2011

Interim Report
as of June 30, 2011

SOLON

KEY DATA SOLON GROUP

	2011 Jan 1 – Jun 30	2010[1] Jan 1 – Jun 30	Changes in %
Revenue in € million	221.9	242.4	-8 %
Foreign country revenue in € million	175.9	87.3	101 %
in % of revenue	79.3 %	36.0 %	
Total operating performance in € million	273.3	273.3	0 %
Gross profit in € million	31.4	65.4	-52 %
EBITDA in € million	-24.7	6.6	-474 %
in % of revenue	n / a	n / a	
EBIT in € million	-32.7	-2.3	-1,322 %
in % of revenue	n / a	n / a	
EBT in € million	-65.4	-13.8	-374 %
in % of revenue	n / a	n / a	
Net income / loss from continuing operations in € million	-63.1	-9.6	-557 %
in % of revenue	n / a	n / a	
Net income / loss in € million	-63.1	-9.5	-564 %
in % of revenue	n / a	n / a	
Number of shares outstanding in million	17.2	17.2	0 %
Earnings per share in €	-3.66	-0.73	-401 %
Cash flow from operating activities in € million	-27.1	-18.2	-49 %
Cash flow from investing activities in € million	9.7	-2.3	522 %
Cash flow from financing activities in € million	10.7	3.6	197 %
Depreciation and amortization in € million	8.0	8.9	-10 %
Personnel expenses in € million	19.8	18.1	9 %
in % of revenue	8.9 %	7.5 %	
Capital expenditure in € million	2.0	3.5	-43 %
Production capacity at quarter-end in MW	445	412	8 %
Production volume generated during the reporting period in MW	114	117	-3 %
	Jun 30, 2011	**Dec 31, 2010**	
Total assets in € million	610.2	667.5	-9 %
Working capital in € million	184.3	172.5	7 %
Net debt in € million	402.4	369.1	9 %
Equity in € million	47.3	107.8	-56 %
Equity-to-assets ratio in %	7.8 %	16.1 %	-52 %
Number of employees[2]	805	912	-12 %

[1] Adjustment of previous year's values due to the sale of the Inverter division during fiscal 2010, which is shown retrospectively as a discontinued operation in accordance with IFRS 5.

[2] Employees excluding working student trainees and interns.

- Business still impacted by weak market environment
- Group revenue lower than expected at €221.9 million
- Negative EBIT of €32.7 million; net loss of €63.1 million
- Revenue and earnings projections lowered for year as a whole
- Full impairment of the engagement in the investment Blue Chip Energy GmbH

Contents

Letter to Shareholders

To the shareholders and business associates of SOLON:

The quarter just ended has illustrated once again just how much our industry depends on a reliable operating environment. Without such an environment, any planning can quickly become obsolete. Like many of our competitors, we expected to see demand pick up strongly in the second quarter, due in part to the typically seasonal nature of our business, but also because renewable energy has been very much in the limelight once again since Fukushima. The fact is, however, that the upswing has been largely disappointing as of early summer. Only 1 gigawatt of solar energy was installed in Germany between January and May of 2011. Apparently many customers have delayed purchase of a solar facility against the backdrop of the debate on nuclear energy. Perhaps they expected that the announced change in energy policy - meanwhile reality – would be accompanied by a stronger commitment to renewable energy – maybe even a reversal of previous cuts. Or perhaps they were speculating on continued price erosion in order to earn even higher returns.

Rooftop facilities on commercial buildings in Italy have shown some initial signs of recovery after the stage had been dominated for a long time by a state of emergency brought on by political discussions. The rooftop segment has felt the effects of the new Conto Energia less than large greenfield power plants. Thanks to our lineup of specific system solutions especially tailored for this segment, we are well equipped to meet the changing demand. SOLON, moreover, is one of the first providers whose products have received the certification "Made in the EU". That is still another argument in our favor because the new Italian energy law provides that electricity fed into the grid from solar facilities whose components come predominantly from the European Union will receive a 10 % higher subsidy. Just how long it will take until investors, banks and the Italian administration adjust to the new legislation, just how long it will take until the market returns to normalcy, is anybody's guess. Developments in Italy signify new challenges but also new opportunities, both for us and for the entire industry.

In contrast to major European solar markets, the US market – the third pillar of our business – continues to exhibit robust growth and is well on its way to attaining the 2 gigawatts of installed capacity forecast for it for the current year. Our large projects for Arizona Public Service (21 MW) and Pacific Gas & Electric (18 MW) are on schedule. At the same time, we are conducting talks with a number of other large electric utilities about contracts to build new power facilities.

Despite this difficult environment, we were able to more than double revenues in the period from April to June in comparison to the first quarter of this year. We nevertheless missed our revenue target for the first six months. In view of continuing uncertainty as to the pace of the expected recovery, we do not expect to be able to make up the revenue shortfall of the first six months by the end of the year. We therefore had to adjust our targets for this year. We now anticipate Group revenue of around € 500 million and a significant net loss and EBIT loss.

In order to counter weak operative results, we have pushed ahead with our restructuring efforts. Experienced consultants joined with us in identifying additional potential for cutting costs in the double-digit vicinity. We are currently working on this. Our goal is to adjust our cost structures to the changed environment as quickly as possible and thus, to strengthen our competitive position in this difficult market. We will once again take a good hard look at our manufacturing operations and make adjustments to staff wherever structures no longer correspond to the current situation of our business. There will be no mass layoffs, however, because we need resources if we expect to grow. In fact, we are going to expand our sales activities in our core markets. The same goes for our project know-how and our efforts at innovation. We are conducting intensive negotiations with our banks and guarantors to restructure our financing. These negotiations have not been easy so far, due to the number of parties involved and their many different interests, but they have been constructive. We therefore remain optimistic that we will obtain a satisfactory solution by the end of the year and thus, lay the foundation for the gradual recovery of our business.

Sincerely yours,

Stefan Säuberlich
Chief Executive Officer

Interim Management Report as of June 30, 2011

BUSINESS AND ECONOMIC TRENDS

SOLON SE (formerly SOLON AG für Solartechnik) was founded in 1997 in Berlin, Germany, and in 1998 became the first listed solar company in Germany. SOLON is active around the world in the renewable energy sector with subsidiaries in Germany, Italy, France, Austria, and the USA, and at June 30, 2011, had 805 employees Group-wide. The SOLON SE Group's corporate headquarters are located in Berlin, Germany.

SOLON is a supplier of solar systems, offering photovoltaic solutions for a wide variety of applications ranging from solar installations for residential buildings to large, commercial rooftop photovoltaic systems and multi-megawatt greenfield power plants. Our business focuses on three key fields in the solar value chain:

– Development and manufacture of solar modules and solar system solutions
– Planning and construction of turnkey solar power plants
– Organization and realization of complete solar power plant projects

As an international company, SOLON generated approximately 79 % of its consolidated revenue outside of its home market of Germany during the reporting period. SOLON's sales activities focus on select photovoltaic markets in Europe and North America of sufficient size and/or having significant market potential. Our primary target markets in Europe are Germany, Italy, and France. In Germany, the world's most evolved and largest market for solar technology, SOLON benefits from being one of the pioneers in the German solar sector with an established name that enjoys strong brand recognition. In Italy, the second-largest solar market after Germany, SOLON has been represented for several years with a subsidiary and its own production facility, both of which have established it as a local provider in that country as well. Outside of Europe, our business activities are concentrated in the United States. The U.S. solar market is one of the markets with the strongest growth prospects for the coming years. SOLON established a local presence in the United States early on, and has had a local subsidiary there since 2007. Group-wide production capacities totaled 445 MW at the end of the second quarter of 2011. All in all, SOLON has sold solar modules and solar systems with a total installed capacity of 108 MW during the reporting period.

SIGNIFICANT EVENTS IN THE SECOND QUARTER OF 2011

Changes to the Management Board

On April 1, Andreas Amelang, 50, took the role of Chief Sales Officer of SOLON SE. Mr. Amelang has a degree in marine engineering, and after holding positions at MTW Schiffswerft and the Aker Group was most recently in charge of establishing a new division for special ship propulsion systems as Vice President for Voith radial propellers.

Contracts

In May, SOLON received an order to construct a 400 kW solar power plant on the site of a former British military airport near Oxford. SOLON was commissioned by Rockspring Property Investment Managers to plan, build, and deliver the project in turnkey condition as general contractor.

Partnerships

Also in May, SOLON announced the launch of a partnership with Tata Steel Building Systems, a construction company active throughout Europe in the field of intelligent construction systems. In this context we have jointly developed a product that combines Tata Steel's metal roof decking with photovoltaic systems from SOLON. The partnership is part of the new strategic alignment of SOLON focusing on the promising segment of industrial and commercial roofs.

Investments

In the middle of April, SOLON divested its investment in the Greifswald-based industrial service provider ml&s manufacturing, logistics and services GmbH & Co. KG (ml&s). The shares were taken over by Hydraulik Nord GmbH, another company specializing in industrial services. The sale was made in connection with SOLON's strategic decision to concentrate entirely on its core business. The solar module production partnership with ml&s at the Greifswald facility will continue.

Marketing activities

At this year's Intersolar, the industry's leading trade fair, which took place from June 7 to 10 in Munich, SOLON presented its extended range of innovative roof systems. Our new products SOLON SOLbond and SOLON SOLfixx generated particularly strong interest. They were specifically developed for industrial and commercial roofs for which conventional photovoltaic systems are generally not suited due to low load-bearing capacity.

MACROECONOMIC SITUATION

Global economy

Despite the civil war-like conditions in several Arabic countries, the natural disaster and nuclear crisis in Japan, and the increasingly serious budget crisis in Greece and the USA, the global economy has been quite robust since the beginning of the year, not least due to the dynamic growth of the emerging economies.

Solar technology market

Global market

Following unexpectedly strong performance in 2010, the global photovoltaic market cooled down perceptibly in the first half of 2011. In addition to the usual weak demand in the solar sector during the winter quarter, announcements of reductions in solar subsidies in the key markets of Germany, Italy, and France led to uncertainty among market participants and further curbed demand for solar technology.

Germany

After an exceptionally weak first quarter, demand from German customers for solar systems remained very weak in the second quarter as well. The reactor accident at Fukushima and the subsequent resurgence of the discussion revolving around the future of nuclear energy in Germany were probably the main contributing factors. It appears that in consideration of these developments, many customers postponed their purchase decisions in anticipation of an improvement in basic conditions for solar investments as a consequence of the phase-out of nuclear energy that has since been decided. Additionally, at the beginning of June, the new feed-in law that had just been adopted in February 2011 was revised yet again and the additional tariff reduction originally scheduled for July 1 of the current year was canceled. Accordingly, the expected pull-forward effects did not take place either.

Italy

At the start of March 2011, the Italian government announced another revision of its solar subsidies. The existing legislation expired on May 31, 2011. This announcement and the lack of clarity until early May regarding the future conditions for solar investments in Italy have resulted in a high level of uncertainty among market participants. The power plant segment was especially hard hit, coming to a near standstill from the middle of the first quarter with respect to new business. The new feed-in regulations were not decided until early May and entered into effect on June 1. Additional major subsidy cutbacks have had an impact on large installations in particular. Moreover, a limitation of the subsidy volume until 2016 translates to a factual limitation of the annual growth of photovoltaic volume in that period.

France

At the beginning of March 2011, the French parliament also adopted new legislation on solar subsidies that entered into force in the period that immediately followed. The new regulations stipulate a maximum of 5.4 GW for total installed photovoltaic capacity until 2020, which limits new construction to around 500 MW per year. In addition, feed-in tariffs were reduced by 20 %. For small installations of less than 100 kW output, the tariff price will depend on the current market trend in this segment and is to be adjusted each quarter. All photovoltaic projects in excess of 100 kW will have to be publicly tendered in the future. These recent changes in the regulatory framework already led to a substantial slowdown of the power plant business in France since the beginning of the year. Market activity is now increasingly shifting toward building-integrated photovoltaic applications, which still enjoy attractive subsidy rates.

USA

In contrast to this year's trend in the European solar markets so far, the U.S. market is in a significantly better state and hence is well on the way to achieve the doubling in volume to about 2 GW anticipated by market observers for this year. In combination with the continuation of brisk activities in California in particular, this trend is a result of the dedicated efforts of local energy suppliers in numerous U.S. states to expand their photovoltaic activities.

IMPACT OF MARKET CONDITIONS ON THE SOLON GROUP

Like the photovoltaic sector as a whole, SOLON was adversely affected by weak demand in important markets in the second quarter of 2011. The slow growth in demand in Germany and the collapse of the power plant business in Italy had a dampening effect on the Company's business and led to the consequence that Group revenues and earnings were once again weaker than expected.

BUSINESS PERFORMANCE IN THE FIRST HALF OF 2011

Like the first quarter of 2011, the second quarter was affected by strong uncertainty in the market and the resulting slowdown in demand. Although demand had picked up somewhat in the second quarter in comparison to the first quarter, it still remained significantly lower than expected. Revenues amounted to €156.7 million in the second quarter of 2011 (Q2 2010: €154.1 million), up from €65.2 million in the first quarter (Q1 2010: €88.3 million). Total revenues in the first half of 2011 were €221.9 million (H1 2010: €242.4 million), representing an 8% decline year on year. SOLON generated the largest proportion of revenues with the power plant business at 57%. SOLON generated negative EBIT totaling €32.7 million in the first half of 2011 (H1 2010: negative EBIT of €2.3 million).

INCOME STATEMENT

The SOLON Group generated revenues of €221.9 million in the first six months of fiscal 2011 (H1 2010: €242.4 million).

At €273.3 million, total operating performance was the same as in the prior year period. Changes in work in progress and finished goods amounted to a total of €37.7 million in the reporting period (H1 2010: €12.2 million), among other things as a result of lower-than-anticipated demand and the investment in power plant projects under construction. Other operating income in the first six months of 2011 amounted to €13.5 million (H1 2010: €18.1 million). This figure includes income from currency translation gains in the amount of €6.8 million (H1 2010: €14.3 million), which were offset by other operating expenses of €9.8 million resulting from the application of a natural foreign currency hedge (H1 2010: €15.2 million).

The share of revenues generated outside of Germany amounted to more than 79% throughout the Group in the first six months of 2011. The SOLON Group's production output was at 114 MW (H1 2010: 117 MW).

In particular due to the higher proportion of System Technology business in the first six months of 2011, the cost of materials rose by 16% to €241.8 million (H1 2010: €207.9 million), of which €60.3 million (H1 2010: €27.1 million) related to third-party services.

The gross profit decreased by 52% in the first six months of 2011 to €31.4 million (H1 2010: €65.4 million). The ratio of the gross margin to the sum of sales revenues and inventory changes decreased from 26% to 12%.

Personnel expenses rose by 9% in the first six months of 2011 to €19.8 million (H1 2010: €18.1 million). The increase was due on the one hand to the fact that the special effect resulting from SOLON employees having voluntarily waived their variable salary components in fiscal 2010 no longer applied. On the other hand, the number of employees in Sales and Administration increased, while headcount in production declined, primarily in response to the management buy-out of SOLON HILBER Technologie GmbH.

Depreciation and amortization came to €8.0 million in the first six months of 2011 (H1 2010: €8.9 million). The decline in depreciation was above all an effect of the elimination of depreciation on production facilities of SOLON HILBER Technologie GmbH and the reduction of the depreciation basis as a consequence of subsidies received.

Other operating expenses fell from €40.7 in the prior year period to €36.2 million in the reporting period. This figure includes expenses resulting from currency translation losses in the amount of €9.8 million, marketing expenses of €3.0 million, expenses of €2.4 million directly related to restructuring measures, expenses for third-party services amounting to €2.0 million, impairment losses on receivables and other assets of €1.9 million, rent expenses of €1.7 million, and expenses of €1.6 million resulting from the recognition of warranty provisions.

The year-on-year EBIT and EBITDA losses worsened in the first six months of 2011 to €32.7 million and €24.7 million respectively (H1 2010: EBIT loss of €2.3 million and EBITDA gain of €6.6 million).

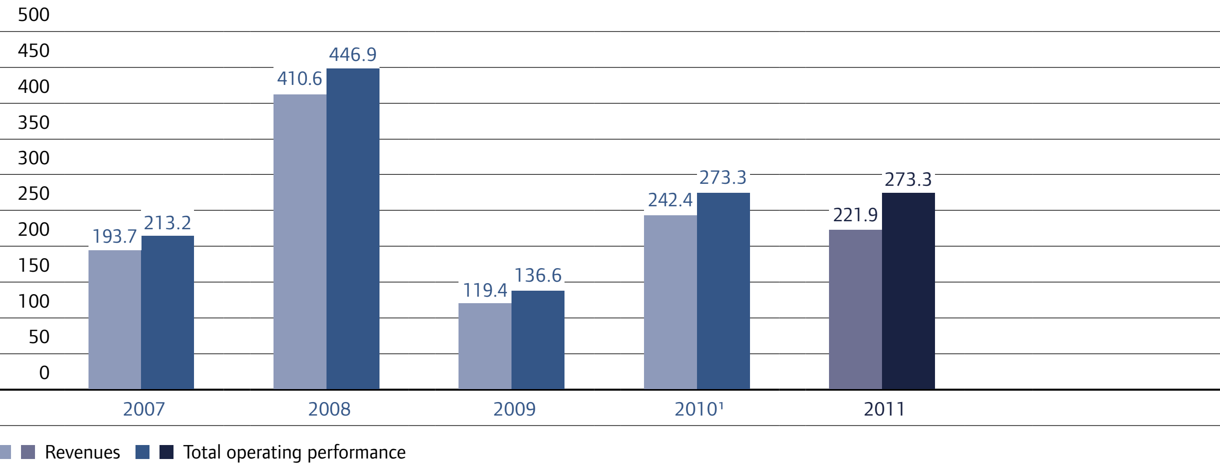
Net financing expenses amounted to €32.7 million in the reporting period (H1 2010: net financing expense of €11.5 million). A total of €15.7 million of this amount related to the full impairment of non-current loans to Blue Chip Energy GmbH, in which the SOLON Group holds an 18.28% stake, and €2.3 million to the impairment of interest on these loans. Blue Chip Energy GmbH filed for bankruptcy on July 21, 2011. Net financing expenses also included €14.3 million in interest expenses (H1 2010: €11.4 million).

In the period under review, the Company reported an EBT loss of €65.4 million (H1 2010: €13.8 million EBT loss) and an income tax credit of €2.3 million (H1 2010: €4.2 million).

The net loss worsened to €63.1 million in the first six months of 2011 (H1 2010: net loss of €9.5 million).

The Company reported a net loss per share of €3.66 in the first six months of 2011 (H1 2010: net loss per share of €0.73).

TOTAL REVENUES (JANUARY 01 – JUNE 30)
IN € MILLION



[1] Adjustment of previous year's values due to the sale of the Inverter division during fiscal 2010, which is shown retrospectively as a discontinued operation in accordance with IFRS 5.

BALANCE SHEET

Total assets decreased to €610.2 million as at June 30, 2011 (December 31, 2010: €667.5 million).

Non-current assets

SOLON invested €2.0 million in intangible assets and property, plant, and equipment throughout the Group during the reporting period (H1 2010: €3.5 million). SOLON also reported subsidies of €8.0 million in the period under review, in particular in conjunction with funding for corporate headquarters in Berlin-Adlershof, for manufacturing plant and equipment, and for operating and office equipment.

As of June 30, 2011, intangible assets were carried at €14.7 million and property, plant, and equipment at €122.4 million (December 31, 2010: €15.2 million and €137.0 million, respectively). As of the reporting date, property, plant, and equipment consisted of land and buildings at €72.7 million, manufacturing plant and equipment at €39.1 million, other plant, operating, and office equipment at €9.5 million, and advance payments and construction in progress at €1.1 million.

Financial assets amounted to €22.6 million as of June 30, 2011 (December 31, 2010: €37.7 million). The majority of this total related to financial investments. The decline in financial assets resulted from the impairment loss on a non-current loan to Blue Chip Energy GmbH in the amount of €15.7 million.

Other non-current assets amounted to €50.4 million as of June 30, 2011 (December 31, 2010: €51.1 million), almost entirely reflecting advance payments on inventories.

Non-current assets declined to a total of €231.7 million in the reporting period (December 31, 2010: €261.7 million).

Current assets

Due to the increase in production output and the lower-than-anticipated sales volume as well as the rise in System Technology business, inventories rose to €142.0 million as of June 30, 2011 (December 31, 2010: €108.4 million). In response to the fact that market demand was significantly lower than expected in the first quarter of 2011 and inventories on hand had increased to €160.3 million, SOLON's Management Board scaled back its production planning considerably, which in the second quarter of 2011 resulted in an €18.3 million reduction in inventories on hand to €142.0 million. Inventories on hand as of June 30, 2011, includes raw materials and supplies totaling €22.5 million, work in progress of €71.9 million, finished goods of €31.6 million, and advance payments on inventories of €16.0 million.

SOLON was able to reduce trade receivables by €39.4 million to €131.3 million in the first half of 2011 (December 31, 2010: €170.7 million). Some 63% of this total resulted from the application of the percentage-of-completion method in the project business. In other words, €83.0 million were 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 €172.5 million to €184.3 million during the first six months of the year.

Other receivables and other assets amounted to €94.9 million as of June 30, 2011 (December 31, 2010:

€103.6 million). This figure includes loans extended, current receivables from tax authorities, in particular related to sales tax receivables, and prepaid expenses. Cash and cash equivalents decreased from €15.3 million to €10.3 million in the first six months.

Current assets declined to €378.5 million in the period under review, in particular due to the reduction in receivables (December 31, 2010: €405.9 million).

Shareholders' equity

At €17.2 million on June 30, 2011, the share capital was on the same level as on December 31, 2010. The capital reserve remained unchanged at €284.1 million.

The net loss in the first half of 2011 caused equity to drop by €63.1 million. Equity declined from a total of €107.8 million as of December 31, 2010, to €47.3 million as of June 30, 2011. The equity-to-assets ratio fell from 16.1 % to 7.8 %.

Non-current liabilities

Non-current liabilities to banks decreased to €21.4 million (H1 2010: €63.4 million). The decline in liabilities resulted from the term-based reclassification of a promissory note in the amount of €40.0 million due in March 2012. Non-current liabilities from bonds and other non-current liabilities rose to €145.6 million in the period under review (December 31, 2010: €143.2 million), in particular as a result of the treatment of convertible bonds according to the effective interest method. The balance sheet item bonds and other non-current liabilities primarily includes liabilities from the convertible bonds issued in December 2007 in the amount of €132.1 million and finance lease liabilities in the amount of €10.9 million.

Total non-current liabilities amounted to €178.0 million as of June 30, 2011 (December 31, 2010: €216.8 million).

Current liabilities

Current liabilities to banks rose to €245.8 million in the first half of 2011 (December 31, 2010: €177.9 million). The rise in liabilities to banks resulted in particular from the term-based reclassification of the promissory note in the amount of €40.0 million due in March 2012 and the increased use of the credit line.

Trade payables were €89.0 million on June 30, 2011 (December 31, 2010: €106.6 million).

Other current liabilities decreased from €42.4 million to €39.4 million, above all as a consequence of the reduction in advance payments received and liabilities to associates and investments. This balance sheet item primarily includes liabilities from advance payments received, sales tax liabilities, and liabilities to controlling companies, associates, and investments.

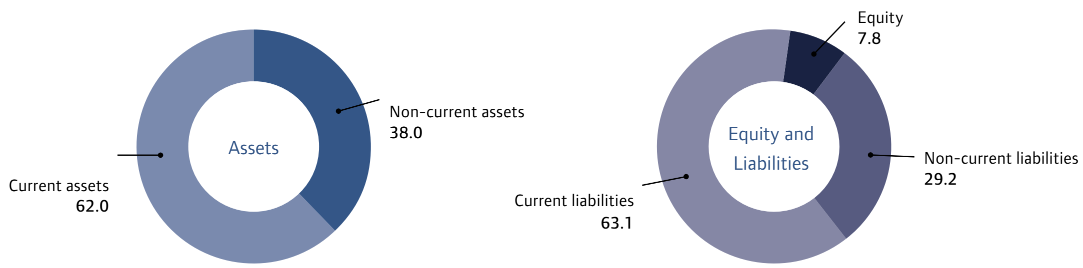
At the end of the first six months of 2011, total current liabilities were €384.9 million (December 31, 2010: €342.9 million).

Cash flow

In the first half of 2011, SOLON generated negative cash flow from operating activities of €27.1 million (H1 2010: negative cash flow from operating activities of €18.2 million). This was predominantly an outcome of the negative cash effect of €37.5 million related to the increase in inventories and the negative period result before income taxes of €65.4 million. Positive cash effects of €39.2 million were achieved by reducing receivables. While SOLON reported an outflow of cash from operating activities of €31.3 million in the first quarter, it generated an inflow of cash in the amount of €4.2 million in the second quarter.

The cash flow from investing activities was positive at €9.7 million in the first half of 2011 (H1 2010: negative €2.3 million); €10.3 million resulted from advance subsidy payments.

BALANCE SHEET STRUCTURE AS OF JUNE 30, 2011
IN %



Cash flow from financing activities amounted to €10.7 million (H1 2010: €3.6 million). This figure primarily includes the effects of increasing liabilities to banks and of interest payments.

ECONOMIC SITUATION OF THE COMPANY AT THE TIME OF PUBLICATION

As a consequence of the dissatisfactory business trend in the first half of 2011, SOLON was not able to adhere to the financial commitments made in the syndicated loan agreement. The Company then made a waiver request, which was granted.

Due to the lower sales revenues from business in Germany and persistently difficult conditions in Italy and the related increase in days sales outstanding, the Company's liquidity situation has become strained. SOLON's management is working on the short and medium-range financing of the Company with the consulting firm Alvarez & Marsal, the consortium of banks, and its guarantors.

PERFORMANCE IN THE INDIVIDUAL SEGMENTS

The business operations of the SOLON Group are divided into the segments Production and Sales. In addition, the Holding / Other segment depicts holding activities as well as other activities of the SOLON Group.

Production

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 Production segment comprises the companies SOLON Photovoltaik GmbH and Solon Nord GmbH as well as the production units of SOLON S.p.A. and SOLON Corporation. SOLON HILBER Technologie GmbH, which in fiscal 2010 was still part of the Production segment, has been included under the Holding/Other segment since fiscal 2011 due to discontinuation of operational activities.

Revenue and earnings

The Production segment recorded revenues of €155.1 million in the first half of 2011 (H1 2010: €206.6 million), nearly all of which was generated through other companies in the Group.

Total operating performance declined by 20% from €217.1 million to €174.2 million year on year. The difference between revenue and total operating performance was primarily due to changes in unfinished and finished solar modules in the amount of €17.0 million and other operating income totaling €2.1 million.

The cost of materials declined from €178.6 million to €148.2 million. Personnel expenses fell by 55% to €4.0 million (H1 2010: €8.9 million).

EBIT generated in the first half of 2011 was €9.4 million (H1 2010: €13.0 million).

Additional information

In the Production segment, capital expenditure for intangible assets and property, plant, and equipment totaled €1.3 million in the first half of 2011 (H1 2010: €1.5 million).

Sales

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. This segment comprises the companies SOLON Investments GmbH and SOLON SAS as well as the sales units of SOLON SE, SOLON S.p.A., and SOLON Corporation.

Revenue and earnings

Revenue in the Sales segment declined by 8% from €244.8 million to €225.4 million in the reporting period. Sales revenues were almost exclusively generated with third parties. Total operating performance rose to €251.8 million (H1 2010: €250.7 million). In addition to revenues, this figure includes other operating income of €5.7 million (H1 2010: €2.4 million) and an increase in inventories of finished goods and work in progress in the amount of €20.7 million (H1 2010: €3.4 million).

The cost of materials rose from €238.1 million to €253.4 million. Personnel expenses in this segment increased to €10.2 million (H1 2010: €4.1 million). The EBIT worsened from an EBIT gain of €0.9 million in the first half of 2011 to an EBIT loss of €26.2 million in the reporting period.

Additional information

In the Sales segment, capital expenditure for intangible assets and property, plant, and equipment amounted to less than €0.1 million in the first half of 2011 (H1 2010: €0.5 million).

Holding Company / Other

The Holding Company / Other segment comprises the holding activities of SOLON SE, the business activities of ERLASEE Liegenschaften GbR, SOLON Mobility GmbH, SOLON HILBER Technologie GmbH, and Estelux s.r.l.

RISKS AND OPPORTUNITIES

Due to the results of the first half of 2011 and the business trend anticipated for the remainder of the year, SOLON significantly reduced its existing revenue and earnings targets for the year as a whole in July 2011. The current plan also takes into consideration the insolvency of Blue Chip Energy GmbH, an Austrian cell manufacturer in which SOLON holds an 18.28 % stake. The lower-than-projected sales revenues had a major impact on the currently available cash and cash equivalents.

To improve the current corporate situation, SOLON is working with external consultants on developing an extensive restructuring program that entails both the operational and financial restructuring of the Company. The continuation of SOLON largely depends on the successful implementation of these restructuring measures.

For a more detailed discussion of the risk situation of SOLON refer to pp. 73 et seq. of the 2010 annual report of the SOLON Group.

REPORT ON POST-BALANCE SHEET DATE EVENTS

Adjustment of annual forecast

Due to the weak business performance in the first half of 2011, SOLON had to revise its budget and on July 19, 2011, announced a new forecast for the year as a whole. Since management expects that it will not be possible to offset or completely offset the decline in revenues in the first six months before the end of the year, the revenue target was reduced from the last estimate of about €620 million to €500 million. Earnings targets were adjusted as well; both EBIT and net income are now expected to be clearly negative.

Investments

On July 21, 2011, the management of the Austrian solar cell manufacturer Blue Chip Energy GmbH filed a petition for insolvency. SOLON holds an 18.28 % minority share in the company. The insolvency of Blue Chip Energy has resulted in an impairment loss of €18.0 million related to a loan, including accrued interest, as well as an expense of €1.6 million related to advance payments. SOLON acquired the stake in Blue Chip Energy GmbH in 2006 in order to secure the supply of solar cells that was critical at that time.

FORECAST

MACROECONOMIC SITUATION

Global economy

World economic performance indicators are again pointing upwards, above all thanks to the high growth rates in the emerging markets. However, global growth momentum is likely to slow down considerably during the current year in light of the major challenges at hand. High debt levels in some European countries and in the U.S. pose a major risk for the future economic trend. The United States is facing its largest budget deficit since World War II, and proposed spending cuts are likely to act as a drag on the U.S. economy. Political upheaval in the Arab region adds another element of uncertainty that entails energy supply risks. In 2012, the global economy is expected to revive slightly. However, growth rates will probably remain below the 2010 levels.

In the euro zone, economic recovery is predicted to be slow in 2011 and 2012 in view of the continuously strained budget situation in several member states and the gradual expiration of economic stimulus programs. However, because the German economy remained robust as the year commenced, Germany is forecast to continue its role as one of the growth drivers of the euro zone economy. The sustained upswing is being driven by continued high demand for German exports along with the rising domestic economy. Nonetheless, growth in Germany is also predicted to remain below 2010 levels in 2011 and 2012.

Solar technology market

After an unexpectedly robust 2010, the global photovoltaic market is expected to cool down notably in the current fiscal year. This development is in particular a result of the highly unsatisfactory performance in Germany and Italy, the two largest markets for solar technology in Europe, due to a change in overall conditions since the beginning of the year. This could accelerate the shift in dynamics from Europe towards the USA and Asia anticipated in the coming years. More and more new sales opportunities are opening up for the photovoltaic industry due to the emergence of a number of new markets with a potential of 500 MW per year, which should act to reduce the susceptibility of the solar industry to disruption in individual markets resulting from changing political conditions.

Germany

Germany is expected to again hold onto its position as the world's single largest photovoltaic market in the coming year. However, the extremely weak development of demand in the first half of 2011 suggests that growth will be significantly lower this year than in the boom year 2010, even though demand is expected to pick up noticeably in the second half of the year and especially towards the end of the year in anticipation of the next tariff reduction. In the coming years, the German market may level off in the 3–5 GW range stipulated in the context of the current Renewable Energy Act.

Italy

With the introduction of the new feed-in regulations effective June 1, 2011, conditions for solar investments have worsened perceptibly in Italy, in particular due to the cuts in subsidies for large-scale greenfield projects, which in the past represented the most influential factors in the market. It is therefore likely that the Italian market will weaken considerably more in the current year than originally expected. Nonetheless, once the market participants have adjusted to the changed conditions, since there are still good return opportunities in some areas, Italy should remain an attractive location for solar investments and hence one of the most important photovoltaic markets in Europe.

France

The cuts in solar subsidies agreed on in March have put a noticeable damper on the development prospects of the French photovoltaic market. The additional reduction in feed-in tariffs for solar electricity, and particularly the annual limitation on new installations to approximately 500 MW in total, of which only a maximum of 200 MW is foreseen for greenfield installations, are likely to render the French market largely unattractive for the construction of large-scale power plants in the future. Instead, it can be assumed that market activities will increasingly revolve around the building-integrated installation segment, which continues to benefit from high subsidy levels.

USA

The U.S. will assume an increasingly important role as a sales market for solar technology in the years to come. Market volumes are predicted to double in 2011 alone and to still see double-digit growth in 2012. The U.S. will thus already advance to become one of the world's largest solar markets in the current year. However, uniform solar subsidies are still lacking in the U.S. at a national level. Solar initiatives take place at the state or local level, and vary widely. For this reason, market activities have thus far concentrated largely on California and a few other states. However, the adoption of new subsidy initiatives is likely to gradually expand the basis for further development in the U.S. market.

OUTLOOK FOR SOLON

Strategy

SOLON sees itself as a solar systems provider offering its customers system solutions for a variety of application areas, ranging from solar installations for residential homes to large, commercial rooftop power plant installations and multi-megawatt greenfield power plants. In order to counter growing international competition, SOLON relies on generating competitive advantages in the areas of innovation, quality, and service to further expand on its position as a premium supplier. To achieve this, SOLON will gradually extend its product portfolio to include innovative system solutions for new application fields.

In order to hold its ground in the face of international competition while laying the foundation for returning to the profitable growth of earlier years, the SOLON Management Board teamed up with the renowned consulting firm Alvarez & Marsal to develop a concept for the operational restructuring of the Company encompassing the following measures:

Future sales orientation

In the future, SOLON will focus its sales strategy more intensively on the industrial and commercial roofs segment, which from the Company's perspective offers tremendous sales potentials. To this end, SOLON has expanded its range of roof solutions with a number of new products that are optimally designed for the special requirements of these roofs. In addition, SOLON will go forward with the development of intelligent energy management systems that can be used to link the generation of solar power with consumption and storage. Its marketing activities will be further strengthened in the most important target markets in Germany, Italy, and the USA. SOLON's SOLAR PIONEERS partner program will be expanded to gain new local sales partners and intensify relations with existing partners. Moreover, SOLON is seeking additional strategic partnerships with major industrial partners from the construction and energy sectors with the objective of tapping new sales channels.

Improving the flexibility of the cost structure

SOLON is accelerating the cost reduction program that is already in place in order to adjust cost structures to the current sales plan. Additional savings potentials have been identified with this objective in mind. A new purchasing strategy has been developed to more effectively benefit from favorable market trends in materials purchasing, and in particular the procurement of solar cells. The utilization of the most cost effective production locations is being optimized to reduce production costs. At the same time, the current production situation is once again being scrutinized. The German production facilities in Berlin and Greifswald remain an integral part of the company's market strategy.

Staff-related measures

The successful implementation of the restructuring program entails the significant expansion of the national and international distribution network. At the same time, in individual areas of the company where the staffing no longer corresponds to the current situation, we will be implementing cutbacks in the course of the second half of the year.

Securing long-term corporate financing

On the basis of the adjusted corporate planning, a concept for the reorganization of the group's financing is currently being developed with external consultants and the banks in order to secure the medium- and long-term financing of SOLON. The objective of the financial restructuring efforts is to sustainably reduce net debt. Management anticipates that the financial restructuring talks will be completed in the fourth quarter of 2011.

Targets

In response to the unsatisfactory business performance in the first half of the year, the Management Board has adjusted its projections for the year 2011 as a whole. Group sales are now anticipated to reach around €500 million. The last projection, updated on the occasion of the publication of the interim report as of March 31, 2011, was that Group sales would be at the same level as in the prior year (2011: €619 million). Due to the weaker sales development, SOLON has also adjusted its earnings targets for the current year. Management is now expecting a significant loss in terms of both EBIT and Group earnings.

Berlin, August 9, 2011

Stefan Säuberlich
Chief Executive Officer

Andreas Amelang
Chief Sales Officer

Dr. Martin Detje
Chief Operating Officer

Dr. Lars Podlowski
Chief Technical Officer

KEY SHARE DATA

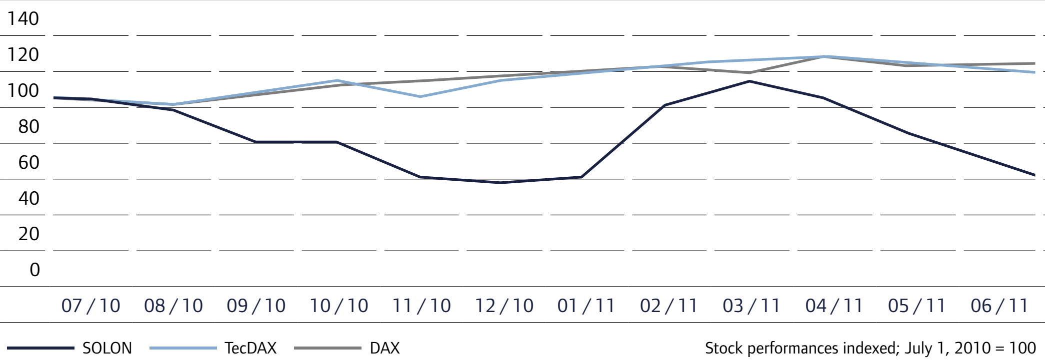
ISIN	DE0007471195
WKN	747 119
Trading symbol	SOO1
Reuters ticker symbol	SOOG.DE
Bloomberg ticker symbol	SOO1:GR
Listing	Frankfurt Regulated Market (Prime Standard)
Stock exchanges	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart and Xetra
Indices	Prime All Share, CDAX, Technology All Share

KEY DATA FOR SOLON STOCK SECOND QUARTER 2011

Share capital in €	17,225,032.00
Number of shares issued	17,225,032
Quarterly high [1] in €	4.42
Quarterly low [1] in €	2.37
Quarter-end closing price [1] in €	2.50
Market capitalization at quarter-end in € million	43
Average trading volume per day (number)	34,623
Earnings per share in €	-3.66

[1] Deutsche Börse, Xetra

PERFORMANCE OF SOLON STOCK (12 MONTHS) IN %



INVESTOR RELATIONS

GENERAL MARKET SENTIMENT

Against the backdrop of the difficult global economic and political climate, and especially the debt crisis in Greece and the USA, the international stock markets were under strong pressure in the past quarter again. The majority closed the period with slight losses.

PERFORMANCE OF SOLON STOCK

In the course of the second quarter, the SOLON stock came under pressure again and lost 44% of its value in comparison to the prior quarter. The stock reached its high for the period on April 1 at €4.42; its low on May 25 at €2.37. It closed the quarter at €2.50 (March 31, 2011: €4.44 per share). An average of 34,623 SOLON shares were traded on the Xetra in the past quarter. The Company's market capitalization declined to €43 million.

ANNUAL SHAREHOLDERS' MEETING

More than 130 shareholders and shareholder and bank representatives participated in this year's Annual Shareholders' Meeting of SOLON SE, which was held in Berlin on June 16. A total of 45.26% of the share capital was represented. All six agenda items for resolution were passed with a clear majority. The resolutions adopted included the creation of new authorized capital and the reauthorization to acquire treasury stock. In addition, changes to the Articles of Incorporation were adopted with respect to the convocation rules for future shareholders' meetings.

INVESTOR RELATIONS ACTIVITIES

In the year to date, SOLON recorded sustained interest on the part of German and international investors. Members of the Management Board and Investor Relations staff met with existing and potential investors and financial analysts on numerous occasions to discuss the current business trend and assessments concerning prospects in the core markets. Several German and Anglo-American financial institutes regularly report on the Company.

Interim Consolidated Financial Statements as of June 30, 2011

CONSOLIDATED INCOME STATEMENT

€ '000	Note	2011 Jan 1 – Jun 30	2010[1] Jan 1 – Jun 30	2011 Apr 1 – Jun 30	2010[1] Apr 1 – Jun 30
Revenue	(2)	221,854	242,370	156,653	154,069
Changes in work in progress and finished goods		37,676	12,155	-5,070	8,672
Own expenses capitalized		254	600	102	462
Other operating income	(3)	13,483	18,148	3,595	11,367
Total operating performance		**273,267**	**273,273**	**155,280**	**174,570**
Cost of material	(4)	241,839	207,888	138,693	131,324
Gross profit		**31,428**	**65,385**	**16,587**	**43,246**
Personnel expenses		19,832	18,058	9,804	9,858
Depreciation, amortization and impairment		8,036	8,913	3,953	4,744
Other operating expenses	(5)	36,226	40,731	18,538	24,552
EBIT		**-32,666**	**-2,317**	**-15,708**	**4,092**
Result from investments accounted for using the equity method	(6)	418	-83	275	33
Other investment and financial result	(6)	-18,817	-3	-18,816	-3
Interest income		4,237	4,139	1,992	2,086
Interest expenses		-18,566	-15,506	-9,621	-8,956
Net income / loss before income taxes		**-65,394**	**-13,770**	**-41,878**	**-2,748**
Income taxes		-2,315	-4,190	-339	-1,169
Net income / loss from continuing operations		**-63,079**	**-9,580**	**-41,539**	**-1,579**
Net income / loss from discontinued operations	(7)	–	33	–	186
Net income / loss		**-63,079**	**-9,547**	**-41,539**	**-1,393**
Earnings per share (total) in €	(13)	-3.66	-0.73	-2.41	-0.10
Diluted earnings per share (total) in €	(13)	-3.66	-0.73	-2.41	-0.10
Earnings per share from continuing operations in €	(13)	-3.66	-0.73	-2.41	-0.11
Diluted earnings per share from continuing operations in €	(13)	-3.66	-0.73	-2.41	-0.11
Earnings per share from discontinued operations in €	(13)	–	–	–	0.01
Diluted earnings per share from discontinued operations in €	(13)	–	–	–	0.01

[1] Adjustment of prior-year figures due to the sale of the Inverter division in fiscal year 2010, which is reported as a discontinued operation in accordance with IFRS 5 with retrospective effect. For details on the result from discontinued operations, please refer to Note 7: Result from discontinued operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ '000	2011 Jan 1 – Jun 30	2010 Jan 1 – Jun 30	2011 Apr 1 – Jun 30	2010 Apr 1 – Jun 30
Net income / loss	**-63,079**	**-9,547**	**-41,539**	**-1,393**
Foreign exchange translation differences	1,761	-2,326	524	-1,488
Unrealized gains / losses from the fair value measurement of available-for-sale securities	514	-644	-1,434	-372
Share of other comprehensive income / loss of equity-accounted companies	–	-15	–	-32
Unrealized gains / losses from the fair value measurement of derivative hedges	253	-168	-41	-76
after income tax of	-108	72	18	32
Other comprehensive income / loss	**2,528**	**-3,153**	**-951**	**-1,968**
Total comprehensive income / loss	**-60,551**	**-12,700**	**-42,490**	**-3,361**
Total comprehensive income / loss attributable to shareholders of SOLON SE	-60,551	-12,700	-42,490	-3,361

CONSOLIDATED BALANCE SHEET

€ '000	Note	Jun 30, 2011	Dec 31, 2010
ASSETS			
Non-current assets		**231,703**	**261,669**
Intangible assets	(8)	14,701	15,162
Property, plant and equipment	(8)	122,428	137,021
Financial assets accounted for using the equity method	(8)	672	265
Miscellaneous financial assets	(8)	21,909	37,478
Other non-current assets		50,387	51,138
Deferred tax assets		21,606	20,605
Current assets		**378,514**	**405,874**
Inventories	(9)	142,030	108,438
Trade receivables	(10)	131,250	170,661
Other receivables and assets		94,909	103,554
Cash and cash equivalents		10,325	15,307
Assets held for sale	(11)	–	7,914
Total assets		**610,217**	**667,543**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity		**47,296**	**107,847**
Share capital		17,225	17,225
Capital reserve		284,132	284,132
Other comprehensive income		1,944	–584
Accumulated profit/loss		-256,005	–192,926
Non-current liabilities		**178,019**	**216,800**
Provisions		11,058	10,220
Liabilities to banks	(12)	21,373	63,421
Bonds and other non-current liabilities		145,588	143,159
Current liabilities		**384,902**	**342,896**
Tax provisions		617	953
Other provisions		10,166	15,016
Liabilities to banks	(12)	245,786	177,852
Trade payables		88,958	106,580
Other liabilities		39,375	42,377
Liabilities associated with assets held for sale	(11)	–	118
Total shareholders' equity and liabilities		**610,217**	**667,543**

CONSOLIDATED CASH FLOW STATEMENT JANUARY 1 TO JUNE 30	2011	2010[1]
€ '000		
Net income / loss before income taxes	**-65,394**	**-13,770**
Investment result, other financial result and interest result	32,728	11,453
EBIT	**-32,666**	**-2,317**
Amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment	8,036	8,913
Impairment losses / reversals on other non-current and current assets	4,096	-4,735
Gain / loss from the disposal of non-current assets	10	33
Income / expenses for stock option plan	–	-487
Changes in provisions	-4,154	-1,346
Income taxes paid	2,227	-4,524
Other non-cash income and expenses	4,809	-4,158
Cash flow from operating activities before changes in net current assets	**-17,642**	**-8,621**
Change in inventories	-37,533	-22,936
Change in trade receivables	39,191	-70
Change in other receivables and assets	9,171	-5,598
Change in trade payables	-16,910	16,260
Change in other liabilities	-3,398	2,823
Cash flow from operating activities from continuing operations	**-27,121**	**-18,142**
Cash flow from operating activities from discontinued operations	–	-69
Cash flow from operating activities	**-27,121**	**-18,211**
Proceeds from disposals of intangible assets and property, plant and equipment	411	201
Capital expenditure for intangible assets and property, plant and equipment	-2,843	-4,111
Change in financial assets and loans	1,600	-880
Proceeds from government grants	10,306	2,254
Interest received	200	265
Cash flow from investing activities from continuing operations	**9,674**	**-2,271**
Cash flow from investing activities from discontinued operations	–	-1
Cash flow from investing activities	**9,674**	**-2,272**
Proceeds from capital increase	–	20,000
Capital expenditures related to capital increase	–	-289
Changes in financial liabilities	25,361	-5,192
Interest paid	-14,657	-11,023
Cash flow from financing activities from continuing operations	**10,704**	**3,496**
Cash flow from financing activities from discontinued operations	–	56
Cash flow from financing activities	**10,704**	**3,552**
Net change in cash and cash equivalents	**-6,743**	**-16,931**
Changes in cash due to exchange rate changes	1,761	-2,326
Cash and cash equivalents at beginning of period	15,307	60,700
Cash and cash equivalents at end of period	**10,325**	**41,443**

[1] Adjustment of prior-year figures due to the sale of the Inverter division in fiscal year 2010, which is reported as a discontinued operation in accordance with IFRS 5 with retrospective effect. For details on the result from discontinued operations, please refer to Note 7: Result from discontinued operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			Other comprehensive income				
€ ´000	Share capital	Capital reserve	Fair value measurement of other financial assets	Fair value measurement of hedges	Currency translation	Accumulated profit / loss	Total
Balance on January 1, 2010	**12,530**	**269,590**	**1,847**	**–792**	**319**	**–173,128**	**110,366**
Total comprehensive income / loss	–	–	–1,107	25	–876	–19,798	–21,756
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	–	–556	–	–	–	–	–556
Balance on December 31, 2010	**17,225**	**284,132**	**740**	**–767**	**–557**	**–192,926**	**107,847**
Balance on January 1, 2011	**17,225**	**284,132**	**740**	**–767**	**–557**	**–192,926**	**107,847**
Total comprehensive income / loss	–	–	514	253	1,761	-63,079	-60,551
Balance on June 30, 2011	**17,225**	**284,132**	**1,254**	**-514**	**1,204**	**-256,005**	**47,296**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

(1) GENERAL

General information

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 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 sites are located in Germany, Austria, Italy, France, and the U.S. 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 interim consolidated financial statements of the SOLON Group for the six months ended June 30, 2011 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the interpretations of the IFRS Interpretations Committee applicable 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 this interim report 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 the fiscal year 2010.

For a description of the consolidation principles and accounting policies, please refer to Nos. 1 and 2 in the notes to the consolidated financial statements as published in the 2010 Annual Report. This report is available for download at www.solon.com.

For the first time in fiscal 2011, SOLON has applied IAS 24 (revised 2009). This standard was adopted by the European Union in July 2010 and must be applied to fiscal years beginning on or after January 1, 2011. As a result of the initial application of IAS 24 (revised 2009) in the SOLON Group, a change occurred in the composition of other related parties.

The income statement has been prepared according to 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 JUNE 30, 2011

Company, registered office	Country	Date of formation / addition [1]	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 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	500,000
ERLASEE Liegenschaften GbR, Berlin	Germany	November 12, 2003	90	35,000

[1] The date for formation / addition corresponds to the date of initial consolidation

It was not necessary to include any other companies as their influence on the Group's financial position, cash flows and profit or loss was immaterial.

JOINT VENTURES AND ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD AS OF JUNE 30, 2011

Company, registered office	Country	Date of formation / addition	Shareholding %
SOL Holding AG, Cologne	Germany	February 16, 2007	48.0
Sistema Solare s. r. l., Marano Vicentino	Italy	February 6, 2009	50.0

On April 18, 2011, the SOLON Group, as part of its efforts to concentrate on its core business, sold its 49.4 % share in ml&s manufacturing, logistics and services GmbH & Co. KG, Greifswald, and its 48.0 % share in ml&s manufacturing, logistics and services Management GmbH, Greifswald. ml&s manufacturing, logistics and services GmbH & Co. KG and ml&s manufacturing, logistics and services Management GmbH were associates of the SOLON Group and were already classified as held for sale between December 31, 2010 and April 18, 2011. Therefore, the shares were no longer accounted for using the equity method, but were instead measured at fair value in accordance with the provisions of IFRS 5.

It was not necessary to account for any other companies using the equity method, as their influence on the Group's financial position, cash flows and profit or loss was immaterial.

NOTES TO THE INCOME STATEMENT

(2) REVENUE

Revenues of the SOLON Group amounted to €221,854 thousand (prior-year period: €242,370 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, €110,803 thousand (prior-year period: €39,727 thousand) was attributed to revenues from construction contracts resulting from the SOLON Group's involvement in power plant projects. Revenues from construction contracts resulted in receivables from construction contracts amounting to €83,008 thousand (prior-year period: €71,314 thousand). Revenues from construction contracts are calculated using the percentage-of-completion method as set out in IAS 11. The percentage of completion method refers to the stage of completion of a contract, which is determined by the proportion of contract costs incurred to the estimated total contract costs (cost-to-cost method). Total contract costs amounted to €97,464 thousand as of the reporting date (prior-year period: €32,169 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.

In the first half of 2011, SOLON generated 79 % of its revenues outside its home market of Germany. Revenues can be allocated to the following sales regions:

€ ´000	2011 Jan 1 – Jun 30	2010 [1] Jan 1 – Jun 30
Germany	45,985	155,101
Italy	81,077	42,919
USA	58,209	16,685
Spain	1,436	1,541
Rest of World	35,147	26,124
SOLON Group	**221,854**	**242,370**

[1] Adjustment of previous year's values due to the sale of the Inverter division during fiscal 2010, which is shown retrospectively as a discontinued operation in accordance with IFRS 5.

(3) OTHER OPERATING INCOME

€ ´000	2011 Jan 1 – Jun 30	2010 [1] Jan 1 – Jun 30
Income from exchange rate changes	6,787	14,273
Income from the reversal of provisions	3,010	17
Lease and rental income	789	623
Feed-in fees	757	543
Prior-period income	401	897
Transport income	336	293
Income from scrapped material	259	13
Insurance and warranty reimbursement	252	552
Income from income allocation	123	142
Miscellaneous other operating income	769	795
Other operating income	**13,483**	**18,148**

[1] Adjustment of previous year's values due to the sale of the Inverter division during fiscal 2010, which is shown retrospectively as a discontinued operation in accordance with IFRS 5.

(4) COST OF MATERIAL

€ '000	2011 Jan 1 – Jun 30	2010 [1] Jan 1 – Jun 30
Expenses for raw materials, supplies and merchandise	181,528	180,825
Expenses for services purchased	60,311	27,063
Cost of material	**241,839**	**207,888**

[1] Adjustment of previous year's values due to the sale of the Inverter division during fiscal 2010, which is shown retrospectively as a discontinued operation in accordance with IFRS 5.

(5) OTHER OPERATING EXPENSES

€ '000	2011 Jan 1 – Jun 30	2010 [1] Jan 1 – Jun 30
Expenses from exchange rate changes and hedging	9,791	15,231
Expenses for marketing and public relations	3,032	2,458
Restructuring costs	2,437	2,105
Other fees for third-party services	2,044	2,234
Impairment losses on other non-current and current assets	1,872	1,028
Rental and leasing costs	1,663	2,151
Expenses for warranties	1,631	2,755
Prior-period expenses	1,467	474
Maintenance and repair costs	1,435	1,831
Energy and water costs	1,371	1,457
Travel and continuing education costs	1,286	1,170
Legal, audit and consulting fees	1,262	1,153
Costs of office supplies, consumables and telecommunication	998	947
Outgoing freight and transport costs	993	1,518
Insurance costs	842	911
Expenses with claim to reimbursement	613	–
Contributions and fees	503	317
Costs of payment transactions	294	251
Asset-based and other taxes	184	79
Vehicle expenses	162	118
Miscellaneous other operating expenses	2,346	2,543
Other operating expenses	**36,226**	**40,731**

[1] Adjustment of previous year's values due to the sale of the Inverter division during fiscal 2010, which is shown retrospectively as a discontinued operation in accordance with IFRS 5.

(6) INVESTMENT RESULT

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

€ '000	2011 Jan 1 – Jun 30	2010 Jan 1 – Jun 30
Result from investments accounted for using the equity method	418	-83
Other investment result	-18,817	-3
Investment result	**-18,399**	**-86**

In June 2011, all of the non-current loans in the amount of €15,715 thousand, which had been issued to Blue Chip Energy GmbH (in which the SOLON Group held a 18.28% interest), as well as interest attributable to these loans in the amount of €2,336 thousand were fully written down. These write-downs were recorded in the other investment result. For further details, please refer to Note 17, Significant Events after the Balance Sheet Date.

(7) RESULT FROM DISCONTINUED OPERATIONS

On December 14, 2010, SOLON SE sold its 100% share in its Swiss subsidiary Solon Inverters AG to Delta Energy Systems (Germany) GmbH, a company in the Taiwanese Delta Electronics Group, thereby discontinuing its Inverter division. The change of ownership took immediate effect.

Solon Inverters AG was assigned to the Holding / Other segment.

The Inverter division was retrospectively classified as a discontinued operation in accordance with IFRS 5, and as a result, the comparative figures for the income statement and the cash flow statement have been adjusted, as well as the corresponding disclosures in the notes for fiscal 2010.

The result from discontinued operations is broken down as follows, for which a portion of the business activities took place within the Group:

€ '000	2011 Jan 1 – Jun 30	2010 Jan 1 – Jun 30
Revenue	–	1,211
Changes in work in progress and finished goods	–	-19
Other operating income	–	13
Cost of material	–	820
Gross profit	–	**385**
Personnel expenses	–	507
Depreciation and amortization	–	40
Other operating expenses	–	-207
EBIT	–	**45**
Interest expenses	–	-4
Net income / loss before income taxes	–	**41**
Income taxes	–	8
Result from discontinued operations	–	**33**

Cash flows from discontinued operations are broken down as follows:

€ '000	2011 Jan 1 – Jun 30	2010 Jan 1 – Jun 30
Cash flow from operating activities	–	-69
Cash flow from investing activities	–	-1
Cash flow from financing activities	–	56
Net change in cash and cash equivalents	–	**-14**

NOTES TO THE BALANCE SHEET

(8) CHANGE IN SELECTED NON-CURRENT ASSETS

NON-CURRENT ASSETS

€ '000	Intangible assets	Property, plant and equipment	Financial assets	**Total**
Net carrying amount as of January 1, 2010	**15,925**	**150,480**	**100,129**	**266,534**
Additions	1,252	9,493	7,258	**18,003**
Government grants	348	–5,630	–	**–5,282**
Depreciation, amortization and impairment	–1,942	–16,161	–6,988	**–25,091**
Other	–421	–1,161	–62,656	**–64,238**
Net carrying amount as of December 31, 2010 respectively January 1, 2011	**15,162**	**137,021**	**37,743**	**189,926**
Additions	300	1,706	223	**2,229**
Government grants	-5	-8,045	–	**-8,050**
Depreciation, amortization and impairment	-752	-7,282	-16,095	**-24,129**
Other	-4	-972	710	**-266**
Net carrying amount as of June 30, 2011	**14,701**	**122,428**	**22,581**	**159,710**

During the first half of 2011, SOLON recognized in the balance sheet grants and subsidies in the amount of €8,050 thousand primarily to be used for the Group headquarters in Berlin-Adlershof, technical equipment and machinery as well as other operating and office equipment.

Write-downs of financial assets recorded in the first half of 2011 in the amount of €15,715 thousand relate to the impairment of non-current loans which had been issued to Blue Chip Energy GmbH. The related expenses were recognized as part of the other investment result.

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. Other changes to property, plant and equipment of €-24 thousand in fiscal year 2010 also relate to this reclassification. Other changes in financial assets in fiscal year 2010 include a reclassification in the amount of €54,456 thousand from non-current to current bonds.

(9) INVENTORIES

€ '000	Jun 30, 2011	Dec 31, 2010
Raw materials and supplies	22,554	27,889
Work in progress	71,874	52,952
Finished goods and merchandise	31,580	8,822
Advance payments on inventories	16,022	18,775
Inventories	**142,030**	**108,438**

In the first half of 2011, write-downs had to be recognized for advance payments on inventories made to Blue Chip Energy GmbH in the amount of €1,621 thousand. These write-downs were recognized as other operating expenses.

(10) TRADE RECEIVABLES

€ ’000	Jun 30, 2011	Dec 31, 2010
Trade receivables, gross	56,285	74,551
General valuation allowances	-125	–130
Specific valuation allowances	-7,918	–7,809
Receivables from construction contracts	83,008	104,049
Trade receivables, net	**131,250**	**170,661**

(11) ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

The management buy-out of SOLON HILBER Technologie GmbH was completed on January 1, 2011. All assets and associated liabilities that were classified as held for sale as of December 31, 2010 as a result of the management buy-out, were sold to HILBER SOLAR GmbH in January 2011.

The shares held in ml&s manufacturing, logistics and services Management GmbH as well as the shares held in ml&s manufacturing, logistics and services GmbH & Co. KG were sold in the second quarter of 2011, effective April 18, 2011.

(12) LIABILITIES TO BANKS

€ ’000	Jun 30, 2011	Dec 31, 2010
Non-current liabilities to banks	21,373	63,421
Maturing in 1 to 5 years	17,410	58,026
Maturing in more than 5 years	3,963	5,395
Current liabilities to banks	245,786	177,852
Liabilities to banks	**267,159**	**241,273**

As of March 31, 2011, the promissory note loan due in March 2012 in the amount of € 40,000 thousand was reclassified from non-current liabilities to banks to current liabilities to banks.

OTHER INFORMATION

(13) EARNINGS PER SHARE

Net income/loss 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 implemented a capital increase by issuing 4,694,836 new shares. This led to an increase of the number of shares outstanding from 12,530,196 to 17,225,032. The average number of shares outstanding as of June 30, 2010 was 13,074,901 (for the period from January 1 to June 30, 2010) and 13,613,620 (for the period from April 1 to June 30, 2010).

Neither the options not yet exercised nor the convertible bonds resulted in a reduction of earnings per share in the reporting period 2010 or in the reporting period 2011. 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 following table presents the calculation of the earnings per share:

€ '000	2011 Jan 1 – Jun 30	2010 Jan 1 – Jun 30	2011 Apr 1 – Jun 30	2010 Apr 1 – Jun 30
Net income/loss in € '000	-63,079	–9,547	-41,539	–1,393
Average number of shares outstanding in thousands	17,225	13,075	17,225	13,614
Basic earnings per share in €	**-3.66**	**–0.73**	**-2.41**	**–0.10**
Diluted earnings per share in €	**-3.66**	**–0.73**	**-2.41**	**–0.10**

The earnings per share are broken down as follows over the result from continuing operations and the result from discontinued operations:

€ '000	2011 Jan 1 – Jun 30	2010 Jan 1 – Jun 30	2011 Apr 1 – Jun 30	2010 Apr 1 – Jun 30
Net income/loss from continuing operations in € '000	-63,079	–9,580	-41,539	–1,579
Net income/loss from discontinued operations in € '000	–	33	–	186
Average number of outstanding shares in thousands	17,225	13,075	17,225	13,614
Basic earnings per share from continuing operations in €	**-3.66**	**–0.73**	**-2.41**	**–0.11**
Basic earnings per share from discontinued operations in €	**–**	**–**	**–**	**0.01**
Diluted earnings per share from continuing operations in €	**-3.66**	**–0.73**	**-2.41**	**–0.11**
Diluted earnings per share from discontinued operations in €	**–**	**–**	**–**	**0.01**

(14) SEGMENT REPORTING

SOLON's business activities are broken down separately in its internal reporting into the segments Production and Sales.

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, SOLAR HILBER Technologie GmbH and Estelux s.r.l. SOLON HILBER Technologie GmbH was part of the Production segment in fiscal 2010. Following the cessation of its operating activities, the company has been reported under the Holding / Other segment beginning in fiscal year 2011.

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.

Segment information is based on essentially the same accounting policies as those applied to the consolidated financial statements. 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.

The segment report for the reporting and comparison period is presented as follows:

SEGMENT REPORTING

€ '000	Production 2011 Jan 1 – Jun 30	Production 2010 [2] Jan 1 – Jun 30	Sales 2011 Jan 1 – Jun 30	Sales 2010 [2] Jan 1 – Jun 30	Total Reportable segments 2011 Jan 1 – Jun 30	Total Reportable segments 2010 [2] Jan 1 – Jun 30
Segment revenue	155,050	206,648	225,429	244,841	380,479	451,489
thereof revenue with Group companies	155,038	205,930	3,748	3,296	158,786	209,226
thereof revenue from third parties	12	718	221,681	241,545	221,693	242,263
Changes in work in progress and finished goods	17,016	8,796	20,695	3,363	37,711	12,159
Own expenses capitalized	57	246	–	60	57	306
Other operating income	2,085	1,441	5,681	2,419	7,766	3,860
Total operating performance	**174,208**	**217,131**	**251,805**	**250,683**	**426,013**	**467,814**
Cost of material	148,229	178,620	253,380	238,081	401,609	416,701
Gross profit	**25,979**	**38,511**	**-1,575**	**12,602**	**24,404**	**51,113**
Personnel expenses	3,964	8,938	10,212	4,102	14,176	13,040
Depreciation, amortization and impairment	3,421	5,144	1,448	533	4,869	5,677
Other operating expenses	9,212	11,381	12,956	7,050	22,168	18,431
EBIT	**9,382**	**13,048**	**-26,191**	**917**	**-16,809**	**13,965**
Result from investments accounted for using the equity method	–	–	–	–	–	–
Other investment, financial and interest result	–	–	–	–	–	–
Net income / loss before income taxes	**9,382**	**13,048**	**-26,191**	**917**	**-16,809**	**13,965**
Capital expenditures for non-current assets	1,328	1,541	84	493	1,412	2,034
Significant non-cash items [1]						
Results from reversal of provisions	–	9	3,003	–	3,003	9
Valuation allowance on current items	1,975	3,919	998	3,048	2,973	6,967
Expenses for warranty provisions	1,311	1,656	321	1,099	1,632	2,755
Changes in raw material and supplies	-161	-1,796	6,493	254	6,332	-1,542

[1] 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
[2] Adjustment of prior-year figures due to the sale of the Inverter division in fiscal year 2010, which is reported as a discontinued operation in accordance with IFRS 5 with retrospective effect.

Holding / Other		Reconciliation: Amounts not allocated		Reconciliation: Consolidation		Group	
2011 Jan 1 – Jun 30	2010 [2] Jan 1 – Jun 30	2011 Jan 1 – Jun 30	2010 [2] Jan 1 – Jun 30	2011 Jan 1 – Jun 30	2010 [2] Jan 1 – Jun 30	2011 Jan 1 – Jun 30	2010 [2] Jan 1 – Jun 30
2,274	325	–	–	-160,899	-209,444	221,854	242,370
2,113	218	–	–	-160,899	-209,444	–	–
161	107	–	–	–	–	221,854	242,370
-35	-4	–	–	–	–	37,676	12,155
197	294	–	–	–	–	254	600
10,928	16,016	–	–	-5,211	-1,728	13,483	18,148
13,364	**16,631**	**–**	**–**	**-166,110**	**-211,172**	**273,267**	**273,273**
906	7	–	–	-160,676	-208,820	241,839	207,888
12,458	**16,624**	**–**	**–**	**-5,434**	**-2,352**	**31,428**	**65,385**
5,656	5,018	–	–	–	–	19,832	18,058
3,171	3,290	–	–	-4	-54	8,036	8,913
19,500	24,411	–	–	-5,442	-2,111	36,226	40,731
-15,869	**-16,095**	**–**	**–**	**12**	**-187**	**-32,666**	**-2,317**
–	–	–	–	418	-83	418	-83
–	–	-33,146	-11,370	–	–	-33,146	-11,370
-15,869	**-16,095**	**-33,146**	**-11,370**	**430**	**-270**	**-65,394**	**-13,770**
1,685	1,467	–	–	-1,091	-50	2,006	3,451
8	8	–	–	–	–	3,011	17
–	14,107	–	–	–	–	2,973	21,074
–	–	–	–	–	–	1,632	2,755
–	–	–	–	–	–	6,332	-1,542

(15) EMPLOYEE PROFIT SHARING PLAN

Between 2001 and 2008, the SOLON Group regularly issued stock options 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 term to maturity of 10 years. As of the balance sheet date, all outstanding stock options had been vested.

The following table shows the tranches that have not yet been exercised:

SHARE-BASED PAYMENT

Tranche	3	4	5	6	7	8
Date of issue	Dec 30, 2004	Feb 24, 2005	Jan 18, 2006	Apr 07, 2006	Dec 12, 2006	Apr 01, 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	14,000
Options not yet exercised at the end of the reporting period	84,000	52,000	219,000	144,000	139,500	14,000
Vested options not yet exercised as of June 30, 2011	84,000	52,000	219,000	144,000	139,500	14,000

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:

€ ‘000	Jun 30, 2011	Jun 30, 2010
Total expense from equity-based payment transactions	13,330	13,399
Expense in the period from equity-based payment transactions	–	–487

For more information on the stock option plan, please refer to the 2010 Annual Report.

(16) RELATED PARTY TRANSACTIONS

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

€ '000	Income	Expenses	Receivables	Liabilities
January 1 to June 30, 2011				
Controlling companies and their subsidies	1,826	2,436	29,434	7,277
Joint ventures	46	–	556	9,264
Associates	26	5,258	–	–
Other related parties	8,445	16,537	49,097	9,006
January 1 to June 30, 2010				
Controlling companies and their subsidies	5,074	5,802	29,227	863
Joint ventures	6,472	12,603	26,206	1,424
Associates	39	11,368	449	1,963
Other related parties	1,350	1,776	34,009	1,582

SOLON conducts business with the Mithril group, which due to a majority in situ at the annual shareholder meeting exercises a controlling influence on the SOLON Group. Business involves primarily supply of cells, use of services and the granting of loans.

(17) SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

SOLON's investment Blue Chip Energy GmbH files for insolvency

On July 21, 2011, the management of Blue Chip Energy GmbH, an investment of SOLON SE, took the decision to file for insolvency proceedings for the company. SOLON had acquired an interest in the Austrian cell manufacturer in 2006 in order to ensure the supply of solar cells, which was critical at that time, and currently still holds 18.28% of the shares in the company. Following the insolvency of Blue Chip Energy GmbH, SOLON had to record a valuation allowance in the aggregate amount of €18,051 thousand in relation to a shareholder loan granted in the past as well as €1,621 thousand for advance payments made. These valuation allowances have already been included in SOLON's half-yearly financial statements for the period ended June 30, 2011.

Due to the difficult market situation and the persistent slack demand, the financial situation of Blue Chip Energy GmbH became increasingly strained. Despite intensive talks with the financing banks, it has not yet been possible to find a solution. Therefore, there is no longer a basis for the continued existence of the company.

(18) REVIEW BY THE GROUP AUDITOR

The interim financial statements as of June 30, 2011 and June 30, 2010 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, 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 fiscal year.

Berlin, August 9, 2011

Stefan Säuberlich
Chief Executive Officer

Andreas Amelang
Chief Sales Officer

Chief Operating Officer

Dr. Lars Podlowski
Chief Technical Officer

Financial Calendar

› November 11, 2011
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› November 18, 2011
Annual analysts' meeting, Berlin

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