

Contents

Overview

Key figures of the SOLON Group and SOLON share Front inside cover

Foreword

Management Board's Foreword Page 3

Management Report

Group Management Report Page 6

Share

The SOLON share Page 19

Corporate Figures

SOLON Consolidated Balance Sheet Page 22
SOLON Consolidated Income Statement Page 24

Supervisory Board

Supervisory Board Report Page 26
Auditor's opinion Page 28

Notes to the Financial Statements

Notes to the Consolidated Financial Statements Page 31
SOLON Group Statement of Fixed Assets Page 46

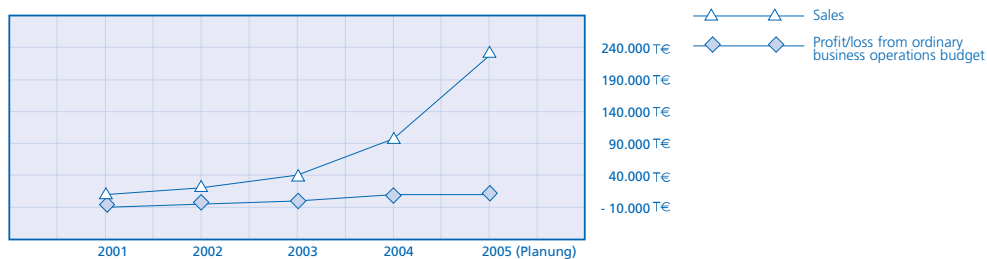
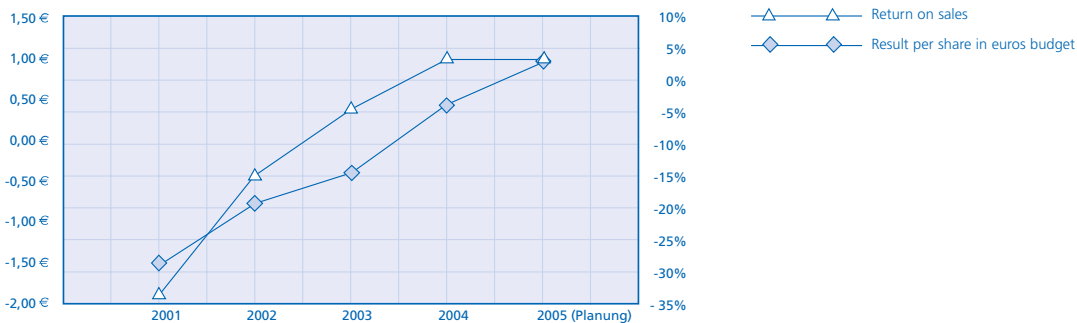
Imprint

Financial Calendar 2005 and Imprint Page 48

SOLON Group – an overview

SOLON Group's key figures

	2005 (budget)	2004	2003	2002	2001
Production output in MWp	70	34	11	5	4
in k€					
Sales	232,999	103,545	37,737	20,970	16,972
Total earnings	233,291	102,398	39,456	19,872	17,295
Profit/loss from ordinary business operations	11,532	4,024	-1,574	-3,059	-5,441
Net profit / loss	8,046	3,383	-1,578	-3,184	-5,558
Cash flow	11,175	6,649	-646	-2,743	-4,965
Return on sales	3%	3%	-4 %	-15 %	-33 %
Earnings per share in €	0.99	0.46	-0.43	-0.85	-1.50
Number of shares (in thousand)	8,091	7,356	3,657	3,657	3,690



The share – an overview

SOLON share

WKN: 747119 / A0DRXN
ISIN: DE0007471195 / DE000A0DRXN1
Stock exchange abbreviation: SOO1
Branch: Energy
Number of shares as of 02/31/2004: 7,355,655
Widely spread shares as of 12/31/2004: 57 %
Issue price: 15 DM

Share price

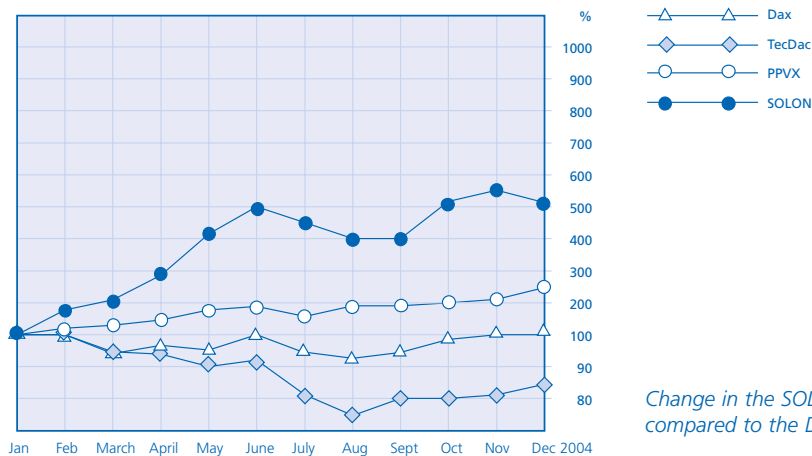
Start of year: 01/02/2004 2.39 €
End of year: 12/30/2004 14.45 €
Highest price: 11/15/2004 16.75 €
Lowest price: 01/19/2004 1.94 €
Earnings per share: 0.46 €

Market capitalisation

12/31/2004: 106 million €

Capital subscribed

12/31/2004: 7,355,655 €



Change in the SOLON share during 2004 compared to the DAX, TecDAX, PPVX

Management Board's Foreword



Alexander Voigt and Thomas Krupke on the research site in Berlin-Adlershof standing in front of SOLON Movers

Hello neighbour, Kyoto is feasible!

Ladies and Gentlemen, Dear Shareholders,

2004 was a great experience for the whole of our team. Thanks to the new management structure established in the previous year, we were able to identify the market's strong dynamic and to professionally convert this into growth faster than many of our competitors.

We have managed to set up our new location in Greifswald within six months. In October 2004 we celebrated the opening of our new module production. With a capacity of 60 megawatts, the new production is twice the size of the one to date in the Berlin location. This will be developed into our technology location for further development of the modular technology.

Through our successful capital increase in June 2004 we were able to complete the restructuring, adequately finance the company and set of on a course to growth.

Last June, we presented our new product, the SOLON Mover for the first time at the "long night of the sciences" in Berlin. Industrially produced and delivered to the construction site ready for connection, the SOLON Mover is the first solar product for power station construction. With the most powerful modules in the world and outstanding energy yield due to the biaxial tracking system, the SOLON Mover sets the worldwide state of the art standard when it comes to performance and economic efficiency.

We are currently using this technology to realise the "Gut Erlasee" solar park in Upper Franconia, which with 12 megawatts will be the largest biaxially tracked solar power station in the world. Those of you who had the opportunity to attend the official opening of the first construction phase in Erlasee at the end of May this year were able to see for yourself how much photovoltaics has developed in recent years.

We are particularly pleased that, apart from technical progress and growth, things which our company has stood for since it was established, in 2004 we also made a profit for the first time in the history of our firm. This secures sustained further development of our company.

We would like to take this opportunity to once again thank all shareholders, business partners and friends of SOLON, who have stood by us even in difficult times and hope that you too are pleased about our joint success.





Group Management Report

The basic economic conditions in 2004 and the solar industry

Overall economic trend

Initially, at the beginning of 2004, the world economy developed very dynamically; however lost steam again during the year. Overall, according to the Hamburg World Economics Archive of March 2005, the world economy grew by 3.8% in 2004, although there were large regional development differences. China was once again the front runner with 9.5% growth. Among the industrial nations, USA led the way with 4.4% growth while the Japanese economy grew by 2.9%. In 2004, the Euro zone continued to limp behind international economic trends with real growth in gross domestic product of 2.3%.

The slowdown in the world economy during the second half of 2004 was above all due to the sharp oil price rise during the summer. With over 50 US dollars a barrel, in the autumn of 2004, the price of crude oil reached an all-time high. The cause of the increase in the oil price was above all the increased demand from the growth centres; the USA, China and India. The International Energy Agency (IEA) estimates worldwide oil consumption grew by 3.4%. The situation was aggravated by political problems in several important oil producing countries. The situation in Iraq, where sabotage and attacks repeatedly led to interruption in oil production, gave particular cause for worry.

Germany

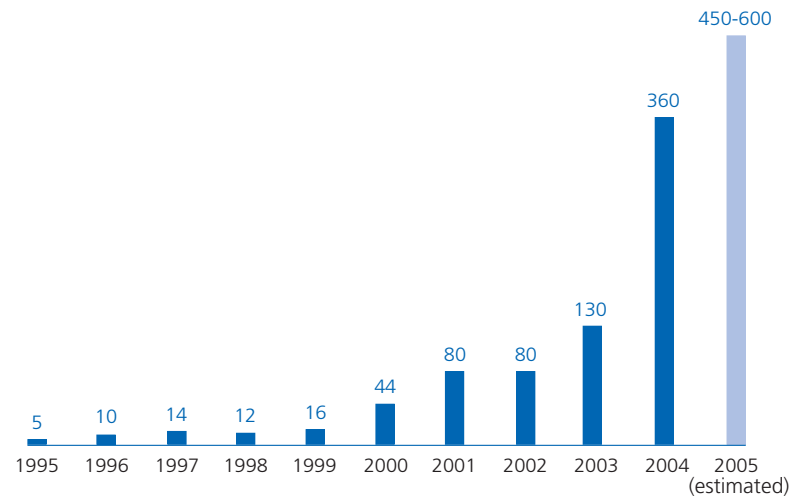
According to calculations by the Federal Statistics Office, in real terms the German gross domestic product rose by 1.7% in 2004. A good half percent of this was due to a larger number of working days. If the figure is corrected to take this effect into account, the growth rate was 1.1%. This was the highest rise in Germany since 2000, but was still well behind the average growth of the whole Euro zone. Yet again, economic recovery in Germany was driven by exports. Despite the increase in the value of the euro, German exports rose by 8.2%. Domestic demand on the other hand continued to be restrained.

Worldwide solar industry

Due to rising energy prices, worldwide demand for photovoltaic systems developed very dynamically in 2004. According to a study by the trade magazine PHOTON International, production of solar cells and solar modules considerably exceeded the 1,000 megawatt limit for the first time in 2004. Around 75% of the world market was attributable to the three largest individual markets for photovoltaics; Germany, Japan and the USA.

Photovoltaics market in Germany

According to surveys by the "Bundesverband Solarindustrie" (BSi – Federal Solar Industry Association), in 2004 the market for photovoltaic systems in Germany grew to 360 megawatt, an increase of 176% compared to the previous year. The industry estimates approx 280 megawatts of new PV systems were installed during the same period in Japan. Thus, in 2004, Germany clearly overtook Japan as the world's largest photovoltaic market. In 2004, the German photovoltaic industry achieved total sales of 1.7 billion euros and employed around 20,000 people.



New PV output installed in Germany (in megawatts) (Source: IEA, BSi, UVS, own estimate)

Amendment to the Renewable Energies Law

The amendment to the Renewable Energies Law (EEG) came into effect with the Bundesrat's resolution of 2 April 2004 and with effect from 1 August 2004 and replaced the temporary Photovoltaics for Renewable Energies Law of 19 December 2003.

According to the EEG, in 2004 the minimum remuneration for photovoltaic systems on open land was € 0.457 per kWh. The following provisions applied for buildings for each kilowatt hour input:

Up to 30 kWp	€ 0.574
from 30 to 100 kWp	€ 0.546
over 100 kWp	€ 0.540

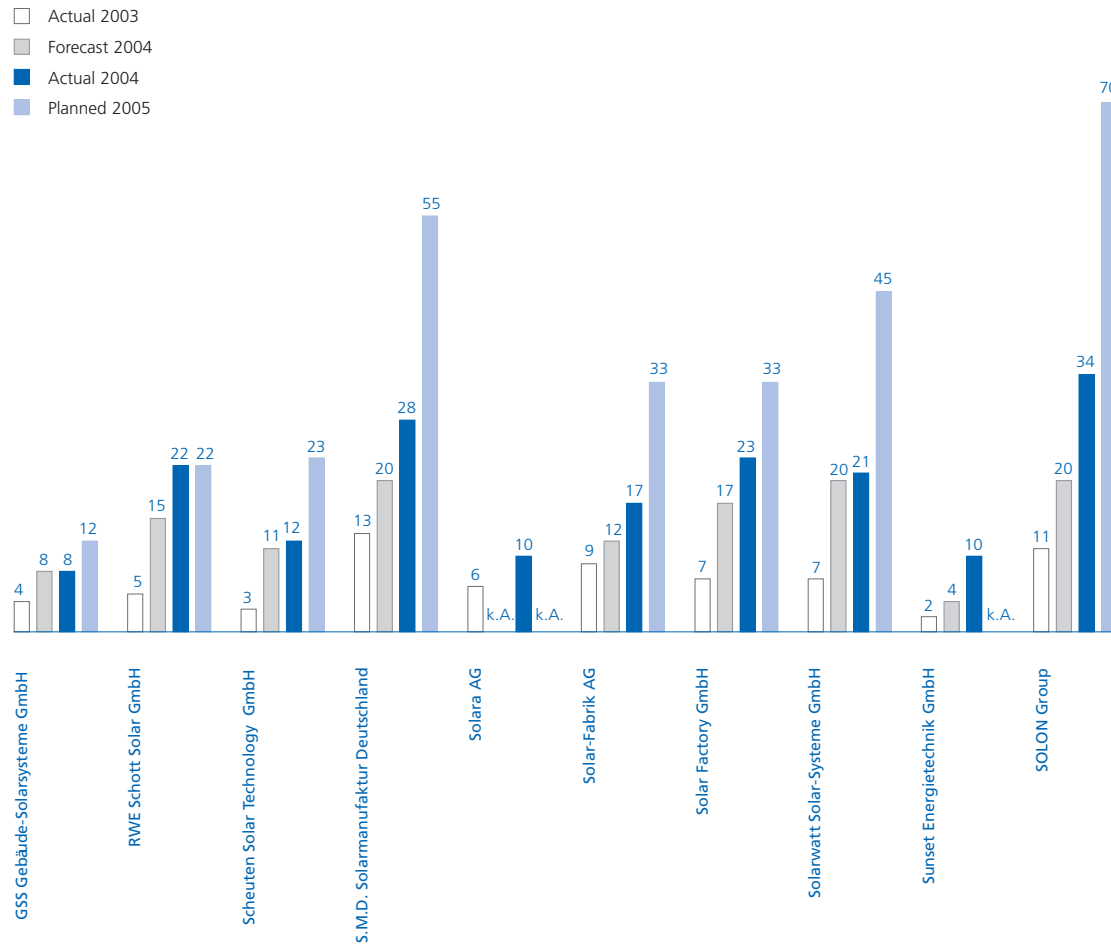
An extra € 0.05 per kWh is added to each for systems integrated in buildings.

Since 1 January 2005, remuneration for energy input will be reduced by 5% annually; from 2006 the remuneration for energy input from outdoor installation will be reduced by 6.5% annually. The annual progressive reduction for roof systems remains unchanged at 5%. The remuneration rates are scheduled to be examined for 2007.

The amended basic legal conditions have led to a large increase in demand for PV systems in Germany.

Module producers in Germany

According to a survey by the trade magazine PHOTON, in 2004 Germany produced solar modules with a total output of more than 200 megawatts. That was 170% more than in the previous year. By the end of the year, German solar module producers had extended their capacities to approx 240 megawatts, which equates to a 133% increase. With a produced output of 34 megawatts and production capacities of 90 megawatts, in 2004 SOLON positioned itself as the lead German solar module producer.



Module production of the German solar industry (in megawatts),
 Selection of suppliers in Germany who produced at least 8 megawatts (Source: PHOTON 1/2004, 1/2005, own estimate)

Business development in 2004 and the current situation of the SOLON Group

Business activity

The SOLON Group's business activity is mainly focussed on the production of photovoltaic modules. In 2004, SOLON concentrated on extending the production of its subsidiary in Berlin from 16 megawatts to 30 megawatts and building a new production facility in Greifswald with 60 megawatts while maintaining the high production quality level achieved. A further production line was installed in Berlin. The supplementary tabbers and stringers/lay-ups put into service in June 2004 increase SOLON's module production output. The six production lines ordered for the Greifswald location were installed in August 2004, started up in September and were fully utilised from 1 October 2004. In the autumn, the larger 6+-inch (156x156 mm) polycrystalline solar cell was introduced to the production process.

In 2004, the SOLON Group was the largest German solar module producer, both in terms of its capacity of 90 megawatts and its actual production of 34 megawatts.

SOLON AG itself is a holding company responsible for the SOLON Group's strategy development, projects business and finance. In the project business the solar park "Gut Erlasee" was further developed; by the end of the year the land had been purchased, the land development plan and masterplan existed and the building permits had been received.

The business year 2004 was influenced by positive factors, which could not have been forecast to their actual extent in the annual budget. The final passing of the EEG Renewable Energies Law on 2 April released a backlog of investments and led to an unexpected demand for photovoltaic systems. Despite its own production growth by more than 200%, SOLON only slightly increased its market shares as the market itself grew by 176%, its largest growth in the past five years.



Shareholdings

The wholly-owned affiliated companies ASP - Advanced Solar Products AG, SOLON Photovoltaik GmbH (SOLON PV GmbH), SOLON Nord GmbH and ERLASEE Liegenschaften GbR with an existing shareholding of 90% are included in the consolidated financial statements. A further consolidated company is Soline GmbH in which the SOLON Group owns 70% of the shares.

A 12% shareholding in Solland Solar Energy Holding B.V., Netherlands was also acquired during the business year 2004.

The subsidiaries and other shareholdings of the Group are shown in the following:

	Capital subscribed €	SOLON AG's shareholding %	Member of the Group since	Total earnings (previous year) k€	Profit/loss, before profit transfer/loss absorption, where agreed (previous year) k€
SOLON PV GmbH	51,129	100	12/22/1998	83,081 (35,904)	5,480 (-1,726)
SOLON Nord GmbH	25,000	100	04/23/2004	21,076	218
ASP AG, Switzerland	324,141	100	01/01/2000	1,580 (1,668)	46 (44)
SSI, Morocco	87,890	100	06/02/1998 (deconsolidated as of 01/01/2004)	no value (111)	no value (-52)
Soline GmbH	25,000	70	07/01/2003	3 (24)	3 (8)
ERLASEE Liegenschaften GbR	35,000 (contractual capital)	90	11/12/2003 (first-time consoli- dation in 2004)	0 (0)	-7 (-2)
Solland Solar Energy Holding B.V.	5,813,953	12	12/07/2004 (not consolidated)	no value	no value

Consolidated companies and other Group companies of SOLON AG für Solartechnik (previous year's figures in brackets)

Sales and orders trend

The total earnings of the SOLON Group, adjusted to take into account changes within the group of consolidated companies, rose during the reporting period 2004 to k€ 102,398, an increase of 160% compared to the previous year (k€ 39,456). Total earnings thus exceeded the budget for the financial year 2004 by around 30%. Module production in Wp increased by around 201%.

During the course of 2004, module selling prices rose by an average of 5% as a result of price increases in the procurement market being passed on to customers.

Most sales were achieved by the standard module production business. Approx 80% of the sales were achieved through contracts with 17 customers. The customer base grew still further compared to the business year 2003. We do not currently see any risk in becoming too dependent on specific customers as the market continues to be highly characterised by growth. In order to avoid future dependencies, the proportion of sales with the largest customers will continue to be reduced. We assess our customers' creditworthiness to be good. Due to the large demand for SOLON modules, there would be no difficulty in selling the modules produced on the market should a customer be lost.

Earnings

In the business year 2004, the company managed to achieve a positive trading performance for the first time. The consolidated earnings for the year rose by k€ 4,961 compared to the previous year; from k€ -1,578 to k€ 3,383. The EBIT was k€ 4,374, the EBITDA k€ 5,672.

SOLON Group's result from ordinary operations improved compared to the previous year from k€ -1,574 in 2003 to k€ 4,024 in the reporting period (an increase of k€ 5,598). This is mainly the result of the considerable rise in modules sold and efficiency increases achieved. The rise in purchasing prices of approx 5% was compensated for by passing them on to the customers.

The Group's gross profits in the business year 2004 amounted to k€ 19,299. Compared to the previous year, this equates to an improvement of 139%.

The SOLON Group's earnings are highly influenced by the growth in production, concentration on quality modules and quality assurance measures. The liabilities due to banks throughout the Group were reduced by k€ 4,407 from T€ 7,712 to k€ 3,305. Due to interest costs of k€ 569, the financial result is k€ -350.

After absorbing SOLON PV GmbH's profits for the year, SOLON AG achieved a net income of k€ 2,963.

Compared to the previous year, before taking into account losses carried forward and profit transfer, SOLON PV GmbH's result of k€ 5,480 was an improvement of around k€ 7,206. Sales rose from k€ 34,171 to k€ 84,858.

Soline GmbH's net income fell from k€ 8 to k€ 3. Sales fell from k€ 24 to k€ 3.

ASP AG in Switzerland was able to improve its net income from k€ 44 in the previous year to k€ 46 in the reporting period. Sales fell from k€ 1,682 to k€ 1,610.

SOLON Nord GmbH was included in the consolidation for the first time. SOLON Nord GmbH achieved sales of k€ 20,641 during the business year. The company's net profit was k€ 218.

Procurement

The company has drawn its raw materials and supplies through supply connections grown up over the years. Through intense negotiations it was able to restrict the rise in procurement prices to 5%, despite the sharp increase in demand.

At the end of the business year 2004, initial bottlenecks had left their mark, especially on the procurement market. The Group was able to pass on the resulting rise in cell prices for the business year 2005 to its customers.

All solar cell producers in Germany will continue to expand their capacities in 2005. From today's point of view however, there is a deficit in quality solar cells available.

The SOLON Group purchased solar cells from five cell suppliers. At the beginning of 2005, a fixed, multi-year contract was concluded with two cell suppliers. Procurement risks exist in cell supply quantity. We assess our suppliers to have good creditworthiness and delivery reliability. They were almost always able to keep to their delivery deadlines in the reporting period. As the Group only purchased solar cells on a euro basis in 2004, and this will be continued in 2005, we were and will be able to avoid currency exchange risks.

Investments

In 2004, the Group made investments amounting to k€ 10,187 in total. Of these, k€ 8,969 were investments to extend and rationalise production.

A total of k€ 5,409 was invested in the newly established SOLON Nord GmbH in the business year; of which k€ 4,030 was for technical equipment, plant and machinery. A further k€ 114 was for down-payments on machinery and plant which will be delivered and put into service in 2005.

Total investments in SOLON PV GmbH amounted to k€ 3,669, of which k€ 1,913 represents investments in technical equipment, plant and machinery. SOLON AG recorded additions to the assets of k€ 2,069; of which k€ 602 was for investments in technical equipment, plant and machinery and k€ 1,347 for investments in financial assets.

k€ 1,421 was paid at Group level for machinery to be delivered during the business year 2005.

The SOLON Group made financial investments amounting to k€ 1,141 in the business year 2004.

In addition to the investments, the Group's assets disposals totalled k€ 499. These mainly result from machinery sold by SOLON PV GmbH.

In 2004, the Group received k€ 501 in investment grants for property, plant and equipment. During the reporting period, grants amounting to k€ 169 were recorded under the other operating income for research projects realised in the business years 2002 and 2003.

Finance

The financial structure of the SOLON Group improved considerably in the financial year 2004. The net equity rose by 0.1% to 66.1% by the cutoff date, 12/31/2004. The proportion of borrowed funds fell from 99.9% to 33.9% during the report year.

Apart from the net income achieved in 2004, the rise in equity ratio resulted from capital increase measures made during the year and the associated repayment of liabilities due to banks.

Change in shareholders' equity

The number of SOLON AG individual share certificates increased by 3,698,750 in 2004 due to two capital increase measures. During the course of the capital increases in January (increase by 365,690 individual share certificates) and June (3,333,060 shares), the company received total liquid assets of 30,911,765 €. On 31 December 2004, SOLON AG had a total of 7,355,655 individual share certificates placed on the capital market.

The company's share capital amounts to k€ 7,356 with a calculated share in the share capital of 1.- € per share.

On the cutoff date 12/31/2004, SOLON had an authorised capital of k€ 3,678 and a contingent capital of k€ 1,961.

SOLON Group financial balance

On the cutoff date 12/31/2004, the SOLON Group's long-term and medium-term tied-up net assets amounting to k€ 14,405 were completely covered by shareholders' capital.

	12/31/2004 k€	in % of the balance sheet total	12/31/2003 k€	in % of the balance sheet total
Shareholders' equity (not including minority shareholding)	34,290	66.1	20	0.1
Long and medium-term borrowed capital	2,337	4.5	2,068	10.3
Capital available long-term	36,627	70.6	2,088	10.4
Less long and medium-term tied-up assets	14,405	27.8	6,101	24.9
Surplus cover / shortage	22,222	42.8	-4,013	-14.5

SOLON Group financial balance

Liquidity on the cutoff date

As of 12/31/2004, the SOLON Group had liquid funds amounting to k€ 4,671. Short-term liabilities due to banks amounted to k€ 969. The trade accounts receivable of k€ 18,579 were k€ 8,756 more than the trade accounts payable.

Personnel and social matters

The SOLON Group had 313 employees on the cutoff date 12/31/2004 (previous year: 201). The majority of the employees (220) worked in production; 81 new employees were taken on in this area during the report period. At the start of the year the company had a three-shift operation, which was extended to four-shift operations during the course of the year.

Mr Thomas Krupke was appointed to the Management Board on 1 July 2004 alongside the sole Executive Director to date, Mr Alexander Voigt.

With effect from 8 November 2004, Mr Eugen F. Haegler took over management of SOLON PV GmbH. Mr Martin Flossmann left his position as Managing Director on the same date.

Significant events after the end of the business year

On 20 January 2005, the Management Board decided, with the approval of the Supervisory Board, to implement a capital increase for cash in accordance with Art 5 Para. 1 of the SOLON AG articles of association with exclusion of subscription rights for shareholders amounting to 10% to the share capital (Art 186 Para. 3 Sentence 4 AktG). SOLON AG issued 735,565 shares at a price of € 15.20, close to the stock exchange price, and as a result increased the share capital to € 8,091,220. The company received liquid funds amounting to € 11,180,588. The capital increase was entered in the company's register of Berlin-Charlottenburg District Court on 15 February 2005. After completion of the capital increase the remaining authorised capital amounted to k€ 2,942.

On 17 February, the Russian Federation ratified the Kyoto Protocol, thus making it effective; the climate protection targets it sets – increase renewable energies' share of total consumption to 10% in 2010 and 20% in 2020 – correspond to those of the European Union and Germany.

On 2 March 2005, the contract for marketing 12 megawatts from "Gut Erlasee" solar park was signed with S.A.G. Solarstrom AG, Freiburg. The solar park will be built with the "SOLON Mover" only, a bi-axially tracking photovoltaic system. The first construction phase with an output of around 2 megawatts was completed at the end of May 2005.

In April 2005, SOLON AG concluded a five-year supply contract with the SunPower Corporation worth US\$ 300 million for solar cells with an efficiency of 21%.

Risk report / risk management

The SOLON Group attaches great importance to continuous analysis of the risk situation. All business transactions which could influence the company's current and future development are subjected to an in-depth weighing-up of the opportunities/risks in advance. The aim is to realise any opportunities arising from the company's point of view while minimising the associated risks.

Apart from the regular risk reports to present the current and forecast risk situation, the monthly reports prepared at Group level are analysed with respect to possible changes in the individual risk items.

The current business situation is discussed in weekly meetings between the heads of department and the management and examined with respect to their implications for the risk situation. The Management Board and management are notified of any short-term risks identified with considerable significance for the business.

Significant risks for the SOLON Group's business course result from the following areas:

Market / sales / price level

The change in the overall economic situation in Germany only represents a limited risk for the development of the SOLON Group due to the remuneration specified in the EEG (Renewable Energies Law) for electricity supplied from photovoltaic systems. At present there is no identifiable increased risk of a fall in demand for SOLON modules within the forecast period of two years. An uncertainty factor with respect to the development of sales quantities could be the forthcoming Bundestag elections. From today's point of view, the analysis of the societal and political opinions, even if there is a change in government, there is no increased risk of a short-term reduction in the currently specified subsidised rates. In the medium-term, the Group aims to achieve increased internationalisation of its business activity.

Procurement

The whole photovoltaic industry currently considers an adequate supply of silicon-based supplied materials to be problematic. Despite developing the capacities for the upstream production steps, the situation is not expected to ease before the beginning of 2007.

Through strategic investments in shareholdings and timely conclusion of procurement contracts, SOLON has managed to adapt to the situation early so that the budget figures for 2005 can be fulfilled.

A further price increase on the procurement market is improbable, however was successfully countered by the continuing increase in productivity and by passing on part of the increase to customers.

Liquidity / finance

Despite the high expenditure resulting from its expansion policy, the SOLON Group has adequate liquidity to finance its ordinary operations. The uninterrupted growth of the SOLON Group enables efficiency advantages to be realised and thus secures long-term competitiveness.

The long-year collaboration with our most important customers and the bank guarantees received minimise the risk of shortfalls in payments.

The company's creditworthiness has been considerably improved by repayment of the credit line granted, the substantial increase in the equity ratio and the positive market trend.

Currency risks are negligible due to transactions almost exclusively made in Euros and short terms. They account for less than 2% of total earnings.

There are currently no risks threatening the existence of the company.

Outlook for the business year 2005

The world economic situation at the beginning of 2005 is, as in the previous year, characterised by uncertainty. The constant rise in the oil price and the sharp increases in raw material prices resulting from demand in China and India endanger economic recovery in Germany and Europe.

The macroeconomic recovery signals for Germany and the euro zone are weak. Economic growth in large European economies such as Germany, France and Italy is marking time, necessary reforms are approached hesitantly and half-heartedly. A meager economic growth of 1% to 1.5% is expected for Germany, however this could be put at risk by a further rise in the euro compared to the US dollar and yen.

The market for renewable energies will continue to grow; depending on the economic momentum relative to the world market, photovoltaics will grow by 50 to 100% in 2005. The solar silicon bottleneck which occurred during the 4th quarter will slow the photovoltaic industry's growth in the business year 2005, however SOLON's planned 100% production growth in 2005 cancels out any negative effects. Market entry barriers to the solar module production segment grew drastically as a result of this raw material bottleneck. The existing suppliers / competitors will be able to grow as much as the upstream value adding stages allow; new suppliers without historically grown supply relations will find it difficult to realise market entry on reasonable terms. In the medium-term we expect a concentration process on this excessively fragmented market, which will be determined by the already achieved critical corporate size, solar module production competence, quality and ability to deliver.

SOLON outlook for the business year 2005

The SOLON Group intends maintaining and developing its lead position in this market. Over the past six years, SOLON's production capacity has increased by an average of 100% per year, even allowing for fluctuations. After tripling its production quantity to 34 megawatts in the previous year, SOLON plans to double it again in 2005 to approx 70 megawatts. According to the forecasts of the trade magazine PHOTON, SOLON will therefore remain among the leading independent suppliers this year.

Production has already been fixed in contracts since January 2005. Sales are estimated to be over € 200 million. Following its first positive net income in 2004, the SOLON Group intends to continue to expand its profits; the target value for photovoltaics is a net profit in millions in high single figures, the net result should also be in the same order. Control of this extensive volume growth will be continuously monitored, analysed and adjusted under risk and liquidity aspects.

Production output in the 1st quarter 2005 was 9 megawatts compared to 5 megawatts in the 1st quarter of 2004. The balance sheet result of the 1st quarter 2005 was positive with k€ 1,116.

Strategy

As a specialist for solar modules, solar technology and building-integrated photovoltaics, SOLON will continue to gain competence. Further growth to enable utilisation of scale in purchasing, reduction of production and material costs, quality, customer service and customer loyalty are necessary in order to be able to take up an active role in the international competition. Here SOLON also profits from negative experiences of the past which are incorporated in future planning and budgets.

In the coming years, large-scale photovoltaic power stations on open spaces will support growth of the industry in various European countries. In 2003, SOLON AG began to plan a conventional solar power station on behalf of an investor. As construction could not start in 2004 due to high customer demand, the first "SOLON Mover" was delivered to the solar park "Gut Erlasee" and installed on 29 March 2005.

Development of the Group

After dividing operative business into SOLON PV GmbH and SOLON Nord GmbH, these two companies will be responsible for all solar module production and sales activities. SOLON AG retains the holding and project company tasks.

Medium and long-term development

Following completion of the named measures and continuous further development on the market, SOLON will be a leading solar technology Group in Germany and Europe, which excels through its competence, quality, flexibility and profitability.

Berlin, 25 May 2005

Management Board of SOLON AG für Solartechnik

Alexander Voigt

Thomas Krupke

The Share

The SOLON share

The investment year 2004

The stock exchange year 2004 was characterised by fluctuations and sideward movements, however the most important international indexes all closed with slight gains.

The German standard values initially started friendly in 2004; however they then came under increasing pressure due to the Madrid terror attacks in mid March and the influence of the high energy prices. Prices did not start to rise again until the fourth quarter. The DAX ended the year with a slight increase of 7.34% at 4,256 points (previous year: +37%).

European blue chip values experienced similar development to the German values in 2004; the EuroStoxx50 improved by 5.4% (previous year: +16%) to 2,950 points. While the standard shares in Europe increased in value, the German technology values suffered slight losses. For example, the TecDax ended 2004 at 520 points, a loss of 3.8% compared to the previous year (previous year: +51%).

The Dow-Jones index increased by 3% to 10,800 points (2003: +25%), the Nasdaq Composite by 8% to 2,178 points (previous year: +50%). The Japanese Nikkei index closed the year with 11,488 points, an increase of 7.6% (previous year: +24%).

The clear winners on the stock market in 2004 included the shares of German solar companies. The Photovoltaics Shares PPVX index started in August 2001 by the trade magazine PHOTON closed the year with 942 points. This equates to an increase of 182% compared to the previous year. Among the 14 photovoltaic shares listed in the PPVX, with a performance of over 500% the SOLON share is one of the front runners.

The SOLON share

The SOLON share started the stock exchange year 2004 with a price of € 2.39 (opening price in Frankfurt, 01/02/2004) and closed on 12/30/2004 with € 14.45 (closing price in Frankfurt). The share's value thus rose by 505% during the year. As of 12/31/2004, SOLON AG's market capitalisation amounted to € 106 million, which roughly equates to the annual sales in 2004 (previous year: 25%).

The share's lowest price during the year was € 1.94 (01/19/2004); the highest price € 16.75 (11/15/2004). 57% of the SOLON shares were freely tradable on the capital market in 2004, 43% of the shares were tied.

Price prospects 2005

During the first five months of 2005, the SOLON share rose from € 14.45 (opening price Frankfurt, 01/03/05) to € 24.90 (closing price Frankfurt, 05/31/2005). With this 72% price increase the positive price trend of the SOLON share continued in 2005.

In our view the solar share will continue to become increasingly attractive. Existing customer orders for 2005 and 2006 make the SOLON share a promising medium to long-term investment. Both what the firm has achieved and the quality level of SOLON products recognised in the market and the capacities extended to 90 megawatts in 2004 underpin this assessment.

The strategy of SOLON AG is to increase shareholder value through:

- Achieving sustained operative profits in the solar modules and SOLON Mover fields of business
- Defence of its market leadership among solar module producers in Germany
- Strengthening the SOLON brand through quality and innovation

Financing through the capital market

With a resolution by the Management Board and Supervisory Board on 01/20/2004, SOLON AG implemented a capital increase of authorised capital with exclusion of subscription rights of 10% of the existing share capital on the basis of the stock exchange price of € 2.50. The capital increase by 365,690 shares was entered in the companies' register on 03/26/2004 and brought the company € 914,225. SOLON AG's share capital thus increased to € 4,022,595.

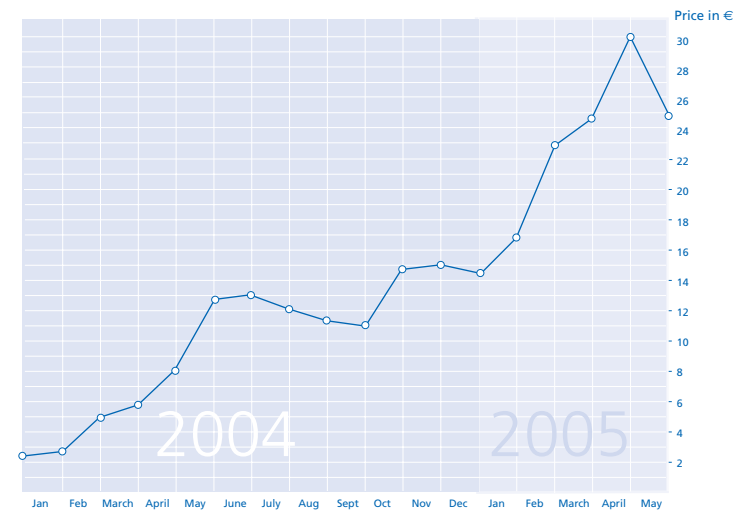
With the resolution of the Management Board and Supervisory Board of 05/27/2004, the company implemented a further capital increase of authorised capital with a 1:1 subscription right for existing shareholders by 3,333,060 shares on the basis of the stock exchange price of € 9.00. The capital increase was entered in the companies' register on 06/29/2004. The company received € 29,997,540. SOLON AG's share capital thus increased to € 7,355,655.

Designated Sponsor engaged

In March 2004, SOLON AG engaged MWB Wertpapierhandelshaus AG as designated sponsor. The aim of committing a designated sponsor was to gain further investors in Germany and abroad through improved liquidity of the SOLON share and so broaden the existing shareholder base.

Change to the regulated market

On 10 November 2004, SOLON AG changed from free trading to the regulated general standard market. The aim of this segment change was to increase transparency for domestic and foreign investors and to make the share even more attractive for institutional investors.



Change in price of the SOLON share January 2004 until May 2005

SOLON Group Corporate Figures

SOLON AG für Solartechnik, Berlin: Consolidated balance sheet as of 31 December 2004

Assets		
	12/31/2004 k€	12/31/2003 k€
A. Fixed Assets		
I. Intangible assets		
1. Concessions / Industrial rights	85	36
2. Goodwill	1,000	1,287
	1,085	1,322
II. Outstanding contributions to the subscribed capital	0	0
III. Property, plant and equipment		
1. Land, leasehold rights, etc.	868	546
2. Technical equipment, plant and machinery	9,273	3,797
3. Other equipment, fixtures, fittings and equipment	703	370
4. Advance payments and plant and machinery under construction	1,421	27
	12,265	4,741
IV. Financial assets		
1. Shares in affiliated companies	0	0
2. Loans to affiliated companies	0	0
3. Shares in other Group companies	700	8
4. Loans to other Group companies	302	30
5. Cooperative shares	0	0
6. Other loans	53	0
	1,055	38
	14,405	6,101
B. Current assets		
I. Inventories		
1. Raw materials and supplies	8,148	3,504
2. Work in process, services in progress	266	135
3. Finished products	1,526	2,820
4. Advance payments made	2,075	0
	12,016	6,459
II. Accounts receivable and other assets		
1. Accounts receivable from trading	18,579	11,037
2. Accounts due from affiliated companies	0	0
3. Accounts due from other Group companies	23	0
4. Other assets	1,802	581
	20,404	11,619
III. Cash on hand, cash in banks	4,671	282
	37,091	18,361
C. Deferred charges and prepaid expenses	73	48
D. Deferred taxes	281	0
Total assets	51,850	24,509

Liabilities and shareholders' equity		
	12/31/2004	12/31/2003
	k€	k€
A. Shareholders' equity		
I. Capital subscribed	7,356	3,657
II. Contributions made to implement the resolved capital contribution	0	0
III. Paid-in surplus	28,478	1,265
IV. Shareholders' equity difference resulting from currency conversion	1	26
V. Loss carried forward	-4,928	-3,348
VI. Balance sheet profit / loss	3,383	-1,580
	34,290	20
VII. Minority shareholdings	8	8
	34,298	28
B. Special items with reserve share	427	0
C. Provisions and accrued liabilities		
1. Accrued taxes	1,084	0
2. Other provisions and accrued liabilities	1,891	1,006
	2,974	1,006
D. Liabilities		
1. Liabilities due to banks	3,306	7,712
2. Advance payments received on account of orders	120	187
3. Trade accounts payable	9,823	13,620
4. Accounts payable to affiliated companies	0	0
5. Accounts payable to other Group companies	0	0
6. Other liabilities	893	1,916
	14,141	23,436
E. Deferred charges and prepaid expenses	9	39
Total liabilities and shareholders' equity	51,850	24,509

Rounding up/down differences may occur due use of computing.

SOLON AG für Solartechnik
Consolidated income statement for the period from 01/01/2004 to 12/31/2004

	2004 k€	2003 k€
Sales	103,545	37,738
Increase (decrease) in finished products and work in process	-1,181	1,718
Other own work capitalised	35	0
Total earnings	102,398	39,456
Other operating income	2,525	1,623
Cost of materials	83,099	31,382
<i>a) Cost of raw materials and supplies and for purchased goods</i>	80,902	30,441
<i>b) cost of purchased services</i>	2,197	941
Personnel expenses	8,065	5,555
<i>a) Wages and salaries</i>	6,765	4,671
<i>b) Social security and pension benefits and for support</i>	1,300	885
Depreciation, amortisation and other write-offs	1,298	1,128
Other operating costs	8,087	3,799
EBIT	4,374	-785
EBITDA	5,672	343
Income from loans	26	10
Other interest and similar income	193	13
Financial asset write-offs	0	0
Interest and similar expenses	569	811
Profit/loss from ordinary operations	4,024	-1,574
Extraordinary income	318	0
Extraordinary expenses	148	0
Taxes	812	4
<i>a) Taxes on income</i>	806	0
<i>b) Other taxes</i>	6	4
Net income/loss	3,383	-1,578
Earnings from minority shareholdings	0	2
Withdrawals from the paid-in surplus	0	0
Income from reduction in capital	0	0
Balance sheet profit / loss	3,383	-1,580

Rounding up/down differences may occur due use of computing.

Supervisory Board Report



Supervisory Board report on the annual financial statements for the business year from 01/01/ to 12/31/2004

On 11 June 2004, the Supervisory Board appointed Mr Thomas Krupke as Management Board member with effect from 1 July 2004 until 30 June 2007. There were no other changes in the Supervisory or Management Board during the reporting period.

During the reporting period the Supervisory Board regularly monitored the management. To this end, the Management informed the Supervisory Board of the company's situation and the most important business transactions, verbally and in writing, at regular intervals.

The Supervisory Board dealt with the Management Board's reports in four meetings. The development of the company was also continuously discussed with the Management Board outside the Supervisory Board meetings. During the report period main topics of discussion during consultations were:

- Capital increase in the 2nd quarter 2004;
- Use of proceeds from the capital increase;
- Change to the regulated market;
- Particulars;
- Annual financial statement 2003;
- Participation in cell manufacturers;
- Employees;
- Management Board contracts;
- Other locations.

The annual financial statements with management report prepared by the Management Board and the consolidated financial statements with Group management report prepared by the Management Board, each for the business year 2004, have been audited together with the accounting by PKF Pannell Kerr Forster Wirtschaftsprüfungsgesellschaft mbH, Berlin. It issued an unqualified auditors' opinion both for the annual financial statements and for the consolidated financial statements. The auditors' reports were issued to the Supervisory Board. For the first time, the auditors' opinion did not contain supplementary notes.

The Supervisory Board discussed the annual financial statements and the consolidated statements for the business year 2004 in a joint meeting with the auditors. In this meeting, the auditors reported the main results of their audit. The Supervisory Board also examined the annual financial statements and the management report as well as the consolidated financial statements and Group management report prepared by the Management Board.

On the basis of its own examination, the Supervisory Board agrees with the results of the audit of the annual financial statements by the auditor. The Supervisory Board raises no objections to the final result of his audit. We give our approval of the annual financial statements prepared by the Management Board. They are thus adopted. An approval of the consolidated financial statements, on the contrary, is not provided for by the German Stock Companies Act.

Berlin, 2 June 2005



Immo Ströher
(Chairman of the Supervisory Board)

Auditor's opinion

We have audited the consolidated financial statements and the Group management report prepared by SOLON AG für Solartechnik for the business year from 1 January to 31 December 2004. The legal representatives of the company are responsible for preparing the consolidated financial statements and Group management report according to German commercial law regulations and the supplementary provisions in the articles of association. It is our task to express an opinion on the consolidated financial statements and the Group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements according to Art 317 HGB (German Commercial Code) and generally accepted auditing standards issued by the "Institut der Wirtschaftsprüfer" (IDW – German institute of auditors). These require that we plan and perform the audit such that it can be determined with reasonable assurance whether the consolidated financial statements are free of mistakes and irregularities, which have a material effect on the view of the assets, liabilities, financial position and profit and loss given by the consolidated financial statements in accordance with generally accepted auditing standards and the Group management report. Knowledge of the business activities and legal and economic environment of the Group and expected possible errors are taken into account when determining the audit procedures.

The audit includes assessing the effectiveness of the internal accounting control systems and evidence for the information given in the consolidated financial statements and the Group management report, mainly on the basis of random samples. The audit includes assessing the financial statements of the companies included in the consolidated financial statements, the definition of the companies included in the consolidation, the accounting and valuation principles used and the significant estimates made by the legal representatives as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not lead to any objections.

In our opinion the consolidated financial statements gives a true and fair view of the Group's assets, liabilities, financial position and profit and loss in accordance with generally accepted accounting standards. Overall, the Group management report appropriately presents the Group's situation and suitably describes the risks of future development.

Berlin, 31 May 2005

PKF PANNELL KERR FORSTER GMBH
Accountancy Firm and Auditors

Piorek
Auditor

Thum
Auditor



Notes to the Consolidated Financial Statements

SOLON AG für Solartechnik, Berlin

Notes to the consolidated financial statements for the business year 2004

1. General Information

1.1. Legal circumstances

- Company name: SOLON AG für Solartechnik
- Registered offices: Berlin
- Founded: on 11/27/1996 in Berlin
- Companies' register: Entered on 01/18/1997 Charlottenburg district court, registration number HRB 61293
- Qualified craftsmen register: entered on 11/11/1997 for: electricians
- Purpose of the company: Construction, trading and operating regenerative and rational energy conversion systems; industrial series production and sale of photovoltaic modules; investment in companies with the same or similar purpose
- Business year: calendar year

1.2. Structure and disclosure

SOLON AG is a large corporation in the meaning of Art 267 Para 3 HGB (German Commercial Code). The layout and structure of the balance sheet (Art 266 ff HGB) and income statement (Art 275 ff HGB) conform to the legal regulations. The income statement is based on the cost summary method.

1.3. Consolidated companies

Apart from SOLON AG, the consolidated companies include:

- SOLON Photovoltaik GmbH, Berlin, 100% shareholding
- SOLON Nord GmbH, Greifswald, 100% shareholding
- ASP Advanced Solar Products AG, Wald - Laupen/Zurich, Switzerland 100% shareholding.
- ERLASSEE Liegenschaften GbR, Berlin, 90% shareholding
- Soline GmbH, Berlin, 70% shareholding

SOLON Solar Industries s.a.r.l. with registered offices in Casablanca, Morocco, (100% shareholding) was consolidated for the final time as of 01/01/2004, as the company was shutdown and according to Art 296 Para 2 HGB has minor significance for the presentation of the Group's assets, liabilities, financial position and profit and loss.

1.4. Consolidation principles

The capital consolidation took place as full consolidation according to the book value method at the time the shares were purchases, allocation of the asset-side balancing items to the goodwill. The debts, expenses and earnings were consolidated according to the statutory regulations. Interim results were eliminated where they were significant for the determination of a true and fair presentation of the Group's assets, liabilities, financial position and profit and loss. Foreign currencies of foreign subsidiaries were converted using the modified reference date method.

1.5. Difference resulting from the capital consolidation

The goodwill based on the difference resulting from the capital consolidation changed during the business year 2004 as follows:

	Group k€
Difference resulting from the capital consolidation	2,354
Cumulative depreciation and amortisation up to 12/31/2003	-1,067
Additions during the business year 2004	4
Depreciation and write-offs during the business year 2004	-291
Goodwill as of 12/31/2004	1,000

2. Accounting and valuation principles

Continuation of the company is assumed in the valuation.

The accounting and valuation methods used in the consolidated financial statements were not changed.

The intangible assets and property, plant and equipment purchased are valued at their acquisition or production costs plus the necessary incidental acquisition expenses and reduced by normal linear depreciation.

Grants for fixed asset investments are neutralised by the formation of a special reserve, which is reversed over the life of the subsidised assets and is treated as income.

In the case of movable fixed assets for which the valuation simplification of Art 6 Para 2 EStG (low cost items) existed, the company made use of this Depreciation on additions to the capitalised assets was made on a pro rata basis.

The financial assets were capitalised at their acquisition cost, or with the attributed value, if this was lower.

The companies included in the consolidated financial statements of SOLON AG are as follows:

	Capital subscribed €	SOLON AG's shareholding %	Member of the Group since	Business activity	Total earnings (previous year) k€	Earnings before profit transfer/loss absorption, where agreed (previous year) k€
SOLON PV GmbH	51,129	100	12/22/1998	Sale and manufacture of photovoltaic solar systems, trading with other components	83,081 (35,904)	5,480 (-1,726)
SOLON Nord GmbH	25,000	100	04/23/2004	Sale and manufacture of photovoltaic solar systems, trading with other components	21,076	218
ASP AG, Switzerland	324,141	100	01/01/2000	Development and production firm for system electronics, production of sinus power inverters	1,580 (1,663)	46 (44)
Soline GmbH	25,000	70	07/01/2003	General partner GmbH	3 (24)	3 (8)
ERLASEE Liegschaften GbR	35,000	90	11/12/2003	Management of own assets	0 (0)	-7 (0)

During the business year, SOLON AG purchased the shares of the newly set up SOLON Nord GmbH in Greifswald. A 4% shareholding in the new ERLASEE Liegschaften GbR, set up during the business year 2003, was sold on during the report year. The companies were consolidated for the first time in 2004.

SOLON AG shareholdings:

	Capital subscribed €	SOLON AG's shareholding %	Member of the Group since	Business activity	Total earnings (previous year) k€	Earnings before profit transfer/loss absorption, where agreed (previous year) k€
SOLON Solar Industries s.a.r.l. (SSI)	87,891	100	06/02/1998	Trading with PV modules and small PV systems	no value (111)	no value (-52)
Solland Solar Energy Holding B.V.	5,813,853	12	12/07/2004	Sale and production of photovoltaic solar cells	no value	no value

During the business year 2004, SOLON AG purchased a 12.04% share in Solland Solar Energy Holding B.V.

SOLON Solar Industries s.a.r.l. (SSI) was deconsolidated with effect from 01/01/2004, after its business activities had been discontinued.

The valuations for loans to affiliated companies and for other loans are based on the acquisition cost. Where permanent diminution of value exists the lower attributed value was used.

The work in progress, the unfinished services and the finished goods are entered at their individual costs, material and production overhead costs were taken into account with appropriate lump sum increases.

The valuation of the accounts receivable from trading takes into account identifiable individual risks by means of allowances. The general bad payment and credit risk was adequately taken into account with a general bad debt allowance.

The prepaid expenses include expenditure before the balance sheet date, provided they represent expenses for a specific time after this date.

The other assets are entered at their acquisition cost.

Other provisions and accrued liabilities are entered with the amount necessary according to sensible commercial assessment.

Liabilities have been shown with the repayment sum.

3. Explanatory Notes to the Balance Sheet

The change in fixed assets is given in the statement of consolidated fixed asset movements of SOLON AG (appendix to the notes to the consolidated financial statements).

Due to permanent diminution in value, the shareholding in SOLON Solar Industries s.a.r.l. (SSI) was written off as unscheduled depreciation. The unscheduled depreciation (k€ 86) was entered in the extraordinary profit/loss together with the income from the final consolidation of SSI.

The 10% shareholding in the new company set up during the business year 2003, SQES GmbH, Berlin, was sold during the report year. The 20% shareholding in Immosolar Deutschland GmbH (previously SOLON Thermis) was also sold during the report year.

The loans to other Group companies in the consolidated financial statements SOLON AG concern a loan to Solland Solar Energy Holding B.V.

The SOLON Group's accounts receivable and other assets are structured as follows:

	Total sum (previous year) k€	Remaining term up to 1 year (previous year) k€	1 to 5 years (previous year) k€	over 5 years k€
1. Accounts receivable from trading	18,579 (11,037)	18,579 (11,030)	0 (7)	0 (0)
2. Accounts due from other Group companies	23 (0)	23 (0)	0 (0)	0 (0)
3. Other assets	1,802 (582)	1,392 (485)	410 (97)	0 (0)
Total sum	20,404 (11,619)	19,994 (11,515)	410 (104)	0 (0)

Accounts due from other Group companies stem from Soline GmbH.

The other assets mainly involve accounts receivable for loans issued and tax claims. These include receivables amounting to k€ 329, which do not arise until the following year and are fully deductible as prepaid tax.

The deferred charges and prepaid expenses for deferred taxes were treated as consolidation income entries.

Table of the shareholders' equity of the SOLON Group (not including minority shareholdings):

	Value as of 01/01/2004 k€	Additions during business year k€	Disposals during business year k€	Value as of 12/31/2004 k€
Share capital	3,657	3,699	0	7,356
Paid-in surplus	1,265	27,213	0	28,478
Shareholders' equity difference resulting from currency conversion	26	0	-25	1
Retained earnings/ accumulated deficit brought forward	-4,928	0	0	-4,928
Profit in current business year	0	3,383	0	3,383
Total	20	34,295	-25	34,290

The special items for fixed asset investment grants changed during the business year as follows:

Value as of 01/01/2004	0 k€
Additions	501 k€
Reversals	-74 k€
Value as of 12/31/04	427 k€

The other provisions and accrued liabilities were essentially formed for expected costs of outstanding invoices, annual leave not taken, auditing and consultant costs and warrantees.

Warrantees	811 k€
Provision for outstanding invoices	216 k€
Accrual for annual leave not taken	150 k€
Provision for auditing and consultant costs	149 k€
Other	565 k€
Total	1,891 k€

Tax accruals of k€ 1,084 were formed for the assessment period 2004 and are shown separately in the balance sheet.

The SOLON Group's liabilities are structured as follows:

	Total sum (previous year) k€	up to 1 year (previous year) k€	Remaining term 1 to 5 years (previous year) k€	over 5 years (previous year) k€	thereof for which collateral provided (previous year) k€
1. Liabilities due to banks	3,305 (7,712)	968 (5,644)	2,337 (2,068)	0 (0)	3,305 (7,712)
2. Advance payments received on account of orders	120 (188)	120 (188)	0 (0)	0 (0)	0 (0)
3. Trade accounts payable	9,823 (13,620)	9,823 (13,620)	0 (0)	0 (0)	0 (0)
4. Other liabilities	893 (1,916)	893 (1,916)	0 (0)	0 (0)	0 (0)
- thereof for taxes	658 (775)	0 (775)	0 (0)	0 (0)	0 (0)
- thereof for social security	223 (137)	223 (137)	0 (0)	0 (0)	0 (0)
Total sum	14,141 (23,436)	11,804 (21,368)	2,337 (2,068)	0 (0)	3,305 (7,712)

The liabilities due to banks involve SOLON PV GmbH's loan agreements with akf Bank GmbH & Co., in which SOLON AG is the second lender. The loans are secured by the assignment of SOLON PV GmbH machines to akf Bank GmbH & Co as collateral.

4. Explanatory Notes to the Income Statement

The sales achieved by the SOLON Group during the business year are broken down as follows:

	2004 k€	2003 k€
Standard module production	102,087	32,849
Other sales	1,458	4,888
SOLON Group sales	103,545	37,737

The other operating income includes receipts amounting to k€ 323, grants for development and personnel costs amounting to k€ 624, receipts from hiring out employees amounting to k€ 195 and income from the reversal of reserves amounting to k€ 217. The income from the reversal of the special item for fixed asset investment grants received amounts to k€ 74.

The share of expenses relating to other periods within the other operating expenses amounts to k€ 266.

Furthermore, it also includes among other things, expenses for capital measures amounting to k€ 449, sales commission amounting to k€ 548, legal and consulting costs amounting to k€ 729, warranty expenses of k€ 491, development costs of k€ 363 and bad debts and individual and general accounts receivable allowances amounting to k€ 720.

The extraordinary income includes income from the deconsolidation of SOLON Solar Industries s.a.r.l.

The extraordinary expenses represent payments for the settlement of the liabilities of the Moroccan subsidiary, SOLON Solar Industries s.a.r.l.

After off-setting the operating expenses, personnel expenses, depreciation and amortisation costs and other write-offs and extraordinary expenses and interest and taxes, SOLON AG achieved a positive operating result of k€ 3,383. The balance sheet result as of 12/31/2004 is thus as follows:

Net income 2004	3,383 k€
Loss carried forward from the previous year	-4,928 k€
Balance sheet loss	-1,545 k€

SOLON Group Cash Flow Statement

	2004 k€	2003 k€
Net income/loss	3,383	-1,578
Depreciation & amortisation / write-up of fixed assets	1,298	863
Increase/decrease in reserves	1,968	69
Cash earnings	6,649	-646
Other expenses / income with no effect on liquidity (e.g. write-off of capitalised debt discount)	355	0
Profit/loss from the disposal of fixed assets	0	155
Increase/reduction in inventories, accounts receivable from trading and other assets, which are not to be allocated to investment or financial activity	-14,367	-5,853
Increase/decrease in trade accounts payable and other liabilities which are not to be allocated to investment or financial activity	- 4,918	6,451
Cash flow from current business activities	-12,991	107
Payments received from the disposal of property, plant and machinery / intangible assets	499	100
Payments made for investments in property, plant and machinery / intangible assets	- 8,545	-1,459
Payments received for disposal of financial assets	0	0
Payments made for investments in financial assets	- 1,055	-33
Payments received and made for the acquisition and sale of consolidated companies and other business units	0	0
Cash flow from investment activities	-9,101	-1,392
Additions to the shareholders' equity	30,912	0
Payments made to shareholders	0	0
Payments received from the issue of loans and taking out of (financial) credits	0	874
Payments made for the repayment of loans and (financial) credits	-4,406	0
Cash flow from financial activities	26,506	874
Changes in financial resources with effect on liquidity	4,414	-411
Financial resources as of 1 January	282	701
Shareholders' equity difference resulting from currency conversion/ change	-25	-8
Differences from changes in the consolidated companies	0	0
Financial resources as of 31 December	4,671	282

SOLON Group cash flow statement in accordance with DRS 2

6. Segment Reporting

Fields of Business	Module production k€	Transfer and other k€	Group k€
Sales			
External sales	102,087	1,458	103,545
Internal sales	1,201	-1,201	0
Total	103,288	257	103,545
Earnings			
Segment result	7,269	-2,896	4,373
Interest and similar income	196	23	219
Interest and similar expenses	-673	104	-569
Profit/loss from ordinary operations	6,792	-2,769	4,023
Segment assets	41,754	10,096	51,850
Debts			
Segment debts	11,397	672	12,069
Short and medium-term loans	3,305	1	3,306
Tax liabilities	1,155	586	1,741
Total	15,857	1,259	17,116
Other information			
Investments	8,279	1,908	10,187
Depreciation, amortisation and other write-offs	935	449	1,384
Other income with no effect on liquidity	355	0	355

Approx 1% of sales during the business year 2004 involved direct sales abroad. According to information from dealers supplied by us, we assume that the total share of SOLON modules exported is approx 6 – 7% of annual production.

7. Other Information

The SOLON Group has other financial obligations for the business year 2005 due to tenancy agreements for business space, leasing contracts, the purchase of machinery and land, and the pledged granting of loans and agreed financing of machinery.

The rent obligation payments amount to k€ 376 in the following year and k€ 1,175 over the total term. Payment obligations in the business year 2005 for leasing contracts for vehicles and business equipment amount to k€ 41 (total term: k€ 82).

The financial obligations in 2005 for the purchase of machinery and land amount to k€ 785 and k€ 1,465 respectively. There are no longer-term payment agreements for these items. Furthermore, SOLON Group has undertaken to grant loans and finance machinery amounting to a total of k€ 556, which are to be fully paid during the business year 2005.

Further, in the business year 2004, the SOLON Group entered into legally binding obligations to purchase materials for module production in the business year 2005 amounting to k€ 6,261, some of which can be postponed until 2006 if demand is low.

Soline GmbH is the unlimited liable shareholder of Soline Bouchéhöfe Betreiber GmbH & Co. KG, Berlin.

The Supervisory Board decided to grant the Management Board a travel expenses advance payment facility amounting to k€ 50 maximum; as of the balance sheet date k€ 24 of this sum had been used. 5.5% p.a. interest is charged for this advance payment facility.

The Management Board was also granted a loan of k€ 53, which was completely repaid in the first quarter 2005. 9% p.a. interest was charged for the loan.

A Supervisory Board member of the Group's subsidiary ASP AG was granted a loan of k€ 198. The interest charged is 6.5%.

A total of k€ 9.1 was incurred for Supervisory Board members' remunerations during the period from 1 January to 31 December 2004. Further details according to Art 285 No. 9a HGB are dispensed with in accordance with Art 286 Para. 4 HGB. As of the cutoff date 12/31/2004, not including the members of the Management Board, the SOLON Group had 313 employees (previous year: 201).

The Group's annual average number of employees was 284, not including members of the Management Board. Of these, 222 were employed by the SOLON Group as waged (blue collar) workers and 62 as salaried staff.

In 2004 the breakdown of the personnel among the separate companies (not including the Management Board) was as follows:

	2004	2003
	Ø	Ø
SOLON AG	6	5
SOLON Photovoltaik GmbH	243	160
SOLON Nord GmbH	26	-
ASP AG	8	8
Soline GmbH	1	1
ERLASEE Liegenschaften GbR	-	-
Total	284	174

Bodies of the Company

Management Board

- Dipl.-Phys. Alexander Voigt, Spokesperson for the Board
- Thomas Krupke, Financial Director

Supervisory Board

- Immo Ströher, entrepreneur, Darmstadt (Chairman)
- Dipl. Ing. Reiner Lemoine, Director of Q-Cells AG, Thalheim
- Tobias Wahl, lawyer, Heidelberg

Dipl. Ing. Reiner Lemoine and RA Tobias Wahl are neither members of other German Supervisory Boards nor do they hold positions in comparable domestic or foreign controlling bodies. Mr Immo Ströher is a member of the Supervisory Board of Q-Cells AG.

Associated companies

The SOLON Group formed a purchasing combine with an associated company, EnTech Energiemanagement GmbH, Kufstein, Austria, until 30 June 2004 in order to be able to achieve purchasing price advantages. At the same time, the associated company purchased small quantities of solar modules from SOLON, in order to sell these through its own sales channels. The purchase of goods from EnTech GmbH in 2004 accounted for around 18% of the total goods deployed; the sales for around 3% of the corporate sales.

Share capital

As of 12/31/2004, SOLON AG had a share capital of k€ 7,356. In 2004, the share capital was increased by k€ 3,699 within the scope of two capital increase measures.

Paid-in surplus	€
Value as of 12/31/03	1,265,271.00
Additions due to capital increase	27,213,015.00
Value as of 12/31/04	28,478,286.00

Approved capital

During the annual general shareholders' meeting held on 26 August 2004 the Management Board was authorised, with the consent of the Supervisory Board, to increase the company's share capital once by 07/30/09 by issuing new individual share certificates for cash or payments in kind or to increase it several times by up to k€ 3,678 in total (authorised capital). The authorised capital allows the exclusion of subscription rights with the consent of the Supervisory Board in the following cases:

- in the case of a capital increase in exchange for payments in kind to acquire a company or shareholding;
- for the issue of shares to employees of SOLON AG or affiliated companies;
- for fractional amounts;
- in the case of a capital increase in exchange for cash, which does not exceed 10% of the share capital in accordance with Art 186 Para 3 Sentence 4 AktG.

Contingent capital

The company's share capital is contingently increased by up to € 1,225,000 by the issue of up to 1,225,000 new, individual bearer share certificates. The contingent capital is solely for the granting of option rights and conversion options for the holders of option and /or convertible bonds, which are issued by the company up until 30 June 2005, in accordance with the authorisation of 26 July 2000.

The annual general shareholders' meeting on 26 August 2004 passed the resolution to adjust the contingent capital to service the SOLON AG's stock option programme 2000 such that the company's share capital can be contingently increased by up to € 735,565 through the issue of up to 735,565 individual bearer share certificates.

In the business year 2004, SOLON AG re-issued 252,000 options to the management and employees within the scope of the stock option programme.

Shares

The shares are no-par individual bearer share certificates. There are no multiple voting shares.

The number of SOLON AG individual share certificates increased by 3,698,750 in 2004 due to two capital increase measures. During the course of the capital increases in January (increase by 365,690 individual share certificates) and June (3,333,060 shares), the company received total liquid assets of € 30,911,765. On 31 December 2004, SOLON AG had a total of 7,355,655 individual share certificates placed on the capital market. The shares have been traded in over-the-counter trading on the Hamburg, Stuttgart and Munich stock exchanges under the number WKN 747119 since 18 October 2002 and in the general standard of the Berlin, Bremen, Frankfurt and XETRA stock exchanges since 10 November 2004.

On 20 January 2005, the Management Board decided, with the approval of the Supervisory Board, to implement a capital increase for cash in accordance with Art 5 Para. 1 of the SOLON AG articles of association with exclusion of subscription rights for shareholders amounting to 10% to the share capital (Art 186 Para. 3 Sentence 4 AktG). SOLON AG issued 735,565 shares at a price of € 15.20, close to the stock exchange price, and as a result increased the share capital to € 8,091,220. The company received liquid funds amounting to € 11,180,588. The capital increase was entered in the company's register of Berlin-Charlottenburg District Court on 15 February 2005.

Shareholders

None of the shareholders purchased shares on behalf of the company. The company does not hold any of its own shares.

Shareholding according to Art 20 Para 1 AktG

Mithril GmbH, Darmstadt, has a shareholding of more than a quarter of the company's share capital. The Supervisory Board Chairman, Mr Immo Ströher, holds more than one quarter of the company's share capital through Mithril GmbH, Darmstadt.

Notifications according to Art 21 Para 1a WpHG

Mithril GmbH, Darmstadt, notified the company in accordance with Art 21 Para. 1a WpHG that it held a 40.36% share of the company's voting rights on 27 October 2004.

Mr Immo Ströher notified the company in accordance with Art 21 Para 1a WpHG that he held a 43.03% share of the company's voting rights on 27 October 2004. Of these, 40.36% were held by Mr Ströher indirectly through his shareholder position in Mithril GmbH according to Art 22 Para 1 Sentence 1 No. 1.

The Deutsche Investment-Trust Gesellschaft für Wertpapieranlagen mbH (dit), Frankfurt am Main, notified the company in accordance with Art 21 Para 1a WpHG that it held a 7.35% share of the company's voting rights on 27 October 2004.

These notifications were published in the Frankfurter Allgemeine Zeitung on 23 November 2004.

Directors' holdings

The following table shows the SOLON shares and options held by the Management Board and Supervisory Board as of 31 December 2004:

Management Board	Shares Number	Options Number
Alexander Voigt	99,225	46,000
Thomas Krupke	36,000	35,000

Supervisory Board		
Immo Ströher	3,165,138	0
Tobias Wahl	20,000	0
Reiner Lemoine	69,081	0

Corporate Governance Codex Statement

The legally required corporate governance codex statement has been submitted by the SOLON AG Management Board and Supervisory Board and has been permanently made accessible to the shareholders on SOLON AG's website under www.solonag.com.

Berlin, 25 May 2005

Management Board of SOLON AG für Solartechnik

Alexander Voigt

Thomas Krupke

Change in the Group's assets during the business year 2004

Acquisition and production costs

	as of 12/31/2003 k€	Additions k€	Transfers k€	Disposals k€	as of 12/31/2004 k€
I. Intangible assets					
1. Franchises, trademarks, patents, software	135	72	0	0	207
2. Goodwill	2,354	4	0	0	2,358
	2,489	77	0	0	2,565
II. Property, plant and equipment					
1. Buildings on non-owned land	708	268	82	0	1,058
2. Technical equipment, plant and machinery	4,727	4,988	1,598	546	10,766
3. Other plant and BGA	913	550	69	152	1,380
4. Advance payments and plant and machinery under construction	27	3,163	-1,749	21	1,421
	6,375	8,969	0	719	14,625
III. Financial assets					
1. Shares in affiliated companies	0	86	0	0	86
2. Shareholdings	8	700	0	8	700
3. Loans to other Group companies	30	302	0	30	302
4. Cooperative shares	0	0	0	0	0
5. Other loans	91	53	0	0	144
	129	1,141	0	38	1,232
Group's assets	8,993	10,187	0	756	18,423

Depreciation, amortisation and other write-offs			Book values		
as of 12/31/2003 k€	Additions k€	Disposals k€	as of 12/31/2004 k€	as of 12/31/2004 k€	as of 12/31/2003 k€
99	23	0	122	85	36
1,067	291	0	1,358	1,000	1,287
1,166	314	0	1,480	1,085	1,322
162	28	0	190	868	546
929	689	125	1,494	9,273	3,797
543	267	133	677	703	370
0	0	0	0	1,421	27
1,634	984	257	2,361	12,265	4,741
0	86	0	86	0	0
0	0	0	0	700	8
0	0	0	0	302	30
0	0	0	0	0	0
91	0	0	91	53	0
91	86	0	177	1,055	38
2,892	1,384	257	4,018	14,405	6,101

Rounding up/down differences may occur due use of computing.

SOLON AG – Financial Calendar for the Business Year 2005

Calendar week 27:
Final net income/loss 2004, annual report 2004

Calendar week 33:
Report IInd quarter 2005

24 August 2005:
Ordinary general shareholders' meeting in Berlin

Calendar week 46:
Report IIIrd quarter 2005,
Analysts' conference

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