

Interim Report

Report 3rd Quarter 2006

SOLON AG für Solartechnik

Selected Financial Data of the IFRS Financial Statements as of September 30, 2006

SOLON Group's key figures

		09/30/2006	09/30/2005	Change in %
Revenue	€ million	218.0	120.3	81
Total operating performance	€ million	270.4	132.5	104
Gross profit	€ million	57.0	24.7	131
EBITDA	€ million	19.9	10.2	95
<i>in % of revenue</i>	%	9.1	8.5	
EBIT	€ million	15.5	8.1	91
<i>in % of revenue</i>	%	7.1	6.7	
Earnings before taxes	€ million	14.4	7.8	85
<i>in % of revenue</i>	%	6.6	6.5	
Net income after minority interest	€ million	9.5	4.5	111
<i>in % of revenue</i>	%	4.4	3.7	
Number of employees*		543	407	33
Revenue per employee	€ thousand	401.5	295.5	36
Number of outstanding shares	million	9.3	8.7	7
Earnings per share	€	1.04	0.55	89
Cash flow from operating activities	€ million	-26.9	-14.1	-91
Depreciation and amortization	€ million	4.4	2.1	110
Investments in tangible fixed assets and intangible assets	€ million	17.0	5.5	209
Production capacity (annual)	MW	120	100	20
Production output in the period under review	MW	60	38	58
		09/30/2006	12/31/2005	Change in %
Total assets	€ million	295.6	181.4	63
Equity	€ million	100.3	77.3	30
<i>Equity-to-assets</i>	%	33.9	42.6	
<i>Return on equity</i>	%	9.5	10.2	

*excluding management board

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Letter from the Management Board

Ladies and Gentlemen,

The global demand for solar systems continues at a high level. More and more countries recognize that they must reduce their dependence on conventional sources of energy to secure a sustained supply of energy for future generations. The creation of legal frameworks for the support of renewable energies in general and photovoltaics in particular is leading to the rise of new markets worldwide. However, it is not only the good medium and long-range prospects for growth that these young markets have in common but also the typical administrative startup difficulties, as the examples of Spain and Italy illustrate: The interaction of national and local agencies must function well, approval processes must be established and streamlined if necessary, and additional capacities must be built up on all levels to manage the deluge of project applications. Frequently this results in delays in the implementation of projects. Not until this maturation process has been completed will the growth in these markets stabilize and make reliable market forecasting possible. Added to this is the fact that the new support laws must be evaluated after an initial implementation phase. This is the case in Spain where the existing law is pending for review by the end of the year. As of today, the outcome of this process is still open. However, the prospects are encouraging in view of the clear commitment made by the new Spanish Energy Minister to promote renewable energies recently published in the Spanish press.

The successful introduction of the SOLON Mover has enabled SOLON to generate approximately 40 % of group revenue in the international power plant business. In Spain alone, power plant projects of a total volume of 20 megawatts have already been implemented this year or are currently under construction. In a short time, we have succeeded in establishing ourselves as a leading supplier of solar power plants in Spain. At the same time, we increasingly face the daily uncertainties of the project business.

Our largest power plant project so far, Gut Erlasee solar park, was dedicated in Bavaria on September 1. With the symbolic backdrop of the 1,408th SOLON Mover and an energy policy panel discussion on the topic "Solar energy – energy of the future or just an expensive diversion?", guests from the world of politics and economics celebrated the completion of the currently largest solar power plant in the world with a total output of 12 megawatts.

In this year's Annual Shareholders' Meeting of SOLON AG, held in Berlin on August 24, the Management Board and the Supervisory Board of our company were reorganized. The last SOLON founder still active in the operating activities and former CEO, Alexander Voigt, resigned from the Management Board after having been a member for ten years. He will continue to contribute to the development of the company as a member of the Supervisory Board.

The former Chairman of the Supervisory Board, Immo Ströher, did not seek reelection; however, he announced that he would continue to be associated with our company as its largest investor. Reiner Lemoine also did not renew his candidacy for personal reasons. The Heidelberg attorney, Tobias Wahl, who has been a member of the Supervisory Board since 2002, was elected as its new Chairman. Another member is the Berlin attorney and tax advisor, Olaf Roessink. For SOLON, this change in management represents a milestone, and at the same time, a consistent continuation of our successful course.

Berlin, November 2006

A handwritten signature in blue ink, appearing to read 'Thomas Krupke'.

Thomas Krupke
Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Lars Podlowski'.

Dr. Lars Podlowski
Chief Technical Officer

SOLON AG für Solartechnik, Berlin

Management's Comments on the Interim Report in accordance with IFRS as of September 30, 2006

Key results for the the first nine months of 2006:

- Group revenue up 81 % to € 218.0 million
- Earnings before interest and taxes (EBIT) increase 91 % to € 15.5 million
- Net income improved by 111 % to € 9.5 million
- Additional procurement agreement (€ 320 million) for solar cells concluded
- 12 megawatt Gut Erlasee solar park dedicated in Bavaria
- Investment in Soline GmbH increased to 100 %
- Changes in Supervisory and Management Board of SOLON AG implemented

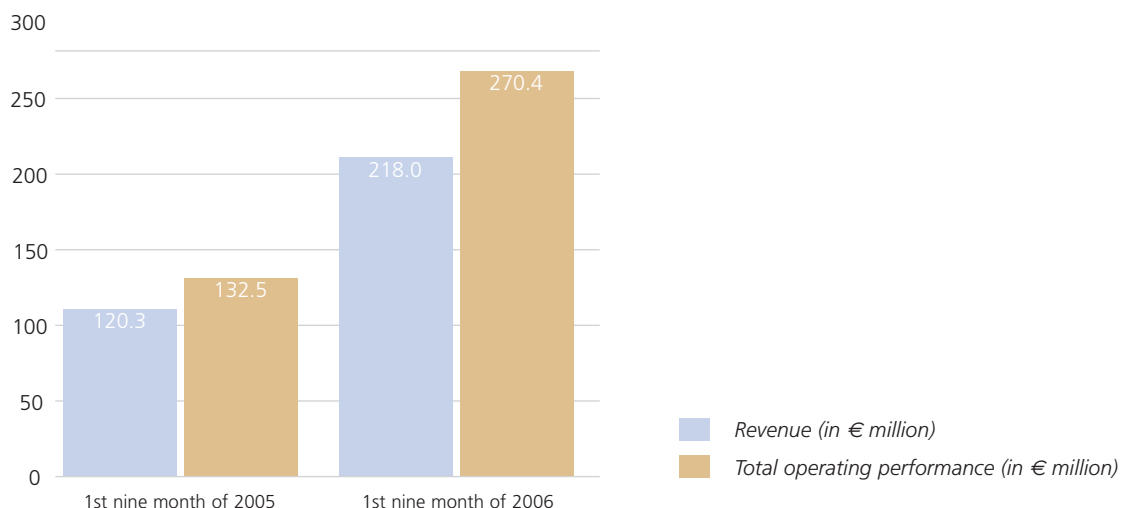
Type of business

SOLON AG was founded in 1997. The Company went public in 1998, making it the first exchange-listed solar power company in Germany. The SOLON Group currently employs 543 people and has production sites in Germany, Austria, Italy and Switzerland. Our business focuses on the production of solar modules and complete photovoltaic systems, the SOLON Movers, for the construction of solar power plants.

Performance in the first nine months of 2006

Revenue and total operating performance

The SOLON Group generated total revenue of € 218.0 million in the first nine months of 2006 (1st nine months of 2005: € 120.3 million). This reflects an 81 % increase. Total operating performance climbed 104 % to € 270.4 million from € 132.5 million a year earlier. Compared to the third quarter of 2005, revenue increased in the third quarter of 2006 from € 46.6 million to € 76.2 million and total operating performance rose from € 55.1 million to € 100.6 million.



Comparison of revenue and total operating performance in the first nine months of 2005/first nine months of 2006 in € million.

In the Solar Modules segment, revenue rose to € 159.4 million in the first nine months of 2006 (1st nine months of 2005: € 107.2 million). Total operating performance rose to € 185.6 million (1st nine months of 2005: € 110.5 million)

In the System Technology segment, which includes in particular the SOLON Mover business, revenue came to € 88.3 million in the period under review (1st nine months of 2005: € 17.7 million). Total operating performance was € 113.8 million (1st nine months of 2005: € 26.7 million)

The difference between the sum of the individual segments and the Group as a whole results from the sales within the group.

After a slight decline in the second quarter of inventories of work in progress and finished goods, which had been built up at the beginning of the year, inventories increased significantly in the third quarter. This development is due in particular to delays in the project business in the newly developed European markets. In addition to the System Technology segment, which is tailored to projects, the share of large solar projects also increased in the Solar Modules segment so that the postponements impacted the inventories of both segments.

In the first nine months of 2006, we increased production output across segments to 60 megawatts (1st nine months of 2005: 38 megawatts). The third quarter of 2006 accounted for 22 megawatts of this amount (Q3 2005: 18 megawatts).

Financial performance

The cost of materials rose to € 213.4 million in the first nine months of 2006 due to price hikes in the supply market and an increase in quantities produced (1st nine months of 2005: € 107.8 million). The cost of materials in the third quarter of 2006 was € 79.8 million (Q3 2005: € 44.1 million). We were able to compensate for a portion of the higher supply prices by taking advantage of economies of scale.

Compared to a figure of € 24.7 million in the first nine months of 2005, gross profit improved by 131 % to € 57.0 million.

As a result of new hires throughout the Group, personnel expenses increased 86 % to € 14.7 million in the first nine months of 2006 from € 7.9 million in the first nine months of 2005. The personnel expenses in the third quarter of 2006 were € 5.2 million (Q3 2005: € 2.9 million).

The conclusion of the purchase price allocation for S.E. Project and the start of the machinery upgrade increased depreciation and amortization by 110 % to € 4.4 million in the period under review (1st nine months of 2005: € 2.1 million). Depreciation and amortization in the third quarter of 2006 was € 2.0 million (Q3 2005: € 0.7 million).

Other operating expenses rose in the period under review from € 6.6 million to € 22.3 million. Thereof, non-recurring factors accounted for roughly one-fourth.

In the first nine months of 2006, EBIT and EBITDA of the SOLON Group improved to € 15.5 million and € 19.9 million, respectively (1st nine months of 2005: € 8.1 million and € 10.2 million, respectively). The EBIT margin held steady at 7 %. EBIT and EBITDA in the third quarter of 2006 were € 6.1 million and € 8.1 million, respectively (Q3 2005: € 4.8 million and € 5.5 million, respectively).

In the Solar Modules segment, EBIT for the first nine months of 2006 amounted to € 11.8 million (1st nine months of 2005: € 10.0 million). EBIT in the System Technology segment improved from € 1.0 million to a profit of € 13.5 million. This was in contrast to negative EBIT of € 9.8 million (1st nine months of 2005: negative € 2.9 million) in the Consolidation/Other segment, which primarily reflects the business activity within the Group.

Due to increased interest expenses, interest income declined from a loss of € 354 thousand to a loss of € 1,115 thousand in the first nine months. Compared to the third quarter of 2005, the figure for the third quarter of 2006 improved from a loss of € 533 thousand to a loss of € 363 thousand.

Expenses for income taxes were incurred in the amount of € 4.9 million in the period under review (1st nine months of 2005: € 3.3 million). The third quarter accounted for € 1.8 million of that amount (Q3 2005: € 2.0 million). The tax rate in the first nine months was 34 %.

Net income after minority interests rose 111 % to € 9.5 million in the first nine months of 2006 compared to € 4.5 million in the prior-year period. Net income after minority interests for the third quarter of 2006 was € 4.0 million. Compared to € 2.3 million in the third quarter of 2005, this reflects an increase of 74 %.

Earnings per share improved from € 0.55 in the first nine months of 2005 to € 1.04. Earnings per share of € 0.42 were generated in the third quarter of 2006 (Q3 2005: € 0.28).

Financial position

Non-current assets

We invested € 17.0 million in property, plant and equipment and intangible assets throughout the Group in the first nine months of 2006. Investments in financial assets came to € 15.1 million.

Broken down by segments, we invested € 10.4 million in the Solar Modules segment and € 4.9 million in the System Technology segment in the first nine months of 2006. Investments in the Consolidation/Other segment came to € 1.8 million.

These investments were offset by disposals of assets in the amount of € 6.0 million.

As of September 30, 2006, other assets came to € 19.7 million (December 31, 2005: € 5.9 million). This amount includes non-current advance payments on inventories of € 18.6 million.

Current assets

Inventories increased to € 110.3 million as of September 30, 2006 from € 31.4 million as of December 31, 2005, due to the takeover of S.E. Project s.r.l., the project delays referred to earlier and the long-term production utilization. This figure includes € 28.4 million for raw materials and supplies and € 20.4 million for advance payments on inventories.

The significant increase in raw materials and supplies as well as the advance payments on inventories ensures a high utilization of production capacity throughout the Group even in the long term. The global scarcity of solar cells makes early procurement essential for safeguarding our competitiveness. As a further protective measure, we concluded an additional procurement agreement for solar cells with ErSol Solar Energy AG, Erfurt, in August 2006. The scope of this agreement is approximately € 320 million.

At the end of the third quarter of 2006, inventories of finished goods and merchandise came to € 58.0 million. In addition to the postponed shipments due to project delays, the high inventory level results from the necessity to hold a significantly higher minimum quantity of solar modules because of the changed market conditions. Customers increasingly expect us to keep available large quantities of modules of one power class containing solar cells of one manufacturer for the implementation of megawatt projects.

Trade receivables increased to € 48.3 million from € 39.4 million as of December 31, 2005. Cash and cash equivalents had declined to € 3.6 million as of the reporting date (December 31, 2005: € 14.1 million).

Shareholders' equity

Compared to December 31, 2005, the exercise of stock options and the conversion of bonds increased the share capital by € 0.1 million to € 9.3 million. The shares issued for the purpose of taking over S.E. Project s.r.l. in fiscal 2005, which were reported as treasury shares since the transfer had not been effected, were transferred in March 2006.

The equity-to-assets ratio declined to 34 % from 43 % as of December 31, 2005.

Non-current liabilities

Non-current liabilities increased 10 % to € 52.4 million from 47.6 million as of December 31, 2005. The largest single item is the convertible bond issued in June 2005 totaling € 38.2 million.

Current liabilities

Current liabilities rose to € 142.9 million from € 56.5 million as of December 31, 2005, mainly as a result of the increase in advanced payments received, trade accounts payable as well as liabilities to banks. The growth is due to the increased total operating performance and the growth in the project business.

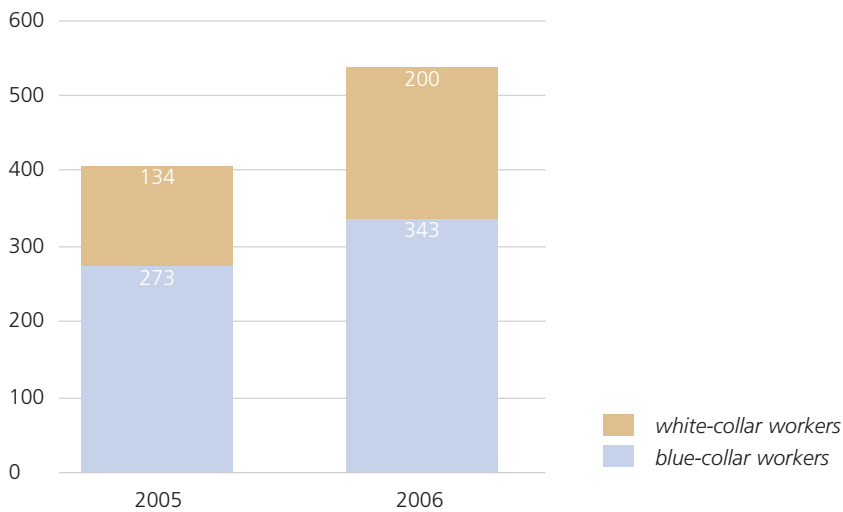
Cash flow

A negative cash flow from operating activities of € 26.9 million was generated in the first nine months of 2006 after a negative cash flow of € 14.1 million in the first nine months of 2005.

Compared to the prior year period, the cash flow from investing activities increased in the first nine months of 2006 to € -13.9 million (1st nine months of 2005: € -43.6 million). The cash flow from financing activities declined to € 30.3 million (1st nine months of 2005: € 64.7 million).

Human resources

The number of people employed by the SOLON Group – not including Management Board members – increased 33 % to 543 employees as of September 30, 2006 (September 30, 2005: 407 employees). Of these employees, 343 are blue-collar workers and 200 white-collar workers. The number of employees in Germany was 302, not including Management Board members.



Staffing level comparison between September 30, 2005 and September 30, 2006

Research and development

The trend toward the use of thinner wafers for the production of solar cells due to the scarcity of silicon is also requiring SOLON to step up its activities in process development. Several projects with cell and machinery suppliers were initiated simultaneously in order to be ready for the processing of particularly thin cells in production.

In view of the growth of the international markets, new development activities were started for specific products. This concerns both modified standard modules and Movers, as well as new products, particularly in the area of integrating photovoltaics in buildings.

Risk report

The risk situation, as described in the "Risk Management" section of the 2005 Annual Report, changed only in relation to the project business during the first nine months of 2006 or in the period until the report on the third quarter was completed. Additional administrative delays in the new European markets of Italy and Spain may cause significant financial resources to be tied up for a longer period of time and delay revenue recognition.

SOLON stock

After the hefty advances in the stock price at the start of the year, the consolidation of German solar stocks that had already started in the second quarter of the current year continued in the third quarter. This is also reflected in the trend of the PHOTON Photovoltaic Stock Index (PPVX), which gave up 12 % of its value in the third quarter. On the other hand, the German technology stock index TecDAX closed the quarter nearly unchanged (+1.7 %).

Like the majority of German solar stocks, the performance of the SOLON stock (ISIN DE0007471195) was initially positive at the beginning of the third quarter but it was unable to escape the anxious mood of the overall market as the quarter progressed. On September 29, 2006, the SOLON stock closed at € 29.57 (Frankfurt closing). This represents a 15 % price loss since June 30, 2006. With a view to the entire year, the value of the SOLON stock has increased 16 % in the first nine months.

The conversion of bonds from the convertible bond issued last year increased the share capital of SOLON AG to € 9,343,884 as of September 30, 2006. The share capital is divided into 9,343,884 no-par value bearer shares with a notional value of € 1.00 each. Our Company thus had a market capitalization of € 276 million as of September 30, 2006. Compared to the year before, earnings per share increased from € 0.55 to € 1.04.

41.8 % of the share capital of SOLON AG was represented at the Annual Shareholders' Meeting in Berlin on August 24. All resolutions relating to the ten agenda items were adopted with a significant majority. The resolutions adopted included the creation of new authorized capital and the authorization to acquire treasury stock. A new Supervisory Board was elected as well which includes Tobias Wahl, attorney at law (Chairman), Olaf Roessink, attorney at law and tax adviser, and Alexander Voigt, businessman.

Outlook

The market for solar technology is becoming increasingly global. This trend is reflected in the significant expansion of our foreign business. In Italy, the first key points of the proposed amendment of the feed-in law were recently announced. Among other things, the application process is to be simplified and the previous upper limit of 85 megawatts per year for new installations is to be eliminated. Market analysts predict that when these new regulations enter into effect, the growth of the Italian market will pick up considerably and will result in new installations exceeding 100 megawatts in 2007 alone. We have a strong position in the Italian market with our Italian subsidiary, the module producer S.E. Project, and we anticipate that we will be able to profit from the improvement in market conditions.

In Spain, SOLON is implementing power plant projects with a volume of approx. 20 megawatts this year. The situation in Spain has been increasingly apprehensive in recent weeks in light of the impending amendment of the feed-in law, which had led to project delays. A draft of the Decreto Real is expected by the end of this year. The outcome of this process is still open. However, the prospects are encouraging in view of the clear commitment made by the new Spanish Energy Minister, Joan Clos, to promote renewable energies recently published in the Spanish press. In addition, continuing high demand from Spanish customers for SOLON Movers as well as the contracts under negotiation for the coming year make it appear likely that the Spanish photovoltaics market will remain attractive for investors.

SOLON typically generates approx. 60 % of its annual revenues and earnings in the first nine months of the fiscal year. The first nine months of 2006 have once again confirmed this very seasonal quality of the photovoltaic industry. However, in the past few weeks the situation in the Spanish market has led to additional delays for two projects of several megawatts in scope. Depending on the degree to which these projects can be completed by year-end, we expect our Group revenue to rise by 50 to 75 % from a year earlier, with a corresponding rise in Group earnings. Our production output will presumably rise from 56 megawatts in 2005 to 84 megawatts in the current fiscal year.

SOLON AG für Solartechnik, Berlin

Consolidated Income Statement

	Note	2006 (Jan. 01-Sep. 30) in € '000	2005 (Jan. 01-Sep. 30) in € '000	2006 (Jul. 01-Sep. 30) in € '000	2005 (Jul. 01-Sep. 30) in € '000
Revenue	(2)	217,995	120,268	76,222	46,599
Changes in work in progress and finished goods		46,007	10,983	21,926	8,000
Own expenses capitalized		831	118	512	27
Other operating income		5,544	1,140	1,925	430
TOTAL OPERATING PERFORMANCE		270,377	132,509	100,585	55,056
Cost of materials	(3)	213,404	107,837	79,787	44,079
GROSS PROFIT		56,973	24,672	20,798	10,977
Personnel expenses		14,720	7,860	5,227	2,895
Depreciation and amortization		4,427	2,058	1,983	719
Other operating expenses		22,323	6,628	7,482	2,534
EBIT		15,503	8,126	6,106	4,829
Net interest income		-1,115	-354	-363	-533
EARNINGS BEFORE TAXES		14,388	7,772	5,743	4,296
Income taxes		4,891	3,290	1,789	1,951
NET INCOME BEFORE MINORITY INTEREST		9,497	4,482	3,954	2,345
Minority interest		-2	-11	1	-3
NET INCOME AFTER MINORITY INTEREST		9,499	4,493	3,953	2,348
Earnings per share in €		1.04	0.55	0.42	0.28
Diluted earnings per share in €		0.98	0.50	0.40	0.27

SOLON AG für Solartechnik, Berlin
Consolidated Balance Sheet

ASSETS			
	Note	Sep. 30, 2006 in € '000	Dec. 31, 2005 in € '000
A. NON-CURRENT ASSETS		113,705	74,464
I. Intangible assets	(4)	28,475	14,768
II. Property, plant and equipment	(4)	20,500	18,109
III. Financial assets	(4)	40,950	29,372
IV. Other assets		19,744	5,860
V. Deferred tax assets		4,036	6,355
B. CURRENT ASSETS		181,864	106,889
I. Inventories	(5)	110,341	31,379
II. Accounts receivable		48,270	39,374
III. Other receivables and assets		19,558	21,783
IV. Cash and cash equivalents		3,563	14,129
V. Prepaid expenses		132	224
TOTAL ASSETS		295,569	181,353

SHAREHOLDERS' EQUITY AND LIABILITIES			
	Note	Sep. 30, 2006 in € '000	Dec. 31, 2005 in € '000
SHAREHOLDERS' EQUITY		100,282	77,252
I.		9,344	9,244
II.		69,709	67,823
III.		-1,314	-338
IV.		22,555	13,056
V.		0	-12,530
VI.		-12	-3
B. NON-CURRENT LIABILITIES		52,394	47,580
I.		3,867	2,324
II.	(6)	7,503	4,865
III.	(6)	39,517	37,758
IV.		30	39
V.		1,477	2,594
C. CURRENT LIABILITIES		142,893	56,521
I.		5,805	3,674
II.		2,085	843
III.	(6)	60,364	24,265
IV.		34,081	60
V.		35,847	18,653
VI.	(6)	4,682	9,001
VII.		29	25
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		295,569	181,353

* Starting in fiscal 2006, capital reserve and revenue reserve will be reported as a single item. The stock options not yet exercised that have in the past been included in revenue reserves will be stated in the capital reserve in the future. Prior periods will be adjusted to reflect this change for purposes of comparison. For details on our stock option plan, please see the statement of changes in equity and the separate section describing employee profit sharing programs in the notes.

SOLON AG für Solartechnik, Berlin Consolidated Cash Flow Statement

	2006 (Jan. 01-Sep. 30) in € '000	2005 (Jan. 01-Sep. 30) in € '000
CASH FLOW FROM OPERATING ACTIVITIES		
Earnings before income taxes	14,388	7,772
Reconciliation of earnings before income taxes to operating result before changes in working capital	10,682	3,266
+ Amortization of intangible assets and depreciation of property, plant and equipment	4,427	2,058
+/- Loss/Gain from disposal of non-current assets	185	-2
+ Cost of materials from the discounting of non-current advance payments	3,395	0
+ Financial result	1,115	427
+ Expenses for the stock option program	1,577	774
-/+ Other non-cash income and expenses	-17	9
Operating result before changes in working capital	25,070	11,038
Changes in operating assets and liabilities	-48,561	-25,337
+ Additions to current and non-current provisions	2,478	602
- Change in inventories, accounts receivable and other assets not attributable to investing or financing activities	-82,437	-14,889
- Changes in inventories and advance payments on inventories	-69,578	-13,205
-/+ Changes in accounts receivable	-1,224	671
- Changes in other receivables and assets	-11,739	-2,363
+ Changes in prepaid expenses	104	8
+/- Change in accounts payable and other liabilities not attributable to investing or financing activities	31,398	-11,050
+/- Changes in accounts payable	11,961	-573
+/- Changes in advance payments received and other liabilities	19,442	-10,479
-/+ Changes in deferred income	-5	2
Cash flow from operating activities before income taxes	-23,491	-14,299
-/+ Cash outflow/inflow from income taxes	-3,395	228
Cash flow from operating activities	-26,886	-14,071

	2006 (Jan. 01-Sep. 30) in € '000	2005 (Jan. 01-Sep. 30) in € '000
CASH FLOW FROM INVESTING ACTIVITIES		
+ Purchase of subsidiaries less net of cash acquired	330	1,427
- Purchase of property, plant and equipment and intangible assets	-6,310	-5,474
- Changes in financial assets	-8,960	-41,425
+ Proceeds from the sale of non-current assets	581	3
+ Grants received for non-current assets	419	1,841
Cash flow from investing activities	-13,940	-43,628
CASH FLOW FROM FINANCING ACTIVITIES		
+ Proceeds from the issuance of share capital	0	11,182
+ Converted options on stock option program and convertible bonds	407	433
+ Changes in financial liabilities	30,916	53,701
- Transaction costs for the issuance of share capital	0	-368
- Interest paid/received in the period	-1,056	-209
Cash flow from financing activities	30,267	64,739
Effect of exchange rate fluctuations on cash and cash equivalents	-7	4
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	14,129	4,670
Cash and cash equivalents at end of period	3,563	11,714
Net change in cash and cash equivalents	-10,566	7,044
ADDITIONAL DISCLOSURES		
Interest received (with an effect on cash and cash equivalents)	1,884	843
Interest paid (with an effect on cash and cash equivalents)	-2,940	-1,052

SOLON AG für Solartechnik, Berlin
Consolidated Statement of Changes in Equity

	Share capital SOLON AG in € '000	Capital reserve in € '000
BALANCE AS OF JAN. 1, 2005 – IFRS	7,356	28,195
Net income/loss		
Share acquisition	450	12,852
Currency translation differences		
Stock option program	203	1,004
Issuance of share capital	735	10,445
Transaction costs for the issuance of share capital after tax effect of € 235 thousand		-368
Issue of convertible bonds		3,381
Fair value changes of afs securities		
Other changes		2
BALANCE AS OF SEP. 30, 2005 – IFRS	8,744	55,511
BALANCE AS OF JAN. 1, 2006 – IFRS	9,244	67,823
Net income/loss		
Treasury shares		
Share acquisition		
Currency translation differences		
Stock option program	94	1,663
Converted options on convertible bonds	6	223
Fair value changes of afs securities		
BALANCE AS OF SEP. 30, 2006 – IFRS	9,344	69,709

Other comprehensive income- in € '000	Accumulated profit in € '000	Treasury shares in € '000	Minority interests in € '000	TOTAL in € '000
-3	5,195	0	8	40,751
	4,493		-11	4,482
				13,302
4				4
				1,207
				11,180
				-368
				3,381
235				235
			-1	1
236	9,688	0	-4	74,175
-338	13,056	-12,530	-3	77,252
	9,499		-2	9,497
		12,530		12,530
			-7	-7
-7				-7
				1,757
				229
-969				-969
-1,314	22,555	0	-12	100,282

SOLON AG für Solartechnik, Berlin

Notes to the Interim Report as of September 30, 2006

1. General

Economic status of the Company

SOLON AG, with registered offices at Ederstrasse 16, 12059 Berlin, Germany, was established in 1997. The company is a holding which is responsible for strategic development, project business and financing of the SOLON Group as well as for research and development and sales.

The Company's activities involve the manufacture of photovoltaic modules, industrially produced solar power stations and power inverters. The SOLON Group is one of the largest solar module manufacturers in Europe and a leading supplier of intelligent photovoltaic solutions for large-scale projects.

Basis of presentation

The consolidated financial statements of the SOLON Group for the period ended September 30, 2006 were prepared in accordance with International Financial Reporting Standards (IFRS). All standards effective as of September 30, 2006 have been applied. The provisions of the standards were complied with in the versions applicable for fiscal years beginning on or after January 1, 2006. The comparative figures for previous periods were determined using the same principles.

The Group currency is the euro (€). Unless otherwise indicated, all amounts are stated in thousand €.

In preparing this quarterly report and calculating the comparative figures for the previous year, the same consolidation principles and accounting policies were used as were applied to the published consolidated financial statements for fiscal 2005. For a description of these methods, please refer to the notes to the consolidated financial statements (items 1 and 2) as published in the 2005 Annual Report. This report is available for download from the Internet at www.solonag.com.

The income statement has been prepared according to the total expenditure format.

Scope of consolidation

As of September 30, 2006, the following companies were included in the consolidated financial statements of SOLON AG:

Name	Country addition (*)	Date of formation / addition	Shareholding
SOLON Photovoltaik GmbH, Berlin	Germany	Dec. 22, 1998	100 %
SOLON Nord GmbH, Greifswald	Germany	Apr. 23, 2004	100 %
asp AG, Laupen/Zurich	Switzerland	Jan. 01, 2000	100 %
Soline GmbH, Freiburg	Germany	Jul. 01, 2003	100 %
SOLON Hilber Technologie GmbH, Steinach	Austria	Aug. 19, 2005	100 %
S.E. Project s.r.l., San Pietro in Gù	Italy	Jan. 01, 2006	100 %
ERLASEE Liegenschaften GbR, Berlin	Germany	Nov. 12, 2003	90 %

(*) The date of formation/addition corresponds to the date of initial consolidation

A number of subsidiaries were not included as their influence on the financial position and performance is not material. The non-inclusion has an impact of less than 1 % on sales, earnings and total assets.

Effective January 1, 2006, SOLON AG acquired 100 % of the equity and voting rights in S.E. Project s.r.l. The transfer of the shares, issued by SOLON AG in December 2005, was effected as of March 3, 2006. S.E. Project s.r.l. is one of the most significant suppliers of solar modules and solar system technology in the Italian market.

The purchase price was agreed at 500,000 shares of SOLON AG. The exact amount of the purchase price was determined on the basis of the market value of the shares at the date of the entry into the commercial register on December 22, 2005, which amounted to € 25.06 per share (Xetra closing rate on December 22, 2005). Incidental acquisition costs in the amount of € 162 thousand were also included.

The purchase price allocation of S.E. Project s.r.l. has not been completed because the auditor must still audit the data. Following the regulations of IFRS 3.61 et seq, the reporting as of September 30, 2006 is based on the preliminary figures, which can still change by the time the annual financial statements are drawn up on December 31, 2006.

Under the purchase price allocation according to IFRS 3, all reported assets and liabilities must be shown at fair value on the date of acquisition. Furthermore, additional intangible assets and liabilities previously not reported must be capitalized while including tax effects. The remaining difference between the new equity and the original investment must be capitalized as goodwill.

The following table shows the purchase price allocation (PPA) in conformity with IFRS 3:

	in € '000
Cost	12,692
Market value of SOLON shares	12,530
Incidental costs	162
less acquired equity	956
less subscribed capital unpaid	68
plus deferred taxes	321
Difference	11,989
less fair value measurement	4,373
Inventories	210
Intangible assets	4,163
plus deferred taxes	1,308
Goodwill	8,924

The following intangible assets were identified and measured as part of the purchase price allocation:

	in € '000	Useful life in years
Brand name	1,096	5
Long-term supply contracts of raw materials	1,413	4
Customer base	1,654	6
Total	4,163	

The additional recognition of the hidden reserves, unrealized losses and contingent liabilities as well as the intangible assets, shown above results in goodwill of € 8,924 thousand, reflecting the future expected income of S.E. Project s.r.l., which cannot be reported as a separate asset according to IFRS 3. Consistent with the provisions of IFRS 3, this goodwill is not amortized on a scheduled basis but instead is tested annually for impairment pursuant to IAS 36.

The following table shows the significant assets and liabilities of S.E. Project s.r.l. as of the date of acquisition (before fair value measurement):

	Jan. 01, 2006 in € '000
ASSETS	
Non-current assets	1,248
Current assets	
Inventories	12,569
Accounts receivable	7,530
Other receivables and assets	2,744
Cash and cash equivalents	337
TOTAL Current assets	23,180
TOTAL ASSETS	24,428
SHAREHOLDERS' EQUITY AND LIABILITIES	
Shareholders' Equity and Liabilities	956
Shareholders' equity	
Provisions	865
Financial liabilities	10,094
Advance payments received	5,688
Accounts payable	5,233
Other liabilities	1,592
TOTAL Liabilities	23,472
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	24,428

The share in Soline GmbH was increased to 100 % during the period under review with economic effect as of January 1, 2006. The purchase was effected at nominal value. In August 2006, the registered offices were moved from Berlin to Freiburg.

Notes to the Income Statement

2. Revenue

The Company's revenue was predominantly generated from the selling of solar modules and SOLON Movers. Please see the segment report for a detailed breakdown of revenue by segment.

3. Cost of materials

The cost of materials relates to the following items:

	2006 Jan. 01-Sep. 30 in € '000	2005 Jan. 01-Sep. 30 in € '000
Expenses for raw materials, supplies and merchandise	203,047	88,714
Expenses from the discounting of non-current advance payments on inventories	3,395	0
Expenses for services purchased	6,962	19,123
Cost of materials	213,404	107,837

Non-recurring expenses of € 3,395 thousand resulted from the discounting of non-current advance payments on raw materials and supplies in the period under review. The effects from the compounding until the advance payments are used are reported in the financial result as interest income.

Notes to the Balance Sheet

4. Change in selected non-current assets from January 1, 2005 - September 30, 2006

	Intangible assets in € '000	Property, plant and equipment in € '000	Financial assets in € '000	TOTAL in € '000
Net carrying amount as of Jan. 1, 2005	1,303	10,597	1,372	13,272
Additions	7,760	9,470	28,366	45,596
Additions to scope of consolidation/other changes	6,138	746	-366	6,518
Depreciation and amortization	433	2,704	0	3,137
Net carrying amount as of Dec. 31, 2005	14,768	18,109	29,372	62,249
Net carrying amount as of Jan. 1, 2006	14,768	18,109	29,372	62,249
Additions	9,717	7,289	15,122	32,128
Additions to scope of consolidation/other changes	5,516	-1,997	-3,544	-25
Depreciation and amortization	1,526	2,901	0	4,427
Net carrying amount as of Sep. 30, 2006	28,475	20,500	40,950	89,925

5. Inventories

Inventories comprise the following items:

	Sep. 30, 2006 in € '000	Dec. 31, 2005 in € '000
Raw materials and supplies	28,373	16,016
Work in progress	3,542	2,844
Finished goods and merchandize	57,984	10,751
Advance payments on inventories	20,442	1,768
Inventories	110,341	31,379

6. Financial liabilities

Current and non-current financial liabilities comprise the following:

	Sep. 30, 2006 in € '000	Dec. 31, 2005 in € '000
Non-current liabilities to banks	7,503	4,865
Non-current liabilities from bonds	38,201	37,750
Non-current finance lease liabilities	1,316	0
Other non-current liabilities	0	8
Current liabilities to banks	60,364	24,265
Current interest liabilities from bonds	483	961
Current finance lease liabilities	456	0
Financial liabilities	108,323	67,849

7. Earnings per share

	2006	2005	2006	2005
	Jan. 01-Sep. 30	Jan. 01-Sep. 30	Jul. 01-Sep. 30	Jul. 01-Sep. 30
Net income after minority interests in € '000	9,499	4,493	3,953	2,348
Average number of shares in thousands	9,164	8,173	9,344	8,494
Earnings per share in €	1.04	0.55	0.42	0.28
Adjusted net income after minority interests in € '000	10,457	4,789	4,271	2,638
Adjusted average number of shares outstanding for diluted earnings per share in thousands	10,664	9,610	10,723	9,931
Diluted earnings per share in €	0.98	0.50	0.40	0.27

Net income after minority interests forms the basis for calculating earnings per share. The average number of shares outstanding is computed from the weighted average number of shares during the reporting period.

The stock option plan and the convertible bond continued to be included in the calculation of the diluted earnings per share if they had a diluting effect.

Adjusted net income after minority interests accounts for interest effects after taxes from the issuance of the convertible bond. The interest effect after taxes amounted to € 958 thousand as of September 30, 2006 (previous year: € 296 thousand). For the third quarter of 2006, this effect amounted to € 318 thousand (Q3 2005: € 290 thousand).

The adjusted average number of shares outstanding for diluted earnings per share takes the stock option program and the convertible bond into account. The average increase in the number of shares from the stock option program amounted to 319 thousand as of September 30, 2006 (previous year: 254 thousand), and the average increase based on the convertible bond was 1,181 thousand as of September 30, 2006 (previous year: 1,183 thousand). In the third quarter of 2006, the average increase in the number of shares from the stock option program amounted to 203 thousand (Q3 2005: € 254 thousand). The convertible bond increased the average number of shares as of the third quarter of 2006 by 1,176 thousand (Q3 2005: 1,183 thousand).

8. Segment data

The business activities of the SOLON Group traditionally focus on the manufacture of photovoltaic modules and are carried out by our subsidiaries SOLON Photovoltaik GmbH, SOLON Nord GmbH and the module division of S.E. Project s.r.l. acquired as of January 1, 2006.

In addition to its traditional business, the SOLON Group is active in the System Technology segment, which mainly develops and produces industrially-manufactured tracked solar power stations. This segment includes the system technology division of SOLON AG, SOLON Hilber Technologie GmbH, asp AG, ERLASEE Liegenschaften GbR and Soline GmbH. Furthermore, the system technology division of S.E. Project s.r.l. has also been allocated to this segment since January 1, 2006.

Segment reporting for the period under review is as follows:

		Solar Modules	
in € '000		2006	2005
		Jan. 01-Sep. 30	Jan. 01-Sep. 30
Segment revenue		159,424	107,214
<i>Revenue with other segments</i>		29,075	4,651
Changes in work in progress and finished goods		24,077	2,164
Own expenses capitalized		362	58
Other operating income		1,750	1,014
TOTAL OPERATING PERFORMANCE		185,613	110,450
Cost of materials		158,538	88,613
GROSS PROFIT		27,075	21,837
Personnel expenses		5,916	5,586
Depreciation and amortization		2,464	1,971
Other operating expenses		6,922	4,250
<i>thereof non-cash expenses</i>		3,648	86
EBIT		11,773	10,030
Capital expenditure		10,355	2,506

System Technology		Other		Group	
2006	2005	2006	2005	2006	2005
Jan. 01-Sep. 30	Jan. 01-Sep. 30	Jan. 01-Sep. 30	Jan. 01-Sep. 30	Jan. 01-Sep. 30	Jan. 01-Sep. 30
88,330	17,735	-29,759	-4,681	217,995	120,268
689	30	-29,764	-4,681	0	0
21,879	8,819	51	0	46,007	10,983
354	60	115	0	831	118
3,231	125	563	1	5,544	1,140
113,794	26,739	-29,030	-4,680	270,377	132,509
84,547	23,892	-29,681	-4,668	213,404	107,837
29,247	2,847	651	-12	56,973	24,672
5,059	859	3,745	1,415	14,720	7,860
1,882	172	81	-85	4,427	2,058
8,765	775	6,636	1,603	22,323	6,628
477	16	998	992	5,123	1,094
13,541	1,041	-9,811	-2,945	15,503	8,126
4,863	2,968	1,788	0	17,006	5,474

9. Employee profit sharing program

The employee profit sharing program has not changed since June 30, 2006. The stock options had the following maximum terms as of the reporting date:

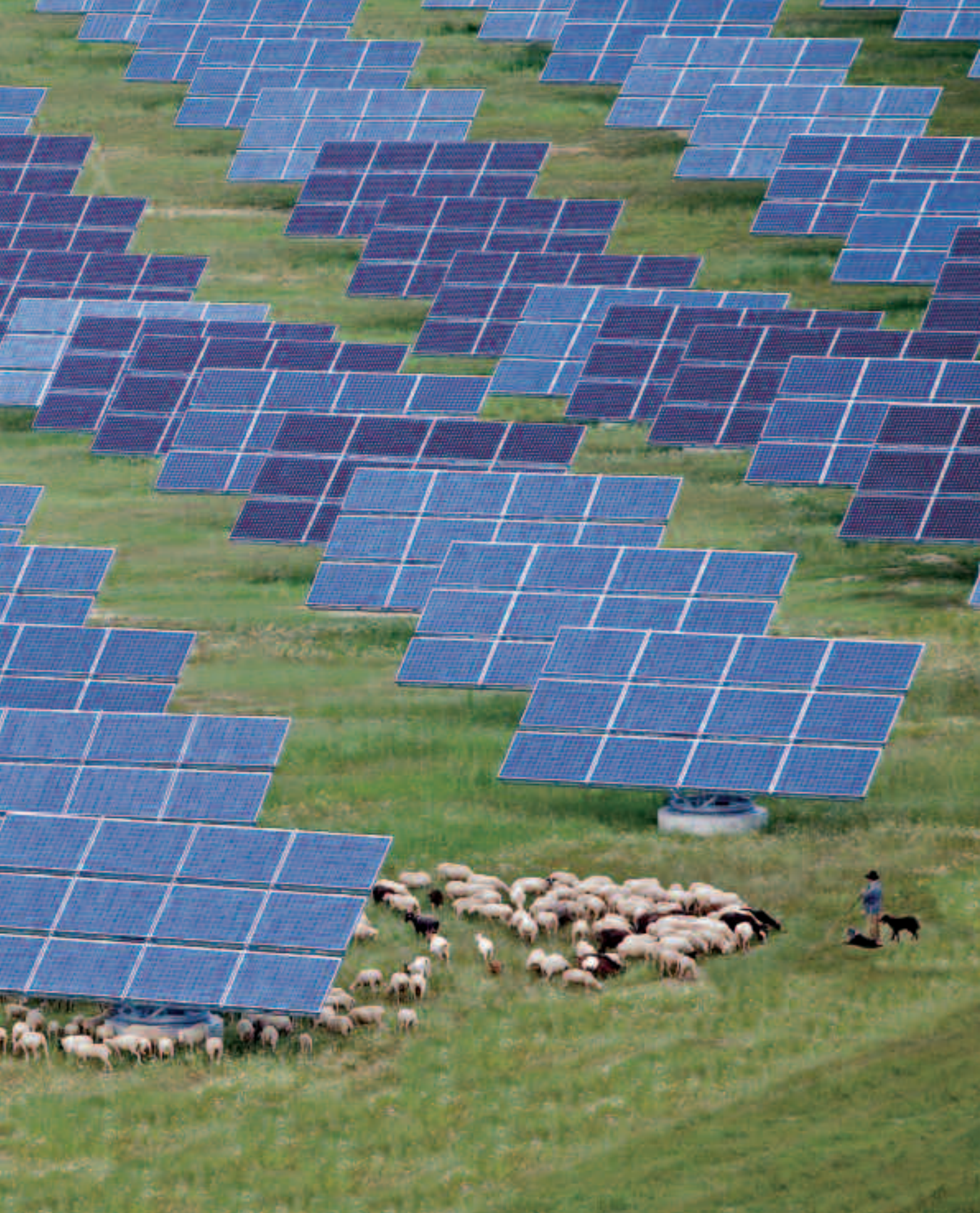
	Date of issue	Vesting Period (in years)	Remaining term as of Sep. 30, 2006 (in years)
Tranche 3	Dec. 30, 2004	2 resp. 3	8.25
Tranche 4	Feb. 24, 2005	2 resp. 3	8.40
Tranche 5	Jan. 18, 2006	2 resp. 3	9.30
Tranche 6	Apr. 07, 2006	2 resp. 3	9.52

The stock option program results in the following expenses for SOLON AG as of the reporting date:

	Sep. 30, 2006 in € '000	Sep. 30, 2005 in € '000
Total expense from equity-based payment transactions	2,831	983
Expense for the period from equity-based payment transactions	1,577	774

10. Significant transactions after the reporting date

No events of special significance occurred in the period between the end of the quarter and the publication of the third quarter report for 2006.



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SOLON AG für Solartechnik Financial Calendar

SOLON AG – Financial Calendar for the Fiscal Year 2007

April 25, 2007:
Annual Report 2006

May 23, 2007 :
Report 1st Quarter 2007

August 22, 2007:
Report 2nd Quarter 2007

August 29, 2007:
Annual Shareholders' Meeting, Berlin

November 13, 2007:
Report 3rd Quarter 2007

November 2007:
Analyst Conference, Berlin

