



QUARTERLY REPORT

Q3/2011

JULY - SEPTEMBER



sunways
Photovoltaic Technology

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GROUP MANAGEMENT REPORT AS OF 30 SEPTEMBER 2011

MAJOR EVENTS IN THE THIRD QUARTER 2011.

- AGAIN NO RECOVERY OF THE PHOTOVOLTAICS MARKET IN THE THIRD QUARTER
- SALES AND EARNINGS DECREASED FURTHER DUE TO DECLINING MARKET PRICES; OPERATING RESULT (EBIT) CONTINUES TO BE NEGATIVE
- WEAK DEMAND TO SOME EXTENT OFFSET BY EUROPEAN SALES OUTSIDE GERMANY

Business operations.

Due to the ongoing public debate over future subsidies for photovoltaics in Germany and abroad as well as the necessary network expansion and its financial consequences in Germany, the uncertainty among private consumers and investors continued in the third quarter 2011. The exacerbation of the European debt crisis also contributed to investor restraint. Thus the recovery in demand in the market for photovoltaic components and systems expected by many observers again failed to occur in the second half-year.

In the second half of 2010, demand was boosted by the unscheduled cut of feed-in tariffs in Germany as of 1 July. This year, however, the reduction expected as of 1 July did not occur. Consequently, many market participants due to simultaneous price reductions had anticipated a surge in demand. Due to the limited number of new installations at the beginning of the year, feed-in tariffs were not lowered later in the year. The Renewable Energies Act (Erneuerbare-Energien-Gesetz – “EEG”) provides for subsidy cuts to the extent that certain thresholds have been exceeded with respect to newly installed capacity. In 2010, the threshold for a reduction of EEG subsidies had been set at a total of 3,500 megawatts peak of newly installed capacity per year for 2011. The figure derived from an extrapolation of the actual new capacity installation during the months of March through May 2011 was 2,800 megawatts peak for the calendar year 2011 and significantly below the threshold for another reduction of feed-in tariffs during the year. The next cut of feed-in tariffs is scheduled to occur as of 1 January 2012.

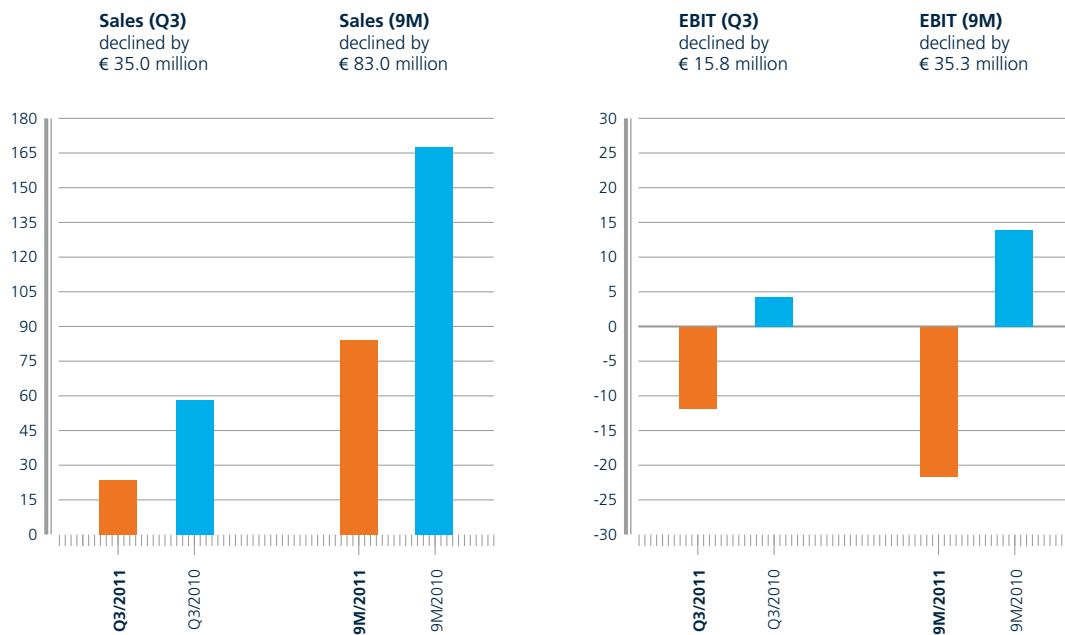
Since the beginning of the current year, the unexpectedly hesitant demand for photovoltaic components and high inventories simultaneously recorded at the trade levels have resulted in significant pressure on selling prices, in particular for solar modules. The situation was exacerbated by excess capacities existing worldwide and the resulting excess supply of photovoltaic products. In addition, aggressive prices offered by some Asian competitors increased the massive pressure on prices which subsequently also affected solar cells and inverters. In some cases, manufacturers' selling prices for solar modules declined by more than 30 % over the past twelve months.

Sunways AG responded to this challenging market environment, which had developed in the first two quarters of the current year, not only by intensifying its marketing and distribution activities but also by taking cost reduction and liquidity protection measures, such as e. g. the introduction of short-time working in the production-related divisions. Nevertheless, sales and earnings declined further in the third quarter 2011, in particular when compared to the excellent third quarter 2010.

Consolidated sales in the third quarter 2011 decreased against the prior year quarter by € 35.0 million to € 23.3 million (Q3/2010: € 58.3 million). Due to the continuous massive pressure on selling prices for photovoltaic components as well as inventory write-downs and provisions for impending losses in the total amount of € 6.3 million with respect to solar cells and solar modules, a negative operating result (EBIT) of € -11.8 million was recorded in the third quarter. In the comparable prior year quarter, Sunways had generated a positive EBIT of € 4.0 million as a result of the substantially higher business volume and good profit margins. Due to deferred tax assets of € 3.5 million in relation to loss carryforwards, after-tax earnings in the third quarter amounted to € -8.7 million (Q3/2010: € 2.7 million). Based on 11,588,613 shares, per share earnings in the third quarter were € -0.75.

During the first nine months of the current fiscal year, the sales of Sunways AG declined almost by half to € 84.2 million compared to € 167.2 million in the relevant prior year period. EBIT accumulated from January to September 2011 declined to € -21.6 million; EBIT generated in the comparable prior year period amounted to a positive € 13.7 million. The second purchase price portion (earn-out) in the amount of € 4.9 million relating to the sale of MHH Solartechnik to BayWa Green Energy GmbH received in the second quarter had a positive effect on after-tax earnings in the first three quarters. Deferred tax assets also had a positive impact. Thus after-tax earnings in the first three quarters amounted to € -11.1 million (9M/2010: € 8.3 million). Per share earnings were € -0.96 (9M/2010: € 0.72).

GROUP DEVELOPMENT IN € MILLION



Possible rounding differences.

As of the end of the first three quarters 2011, the balance sheet total of Sunways AG amounted to € 113.4 million and thus exceeded the figure as of 31 December 2010 by € 0.7 million. This was mainly due to the increase in deferred tax assets as a result of the losses incurred in the past months. On the assets side, mainly liquid funds decreased markedly against 31 December 2010 by € 11.7 million to € 2.1 million as of 30 September 2011. On the other hand, inventories increased from € 31.3 million as of the year-end 2010 to € 45.0 million as of the end of the third quarter.

On the liabilities side of the balance sheet, major changes related to short-term financial liabilities which rose from € 3.4 million as of 31 December 2010 to € 18.1 million. The long-term financial liabilities of Sunways AG, on the other hand, were reduced by € 2.4 million in the first nine months of 2011. Consolidated shareholders' equity declined as a result of after-tax losses from € 68.2 million as of the year-end to € 57.5 million as of 30 September 2011. Accordingly, the equity ratio decreased from 60.5 % as of 31 December 2010 to 50.6 %. As of 30 September 2011, per share equity amounted to approximately € 4.95.

In the third quarter 2011, Sunways AG generated sales of € 9.9 million in European countries outside Germany. This corresponds to 42.5 % of total consolidated sales. Although sales in European countries outside Germany had amounted to € 16.8 million in absolute terms in the comparable prior year quarter, the contribution to total consolidated sales at 28.8 % had been markedly lower. Italy and France were again the most important international sales markets in the past quarter, in particular for Sunways solar modules. In France, Sunways was able to more than triple its sales from 0.6 million in the third quarter 2010 to just under € 2.0 million in the third quarter 2011 – inter alia thanks to the distribution cooperation with Wattsol S.A.R.L. On the other hand, sales in Italy declined from € 9.9 million in the prior year quarter to € 6.3 million. Sunways products sold in the Greek sales market amounted to a mere € 0.4 million in the past quarter compared to € 1.9 million during the period from July through September 2010.

Compared to the previous year, the international sales of Sunways AG in the first nine months of the fiscal year 2011 increased by 14.6 % to € 42.3 million (9M/2010: € 36.9 million). Thus the internationalization strategy and expansion of distribution activities in the countries of South East Europe were successful and had a stabilizing effect on business volume – in particular against the background of the currently weak market demand in Germany. Italy and France continued to be the key sales markets for Sunways photovoltaic components in the first three quarters of 2011: in France, the sales of Sunways quadrupled from the comparable prior year period from € 0.9 million to € 3.9 million; in Italy, sales revenues increased from € 15.0 million in the first nine months by 77.4 % to € 26.6 million. Spain, Switzerland and the Eastern European region were other attractive markets for Sunways in the first nine months of 2011.

SALES BY REGION

	3 rd quarter 2011		3 rd quarter 2010		9M/2011		9M/2010	
	€ million	%	€ million	%	€ million	%	€ million	%
Germany	13.4	57.5	41.4	71.0	42.0	49.8	130.3	77.9
Rest of Europe	9.9	42.5	16.8	28.8	42.3	50.2	31.0	18.5
America	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Asia	0.0	0.0	0.0	0.2	0.0	0.0	5.9	3.6
Rest of world	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	23.3	100.0	58.3	100.0	84.2	100.0	167.2	100.0

Possible rounding differences.

Segment reporting.

The internal controlling and reporting complies with the IFRS accounting principles. Sunways measures the performance of its segments primarily on the basis of earnings before interest and taxes. Investments and depreciation and amortization relate to tangible fixed assets and intangibles with a defined useful economic life. Segment assets generally comprise all directly attributable assets.

Sales reported refer to the Group's external sales. Intersegment sales generated in the third quarter 2011 between the solar cell and solar module segments amounted to € 10.0 million (Q3/2010: € 6.1 million).

The following table shows the development of Sunways AG's sales and earnings:

	3 rd quarter 2011					3 rd quarter 2010				
	Solar cells	Solar modules	Solar inverters	Consolidation	Total	Solar cells	Solar modules	Solar inverters	Consolidation	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	12.1	14.0	7.3	-10.0	23.3	27.9	19.6	16.9	-6.1	58.3
EBITDA	-2.6	-5.9	-1.7	0.0	-10.2	3.5	-1.5	3.6	0.0	5.6
Depreciation and amortization	-1.4	0.0	-0.2	0.0	-1.6	-1.4	0.0	-0.2	0.0	-1.6
EBIT	-4.0	-5.9	-1.9	0.0	-11.8	2.1	-1.5	3.4	0.0	4.0
Investments	0.2	0.0	0.1	0.0	0.3	0.4	0.1	0.1	0.0	0.6

Possible rounding differences.

	01/01 – 30/09/2011					01/01 – 30/09/2010				
	Solar cells	Solar modules	Solar inverters	Consolidation	Total	Solar cells	Solar modules	Solar inverters	Consolidation	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	46.1	59.5	18.4	-39.8	84.2	80.8	68.0	35.8	-17.4	167.2
EBITDA	-2.7	-10.4	-3.6	0.0	-16.7	13.1	0.1	5.2	0.0	18.4
Depreciation and amortization	-4.2	-0.1	-0.6	0.0	-4.9	-4.0	-0.1	-0.6	0.0	-4.7
EBIT	-6.9	-10.5	-4.2	0.0	-21.6	9.1	0.0	4.6	0.0	13.7
Investments	1.0	0.1	0.2	0.0	1.3	1.5	0.1	0.5	0.0	2.1

Possible rounding differences.

The following table shows the development of Sunways AG's segment assets:

	30/09/2011				31/12/2010			
	Solar cells	Solar modules	Solar inverters	Total	Solar cells	Solar modules	Solar inverters	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Segment assets	64.9	15.8	22.5	103.2	70.9	5.2	19.0	95.0

Possible rounding differences.

The following tables show the reconciliation of total segment earnings (EBIT) to consolidated net earnings and of segment assets to total Group assets.

RECONCILIATION OF TOTAL SEGMENT EARNINGS (EBIT) TO CONSOLIDATED NET EARNINGS

	3 rd quarter 2011	3 rd quarter 2010
	€ million	€ million
Total EBIT (segments)	-11.8	4.0
Net interest income	-0.4	-0.2
Earnings before taxes	-12.2	3.8
Taxes on income	3.5	-1.1
Earnings after taxes – continuing operations	-8.7	2.7

Possible rounding differences.

	01/01 – 30/09/2011	01/01 – 30/09/2010
	€ million	€ million
Total EBIT (segments)	-21.6	13.7
Net interest income	-1.0	-0.7
Earnings before taxes	-22.6	13.0
Taxes on income	6.6	-3.6
Earnings after taxes – continuing operations	-16.0	9.4

Possible rounding differences.

RECONCILIATION OF SEGMENT ASSETS TO TOTAL GROUP ASSETS

	30/09/2011	31/12/2010
	€ million	€ million
Total segment assets	103.2	95.0
Liquid funds	2.1	13.8
Deferred tax assets	7.0	0.6
Tax receivables	1.1	3.2
Total assets	113.4	112.7

Possible rounding differences.

Solar cells. Sunways AG has been pursuing a modified business model since the beginning of 2011, aiming to primarily use Sunways solar cells in its own Sunways solar modules. Against this background, Sunways expanded the production cooperation with the Chinese company LDK Solar started at the end of 2010 in order to avail itself of the cost advantages of an international division of labor. Thus additional module capacities were made available. At the same time, the segment's external sales declined markedly against prior periods due to the increased use of Sunways solar cells for the Company's own solar modules. To the extent that solar cells are provided for the production of Sunways solar modules, sales are only reported at the moment when the solar modules have been returned.

Due to the continuously weak demand for solar modules and thus also for solar cells, capacities sold in the third quarter 2011 amounted to 12.1 megawatts peak. This corresponds to about half the amount of capacities sold in the third quarter 2010 (Q3/2010: 24.5 megawatts peak). Sales in the solar cell segment declined from € 27.9 million in the comparable prior year quarter to € 12.1 million in the third quarter 2011 (-56.6%).

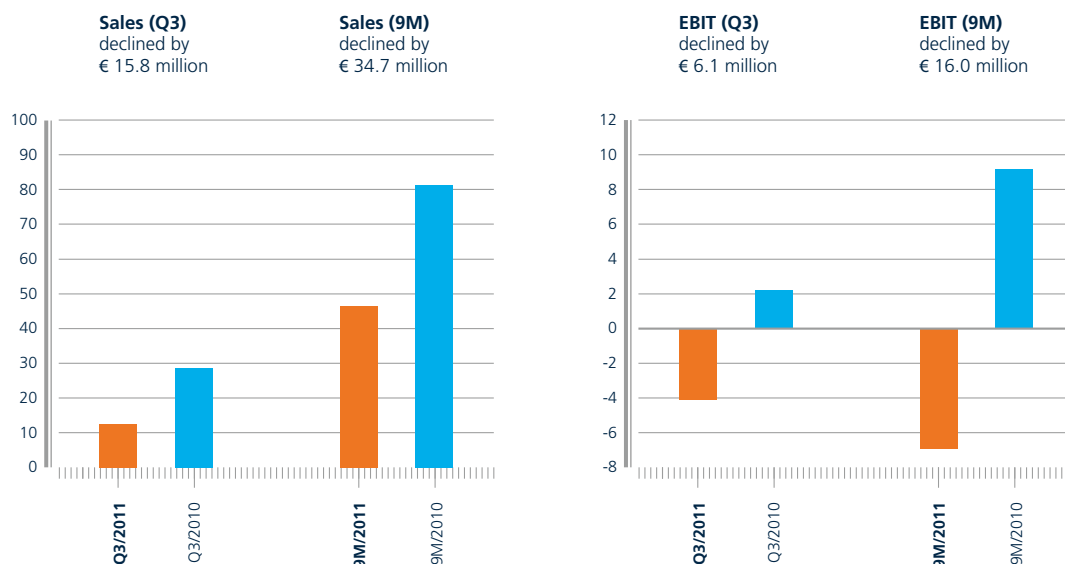
Due to weak market demand, short-time work was again introduced at Sunways Production GmbH in Arnstadt in early September. At the Konstanz plant, solar cell production activities were also interrupted for a short period of time. In all, Sunways AG produced solar cells with a nominal capacity of 17.8 megawatts peak during the period from July through September 2011. This corresponds to 61 % of the theoretical capacity.

The majority of the solar cells produced are delivered to LDK Solar for the manufacture of Sunways solar modules. The related production expenses and changes in inventories are attributed to the solar cell segment according to the principle of causation. The relevant sales revenues and earnings contributions are, however, only recorded when the modules have been returned. Intersegment sales between the solar cell and the solar module segments in the third quarter 2011 amounted to € 10.0 million.

Gross profit was affected by the present strong decline in prices for solar products as well as by short-time working. As a result of the continuous decline in prices, Sunways AG as of 30 September 2011 also recorded a write-down of inventories as well as provisions for impending losses in the total amount of € 2.5 million. Therefore, the operating result (EBIT) turned negative to € -4.0 million compared to € 2.1 million in the prior year third quarter.

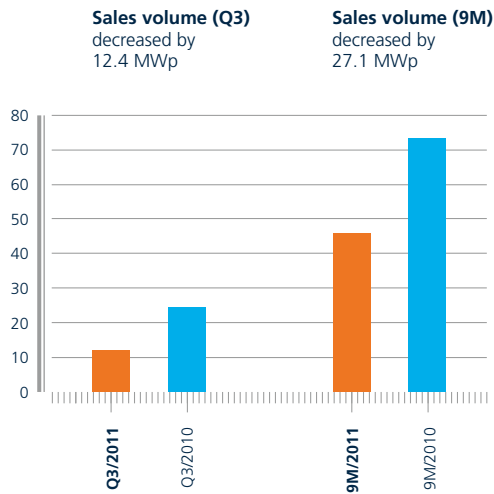
Solar cells with a total capacity of 45.9 megawatts peak (9M/2010: 73.0 megawatts peak) were sold in the first nine months of the year. Sales in the solar cell segment declined by 42.9 % against the comparable prior year period to € 46.1 million (9M/2010: € 80.8 million). Intersegment sales with the solar module segment in the first three quarters of 2011 amounted to € 39.8 million. Due to the circumstances already described with respect to the third quarter, the operating result (EBIT) for the first nine months turned negative to € -6.9 million. This corresponds to a decline by € 16.0 million against the comparable 2010 period (9M/2010: € 9.1 million).

SOLAR CELLS: DEVELOPMENT OF SALES AND EARNINGS IN € MILLION



Possible rounding differences.

SOLAR CELLS: SALES VOLUME DEVELOPMENT IN MWp



Possible rounding differences.

Solar modules. In the third quarter 2011, Sunways AG generated sales of € 14.0 million in the solar module segment while the sales volume amounted to 11.4 megawatts peak. Thus the selling price for one watt of module capacity – disregarding any differences between performance classes, module series and sales markets – from an arithmetical point of view amounted to € 1.23 on average. Sales generated in the third quarter 2010 amounted to € 19.6 million while the sales volume at 11.3 megawatts peak was almost the same. This corresponds to an average price per watt of € 1.73. This comparison demonstrates the drastic decline in selling prices for solar modules by approximately 30 % over the last twelve months. This development was due to the unexpectedly weak market demand during recent months as well as the continuously expanded production capacities of Asian competitors and resulting supply volumes.

Due to the modification of the business model initiated in 2010 and subsequent manufacture of Sunways solar modules by its Chinese cooperation partner LDK Solar, the segment's production costs were reduced significantly. However, due to the simultaneous strong deterioration of market prices for solar cells and solar modules, this cost advantage did not result in improved profitability over the past months. This is owed to the fact that there is an interval of eight to ten weeks between the purchase of wafers or the production of solar cells, as the case may be, and the return of marketable solar modules. As a result of the strong decline in prices, the selling prices then realizable no longer covered cost prices. Furthermore, a write-down of inventories in the amount of € 3.8 million was recorded as of 30 September 2011. Due to a combination of the facts referred to above, the segment's gross margin declined significantly; the operating profit (EBIT) in the third quarter 2011 declined by € 4.4 million against the comparable prior year quarter to € -5.9 million (Q3/2010: € -1.5 million).

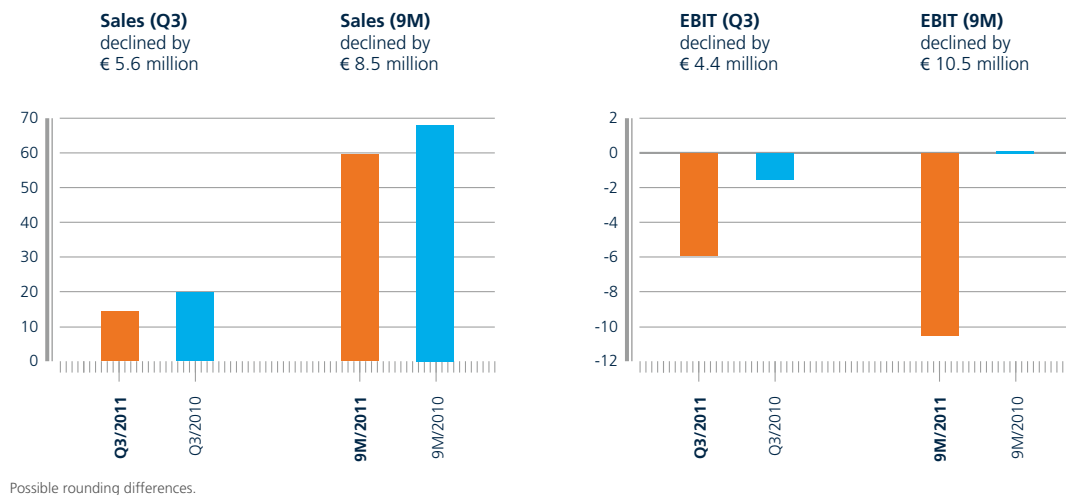
€ 8.4 million or approximately 60 % of the solar module segment's sales in the third quarter 2011 were generated in European countries other than Germany. This sales contribution corresponds to that in the comparable prior year period. Italy, which accounted for sales of € 5.5 million, again was the most important international sales market, although here too sales declined by 36 % against the comparable prior year period. The effects of the Italian debt crisis increased during the past quarter. Demand was dampened by investor uncertainty as to the reliability of funding promises on the one hand and the efficiency of debt-cutting measures on the other hand. Sales generated in Greece also remained far behind those realized in the third quarter 2010. In contrast, Sunways was able to successfully further expand its business in France. Sales in the third quarter 2011 quadrupled from the comparable prior year quarter to € 1.6 million.

In the first nine months of the fiscal year 2011, Sunways sold solar modules with a total capacity of 44.8 megawatts peak (9M/2010: 37.4 megawatts peak). This corresponds to an increase by 19.8%. Mainly with respect to the first quarter 2011, when the production cooperation with LDK Solar relating to Sunways solar modules of the Eco-Line started, this figure also includes merchandise. Sales in the past three quarters reached € 59.5 million (9M/32010: € 68.0 million).

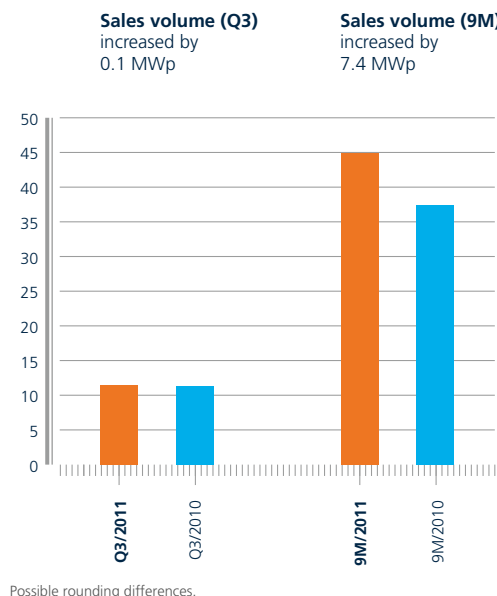
European sales revenues generated outside Germany in the first three quarters of the current year amounted to € 36.2 million which corresponds to a share of 61% in total sales. Thus the hesitant demand in Germany could be partially offset. The most important European sales markets for Sunways solar modules so far this year included Italy, France, Switzerland and Slovakia. In the comparable prior year period, sales contributions generated in foreign markets amounted to 28%. The most important international markets in the comparable prior year period were Italy, Greece and Liechtenstein.

Due to substantial pressures on the market prices for solar modules and the necessary write-downs as of the end of the third quarter, the segment's operating result for the first three quarters 2011 declined to € -10.5 million (9M/2010: € 0.0 million).

SOLAR MODULES: DEVELOPMENT OF SALES AND EARNINGS IN € MILLION



SOLAR MODULES: SALES VOLUME DEVELOPMENT IN MWp



Solar inverters. Following an unusually weak first quarter due to high inventories at the trade levels, the sales volume of Sunways solar inverters could be increased in the second and third quarters. A sales volume of 38.9 megawatts peak was generated in the third quarter which corresponds to an increase by 0.7 megawatts peak against the second quarter. However, due to the weak demand, the sales volume remained far behind the level recorded in the third quarter 2010 (68.0 megawatts peak). About 50 % of capacities sold in the third quarter 2011 were supplied under OEM contracts to partner companies under their names.

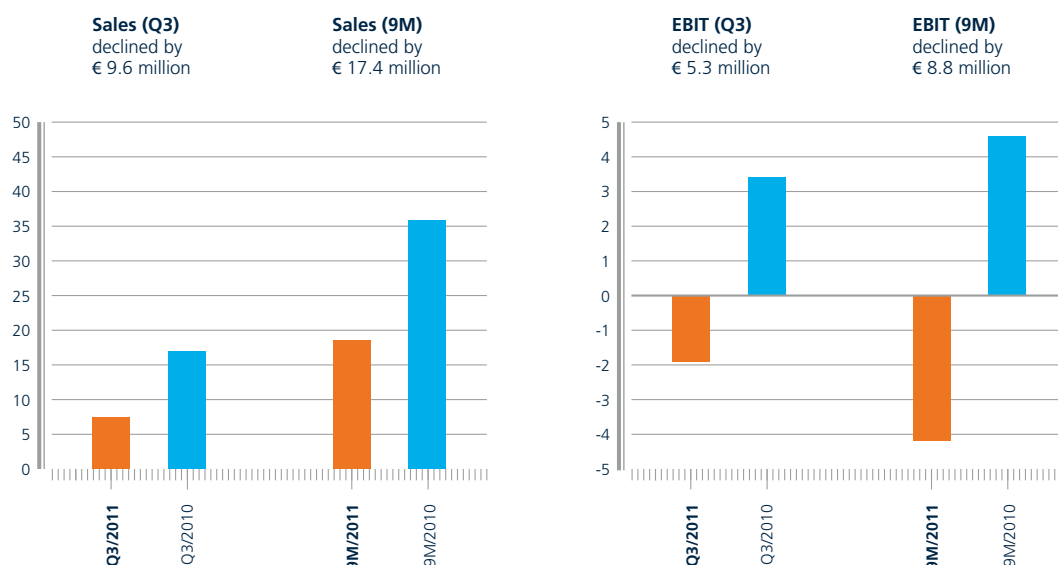
Compared to sales volumes, sales revenues in the third quarter declined overproportionately to € 7.3 million (Q3/2010: € 16.9 million). This development shows that the market prices for inverters are also increasingly subjected to pressures due to the hesitant demand. In view of this development, a negative operating result (EBIT) of € -1.9 million was reported for the past quarter. In the comparable prior year period when demand was strong and prices were stable, Sunways generated EBIT of 3.4 million in this product segment.

About 81 % of sales revenues in the past quarter were generated in Germany. Sales revenues of € 1.4 million were achieved in European countries other than Germany. The Italian, French and Spanish markets accounted for the largest sales contributions. The international sales percentage in the comparable prior year quarter amounted to approximately 25 %; the most important markets for Sunways solar inverters at that time were Spain, Italy, the Czech Republic and Austria.

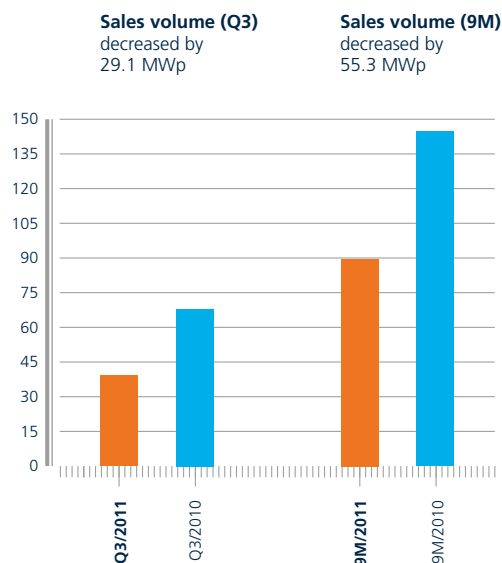
During the first nine months of the year 2011, weak sales at the beginning of the year and the unexpectedly weak demand for photovoltaic systems on the part of consumers and investors resulted in a decline in the sales volume of Sunways solar inverters – in terms of capacity sold – from 145.0 megawatts peak (30 September 2010) to 89.7 megawatts peak as of 30 September 2011. Due to increasingly falling market prices also for solar inverters and the higher share of OEM devices, sales revenues generated in the first nine months experienced a stronger decline than sales volumes and fell to € 18.4 million (9M/2010: € 35.8 million). The segment's lower gross margin as of 30 September 2011 led to a negative operating result (EBIT) of € -4.2 million (9M/2010: € 4.6 million).

Compared to the third quarter, international sales in the first nine months of the current year accounted for about 22 % of total segment sales. Sales revenues generated in European countries outside Germany amounted to € 4.0 million which corresponds to about half of the relevant prior year revenues (9M/2010: € 8.1 million). More than 50 % of such international sales revenues were generated in Italy. In the first nine months of the prior year, Spain was the most important non-domestic market for Sunways solar inverters with sales of € 3.7 million.

SOLAR INVERTERS: DEVELOPMENT OF SALES AND EARNINGS IN € MILLION



SOLAR INVERTERS: SALES VOLUME DEVELOPMENT IN MWp



Possible rounding differences.

Technology and products.

Sunways AG develops and manufactures highly efficient photovoltaic products at its Konstanz and Arnstadt plants. Sunways components and complete systems are distinguished by their first-rate quality and extraordinary design. In addition, we also offer customized solutions, such as e. g. for the integration of solar technology into modern architecture. Innovative concepts for building-integrated photovoltaics combine the eco-friendly generation of electricity with the highest standards in terms of aesthetics and living comfort.

New certificates for Sunways solar inverters. The highest standards have to be met in connection with the international distribution of photovoltaic products. E. g. inverters are required to be certified in accordance with the regulations prevailing in the relevant target markets before they can be connected to the local grid. In the third quarter, Sunways successfully completed the certification of various series of devices for further countries. The AT and NT series have now also been certified for the United Kingdom, thus enabling Sunways to meet the growing local demand for smaller on-roof systems. Furthermore, new certificates have been obtained for further countries of the European Union: Belgium, Bulgaria, Denmark, Greece, the Netherlands, Slovakia, Slovenia, the Czech Republic and Portugal. This will ensure an easy connection to the grids in these countries. New certificates have also been obtained for non-EU countries (Turkey, Australia, Israel). Sunways solar inverters are delivered together with a list of the countries for which certificates are available. Thanks to this integrated country list, the country of installation can simply be determined at the touch of a button.

“Made in Europe.” In Italy, operators of photovoltaic systems will receive a 10 % increase in subsidies until December 2012 if at least 60 % of the components integrated into the system have been manufactured within the European Union – and in case this fact has been confirmed by an independent third party. These requirements are met by the Sunways solar modules of the Eco-Line. The Sunways Solar Modules SM 245M and SM 240U were certified as “made in Europe” by the TÜV Rheinland in accordance with the guidelines promulgated by the GSE, the Italian regulatory authority. The high-efficiency solar cells used in these solar modules are manufactured by Sunways Production GmbH in Arnstadt. The Sunways solar cells are integrated into the Sunways solar modules – in conformity with the Sunways quality criteria – by a third party on behalf of the Company. The Sunways solar inverters also originate from European production plants in terms of product design, assembly and quality testing.

Trade fairs in the third quarter. Sunways attends international photovoltaics conventions and trade fairs on a regular basis – such as 26th EU PVSEC held in Hamburg from September 5 to 9, 2011 – as well as regional events to introduce the Company and its products to the public. This year's EU PVSEC attracted 4,500 scientists to discuss latest developments in photovoltaic energy generation. As one of 999 international companies, Sunways presented its current products to the 40,000 visitors of the parallel trade fair.

As a member of the "Initiative Erfurter Kreuz," Sunways participated in the "Industrie erleben" event held in Arnstadt in the third quarter. Visitors were informed on solar energy issues, the Company's products and solutions as well as on training and career opportunities offered by Sunways. The objective of the "Initiative Erfurter Kreuz" is to promote the further development of this industrial location in Thüringen.

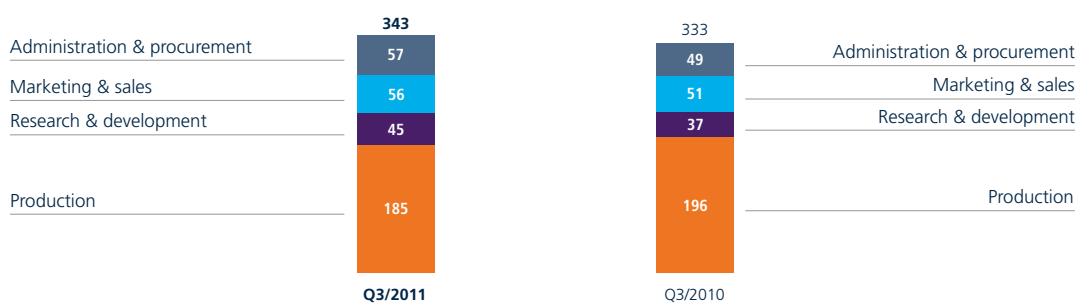
Sunways also presented its intelligent photovoltaic solutions in the isle of Mainau on the occasion of a trade conference and consumer trade show under the motto "Moderne Energien 2011." At the Sunways booth, visitors were able to inform themselves about the Company, its high-efficiency photovoltaic components with excellent design as well as about innovative products relating to Building-Integrated Photovoltaics (BIPV).

Personnel and social matters.

As of 30 September 2011, Sunways AG had 343 permanent employees and 20 apprentices. As of the prior year comparable date, the Company had 338 employees and 18 apprentices. Thus the number of permanent staff increased by 10 (+3 %) within one year. Compared to the end of the second quarter 2011, the number of employees of Sunways AG declined slightly by three.

The breakdown of employees by function was as follows (excluding Management Board members and apprentices):

EMPLOYEES BY FUNCTION



New staff recruitments at the Konstanz plant related to the research and development, marketing and sales as well as administration and procurement divisions. Sunways AG is one of the leading solar technology companies. In order to further strengthen the innovative features and quality of our products, the number of employees in the research and development division was increased by eight compared to the end of the third quarter 2010. The focus was on personnel for development activities in the areas of solar cells and solar inverters. The expansion of the administration/procurement division mainly related to procurement and supply chain management functions.

Between October 2010 and September 2011, the number of employees in the marketing and sales division increased by five; such recruitments primarily related to the customer services and international areas. The total number of staff active in the international business amounted to 18 as of the end of the third quarter 2011. As of the same date in the prior year, the number of employees was 13.

Due to the continuously weak demand for solar cells and solar modules, short-time work was again introduced at Sunways Production GmbH in Arnstadt in early September. As was already the case in the second quarter, every effort was made to minimize the impact on employees; to this end, the potential deployment of staff to other divisions was considered on a regular basis. Solar cell production activities in Konstanz were also interrupted for a short period of time. In all, the capacity utilization rate in the solar cell production area in the third quarter fell to 61 % in the third quarter 2011.

Shareholdings of members of executive bodies and directors' dealings.

Shareholdings of members of executive bodies. The following table shows the number of Sunways shares held by the members of the Management Board and Supervisory Board as of 30 September 2011:

Management Board	Shares as of 30/09/2011
Michael Wilhelm, Chairman	2.000
Roland Burkhardt	1.780.345
Jörg von Strom	2.500
Jürgen Frei	1.500
Supervisory Board	
Otto Mayer, Chairman	750.000
Andreas Görwitz	10.000
Thomas Nordmann	6.000

Directors' Dealings. Pursuant to § 15 a of the Securities Trading Act (WpHG), the executives of an issuer of shares and their closely related parties have to inform the issuer and the Federal Financial Supervisory Authority (BaFin) within five working days of any dealings for their own account in the issuer's shares or any financial instruments relating thereto if the total volume of such dealings exceeds the amount of 5,000 € by the end of the calendar year.

No directors' dealings were reported to us in the period under review.

Opportunities and risks.

The demand for photovoltaic systems and photovoltaic components in the European markets significantly lagged behind expectations in the first half-year 2011 and did not accelerate in the third quarter either. In Germany, the ongoing political discussions about the future role of photovoltaics in the energy mix and the reduction of feed-in tariffs, which has accelerated since the middle of last year, additionally caused uncertainty with private consumers and investors in large systems. The exacerbation of the European debt crisis as well as reduced subsidies in other European countries also resulted in investment restraint in almost all non-domestic European markets.

The pressure on market prices for photovoltaic products prevailing since the beginning of this year further increased in the third quarter. In particular the impact of weak demand and excess supply due to high capacity levels on the development of prices for solar cells and solar modules is intensified by the aggressively priced products of Chinese competitors. It is not expected that such pressure on selling prices can be reduced shortly. These market conditions present a particular challenge to enterprises like Sunways AG who provide major value added services in Germany.

The stock exchanges and markets worldwide responded most positively to the debt-cut for Greece agreed in late October and the markedly expanded Euro rescue fund (EFSF). On the other hand, there are, however, increased capital requirements for banks and a potentially related reluctance to provide loans to investors. Conflicting announcements by the Greek government and uncertain political developments in that country intensified the uncertainty prevailing in the financial markets with respect to further developments in the Euro area. In addition, the political situation in Italy was further aggravated by the announced resignation of the government; this created additional uncertainty in the financial markets. Thus it is at present largely unclear what impact the measures initiated by the European Union will have on consumer sentiment in Europe in the short and medium term or to what extent national governments will and can increasingly invest in regenerative energies through targeted stimulus measures.

Sunways has reported operating losses for the past three consecutive quarters. Should this negative earnings development continue, the liquidity risk described in the 2010 annual report would increase in the first half of 2012. However, Sunways AG's equity ratio of more than 50 % shows that it has a sound balance sheet structure; in addition, the Company continues to operate within the framework of credit lines made available to it.

Otherwise there were no major changes with respect to the opportunities and risks as set forth in the 2010 annual report and in the second quarter report.

Outlook for the entire fiscal year 2011.

The recovery of demand in the European photovoltaics markets already expected in the summer months also failed to occur in the third quarter 2011. Due to the continuous excess supply, selling prices remain under pressure. The negative sales and earnings development in the fiscal year 2011 was mainly due to the price-related decline in gross margins, in particular in the solar module segment. During the last twelve months, the selling prices realizable for solar modules alone fell by 30 %.

Due to the continuously difficult framework conditions, we anticipate a negative operating result for the fourth quarter 2011. We expect that, despite the write-downs carried out, only a low margin will be generated in the solar module segment. The development of the solar inverter segment will also reflect current market conditions; on the other hand, we expect to generate a positive operating margin in this segment. In the solar cell segment, production facilities will largely be working short-time in the fourth quarter.

Price developments in the European photovoltaics markets in 2011 will result in a marked decline in Sunways AG's sales and earnings for the full fiscal year. As the demand forecast varied significantly from the figures budgeted, Sunways had already withdrawn its original sales and earnings estimates for the fiscal year 2011 in spring. Based on the first three quarters and the estimates for the remaining weeks, Sunways now anticipates sales of € 100 to 120 million for the fiscal year 2011. A negative operating result (EBIT) in the lower double-digit million range is again to be expected for the fourth quarter.

Therefore, the management of Sunways AG strongly focuses on restoring and securing the Company's profitability on a sustainable basis. Any other negative effects on the earnings and liquidity position are to be minimized. All measures already initiated to reduce costs and to ensure liquidity will thus be intensified. Additional projects relating to a review and potential adjustment of the business model have already been started.

Representation by legal representatives.

We represent that, to best of our knowledge, these consolidated interim financial statements, in accordance with the applied principles of proper consolidated interim reporting, accurately present the Group's asset, financial and earnings situation and that the Group interim management report gives a true and fair view of the business development, including the result of operations and financial position of the Group, and that the major opportunities and risks of the Group's expected development during the remainder of the fiscal year are described therein.

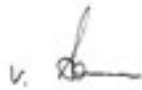
Konstanz, 14 November 2011



Michael Wilhelm
Chairman of the
Management Board –
Strategy and Finance



Roland Burkhardt
Member of the
Management Board –
Technology, Research
and Development



Jörg von Strom
Member of the
Management Board –
Procurement, Production
and Supply Chain



Jürgen Frei
Member of the
Management Board –
Sales and Marketing

CONSOLIDATED INTERIM FINANCIAL STATEMENTS (IFRS) AS OF 30 SEPTEMBER 2011

CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2011.

Assets	See note No.	30/09/2011	31/12/2010
		€ million	€ million
Current assets			
Liquid funds	C.1.	2.1	13.8
Trade receivables	C.2.	6.8	5.6
Inventories	C.3.	45.0	31.3
Short-term financial assets	C.2.	0.3	0.4
Prepayments and accrued income and other current assets	C.2.	3.4	7.3
Total current assets		57.6	58.5
Non-current assets			
Tangible fixed assets	C.4.	34.0	37.4
Intangible assets	C.5.	1.2	1.4
Financial assets		0.1	0.1
Goodwill		0.0	0.0
Non-current financial assets		0.0	0.0
Other non-current assets	C.6.	13.5	14.6
Deferred taxes	C.7.	7.0	0.6
Total non-current assets		55.8	54.1
Total assets		113.4	112.7
Liabilities and shareholders' equity			
Current liabilities			
Short-term financial liabilities	C.8.	18.1	3.4
Trade payables	C.9.	13.9	11.1
Prepayments received		0.1	0.2
Provisions	C.9.	5.9	7.1
Income tax payable	C.9.	0.1	2.0
Other current liabilities	C.9.	0.6	0.5
Deferred investment grants	C.12.	1.8	1.8
Total current liabilities		40.6	26.2
Long-term liabilities			
Long-term financial liabilities	C.10.	3.8	6.2
Other long-term deferred items and liabilities	C.11.	3.8	2.8
Deferred investment grants	C.12.	7.4	8.8
Deferred taxes		0.4	0.5
Total long-term liabilities		15.4	18.3
Shareholders' equity			
Subscribed capital	C.13.	11.6	11.6
Capital reserves	C.13.	37.6	37.5
Retained earnings		8.1	19.3
Other equity components		0.2	-0.2
Consolidated shareholders' equity		57.5	68.2
Total liabilities and shareholders' equity		113.4	112.7

Possible rounding differences.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2011.

	Note	01/07/ – 30/09/2011	01/07/ – 30/09/2010	01/01/ – 30/09/2011	01/01/ – 30/09/2010
	No.	€ million	€ million	€ million	€ million
Sales	D.1.	23.3	58.3	84.2	167.2
Changes in inventories of finished and unfinished goods	D.2.	-2.7	4.9	15.5	5.7
Gross performance		20.6	63.2	99.7	172.9
Other operating income	D.3.	1.4	0.6	3.8	2.0
Cost of materials		-23.7	-48.6	-94.0	-128.9
Personnel expenses	D.4.	-4.0	-4.2	-12.5	-13.0
Depreciation and amortization	D.5.	-1.6	-1.6	-4.9	-4.7
Other operating expenses	D.6.	-4.4	-5.4	-13.7	-14.7
Income from investments		0.0	0.0	0.0	0.0
Operating result (EBIT)		-11.8	4.0	-21.6	13.7
Interest income		0.0	0.0	0.0	0.1
Interest expenses	D.7.	-0.4	-0.2	-1.0	-0.8
Earnings before taxes		-12.2	3.8	-22.6	13.0
Taxes on income	D.8.	3.5	-1.1	6.6	-3.6
Earnings after taxes – continuing operations	D.9.	-8.7	2.7	-16.0	9.4
Earnings after taxes – discontinued operations	D.10.	0.0	0.0	4.9	-1.1
Consolidated net income/loss		-8.7	2.7	-11.1	8.3
thereof attributable to shareholders of Sunways Aktiengesellschaft		-8.7	2.7	-11.1	8.3
Earnings per share – discontinued operations (undiluted = diluted)	F.	-0.75	0.24	-1.39	0.81
Earnings per share – discontinued operations (undiluted = diluted)	F.	0.00	0.00	0.43	-0.09
Earnings per share (undiluted = diluted)	F.	-0.75	0.24	-0.96	0.72
Average number of shares outstanding		11,588,613	11,588,613	11,588,613	11,588,613

Possible rounding differences.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2011.

	01/07/ – 30/09/2011	01/07/ – 30/09/2010	01/01/ – 30/09/2011	01/01/ – 30/09/2010
	€ million	€ million	€ million	€ million
Consolidated net income/loss	-8.7	2.7	-11.1	8.3
Changes in the market value of derivative financial instruments in hedge accounting	0.4	-0.1	0.4	0.0
Total income and expenses recognized in shareholders' equity	-8.3	2.6	-10.7	8.3

Possible rounding differences.

CONSOLIDATED CASH-FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2011.

	01/01/ – 30/09/2011	01/01/ – 30/09/2010
	€ million	€ million
Operating activities		
Operating result (EBIT)	-21.6	13.7
Depreciation and amortization	4.9	4.7
Income/expenses not affecting cash-flows	-2.1	-1.4
Increase (-)/decrease in receivables and other assets, accruals and deferrals	3.3	9.2
Increase (-)/decrease in inventories	-13.7	-19.2
Increase/decrease (-) in trade payables and other provisions, liabilities	3.6	-8.9
Taxes on income	-1.9	0.0
Interest paid	-0.8	-0.8
Interest received	0.0	0.1
Cash provided by / used for (-) operating activities	-28.3	-2.6
Investment activities		
Acquisition of fixed assets	-1.3	-2.1
Cash provided by investment grants/subsidies	0.6	0.8
Cash provided by sales of equity instruments in other companies	5.0	-1.1
Cash provided by / used for (-) investment activities	4.3	-2.4
Financing activities		
Cash provided by/used for (-) long-term bank loans	-1.1	-0.8
Cash provided by/used for (-) short-term bank loans	14.9	-1.4
Cash used for (-) other liabilities	-1.5	-3.2
Cash provided by / used for (-) financing activities	12.3	-5.4
Net increase / decrease (-) of liquid funds	-11.7	-10.4
Cash and cash equivalents at the beginning of the reporting period	13.8	21.9
Cash and cash equivalents at the end of the reporting period	2.1	11.5
Composition of liquid funds at the end of the reporting period (consolidated balance sheet)	2.1	11.5

Possible rounding differences.

CHANGES IN SHAREHOLDERS' EQUITY IN THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2011.

	Subscribed capital	Capital reserves	Retained earnings/ accumulated loss	Other equity components, derivative financial instruments	Consolidated shareholders' equity
	€ million	€ million	€ million	€ million	€ million
01/01/2010	11.6	37.3	9.9	-0.3	58.6
Changes related to share options pursuant to IFRS 2 (expense related to employee options)	0.0	0.2	0.0	0.0	0.2
Consolidated net income	0.0	0.0	8.3	0.0	8.3
Comprehensive income	0.0	0.0	0.0	0.0	0.0
30/09/2010	11.6	37.4	18.2	-0.3	67.0
01/01/2010	11.6	37.3	9.9	-0.3	58.6
Changes related to share options pursuant to IFRS 2 (expense related to employee options)	0.0	0.2	0.0	0.0	0.2
Consolidated net income	0.0	0.0	9.3	0.0	9.3
Comprehensive income	0.0	0.0	0.0	0.1	0.1
31/12/2010	11.6	37.5	19.3	-0.2	68.2
01/01/2011	11.6	37.5	19.3	-0.2	68.2
Changes related to share options pursuant to IFRS 2 (expense related to employee options)	0.0	0.1	0.0	0.0	0.1
Consolidated net loss	0.0	0.0	-11.1	0.0	-11.1
Comprehensive income	0.0	0.0	0.0	0.4	0.4
30/09/2011	11.6	37.6	8.1	0.2	57.5

Possible rounding differences.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (IFRS) AS OF 30 SEPTEMBER 2011 (NOTES).

A. General information, preparation principles and premises.

These abridged consolidated interim financial statements relate to Sunways AG and its subsidiaries (hereinafter referred to as "Sunways" or the "Group"). Sunways prepared its consolidated interim financial statements in conformity with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and their interpretations as adopted by the European Union (EU). The consolidated interim financial statements are also in conformity with the IFRS published by the IASB.

The Group's interim financial statements were drawn up in millions of Euros (€ million). Sunways is a company of the photovoltaics industry domiciled in Germany and mainly active in Germany and Europe.

The consolidated balance sheet as of 30 September 2011, the consolidated income statement for the nine months ended on 30 September 2011 and 2010, respectively, the statement of comprehensive income for the nine months ended on 30 September 2011 and 2010, respectively, the consolidated cash-flow statement for the nine months ended on 30 September 2011 and 2010, respectively, changes in consolidated shareholders' equity for the nine months ended on 30 September 2011 and 2010, respectively, as well as the explanatory notes thereto were drawn up for purposes of the consolidated interim financial statements. The consolidated interim financial statements were prepared in an abridged form and in conformity with IAS 34 "Interim financial reporting." They do not include all information required for purposes of consolidated financial statements as of the fiscal year's end and should, therefore, be read in conjunction with the consolidated financial statements in accordance with IFRS published by Sunways for the fiscal year 2010. The accounting and valuation principles applied by the Group in the context of these interim financial statements generally correspond to those applicable to the consolidated financial statements as of 31 December 2010. In addition, the standards and interpretations initially to be complied with as from 1 January 2011 were observed.

The standards and interpretations initially applicable for the fiscal year starting on 1 January 2011 did not result in any material accounting and valuation changes.

The recently published and not yet implemented accounting promulgations are set forth below:

In May 2011, the IASB published its improvements relating to accounting and reporting requirements with respect to consolidation issue, off-balance sheet activities and joint arrangements in IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements," IFRS 12 "Disclosure of Interests in Other Entities" as well as subsequent amendments to IAS 27 "Separate Financial Statements" (amended in 2011) and IAS 28 "Investments in Associates and Joint Ventures" (amended in 2011).

IFRS 10 replaces the provisions on consolidated financial statements in IAS 27 "Consolidated and Separate Financial Statements" as well as SIC 12 "Consolidation: Special Purpose Entities." IFRS 11 replaces IAS 31 "Investments in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers." IFRS 12 replaces the disclosure requirements under IAS 27 "Consolidated and Separate Financial – Statements," IAS 28 "Investments in Associates" and IAS 31 "Investments in Joint Ventures."

Based on currently applicable standards, IFRS 10 regulates which companies are to be included in the consolidated financial statements with the aid of a comprehensive control concept. The promulgation also provides guidelines for the interpretation of the term "control" in case of doubt.

IFRS 11 regulates the accounting for joint arrangements based on the nature of the rights and duties arising from the arrangement rather than on its legal form. Under IFRS 11, joint arrangements are assigned to two categories: joint operations and joint ventures. Pursuant to IFRS 11, a partner in a joint operation has to account for the assets and debts (and corresponding income and expenses) in proportion to its relevant percentage interest. A partner in a joint venture has to account for its interest in accordance with the equity method.

IFRS 12, as a new and comprehensive promulgation, regulates the disclosure requirements for all types of investments in other entities, including joint arrangements, associates, structured entities and off-balance sheet entities. Disclosures made must enable the addressees of financial statements to assess the nature of the investment in another entity and the related risks as well as the effects of such investment on their asset, financial and earnings situation.

Due to the publication of the new promulgation IFRS 10, IAS 27 (amended in 2011) now only includes provisions relating to separate financial statements.

In accordance with the amended IAS 28, a company must report investments in associates or joint ventures or any part of such investments as "held for sale" to the extent that the applicable criteria have been met. Any remaining portion of an investment in an associate or joint venture not classified as "held for sale" must be accounted for at equity until the portion classified as "held for sale" has been disposed of.

IFRS 10, 11, 12 and subsequent amendments to IAS 27 and IAS 28 will be initially applicable to fiscal years starting on or after 1 January 2013. Their earlier application is permissible. IFRS 10, 11, 12 and subsequent amendments to IAS 27 and IAS 28 have not yet been implemented into European law by the EU. The Company currently reviews the effects on its consolidated financial statements and will then determine the date of initial application.

In May 2011, the IASB published IFRS 13 "Fair Value Measurement." The new promulgation does not regulate to what extent certain assets and debts are to be measured at fair value but merely defines the term "fair value" and harmonizes disclosure requirements relating to fair value measurement. These provisions will take effect with respect to fiscal years starting on or after 1 January 2013. Their earlier application is permissible. IFRS 13 has not yet been implemented into European law by the EU. Sunways currently reviews the effects of these provisions and will then determine the date of their initial application.

In June 2011, the IASB published IAS 19 "Employee Benefits." The amended IAS 19 eliminates the corridor method and requires actuarial gains and losses to be reported in other comprehensive income. This promulgation will initially be applicable to fiscal years starting on or after 1 January 2013. Its earlier application is permissible. Sunways does not expect this amendment to have any effect on the Company.

In 2011, the IASB has published a number of other promulgations which will not have any material impact on the consolidated financial statements of Sunways.

The classification of the Company's business activities into the segments defined for reporting purposes pursuant to IFRS 8 "Operating Segments" remained unchanged in the period under review. As in the previous year, the Company's activities are subdivided into the following three product segments:

The solar cell product segment comprises the development, production and distribution of solar cells and the two production plants in Konstanz and Arnstadt as well as related activities.

The solar module product segment comprises activities relating to the production and distribution of as well as trading in solar modules and their assembly.

The solar inverter product segment covers the development, production and distribution as well as assembly of solar inverters.

From management's point of view, these consolidated interim financial statements include all adjustments normally required to be made on an ongoing basis to present a true and fair view of the Company's course of operations in any reporting period. The results generated in the first nine months of the fiscal year 2011 are not necessarily indicative of the further development of operations.

Estimates and assumptions have to be made by management in connection with the preparation of the consolidated interim financial statements. Such estimates and assumptions affect the amounts of assets, debts and contingent liabilities reported as of the balance sheet date as well as those of income and expense items of the reporting period. Actually incurred amounts may vary from such estimates.

The exchange rates used for the conversion of major currencies outside the European Currency Union developed as follows:

Currency	ISO code	Middle exchange rate as of the balance sheet date		
		30/09/2011	31/12/2010	30/09/2010
U.S. dollar	USD	1.3503	1.3362	1.3648
Swiss franc	CHF	1.2170	1.2504	1.3287

Income tax expenses in the interim financial statements were calculated on the basis of the expected income tax rate for the entire fiscal year.

These consolidated interim financial statements have not been audited or reviewed by an independent auditor.

B. Information on the consolidation scope and methods.

In addition to Sunways AG, all subsidiaries in which Sunways AG, directly or indirectly, holds the majority of voting rights or whose financial and business policies are determined by Sunways AG were included in the consolidated financial statements. As of 30 September 2011, there were no changes in the scope of consolidation compared to the consolidated financial statements in accordance with IFRS as of 31 December 2010.

Significant intercompany profits and losses, sales revenues, expenses and income as well as any receivables and payables existing between consolidated companies were netted. The results of intercompany transactions were eliminated.

Deferred taxes with respect to consolidation procedures were reported to the extent that the difference in tax expense is expected to be offset in subsequent fiscal years.

C. Notes to the consolidated balance sheet.

1. Liquid funds.

	30/09/2011	31/12/2010
	€ million	€ million
Liquid funds	2.1	13.8

The decline in liquid funds by € 11.7 million related to the rise in net current assets in the first nine months of the current fiscal year which resulted in particular from the modification of the business model.

2. Trade receivables, prepayments and accrued income as well as other current assets.

	30/09/2011	31/12/2010
	€ million	€ million
Trade receivables	6.8	5.6
Financial assets		
Current portion of financial receivables	0.0	0.1
Accounts receivable under derivative instruments	0.3	0.3
Other assets		
Value added tax receivable	1.0	3.2
Prepayments made	1.8	3.2
Grants and subsidies	0.1	0.6
Other	0.5	0.4
Sub-total	3.7	7.7
Total	10.5	13.4

Possible rounding differences.

Trade receivables increased by € 1.2 million against 31 December 2010. Such rise was mainly date-related. Allowances for trade receivables amounted to € 1.6 million and thus remained almost unchanged from 31 December 2010.

Grants and subsidies included grants for research projects in the amount € 0.1 million.

3. Inventories.

	30/09/2011	31/12/2010
	€ million	€ million
Raw materials and supplies	6.1	9.2
Work in progress	1.2	1.2
Finished goods and merchandise	37.7	20.9
Total	45.0	31.3

Possible rounding differences.

Inventories increased by € 13.7 million against 31 December 2010.

Raw materials and supplies declined to € 6.1 million as of 30 September 2011. Following an increase in raw materials and supplies as of 31 March 2011, this item declined in the third quarter by another € 2.2 million, mainly as a result of short-time working at the Konstanz and Arnstadt cell production plants and the associated reduced need for wafers.

At € 1.2 million, work in progress remained almost unchanged from 31 December 2010.

Following an increase in finished goods and merchandise to € 51.5 million as of 31 March 2011, this item decreased to € 37.7 million as of 30 September 2011. The resumption of module contract manufacturing in China due to the change in business model and the related longer supply chains, on the one hand, as well as weak demand in the market, on the other hand, resulted in an increase in inventories in the solar cell and solar module segments in the first quarter. The decline in the second quarter by € 11.0 million was mainly due to the increased demand for modules compared to the prior quarter. The third quarter saw a further reduction of finished goods and merchandise by € 2.0 million which was due to lower prices for solar cells and solar modules. However, inventories in the cell and module segments increased against the prior year as a consequence of the module production cooperation. Solar inverters inventories also recorded a rise. This was mainly due to the very hesitant demand in the solar inverter segment in the wake of the generally weak demand in the market which resulted in an inventory build-up in the area of solar inverters by € 2.7 million in the first quarter of 2011 that was only partially offset in the second and third quarters of the current year.

Potential inventory risks were covered by corresponding valuation adjustments.

4. Tangible fixed assets.

Significant additions to tangible fixed assets related to replacement investments at the Konstanz plant as well as to adaptations of the Arnstadt production plant. Other additions were reported in the area of plant and office equipment.

5. Intangible assets.

As of 30 September 2011, capitalized development activities totaled € 0.8 million. Pursuant to IAS 38, development costs for new products in the amount of € 0.03 million were capitalized in the period under review. Such capitalized development costs mainly related to the further development of and additions to the solar inverter product family. Amortization of capitalized development costs in the first nine months of 2011 amounted to € 0.4 million.

Other additions mainly related to EDP software.

6. Other non-current assets.

Other non-current assets comprise prepayments made with respect to inventories under long-term supply contracts.

7. Deferred taxes.

This item includes deferred tax assets relating to existing loss carryforwards, eliminated intercompany profits, liabilities under financial derivatives and impending losses.

8. Short-term financial liabilities.

	30/09/2011	31/12/2010
	€ million	€ million
Current portion of liabilities towards banks	16.4	1.4
Current portion of liabilities under finance leases	1.6	1.7
Liabilities under financial derivatives – in hedge accounting	0.1	0.2
Liabilities under embedded derivatives	0.0	0.1
Total	18.1	3.4

Possible rounding differences.

€ 1.4 million of short-term liabilities towards banks related to the current portion of long-term bank loans and € 15.0 million to current account loans. As of 30 September 2011, the credit facilities made available to Sunways AG by several banks amounted to € 20.0 million (31 December 2010: € 12.5 million).

9. Current liabilities and provisions.

Trade liabilities as of 30 September 2011 recorded an increase by € 2.8 million to € 13.9 million which was mainly date related.

Foreign currency liabilities as of the balance sheet date amounted to € 7.1 million.

Provisions largely related to provisions for personnel expenses, warranties, license fees outstanding and impending losses under purchase commitments. Compared to 31 December 2010, such provisions declined by € 1.2 million which was mainly due to reduced provisions for personnel expenses and license fees as well as for invoices outstanding.

	30/09/2011	31/12/2010
	€ million	€ million
Personnel expenses	1.3	2.5
Warranties	1.3	1.0
License fees	0.9	1.6
Impending losses under purchase commitments	0.8	0.0
Other	1.6	2.0
Total	5.9	7.1

Possible rounding differences.

Income tax payable amounted to € 0.1 million as of 30 September 2011 (31 December 2010: € 2.0 million). This item includes trade tax, corporate income tax as well as solidarity surcharge payable with respect to the fiscal year 2010.

Other current liabilities were composed as follows:

	30/09/2011	31/12/2010
	€ million	€ million
Wage and church taxes payable	0.2	0.2
Other liabilities	0.4	0.3
Total	0.6	0.5

Possible rounding differences.

10. Long-term financial liabilities.

	30/09/2011	31/12/2010
	€ million	€ million
Long-term portion of liabilities towards banks	1.1	2.2
Long-term portion of liabilities under finance leases	2.7	4.0
Total	3.8	6.2

Possible rounding differences.

This item comprises the long-term portion of bank loans raised to fund the expansion of the Arnstadt production plant as well as the long-term portion of liabilities under lease purchase contracts. The long-term portion of liabilities under lease purchase contracts also exclusively related to the expansion of the Arnstadt production plant.

11. Other long-term deferred items and liabilities.

	30/09/2011	31/12/2010
	€ million	€ million
Deferred item relating to warranty extension	3.8	2.8
Total	3.8	2.8

Possible rounding differences.

This deferred item relates to warranty extensions beyond the duration of statutory warranty claims.

12. Deferred investment grants.

Deferred investment grants refer to government subsidies granted in connection with the erection and expansion of the solar cell production plant of Sunways Production GmbH in Arnstadt, Thüringen. This deferred item will be amortized affecting net income over the expected useful life of the subsidized assets. The amount relates to buildings and machinery commissioned in Arnstadt in connection with the erection and expansion of the production plant.

Income resulting from the amortization of deferred investment grants amounted to € 1.4 million in the first nine months of 2011 (prior year period: € 1.4 million).

13. Shareholders' equity.

Subscribed capital. Reference is made to "changes in shareholders' equity." There were no changes in subscribed capital in the first nine months of 2011. Stated capital as of 30 September 2011 amounted to € 11,588,613.00.

By resolution of the general meeting on 16 June 2011, the remaining conditional capital in the amount of € 4,357,035 created by the general meeting on 6 May 2004 was cancelled pursuant to § 5 IV of the articles of incorporation.

Capital reserves. Changes in capital reserves are shown in the table below:

	Capital reserves
	€ million
As of 01/01/2011	37.5
Issue of share options	0.1
As of 30/09/2011	37.6

Possible rounding differences.

Otherwise reference is made to "changes in shareholders' equity."

Share option schemes. The business success of Sunways AG largely depends on the long-term commitment of its employees. In order to motivate its employees in the long run and to have them participate in the Company's success, one employee incentive plan each was adopted in 2000, 2006 and 2009.

Personnel expenses of € 0.1 million were reported in the period under review in relation to share options already issued.

With respect to the already existing share option schemes, reference is made to the relevant information set forth in the consolidated financial statements of Sunways AG as of 31 December 2010.

A total of 82,114 share options were issued to Management Board members during the first nine months of 2011 with respect to the fiscal year 2010 under the Long Term Incentive Plan 2009. The initial price was determined at the time of the grant. The fair value of each option issued was determined by the Company at € 2.64 with respect to the options issued in the second quarter (65,000) and at € 1.13 with respect to the options issued in the third quarter (17,114). No share options were exercised in the period under review. A total of 8,300 share options lapsed during the reporting period.

D. Notes to the consolidated income statement.

1. Sales.

Sales refer to all business segments of the Group. The 50 % drop against the comparable prior year period was, on the one hand, to a significant extent due to declining prices in the first nine months of 2011. Furthermore, Sunways solar cells were – unlike in the prior year period – almost exclusively integrated into Sunways solar modules under contract manufacturing arrangements.

With respect to the breakdown of sales, reference is made to the information set forth under “Segment reporting.”

2. Changes in inventories.

The resumption of module contract manufacturing in China and related supply chains as well as weak sales resulted in an increase in inventories by € 22.1 million in the first quarter. In the second quarter, a reduction of the rise in inventories by € 3.9 million was mainly achieved through an increase in module sales volumes as well as through short-time working at the Konstanz and Arnstadt solar cell production plants. In the third quarter, inventories were further reduced by € 2.7 million which was primarily due to a write-down of solar cell and module inventories to lower market prices. Thus changes in inventories in the first nine months amounted to € 15.5 million.

3. Other operating income.

	30/09/2011	30/09/2010
	€ million	€ million
Reversal of investment grants	1.4	1.4
Research and development grants	0.2	0.2
Income from derivative financial instruments	0.1	0.0
Exchange rate gains	0.8	0.3
Income from the reversal of provisions	1.0	0.0
Income from waste recycling	0.1	0.0
Other	0.2	0.1
Total	3.8	2.0

Possible rounding differences.

Provisions for personnel expenses and license fees were partially reversed affecting net income as of 30 September 2011.

4. Personnel expenses.

Personnel expenses declined by € 0.5 million against the first nine months of 2010. As of 30 September 2011, the Group employed a total workforce of 343 (prior year: 333). Personnel expenses in the first nine months of 2011 included expenses of € 0.1 million with respect to share options issued under the outstanding share option schemes (prior year period: € 0.2 million).

5. Depreciation and amortization.

Depreciation and amortization comprised scheduled depreciation and amortization. There was no non-scheduled depreciation or amortization during the period under review. Amortization of capitalized research and development costs as of 30 September 2011 amounted to € 0.4 million (prior year period: € 0.4 million). In all, depreciation and amortization increased by € 0.2 million against the prior year period.

6. Other operating expenses.

Other operating expenses included mainly premises and operating costs as well as administrative and distribution costs.

	30/09/2011	30/09/2010
	€ million	€ million
Premises and operating costs	3.7	3.5
Distribution costs	4.6	4.8
External research and development costs	0.6	0.5
Other	4.9	5.9
Total	13.8	14.7

Possible rounding differences.

7. Interest expenses.

The rise in interest expenses was largely due to increased drawings on current account loans.

8. Taxes on income.

Taxes on income include deferred taxes pursuant to IAS 12. The calculation of deferred taxes was based on a tax rate of 29.32 %.

9. Earnings from continuing operations.

The consolidated net loss from continuing operations as of 30 September 2011 was € -16.0 million.

10. Earnings after taxes from discontinued operations.

After-tax earnings from discontinued operations in the first nine months of 2011 amounted to € 4.9 million (prior year: € -1.1 million). This amount included the contractually agreed performance-related component referring to the disposal of MHH Solartechnik GmbH. In the prior year comparable period, this item included purchase price adjustments made upon presentation of the final completion accounts of MHH Solartechnik GmbH.

Changes in shareholders' equity
Earnings per share
Notes to the consolidated cash-flow statement
Subsequent events
Related-party transactions

E. Changes in shareholders' equity.

Changes in the Company's shareholders' equity during the past reporting period are set forth in the table "changes in shareholders' equity."

F. Earnings per share.

	01/01 – 30/09/2011	01/01 – 30/09/2010
Net income/loss for the period/€ million	-11.1	8.3
Thereof from continuing operations	-16.0	9.4
Thereof from discontinued operations	4.9	-1.1
Number of shares (weighted)	11.588.613	11.588.613
Earnings per share/€	-0.96	0.72
Thereof from continuing operations	-1.39	0.81
Thereof from discontinued operations	0.43	-0.09

Possible rounding differences.

The figures presented correspond to the undiluted earnings per share within the meaning of IAS 33 ("basic earnings per share"). As the calculation of diluted earnings does not result in any material changes, no relevant figures were presented in accordance with IAS 33.

G. Notes to the consolidated cash-flow statement.

The consolidated cash-flow statement shows how the Group's cash changed over the course of the reporting period as a result of the inflow and outflow of funds. In accordance with IAS 7 (Cash-flow Statements), a distinction is made between cash-flows from operating, investing and financing activities. The liquid funds shown in the cash-flow statement include cash in hand, checks, cash at bank and marketable securities.

H. Subsequent events.

No other reportable matters arose prior to the preparation of the interim financial statements.

I. Related-party transactions.

There were no major related-party transactions in the past reporting period.

Financial Calendar 2012.

21/02/2012	Preliminary 2011 sales figures
30/03/2012	Publication of the annual report 2011 (FY 2011)
30/03/2012	Press conference and analyst meeting, Frankfurt/Main
15/05/2012	Interim report as of March 31, 2012 (Q1)
14/08/2012	Interim report as of June 30, 2012 (Q2)
13/11/2012	Interim report as of September 30, 2012 (Q3)

Subject to changes.

This quarterly report is also available in the German original.

The German and English versions, annual reports as well as current events and further information on the Company are available at our home page www.sunways.eu/en.

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Forward-looking statements in this quarterly report.

This quarterly report includes statements relating to the future business development of Sunways AG that are based on assumptions and estimates made by management at the time of publication. Should the assumptions underlying these prognoses not eventuate, actual results may vary substantially from the forecasts. Uncertainties include inter alia changes in the political, legal, economic and business environment, exchange and interest rate fluctuations as well as the behavior of competitors and other market participants. We neither intend nor assume any obligation to update forward-looking statements on an ongoing basis as these are based exclusively on the circumstances prevailing on the date of publication.