

*Interim Report as  
of September 30, 2010*

## Key data SOLON Group

	Jan 1 – Sep 30, 2010	Jan 1 – Sep 30, 2009	Changes
Revenue in € million	404.6	218.4	85 %
Total operating performance in € million	447.4	215.7	107 %
Gross profit in € million	95.9	10.5	813 %
EBITDA in € million	8.3	-72.2	111 %
in percentage of revenue	2.1 %	n/a	n/a
EBIT in € million	-5.3	-87.0	94 %
in percentage of revenue	n/a	n/a	n/a
Earnings before taxes in € million	-21.9	-170.1	87 %
in percentage of revenue	n/a	n/a	n/a
Net loss after minority interests in € million	-17.4	-146.7	88 %
in percentage of revenue	n/a	n/a	n/a
Number of employees	967	915	6 %
Revenues per employee in € thousand	418.4	238.7	75 %
Number of outstanding shares in million	17.2	12.5	38 %
Earnings per share in €	-1.20	-11.71	90 %
Cash flow from operating activities in € million	-17.5	30.1	-158 %
Depreciation and amortization in € million	13.6	14.8	-8 %
Capital expenditure in € million	4.4	25.5	-83 %
Production capacity in MWp	412 <sup>1)</sup>	450	-8 %
Production output in MWp	194	75	159 %
	30.09.2010	31.12.2009	
Total assets in € million	663.9	642.7	3 %
Equity in € million	112.5	110.4	2 %
Equity-to-assets ratio in %	16.9 %	17.2 %	-1 %

<sup>1)</sup> Due to its pending spin-off, the production capacities of the subsidiary SOLON HILBER Technologie GmbH were no longer included.

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# Highlights

- › Group revenue rises 85 % to €404.6 million
- › Operating loss (EBIT) of €5.3 million
- › Sales subsidiary established in France
- › Negotiations concluded for spinning off the Austrian subsidiary
- › Contract won from US energy supplier Tucson Electric Power
- › CFO Simone Prüfer steps down from the Management Board

# Letter to Shareholders

Dear Shareholders,  
Business Partners and Friends of SOLON,

The sustained high demand in Germany and the noticeable pickup in other markets of Europe and in the U.S. have contributed to the continued recovery of our business in the third quarter of 2010. We were thus again able to increase our revenue in the third quarter as compared to the previous quarter. Our Group's total revenue in the first nine months of the year has exceeded €400 million. Already by the end of September, it had exceeded our total revenue for all of 2009 by a significant amount. On the other hand, because of continued slightly negative EBIT, the earnings side did not entirely turn out to be as positive as we had expected. This is in particular due to a non-recurring warranty expense from a pre-existing project in Italy in the amount of €4.5 million. The warranty claim, which we consider to be unfounded and against which we are taking legal action, was in connection with bid bonds in public tenders in Italy which are no longer common in that form. Except for this special factor, we would have closed the third quarter with a positive operating result.

Like many other solar companies, SOLON has benefited enormously from the demand trend in Germany in the last few months. As already in the second quarter, strong pull-forward effects were seen with regard to another lowering of the feed-in tariff for solar electricity as of October 1 of this year. Our business with solar modules thus continued to be robust in the summer months. At the same time, the percentage share of the power plant business of total sales increased significantly in the third quarter, propelled by the noticeable pickup in this area compared to the first six months. This is attributable firstly to the dynamic development in our key export markets of Italy and the U.S., which is reflected in a number of new orders. The percentage of sales generated outside of Germany continued to increase and again topped 50% by the end of September. This demonstrates that the regional basis of our business is broadening appreciably. Secondly, customer projects began to be implemented in the third quarter after having been subject to closed Group financing on the part of SOLON and therefore delayed.

In the northern Italian city of Padua, we joined with the participating investors and banks in celebrating the connection of the first segment of the power plant installed on the roofs of the logistics company Interporto Padova to the grid in early October. The power plant's total output will exceed 12 MWp. A few days ago, we inaugurated our first ground-mounted power plants in France in the city of Ferrassières, near Avignon. The land had previously been used as a launch pad for nuclear missiles, making this in our

view, a particularly impressive example of a suitable change in use of so-called conversion areas.

The other highlights of the last few months certainly include the signing of a contract with the U.S. utility company Arizona Public Service (APS) for the turnkey construction of an 18 MWp large-scale power plant in Arizona. SOLON succeeded in competing against more than 100 rivals in the bidding process for this project. The key factor in this successful outcome was our comprehensive experience in the planning and construction of large-scale power plant installations from projects implemented worldwide of a total scope exceeding 200 MWp. More than anything, it was our system competence that convinced the customer. This project will be the first instance in which our product SOLON Velocity will be used on a grand scale. SOLON Velocity is a power plant system made up of preconfigured 1 MWp clusters designed especially for the construction of multimegawatt power plants. Its use makes it possible to shorten the planning and construction time in large-scale projects of this type. This order establishes SOLON as one of the top five solar power plant builders in the U.S.

Our goal is to make ourselves the solar partner of choice for large energy suppliers. This major order brings us significantly closer to achieving this goal. However, satisfied customers are without doubt the best reference. The fact that SOLON is capable of completely fulfilling the high expectations of its customers is not least reflected in the recent award as "2010 Generation Supplier of the Year." We recently received this distinction from another major customer, the California utility company PG&E.

Based on the positive course of business so far this year and sustained robust activity in the project business, we continue to expect that we will achieve our targets for this year: Group sales significantly exceeding €500 million and a balanced operating result.

Sincerely yours,



Stefan Säuberlich,  
Chief Executive Officer

# *Interim Group Management Report*

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# Interim Group Management Report for the Nine Months Ended September 30, 2010

## Business and economic trends

SOLON SE was founded in 1997 in Berlin, Germany, and in 1998 became the first quoted solar energy company in Germany. At the end of the third quarter of 2010, the SOLON Group had subsidiaries in Germany, Austria, Italy, France, Switzerland, and the U.S and employed 967 employees worldwide. The registered office of SOLON SE and accordingly of the Group is in Berlin, Germany.

SOLON is one of the largest manufacturers of solar modules in Europe and a supplier of solar system technology for large-scale rooftop and greenfield installations. The Company's core competencies extend to three significant fields throughout the solar value chain:

- › Manufacture of solar modules, distribution to wholesalers and installers
- › Construction of turnkey solar power plants on roofs and greenfields, distribution to project developers and energy utility companies
- › Development and structuring of complete solar power plant projects including aftersales service and marketing to financial investors

## Macroeconomic situation

### The global economy

The global economy continued its robust expansion in the third quarter, although slightly reduced momentum was observed in both the industrial nations and the emerging economies. The economic recovery in the eurozone, which had already softened, lost even more momentum, due in part to the strained labor market situation in several member states, the expiration of economic stimulus programs, and budget consolidation measures initiated in the meantime.

The most recent economic data show that Germany has recovered from the global financial crisis significantly faster than most other industrial states, making it one of the growth engines of Europe.

Based on the strong trend in the first three quarters, growth forecasts for the current year were recently revised upwards once again. The upturn in Germany is also broadening noticeably. In the early months of the year, the upturn was largely buoyed by strong foreign demand for German industrial goods. Now, however, the domestic economy is gaining in significance thanks to a recent pickup in private consumer demand.

### The market for solar technology

After an extremely weak year 2009, in 2010 the international solar industry regained the robust momentum of previous years. Unanticipated strong demand in Germany contributed in particular to this development, though the pickup in other regions such as the U.S. and Asia was also a factor.

In the first three quarters of the year, the German market developed significantly more robustly than expected. After a rather slow start into the year due to the long winter, by the end of September new solar systems reaching over 5 GWp in output had been installed, significantly more than in all of 2009. One factor contributing to this surge in demand was the continued good return opportunities on solar investments. Considerable pull-forward effects in connection with the enacted or pending reduction of solar electricity subsidies also contributed to the increase.

The Italian market, where a change in subsidy conditions is also pending for the beginning of 2011, has also seen a positive trend thus far this year. In order to benefit from current feed-in tariffs, numerous power plant projects have been started in the last few months, which should be completed by year-end.

A noticeable pickup in the market was also seen in the U.S. in recent months, predominantly in the area of large-scale power plant installations. A large part of this is attributable to the growing involvement of local energy suppliers investing in solar projects to fulfill the requirements now existing in numerous U.S. states to supply electricity from renewable energies.

## Significant events in the third quarter of 2010

### Partnership with Australian solar product developer Bright Generation

In July, SOLON announced an agreement to cooperate with Australian solar company Bright Generation. Under the agreement, SOLON will in the future supply Bright Generation with solar modules that will be used in its SolarCombi product. This product combines photovoltaics and solar thermal power in a single system, which Bright Generation markets to homeowners in Australia.

### Subsidiary established in France

French subsidiary SOLON SAS commenced operations in early August. The Lyon-based company was founded to reinforce marketing and sales activities in the French market and manage the French business in country.

### Negotiations concluded for spinning off Austrian subsidiary

On August 5, SOLON announced that the negotiations for spinning off the activities of its Austrian subsidiary, SOLON HILBER Technologie GmbH, had been concluded. The agreement stipulates that significant areas of activity of the company will be spun off as of January 1, 2011 under the terms of a management buy-out. Successful conclusion of the transaction will make it possible to retain most of the current jobs in Tyrol, Austria.

### U.S. subsidiary is awarded contract by Tucson Electric Power

Also in August, the SOLON Corporation was awarded a contract for construction of a solar power plant for local energy supplier Tucson Electric Power Company. The 1.6 MWp turnkey plant will be constructed in Tucson and is scheduled to be completed by year-end 2010. Tucson Electric Power is Arizona's second largest private electricity utility and supplies electricity to more than 375,000 customers in southern Arizona.

### CFO Simone Prüfer steps down from the Management Board

CFO Simone Prüfer resigned from the Management Board on August 31. The Supervisory Board took the occasion to restructure the Management Board in terms of responsibilities and decided that CEO Stefan Säuberlich would take on the CFO's responsibilities in the future.

### Framework agreement with Photovoltaïque, French solar energy product wholesaler

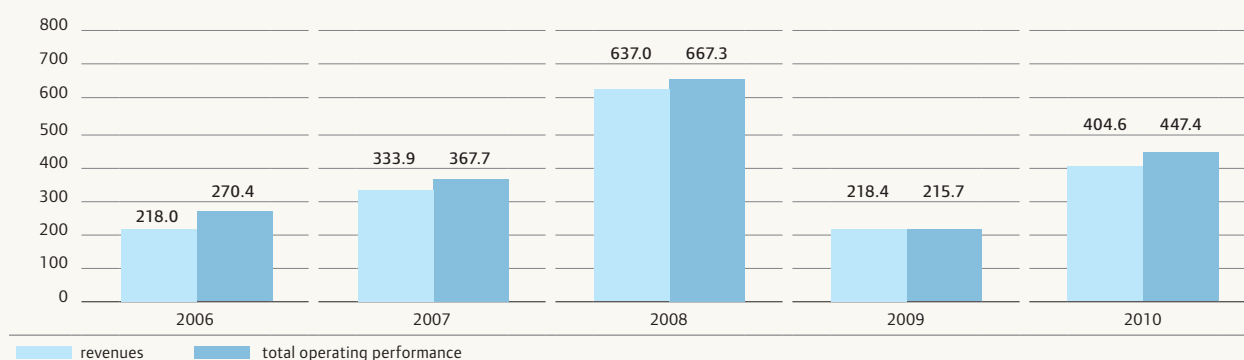
To bolster its activities in France, in late September SOLON signed a framework agreement with France Photovoltaïque for the delivery of standard modules for the French private sector market. France Photovoltaïque is one of the most significant wholesalers of solar modules in France.

## Course of Business in the first nine months of 2010

After generating high sales in the second quarter with revenue of €154.8 million, SOLON further increased its revenue to a total of €161.0 million in the third quarter. In an annual comparison, revenues rose by €186.2 million to €404.6 million in the first nine months of 2010, up from €218.4 million in the first nine months of 2009 and reflecting an 85% increase year on year. SOLON generated the major share of its sales (71%) through the Components business, although the Systems business accounted for an increasing share of sales over the course of the third quarter. Whereas the Systems business generated 18% of SOLON's sales in the first six months, this figure had risen to 46% by the end of the third quarter, thanks in particular to project business in Italy. A further shift in the direction of the Systems business is expected for the fourth quarter. Production output rose by 159% year on year, from 75 MWp in the prior year to 194 MWp in the first nine months of 2010.

After a significant decline in market prices in fiscal year 2009, selling prices of photovoltaic systems stabilized further in fiscal year 2010. Due to high demand, prices only had to be reduced modestly despite the reductions in the feed-in tariff in Germany as of July 1, 2010 and October 1, 2010. Furthermore, SOLON increasingly shifted its operating activities away from the Components business in the German market to project business, especially in Italy, France, and the U.S. Although the third quarter of 2010 had the highest sales, SOLON generated a quarterly EBIT

Revenues and total operating performance (January 1 – September 30)  
 in € million



loss of €3.1 million, primarily attributable to an extraordinary and in the Company's opinion unjustified claim of warranty of €4.5 million in the Italian project business. Thus, although the EBIT loss of €5.3 million in the first three quarters of 2010 reflected an improvement in EBIT of €81.7 million compared to the first three quarters of 2009, it still does not represent a balanced operating result.

In light of the high level of orders on hand for the fourth quarter, in particular in the higher margin project business, the SOLON Management Board has confirmed its sales and earnings forecast for 2010. The Management Board further expects revenue significantly above €500 million and a balanced operating result in fiscal year 2010.

### Income statement

The SOLON Group earned revenues of €404.6 million in the first nine months of fiscal year 2010 (prior-year period: €218.4 million). This reflects an increase of 85%, which is due in particular to stronger demand in the Components business than in the year before.

Total operating performance rose by 107% in the first nine months to €447.4 million compared to €215.7 million in the prior-year period. Inventories of work in progress and finished goods increased by €20.8 million in the reporting period (prior-year period: reduction in inventories of €26.6 million). Other operating

income was €21.4 million in the first nine months of 2010 (prior-year period: €20.2 million). This figure includes income from currency translation gains in the amount of €13.6 million (prior-year period: €11.7 million), which was balanced by an offsetting item of €14.6 million under other operating expenses due to application of a natural foreign currency hedge.

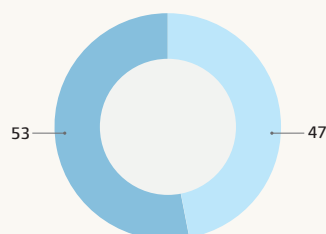
The share of revenues generated outside of Germany amounted to 52% throughout the Group in the first nine months of 2010. The SOLON Group's production output was 194 MWp in the period under review (prior-year period: 75 MWp). The significantly higher production output than in the prior-year period reflects the high market demand anticipated for the year as a whole and the increase in SOLON's sales.

Due to the higher production output in the first nine months of 2010, costs of material rose by 71% to €351.5 million (prior-year period: €205.2 million). Thereof, €57.6 million reflected third-party services (prior-year period: €25.0 million).

Gross profit increased by 813% in the first nine months of 2010 to €95.9 million (prior-year period: €10.5 million). The ratio of the gross margin to the sum of sales revenues and inventory changes increased from 5% to 23%.

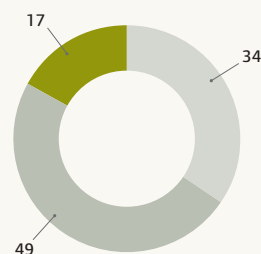
Personnel expenses declined by 8% in the first nine months of 2010 to €29.3 million, down from €32.0 million in the prior-year period. The decrease resulted primarily from the voluntary relinquishment of individual salary components by SOLON employees and lower expenses for share options granted.

### Balance sheet structure (September 30, 2010) in percent



Assets

non-current assets      current assets



Equity and Liabilities

non-current liabilities      current liabilities  
equity

Depreciation and amortization came to €13.6 million in the first nine months of 2010 (prior-year period: €14.8 million).

Other operating expenses increased in the period under review from €50.8 million in fiscal year 2009 million to €58.4 million in fiscal year 2010. Included in this position are expenses from currency translation losses of €14.6 million, expenses for maintenance and repair costs of €5.0 million, expenses for warranty provisions of €4.8 million, extraordinary effects relating to an in the Company's opinion unjustified claim of warranty in the Italian project business of €4.5 million, other fees for other third-party services of €3.9 million, expenses for marketing of €3.7 million, expenses for lease payments of €3.3 million, and expenses directly associated with restructuring measures totaling €2.7 million.

The SOLON Group recorded an EBIT loss of €5.3 million and EBITDA gain of €8.3 million in the first nine months of 2010, thus reflecting an improvement compared to the EBIT loss of €87.0 million and EBITDA loss of €72.2 million in the prior-year period.

Net financing expenses amounted to €16.5 million in the reporting period (prior-year period: €83.1 million). This includes interest expenses of €17.0 million (prior-year period: €11.0 million).

Earnings before taxes (EBT) amounted to an EBT loss of €21.9 million in the period under review (prior-year period: EBT loss of €170.1 million). Income tax credit amounted to €4.5 million (prior-year period: €23.3 million).

The net loss after minority interests improved to €17.4 million in the first nine months of 2010 (prior-year period: €146.7 million).

Earnings per share (EPS) came to a net loss per share of €1.20 in the first nine months of 2010 (prior-year period: net loss of €11.71). The capital increase completed on June 10, 2010 was considered in calculating earnings per share in accordance with IAS 33.

### Balance sheet

Total assets rose to €663.9 million as of September 30, 2010 (December 31, 2009: €642.7 million).

#### Non-current assets

SOLON invested €4.4 million in intangible assets and property, plant and equipment throughout the Group during the reporting period (prior-year period: €25.5 million). As of September 30, 2010, intangible assets were carried at €15.3 million and property, plant and equipment at €141.9 million (December 31, 2009: €15.9 million and €150.5 million, respectively). As of the reporting date, property, plant and equipment consisted of land and buildings at €82.7 million, manufacturing plant and equipment at €47.1 million, other plant, operating and office equipment at €11.1 million, and advance payments and construction in progress at €0.9 million.

Financial assets amounted to €81.2 million as of September 30, 2010 (December 31, 2009: €100.1 million). Thereof, €37.8 million reflected equity investments. The decrease

in financial assets was in particular based on the term-based reclassification of an extended loan to other current assets.

Other non-current assets amounted to €54.6 million as of September 30, 2010 (December 31, 2009: €50.2 million), almost entirely reflecting advance payments on inventories.

Total non-current assets declined to €309.4 million in the period under review (December 31, 2009: €327.9 million).

### Current assets

The value of inventories increased to €130.0 million as of September 30, 2010 (December 31, 2009: €90.6 million) due to the strong rise in production output, which is necessary in particular for preliminary production for the project business. This figure includes raw materials and supplies totaling €27.8 million, work in progress of €46.7 million, finished goods of €39.5 million, and advance payments on inventories of €16.0 million.

Current trade receivables increased to €128.3 million as of September 30, 2010 (December 31, 2009: €117.6 million). Of these receivables, 63% resulted from application of the percentage-of-completion method in the project business, according to which €81.4 million was recognized as receivables that, as contractually agreed, were not yet due as of the reporting date. The higher inventories caused working capital to rise from €154.9 million to €174.1 million during the first nine months of 2010.

Other receivables and other assets came to €74.6 million as of September 30, 2010 (December 31, 2009: €38.9 million). Included in this position are current receivables from tax authorities and loans extended to investments. Cash and cash equivalents decreased from €60.7 million to €21.0 million in the first nine months.

Current assets rose by €39.7 million to €354.5 million in the period under review (December 31, 2009: €314.8 million), due in particular to the increase in inventories and other receivables.

### Shareholders' equity

Compared to December 31, 2009, the share capital rose from €12.5 million to €17.2 million as a result of the capital increase carried out in the second quarter.

Overall, the capital reserve rose from €269.6 million to €284.2 million. Of this amount, €15.1 million relates to the capital increase and €-0.5 million to the recognition of stock options.

The net loss for the period in the first three quarters of 2010 caused equity to drop by €17.4 million. Equity rose overall from €110.4 million as of December 31, 2009 to €112.5 million as of September 30, 2010. The equity-to-assets ratio fell from 17.2% to 16.9%.

### Non-current liabilities

Non-current liabilities to banks were unchanged from the prior year at €67.4 million (December 31, 2009: €67.4 million). Non-current liabilities from bonds and other non-current liabilities rose in the period under review to €142.2 million (December 31, 2009: €136.7 million). This item includes in particular liabilities from the convertible bonds issued in December 2007 in the amount of €127.0 million.

Total non-current liabilities amounted to €228.9 million as of September 30, 2010 (December 31, 2009: €219.3 million).

### Current liabilities

Current liabilities to banks decreased to €179.8 million as of the end of the third quarter of 2010 (December 31, 2009: €200.6 million). Trade payables were €84.2 million on September 30, 2010 (December 31, 2009: €53.3 million).

Other current liabilities rose from €29.3 million to €36.8 million. Among other things, they include tax liabilities (not including income taxes) and advance payments received.

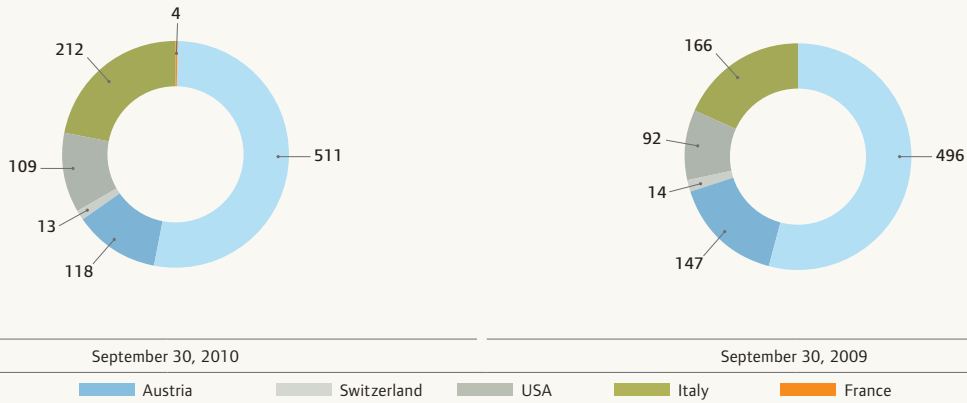
At the end of the first nine months of 2010, total current liabilities were €322.5 million (December 31, 2009: €313.0 million).

### Cash flow statement

In the third quarter of 2010, SOLON generated a positive cash flow from operating activities in the amount of €0.7 million. The increase in inventories and trade receivables as well as a cash-negative operating result resulted in negative cash flow from operating activities of €-17.5 million in the first nine months of 2010 (prior-year period: €30.1 million).

Net cash from investing activities amounted to €-1.8 million in the first three quarters of 2010 (prior-year period: €-9.4 million). Net cash from financing activities came to €-20.1 million (prior-year period: €14.8 million) and in particular reflects the effects of the capital increase as well as principal and interest payments.

## Employees by country



## Human resources

The number of people employed by the SOLON Group as of September 30, 2010 was 967 (September 30, 2009: 915). SOLON employed 511 people in Germany at the end of the third quarter of 2009.

are extensively tested with the end result of expediting the planning, approval, and construction process and lowering operating and maintenance costs. The system will be used for the first time in the 18 MWp project for energy supplier Arizona Public Service.

## Research and development

In order to secure the Company's future viability in an increasingly competitive market environment, SOLON continues to concentrate its research and development activities on identifying and implementing cost cutting potentials. The focus is on using more cost-effective materials, improving production methods, and developing cost-optimized new products and standardization measures in the power plant business.

## Risk report

In early July, the upper and lower houses of the German parliament, the Bundestag and the Bundesrat, agreed on unscheduled reductions of the feed-in tariff granted for solar energy as of July 1 and October 1, 2010. In particular in conjunction with the pending reduction of the feed-in tariff scheduled for January 1, 2011, this will in the medium term lead to a further decline in selling prices realizable in Germany. Despite expected savings in procurement of materials and an improved internal cost structure, this will increase the risk of a reduction in realizable profit margins.

In line with this, the SOLON Velocity, a new power plant system solution, was unveiled at the European solar conference EU PVsec in Valencia, Spain in the third quarter. It was developed especially for use in multimegawatt power plants. SOLON Velocity is a system for constructing solar power plants with outputs of greater than 1 MWp using pre-configured standardized components. All components are designed to work perfectly with each other and

An unscheduled reduction of the feed-in tariff was also adopted in Italy and will take effect at the beginning of 2011. Despite the lower tariff rates, the Italian market is expected to continue to be an attractive sales market. At the present time, it is not possible to provide an adequate forecast of the further development of the Spanish solar market. However, it may be assumed that any feed-in tariff to be granted in the future will be significantly reduced.

Aside from these factors, the risk situation did not change materially in the first nine months or in the period up to completion of the interim report as of September 30, 2010 as compared to the situation as described in the "Risk and opportunities management" and "Forecast" sections of the 2009 Annual Report. For a description of the risk management system, please also refer to the information in the "Risk and opportunities management" section of the 2009 Annual Report.

## Outlook

### Macroeconomic situation

The global economy has recovered from last year's deep recession faster than expected. There are signs that growth may reach pre-crisis levels this year. The recovery is mainly supported by emerging Asian economies, while most industrial nations continue to feel the impact of the financial crisis. Global economic growth is also likely to slow down slightly in the months following the expiration of economic stimulus programs. For that reason, the global economy is expected to continue to grow robustly in 2011, although at a somewhat slower pace. Economic development in the eurozone is exceptionally divergent at the present time. The unexpectedly strong upturn in some member states, including Germany, is being offset by the impact of the debt crisis in other states, resulting in the eurozone as a whole continuing to lag behind the global trend. This situation is expected to continue in 2011.

The traditionally export-oriented German economy benefited to a great degree this year from the recovery of global trade, resulting in significantly higher growth than expected, especially in the first two quarters. Accordingly, the growth forecasts for the current year were recently raised once again. However, the expiration of economic stimulus programs and the adopted budget consolidation measures could dampen the upturn in the months to come. For that reason, growth in 2011 is expected to be slower than in the current year.

### The market for solar technology

In view of robust demand for solar technology, particularly in key markets such as Germany, Italy, and the U.S., newly installed photovoltaic capacity is expected to significantly exceed 10 GWp worldwide for the first time this year. Although the basis is increasingly broadening and the emerging Asian economies as well as the U.S. are increasingly developing into significant sales

markets for solar technology, approximately three-fourths of new global installations can be expected to be located in Europe this year as well.

Germany will continue to hold its position as the world's largest photovoltaic market in 2010. This is primarily due to massive pull-forward effects in connection with the reduction of solar electricity subsidies enacted during the current year and additional ones pending for the beginning of next year. Therefore, it is currently difficult to foresee whether demand will be equally high in 2011. Expectations of market observers range from a noticeable decline in demand to a market volume at a comparable level.

A similar situation can be seen in Italy. In view of the large number of power plant projects under construction, it may be assumed that the Italian market will grow to more than 1 GWp this year, thus doubling the previous year's level. However, subsidy conditions will also change in Italy as of January 1, 2011. These changes will provide for a gradual reduction of the feed-in tariff and an upper limit of 3 GWp for newly installed solar capacity between 2011 and 2013. However, due to the fact that feed-in tariffs will still be attractive even after the reduction in conjunction with the high insolation level, demand in Italy is expected to stabilize at a high level or possibly even rise.

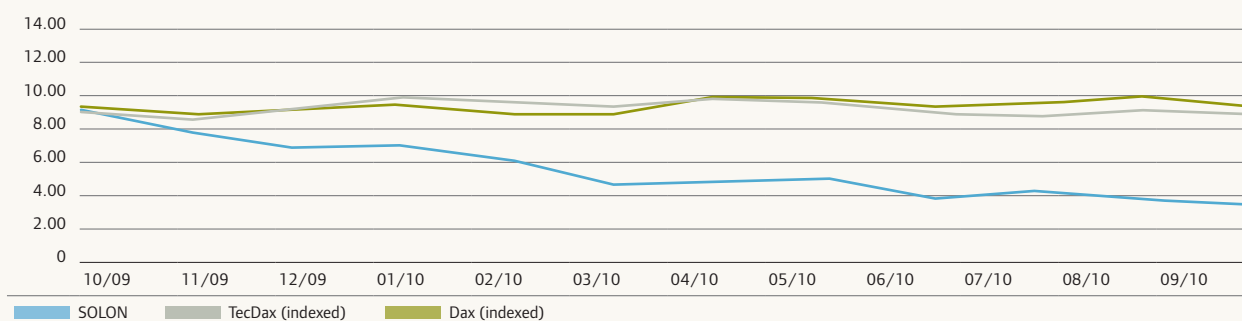
A noticeable pickup in demand for solar technology has also been seen in the U.S. since the beginning of the year, primarily in the area of large-scale rooftop and greenfield installations. It may thus be expected that the U.S. solar market will finally experience the long-awaited upturn and surpass the 1 GWp threshold this year. Observers expect this trend to be sustained and the U.S. market to grow by about 1 GWp per year in the years to come. In view of the reductions of solar subsidies in Germany and other European countries, the U.S. may become even more attractive as a location for solar investments.

### Outlook for SOLON

As a solar systems provider, SOLON will continue to focus on its core competencies in the future – the manufacture and international marketing of high-quality solar modules and solar systems technology. In doing so, SOLON focuses on the key markets of Germany, Italy, France, and the U.S., which currently account for more than three-fourths of the global market for solar technology and will continue to do so in the years to come.

In order to counter growing competition from low-wage countries, SOLON intends to continue to solidify its position as a premium provider. This strategy is geared toward achieving competitive advantages through leadership in technology, quality, and service. Its business with premium solar modules will therefore continue to be an important mainstay of the Company. In the future, SOLON

### Performance of SOLON stock (12 months) in €



will continue to set itself apart from the competition through innovative solutions. At the same time, SOLON wants to benefit even more from its expertise in the planning and construction of turn-key solar power plants and gradually expand its power plant business.

Management's goal is to return to profitable growth as early as next year. To this end, the cost-cutting measures identified in the Group-wide restructuring program will be implemented systematically. These measures essentially include optimizing production activities to achieve scale effects, streamlining the product portfolio, and implementing further standardization in the area of solar power plant solutions.

Based on the positive business performance thus far in the year, Management has confirmed its revenue and earnings forecast for the year as a whole: The goal is to finish fiscal year 2010 with Group revenue significantly exceeding €500 million and a balanced operating result, thereby creating the basis for a return to profitable growth in the years to come.

## Stock

### General market sentiment

The international stock exchanges displayed less volatility in the third quarter than in the first half and recorded a definite upward trend in recent weeks in particular. In this generally positive environment, the German indices closed the third quarter with slight gains.

### Key share data

ISIN	DE0007471195
WKN	747 119
Trading symbol	SO01
Reuters ticker symbol	SOOG.DE
Bloomberg ticker symbol	SO01:GR
Listing	Frankfurt Regulated Market (Prime Standard)
Stock exchanges	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart and Xetra
Indices	Prime All Share, CDAX, Technology All Share, GEX

### Key data for SOLON stock

		QIII 2010
Share capital	€	17,225,032,00
Number of shares issued		17,225,032
High for the quarter <sup>1</sup>	€	4.38
Low for the quarter <sup>1</sup>	€	3.03
Closing price at end of quarter <sup>1</sup>	€	3.05
Market capitalization at end of quarter	€ million	53
Average trading volume per day <sup>1</sup>		27,803
Earnings per share	€	-1.20

<sup>1</sup> Deutsche Börse, Xetra

## Performance of SOLON stock

Compared to other German solar stocks, SOLON stock remained under considerable pressure in the third quarter, and at a closing price of €3.05 again gave up nearly 30 % of its value in this period (June 30, 2010: €4.30). SOLON stock reached its high for the quarter on July 6 at €4.38; its low was on September 29 at €3.03. The average number of shares traded per day in the third quarter of 2010 declined to 27,803 (Xetra).

## Investor relations activities

Even against the backdrop of unsatisfactory share price performance and a reduction in market capitalization, German and international investors continued to display noticeable interest in SOLON in the quarter just ended. Numerous German and Anglo-American financial institutes report regularly concerning the Company. As part of active investor communication, SOLON presented itself at this year's Barclays Capital Renewables Conference in early September in Zurich and in a roadshow in Frankfurt/Main. Furthermore, a number of international investors and analysts discussed the most recent course of business and current market trends with SOLON's Management Board at the European solar conference EU PVsec, which also took place in September in Valencia.



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# Consolidated financial statements (IFRS) for the first nine months ended September 30, 2010

Consolidated income statement		2010	2009	2010	2009
		Jan 1 – Sep 30	Jan 1 – Sep 30	Jul 1 – Sep 30	Jul 1 – Sep 30
		€ ,000	€ ,000	€ ,000	€ ,000
	Note				
Revenue	2	404,560	218,362	160,979	99,002
Changes in work in progress and finished goods		20,755	-26,560	8,619	-26,359
Own expenses capitalized		676	3,701	76	1,496
Other operating income		21,428	20,216	3,267	4,953
<b>Total operating performance</b>		<b>447,419</b>	<b>215,719</b>	<b>172,941</b>	<b>79,092</b>
Cost of material	3	351,492	205,226	142,784	78,198
<b>Gross profit</b>		<b>95,927</b>	<b>10,493</b>	<b>30,157</b>	<b>894</b>
Personnel expenses		29,328	31,952	10,763	10,579
Depreciation, amortization and impairment		13,568	14,794	4,615	4,981
Other operating expenses		58,366	50,761	17,842	19,792
<b>EBIT</b>		<b>-5,335</b>	<b>-87,014</b>	<b>-3,063</b>	<b>-34,458</b>
Result from investments accounted for using the equity method	4	432	-2,719	515	-293
Other investment and financial result	4	59	-69,368	62	-4,474
Interest income		6,133	7,808	1,994	2,506
Interest expenses		-23,165	-18,772	-7,655	-6,610
<b>Net income/loss before taxes</b>		<b>-21,876</b>	<b>-170,065</b>	<b>-8,147</b>	<b>-43,329</b>
Income taxes		-4,516	-23,336	-334	-6,694
<b>Net income/loss before minority interests</b>		<b>-17,360</b>	<b>-146,729</b>	<b>-7,813</b>	<b>-36,635</b>
Minority interests		-	-	-	-
<b>Net income/loss after minority interests</b>		<b>-17,360</b>	<b>-146,729</b>	<b>-7,813</b>	<b>-36,635</b>
Earnings per share in €	11	-1.20	-11.71	-0.45	-2.92
Diluted earnings per share in €	11	-1.20	-11.71	-0.45	-2.92

Consolidated statement of comprehensive income		2010	2009	2010	2009
		Jan 1 – Sep 30	Jan 1 – Sep 30	Jul 1 – Sep 30	Jul 1 – Sep 30
		€ ,000	€ ,000	€ ,000	€ ,000
<b>Net income/loss before minority interests (after taxes)</b>		<b>-17,360</b>	<b>-146,729</b>	<b>-7,813</b>	<b>-36,635</b>
Foreign exchange translation differences		-332	631	1,994	483
Unrealized gains/losses from the fair value measurement of available-for-sale securities		663	1,277	1,307	759
Share of other comprehensive income/loss of equity-accounted companies		-23	59	-8	45
Unrealized gains/losses from the fair value measurement of derivative hedges		-122	-249	46	-85
after income tax of		52	106	-20	36
<b>Other comprehensive income/loss (after taxes)</b>		<b>186</b>	<b>1,718</b>	<b>3,339</b>	<b>1,202</b>
<b>Total comprehensive income/loss before minority interests (after taxes)</b>		<b>-17,174</b>	<b>-145,011</b>	<b>-4,474</b>	<b>-35,433</b>
Total comprehensive income/loss attributable to shareholders of SOLON SE		-17,174	-145,011	-4,474	-35,433
Total comprehensive income/loss attributable to minority interests		0	0	0	0

Consolidated balance sheet

	Note	September 30, 2010 € ,000	December 31, 2009 € ,000
<b>Assets</b>			
<b>Non-current assets</b>			
		<b>309,410</b>	<b>327,913</b>
Intangible assets	5	15,272	15,925
Property, plant and equipment	5	141,867	150,480
Financial assets accounted for using the equity method	5	7,690	6,418
Miscellaneous financial assets	5	73,511	93,711
Other non-current assets		54,594	50,206
Deferred tax assets		16,476	11,173
<b>Current assets</b>			
		<b>354,483</b>	<b>314,784</b>
Inventories	6	129,960	90,631
Trade receivables	7	128,326	117,637
Other receivables and assets		74,614	38,886
Cash and cash equivalents		20,973	60,700
Assets held for sale	8	610	6,930
<b>Total assets</b>		<b>663,893</b>	<b>642,697</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
		<b>112,505</b>	<b>110,366</b>
Share capital	9	17,225	12,530
Capital reserve	9	284,209	269,590
Other comprehensive income		1,559	1,374
Accumulated profit/loss		-190,488	-173,128
<b>Non-current liabilities</b>			
		<b>228,940</b>	<b>219,284</b>
Provisions		19,289	15,237
Liabilities to banks	10	67,416	67,392
Bonds and other non-current liabilities		142,232	136,655
Deferred tax liabilities		3	-
<b>Current liabilities</b>			
		<b>322,448</b>	<b>313,047</b>
Tax provisions		2,290	4,936
Other provisions		19,160	23,145
Liabilities to banks	10	179,826	200,551
Trade payables		84,214	53,325
Other liabilities		36,840	29,330
Liabilities associated with assets held for sale	8	118	1,760
<b>Total shareholders' equity and liabilities</b>		<b>663,893</b>	<b>642,697</b>

**Consolidated cash flow statement**  
**January 1 to September 30**

	2010 €,000	2009 €,000
<b>Net income/loss before taxes</b>	<b>-21,876</b>	<b>-170,065</b>
Investment result, other financial result and interest result	16,541	83,051
<b>EBIT</b>	<b>-5,335</b>	<b>-87,014</b>
Amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment	13,568	14,794
Impairment losses/reversals on other non-current and current assets	-11,185	36,382
Gain/loss from the disposal of non-current assets	27	165
Expenses for stock option plan	-479	2,376
Changes in provisions	-1,781	5,255
Taxes paid	-5,110	-950
Other non-cash income and expenses	-1,188	-511
<b>Operating cash flow before changes in net current assets</b>	<b>-11,483</b>	<b>-29,503</b>
Change in inventories	-22,983	19,401
Change in trade receivables	-11,137	54,682
Change in other receivables and assets	-9,503	-463
Change in trade payables	31,259	-14,876
Change in other liabilities	6,363	851
<b>Cash flow from operating activities</b>	<b>-17,484</b>	<b>30,092</b>
Proceeds from disposals of intangible assets and property, plant and equipment	211	2,471
Capital expenditure for intangible assets and property, plant and equipment	-4,535	-25,802
Change in financial assets and loans	-819	8,177
Proceeds from government grants	2,769	1,994
Interest received	574	3,791
<b>Cash flow from investing activities</b>	<b>-1,800</b>	<b>-9,369</b>
Proceeds from capital increase	20,000	-
Capital expenditures related to capital increase	-296	-
Changes in financial liabilities	-24,534	27,860
Interest paid	-15,281	-13,024
<b>Cash flow from financing activities</b>	<b>-20,111</b>	<b>14,836</b>
<b>Net change in cash and cash equivalents</b>	<b>-39,395</b>	<b>35,559</b>
Changes in cash due to exchange rate changes	-332	631
Cash and cash equivalents at beginning of period	60,700	4,350
<b>Cash and cash equivalents at end of period</b>	<b>20,973</b>	<b>40,540</b>

**Statement of  
changes in equity**

	Other comprehensive income						Total € ,000
	Share capital € ,000	Capital reserve € ,000	Fair value meas- urement of other financial assets € ,000	Fair value measurement of hedges € ,000	Currency translation € ,000	Accumulated profit/loss € ,000	
<b>Balance on January 1, 2009</b>	<b>12,530</b>	<b>265,520</b>	<b>-348</b>	<b>-568</b>	<b>81</b>	<b>98,520</b>	<b>375,735</b>
Total comprehensive income/loss			1,336	-249	631	-146,729	-145,011
Stock option plan		2,375					2,375
<b>Balance on September 30, 2009</b>	<b>12,530</b>	<b>267,895</b>	<b>988</b>	<b>-817</b>	<b>712</b>	<b>-48,209</b>	<b>233,099</b>
<b>Balance on January 1, 2010</b>	<b>12,530</b>	<b>269,590</b>	<b>1,847</b>	<b>-792</b>	<b>319</b>	<b>-173,128</b>	<b>110,366</b>
Total comprehensive income/loss			640	-122	-332	-17,360	-17,174
Capital increase	4,695	15,305					20,000
Direct costs in connection with the capital increase after deferred taxes (€ 89 thousand)		-207					-207
Stock option plan		-479					-479
<b>Balance on September 30, 2010</b>	<b>17,225</b>	<b>284,209</b>	<b>2,487</b>	<b>-914</b>	<b>-14</b>	<b>-190,488</b>	<b>112,505</b>

## Notes to the financial statements (IFRS)

### | 1 | General

#### **Economic status of the Company**

SOLON SE, with registered offices in Berlin (Am Studio 16, 12489 Berlin), Germany, was founded in 1997. The Company went public in 1998, making it the first quoted solar power company in Germany. As the parent, SOLON SE acts as a holding company for the SOLON Group and is responsible for strategy development, project business, and financing for the SOLON Group as well as research and development and distribution for the German and Austrian production companies.

SOLON's core activity is the manufacture of solar modules of various output ratings and photovoltaic systems for the construction of large solar power plants as well as the construction of turnkey solar power plants. SOLON's facilities are located in Germany, Austria, Italy, the U.S., and Switzerland. 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 accounting**

The consolidated financial statements of the SOLON Group for the nine months ended September 30, 2010, were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the interpretations of the International Financial Reporting Interpretations Committee (IFRICs) valid as of the reporting date and as adopted in the European Union.

The Group currency is the euro (€). Unless otherwise indicated, all amounts are stated in thousands of euros (€ thousand); this may result in differences compared to the unrounded figures.

In preparing these quarterly financial statements and calculating the comparative figures for the previous year, the same consolidation principles and accounting policies were generally used as were applied to the published consolidated financial statements for fiscal year 2009.

For a description of the consolidation principles and accounting policies, please refer to No. 1 and 2 in the notes to the consolidated financial statements as published in the 2009 Annual Report. This report is available for download at [www.solon.com](http://www.solon.com).

The income statement has been prepared in accordance with the nature of expense method. The determination of the tax expense for the interim reporting period is based on the best estimate of the weighted average annual income tax rate expected for the entire fiscal year.

## Scope of consolidation

### Subsidiaries included in scope of consolidation as of September 30, 2010

Company, registered office	Country	Date of formation/ addition <sup>1</sup>	Shareholding	Subscribed capital
SOLON Photovoltaik GmbH, Berlin	Germany	December 22, 1998	100%	51,129 €
SOLON Investments GmbH, Freiburg	Germany	July 1, 2003	100%	25,000 €
Solon Nord GmbH, Greifswald	Germany	April 23, 2004	100%	1,000,000 €
SOLON Mobility GmbH, Berlin	Germany	January 28, 2008	100%	25,000 €
Solon Inverters AG, Uznach	Switzerland	January 1, 2000	100%	324,141 €
SOLON HILBER Technologie GmbH, Steinach	Austria	August 19, 2005	100%	100,000 €
SOLON S. p. A., Carmignano di Brenta	Italy	January 1, 2006	100%	16,000,000 €
SOLON Corporation, Tucson/Arizona	USA	January 2, 2007	100%	37,870 €
Estelux s. r. l., Marano Vicentino	Italy	December 1, 2008	100%	10,000 €
SOLON SAS, Lyon	France	July 26, 2010	100%	250,000 €
ERLASEE Liegenschaften GbR, Berlin	Germany	November 12, 2003	90%	35,000 €

<sup>1</sup> The date of formation/addition corresponds to the date of initial consolidation.

On July 26, 2010, SOLON SE established a French subsidiary based in Lyon, SOLON SAS, which has been included in the consolidated financial statements of SOLON SE as a subsidiary since that date. The sales unit was established in France to reinforce SOLON's marketing and sales activities in the French market and manage the Company's French business in country.

Other companies whose influence on the Group's financial position, cash flows, and profit or loss was immaterial were not included in the consolidated financial statements.

### Joint ventures and associates accounted for using the equity method as of September 30, 2010

Company, registered office	Country	Date of formation/ addition	Shareholding
SOL Holding AG, Cologne	Germany	February 16, 2007	48.0%
ml&s manufacturing, logistics and services GmbH & Co. KG, Greifswald	Germany	October 29, 2007	49.4%
ml&s manufacturing, logistics and services Management GmbH, Greifswald	Germany	October 29, 2007	48.0%
Sistema Solare s. r. l., Marano Vicentino	Italy	February 6, 2009	50.0%
Blue Chip Energy GmbH, Güssing	Austria	July 31, 2009	48.3%

Other companies whose influence on the Group's financial position, cash flows, and profit or loss was immaterial were not accounted for using the equity method.

## Notes to the income statement

### | 2 | Revenue

Revenues of the SOLON Group amounted to €404,560 thousand (prior-year period: €218,362 thousand), the majority of which was generated from the sale of solar modules and planning of system products and components for solar power plants.

Of this amount, €91,770 thousand (prior-year period: €64,942 thousand) was attributed to revenues from construction contracts resulting from the SOLON Group's involvement in power plant projects. These revenues are calculated using the percentage-of-completion method as set out in IAS 11. The stage of completion of a contract is determined by the proportion of contract costs incurred to the estimated total contract costs (cost-to-cost method). Total contract costs amounted to €87,158 thousand as of the reporting date (prior-year pe-riod: €56,405 thousand). Revenues from construction contracts are calculated by multiplying the amount of revenue agreed in the contract by the percentage of completion of the contract.

For a detailed breakdown of revenues by the segments Production and Sales, please see Note 12: Segment report.

### | 3 | Cost of material

Cost of material	Jan 1 – Sep 30, 2010 €,000	Jan 1 – Sep 30, 2009 €,000
Expenses for raw materials, supplies and merchandise	293,928	180,249
Expenses for services purchased	57,564	24,977
<b>Cost of material</b>	<b>351,492</b>	<b>205,226</b>

### | 4 | Investment result

The investment result comprises the associates and joint ventures accounted for using the equity method and the other investment result:

	Jan 1 – Sep 30, 2010 €,000	Jan 1 – Sep 30, 2009 €,000
Result from investments accounted for using the equity method	432	-2,719
Other investment result	59	-69,368
<b>Investment result</b>	<b>491</b>	<b>-72,087</b>

In fiscal year 2009, the other investment result included in particular impairment losses on the SOLON Group's investment in and the loan extended to SOL Holding AG.

## Notes to the balance sheet

### |5| Change in selected non-current assets

Non-current assets				
	Intangible assets €'000	Property, plant and equipment €'000	Financial assets €'000	Total €'000
<b>Net carrying amount as of January 1, 2009</b>	<b>28,875</b>	<b>189,666</b>	<b>154,336</b>	<b>372,877</b>
Additions	1,450	36,374	26,188	64,012
Government grants	–	2,618	–	2,618
Depreciation, amortization and impairment	–14,371	–69,791	–69,534	–153,696
Other	–29	–8,387	–10,861	–19,277
<b>Net carrying amount as of December 31, 2009 respectively January 1, 2010</b>	<b>15,925</b>	<b>150,480</b>	<b>100,129</b>	<b>266,534</b>
Additions	733	5,705	6,234	12,672
Government grants	–	–2,757	–	–2,757
Depreciation, amortization and impairment	–1,390	–12,178	–435	–14,003
Other	4	617	–24,727	–24,106
<b>Net carrying amount as of September 30, 2010</b>	<b>15,272</b>	<b>141,867</b>	<b>81,201</b>	<b>238,340</b>

Additions to property, plant and equipment in fiscal year 2010 include additions of €2,026 thousand resulting from a reclassification of property, plant and equipment held for sale from “assets held for sale” to “property, plant and equipment” on the balance sheet (see also Note 8 in this regard). Other changes to property, plant and equipment of €-23 thousand in fiscal year 2010 also relate to this reclassification.

Additions to financial assets in the amount of €3,412 thousand resulted from an increase in the Company’s investment in the Australian company CBD Energy Limited. Some of the shares in CBD Energy Limited were acquired in exchange for shares in Sungevity Inc. and some as a set-off against a loan receivable.

Other changes in financial assets include a reclassification in the amount of €21,871 thousand from non-current to current bonds.

### |6| Inventories

Inventories	Sep 30, 2010 €'000	Dec 31, 2009 €'000
Raw materials and supplies	27,849	16,261
Work in progress	46,671	43,423
Finished goods and merchandise	39,455	20,534
Advance payments on inventories	15,985	10,413
<b>Inventories</b>	<b>129,960</b>	<b>90,631</b>

## | 7 | Trade receivables

	Sep 30, 2010 €,000	Dec 31, 2009 €,000
Trade receivables, gross	54,488	53,789
General valuation allowances	-112	-130
Specific valuation allowances	-7,403	-6,960
Receivables from construction contracts, net	81,353	70,938
<b>Trade receivables, net</b>	<b>128,326</b>	<b>117,637</b>

## | 8 | Assets held for sale and liabilities associated with assets held for sale

As of December 31, 2009, portions of the property, plant and equipment and the inventories as well as finance lease liabilities of SOLON HILBER Technologie GmbH were classified as "assets held for sale" or "liabilities associated with assets held for sale" based on a planned spin-off of the subsidiary from the SOLON Group as part of a management buy-out.

After the management buy-out could not be concluded in the first quarter of 2010 as planned, SOLON concluded the negotiations for spinning off the assets and liabilities of SOLON HILBER Technologie GmbH on August 5. The spin-off will be effective as of January 1, 2011. However, in the final agreement the structure of the assets and liabilities to be transferred is different than in the originally planned status of negotiations. This made it necessary to adjust the recognition and measurement of the assets and liabilities classified as held for sale.

The assets and liabilities of SOLON HILBER Technologie GmbH to be transferred under the final version of the management buy-out will be classified as „assets held for sale“ or „liabilities associated with assets held for sale.“ The classification and related measurement of all assets and liabilities that will not be transferred but which were classified as „assets held for sale“ or „liabilities associated with assets held for sale“ based on the original status of negotiations have been reversed.

The „assets held for sale“ and the „liabilities associated with assets held for sale“ are comprised as follows as of September 30, 2010:

	€'000
Inventories	210
Property, plant and equipment	400
<b>Assets</b>	<b>610</b>
Finance lease obligations	118
<b>Shareholder's equity and liabilities</b>	<b>118</b>

In like manner, the assets and liabilities of SOLON HILBER Technologie GmbH were remeasured based on the results of the negotiations and the adjusted classification. The property, plant and equipment held for sale is reported at the planned realizable value. Accordingly, impairment losses on the property, plant and equipment held for sale were reported in other operating expenses in the amount of €484 thousand in the period under review. Property, plant and equipment no longer classified as held for sale is recognized at the lower of the carrying amount and the realizable amount on the date of the decision not to sell. The carrying amount corresponds to the carrying amount of the property, plant and equipment before being classified as „assets held for sale“ adjusted for the scheduled depreciation that would have been recorded if the asset had not been classified as held for sale. Based on the

limited usability of raw materials, additional impairment losses in the amount of €124 thousand were recognized on the inventories.

The entire transaction is assigned to the Production segment.

#### | 9 | Subscribed capital and capital reserve

On June 8, 2010, the Management Board of SOLON SE decided, with the consent of the Supervisory Board, to increase the Company's share capital by €4,695 thousand to €17,225 thousand in return for cash contributions by using some of its authorized capital to issue 4,695 thousand new bearer shares. The new shares confer full dividend entitlements to their holders as from January 1, 2009.

The new shares were offered to existing shareholders for subscription in the ratio of 8:3 in the form of indirect preemption rights, which means that eight existing shares entitled their holders to subscribe for three new shares. The subscription price was €4.26 per new share. The capital increase provided SOLON with gross proceeds of €20,000 thousand. Of that amount, €4,695 thousand was recognized in subscribed capital and €15,305 thousand in the capital reserve. The capital increase entailed costs of €296 thousand, which were debited directly to the capital reserve, net of the related income tax in the amount of €89 thousand, in accordance with IAS 32. Accordingly, the capital reserve increased by a net amount of €15,098 thousand as a result of the capital increase.

#### | 10 | Liabilities to banks

Liabilities to banks	Sep 30, 2010 € ,000	Dec 31, 2009 € ,000
Non-current liabilities to banks	67,416	67,392
Maturing in 1 to 5 years	61,756	55,882
Maturing in more than 5 years	5,660	11,510
Current liabilities to banks	179,826	200,551
<b>Liabilities to banks</b>	<b>247,242</b>	<b>267,943</b>

## Other information

### | 11 | Earnings per share

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 for the reporting period.

On June 10, 2010, SOLON SE completed a capital increase in which 4,694,836 new shares were issued. This increased the number of shares outstanding from 12,530,196 to 17,225,032 (see also Note 9 in this regard). Compared to the prior year, the average number of shares rose from 12,530,196 to 14,473,480 (in the period from January 1, 2010 to September 30, 2010) respectively 17,225,032 (in the period from July 1, 2010 to September 30, 2010).

Neither the options not yet exercised nor the convertible bonds resulted in a reduction of earnings per share in fiscal year 2009 or in fiscal year 2010. Accordingly, there was no dilution of earnings per share in accordance with IAS 33, and diluted earnings per share are equal to basic earnings per share.

The net income as of September 30, 2009 and as of September 30, 2010 contains one-time effects resulting from write-downs and write-ups of investments and loans extended to investments.

Moreover, the net income / loss for fiscal 2010 was reduced by a non-recurring warranty expense of €4,500 thousand from a former Italian project (2007). The project involved public tenders with the corresponding bid bonds, a construct that is no longer in use today

The one-time effects and the corresponding adjusted net income are shown below:

	Jan 1 – Sep 30, 2010	Jan 1 – Sep 30, 2009	Jul 1 – Sep 30, 2010	Jul 1 – Sep 30, 2009
Net income after minority interests in €'000	-17,360	-146,729	-7,813	-36,635
Adjustment for one-time effects				
Expenses from write-downs of investments in €'000	-55	66,299	-55	1,405
Non-recurring warranty expense in €'000	4,500	-	4,500	-
<b>Net income after minority interests, adjusted in €'000</b>	<b>-12,915</b>	<b>-80,430</b>	<b>-3,368</b>	<b>-35,230</b>

Overview of earnings per share:

	Jan 1 – Sep 30, 2010	Jan 1 – Sep 30, 2009	Jul 1 – Sep 30, 2010	Jul 1 – Sep 30, 2009
Net income after minority interests in €'000	-17,360	-146,729	-7,813	-36,635
Average number of shares outstanding in thousands	14,473	12,530	17,225	12,530
<b>Basic earnings per share in €</b>	<b>-1.20</b>	<b>-11.71</b>	<b>-0.45</b>	<b>-2.92</b>
<b>Diluted earnings per share in €</b>	<b>-1.20</b>	<b>-11.71</b>	<b>-0.45</b>	<b>-2.92</b>
Net income after minority interests adjusted for one-time effects in €'000	-12,915	-80,430	-3,368	-35,230
Average number of shares outstanding in thousands	14,473	12,530	17,225	12,530
<b>Basic earnings per share excluding one-time effects in €</b>	<b>-0.89</b>	<b>-6.42</b>	<b>-0.20</b>	<b>-2.81</b>
<b>Diluted earnings per share excluding one-time effects in €</b>	<b>-0.89</b>	<b>-6.42</b>	<b>-0.20</b>	<b>-2.81</b>

## | 12 | Segment reporting

In SOLON's internal reporting, the business activities are broken down separately, by segments and regions. In response to the changed market conditions, SOLON management introduced a Group-wide restructuring program in fiscal year 2009. The program's main focuses are adjusting the marketing and sales structures, optimizing the cost structures, minimizing and eliminating risks, and optimizing liquidity. As a result of the restructuring process, the internal organizational and reporting structure was transformed in fiscal year 2010 to increase cost and earnings transparency. The reporting structure based on the Components and System Technology segments, which was still in force until year-end 2009, was converted to the new reporting structure based on the Production and Sales segments. The Production segment comprises the Group-wide production process for the manufacture of solar modules and is controlled within the Group in particular with regard to budget compliance. The Sales segment comprises the sales activity of solar modules, power plant systems, and projects and is controlled within the Group in particular with regard to profitability. Furthermore, the position "Holding/Other" comprises the holding activities of SOLON SE and the activities of ERLASEE Liegenschaften GbR, SOLON Mobility GmbH, Solon Inverters AG and Estelux s.r.l. As the reconciliation with the Group figures contains only the intersegment elimination and the unallocated assets, no separate presentation of the reconciliation account is made. The comparative figures of the previous year were adjusted to the new reporting structure.

Segment information is based on essentially the same accounting policies as those applied in the consolidated financial statements. Despite the conversion of the reportable segments, no change in valuation methods was made compared to earlier periods. Transactions between the segments are eliminated in the consolidation.

The business relationship between the segments of the SOLON Group is based on prices that were determined using the cost-plus method. While deliveries and services between the segments, in particular the delivery of modules and tracking systems, were transacted at cost during fiscal year 2009 due to the extremely changed market conditions, billing will again include a margin starting in fiscal year 2010. Both operating segments are managed on the basis of earnings before net finance costs/net financial income.

Segment reporting for the period under review and the comparable prior-year period is as follows:

Segment reporting	Total					
	Production		Sales		Reportable segments	
	Jan 1 – Sep 30, 2010 € ,000	Jan 1 – Sep 30, 2009 € ,000	Jan 1 – Sep 30, 2010 € ,000	Jan 1 – Sep 30, 2009 € ,000	Jan 1 – Sep 30, 2010 € ,000	Jan 1 – Sep 30, 2009 € ,000
Segment revenue	326,932	200,950	407,113	219,432	734,045	420,382
thereof revenue with Group companies	326,019	200,517	5,330	2,441	331,349	202,958
thereof revenue from third parties	913	433	401,783	216,991	402,696	217,424
Changes in work in progress and finished goods	69	-22,084	20,734	-4,415	20,803	-26,499
Own expenses capitalized	247	196	60	424	307	620
Other operating income	2,726	2,110	5,538	4,294	8,264	6,404
<b>Total operating performance</b>	<b>329,974</b>	<b>181,172</b>	<b>433,445</b>	<b>219,735</b>	<b>763,419</b>	<b>400,907</b>
Cost of material	292,264	169,828	390,822	235,648	683,086	405,476
<b>Gross profit</b>	<b>37,710</b>	<b>11,344</b>	<b>42,623</b>	<b>-15,913</b>	<b>80,333</b>	<b>-4,569</b>
Personnel expenses	12,882	12,436	7,698	8,974	20,580	21,410
Depreciation, amortization and impairment	7,586	8,883	1,051	1,906	8,637	10,789
Other operating expenses	17,629	14,763	17,911	17,633	35,540	32,396
<b>EBIT</b>	<b>-387</b>	<b>-24,738</b>	<b>15,963</b>	<b>-44,426</b>	<b>15,576</b>	<b>-69,164</b>
Result from investments accounted for using the equity method	-	-	-	-	-	-
Other investment, financial and interest result	-	-	-	-	-	-
<b>Net income/loss before taxes</b>	<b>-387</b>	<b>-24,738</b>	<b>15,963</b>	<b>-44,426</b>	<b>15,576</b>	<b>-69,164</b>
Capital expenditures for non-current assets	1,969	12,908	583	335	2,552	13,243
Significant non-cash items <sup>1</sup>						
Valuation allowances on current assets	1,942	5,731	4,942	5,331	6,884	11,062

<sup>1</sup> Significant non-cash items other than changes in work in progress and finished goods, own expenses capitalized, depreciation and amortization on intangible and fixed assets

Holding/Other		Reconciliation					
		Amounts not allocated		Consolidation		Group	
Jan 1 – Sep 30, 2010 €,000	Jan 1 – Sep 30, 2009 €,000	Jan 1 – Sep 30, 2010 €,000	Jan 1 – Sep 30, 2009 €,000	Jan 1 – Sep 30, 2010 €,000	Jan 1 – Sep 30, 2009 €,000	Jan 1 – Sep 30, 2010 €,000	Jan 1 – Sep 30, 2009 €,000
2,128	1,598	–	–	–331,613	–203,618	404,560	218,362
264	660	–	–	–331,613	–203,618	–	–
1,864	938	–	–	–	–	404,560	218,362
–48	–61	–	–	–	–	20,755	–26,560
369	3,081	–	–	–	–	676	3,701
18,354	16,606	–	–	–5,190	–2,794	21,428	20,216
<b>20,803</b>	<b>21,224</b>	–	–	<b>–336,803</b>	<b>–206,412</b>	<b>447,419</b>	<b>215,719</b>
1,126	769	–	–	–332,720	–201,019	351,492	205,226
<b>19,677</b>	<b>20,455</b>	–	–	<b>–4,083</b>	<b>–5,393</b>	<b>95,927</b>	<b>10,493</b>
8,748	10,542	–	–	–	–	29,328	31,952
4,981	4,617	–	–	–50	–612	13,568	14,794
28,451	22,908	–	–	–5,625	–4,543	58,366	50,761
<b>–22,503</b>	<b>–17,612</b>	–	–	<b>1,592</b>	<b>–238</b>	<b>–5,335</b>	<b>–87,014</b>
–	–	–	222	432	–2,941	432	–2,719
–	–	–15,391	–86,202	–1,582	5,870	–16,973	–80,332
<b>–22,503</b>	<b>–17,612</b>	<b>–15,391</b>	<b>–85,980</b>	<b>442</b>	<b>2,691</b>	<b>–21,876</b>	<b>–170,065</b>
1,911	14,313	–	–	–51	–2,096	4,412	25,460
138	503	–	–	–	–	7,022	11,565

## | 13 | Employee profit sharing plan

Since 2001, the SOLON Group has issued stock options on a regular basis in order to promote long-term loyalty among employees and officers of the Company and thus enable them to participate in the Company's increase in value. Employees were granted options to purchase SOLON stock with a maximum maturity of 10 years. Exercise of the stock options is dependent on the following conditions:

- › The vesting period is two years for 2/3 of the tranche and three years for 1/3 of the tranche, each starting on the date of issue.
- › After expiration of the vesting period, exercise is only possible within four weeks of the third banking day after publication of the quarterly financial statements.
- › The share price at the time of exercise must exceed the strike price on the date of issue by at least 20 percent.
- › This figure will increase by five percentage points p.a. after expiration of the vesting period.

The SOLON Group has the right, without any obligation, to grant holders of subscription rights a cash settlement in lieu of shares if this is more beneficial to the Company. The following table shows the tranches not yet exercised as of the start of fiscal year 2010:

	Share-based payment					
	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8
Date of issue	Dec 30, 2004	Feb 24, 2005	Jan 18, 2006	Apr 07, 2006	Dec 12, 2006	Apr 1, 2008
Stock options issued	252,000	156,000	225,000	144,000	147,000	306,000
Options not yet exercised at the start of the reporting period	84,000	52,000	219,000	144,000	139,500	159,000
Options issued during the reporting period	-	-	-	-	-	-
Options forfeited during the reporting period	-	-	-	-	-	-32,000
Options expired during the reporting period	-	-	-	-	-	-
Options exercised during the reporting period	-	-	-	-	-	-
Options returned during the reporting period	-	-	-	-	-	-109,000
Options not yet exercised at the end of the reporting period	84,000	52,000	219,000	144,000	139,500	18,000
Vested options not yet exercised as of September 30, 2010	84,000	52,000	219,000	144,000	139,500	14,000

In fiscal year 2010, a total of 32,000 stock options were forfeited due to employees resigning before the options were vested. Furthermore, as part of the corporate restructuring, employees returned 109,000 stock options that had already vested.

In the first three quarters of 2010, some employees whose stock options had yet vested left the Company. In accordance with IFRS 2, the expense from equity-settled remuneration plans recognized for these employees in the prior years had to be derecognized upon their leaving the Company. This results in income from share-based payments in fiscal year 2010.

For more information on the stock option plan, please see the 2009 Annual Report.

The stock option plan resulted in the following expenses for the SOLON Group as of the reporting date for equity-settled share-based payment transactions:

Expense from equity-based payment transactions	Sep 30, 2010 €'000	Sep 30, 2009 €'000
Gesamtaufwand aus eigenkapitalbasierten Vergütungstransaktionen	13.407	12.193
Periodenaufwand aus eigenkapitalbasierten Vergütungstransaktionen	-479	2.376

#### | 14 | Related party transactions

Transaction volumes of the SOLON Group with related parties were as follows:

		Income €'000	Expenses €'000	Receivables €'000	Liabilities €'000
Joint Ventures	Jan 1 - Sep 30, 2010	19,210	24,232	27,757	2,319
	Jan 1 - Sep 30, 2009	4,890	13,224	16,785	0
Associates	Jan 1 - Sep 30, 2010	90	17,295	460	2,353
	Jan 1 - Sep 30, 2009	301	9,770	1,093	1,973
Other related parties	Jan 1 - Sep 30, 2010	8,327	12,409	68,556	6,377
	Jan 1 - Sep 30, 2009	25,194	6,241	50,503	3,114

#### | 15 | Significant events after the balance sheet date

##### Capital increase for Blue Chip Energy GmbH

On September 28, 2010, the shareholders' meeting (general meeting) of Blue Chip Energy GmbH, a joint venture of SOLON SE and WFE Energy Development GmbH, resolved to implement a capital increase of €1.7 million, which was recorded in the Commercial Register on October 16, 2010 and took effect on that date. The investment was made in its entirety by WFE Energy Development GmbH. SOLON SE did not participate in the capital increase, which lowered SOLON SE's shareholding in Blue Chip Energy GmbH from 48.31 % to 18.28 %. Due to the dilution of its shareholding, SOLON SE no longer had joint control over Blue Chip Energy GmbH as of October 2010. As SOLON SE also does not exercise a significant influence over Blue Chip Energy GmbH, as of October 2010 the investment in Blue Chip Energy GmbH will no longer be measured using the equity method and reported as a joint venture. Instead, the shares in the company will be recognized and measured as securities according to IAS 39.

## Contract concluded with Arizona Public Service

On October 1, 2010, SOLON Corporation, a subsidiary of SOLON SE based in Tucson, Arizona, USA announced that a contract had been signed with Arizona Public Service (APS), a public utility. The agreement provides for the development, design, and construction of an 18 MWp photovoltaic power plant. The SOLON Velocity power plant system, which SOLON developed specifically for use in multimewatt power plants, will be used for the first time in this project. APS, Arizona's largest and longest-serving electric utility, serves more than 1.1 million customers across the state.

| 16 | Review by the Group auditor

The interim financial statements as of September 30, 2010 and September 30, 2009 were not reviewed by the auditor.

## Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Berlin, November 11, 2010



Stefan Säuberlich  
Chief Executive Officer



Dr. Lars Podlowski  
Chief Technical Officer



Dr. Gero Wiese  
Chief Operating Officer

## Financial calendar

- > March 31, 2011  
Publication of annual report 2010
- > May 12, 2011  
Publication of interim report as of March 31, 2011
- > June 16, 2011  
Annual Shareholders' Meeting, Berlin
- > August 12, 2011  
Publication of interim report as of June 30, 2011
- > November 11, 2011  
Publication of interim report as of September 30, 2011
- > November 2011  
Annual analysts' meeting, Berlin

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SOLON SE

Investor Relations:

Therese Raatz

Phone +49 30 81879-9305

Fax +49 30 81879-9999

E-Mail [investor@solon.com](mailto:investor@solon.com)

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**SOLON SE**

Am Studio 16

12489 Berlin · Germany

Phone +49 30 81879-0

Fax +49 30 81879-9999

Internet [www.solon.com](http://www.solon.com)