



LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Friend,

The following pages show, in summary, what 2006 has been for us. An excellent year in which many important expectations have become a reality. In which we improved 2005 business results and laid the strategic and functional groundwork for the years to come.

Logically, an annual report does not do justice to the reality that is 365 days multiplied by the over 800 employees that play a leading role, nor to the reach that our activity has had for hundreds of thousands of people around the world.

This year it is a simple snapshot that we wanted to put together with three images: the financial, the social, and the environmental, following the 2002 GRI (Global Reporting Initiative) Guide, and in proportion with our previous progress with commitment to the values of Corporate Responsibility in 2005.

But I think it is important to pause to discuss some aspects that shape the reality of our company today, that reflect our past and that prepare us for the future. I am referring to those aspects that define our Corporate Reputation and that are indicative of the quality of the relationship that we have with our surroundings, with our interest groups.

Corporate Reputation is something that is closely tied to good business evolution. Our case is a good example. In 2006 we have continued to grow in reputation and in volume of activity and business.

If, as someone said, reputation is the consequence of good behaviour, it is logical that ours is increasing, as it is Isofoton's resolute policy to establish an honest and reciprocal relationship with all of our interest groups, employees, clients and providers, the professional and scientific communities, public administration and institutions, the media, and expert analysts. We feel the highest level of esteem for all of these groups in our relationship with them, which is not limited to the superficiality of protocol, but rather

to dialogue, information, and mutual knowledge and trust.

This policy that Isofoton has been practising for 25 years as part of its identity achieves new and better results every year. The prestigious MERCO Index (Monitor Español de Reputación Corporativa) announced a new rise of Isofoton to the 55th place in the national ranking this year, while, in terms of volume, we are still fairly far from that position.

A prominent Spanish businessman had this visionary statement: “A company is worth what its reputation is worth. If this is such, and we believe it without reservations, the value of Isofoton is growing”.

On another index, MERCO Personas, which measures the attractiveness of each company to professionals, to desire employment in such companies, Isofoton obtained an outstanding position, occupying the 61st place. It is also an indisputable measure of corporate health to appear as an attractive workplace to professionals and to new university graduates.

Isofoton’s institutional relationships, included in the stated commitment to the value of reputation, reached their highest point in 2006 with the visit of His Majesty the King Juan Carlos to the official inauguration of our new factory in the PTA in Málaga.

But, in addition to having climbed another step in our reputation process in 2006, we did the same in our commitment to growth.

This growth is a consequence of our strategic choices. We have always believed in a policy of flexibility and adaptation ability, as we were conscious of being part of a market in which nothing has ever been written and in which changes happen in very short periods of time. We have known how to live, maintaining our ability to adapt to these changes, and avoiding temptations such as specialization strategies in trendy product lines or markets.

Today, the great value of Isofoton stems from the strategy of permanently maintaining the maximum ability of adaptation: of versatility of operations, of variety of lines of work, of R+D, of commercial action, and of geopolitical vision.

The European regulations derived from the climate change process are going to favour our industry in an obvious way. Isofoton-thanks to its strategy of flexibility-is going to be able to capitalize on its abilities both in Spain, responding to the growing demand for supply by diversification policies, as well as in developing countries, where we are pioneers in Rural Electrification projects and where we maintain excellent commercial and institutional relationships.

The current annual production capacity of our new factory in the PTA puts us in an excellent position for supplying in answer to these growing demands. Its extension, already underway, will allow us to maintain a production quota on the world market that will transform us into one of the most important solar companies in the world.

The lines of R+D begun years ago are now seeing the light, as they are transformed into high technology commercial products. Concentration cells, which we are launching into the market now, reaffirm our leadership in an advanced technology in which we are world pioneers, and which marks a new age in photovoltaic efficiency and generation.

The start of building of the future polysilicon factory in los Barrios, in Cádiz, represents a good example of our diversification strategy, creating a presence for ourselves in all links of the value chain: from the generation and self-sufficiency of raw materials of high industrial value, to the commercialization of exclusive advanced technology products such as concentration cells and trackers.

This position of technological leadership consequently allows us to maintain a privileged position in the market. Our industrial strategy provides us with leading products both for Grid-Connected markets and residential users of

Thermal and Photovoltaic, as well as keeps us at the forefront of Rural Electrification with our extensive experience in lighting projects and pumping stations in developing countries and under any type of conditions.

This is the reality of Isofoton. If I had to choose only one word to define what happened in 2006 it would be “growth”. We have grown not only in business magnitudes but also in reputation, technology, production capacity, and, above all, in projection towards the future. This is very important for us, as today’s growth determines the velocity at which we will be able to grow tomorrow.

The hundreds of people that make Isofoton day by day share the merit of this growth. Those of us who have the honor of having directed it for 25 years, the satisfaction of proving that our strategy and our vision were correct, and the pride of, between us all, making a great Spanish company of high technology and great solar value.



José Luis Manzano
Chief Executive Officer