



LETTER FROM THE EXECUTIVE CHAIRMAN

Dear Friend,

Last year when I was writing the introduction to our Annual Report 2005, I reflected on the evolution of Isofoton over its 25 years of professional history, and on how this history had been a story of tenacity and of faith in the future.

Those results and those of the business year 2006 that we put together in this document prove two things: that that faith in the future was well-founded, and that that future has arrived. To Isofoton in particular, and to Solar Energy and to the solar industry in general.

The business year of 2006, its results and profits, represent yet another step in an irreversible process of growth and business consolidation.

Isofoton has always been a project of value. A visionary project of conviction to which one day the era of Renewable Energies would arrive. The era of sustainability. Today nobody doubts that that era has arrived and that we find ourselves immersed in it with a background of business, technology, and corporate culture that places us in a position of leadership.

Spain needs to improve its energy supply structure, reaching 12% in renewables in 2010. The economic investments and political and institutional effort that this entails are enormous. The western world is at the same crossroads. No country can ignore the problem of the climate change and the need to urgently redirect old energy policies.

Over these 25 years, the solar industry has gone from being an experimental laboratory adventure that few believed in to being an indispensable and strategic reality that we all need.

But I'm not referring only to the series of energy problems in industrialized countries and the environmental consequences that they are producing. I'm also talking about international and institutional aid policies for developing countries. These policies currently only touch upon energy, and this can only be solved in realistic terms with a model based on Renewable Energy.

Isofoton is present in 62 countries all over the world, in both developed and developing countries alike. We are pioneers in the world, leading and promoting the model of Rural Electrification with numerous emblematic projects in Africa and Latin America. We are promoters of the ARE (Alliance for Rural Electrification), which has been in operation for 2 years, spreading the advantages of the model and promoting it to administrations and multilateral organizations.

Rural Electrification projects constitute an important growth base for Isofoton, which is

in business, technological, and productive conditions to capitalize, in the immediate future, on the broad investment carried out in these countries in the past, as well as on its consulting policies and proximity to the decision making institutions of those administrations.

Also of importance is the Grid-Connection market; that of Spain presently has the highest growth rate. This market is, for both Isofoton, and the industry in general, the motivating factor for large world investments that have converted Solar Energy into a future leading technology among Renewable Energies. The situation of Isofoton as a leading company in the national and European markets, in addition to its historic presence since the beginning of Grid-Connection in Germany, puts us in a position of advantage.

Isofoton distributes its activity equally between the industrialized world and the developing world. Both represent growing sources of demand in the solar industry in which our position of leadership can only become stronger. This explains how the strategic vision maintained with tenacity throughout these years today becomes value.

Today, the value of companies like Isofoton takes on a dimension that no one would have imagined in the past. The economic/business potential of solar companies is enormous in the eyes of expert analysts. That of Isofoton is even more so, in light of its excellent coordination of production capacity and technology strategies, geopolitical positioning, balance of sources of demand, and corporate support from the Grupo Bergé, which includes guaranteed investment resources in order to maintain leadership and to further growth.

I don't want to stop talking about the future to close this introduction to what 2006 was.

Investing, with conviction, in areas of future development has been our strategy and our source of value. Our investments are going to

deal with three crucial areas for our industry. On one hand we are going to devote important economic, technological, and corporate resources to the development of a polysilicon plant in Spain. This will guarantee stability in the supply of necessary raw materials in order to realize our production capacity at the new factory in the PTA, which we plan to expand in the very near future.

On the other hand, we are going to invest in intensifying our presence on an international scale, expanding our subsidiaries, and occupying positions in emerging markets, such as that of China.

Lastly, we will continue with our important investments in R+D, convinced that the research of today ensures our leadership in the future.

Another year, I write these lines with the same excitement as I did on the first day that I came into contact with this thrilling project. All that we have already accomplished does not impede me from seeing how much we still have to do. And this is precisely the driving force that feeds this excitement that I want to share with you today.



Álvaro Ybarra Zubiría
Executive Chairman