy conditions.
"distributors"	Electrical utility companies that supply electricity to end-users.
"doping"	Process of intentionally introducing impurities into a semiconductor, such as a silicon wafer, in order to change its electrical properties.
"electronic-grade silicon"	Silicon with a purity of between 99.9999999% to 99.999999999% (9N to 11N purity), which is used in the production of electronics and other high-tech applications.
"feed-in tariff"	The price producers receive for selling electricity generated from renewable energy sources to distributors, which is subsidized by government and therefore significantly higher than electricity market prices.
"grid-connected"	Connected to the electricity grid.
"inverter"	Electronic circuit for converting direct current (DC) to alternating current (AC). Inverters are used in a wide range of applications, including PV installations.
"kilowatt" or "kW"	1,000 Watt. Unit of power used to measure the capacity of PV systems.
"kilowatt hour" or "kWh"	Unit of energy. Electricity consumption is stated in kilowatt hours. 1kW/h = 1,000 watts over a period of one hour.
"kilowatt peak or "kWp"	Unit used to measure the standardized power output (rated output) of PV cells or PV modules. The output indicated on the module reflects the output produced under testing conditions that do not directly correspond to normal conditions. The testing conditions have the purpose to standardize and compare PV cells and PV modules. The electrical results of the modules under such testing conditions are included in data sheets. The testing conditions are at 25ºC module temperature and 1,000 W/m^2 solar radiation (known as standard testing conditions or STC).
"Megawatt" or "MW"	Unit of energy: 1 MW = 1,000 kW or 1,000,000 Watt.
"Megawatt hour or "MWh"	Unit of energy. Electricity consumption is also stated in megawatt hours. 1MWh = 1,000 kilowatts over a period of one hour.
"Megawatt peak or "MWp"	1 megawatt peak = 1,000 kilowatt peak.
"monocrystalline"	Processed silicon where the material consists of only one crystal.

"non-renewable energy sources"	Energy sources which have been built up or evolved over a geological time-span and, if used, will be depleted, since their rate of formation is so slow as to be meaningless in a timescale relevant to human beings.
"off-grid"	Not connected to the electricity grid.
"photovoltaics" or "PV"	Photovoltaics involve the conversion of solar radiation into electrical power.
"polycrystalline"	Processed silicon where the material consists of several small (typically 1-20 mm) crystal grains.
"renewable energy"	Energy derived from renewable energy sources, such as wind power, hydropower or solar energy.
"renewable energy sources"	Sustainable sources that are regenerative or, for all practical purposes, cannot be depleted, such as wind, water or sunlight.
"spectral distribution"	Spectral distribution refers to the radiation spectrum. Solar radiation is emitted by the sun within a certain spectrum, which determines, among other things, the performance of the PV module.
"wafer"	A thin slice of silicon used as the key component in a solar cell module.
"solar cell"	Cells are PV applications that convert light (usually sunlight) into direct current. The photons being emitted generate an electric voltage, which, by connecting an electric loader to the solar cell, allow electricity to flow.
"solar-grade silicon"	Silicon with 99.9999% to 99.999999% purity (6N to 8N purity).
"PV module"	Interconnected solar cells encapsulated and protected in transparent material that protect against humidity, air and mechanical damage.
"thin-film"	PV technology where the generation of solar energy takes place in a thin-film of semiconductor material assembled in several layers. Conventional PV modules are made with wafers as the semiconductor material.
"Watt" or "W"	Unit of power with which the output of PV systems can be precisely measured.
"Watt-Peak" or "Wp"	Unit used to measure the standardized power output (nominal output) of PV cells and PV modules. Module prices are generally indicated in €/Wp. 1,000 watt peak = 1 kilowatt peak.

[THIS PAGE INTENTIONALLY LEFT BLANK]

INDEX TO FINANCIAL STATEMENTS

Free translation of the condensed interim financial statements prepared in accordance with IFRS originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (PREVIOUSLY SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.)
CONDENSED BALANCE SHEETS
AT 31 MARCH 2007 AND 31 DECEMBER 2006
(In Euros)

	Note	31 March 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	5	11,043,989	7,219,437
Intangible assets		10,831	12,104
Available-for-sale and other financial assets	6	23,270	20,270
Deferred tax assets	14	17,385	9,180
		11,095,475	7,260,991
Current assets			
Inventories	7	21,441,217	17,655,387
Trade and other receivables	8	16,579,543	8,987,103
Loans to related parties		611,114	591,194
Derivative financial instruments	16	2,828	11,966
Current income tax assets	14	35,174	31,102
Prepaid expenses		20,135	-
Available-for-sale and other financial assets	6	600,000	600,000
Cash and cash equivalents	9	4,571,728	4,227,789
		43,861,739	32,104,541
Total assets		**54,957,214**	**39,365,532**
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		777,600	777,600
Reserves		5,689,347	46,588
Interim dividend		(2,410,000)	-
Profit for the year		2,830,001	5,642,759
Total equity	**10**	**6,886,948**	**6,466,947**
LIABILITIES			
Non-current liabilities			
Borrowings with financial institutions	11	9,171,345	8,770,100
Deferred income	12	4,938,706	4,909,792
Deferred tax liabilities	14	159,956	165,859
		14,270,007	13,845,751
Current liabilities			
Borrowings with financial institutions	11	15,126,269	7,615,194
Trade and other payables	13	14,310,506	8,563,334
Deferred income	12	146,082	58,544
Derivative financial instruments	16	53,800	30,600
Current income tax liabilities	14	4,163,602	2,785,162
		33,800,259	19,052,834
Total liabilities		**48,070,266**	**32,898,585**
Total equity and liabilities		**54,957,214**	**39,365,532**

Notes 1 to 22 attached are an integral part of these condensed interim financial statements.

Free translation of the condensed interim financial statements prepared in accordance with IFRS originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (PREVIOUSLY SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.)
CONDENSED INCOME STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007 AND 31 MARCH 2006
(In Euros)

		Three month period ended 31 March	
	Note	2007	2006
Revenue	4	12,968,017	1,004,728
Deferred income transferred to the income statement	12	10,980	11,834
Other income		2,731	-
Consumption of raw materials and other consumables	15(a)	(7,022,083)	241,777
Other external expenses	15(b)	(300,000)	-
Employee benefits expense	15(c)	(454,261)	(170,420)
Depreciation and amortization expense		(64,228)	(48,427)
Operating expenses	15(d)	(703,277)	(76,125)
Other expenses		(11,679)	(1,667)
Operating profit		**4,426,200**	**961,700**
Finance income		59,329	29,567
Finance costs		(291,196)	(20,826)
Profit before income tax		**4,194,333**	**970,441**
Income tax expense	14	(1,364,332)	(335,147)
Profit for the period		**2,830,001**	**635,294**
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in euros per share)			
- Basic and diluted	20	0.04	0.01

Notes 1 to 22 attached are an integral part of these condensed interim financial statements.

Free translation of the condensed interim financial statements prepared in accordance with IFRS originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (PREVIOUSLY SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007
(In Euros)

	Attributable to equity holders of the Company						TOTAL EQUITY
	Share capital	Legal reserve	Voluntary reserves	Undistributed profits	Interim dividend	Profit for the period	
Balance at 1 January 2007	777,600	10,658	35,930	-	-	5,642,759	6,466,947
Profit for the period	-	-	-	-	-	2,830,001	2,830,001
Total income recognized for the three months ended 31 March 2007	-	-	-	-	-	2,830,001	2,830,001
Distribution of profit 2006	-	-	-	5,642,759	(2,410,000)	(5,642,759)	(2,410,000)
Balance at 31 March 2007	**777,600**	**10,658**	**35,930**	**5,642,759**	**(2,410,000)**	**2,830,001**	**6,886,948**

Notes 1 to 22 attached are an integral part of these condensed interim financial statements.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (PREVIOUSLY SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2006
(In Euros)

	Attributable to equity holders of the Company				TOTAL EQUITY
	Share capital	Legal reserve	Voluntary reserves	Profit for the period	
Balance at 1 January 2006	777,600	8,358	15,227	23,003	824,188
Profit for the period	-	-	-	635,294	635,294
Total income recognized for the three months ended 31 March 2006	-	-	-	635,294	635,294
Distribution of profit 2005	-	2,300	20,703	(23,003)	-
Balance at 31 March 2006	**777,600**	**10,658**	**35,930**	**635,294**	**1,459,482**

Notes 1 to 22 attached are an integral part of these condensed interim financial statements.

Free translation of the condensed interim financial statements prepared in accordance with IFRS originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (PREVIOUSLY SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.)
CONDENSED CASH FLOW STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007 AND 31 MARCH 2006
(In Euros)

	Three month period ended 31 March	
	2007	**2006**
Cash flows from operating activities:		
Cash (utilized in)/generated from operations	(1,171,785)	2,330,819
Interest paid	(153,423)	(10,360)
Income taxes paid	(4,080)	-
Net cash (utilized in)/generated from operating activities	**(1,329,288)**	**2,320,459**
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(3,837,687)	(282,837)
Acquisition of intangible assets	-	(14,200)
Cash outflow on constitution of deposits	(3,000)	(300,000)
Cash outflows on loans granted to related parties	-	(136,744)
Repayments received on loans granted to related parties	1,607	-
Interest received	34,852	6,078
Net cash utilized in investing activities	**(3,804,228)**	**(727,703)**
Cash flows from financing activities:		
Interim dividends paid	(2,410,000)	-
Proceeds from borrowings with financial institutions	5,916,391	-
Repayment of borrowings with financial institutions	(19,773)	(19,821)
Net proceeds from current accounts held with financial institutions	1,998,801	19,288
Repayment of finance lease liabilities	(7,964)	(6,493)
Net cash generated from/(utilized in) financing activities	**5,477,455**	**(7,026)**
Net increase in cash and cash equivalents	**343,939**	**1,585,730**
Cash and cash equivalents at the beginning of the period	4,227,789	1,267,110
Cash and cash equivalents at the end of the period	**4,571,728**	**2,852,840**

Notes 1 to 22 attached are an integral part of these condensed interim financial statements.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.A. (PREVIOUSLY SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2007
(In Euros)

1. General information

Solaria Energía y Medio Ambiente, S.A. (previously Solaria Energía y Medio Ambiente, S.L.) (hereinafter the Company) was incorporated on 27 November 2002 as a limited liability company.

On 21 March 2007, the Company filed an application with the Madrid Mercantile Registry to transform its status from a private limited liability company to a public limited liability company, in accordance with a Resolution approved by a General Meeting of the Company´s shareholders held on 1 January 2007 (note 10).

On 26 March 2007, the Mercantile Registrar appointed an independent expert to issue the Company with the required non-monetary equity report. This report was furnished on 10 May 2007 with a favourable outcome regarding the transformation of the status of the Company.

On 18 May 2007, the Company was registered in the Mercantile Registry as a public limited liability company.

The Company's main corporate objectives are as follows:

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

On 21 September 2006, the Company changed its registered address to Madrid, Calle Núñez de Balboa, 120. Its main offices are located at the same address. The production plant for manufacturing thermal and photovoltaic modules is located in Puertollano (Ciudad Real).

The Company is controlled by Solaria DTL Corporación, S.L., which holds a 97.55% stake in the Company.

The Company's activity, from the time it was incorporated until 2005, consisted of supplying and installing solar energy plants, either for its own account or on behalf of the related party, Instalaciones Díaz Tejeiro, S.L.

As from the second half of 2005, the Company 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 the Company 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. The Company assumes responsibility for all stages of the process, from obtaining administrative permits to the launch of the operation.

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

To facilitate its expansion in the future, the Company 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 following:

a) 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.

b) Construction of a silicon wafer production plant that is expected to enter into production in 2008.

In addition, the Company expects to increase production capacity of both photovoltaic and thermal modules, thereby generating economies of scale.

Since incorporation, the Company's expansion has mainly been financed through loans and government grants granted by several financial institutions and public entities, respectively.

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

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

2. Basis of preparation

These condensed interim financial statements relating to the three month period ended 31 March 2007 have been prepared in accordance with IAS 34 "Interim Financial Reporting". These condensed interim financial statements should be read in conjunction with annual financial statements for the year ended 31 December 2006.

3. Accounting policies

The accounting policies adopted are consistent with those utilized in the annual financial statements for the year ended 31 December 2006 and set out in those annual financial statements, except for the following standards and interpretations which are effective for the Company as from 1 January 2007:

- IFRS 7, "Financial Instruments: Disclosures".
- IFRIC 7, "Applying the Restatement Approach under IAS 29—Financial Reporting in Hyperinflationary Economies".
- IFRIC 8, "Scope of IFRS 2".
- IFRIC 9, "Reassessment of Embedded Derivatives".
- IFRIC 10, "Interim Financial Reporting and Impairment" (not yet approved by the European Union).

None of these new standards and interpretations would have an effect on the measurement of the amounts included in these condensed interim financial statements. While IFRIC 7, IFRIC 8 and IFRIC 9 are not relevant to the Company´s operations, IFRS 7 will affect information disclosed regarding financial instruments in the annual financial statements for the year ended 31 December 2007. Although up until the present date the Company has not experienced an impairment loss relating to its investments in equity instruments or financial assets carried at cost, IFRIC 10 could have an effect in future accounting periods, once this interpretation has been approved by the European Union.

4. Segment reporting

Segment results for the three month period ended 31 March 2007 were as follows:

				Euros
	Photovoltaic	**Thermal**	**Projects**	**Company**
Total external sales	10,119,493	140,160	2,708,364	**12,968,017**
Inter-segment sales	1,408,900	-	(1,408,900)	-
Segment revenue	**11,528,393**	**140,160**	**1,299,464**	**12,968,017**
Other operating income	5,824	7,887	-	**13,711**
Segment expense	(8,462,099)	(65,821)	(27,608)	**(8,555,528)**
Segment result	**3,072,118**	**82,226**	**1,271,856**	**4,426,200**
Finance income				**59,329**
Finance costs				**(291,196)**
Profit before income tax				**4,194,333**
Income tax expense				(1,364,332)
Profit for the period				**2,830,001**

Segment results for the three month period ended 31 March 2006 were as follows:

				Euros
	Photovoltaic	**Thermal**	**Projects**	**Company**
Total external sales	-	-	1,004,728	1,004,728
Inter-segment sales	456,250	-	(456,250)	-
Segment revenue	**456,250**	**-**	**548,478**	**1,004,728**
Other operating income	11,834	-		11.834
Segment expense	16,076	-	(70,938)	(54,862)
Segment result	**484,160**	**-**	**477,540**	**961,700**
Finance income				29,567
Finance costs				(20,826)
Profit before income tax				**970,441**
Income tax expense				(335,147)
Profit for the period				**635,294**

5. Property, plant and equipment

Amounts and movements in the items included under this heading for the three month period ended 31 March 2007 were as follows:

					Euros
	Balance at 31.12.06	**Additions**	**Disposals**	**Transfers**	**Balance at 31.03.07**
Cost					
Land	112,485	-	-	-	112,485
Buildings	1,100,309	7,076	-	-	1,107,385
Machinery	1,014,012	166,874	-	1,863,854	3,044,740
Plant and equipment	294,943	19,167	-	-	314,110
Data-processing equipment	22,809	210	-	-	23,019
Fixtures and fittings	51,324	40,332	-	-	91,656
Vehicles	162,034	53,540	-	-	215,574
Property, plant and equipment under construction	4,743,228	3,604,031	-	(1,863,854)	6,483,405
	7,501,144	**3,891,230**	**-**	**-**	**11,392,374**
Depreciation					
Buildings	37,146	8,173	-	-	45,319
Machinery	190,574	39,639	-	-	230,213
Plant and equipment	27,967	7,802	-	-	35,769
Data-processing equipment	3,674	1,232	-	-	4,906
Fixtures and fittings	2,646	1,572	-	-	4,218
Vehicles	19,700	8,260	-	-	27,960
	281,707	**66,678**	**-**	**-**	**348,385**
	7,219,437				**11,043,989**

Amounts and movements in the items included under this heading for the three month period ended 31 March 2006 were as follows:

Euros

	Balance at 31.12.05	Additions	Disposals	Transfers	Balance at 31.03.06
Cost					
Land	112,485	-	-	-	112,485
Buildings	869,978	155,588	-	-	1,025,566
Machinery	1,005,592	-	-	-	1,005,592
Plant and equipment	187,890	-	-	-	187,890
Data-processing equipment	1,295	9,376	-	-	10,671
Fixtures and fittings	-	7,997	-	-	7,997
Vehicles	142,399	15,517	-	-	157,916
Office materials	-	10,844	-	-	10,844
Property, plant and equipment under construction	-	83,515	-	-	83,515
	2,319,639	**282,837**	**-**	**-**	**2,602,476**
Depreciation					
Buildings	8,482	6,525	-	-	15,007
Machinery	69,322	30,168	-	-	99,490
Plant and equipment	1,986	4,697	-	-	6,683
Data-processing equipment	451	466	-	-	917
Fixtures and fittings	-	123	-	-	123
Vehicles	23,035	5,829	-	-	28,864
Office materials	-	33	-	-	33
	103,276	**47,841**	**-**	**-**	**151,117**
	2,216,363				**2,451,359**

During the three month period ended 31 March 2007, the Company expanded its operations into three production lines relating to the manufacture of photovoltaic modules, while at 31 December 2006, only one such production line was in existence.

In addition, property, plant and equipment under construction has increased significantly, relating to the construction of a production line for the manufacture of photovoltaic cells, the construction of new production lines for the manufacture of photovoltaic modules, and relating to the latest certifications of work performed on the various buildings situated in the new industrial complex owned by the Company, located in Puertollano (Ciudad Real).

The line item "Property, plant and equipment under construction" includes the following projects which are in the course of construction:

- Construction of the new factory building on the industrial estate La Nava II in Puertollano for the manufacture of thermal modules.

- Construction of the office building on the industrial estate La Nava II in Puertollano.

- Installation of machinery for the manufacture of cells.

- Solar simulator.

- Construction of a de-ionization plant.

- Geothermal and engineering studies for the future construction of several additional warehouses.

The Company has also transferred the following items to the line item "Machinery" that at 31 December 2006 were in the course of construction, and that at 31 March 2007 have entered into use and whose amortization has commenced:

- The production line for the manufacture and assembly of thermal modules.
- The expansion of the production line for the manufacture of photovoltaic modules contracted with Spire Corporation.

At 31 December 2006, the Company had signed agreements for the purchase of property, plant and equipment with Spire Corporation, which continue to be of force and effect at 31 March 2007, consisting of:

- Installation of the production line for the manufacture of photovoltaic cells, which is still under development.
- Acquisition of 5 laminators and 6 assemblers, of which an amount of 420 thousand euros has been accounted for as part of Property, plant and equipment under construction.

6. Available-for-sale and other financial assets

Amounts and movements in the items included under this heading during the three month period ended 31 March 2007 were as follows:

				Euros
	Balance at 31.12.06	**Additions**	**Transfers**	**Balance at 31.03.07**
Non-current financial assets				
Available-for-sale financial assets:				
- Investment funds	18,000	-	-	18,000
Sundry deposits	2,270	3,000	-	5,270
	20,270	**3,000**	**-**	**23,270**
Current financial assets				
Deposits with financial institutions	600,000	-	-	600,000
	600,000	**-**	**-**	**600,000**

The deposit of 600,000 euros contracted with Banco Gallego on 31 December 2006 has a maturity date of 24 April 2007.

Amounts and movements in the items included under this heading during the three month period ended 31 March 2006 were as follows:

			Euros
	Balance at 31.12.05	**Additions**	**Balance at 31.03.06**
Current financial assets			
Available-for-sale financial assets:			
- Investment funds	18,000	-	18,000
- Investment in Brumale, S.L.	18,026	-	18,026
	36,026	**-**	**36,026**

7. Inventories

At 31 March 2007, this heading can be broken down as follows:

			Euros
	Thermal	**Photovoltaic**	**Total**
Raw materials	733,488	17,842,007	18,575,495
Finished goods	260,363	2,605,359	2,865,722
	993,851	**20,447,366**	**21,441,217**

At 31 December 2006, this heading can be broken down as follows:

	Euros		
	Thermal	**Photovoltaic**	**Total**
Raw materials	331,221	12,592,665	12,923,886
Finished goods	280,389	4,451,112	4,731,501
	611,610	**17,043,777**	**17,655,387**

8. Trade and other receivables

At 31 March 2007 and 31 December 2006, this heading can be broken down as follows:

	Euros	
	31.03.07	**31.12.06**
Trade receivables	9,124,379	1,902,263
Sundry debtors	158,770	64,405
Government grants receivable	4,546,364	4,546,364
Taxes refundable (Note 14)	2,764,251	2,488,291
Impairment of trade receivables	(14,220)	(14,220)
	16,579,544	**8,987,103**

Details of "Trade receivables" are as follows:

	Euros	
	31.03.07	**31.12.06**
Trade receivables for invoices yet to be issued	1,746,280	1,205,640
Receivables for retentions on contracts	504,900	504,900
Sundry trade receivables	6,873,199	191,723
	9,124,379	**1,902,263**

9. Cash and cash equivalents

At 31 March 2007 and 31 December 2006 this heading can be broken down as follows:

	Euros	
	31.03.07	**31.12.06**
Cash at bank and on hand	2,571,800	4,227,789
Europagaré with Banco Popular	1,999,928	-
	4,571,728	**4,227,789**

At 31 March 2007, the Company contracted a Europagaré with Banco Popular amounting to 1,999,928 euros that accrued interest at an annual rate of 3.990% and matured on 4 April 2007. On maturity, the Company made periodic reinvestments of the funds with three-day maturity periods.

10. Equity

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

At 31 March 2007, share capital consists of 77,760,000 fully paid-up shares, with a par value of 0.01 euros each.

At 31 March 2007, the distribution of share capital among shareholders was as follows:

	31 March 2007	
	Number of shares	% interest
Solaria DTL Corporación, S.L.	75.860.000	97,56
Enrique Díaz-Tejeiro Gutiérrez	380.000	0,488
Mª Dolores Larrañaga Horna	380.000	0,488
Enrique Díaz-Tejeiro Larrañaga	380.000	0,488
Arturo Díaz-Tejeiro Larrañaga	380.000	0,488
Miguel Díaz-Tejeiro Larrañaga	380.000	0,488
Otros	-	-
	77.760.000	100

11. Borrowings with financial institutions

At 31 March 2007, balances with banks and other financial institutions were as follows:

							Euros
Entity	Original amount	Type of transaction	Maturity date	Effective interest rate	Current	Non-current	Total
Caja Duero	412,496	Loan	12-11-2011	5.18%	33,600	146,655	180,255
Caja Duero	546,557	Loan	14-04-2012	5.18%	44,400	213,991	258,391
CDTI	347,680	Loan	30-06-2013	4.45%	40,181	258,680	298,861
Ministry of Industry	400,000	Loan	30-11-2015	4.45%	-	311,818	311,818
Ministry of Industry	861,053	Loan	15-12-2015	4.45%	-	671,231	671,231
Caja Rural	1,500,000	Loan	10-06-2013	4.54%	21,284	1,178,127	1,392,411
Caja Rural	4,500,000	Loan	15-06-2016	4.79%	-	4,500,000	4,500,000
Caja Madrid	1,800,000	Loan	23-10-2011	4.72%	402,612	1,397,388	1,800,000
Ministry of Industry	500,000	Loan	30-09-2016	4.45%	-	372,988	372,988
Accrued interest not paid					109,463	-	109,463
					844,540	**9,050,878**	**9,895,418**
Barclays Bank	53,540	Finance lease	17-01-2012	3.25%	11,801	39,193	50,994
Barclays Bank	51,063	Finance lease	29-12-2011	3.25%	11,211	36,487	47,698
Barclays Bank	62,668	Finance lease	29-12-2011	3.25%	13,752	44,787	58,539
					36,764	**120,467**	**157,231**
	Credit limit						
Caja Rural	2,000,000	Line of credit	25-05-2007	4.93%	1,805,452	-	1,805,452
Caja Rural	-	Line of credit	02-03-2007	0%	(77)	-	(77)
Caja Madrid	1,150,000	Line of credit	22-03-2008	5.43%	949,966	-	949,966
Caja Rural	150,000	High yield	-	-	74,919	-	74,919
Caja Rural	10.000.000	Importation facilities	-	-	5,833,000	-	5,833,000
Banesto	6.500.000	Importation facilities	14-12-2007	-	5,564,132	-	5,564,132
Accrued interest not paid					17,573	-	17,573
					14,244,965	**-**	**14,244,965**
					15,126,269	**9,171,345**	**24,297,614**

At 31 December 2006, balances with banks and other financial institutions were as follows:

							Euros
Entity	**Original amount**	**Type of transaction**	**Maturity date**	**Effective interest rate**	**Current**	**Non-current**	**Total**
Caja Duero	412,496	Loan	12-11-2011	4.27%	33,600	155,213	188,813
Caja Duero	546,557	Loan	14-04-2012	4.17%	44,400	224,771	269,171
CDTI	347,680	Loan	30-06-2013	4.55%	40,181	255,355	295,536
Ministry of Industry	400,000	Loan	30-11-2015	4.45%	-	308,349	308,349
Ministry of Industry	861,053	Loan	15-12-2015	4.45%	-	663,764	663,764
Caja Rural	1,500,000	Loan	10-06-2013	3.56%	214,284	1,178,564	1,392,848
Caja Rural	4,500,000	Loan	15-06-2016	3.82%	-	4,500,000	4,500,000
Caja Madrid	1,800,000	Loan	23-10-2011	4.175%	402,612	1,397,388	1,800,000
Accrued interest not paid					25,389	-	25,389
					760,466	**8,683,404**	**9,443,870**
Barclays Bank	51,063	Finance lease	29-12-2011	3.25%	11,208	38,921	50,129
Barclays Bank	62,668	Finance lease	29-12-2011	3.25%	13,747	47,775	61,522
					24,955	**86,696**	**111,651**
	Credit limit						
Caja Rural	2,000,000	Line of credit	25-05-2007	4.31%	720,592	-	720,592
Caja Rural	2,000,000	Line of credit	02-03-2007	4.61%	1,995,777	-	1,995,777
Banco Gallego	600,000	Line of credit	22-03-2007	5%	494,580	-	494,580
Caja Madrid	1,150,000	Line of credit	22-03-2007	4.625%	949,776	-	949,776
Caja Rural	150,000	High yield	-	-	44,670	-	44,670
Caja Rural	3,400,000	Importation facilities	22-06-2007	4.928%	26,064	-	26,064
Banesto	3,000,000	Letter of credit	14-12-2007	-	2,580,741	-	2,580,741
Accrued interest not paid					17,573	-	17,573
					6,829,773	**-**	**6,829,773**
					7,615,194	**8,770,100**	**16,385,294**

During the first quarter of the 2007 financial year, the Ministry of Industry granted the Company a repayable interest-free loan amounting to 500,000 euros, with a 3 year grace period for repayment of the principal, repayable over a period of 10 years (Note 12).

During the first quarter of the 2007 financial year, the both non-current and current amounts outstanding with banks and other financial institutions have increased compared with the previous financial year end. This is because new lines of credit and letters of credit were obtained to enable the Company to make payments to its suppliers of raw materials, consumables and property, plant and equipment, brought about by the expansion activities being carried out by the Company, as mentioned in Note 1.

12. Deferred income

Amounts and movements in the items included under this heading for the three month period ended 31 March 2007 were as follows:

				Euros
	Balance at 31.12.06	Additions	Recognized in income statement	Balance at 31.03.07
IDAE	20,572	-	1,048	19,524
IDAE	27,144	-	1,376	25,768
Ministry of Industry loan	-	131,161	-	131,161
Government grants related to income	**47,716**	**131,161**	**2,424**	**176,453**
IDAE	105,631	-	3,619	102,012
IDAE	144,291	-	4,937	139,354
Ministry of Industry	4,546,364	-	-	4,546,364
Ministry of Industry loan (i)	81,314	-	2,438	78,876
Ministry of Industry loan (i)	43,020	-	1,291	41,729
Government grants related to assets	**4,920,620**	**-**	**12,285**	**4,908,335**
	4,968,336	**131,161**	**14,709**	**5,084,788**

Amounts and movements in the items included under this heading for the three month period ended 31 March 2006 were as follows:

				Euros
	Balance at 31.12.05	Additions	Recognized in income statement	Balance at 31.03.06
IDAE	24,687	-	1,029	23,658
IDAE	32,573	-	1,357	31,216
Ministry of Industry loan	144,558	-	-	144,558
Ministry of Industry loan	61,909	-	-	61,909
Government grants related to income	**263,727**	**-**	**2,386**	**261,341**
IDAE	123,748	-	4,529	119,219
IDAE	163,967	-	4,919	159,048
Ministry of Industry	-	4,546,364	-	4,546,364
Ministry of Industry loan	81,314	-	-	81,314
Ministry of Industry loan	43,020	-	-	43,020
Government grants related to assets	**412,049**	**4,546,364**	**9,448**	**4,948,965**
	675,776	**4,546,364**	**11,834**	**5,210,306**

(i) The amount recognized in the income statement pertaining to these "government grants related to assets", which relate to interest-free loans (3,729 euros), has been accounted for in the line item "Depreciation and amortization expense" at 31 March 2007, that is, set off against the depreciation expense relating to assets financed with the loans granted.

During the first quarter of the 2007 financial year, the Company received an interest-free loan from the Ministry of Industry, which consists of a loan amounting to 500,000 euros to be repaid over 10 years, with a 3 year grace period, and without the obligation to pay interest (Note 11). This loan is subject to various conditions, including the obligation to make the investments and incur the expenses for which the loan has been granted. An amount of 131,161 euros has been reflected as an addition to deferred income arising from "government grants related to income" during the three month period ended 31 March 2007, relating to the difference between the amount of the loan to be reimbursed and its present value, calculated using a market-related interest rate for similar loans, estimated with reference to the Euribor rate plus a margin. The Company recognizes this deferred income in the income statement based on when the underlying subsidized expenses are incurred. The implicit interest inherent in the loan is accounted for as part of finance costs in the income statement and credited to the loan, using the effective interest method.

13. Trade and other payables

At 31 March 2007 and 31 December 2006, this heading can be broken down as follows:

	Euros	
	31.03.07	31.12.06
Suppliers and trade creditors	3,593,341	3,519,952
Prepayments from customers	3,318,692	2,565,348
Taxes payable (Note 14)	79,324	52,036
Fixed asset suppliers	7,319,026	2,424,826
Other current liabilities	123	1,172
	14,310,506	**8,563,334**

The line item "Prepayments from customers" relates to turnkey projects, where the amounts invoiced by the Company exceed the actual percentage of completion of the projects at the period end.

14. Taxation

The calculation of the provision for income tax expense at 31 March 2007 has been made by applying a tax rate of 32.5% to profit before income tax.

	Euros	
	31.03.2007	31.03.2006
Current tax for the year	1,378,440	338,810
Deferred tax charge for the year		
- Deferred income	(4,407)	(3,663)
- Derivative financial instruments	(9,701)	-
	1,364,332	**335,147**

Movements in deferred tax assets and liabilities during the three month period ended 31 March 2007 were as follows:

	Euros	
	Assets	Liabilities
31 December 2006	**9,180**	**(165,859)**
Derivative financial instruments	6,960	2,741
Deferred income	1,245	3,162
31 March 2007	**17,385**	**(159,956)**

Movements in deferred tax assets and liabilities during the three month period ended 31 March 2006 were as follows:

	Euros	
	Assets	Liabilities
31 December 2005	**-**	**-**
Deferred income	3,663	-
31 March 2006	**3,663**	**-**

Deferred tax assets and liabilities are made up as follows:

	Euros	
	31.03.07	31.12.06
Deferred tax liabilities		
Unrestricted depreciation	97,245	97,245
Derivative financial instruments	848	3,590
Deferred income	61,863	65,024
	159,956	**165,859**
Deferred tax assets		
Unrestricted depreciation	16,140	9,180
Deferred income	1,245	-
	17,385	**9,180**

The breakdown of income taxes receivable and payable at 31 March 2007 and 31 December 2006 is as follows:

	Euros			
	31.03.07		31.12.06	
	Receivable	Payable	Receivable	Payable
Provision for tax at 31 March 2007	-	1,378,440	-	-
Withholding tax relating to interest	4,072	-	-	-
2006 income taxes	-	2,785,162	-	2,785,162
2005 income taxes	19,527	-	19,527	-
2004 income taxes	11,575	-	11,575	-
Current income tax assets and liabilities	**35,174**	**4,163,602**	**31,102**	**2,785,162**

Other taxes receivable and payable included under "Trade and other receivables" (Note 8) or "Trade and other payables" (Note 13):

	Euros			
	31.03.07		31.12.06	
	Receivable	Payable	Receivable	Payable
Value Added Tax	2,764,251	-	2,488,291	-
Employee tax withholdings	-	9,594	-	15,243
Social Security contributions	-	68,093	-	34,035
Capital withholding taxes	-	1,637	-	2,758
	2,764,251	**79,324**	**2,488,291**	**52,036**

15. Income and expenses

a) Consumption of raw materials and other consumables

This line item can be broken down as follows:

	Euros	
	31.03.07	31.03.06
Purchase of raw materials and other consumables	10,807,912	479,702
Difference between opening and closing inventories	(3,785,829)	(721,479)
	7,022,083	**(241,777)**

b) Other external expenses

This line item can be broken down as follows:

	Euros	
	31.03.07	**31.03.06**
Management fee for administration services rendered	300,000	-
	300,000	**-**

The management fee for administration services rendered relates to amounts invoiced by Solaria DTL Corporación, S.L. according to the management services agreement signed between the Company and its parent company, mentioned in Note 17.

c) Employee benefits expense

This line item can be broken down as follows:

	Euros	
	31.03.07	**31.03.06**
Wages, salaries and similar remuneration	350,698	151,702
Social Security expenses	103,563	18,718
	454,261	**170,420**

The average number of employees for the three month period ended 31 March 2007 amounted to 117 employees (20 employees for the three month period ended 31 March 2006).

The Company plans to continue with its intensive hiring of employees.

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

d) Operating expenses

This line item can be broken down as follows:

	Euros	
	31.03.07	**31.03.06**
Lease and rental expenses	28,010	(4,161)
Repairs and maintenance	28,116	5,218
Independent professional services	158,705	7,544
Transport costs	34,663	656
Bank charges	76,929	10,799
Insurance premiums	8,437	7,614
Advertising expenses	120,437	-
Supplies	28,176	12,195
Security expenses	34,419	29,786
Certificates relating to solar projects	93,405	-
Other expenses	91,980	6,474
	703,277	**76,125**

16. Derivative financial instruments

In addition to the interest and exchange rate derivative hedging instruments in existence at 31 December 2006, that continue to be of force and effect at 31 March 2007, the Company has entered into a new interest rate hedging transaction with Caja Madrid, with the objective of covering fluctuations in the interest rate applicable to a loan formalized with the same bank on 25 April 2007 amounting to 6,000,000 euros. The principal characteristics of the transaction are as follows:

Initial nominal amount: 5,000,000 euros (with half-yearly repayments)

Transaction date: 22 March 2007

Commencement date: 29 March 2007

Maturity date: 29 September 2010

Settlement reference: 12 month Euribor rate

Payer Caja Madrid

Tranche A

Commencement date: 29 March 2007
Maturity date: 29 March 2008
Cap rate: 5.10%

Tranche B

Commencement date: 29 March 2008
Maturity date: 29 March 2009
Cap rate: 5.10%

Tranche C

Commencement date: 29 March 2009
Maturity date: 29 September 2010
Cap rate: 5.10%

Payer Solaria Energía y Medio Ambiente, S.L

Tranche A

Commencement date: 29 March 2007
Maturity date: 29 March 2008
Cap rate: 4.05%

Tranche B

Commencement date: 29 March 2008
Maturity date: 29 March 2009
Cap rate: : 4.25%

Tranche C

Commencement date: 29 March 2009
Maturity date: 29 September 2010
Cap rate: : 4.45%

17. Related party transactions

Details relating to transactions carried out with related parties during the three month period ended 31 March 2007 were as follows:

	Euros	
	Expenses	**Income**
Solaria DTL Corporación, S.L	300,000	-
Instalaciones Díaz Tejeiro, S.L.	1,029,012	21,527
	1,329,012	**21,527**

Details relating to transactions carried out with related parties during the three month period ended 31 March 2006 were as follows:

	Euros	
	Expenses	**Income**
Solaria DTL Corporación, S.L	-	-
Instalaciones Díaz Tejeiro, S.L.	-	23,489
	-	**23,489**

The expenses incurred by the Company with Solaria DTL Corporación, S.L. consist of management fees for administration services rendered by Solaria DTL Corporación, S.L., in terms of a contract entered into between the parties on 1 April 2006. The expenses incurred with Instalaciones Díaz Tejeiro, S.L. relate to commercial transactions between the companies, which commenced in the second quarter of 2006.

The income from Instalaciones Díaz Tejeiro, S.L. consists of interest income relating to a loan granted to the related party, in accordance with the current account agreement concluded between that company and Solaria Energía y Medio Ambiente, S.A. (previously Solaria Energía y Medio Ambiente, S.L.). Capital drawn down accrues interest at a market-related rate, being the Euribor rate plus 0.5%, which will be settled when the agreement terminates. On 7 May 2007, the amount owed to the Company by Instalaciones Díaz Tejeiro, S.L., amounting to 590,944 euros, was settled.

18. Dividends

During February 2007, the Company paid a dividend out of the profits for the 2006 year amounting to 2,410,000 euros. This distribution was approved by the Sole Administrator on January 15, 2007.

19. Guarantees

The breakdown of bank guarantees provided by the Company in existence at 31 March 2007 is as follows:

Beneficiary	Item	Euros
Municipality of Puertollano	Construction at La Nava II industrial estate	6,000
Municipality of Puertollano	Construction in Puertollano	6,000
Banco Cooperativo Español	Interest rate swap	300,000
Instituto de Crédito Oficial	Counter guarantee for guarantees granted to CDTI	347,680
Ministry of Industry (Note 11)	Loan obligations	500,000
CDTI	Repayable loan (1 guarantee)	26,800
CDTI	Repayable loan (12 guarantees – 26,740 euros)	320,880
Ministry of Industry	Repayable loan	400,000
Ministry of Industry	Repayable loan	861,052
Foreign commercial transactions	Foreign letter of credit	1,768,200

20. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of ordinary shares outstanding during the period.

	31.03.2007	31.03.2006
Profit attributable to the Company's equity holders (euros)	2,830,001	635,294
Weighted average number of ordinary shares outstanding during the period	77,760,000	77,760,000
Basic earnings per share (euros per share)	0.04	0,01

As explained in Note 10, on 1 January 2007, the shareholders of Solaria Energía y Medio Ambiente, S.L. in general meeting approved a share split of the issued share capital, by means of the exchange of 1,000 new shares with a par value of 0.01 euros each for every previously issued share with a par value of 10 euros each, thereby increasing the number of issued shares from 77,760 shares to 77,760,000 shares, but with no effect on the amount of share capital issued by the Company. Therefore, the share split has been treated as if the transaction took place on 1 January 2006, in accordance with the requirements of IAS 33 Earnings per Share.

b) Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to the Company's equity holders and the weighted average number of ordinary shares outstanding, to reflect the conversion of all dilutive potential ordinary shares.

At 31 March 2007 and 2006 there were no instruments issued capable of conversion to potentially dilutive ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

21. Commitments

- On 2 April 2007, the Company signed a contract with the construction company Rayet Construcción, S.A., to carry out construction and installation services, including the supply of materials, relating to two industrial buildings for the production of photovoltaic cells on the industrial estate "La Nava II". The contract´s fixed price, which is not subject to revision, amounts to 14,469,138.31 euros. Rayet is obliged to constitute and deliver to Solaria a bank guarantee amounting to 723,456.92 euros, which constitutes 5% of the budgeted expenditure on the project. This guarantee had been constituted at the date of preparation of these condensed interim financial statements.

- On 14 March 2007, the Ministry of Industry and Technology of Castilla La Mancha informed the Company of its appointment as Key Manager for the connection of Photovoltaic and Thermosolar projects to the electricity network in La Paloma (Ciudad Real).

22. Events after the balance sheet date

On 12 April 2007, an agreement was signed with the Foundation for the Development of Puertollano (la Fundación para el Desarrollo de Puertollano(FUNDESCOP)), in terms of which FUNDESCOP is obliged to provide the professional technical assistance required by the Company relating to the construction of a factory for the manufacture of silicone wafers and cells in Puertollano, which will give rise to the creation of 120 jobs. As a result of this agreement and in line with the Municipal Regulation for investment incentives and creation of employment in Puertollano, as well as the coincidental disposal of certain land (with offers to purchase open to public tender) by the Puertollano Municipality, Solaria will be able to rely on the support of FUNDESCOP (by means of the issue of a favourable report) relating to the acquisition of this industrial land, with a total surface area of 62,722 m2 owned by the Municipality, situated on the Industrial Estate "La Nava III", at a price of 5 euros/m2. This benefit is obtainable on compliance with the following requirements:

- The construction of industrial plant with an estimated surface area of 30,000 m2;
- The creation of 120 jobs.

On 18 April 2007, Solaria entered into a contract with Gintech for the supply of monocrystaline and multicrystaline solar cells with a capacity of up to 14MW, for a predetermined period ending on 31 December 2007. The contract is automatically renewable on a year-by-year basis until 31 December 2010, unless either of the parties decides to terminate the agreement, giving notice prior to 31 December 2007 (or on an annual basis on 31 December up to 31 December 2010). The contract stipulates the intention of both parties to renew the contract during 2008, 2009 and 2010, although the particular terms and conditions for the supply of the cells during these years requires the express agreement of both parties. Prices are determined and revised on an quarterly basis. If the parties cannot reach agreement, either of the parties may cancel the contract, and neither party may claim damages for any losses arising from the cancelation of the contract.

On 7 and 8 May 2007, respectively, the Company signed two separate non-binding heads of agreement with two clients, which demonstrate the intention of the parties to enter into contracts in terms of which Solaria will carry out turnkey projects for the development of five photovoltaic solar instalations for each client, with a nominal installed capacity of 10 MW (11 Mwp), with a connection point in the la Paloma network, which is managed by the Company. As consideration for the development of each of the projects mentioned in the heads of agreement, Solaria will receive payment amounting to 330,000,000 euros, to be received in tranches, as the various phases of the project are completed, as from the date on which the contracts are formalized, likely to occur in the last quarter of 2007. As a result, the Company would receive an amount of 660,000,000 euros relating to these two contracts, subject to the signing of these contracts and on execution of the aforementioned projects, for a total of 110 Mwp.

A free translation of the report on the financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails

AUDITOR´S REPORT ON FINANCIAL STATEMENTS

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

We have audited the financial statements of Solaria Energía y Medio Ambiente, S.A., consisting of the balance sheets as at 31 December 2006, 2005 and 2004 and the income statements, changes in shareholders' equity, the cash flows and the related notes to the financial statements for the three years then ended, the preparation of which is the responsibility of the Sole Administrator of the Company. Our responsibility is to express an opinion on the financial statements taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain which require the examination, on a test basis, of evidence supporting the financial statements and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

The Company prepares its annual accounts in accordance with generally accepted accounting principles in Spain, nevertheless, as indicated in Note 2.1., the accompanying financial statements have been prepared for the sole purpose of presenting financial information in accordance with International Financial Reporting Standards adopted by the European Union, given that the Company is currently in the process of making an Initial Public Offering.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Solaria Energía y Medio Ambiente, S.A. as at December 31, 2006, 2005 and 2004, and the results of its operations, changes in shareholders' equity and cash flows for each of the three years then ended, and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards adopted by the European Union, applied on a consistent basis.

PricewaterhouseCoopers Auditores, S.L.

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

May 21, 2007

Free translation of the financial statements prepared in accordance with IFRS originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.

BALANCE SHEETS

AT 31 DECEMBER 2006, 2005 AND 2004

(In Euros)

	Note	At 31 December		
		2006	2005	2004
ASSETS				
Non-current assets				
Property, plant and equipment	7	7,219,437	2,216,363	290,642
Intangible assets	8	12,104	-	-
Available-for-sale and other financial assets	9	20,270	-	36,026
Loans to related parties	10	-	587,332	41,550
Deferred tax assets	19	9,180	-	-
		7,260,991	2,803,695	368,218
Current assets				
Inventories	11	17,655,387	125,280	-
Trade and other receivables	12	8,987,103	275,146	223,547
Loans to related parties	10	591,194	-	-
Available-for-sale and other financial assets	9	600,000	36,026	460,642
Derivative financial instruments	18	11,966	-	-
Current income tax assets	19	31,102	16,311	-
Cash and cash equivalents	13	4,227,789	1,267,110	59,914
		32,104,541	1,719,873	744,103
Total assets		**39,365,532**	**4,523,568**	**1,112,321**
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	14	777,600	777,600	242,330
Reserves	14	46,588	23,585	3,929
Profit for the year	14	5,642,759	23,003	79,646
Total equity		**6,466,947**	**824,188**	**325,905**
LIABILITIES				
Non-current liabilities				
Borrowings with financial institutions	16	8,770,100	1,453,472	510,575
Deferred income	15	4,909,792	421,973	148,435
Deferred tax liabilities	19	165,859	-	-
		13,845,751	1,875,445	659,010
Current liabilities				
Borrowings with financial institutions	16	7,615,194	421,317	35,318
Trade and other payables	17	8,563,334	1,148,815	72,688
Deferred income	15	58,544	253,803	4,114
Derivative financial instruments	18	30,600	-	-
Current income tax liabilities	19	2,785,162	-	15,286
		19,052,834	1,823,935	127,406
Total liabilities		**32,898,585**	**3,699,380**	**786,416**
Total equity and liabilities		**39,365,532**	**4,523,568**	**1,112,321**

Notes 1 to 27 attached are an integral part of these annual financial statements.

Free translation of the financial statements prepared in accordance with IFRS originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004
(In Euros)

	Note	Year ended 31 December		
		2006	2005	2004
Revenue	6	19,146,563	698,866	408,864
Deferred income transferred to the income statement	15	47,337	9,543	-
Other government grants related to income		3,907	-	5,694
Other income		2,497	19	-
Consumption of raw materials and other consumables	20(a)	(7,849,453)	(51,293)	(116,845)
Other external expenses	20(b)	(1,333,363)	(2,393)	(26,910)
Employee benefits expense	20(c)	(603,904)	(269,884)	(101,842)
Depreciation and amortization expense	7 & 8	(209,662)	(96,966)	(6,016)
Operating expenses	20(d)	(442,886)	(242,721)	(47,573)
Net loss on disposal of non-current assets	20(e)	(9,546)	-	-
Impairment of trade receivables	12	(14,220)	-	-
Other expenses		(31,268)	(6,400)	-
Operating profit		**8,706,002**	**38,771**	**115,372**
Finance income	20(f)	223,440	27,119	3,637
Finance costs	20(g)	(317,036)	(33,029)	(5,229)
Profit before income tax		**8,612,406**	**32,861**	**113,780**
Income tax expense	19	(2,969,647)	(9,858)	(34,134)
Profit for the year		**5,642,759**	**23,003**	**79,646**
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in euros per share)				
- Basic and diluted	21	72.57	0.54	4.29

Notes 1 to 27 attached are an integral part of these annual financial statements.

Free translation of the financial statements prepared in accordance with IFRS originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

(In Euros)

	Attributable to equity holders of the Company				
	Share capital (Note 14)	**Legal reserve** (Note 14)	**Voluntary reserves** (Note 14)	**Profit for the year** (Note 14)	**TOTAL EQUITY**
Balance at 1 January 2004	**92,300**	-	-	3,929	96,229
Profit for the year	-	-	-	79,646	79,646
Total income recognized in 2004	-	-	-	79,646	79,646
Issue of share capital	150,030	-	-	-	150,030
Distribution of profit 2003	-	393	3,536	(3,929)	-
Balance at 31 December 2004	**242,330**	**393**	**3,536**	**79,646**	**325,905**
Profit for the year	-	-	-	23,003	23,003
Total income recognized in 2005	-	-	-	23,003	23,003
Issue of share capital	535,270	-	(59,990)	-	475,280
Distribution of profit 2004	-	7,965	71,681	(79,646)	-
Balance at 31 December 2005	**777,600**	**8,358**	**15,227**	**23,003**	**824,188**
Profit for the year	-	-	-	5,642,759	5,642,759
Total income recognized in 2006	-	-	-	5,642,759	5,642,759
Issue of share capital	-	-	-	-	-
Distribution of profit 2005	-	2,300	20,703	(23,003)	-
Balance at 31 December 2006	**777,600**	**10,658**	**35,930**	**5,642,759**	**6,466,947**

Notes 1 to 27 attached are an integral part of these annual financial statements.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.

CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

(In Euros)

	Note	Year ended 31 December		
		2006	2005	2004
Cash flows from operating activities:				
Cash (utilized in)/generated from operations	22	(5,664,062)	996,642	(19,968)
Interest paid		(201,613)	(34,371)	(3,887)
Income taxes paid		(42,598)	(41,456)	(20,827)
Net cash (utilized in)/generated from operating activities		**(5,908,273)**	**920,815**	**(44,682)**
Cash flows from investing activities:				
Acquisition of property, plant and equipment		(5,177,388)	(1,913,521)	(263,113)
Proceeds from sale of property, plant and equipment	22	109,397	-	-
Acquisition of intangible assets		(15,740)	-	-
Cash outflow on constitution of deposits		(602,270)	-	(460,000)
Proceeds from liquidation of deposits		-	460,000	-
Acquisition of available-for-sale financial assets		-	-	(36,026)
Cash outflows on loans granted to related parties		-	(522,791)	-
Repayments received on loans granted to related parties		98,309	-	34,079
Interest received		129,473	4,770	365
Net cash utilized in investing activities		**(5,458,219)**	**(1,971,542)**	**(724,695)**
Cash flows from financing activities:				
Proceeds from the issue of share capital		-	475,280	150,030
Proceeds from government grants received		-	230,770	123,748
Proceeds from borrowings with financial institutions		11,475,077	1,807,610	673,256
Repayment of borrowings with financial institutions		(445,231)	(295,045)	(128,705)
Net proceeds from current accounts held with financial institutions		3,428,705	56,098	-
Repayment of finance lease liabilities		(131,380)	(16,790)	-
Net cash generated from financing activities		**14,327,171**	**2,257,923**	**818,329**
Net increase in cash and cash equivalents		**2,960,679**	**1,207,196**	**48,952**
Cash and cash equivalents at the beginning of the year		1,267,110	59,914	10,962
Cash and cash equivalents at the end of the year	13	**4,227,789**	**1,267,110**	**59,914**

Notes 1 to 27 attached are an integral part of these annual financial statements.

SOLARIA ENERGÍA Y MEDIO AMBIENTE, S.L.
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004
(Expressed in euros)

1. General information

Solaria Energía y Medio Ambiente, S.L. (hereinafter the Company) was incorporated on 27 November 2002 as a limited liability company.

The Company's main corporate objectives are as follows:

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

On 21 September 2006, the Company changed its registered address to Madrid, Calle Núñez de Balboa, 120. Its main offices are located at the same address. The production plant for manufacturing thermal and photovoltaic modules is located in Puertollano (Ciudad Real).

The Company is controlled by Solaria DTL Corporación, S.L., which holds a 97.55% stake in the Company.

The Company's activity, from the time it was incorporated until 2005, consisted of supplying and installing solar energy plants, either for its own account or on behalf of the related party, Instalaciones Díaz Tejeiro, S.L.

As from the second half of 2005, the Company 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 the Company 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. The Company assumes responsibility for all stages of the process, from obtaining administrative permits to the launch of the operation.

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

To facilitate its expansion in the future, the Company 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 following:

a) 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.

b) Construction of a silicon wafer production plant that is expected to enter into production in 2008.

In addition, the Company expects to increase production capacity of both photovoltaic and thermal modules, thereby generating economies of scale.

Since incorporation, the Company's expansion has mainly been financed through loans and government grants granted by several financial institutions and public entities, respectively.

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

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

2. Accounting policies

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

2.1 Basis of preparation

The Company's annual financial statements at 31 December 2006, 2005 and 2004 have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU), effective at 31 December 2006. This is the first set of annual financial statements presented by the Company in accordance with these standards.

Until the year ended 31 December 2006, inclusive, the Company's annual accounts were prepared in accordance with the provisions of Spanish mercantile legislation and the rules established in the Spanish General Accounting Plan. Given that these rules differ in some areas from the criteria established by IFRS-EU, the Management of the Company have restated the figures relating to the 2004, 2005 and 2006 financial years in order to present comparative information in accordance with IFRS-EU (Note 5).

These annual financial statements have been prepared by the Management of the Company for the sole purpose of presenting financial information in accordance with IFRS-EU, given that the Company is currently in the process of making an Initial Public Offering. The Management of the Company believe that this process will be completed at the end of the first half of 2007.

The annual financial statements have been prepared on the historical cost basis, as modified in certain cases established by IFRS-EU, where certain assets and liabilities are stated at their fair values.

The preparation of financial statements in accordance with IFRS-EU requires the use of certain critical accounting estimates. It also requires that management apply its judgment in the process of implementing the Company´s accounting policies. Note 4 discloses the areas that involve a higher degree of judgment or complexity, or the areas in which assumptions and estimates are significant to the financial statements.

a) Standards, amendments and interpretations effective in 2006 but whose application have no effect on the Company's financial statements

The application of the following standards, amendments and interpretations are mandatory for years commencing as from 1 January 2006, although they do not have any effect on the Company's operations:

- IAS 21 (Amended December 2005), "Net Investment in a Foreign Operation".
- IAS 19 (Amended December 2004), "Employee Benefits".
- IAS 39 (Amended April 2005), "Cash Flow Hedge Accounting of Forecast Intragroup Transactions".
- NIC 39 (Amended June 2005), "The Fair Value Option".
- IAS 39 and IFRS 4 (Amended August 2005), "Financial Guarantee Contracts".
- IFRS 1 (Amended June 2005), "First-time Adoption of International Financial Reporting Standards", and IFRS 6 (Amended June 2005), "Exploration for and Evaluation of Mineral Resources".
- IFRS 6, "Exploration for and Evaluation of Mineral Resources".
- IFRIC 4, "Determining Whether an Arrangement Contains a Lease".
- IFRIC 5, "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds".
- IFRIC 6, "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment".

b) Amendments to existing standards not yet effective that the Company has early adopted

The Company has early adopted the amendment to IAS 1 "Presentation of Financial Statements: Capital Disclosures", which will be mandatory for accounting periods commencing on or after 1 January 2007. This amendment requires the presentation of information regarding the objectives, policies and procedures for managing capital needs (equity), quantitative information regarding what is considered to be capital, whether or not any external capital requirements have been met and the consequences of any failure to comply with these external requirements (Note 3.2).

c) Standards and interpretations of existing standards that are not yet effective and that the Company has not adopted early

At the date of preparation of these financial statements, the following standards and interpretations had been published. The application of these standards and interpretations is obligatory in future accounting periods.

i) Standards issued by the IASB and approved by the European Union:

- IFRS 7, "Financial Instruments: Disclosures" (mandatory for accounting periods commencing on or after 1 January 2007). IFRS 7 introduces new disclosures to improve information provided in the financial statements regarding financial instruments. The Company is currently analysing the potential impact that this standard will have on its financial statements.

ii) Standards and interpretations of existing standards issued by the IASB but not yet approved by the European Union:

- IFRS 8, "Operating Segments" (mandatory for accounting periods commencing on or after 1 January 2009). IFRS 8 replaces IAS 14, "Segment Reporting" and requires the disclosure of financial information by segment in line with the requirements of generally accepted accounting practice in the United States (US GAAP) (SFAS 131, "Disclosures about Segments of an Enterprise and Related Information"). The Company is currently analysing the potential impact that this standard will have on its financial statements.

- IFRIC 10, "Interim Financial Reporting and Impairment" (mandatory for accounting periods commencing on or after 1 November 2006). IFRIC 10 does not allow impairment losses that have been recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost be reversed at a subsequent balance sheet date. The Company will apply IFRIC 10 from 1 January 2007, although it does not expect this interpretation to have any impact on the Company's financial statements.

d) Interpretations of existing standards that are not yet effective and that are not relevant to the Company's operations

At the date of preparation these financial statements, the following interpretations had been published. The application of these interpretations is mandatory in future accounting periods, although they are not relevant to the Company's operations.

i) Interpretations of existing standards issued by the IASB and approved by the European Union:

- IFRIC 7, "Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies" (mandatory for accounting periods commencing on or after 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. Given that the Company does not have operations in any country whose functional currency is that of a hyperinflationary economy, IFRIC 7 is not relevant to the Company's operations.

- IFRIC 8, "Scope of IFRS 2" (mandatory for accounting periods commencing on or after 1 May 2006). IFRIC 8 requires the consideration of transactions that involve the issue of equity instruments, where the identifiable consideration received appears to be less than the fair value of the equity instruments granted, in order to determine whether or not these transactions fall within the scope of IFRS 2. The Company does not have any share-based payments and therefore IFRIC 8 is not relevant to the Company's operations.

- IFRIC 9, "Reassessment of Embedded Derivatives" (mandatory for accounting periods commencing on or after 1 June 2006). IFRIC 9 requires an entity to assess whether any embedded derivatives are required to be separated from the host contract and accounted for as stand-alone derivatives when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. Given that the Company does not have any contracts that contain embedded derivatives, IFRIC 9 is not relevant to the Company's operations.

ii) Interpretations of existing standards issued by the IASB but not yet approved by the European Union:

- IFRIC 11, "IFRS 2 - Group and Treasury Share Transactions" (mandatory for accounting periods commencing on or after 1 March 2007). IFRIC 11 provides guidance on applying IFRS 2, "Share-based payment" to share-based payment arrangements involving an entity's own equity instruments or the equity instruments of another entity that forms part of the same group. The Company does not have any share-based payments and therefore IFRIC 11 is not relevant to the Company's operations.

- IFRIC 12, "Service Concession Arrangements" (mandatory for accounting periods commencing on or after 1 January 2008). IFRIC 12 addresses the application of existing International Financial Reporting Standards relating to the accounting for rights and obligations arising from service concession arrangements. The Company does not have any service concession arrangements and therefore IFRIC 12 is not relevant to the Company's operations.

2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in the other economic environments.

2.3 Transactions and balances denominated in foreign currency

a) Functional and presentation currency

The items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates ("functional currency"). The financial statements are presented in euros, which is the functional and presentation currency of the Company.

b) Transactions and balances

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

Exchange gains and losses, which result from the translation and settlement of the abovementioned transactions and the translation to euros of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognized in the income statement.

2.4 Intangible assets

Intangible assets consist of software, and these items are capitalized based on their acquisition cost and costs incurred in preparing the specific software for use. Intangible assets are recorded at their acquisition cost less accumulated amortization and any relevant accumulated impairment losses. Software is depreciated on a straight-line basis over its useful life, which is estimated to be 3 years.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized. On an annual basis, impairment tests are performed to determine the existence of any impairment losses (Note 2.9) and such assets are recorded at their cost less any accumulated impairment losses.

The Company does not have any intangible assets with indefinite useful lives at the balance sheet date.

2.5 Research and development expenses

Research expenses are recognized as an expense when incurred. Costs incurred on development projects are recognized as an intangible asset when it is likely that the project will be a success, taking into consideration its technical and commercial viability, and when costs relating to the project can be reliably estimated. Other development expenses are recognized as an expense when they are incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs with a finite useful life are amortized from the start of commercial production of the related product, over the period during which profits are expected to be generated.

The Company did not incur any research and development expenses during the financial years under consideration.

2.6 Property, plant and equipment

Property, plant and equipment comprises mainly the buildings, plant and machinery utilized in the manufacture of thermal and photovoltaic modules. Property, plant and equipment is stated at acquisition cost, less accumulated depreciation and accumulated impairment losses. The cost of items of property, plant and equipment includes expenses directly related to the acquisition of the items concerned.

Subsequent costs are included in the carrying amount of an asset or are recognised as a separate asset only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured.

The carrying amount of the replaced items is derecognized. All other repairs and maintenance expenses are charged to the income statement in the year in which they are incurred.

The depreciation of property, plant and equipment is calculated on a straight-line basis in order to allocate the cost of an item to its residual value over its estimated useful life, as follows:

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

The residual values and useful lives of assets are reviewed, and adjusted if necessary, at each balance sheet date. When the carrying amount of an asset is greater than its recoverable amount, it is immediately written down to its recoverable amount (Note 2.9).

Gains and losses on disposal of property, plant and equipment are calculated by comparing the proceeds obtained on the sale with the carrying amount of the asset concerned. These gains and losses are recognized in the income statement.

2.7 Leases

a) Finance leases

The determination of whether or not an arrangement contains a lease is based on an analysis of the substance of the agreement, which requires an evaluation of whether fulfilment of the agreement depends on the use of a specific asset, and whether the arrangement conveys a right to use the asset.

The Company leases several vehicles. A lease is classified as a finance lease when it transfers substantially all the risks and rewards incidental to ownership to the Company. Finance leases are capitalized at the commencement of the lease period at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding on the liability. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over their useful lives. Their useful lives are equal to the useful lives of vehicles that are not leased, given the existence of purchase options over the leased assets.

As a result, there is reasonable certainty that the Company will obtain ownership of the vehicles at the end of the lease period.

b) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership of the leased assets are classified as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease.

2.8 Interest expense

Interest expenses are recognized in the income statement and are not capitalized as part of the cost of assets that necessarily require a substantial period of time to get ready for their intended use.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization. Annual impairment tests are performed to determine whether these assets have experienced any impairment losses. Assets subject to depreciation are subjected to impairment tests whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized in the income statement as the difference between the carrying amount of the asset and its recoverable amount. The recoverable amount is the higher of an asset´s fair value less costs to sell and its value in use. For the purposes of evaluating impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered an impairment loss are subject to reviews at each balance sheet date to determine whether there have been any reversals of the impairment loss. The reversal of an impairment loss is recognized in the income statement.

2.10 Financial assets

The Company classifies its financial assets into the following categories: at fair value through profit and loss, loans and receivables, financial assets held to maturity and financial assets available for sale. Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit and loss are held for trading. A financial asset is classified in this category if acquired mainly for short-term sale. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Assets in this category are classified as current assets.

b) Loans and receivables

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

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Short-term receivables with no established interest rate are stated at original invoice amount when any discounting effect would not be significant.

c) Held-to-maturity financial assets

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity dates, that the Company has the positive intention and ability to hold until maturity. If the Company were to sell a significant amount of held-to-maturity investments, the entire category would be reclassified as available-for-sale. These held-to-maturity financial assets are classified as non-current assets, except for those that mature within 12 months from balance sheet date, in which case they are classified as current assets.

d) Available-for-sale financial assets

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

Accounting for financial assets

Acquisitions and disposals of financial assets are recognized on the trade date, that is, the date on which the Company commits to acquire or sell the asset. Financial assets are recognized initially at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and related transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at their amortised cost in accordance with the effective interest method.

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

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

The fair values of quoted investments are based on current bid prices. Available-for-sale financial assets relating to unlisted shares are carried at cost when there is insufficient financial information available regarding the business plans and financial outlook of the investee, to permit a reliable valuation to be performed using generally accepted valuation techniques, and when there have been no significant transactions involving these investments. However, based on publicly available information (latest financial statements) relating to these unlisted shares, there are no indications of impairment of these assets.

At the balance sheet date, the Company assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. For equity instruments classified as available-for-sale, the existence of a significant or protracted decline in the fair value of the securities below cost is considered to be an indicator that the securities are impaired. If there is any evidence of this type for available-for-sale financial assets, the cumulative loss (determined as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in the income statement) is eliminated from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the transaction. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets.

2.11 Derivative financial instruments and hedging activities

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

(i) Hedges of the fair value of recognized liabilities (fair value hedge); or
(ii) Hedges of a specific risk associated with a recognized liability or a highly probable forecast transaction (cash flow hedge).

The Company documents, at the inception of the transaction, the relationship existing between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its evaluation, both at hedge inception and continuously thereafter, as to whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair values of hedging derivatives are classified as non-current assets or liabilities if the residual term of the hedged item exceeds 12 months, and as current assets or liabilities if the residual term of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

a) Fair value hedges

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

If the hedge ceases to comply with the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period until maturity.

The Company did not have any fair value hedges in existence at the balance sheet date.

b) Cash flow hedges

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

Amounts accumulated in equity are recyclyed to the income statement in the periods in which the hedged item affects results. However, when a hedged forecast transaction results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires, is sold, or when it no longer meets the requirements for hedge accounting, any accumulated gain or loss existing in equity up until that time remains in equity and is recognized when the forecast transaction is finally recognized in the income statement. When the forecast transaction is no longer expected to occur, the accumulated gain or loss included in equity is immediately transferred to the income statement.

The Company did not have any cash flow hedges in existence at the balance sheet date.

c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement. Increases in the fair value of interest and exchange rate derivatives are included in the line item “Finance income” in the income statement. Decreases in the fair value of interest and exchange rate derivatives are included in the line item “Finance costs” in the income statement.

2.12 Inventories

Inventories mainly include raw materials and finished goods relating to solar photovoltaic and thermal panels and are carried at the lower of cost and net realisable value. The cost of raw materials is determined on the basis of weighted average acquisition cost. The cost of finished goods includes design costs, raw materials, direct labour, other direct costs and manufacturing overheads (based on normal operating capacity) but excludes interest costs. The net realisable value of inventory is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds received on the share issue.

2.15 Deferred income

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

Government grants related to assets

Government grants relating to the acquisition of property, plant and equipment are included in "Deferred income" in the balance sheet and credited to the income statement on a straight-line basis over the expected useful lives of the assets financed by means of the grants.

Other deferred income

Grants relating to the subsidization of interest expenses on loans obtained from financial institutions are recorded as "Deferred income" in the balance sheet. Such interest assistance is recognized in the income statement over the term of the loan in accordance with the effective interest method.

The transfer to the income statement of government grants related to assets and other deferred income is recognized in the line item "Deferred income transferred to the income statement" and is not offset against the depreciation expense of the subsidized assets or against subsidized expenses.

Interest-free loans granted by public entities

The interest-free loans received by the Company are recorded at their present values (calculated using an effective market-related interest rate). The difference between the nominal values of the loans and their present values at initial recognition is accounted for as follows:

a) When the financing is to be used to acquire an asset, the abovementioned difference is recorded as deferred income and recognized in the income statement over the useful life of the financed asset.

b) When the loan is to be used to finance an expense relating to an investment project, the difference between the nominal amount of the loan and its present value is recorded as a reduction of such expenses. In those cases where the expense has not yet been incurred, this amount is recorded as deferred income (current liability) and is recognized in the income statement as a reduction of the relevant expense when it is incurred.

Non-monetary government grants

Where the Company receives a non-monetary government grant, for example the right to purchase an asset from a government entity at less than market value, subject to compliance with certain conditions, the Company adopts the allowed alternative treatment and records the asset at a nominal amount, being the amount paid for the asset.

2.16 Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Short-term payables with no established interest rate are stated at original invoice amount when any discounting effect would not be significant.

2.17 Borrowings with financial institutions

Borrowings with financial institutions are initially recognized at fair value, net of transaction costs incurred. These borrowings are subsequently measured at amortized cost. Any differences between proceeds obtained (net of necessary transaction costs) and redemption values are recognized as interest expenses over the term of the borrowings, applying the effective interest method.

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

2.18 Provisions

The Company recognizes provisions when (i) it has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle the obligation and (iii) the amount can be reliably estimated.

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

Provisions for warranties

The Company 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.

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.

At year end, the Company has not registered any provisions for warranties since no obligation in this respect has yet arisen.

It was not considered necessary to record provisions of any other nature at the balance sheet date.

2.19 Employee benefits

a) Pension and similar obligations

The Company has no pension or similar obligations with its employees or management.

b) Severance payments

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

2.20 Income taxes

The income tax expense for the year is calculated based on profit before income tax as stated in the financial statements, adjusted for any differences between accounting and tax criteria, bearing in mind any tax credits or deductions that are deemed to be applicable.

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

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

2.21 Revenue

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.

a) Recognition of revenue

Revenue comprises the fair value of the consideration received or to be received on the sale of goods and services during the ordinary course of the Company's activities. Revenue is presented net of value added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria for each of the Company's activities have been met, as described below. Revenue from the sale of goods is recognized and reflected in the income statement when the Company has transferred all significant risks and rewards of ownership of the goods to the buyer. The Company considers that revenue cannot be reliably measured until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, bearing in mind the type of customer, the type of transaction and the specific terms of each agreement.

To recognise revenue relating to agreements for the construction, installation and launch of photovoltaic solar projects delivered on a turnkey basis, the Company 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. Contract costs are recognized when incurred and are classified as inventories.

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

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

b) Interest income

Interest income is recognized using the effective interest method.

2.22 Dividend distribution

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

2.23 Environmental matters

Expenses deriving from operations undertaken to protect and improve the environment are recorded as an expense in the year in which they are incurred. When such expenses entail additions to property, plant and equipment, the purpose of which is to minimise the environmental impact of the assets and to protect and improve the environment, such expenses are capitalized as part of property, plant and equipment.

3. Financial risk management

3.1. Financial risk factors

The Company's activities are exposed to a number of financial risks: market risk (including foreign exchange, price and interest rate risk), credit risk and liquidity risk. The Company's global risk management program focuses on the uncertainty in financial markets and seeks to minimise the potential adverse effects on the Company's financial profitability. Foreign exchange and interest rate risks are hedged mainly using derivative financial instruments.

Risk management is the responsibility of the Company's Finance Department, which identifies, evaluates and hedges financial risks in association with the Company´s operating units.

a) Market risk

i) Foreign exchange risk

The Company operates internationally and is therefore exposed to foreign exchange risk on transactions effected in foreign currencies, particularly the US dollar. Foreign exchange risk arises from commercial transactions, which are generally effected to purchase machinery and raw materials abroad.

The Finance Department has implemented a procedure whereby all the Company's transactions falling due after more than 30 days must be hedged against foreign exchange risk, provided this is advisable in view of market conditions at the transaction date.

ii) Price risk

The Company is exposed to risk arising from the market price of raw materials. This risk is managed by concluding fixed-price contracts on the basis of market conditions at the transaction date (Note 26).

iii) Interest rate risk

As the Company has no significant interest-bearing assets, the revenues and cash flows from its operating activities are relatively unaffected by interest-rate fluctuations.

The Company's interest rate risk derives from non-current borrowings with financial institutions. Borrowings with financial institutions contracted at variable rates expose the Company to interest rate risks on cash flows, which are hedged by means of derivative financial instruments for variable-rate loans. During 2004, 2005 and 2006, the Company's variable rate borrowings with financial institutions were denominated in euros.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits at banks and financial institutions, as well as from trade receivables, including outstanding receivables and committed transactions. Transactions are only effected with reputable, high-quality banks and financial institutions, taking into account past experience and other factors. Where the credit quality of an individual customer has not been evaluated, the Finance Department performs this evaluation based on the customer's financial position, past experience and other factors. The Company does not have a policy of granting long-term credit to customers, barring exceptional cases.

c) Liquidity risk

The prudent management of liquidity risk entails maintaining sufficient cash and negotiable securities, financing in the form of sufficient committed credit facilities, and the capacity to liquidate market positions. Given the dynamic nature of the underlying businesses, the Company's Finance Department seeks to maintain flexible financing by means of committed credit facilities.

Management monitors liquidity forecasts based on expected cash flows.

3.2 Capital management and extent of indebtedness

The Company's capital management objectives consist of safeguarding its capacity to operate as a going concern in order to obtain a return for its equity holders, and to maintain an optimal equity structure and a low cost of equity. The Company monitors equity on the basis of the debt-equity ratio, in accordance with industry practice. This ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings (including borrowings with financial institutions and trade and other payables, as recorded in the balance sheet) less cash and cash equivalents. Total equity consists of share capital, reserves and undistributed profits for the year, as reflected in the balance sheet.

The Company's business is expanding rapidly and considerable financing is therefore required. The Company seeks to maintain the equity required to obtain the financing necessary for expansion, without undermining solvency and while maximising returns for equity holders. The Company does not operate in sectors subject to specific capital requirements and complies with general legislation (Spanish Companies Act) regarding minimum capital requirements.

Debt-equity ratios at 31 December 2006, 2005 and 2004 are shown below:

			Euros
	2006	**2005**	**2004**
Total borrowings	24,948,628	3,023,604	618,581
Less: Cash and cash equivalents	(4,227,789)	(1,267,110)	(59,914)
Net debt	20,720,839	1.756,494	558,667
Total equity	6,466,947	824,188	325,905
Debt-equity ratio	3.20	2.13	1.71

Despite the growth in profits in 2005 and 2006, the debt-equity ratio increased due to the expansion of the business and financing obtained to purchase non-current assets for the extension of production lines and the acquisition of raw materials for the manufacture of photovoltaic and thermal modules.

3.3. Fair value estimation

The fair value of financial instruments traded in active markets (such as hedging instruments, held-for-trading assets and liabilities, and held-for-sale assets) is based on year-end market prices. The market price used by the Company for financial assets is the current bid price.

The fair value of unlisted financial instruments is determined using valuation techniques. The Company uses a number of methods and makes assumptions based on market conditions at each balance sheet date. Market prices of similar instruments are used for non-current liabilities. The fair value of other financial instruments is determined using methods such as the estimated discounted cash flow method. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts is obtained using the forward exchange rates quoted in the market at the balance sheet date.

The carrying amount net of the provision for the impairment of receivables and payables are considered to approximate their fair values, given the short-term nature of trade receivables and payables. For reporting purposes, the fair value of financial liabilities is estimated by discounting future cash flows at the current market interest rates available to the Company on similar financial instruments.

4. Accounting estimates and judgements

The Company´s accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

a) Revenue recognition

The Company uses the percentage of completion method when recognising revenue relating to the turnkey projects it develops. Using this method requires that costs relating to work performed at each balance sheet date be estimated as a proportion of the total costs to be incurred on each project, and this percentage is used to recognise revenue relating to these projects at each balance sheet date.

b) Useful lives of property, plant and equipment

The Company's management determines estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the planned lifecycle of the products manufactured by the Company, for which it uses highly technological machinery. These estimated useful lives could change significantly as a result of technical innovations and competitor activity in response to future industry evolution. Management increases depreciation charges where useful lives of assets are shorter than previously estimated, and writes off technically obsolete or non-strategic assets that have been abandoned or sold.

c) Fair value of financial instruments

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

d) Deferred income

The Company has obtained several government grants to finance its investments. Given the different characteristics of each of the subsidies and grants received by the Company, Management uses its judgment to calculate the amounts to be recognized as deferred income in those cases where the grants relate to interests-free loans. In these situations, Management determines the implicit interest relating to these loans by using an effective market-related interest rate to calculate the fair value of the loans. The difference between the nominal value and the fair value of the loans is considered to be deferred income that will be recognized in the income statement in accordance with the recognition of the asset or expense being financed by the loans. Where the interest-free loan relates to an asset, the deferred income will be taken to the income statement over the useful life of the asset concerned. Where the interest-free loan relates to an operating expense, the deferred income is taken to the income statement when the expense is incurred. Management evaluates compliance with all conditions established for obtaining government grants and considers that such conditions have been met or will be met without any requirement for the Company to reimburse all or part of the assistance granted.

e) Warranties

In line with normal practice in the industry, the Company offers warranties to its customers for a certain number of years relating to the sale of modules, as well as relating to the construction of turnkey projects. Management uses its judgment to calculate the provisions recorded for any possible warranty claims. Bearing in mind the fact that the Company was only recently incorporated and the limited number of warranty claims to date in the market, Management has fundamentally based its calculations for warranty provisions on the previous experience of competitors and on the percentage of errors occurring during testing of manufactured panels for effectiveness (Note 25).

f) Estimation of risk

The future success of the Company depends largely on its capacity to construct new plant and production lines on the basis of cost efficiency and in accordance with the timetable forecast in its business plan. The increase in production capacity is subject the risks and uncertainties inherent in any business project.

To efficiently manage the expansion in its activities, the Company is in the process of improving its operating and financial systems and its procedures and controls, in addition to increasing it manufacturing capacity and the flow of finished goods, improving the efficiency of its production lines (including the new production lines for the manufacture of solar cells and wafers) and appropriately expanding, training and managing a rapidly increasing workforce.

Historical information relating to Solaria is limited, given that the Company was incorporated towards the end of 2002. As a result of the rapid growth in the solar energy sector, the Company has experienced an above average growth rate from the date of its incorporation, and its business is currently in a phase of accelerated expansion. The Company is significantly increasing its production facilities, with the aim of augmenting its production of photovoltaic modules and thermal solar panels, as well as commencing the production of solar cells and wafers for utilization in the manufacture of photovoltaic modules. Some of these facilities have not yet been constructed, or are in the process of being constructed. The Management of the Company is of the opinion that its business and future outlook should be considered in the light of the risks, costs and challenges that the Company faces as a new company looking to develop and manufacture new products in a rapidly growing market.

5. Transition to IFRS-EU

5.1. IFRS-EU transition basis

5.1.1 Application of IFRS 1

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

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

The Company´s annual accounts relating to the 2006, 2005 and 2004 financial years were prepared in accordance with the Spanish General Accounting Plan. The accounting policies disclosed in those annual accounts are considered to be previous generally accepted accounting principles, as defined by IFRS 1, in the preparation of the opening balance sheet at 1 January 2004.

In preparing these first financial statements in accordance with IFRS 1, the Company has applied all mandatory exceptions. None of the optional exemptions included in IFRS 1 have been applied in the transition to IFRS-EU.

5.1.2 Exceptions to retrospective application applied by the Company

a) Derecognition of financial assets and liabilities

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

b) Hedge accounting

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

c) Estimates

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

d) Assets held for sale and discontinued operations

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

5.2. Reconciliation between IFRS-EU and Spanish accounting principles

The following reconciliations quantify the impact of the transition to IFRS-EU. The reconciliations include details of the effect of the transition relating to:

- Equity at 1 January 2004, 31 December 2004, 2005 and 2006.
- Profit for the years ended 31 December 2004, 2005 and 2006.

Effect of the transition on equity:

					Euros
	Note	Equity 01.01.04	Equity 31.12.04	Equity 31.12.05	Equity 31.12.06
Local accounting principles		127,527	325,905	824,188	6,328,712
Start-up costs	i)	(1,050)	-	-	-
Inventories	ii)	(43,661)	-	-	-
Interest-free loans	iii)	-	-	-	216,303
Hedging instruments	iv)	-	-	-	(18,634)
Tax effect of IFRS-EU adjustments		13,413	-	-	(59,434)
Equity in accordance with IFRS-EU		96,229	325,905	824,188	6,466,947

Effect of the transition on profit for the year:

				Euros
	Note	Profit 31.12.04	Profit 31.12.05	Profit 31.12.06
Local accounting principles		48,348	23,003	5,504,524
Start-up costs	i)	1,050	-	-
Inventories	ii)	43,661	-	-
Interest-free loans	iii)	-	-	216,303
Hedging instruments	iv)	-	-	(18,634)
Tax effect of IFRS-EU adjustments		(13,413)	-	(59,434)
Profit in accordance with IFRS-EU		79,646	23,003	5,642,759

Explanation of the effect of the transition to IFRS-EU:

Set out below is an explanation of the adjustments to equity and profit for the year on transition to IFRS-EU:

Start-up costs

IFRS-EU do not allow formation, start-up and share capital issue expenses to be capitalized, whereas under Spanish accounting principles, these costs are capitalized and amortized over a maximum of five years. Start-up and formation expenses under IFRS-EU are recognized as an expense during the year in which they are incurred, whereas share capital issue expenses are deducted directly against equity. At the date of transition to IFRS-EU, both these items have been eliminated against reserves.

Given that, under Spanish accounting principles, start-up costs were fully amortized in the 2004 financial year, profit for the 2004 year under IFRS-EU has been increased in order to reflect the reversal of this expense.

ii) Inventories

At the date of transition to IFRS-EU, 1 January 2004, it was considered that inventories on hand did not comply with the recognition criteria established by IAS 2 *Inventories* and therefore this amount was written off against

reserves, as a result of an adjustment to profit for the 2003 financial year. Under Spanish accounting principles, these inventories were written off as an extraordinary expense in the 2004 financial year. As a result, in the reconciliation of profit for the 2004 year between local accounting principles and IFRS-EU, a reversal of the expense relating to the write-off of inventories was recorded.

iii) Interest-free loans

Under IFRS-EU, the implicit interest effect relating to interest-free loans obtained by the Company is recorded as deferred income when the loans will be used to finance the acquisition of an asset, or as a reduction of the expenses associated with an investment project when used to finance those expenses, with such amounts being recognized in the income statement in accordance with the depreciation pattern of the financed asset, or when the expenses subsidized by means of the loans are incurred. Under Spanish accounting principles, the implicit interest effect relating to on interest-free loans is considered to be a subsidy for interest expenses received by the Company and is recorded, at the same amount, simultaneously under Deferred income (for the subsidy) and Deferred expense (loan interest). These amounts are recognized in the income statement over the term of the loan in accordance with the effective interest method.

Based on the different criteria for recognition in the income statement mentioned above, under IFRS-EU, profit for the 2006 financial year was increased to reflect the reduction in operating expenses owing to the subsidization of such costs incurred in 2006.

iv) Hedging instruments

During 2006, the Company entered into two hedging instruments, one to cover the risk of fluctuations in interest rates relating to certain loans and the other being a forward exchange contract. These derivatives do not comply with the requirements of IFRS-EU to be classified as hedging transactions for accounting purposes, and therefore changes in their fair values have been accounted for in the income statement. Under Spanish accounting principles, hedging derivatives are accounted for on an accrual basis, recording profits in the income statement at the date of settlement, while losses are recorded as they are incurred.

At 31 December 2006, the net effect of accounting for these hedging instruments under IFRS-EU caused profit for the year to decrease, based on the fair value of these instruments at year end.

v) Tax effect of the adjustments

All of the adjustments arising from the transition to IFRS-EU mentioned in points i) to iv) above have been recorded taking into account their corresponding tax effect.

vi) Reclassifications

In the transition to IFRS-EU, certain reclassifications were made between balance sheet and income statement line items. The reclassifications are reflected in the balance sheet and income statement under IFRS-EU, but they do not have any effect on equity or profits for the year.

6. Segment reporting

a) Primary reporting format: business segments

At 31 December 2006, Company was organized into three main business segments:

(i) Segment 1: Photovoltaic:

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

(ii) Segment 2: Thermal:

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

(iii) Segment 3: Projects:

- Promotion and sale of photovoltaic plants by means of turnkey projects, which incorporate the construction and installation of modules and include the operating launch of the plants.

(iv) Other:

- In prior years (2004 and 2005) the Company had only one segment that related to the supply and installation of solar energy plants and therefore financial information has not been differentiated by segment for those years. During 2006, the Company's activity consisted solely of the development of the operations relating to the three segments mentioned above. It should be noted that the inventories on hand in 2005 relate to the purchase of photovoltaic cells which make up the raw materials for the manufacture of photovoltaic solar panels, an activity that commenced during the third quarter of 2006, as explained previously.

Segment results for the year ended 31 December 2006 were as follows:

				Euros
	Photovoltaic	**Thermal**	**Projects**	**Company**
Total external sales	10,041,071	-	9,105,492	**19,146,563**
Inter-segment sales	4,745,000	-	(4,745,000)	**-**
Segment revenue	14,786,071	-	4,360,492	**19,146,563**
Other operating income	23,161	24,324	6,256	**53,741**
Segment expense	(9,447,856)	(92,782)	(953,664)	**(10,494,302)**
Segment result	5,361,376	(68,458)	3,413,084	**8,706,002**
Finance income				**223,440**
Finance costs				**(317,036)**
Profit before income tax				**8,612,406**
Income tax expense				**(2,969,647)**
Profit for the year				**5,642,759**

Segment results for the year ended 31 December 2005 were as follows:

					Euros
	Photovoltaic	**Thermal**	**Projects**	**Other**	**Company**
Total external sales	-	-	-	698,866	**698,866**
Inter-segment sales	-	-	-	-	**-**
Segment revenue	-	-	-	698,866	**698,866**
Other operating income				9,562	**9,562**
Segment expense				(669,657)	**(669,657)**
Segment result	-	-	-	38,771	**38,771**
Finance income					**27,119**
Finance costs					**(33,029)**
Profit before income tax					**32,861**
Income tax expense					**(9,858)**
Profit for the year					**23,003**

Segment results for the year ended 31 December 2004 were as follows:

	Euros				
	Photovoltaic	**Thermal**	**Projects**	**Other**	**Company**
Total external sales	-	-	-	408,864	**408,864**
Inter-segment sales	-	-	-	-	**-**
Segment revenue	-	-	-	408,864	**408,864**
Other operating income				5,694	**5,694**
Segment expense				(299,186)	**(299,186)**
Segment result	-	-	-	115,372	**115,372**
Finance income					**3,637**
Finance costs					**(5,229)**
Profit before income tax					**113,780**
Income tax expense					**(34,134)**
Profit for the year					**79,646**

Revenue consists of:

	Euros		
	2006	**2005**	**2004**
Sales of goods	19,146,563	-	-
Revenue from services rendered	-	698,866	408,864
	19,146,563	698,866	408,864

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

	Euros			
	Photovoltaic	**Thermal**	**Projects**	**Company**
Depreciation of property, plant and equipment (Note 7)	190,839	15,187	-	**206,026**
Amortization of intangible assets (Note 8)	1,963	1,673	-	**3,636**

Other segment items included in the 2005 income statement were as follows:

	Euros				
	Photovoltaic	**Thermal**	**Projects**	**Other**	**Company**
Depreciation of property, plant and equipment (Note 7)	-	-	-	96,966	**96,966**
Amortization of intangible assets (Note 8)	-	-	-	-	-

Other segment items included in the 2004 income statement were as follows:

	Euros				
	Photovoltaic	**Thermal**	**Projects**	**Other**	**Company**
Depreciation of property, plant and equipment (Note 7)	-	-	-	6,016	**6,016**
Amortization of intangible assets (Note 8)	-	-	-	-	-

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

Segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended were as follows:

				Euros
	Photovoltaic	**Thermal**	**Projects**	**Company**
Segment assets	28.341.824	6.287.561	4.063.629	**38.693.014**
Unallocated assets:				
- Available-for-sale and other financial assets				620.270
- Deferred tax assets				9.180
- Derivative financial instruments				11.966
- Current income tax assets				31.102
Total assets				**39.365.532**
Segment liabilities	3.239.723	-	5.323.611	**8.563.334**
Unallocated liabilities:				
- Borrowings with financial institutions				16.385.294
- Deferred income				4.968.336
- Deferred tax liabilities				165.859
- Current income tax liabilities				2.785.162
- Derivative financial instruments				30.600
Total liabilities				**32.898.585**
Capital expenditure relating to property, plant and equipment (Note 7)	3.427.368	1.900.675	-	**5.328.043**
Capital expenditure relating to intangible assets (Note 8)	8.500	-	7.240	**15.740**

Segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended were as follows:

					Euros
	Photovoltaic	**Thermal**	**Projects**	**Other**	**Company**
Segment assets	-	-	-	4.471.231*	4.471.231
Unallocated assets:					
- Available-for-sale and other financial assets					36.026
- Current income tax assets					16.311
Total assets					**4.523.568**
Segment liabilities	-	-	-	1.148.815	1.148.815
Unallocated liabilities:					
- Borrowings with financial institutions					1.874.789
- Deferred income					675.776
Total liabilities					**3.699.380**
Capital expenditure relating to property, plant and equipment (Note 7)	-	-	-	2.022.687	**2.022.687**

* Inventories on hand in 2005 amounting to 125,280 euros relate to the purchase of photovoltaic cells which make up the raw materials for the manufacture of photovoltaic solar panels, an activity that commenced during the third quarter of 2006.

Segment assets and liabilities at 31 December 2004 and capital expenditure for the year then ended were as follows:

					Euros
	Photovoltaic	**Thermal**	**Projects**	**Other**	**Company**
Segment assets	-	-	-	615.653	615.653
Unallocated assets:					
- Available-for-sale and other financial assets					496.668
Total assets					**1.112.321**
Segment liabilities	-	-	-	72.688	72.688
Unallocated liabilities:					
- Borrowings with financial institutions					545.893
- Deferred income					152.549
- Current income tax liabilities					15.286
Total liabilities					**786.416**
Capital expenditure relating to property, plant and equipment (Note 7)	-	-	-	263.113	**263.113**

b) Secondary reporting format: geographical segments

The Company has not presented financial information by geographical segment,since the Company only carries out operations in Spain. The various regions in Spain in which the Company operates are not exposed to different risks and rates of return, since those regions are affected by the same economic and political conditions.

7. Property, plant and equipment

Amounts and movements in the items included under this heading during the 2004, 2005 and 2006 financial years were as follows:

									Euros
	Balance at 01.01.04	**Additions**	**Balance at 31.12.04**	**Additions**	**Transfers**	**Balance at 31.12.05**	**Additions**	**Disposals**	**Balance at 31.12.06**
Cost									
Land	-	-	-	112,485	-	112,485	-	-	112,485
Buildings	-	-	-	869,978	-	869,978	230,331	-	1,100,309
Machinery	-	-	-	742,479	263,113	1,005,592	8,420	-	1,014,012
Plant and equipment	-	-	-	187,890	-	187,890	107,053	-	294,943
Data-processing equipment	606	-	606	689	-	1,295	21,514	-	22,809
Fixtures and fittings	-	-	-	-	-	-	51,324	-	51,324
Vehicles	33,233	-	33,233	109,166	-	142,399	166,173	(146,538)	162,034
Property, plant and equipment under construction	-	263,113	263,113	-	(263,113)	-	4,743,228	-	4,743,228
	33,839	263,113	296,952	2,022,687	-	2,319,639	5,328,043	(146,538)	7,501,144
Depreciation									
Buildings	-	-	-	8,482	-	8,482	28,664	-	37,146
Machinery	-	-	-	69,322	-	69,322	121,252	-	190,574
Plant and equipment	-	-	-	1,986	-	1,986	25,981	-	27,967
Data-processing equipment	32	167	199	252	-	451	3,223	-	3,674
Fixtures and fittings	-	-	-	-	-	-	2,646	-	2,646
Vehicles	262	5,849	6,111	16,924	-	23,035	24,260	(27,595)	19,700
	294	6,016	6,310	96,966	-	103,276	206,026	(27,595)	281,707
	33,545		290,642			2,216,363			7,219,437

The line item Land includes 71,194 euros relating to the fair value of a plot of land obtained by the Company from the Municipality of Puertollano in a swap agreement dated 21 December 2005. In terms of this agreement, the Company acquires the land on which it will install a 1 MW solar plant. In exchange, the Company will make payments to the municipality over a period of 25 years, equal to income obtained from 5W of capacity generated by the plant over that period. The fair value of the land was calculated by discounting this future income to its present value, using a market-related interest rate. A liability with the Municipality of Puertollano has been recorded for the fair value of the land under Trade and other payables, and this amount is updated periodically to reflect the unwinding of the discount. No profit was recognized on initial recognition of this transaction, given that the present value of the future income referred to above is equal to the fair value of the plot of land. At 31 December 2006, construction of this solar plant had not yet commenced.

The line item Land also includes a plot of land in La Nava II industrial estate with a cost of 41,291 euros, purchased from the municipality of Puertollano at a price of 1 euro per square metre, arising from the Agreement entered into between the Company and Fundescop, and in application of the Municipal Regulation for investment incentives and creation of employment in Puertollano. According to this agreement, the Company has committed to and is obliged to realize certain constructions and installations of plant and equipment necessary for the installation of a factory dedicated to the manufacture of photovoltaic and thermal solar panels, with the creation of 80 employment positions in the factory, within a period of 24 months from the date of signature of the sale and purchase agreement relating to the plot of land. There is no significant difference between the cost of the plot of land and its fair value.

“Property, plant and equipment under construction” includes the following:

- Construction of the new premises at the La Nava II industrial estate in Puertollano for the manufacture of thermal modules.

- Construction of the office building at the La Nava II industrial estate in Puertollano.

- Design of a thermal panel and the design and construction of a manufacturing and assembly line for thermal panel modules.

- Installation of machinery for the manufacture of photovoltaic cells.

- Solar simulator.

- Extension of the photovoltaic module production line.

- Extension of the photovoltaic line.

- Construction of a de-ionisation plant.

- Geothermal and engineering studies for the future construction of several additional warehouses.

Certain property, plant and equipment has been mortgaged as security for two loans from Caja Rural received by the Company (Note 16).

The amount capitalised under the heading “Buildings” at 31 December 2005 includes the construction of premises at the industrial estate La Nava II in Puertollano, where the Company is building its photovoltaic and thermal module production plant.

At 31 December 2005, “Machinery” mainly consists of the costs relating to the photovoltaic module production line.

Additions during the 2004 year relate to advance payments made to the supplier Spire Corporation, relating to the acquisition of the machinery necessary to construct the photovoltaic module assembly line.

The Company has taken out a number of insurance policies to cover risks relating to property, plant and equipment. The coverage provided by these policies is considered to be sufficient.

Vehicles include the following amounts where the Company is the lessee under finance leases:

	Euros		
	2006	**2005**	**2004**
Capitalized finance lease cost	113,283	109,166	-
Accumulated depreciation	(19)	(11,074)	-
	113,264	98,092	-

Lease liabilities are effectively secured as the rights to the vehicles revert to the lessor in the event of default (Note 16).

8. Intangible assets

Amounts and movements in the items included under this heading during the 2004, 2005 and 2006 financial years were as follows:

	Euros						
	Balance at 01.01.04	**Additions**	**Balance at 31.12.04**	**Additions**	**Balance at 31.12.05**	**Additions**	**Balance at 31.12.06**
Cost							
Computer software	-	-	-	-	-	15,740	15,740
	-	-	-	-	-	15,740	15,740
Amortization							
Computer software	-	-	-	-	-	3,636	3,636
	-	-	-	-	-	3,636	3,636
	-		-		-		12,104

9. Available-for-sale and other financial assets

Amounts and movements in the items included under this heading during the 2004, 2005 and 2006 financial years were as follows:

	Euros									
	Balance at 01.01.04	**Additions**	**Balance at 31.12.04**	**Transfers**	**Disposals**	**Balance at 31.12.05**	**Additions**	**Transfers**	**Disposals**	**Balance at 31.12.06**
Non-current financial assets										
Available-for-sale financial assets:										
- Investment funds	-	18,000	18,000	(18,000)	-	-	-	18,000	-	18,000
- Investment in Brumale, S.L.	-	18,026	18,026	(18,026)	-	-	-	-	-	-
Sundry deposits	-	-	-	-	-	-	2,270	-	-	2,270
	-	36,026	36,026	(36,026)	-	-	2,270	18,000	-	20,270
Current financial assets										
Available-for-sale financial assets:										
- Investment funds	-	-	-	18,000	-	18,000	-	(18,000)	-	-
- Investment in Brumale, S.L.	-	-	-	18,026	-	18,026	-	-	(18,026)	-
Deposits with financial institutions	-	460,642	460,642	-	(460.642)	-	600,000	-	-	600,000
	-	460,642	460,642	36,026	(460.642)	36,026	600,000	(18,000)	(18,026)	600,000

Investment funds

At 31 December 2004, investments in Investment funds consisted of holdings in two indefinite-term investment funds. The investments were covered by a guarantee ensuring that the amount invested would be recovered if the market value of the funds held fell below the amount invested. This guarantee terminated on 31 December 2006. Therefore, the investment funds were classified as current assets at 31 December 2005.

During 2005, the investment in the fund Fonduero, amounting to 12,000 euros, was pledged to secure a 546,557 euro loan granted to the Company by Caja Duero (Note 16). In 2006, this investment was no longer pledged as a guarantee for the loan.

At 31 December 2006, investments in investment funds have been reclassified as non-current assets, given the renewal of the guarantees over the funds that the Company recorded as current assets at the end of the previous year. The renewed guarantees expire in 2009 and 2010.

Investment in Brumale, S.L.

The investment in Brumale, S.L. relates to an amount conceded to the company Brumale, S.L on 29 December 2004, which entitled the Company to receive shares representing 0.47% of the share capital of Brumale, S.L. on 29 December 2005. The investment was classified as an available-for-sale financial asset and has been recorded at cost, not at fair value, since the company Brumale, S.L. is not listed. As a result, there is insufficient information available regarding the business plans and financial outlook of the company to permit a reliable valuation to be performed using generally accepted valuation techniques.

On 19 December 2006, the Company sold its interest in Brumale, S.L. to a related party, Solaria DTL Corporación, S.L., for 20,170 euros. A profit on the transaction amounting to 2,144 euros was recognized in the income statement and recorded in the line item "Other income".

Sundry deposits

These deposits mainly relate to amounts paid to Union Fenosa for electricity connection and total 1,669 euros.

Deposits with financial institutions

At 31 December 2004, the Company had two fixed-term deposits on hand totaling 410,000 euros and 50,000 euros, respectively, which accrued interest at an average rate of 2.15%.

The 50,000 euro deposit was pledged to secure the loan totalling 412,496 euros (Note 16) granted to the Company by Caja Duero. During 2005, the abovementioned deposits matured, in April and August 2005, respectively.

At 31 December 2006, deposits with financial institutions consists of a short-term deposit of the Company´s cash surpluses with Banco Gallego. This deposit accrued interest at a rate of 0.10% during the 2006 financial year.

10. Loans to related parties

The heading Loans to related parties can be broken down as follows:

	Euros		
	2006	**2005**	**2004**
Non-current loans			
Loans to related parties	-	561,711	38,920
Interest on loans to related parties	-	25,621	2,630
	-	587,332	41,550
Current loans			
Amounts owed by related parties	20,170	-	-
Loans to related parties	463,402	-	-
Interest on loans to related parties	107,622	-	-
	591,194	-	-

The line item "Amounts owed by related parties" consists of the outstanding balance due from Solaria DTL Corporation, S.L. relating to the sale of the 0.47% holding in Brumale, S.L. (Note 9).

The balance "Loans to related parties" relates to the capital drawn down by Instalaciones Díaz Tejeiro, S.L., a related company, in accordance with the current account agreement concluded between that company and Solaria Energía y Medio Ambiente, S.L. Capital drawn down accrues interest at a market-related rate, being the Euribor rate plus 0.5%, which will be settled when the agreement terminates, expected to occur in 2007. The Company's management intends to liquidate these balances with related parties prior to the date on which the IPO process mentioned in Note 1 is completed. For this reason, loans to related parties have been recorded as current assets in 2006.

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

	2006	2005	2004
Loans to related parties	4.10%	3.17%	2.85%

11. Inventories

At the year ends under consideration, this heading can be broken down as follows:

	2006			2005	2004
	Total	Thermal	Photovoltaic	Total	Photovoltaic	Total
Raw materials	12,923,886	331,221	12,592,665	125,280	125,280	-
Finished goods	4,731,501	280,389	4,451,112	-	-	-
	17,655,387	611,610	17,043,777	125,280	125,280	-

Inventories of raw materials for the 2006 financial year consist of cells relating to the manufacture of photovoltaic modules. The production of thermal panels was initiated during the final quarter of the year, and at the end of the year, the Company was in full production.

Inventories for the 2005 financial year consist of photovoltaic cells that make up the raw materials for the manufacture of photovoltaic solar panels.

The amount of inventories recognized as an expense and included in the line item "Consumption of raw materials and other consumables" in the income statement totals 7,849,453 (2005: 51,293; *2004*: 116,845) euros.

During 2006, an accident occurred that resulted in the write-off of inventories totalling 41,335 (*2005*: 0; *2004*: 0) euros, included in the line item "Consumption of raw materials and other consumables". The inventories were completely destroyed and therefore were written off.

12. Trade and other receivables

At the year ends under consideration, this heading can be broken down as follows:

	Euros		
	2006	2005	2004
Trade receivables	1,902,263	15,031	194,746
Sundry debtors	64,405	3,457	-
Government grants receivable	4,546,364	-	28,801
Taxes refundable (Note 19)	2,488,291	256,658	-
Impairment of trade receivables	(14,220)	-	-
	8,987,103	275,146	223,547

The balance relating to "Government grants receivable" at 31 December 2006 consists of a subsidy for the acquisition of property, plant and equipment granted by the Ministry of Industry (Note 15), which had not yet been received in cash at year end.

The balance relating to "Government grants receivable" at 31 December 2004 consists of a grant to subsidize interest on loan repayments to Caja Duero (Note 16) conceded by the Energy Savings and Diversification Institute (Instituto para la Diversificación y Ahorro de Energía (IDAE)), which had not yet been received in cash at year end.

Details of "Trade receivables" are as follows:

	Euros		
	2006	**2005**	**2004**
Trade receivables for invoices yet to be issued	1.205.640	-	-
Receivables for retentions on contracts	504.900	-	-
Sundry trade receivables	191,723	15,031	194,746
	1,902,263	**15,031**	**194,746**

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

The heading "Receivables for retentions on contracts" consists of 5% of the total amounts invoiced to customers relating to photovoltaic installation projects, receivable on final delivery of the projects.

At 31 December 2006, the line item "Sundry trade receivables" mainly relates to debtors outstanding in connection with solar installation projects.

At 31 December 2005 and 2004, the line item "Sundry trade receivables" relates to installations for customers performed on behalf of the related company, Instalaciones Díaz Tejeiro, S.L.

The Company recognized an expense totalling 14,220 (*2005*: 0; *2004*: 0) euros relating to the impairment of receivables during the year ended 31 December 2006. This expense was included in the line item "Impairment of trade receivables" in the income statement.

The carrying amounts of trade and other receivables approximate their fair values.

13. Cash and cash equivalents

At the year ends under consideration, this heading can be broken down as follows:

	Euros		
	2006	**2005**	**2004**
Cash at bank and on hand	4,227,789	1,267,110	59,914

The Company´s bank accounts do not accrue any interest income.

14. Equity

Amounts and movements in the items included under this heading during the 2004, 2005 and 2006 financial years were as follows:

	Balance at 01.01.04	Issues of share capital	Distribution of profit 2003	Profit for the year 2004	Balance at 31.12.04	Issues of share capital	Distribution of profit 2004	Profit for the year 2005	Balance at 31.12.05
Share capital	92,300	150,030	-	-	242,330	535,270	-	-	777,600
Legal reserve	-	-	393	-	393	-	7,965	-	8,358
Voluntary reserves	-	-	3,536	-	3,536	(59,990)	71,681	-	15,227
Profit/(loss) for the year	3,929	-	(3,929)	79,646	79,646	-	(79,646)	23,003	23,003
	96,229	150,030	-	79,646	325,905	475,280	-	23,003	824,188

	Balance at 31.12.05	Distribution of profit 2005	Profit for the year 2006	Balance at 31.12.06
Share capital	777,600	-	-	777,600
Legal reserve	8,358	2,300	-	10,658
Voluntary reserves	15,227	20,703	-	35,930
Profit/(loss) for the year	23,003	(23,003)	5,642,759	5,642,759
	824,188	-	5,642,759	6,466,947

Share capital

Share capital consists of 77,760 (*2005*: 77.760; *2004*: 24.233) fully paid-up shares with a par value of 10 euros each.

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

	2006		2005		2004	
	Number of shares	% interest	Number of shares	% interest	Number of shares	% interest
Solaria DTL Corporación, S.L.	75,860	97.55	-	-	-	-
Enrique Díaz-Tejeiro Gutiérrez	380	0.488	15,172	19.51	4,727	19.51
Mª Dolores Larrañaga Horna	380	0.488	15,172	19.51	4,727	19.51
Enrique Díaz-Tejeiro Larrañaga	380	0.488	15,172	19.51	4,727	19.51
Arturo Díaz-Tejeiro Larrañaga	380	0.488	15,172	19.51	4,727	19.51
Miguel Díaz-Tejeiro Larrañaga	380	0.488	15,172	19.51	4,727	19.51
Other	-	-	1,900	2.45	598	2.45
	77,760	100	77,760	100	24,233	100

2006:

The shareholders held a General Meeting on 24 March 2006 and approved the transfer of shares representing 97.55% of the share capital of Solaria Energia y Medio Ambiente, S.L., owned by the Diaz-Tejeiro family, to a newly formed company, Solaria DTL Corporation, which is now the Company's majority shareholder.

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

2005:

During 2005, the following issues of share capital took place:

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

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

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

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

2004:

In accordance with the Resolutions adopted at the Extraordinary Shareholders' Meeting held on 19 August 2004, the Company increased its share capital by 90,000 euros by issuing 9,000 shares with a par value of 10 euros each, payable at the time of subscription. All shares issued were paid for in cash.

On 28 December 2004, in accordance with the Resolution adopted at the Extraordinary Shareholders' Meeting, the Company's share capital was increased by 60,030 euros by means of the issue of 6,003 shares with a par value of 10 euros each, fully subscribed and paid for by the shareholders.

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

Voluntary reserves consist of prior year profits not distributed by the Company. These reserves are available for distribution.

Profit for the year

The proposal to be presented to the General Meeting of Shareholders regarding the distribution profits for the 2006 year is as follows:

	Euros
Available for distribution	
Profit for the year	5,642,759
	5,642,759
Distribution	
Legal reserve	144,862
Voluntary reserves	3,087,897
Dividends (*)	2,410,000
	5,642,759

(*) These dividends relate to an interim dividend paid by the Company to its equity holders after the balance sheet date, but before the date of formulation of these financial statements.

15. Deferred income

Amounts and movements in the items included under this heading during the 2004, 2005 and 2006 financial years were as follows:

										Euros
	Balance at 01.01.04	Additions	Recognized in income statement	Balance at 31.12.04	Additions	Recognized in income statement	Balance at 31.12.05	Additions	Recognized in income statement	Balance at 31.12.06
IDAE	-	28,801	-	28,801	-	(4,114)	24,687	-	(4,115)	20,572
IDAE	-	-	-	-	38,002	(5,429)	32,573	-	(5,429)	27,144
Ministry of Industry loan	-	-	-	-	144,558	-	144,558	-	(144,558)	-
Ministry of Industry loan	-	-	-	-	61,909	-	61,909	-	(61,909)	-
CDTI	-	-	-	-		-	-	52,144	(52,144)	-
Government grants related to income	-	28,801	-	28,801	244,469	(9,543)	263,727	52,144	(268,155)	47,716
IDAE	-	123,748	-	123,748	-	-	123,748	-	(18,117)	105,631
IDAE	-	-	-	-	163,967	-	163,967	-	(19,676)	144,291
Ministry of Industry	-	-	-	-	-	-	-	4,546,364	-	4,546,364
Ministry of Industry loan	-	-	-	-	81,314	-	81,314	-	-	81,314
Ministry of Industry loan	-	-	-	-	43,020	-	43,020	-	-	43,020
Government grants related to assets	-	123,748	-	123,748	288,301	-	412,049	4,546,364	(37,793)	4,920,620
	-	152,549	-	152,549	532,770	(9,543)	675,776	4,598,508	(305,948)	4,968,336

The recognition of deferred income in the income statement is included in the line item "Deferred income transferred to the income statement", except for the deferred income relating to the interest-free loans from the Ministry of Industry and CDTI, which have been offset against the subsidized expenses (Note 2.15, Note 20(c) and (d)).

The analysis of current and non-current deferred income is as follows:

			Euros
	2006	2005	2004
Non-current deferred income:			
- Government grants related to income	38,173	47,717	24,687
- Government grants related to assets	4,871,619	374,256	123,748
	4,909,792	421,973	148,435
Current deferred income:			
- Government grants related to income	9,543	216,010	4,114
- Government grants related to assets	49,001	37,793	-
	58,544	253,803	4,114
Total deferred income	**4,968,336**	**675,776**	**152,549**

2006:

Grant related to assets from the Ministry of Industry

On 17 January 2006, the Ministry of Industry, Tourism and Commerce, through the Institute of Coal Mining Restructuring and Alternative Development of Mining Areas, informed the Company 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 4,546,364.50 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 autofinancing has been justified, the number of jobs promised have 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 25%, 50% and 75% of the investment has been made.

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

- The Company must execute at least 10% of the investment eligible for the subsidy before 31 December 2005.
- The deadline for making the 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 the Company, which must be proven when justifying the investment made.
- The subsidised 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.

The Company will be obliged to provide a guarantee to the Institute at the Caja General de Depósitos for the amount of the subsidy granted plus interest from the date on which the verification documents are signed, until the date on which the employment condition mentioned above is complied with.

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

Granting entity	Euros			Purpose	Date Granted
	2006	2005	2004		
IDAE (Note 16)	123,748	123,748	123,748	Accelarated repayment of loan	26.10.2004
IDAE (Note 16)	163,967	163,967	-	Accelarated repayment of loan	14.04.2005
Ministry of Industry (Note 12)	4,546,364	-	-	Financing of fixed assets	17.01.2006
IDAE (Note 16)	28,801	28,801	28,801	Assistance relating to loan interest payments	26.10.2004
IDAE (Note 16)	38,002	38,002	-	Assistance relating to loan interest payments	14.04.2005
Ministry of Industry Loan (Note 16)	225,872	225,872	-	Financing of assets and subsidy of operating expenses	05.10.2005
Ministry of Industry Loan (Note 16)	104,929	104,929	-	Financing of assets and subsidy of operating expenses	26.07.2005
CDTI (Note 16)	52,144	-	-	Financing of assets and subsidy of operating expenses	29.04.2006
	5,283,827	685,319	152,549		

16. Borrowings with financial institutions

At 31 December 2006, balances with banks and other financial institutions were as follows:

Entity	Original amount	Type of transaction	Maturity date	Effective interest rate	Euros		
					Current	Non-current	Total
Caja Duero (i)	412,496	Loan	12-11-2011	4.27%	33,600	155,213	188,813
Caja Duero (ii)	546,557	Loan	14-04-2012	4.17%	44,400	224,771	269,171
CDTI	347,680	Loan	30-06-2013	4.55%	40,181	255,355	295,536
Ministry of Industry (i)	400,000	Loan	30-11-2015	4.45%	-	308,349	308,349
Ministry of Industry (ii)	861,053	Loan	15-12-2015	4.45%	-	663,764	663,764
Caja Rural (i)	1,500,000	Loan	10-06-2013	3.56%	214,284	1,178,564	1,392,848
Caja Rural (ii)	4,500,000	Loan	15-06-2016	3.82%	-	4,500,000	4,500,000
Caja Madrid	1,800,000	Loan	23-10-2011	4.175%	402,612	1,397,388	1,800,000
Accrued interest not paid					25,389	-	25,389
					760,466	8,683,404	9,443,870
Barclays Bank	51,063	Finance lease	29-12-2011	3.25%	11,208	38,921	50,129
Barclays Bank	62,668	Finance lease	29-12-2011	3.25%	13,747	47,775	61,522
					24,955	86,696	111,651
	Credit limit						
Caja Rural	2,000,000	Line of credit	25-05-2007	4.31%	720,592	-	720,592
Caja Rural	2,000,000	Line of credit	02-03-2007	4.61%	1,995,777	-	1,995,777
Banco Gallego	600,000	Line of credit	22-03-2007	5%	494,580	-	494,580
Caja Madrid	1,150,000	Line of credit	22-03-2007	4.625%	949,776	-	949,776
Caja Rural	150,000	High yield	-	-	44,670	-	44,670
Caja Rural	3,400,000	Importation facilities	-	4.928%	26,064	-	26,064
Banesto	3,000,000	Letter of credit	14-12-2007	-	2,580,741	-	2,580,741
Accrued interest not paid					17,573	-	17,573
					6,829,773	-	6,829,773
					7,615,194	8,770,100	16,385,294

At 31 December 2005, balances with banks and other financial institutions were as follows:

							Euros
Entity	**Original amount**	**Type of transaction**	**Maturity date**	**Effective interest rate**	**Current**	**Non-current**	**Total**
Caja Duero (i)	412,496	Loan	12-11-2011	3.17%	33,600	189,377	222,977
Caja Duero (ii)	546,557	Loan	14-04-2012	2.76%	44,400	269,883	314,283
CDTI-Santander	260,760	Loan	30-09-2006	3.45%	258,803	-	258,803
Ministry of Industry (i)	400,000	Loan	30-11-2015	4.45%	-	295,071	295,071
Ministry of Industry (ii)	861,053	Loan	15-12-2015	4.45%	-	635,181	635,181
					336,803	1,389,512	1,726,315
Banco Gallego	37,985	Finance lease	27-04-2009	3.25%	9,919	21,461	31,380
Banco Gallego	40,148	Finance lease	27-04-2009	3.25%	10,484	22,682	33,166
Barclays	30,366	Finance lease	07-09-2009	2.67%	8,013	19,817	27,830
					28,416	63,960	92,376
	Credit limit						
Banco Gallego	150,000	Credit account		3.15%	56,098	-	56,098
					421,317	1,453,472	1,874,789

At 31 December 2004, balances with banks and other financial institutions were as follows:

							Euros
Entity	**Original amount**	**Type of transaction**	**Maturity date**	**Effective interest rate**	**Current**	**Non-current**	**Total**
Caja Duero	412,496	Loan	12-11-2011	3.246%	33,976	251,772	285,748
CDTI-Santander	260,760	Loan	30-09-2006	2.71%	-	258,803	258,803
Accrued interest not paid					1,342	-	1,342
					35,318	510,575	545,893

Caja Duero loan (i)

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

When obtaining this loan, the Company committed to using the financing received exclusively to finance the investment project presented, "Instalación Térmica de A.C.S. Uso Industrial", and 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 the Company a subsidy to cover the initial repayment on the loan, amounting to 123,748 euros (Note 15). In addition, IDAE granted the Company a subsidy for the interest accruing on this loan, amounting to 28,801 euros (Note 15).

Caja Duero loan (ii)

On 14 April 2005, a loan was obtained from Caja Duero within the scope of the Finance Agreement "Financing of Investments in Renewable Energies and Energy Efficiency" concluded between Caja Duero and the Official Credit Institute (ICO). This 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 546,557 euros. The interest rate applicable to this loan is 3.245% during the first six months and Euribor plus 1% thereafter.

When obtaining this loan, the Company committed to using the financing received exclusively to finance the investment project presented, "Instalación de A.C.S. y Refrigeracion en Fabrica" and 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 the Company a subsidy to cover the initial repayment on the loan, amounting to 163,967 euros (Note 15). In addition, IDAE granted the Company a subsidy for the interest accruing on this loan, amounting to 38,002 euros (Note 15).

CDTI loan

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

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

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

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

According to the Pre-financing Agreement (the Agreement) concluded between CDTI and Santander Central Hispano, on 30 November 2004, pre-financing relating to the CDTI R+D project was formalized, such that the Company obtained a loan amounting to 260,760 euros from Santander Central Hispano. On 30 September 2006, the Company 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 repayable loan amounting to 347,680 euros, falling due on 30 June 2013.

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

Ministry of Industry loan (i)

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

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

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

The Company has deposited a guarantee amounting to 400,000 euros in favour of the Ministry of Industry (Note 25) to cover the guarantees required relating to the abovementioned reimbursable loan.

Ministry of Industry loan (ii)

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

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

On 27 December 2005, the Company requested a 6 month extension for the execution 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.

The Company has deposited a guarantee amounting to 861,052.50 euros in favour of the Ministry of Industry (Note 25) to cover the guarantees required relating to the abovementioned reimbursable loan.

Caja Rural loan (i)

On 9 May 2006, the Company concluded a secondary loan agreement in the amount of 1,500,000 euros with Caja Rural de Ciudad Real, under the umbrella of the agreement concluded between ICO and Caja Rural, for the purpose of financing investments in new production assets for small and medium-sized companies. The Company's investment project 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 does 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 security for this loan, the Company has mortgaged one of its plots of land situated in Puertollano. The Company 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 3.605% from the commencement of the operation until 9 December 2006. From 10 December 2006 until maturity date, the rate applicable will be the 6-month Euribor rate plus a 0.5% spread.

Caja Rural (ii)

On 9 May 2006, the Company concluded a secondary loan agreement in the amount of 4,500,000 euros with Caja Rural de Ciudad Real, under the umbrella of the agreement concluded between ICO and Caja Rural, for the purpose of financing investments in new production assets for small and medium-sized companies. The Company's investment project 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 in excess of 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 security for this loan, the Company has mortgaged one of its plots of land situated in Puertollano. The Company 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 14 December 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, the Company entered into an interest rate swap with Banco Cooperativo Español, the main characteristics of which are described in Note 18.

Caja Madrid loan

On 23 October 2006, the Company obtained a loan from Caja Madrid amounting to 1,800,000 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, 23 October 2011, the interest rate applicable will be the 3-month Euribor rate plus a 0.8% spread.

The maturity dates for borrowings outstanding with banks and other financial institutions are as follows:

			Euros
Maturity	**2006**	**2005**	**2004**
Up to one year	7,615,194	421,317	35,318
Between 1 and 5 years	4,865,064	566,685	419,766
More than 5 years	3,905,036	886,787	90,809
	16,385,294	1,874,789	545,893

All borrowings with financial institutions are denominated in euros.

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

In order to protect against fluctuations in the interest rate applicable to the 2 loans obtained from Caja Rural amounting to 1,500,000 and 4,500,000 euros, respectively, the Company has entered into an interest rate swap with Banco Cooperativo Español (Note 18).

The Company has the following undrawn borrowing facilities:

			Euros
	2006	**2005**	**2004**
Variable rate:			
– Maturing in less than one year	3,719,600	93,902	-

The Company has obtained a facility relating to the import of goods from Caja Rural de Ciudad Real totalling 3,400,000 euros, bearing interest at the Euribor rate plus 0.9%. An amount of 1,794,264 euros has been drawn down, of which 26,064 euros relates to importation prepayments and 1,768,200 relates to a foreign letter of credit (Note 25).

Finance leases

	Euros		
	2006	**2005**	**2004**
Finance lease liabilities, minimum lease payments:			
- Less than 1 year	24,955	28,416	-
- Between 1 and 5 years	99,890	68,972	-
	124,845	97,388	-
Future finance charges relating to finance Leases	(13,194)	(5,012)	-
Present value of finance lease liabilities	111,651	92,376	-
The present value of finance lease liabilities can be broken down as follows:			
- Less than 1 year	24,955	28,416	-
- Between 1 and 5 years	86,696	63,960	-

17. Trade and other payables

At the year ends under consideration, this heading can be broken down as follows:

	Euros		
	2006	**2005**	**2004**
Suppliers and trade creditors	3,519,952	1,110,977	64,140
Prepayments from customers (Note 2.21)	2,565,348	-	-
Taxes payable (Note 19)	52,036	37,838	8,548
Fixed asset suppliers	2,424,826	-	-
Other current liabilities	1,172	-	-
	8,563,334	1,148,815	72,688

The carrying amounts of trade and other payables approximate their fair values.

18. Derivative financial instruments

Derivative financial instrument assets and liabilities for the 2004, 2005 and 2006 financial years are as follows:

	Euros					
	2006		**2005**		**2004**	
	Asset	**Liability**	**Asset**	**Liability**	**Asset**	**Liability**
Derivative financial instruments that do not meet the criteria for hedge accounting:						
- Interest rate	-	30,600	-	-	-	-
- Exchange rate	11,966	-	-	-	-	-
	11,966	30,600	-	-	-	-

a) Interest rate swap

In order to cover fluctuations in the interest rates applicable to the loans obtained from Caja Rural amounting to 1,500,000 and 4,500,000 euros, respectively (Note 16), the Company 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 (with half-yearly repayments)
- Transaction date: 29 August 2006
- Commencement date: 11 December 2006
- Maturity date: 12 December 2011

Variable payer I: Banco Cooperativo Español
Variable rate I: 6-month Euribor
Payment date: 10 June and 10 December until termination on 12 December 2011.

Variable payer II: Solaria Energía y Medio Ambiente, S.L.
Variable rate II: 3.96%, but in the event that Euribor reaches 5%, the interest rate will be Euribor – 0.10%.
Payment date: 10 June and 10 December until termination on 12 December 2011.

Caja Rural de Ciudad Real has granted a 300,000 euro guarantee to Banco Cooperativo Español in the Company's favour, relating to the obligations arising from this interest rate swap (Note 25).

b) Foreign exchange contract

In order to reduce the risk arising from fluctuations in the euro/ US dollar exchange rate in relation to the letter of credit issued to Spire Corporation for a sum of 3 million US dollars (Note 25), the Company has entered into a forward exchange contract with Caja Rural, the main characteristics of which are as follows:

- Transaction date: 7 December 2006
- Forward exchange rate: 1.3377 euro/ US dollar
- Maturity date: 20 June 2007

Derivative financial instruments entered into to hedge against interest and exchange rate fluctuations do not comply with the requirements established by IFRS-EU to be classified as hedging transactions for accounting purposes, and therefore they have been recorded by recognising the changes in their fair values in the income statement, as part of finance income or finance costs (Note 20). At 31 December 2006, the asset and liability arising from the valuation of derivative instruments have been recognised as part of current assets and liabilities, respectively, in the balance sheet.

19. Taxation

The calculation of the income tax expense for the 2004, 2005 and 2006 financial years is as follows:

	Euros		
	2006	**2005**	**2004**
Profit before income tax	8,612,406	32,861	113,780
Timing differences	(521,820)	-	(44,711)
Taxable income	8,090,586	32,861	69,069
Taxable income at applicable tax rate	2,825,695	9,858	20,721
Deductions	(12,726)	-	-
Current tax for the year	2,812,969	9,858	20,721
Withholdings and interim payments	(27,807)	(14,594)	(5,435)
Amount payable/(refundable)	**2,785,162**	**(4,736)**	**15,286**

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

	Euros		
	2006	**2005**	**2004**
Current tax for the year	2,812,969	9,858	20,721
Deferred tax charge for the year	182,552	-	13,413
Change in tax rate - deferred tax balances	(25,874)	-	-
Income tax expense	**2,969,647**	**9,858**	**34,134**

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

In accordance with the provisions of Article 109 of the Corporate Income Tax Act, the Company 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, the Company´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 amount to 324,151 euros and therefore a deferred tax liability of 97,245 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 1 January 2008. The Company has applied the effect of the change in tax rates in the calculation of deferred taxes, which amounts to 25,874 euros and is included in the line item "Income tax expense" in the income statement.

The tax rate reconciliation is as follows:

	Euros		
	2006	**2005**	**2004**
Profit before income tax	8,612,406	32,861	113,780
Income tax expense at the applicable tax rate	3,009,834	9,858	34,134
Change in the tax rate	(25,874)		
Deductions	(12,726)	-	-
Other adjustments	(1,587)		
Income tax expense	2,969,647	9,858	34,134
Effective tax rate	**34.5%**	**30.0%**	**30.0%**

Deferred tax assets and liabilities are as follows:

	Euros		
	2006	**2005**	**2004**
Deferred tax liabilities	165,859	-	-
Deferred tax assets	9,180	-	-

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authorities.

Movements in deferred tax assets and liabilities during the years under consideration were as follows:

	Euros			
Deferred tax liabilities	**Unrestricted depreciation**	**Derivative financial instruments**	**Deferred income**	**Total**
At 1 January 2004	-	-	-	-
Debited/(credited) to the income statement	-	-	-	-
At 31 December 2004	-	-	-	-
Debited/(credited) to the income statement	-	-	-	-
At 31 December 2005	-	-	-	-
Debited/(credited) to the income statement	97,245	3,590	65,024	165,859
At 31 December 2006	**97,245**	**3,590**	**65,024**	**165,859**

Deferred tax assets	Derivative financial instruments	Inventories	Total
			Euros
At 1 January 2004	-	(13,413)	(13,413)
Debited/(credited) to the income statement	-	13,413	13,413
At 31 December 2004	-	-	-
Debited/(credited) to the income statement	-	-	-
At 31 December 2005	-	-	-
Debited/(credited) to the income statement	(9,180)	-	(9,180)
At 31 December 2006	**(9,180)**	**-**	**(9,180)**

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

The breakdown of income taxes receivable and payable at the year ends under consideration is as follows:

	2006		2005		2004	
	Receivable	Payable	Receivable	Payable	Receivable	Payable
						Euros
2006 income taxes	-	2,785,162	-	-	-	-
2005 income taxes	19,527	-	4,736	-	-	-
2004 income taxes	11,575	-	11,575	-	-	15,286
Current income tax assets and liabilities	31,102	2,785,162	16,311	-	-	15,286

Other taxes receivable and payable included under "Trade and other receivables" (Note 12) or "Trade and other payables" (Note 17):

	2006		2005		2004	
	Receivable	Payable	Receivable	Payable	Receivable	Payable
						Euros
Value Added Tax	2,488,291	-	256,658	-	-	5,307
Employee tax withholdings	-	15,243	-	28,674	-	3,241
Social Security contributions	-	34,035	-	9,164	-	-
Capital withholding taxes	-	2,758	-	-	-	-
	2,488,291	52,036	256,658	37,838	-	8,548

20. Income and expenses

a) Consumption of raw materials and other consumables

	2006	2005	2004
			Euros
Purchase of raw materials and other consumables	25,379,560	176,573	116,845
Difference between opening and closing inventories	(17,530,107)	(125,280)	-
	7,849,453	51,293	116,845

b) Other external expenses

	Euros		
	2006	**2005**	**2004**
Management fee for administration services rendered (Note 23(b))	933,057	-	-
Solar installation certificates	300,348	-	-
Aluminium cutting costs	52,742	-	-
Project technical fees	12,150	-	-
Other expenses	35,066	2,393	26,910
	1,333,363	2,393	26,910

c) Employee benefits expense

At the year ends under consideration, this line item can be broken down as follows:

	Euros		
	2006	**2005**	**2004**
Wages, salaries and similar remuneration	573,282	259,196	85,128
Severance payments	-	-	1,840
Social Security expenses	137,688	10,688	11,088
Other social welfare expenses	-	-	3,786
Offset of government grants related to income (Note 15)	(107,066)	-	-
	603,904	269,884	101,842

The Company´s employees were made up as follows at the year ends under consideration:

	2006			**2005**			**2004**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Engineers	6	1	7	6	-	6	2	-	2
Graduates	4	-	4	1	-	1	-	-	-
Factory workers	56	10	66	11	-	11	-	-	-
	66	11	77	18	-	18	2	-	2

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

d) Operating expenses

At the year ends under consideration, this line item can be broken down as follows:

	Euros		
	2006	**2005**	**2004**
Lease and rental expenses	31,435	16,708	-
Repairs and maintenance	23,966	16,991	4,195
Independent professional services	46,273	63,914	3,870
Transport costs	16,808	51,332	-
Bank charges	85,528	11,578	-
Insurance premiums	25,541	5,753	4,065
Advertising expenses	28,331	31,078	18,898
Supplies	51,781	4,453	3,004
Security expenses	121,714	-	-
Other expenses	163,053	40,914	13,541
Offset of government grants related to income (Note 15)	(151,544)	-	-
	442,886	242,721	47,573

e) Net loss on disposal of non-current assets

	Euros		
	2006	**2005**	**2004**
Loss on disposal of non-current assets	(11,528)	-	-
Profit on disposal of non-current assets	1,982	-	-
	(9,546)	-	-

f) Finance income

	Euros		
	2006	**2005**	**2004**
Interest from banks and other financial institutions	77,596	4,128	1,007
Interest from related parties	82,001	22,991	2,630
	159,597	27,119	3,637
Changes in fair values of derivative financial instruments	11,966	-	-
Gains arising from exchange differences	51,877	-	-
	223,440	27,119	3,637

g) Finance costs

	Euros		
	2006	**2005**	**2004**
Interest expenses	285,918	25,169	5,229
Changes in fair values of derivative financial instruments	30,600	-	-
Losses arising from exchange differences	518	7,860	-
	317,036	33,029	5,229

21. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of ordinary shares outstanding during the year.

	2006	**2005**	**2004**
Profit attributable to the Company's equity holders (euros)	5,642,759	23,003	79,646
Weighted average number of ordinary shares outstanding during the year	77,760	42,510	18,566
Basic earnings per share (euros per share)	72.57	0.54	4.29

During the 2005 financial year, the Company carried out several issues of share capital (Note 14). All of the shares issued were paid for in cash, except for one issue of share capital debited against available reserves. On 29 July 2005, the Company increased its share capital by issuing 7,997 shares, of which 1,998 shares were paid for in cash and the remaining 5,999 shares were issued by debiting available reserves. The issue of shares debited against reserves gave rise to an increase in the number of ordinary shares outstanding, without increasing the Company's resources. Therefore, the issue of these shares has been treated as if the transaction took place at the beginning of the 2004 financial year, in accordance with the requirements of IAS 33 *Earnings per Share*.

b) Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to the Company´s equity holders and the weighted average number of ordinary shares outstanding, to reflect the conversion of all dilutive potential ordinary shares.

At 31 December 2006, 2005 and 2004 there were no instruments issued capable of conversion to potentially dilutive ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

22. Cash generated from operations

	Euros		
	2006	**2005**	**2004**
Profit before income tax	8,612,406	32,861	113,780
Adjustments for:			
- Amortization of intangible assets (Note 8)	3,636	-	-
- Depreciation of property, plant and equipment (Note 7)	206,026	96,966	6,016
- Deferred income transferred to the income statement	(47,337)	(9,543)	-
- Government grants related to income offset against expenses (Note 20(c) and (d))	(258,610)	-	-
- Profit on sale of Brumale, S.L. (Note 9)	(2,144)	-	-
- Write-off of inventories (Note 11)	41,335	-	-
- Net loss on disposal of non-current assets (Note 20(e))	9,546	-	-
- Impairment of trade receivables (Note 12)	14,220	-	-
- Finance income (Note 20(f))	(223,440)	(27,119)	(3,637)
- Finance costs (Note 20(g))	317,036	33,029	5,229
Changes in working capital:			
- Inventories (Note 11)	(17,571,442)	(125,280)	-
- Trade and other receivables (Note 12)	(4,179,813)	(80,399)	8,871
- Trade and other payables (Note 17)	7,414,519	1,076,127	(150,227)
Cash (utilized in)/generated from operations	(5,664,062)	996,642	(19,968)

In the cash flow statement, proceeds from the sale of property, plant and equipment are calculated as follows:

	Euros		
	2006	**2005**	**2004**
Net book value of non-current assets (Note 7)	118,943	-	-
Loss on disposal of non-current assets (Note 20(e))	(9,546)	-	-
Proceeds from sale of property, plant and equipment	109,397	-	-

Non-cash transactions

Non-cash transactions mainly relate to the following:

- In 2005, share capital amounting to 59,990 euros was issued by debiting available reserves (Note 14).
- Vehicles were acquired under finance leases during the 2005 and 2006 financial years. The cost of these assets acquired amounted to 109,166 euros and 150,655 euros in 2005 and 2006, respectively.
- During the 2006 financial year, the Company sold its investment in Brumale, S.L. by means of a loan to a related party (Notes 9 and 10).
- At 31 December 2006, a government grant related to assets from the Ministry of Industry amounting to 4,546,364 euros had not yet been received in cash at year end (Notes 12 and 15).

23. Related party transactions

a) Parent company

The Company is controlled by Solaria DTL Corporación, S.L., which holds a 97.55% stake in the Company. In turn, the shares in Solaria DTL Corporación, S.L. are owned by the Díaz-Tejeiro Larrañaga family. Instalaciones Díaz Tejeiro, S.L. is a related company.

b) Related party transactions

	Euros	
	Expenses	**Income**
Solaria DTL Corporación, S.L.	933,057	-
Instalaciones Díaz Tejeiro, S.L.	1,068,908	82,001
	2,001,965	82,001

The expenses incurred by the Company with Solaria DTL Corporación, S.L. consist of management fees for administration services rendered. The expenses incurred with Instalaciones Díaz Tejeiro, S.L. relate to commercial transactions between the companies.

Income from Instalaciones Díaz Tejeiro, S.L. consists of interest income relating to a loan granted to the related party (Note 10, Note 20(f)).

c) Compensation paid to key management personnel and the Sole Administrator

The Company's Sole Administrator did not accrue or receive any remuneration during the 2006, 2005 and 2004 financial years, except for 114,162 euros received in 2005 as a salary. No advance payments, loans, pension commitments, retirement awards, life insurance or special indemnities have been granted to the Sole Administrator.

Salaries paid to key management personnel are as follows:

	Euros		
	2006	**2005**	**2004**
Salaries	1,030,541	240,023	55,144

During the first quarter of the 2006 financial year, key management personnel were employed by the Company, and their salaries amounted to 97,484 euros. From April 2006, management personnel were employed by the parent company, Solaria DTL Corporación, S.L. A management agreement was signed between the two companies relating to services rendered by key management personnel to the Company. In this regard, management fees amounting to 933,057 euros were incurred during the 2006 financial year relating to salary expenses of key management personnel (Note 23(b)).

The Company does not have any commitments relating to pensions or similar items with key management personnel. No advance payments, loans, retirement awards, life insurance or special indemnities have been granted.

d) Outstanding balances at year end arising from sales and purchases of goods and services

See Note 10 , "Loans to related parties"

In 2006, 2005 and 2004 it was not necessary to provide for any doubtful debts regarding loans granted to related parties.

e) Directors' shareholdings, positions and duties and activities

Although at the date of preparation of these annual financial statements the administrative body of the Company is a Sole Administrator (Mr Enrique Díaz-Tejeiro Gutierrez), during the first quarter of 2007, the necessary procedures were initiated to transform the Company into a public limited liability company, as explained in Note 27.

For the purposes of complying with the provisions of Article 127 ter 4 of the Spanish Companies Act, these notes to the annual financial statements 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 the Company.

As reported to the Company, 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 the Company 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

24. Other information

a) Transactions carried out in foreign currency

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

	Euros		
	2006	2005	2004
Purchases of fixed assets	2,403,204	544,609	263,113
Raw materials and consumables	4,250,985	-	-

b) Audit fees

The fees charged by the Company´s auditor for audit services rendered amounted to 25,000 (*2005*: 16,000; *2004*: 14,000) euros. The fees charged by the Company´s auditor for other services rendered amounted to 120,000 (*2005*: 0; *2004*: 0) euros.

c) Environmental matters

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

The Company has adopted all appropriate measures with respect to the protection and improvement of the environment and the minimisation of any environmental impact of its activities, and complies with current legislation in this respect. During the 2006, 2005 and 2004 financial years, the Company did not make any investments of an environmental nature, and did not incur any expenses relating to the protection and improvement of the environment. Therefore, it was not considered necessary to make any provision for environmental risks or expenses, since there are no contingencies relating to the protection and improvement of the environment or any environmental liabilities.

25. Guarantees

a) Bank guarantees

The breakdown of bank guarantees provided by the Company in existence at the year ends under consideration are as follows:

Euros

Beneficiary	Item	2006	2005	2004
Municipality of Puertollano	Construction at La Nava II industrial estate	6,000	-	-
Municipality of Puertollano	Construction in Puertollano	6,000	-	-
Banco Cooperativo Español (Note 18)	Interest rate swap	300,000	-	-
Instituto de Crédito Oficial	Counter guarantee for guarantees granted to CDTI	347,680	-	-
Ministry of Industry	Loan obligations (*)	500,000	-	-
CDTI (Note 15)	Repayable loan (1guarantee)	26,800	-	-
CDTI (Note 15)	Repayable loan (12 guarantees – 26,740 euros)	320,880	-	-
Ministry of Industry (Note 15)	Repayable loan	400,000	400,000	-
Ministry of Industry (Note 15)	Repayable loan	861,052	861,052	-
Foreign commercial transactions	Foreign letter of credit (**)	1,768,200	-	-

(*) Relates to a loan totalling 500,000 euros that has yet to be granted at the year end by the Ministry of Industry relating to the Project "Manufacture of photovoltaic modules and cells".

(**) The Company has obtained a facility relating to the import of goods from Caja Rural de Ciudad Real totalling 3,400,000 euros, bearing interest at the Euribor rate plus 0.9%. An amount of 1,794,264 euros has been drawn down, of which 26,064 euros (Note 16) relates to importation prepayments and 1,768,200 euros relates to a foreign letter of credit. This letter of credit relates to an irrevocable agreement signed between the Company and Spire Corporation for the acquisition of certain fixed assets relating to the Company´s cell production line. This agreement amounts to 3 million US dollars and matures on 20 June 2007. To cover fluctuations in the euro/US dollar exchange rate, the Company has entered into a forward exchange contract (Note 18).

b) Warranties

i) Warranties relating to turnkey contracts

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

The warranties assumed by the Company 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.

At the year end, it was not necessary to make a provision for warranties relating to turnkey contracts, as all such projects are currently under construction and have not yet been delivered to customers.

ii) Operating and maintenance contract warranties

During the 2006 financial year, the Company 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, the Company 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, the Company will be liable to reimburse the owner for income not generated by the plant up to the level of guaranteed output of 90%.

At the year end, it was not necessary to make a provision for warranties relating to operating and maintenance contracts, since Company has not incurred any obligations to date with respect to the contracts in existence.

iii) Warranties relating to the sale of modules

The Company 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, the Company 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, the Company is obliged to replace or repair the defective module.

From the date of sale of the module, the Company 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 elapsed since date of sale	Guaranteed output
Up to 25 years	80%
Up to 10 years	90%

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

i) Capacity warranty

From the date of sale of the modules, the Company 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 elapsed since 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, the Company guarantees that the peak capacity of each module is equal to the contracted capacity, with a maximum allowable variance of +/- 3%.

ii) Warranty relating to materials

The Company 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, the Company 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, the Company is obliged to maintain inventories of modules equivalent to 5 Kw during the three-year warranty period.

At the year end, it was not necessary to make a provision relating to these warranties, since Company has not incurred any obligations to date with respect to the sale of modules.

26. Other information

The Company has entered into the following commitments at the end of the 2006 financial year:

Property, plant and equipment

- On 15 December 2006, the Company concluded a contract with Spire Corporation to acquire 2 assemblers and 2 packagers with a total cost of 1,299,835 US dollars.

- Acquisitions of property, plant and equipment (mainly relating to the photovoltaic cell production line) amounting to 11,475,165 US dollars.

- On 12 April 2007, an agreement was signed with the Foundation for the Development of Puertollano (la Fundación para el Desarrollo de Puertollano(FUNDESCOP)), in terms of which FUNDESCOP is obliged to provide the professional technical assistance required by the Company relating to the construction of a factory for the manufacture of silicone wafers and cells in Puertollano, which will give rise to the creation of 120 jobs. As a result of this agreement and in line with the Municipal Regulation for investment incentives and creation of employment in Puertollano, as well as the coincidental disposal of certain land (with offers to purchase open to public tender) by the Puertollano Municipality, Solaria will be able to rely on the support of FUNDESCOP (by means of the issue of a favourable report) relating to the acquisition of this industrial land, with a total surface area of 62,722 m2 owned by the Municipality, situated on the Industrial Estate "La Nava III", at a price of 5 euros/m2. This benefit is obtainable on compliance with the following requirements:

    - The construction of industrial plant with an estimated surface area of 30,000 m2;
    - The creation of 120 jobs.

Raw materials

- Contract with Spire Corporation in terms of which the latter is obliged to supply the Company with 4.5 million silicon wafers, with a capacity of approximately 11.25 MW. The Company is not obligated to purchase these silicon wafers. This agreement will be in existence for three years.

- In addition, Spire Corporation is obliged to supply 3.75 MW of wafers in accordance with the contract for the acquisition of machinery to be used in the production of cells.

- On 2 March 2007, the Company signed an agreement with E-Ton relating to the supply of photovoltaic cells, with an initial duration of up to 31 December 2007. This agreement is automatically renewable on a year-by-year basis until 31 December 2008, 31 December 2009 and 31 December 2010.

Customers

- Commitments with customers to execute solar installation projects totalling 3.6 million euros.

- Contracts for the sale of photovoltaic modules amounting to 137.3 million euros.

- On 14 March 2007, the Ministry of Industry and Technology of Castilla La Mancha informed the Company of its appointment as Key Manager for the connection of Photovoltaic and Thermosolar projects to the electricity network in La Paloma (Ciudad Real).

27. Events after the balance sheet date

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

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

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

During February 2007, the Company paid a dividend out of the profits for the 2006 year amounting to 2,410,000 euros. This distribution was approved by the Sole Administrator on 15 January 2007.

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

Solaria Energía y Medio Ambiente, S.L.

FORMULATION OF THE ANNUAL FINANCIAL STATEMENTS

On 14 May 2007, the Sole Administrator of the company Solaria Energía y Medio Ambiente, S.L. formulated the annual financial statements under International Financial Reporting Standards adopted by the European Union (IFRS-EU) for the financial years ended 31 December 2006, 2005 and 2004. The annual financial statements consist of the attached preceding documents.

SIGNATORIES: **SIGNATURE**

Sole Administrator
Name

[THIS PAGE INTENTIONALLY LEFT BLANK]

Registered Office of the Company

C/ Núñez de Balboa, 120
28006 Madrid
Spain

Joint Global Coordinators and Joint Bookrunners

Banco Español de Crédito, S.A.
Avda. Gran Vía de Hortaleza, 3
28043 Madrid
Spain

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Managers

Banco Espirito Santo de Investimento, Sucursal en España
C/ Serrano, 88
28006 Madrid
Spain

Banco Sabadell, S.A.
Plaza Sant Roc, 20
08201 Sabadell
Spain

Legal Advisors to the Company

As to U.S. and English law:
Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS
United Kingdom

As to Spanish law:
Freshfields Bruckhaus Deringer
C/ Fortuny, 6
28010 Madrid
Spain

Legal Advisors to the Managers

As to U.S., English and Spanish law:
Linklaters, S.L.
C/ Zurbarán, 28
28010 Madrid
Spain

Independent Auditors

PricewaterhouseCoopers Auditores, S.L.
Paseo de la Castellana, 43
28046 Madrid
Spain

Printed by RR Donnelley, 41307