

# QUARTERLY REPORT Q1 / 09

JANUARY – MARCH



*sunways*  
Photovoltaic Technology

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## GROUP MANAGEMENT REPORT AS OF 31 MARCH 2009

### MAJOR EVENTS IN THE FIRST QUARTER 2009.

- CONSOLIDATED SALES DECLINED BY 12 % AGAINST THE FIRST QUARTER 2008 TO € 44.5 MILLION; NEGATIVE EBIT OF € -5.4 MILLION, AS EXPECTED
- STABLE SALES IN CELL SEGMENT, DECLINING SYSTEMS SEGMENT
- STRONG CAPACITY UTILIZATION IN ARNSTADT DUE TO HIGH-VOLUME CUSTOMER ORDER

### Business operations.

The demand for photovoltaic systems in the first two months of 2009 experienced a very modest development. Uncertainties with respect to the economic development resulted in a marked decline in the investment propensity of companies and private households throughout Europe. In addition, the amendment of the feed-in tariff legislation in Spain and the subsequent strong decline in installation volumes resulted in a substantial supply surplus in the European module sector. Consequently, selling prices for solar cells as well as for solar modules fell strongly during the reporting period.

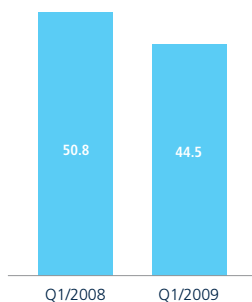
Although the demand for our products soared from March onwards in the wake of the commencing spring weather and sales in March 2009 significantly exceeded total sales for the months of January and February, the consolidated sales of Sunways AG in the period under review experienced an overall decrease by 12 %. In Germany, Sunways AG recorded a 6 % rise in sales between January and March 2009 against the prior year quarter despite the snowy beginning of the year. International sales in the first quarter 2009 declined by 61 % against the comparable prior year period. As expected, EBIT in the first three months of 2009 also decreased markedly to € -5.4 million (1st quarter 2008: € 0.5 million). The net loss in the first quarter 2009 amounted to € 4.3 million after net income of € 0.1 million in the prior year quarter. Undiluted earnings per share (basic earnings per share pursuant to IAS 33) in the first quarter amounted to € -0.37 (1st quarter 2008: € 0.01). The diluted earnings are equal to the undiluted earnings.

Overall, no material new opportunities and risks arose in the period under review other than those described in the 2008 annual report.

### GROUP DEVELOPMENT IN € MILLION (QUARTERLY COMPARISON)

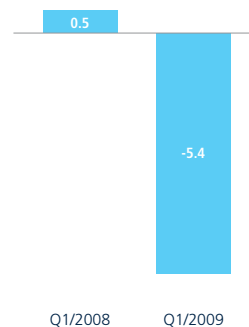
#### Sales

12 % (€ -6.3 million) decline



#### EBIT

turned markedly negative (€ -5.9 million)



## Segment reporting.

IFRS 8 "Operating Segments", mandatorily applicable with respect to fiscal years beginning after 31 December 2008, was applied for the first time by Sunways in the period under review. IFRS 8 replaces IAS 14 "Segment reporting" and reporting under this accounting standard is based on the "management approach" according to which information relating to the operating segments is published in conformity with the internal organization and management structure. In this context, the internal financial reporting to the top management, i. e. the Management Board in the case of Sunways, is decisive.

As the Company already had followed the "management approach" in its segment reporting, the initial application of IFRS 8 did not result in any changes to the segments defined. For purposes of the following segment reporting, the Company's operations continue to be divided into two major divisions: solar cells as well as solar systems and projects. The solar cell segment comprises the development, production and distribution of solar cells. The solar systems segment covers the development, production and distribution of inverters as well as distribution of and project management for solar systems, including Sunways Solar Modules.

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. The segment assets generally comprise all assets directly attributable to the segments.

	1st quarter 2009			1st quarter 2008		
	Solar cells	Solar systems	Total	Solar cells	Solar systems	Total
	€ million	€ million	€ million	€ million	€ million	€ million
Sales	19.0	25.6	44.5	19.9	30.9	50.8
EBITDA	-1.8	-2.4	-4.2	0.0	+1.5	+1.5
Depreciation and amortization	-0.9	-0.3	1.2	-0.9	-0.2	-1.1
EBIT	-2.7	-2.7	-5.4	-0.9	+1.4	+0.5
Segment assets	73.4	23.4	96.8	63.9	16.4	80.3
Investments	0.3	0.5	0.8	3.3	0.3	3.6

Possible rounding differences.

Sales refer to the Group's external sales. There are no inter-segment sales.

The following tables show the reconciliation of total segment results (EBIT) to the consolidated result and of segment assets to total consolidated assets:

	1st quarter 2009	1st quarter 2008
	€ million	€ million
Total EBIT (segments)	-5.4	+0.5
Net interest income	-0.7	-0.3
<b>Result before taxes</b>	<b>-6.0</b>	<b>+0.2</b>
Taxes on income	1.7	-0.1
<b>Consolidated net income/loss</b>	<b>-4.3</b>	<b>+0.1</b>

Possible rounding differences.

	1st quarter 2009	1st quarter 2008
	€ million	€ million
Total segment assets	96.8	80.3
Liquid funds	4.7	3.3
<b>Deferred tax assets</b>	<b>5.7</b>	<b>3.5</b>
<b>Tax receivable</b>	<b>0.2</b>	<b>0.0</b>
<b>Total assets</b>	<b>107.4</b>	<b>87.1</b>

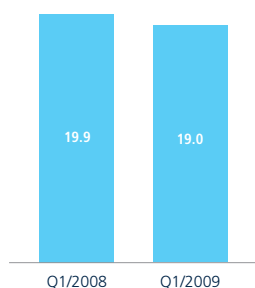
Possible rounding differences.

**Solar cells.** Sales in the solar cell segment declined marginally by 4.7 % to € 19.0 million (1st quarter 2008: € 19.9 million in the 1st quarter 2009). After adjustments for prorated deferred amounts (pursuant to the percentage-of-completion method) relating to the polysilicon project undertaken together with LDK Solar that had been included in the sales figures for the first quarter 2008, sales in the prior year quarter amounted to € 18.9 million and thus were almost at the same level as in the reporting period. The polysilicon project, including the sale of plant equipment, was completed and invoiced in the fiscal year 2008.

#### DEVELOPMENT IN THE SOLAR CELL SEGMENT IN € MILLION (QUARTERLY COMPARISON)

##### Sales

declined marginally by 5 % (€ -0.9 million)



Possible rounding differences.

In the first quarter 2009, just under 94 % of Sunways AG's solar cell sales were generated in Germany. Thus the international portion of sales significantly decreased from 33 % in the prior year quarter to 6 % in the first three months 2009. In particular as a result of necessary revaluations of inventories amounting to approx. € 1.2 million, EBIT declined to € -2.7 million (1st quarter 2008: € -0.9 million) in the reporting period. Selling prices for the 156 mm Sunways brand cells have fallen by about 14.5 % since the 4th quarter 2008. The price decline for Sunways cells in the 6 inch standard format amounted to about 11.5 % between the first quarter 2008 and the first quarter 2009. Cells manufactured at Arnstadt in February and March under a high-volume customer order are not included in the price calculation. The net loss in the solar cell segment amounted to € 2.3 million after a loss of € 0.6 million in the first quarter 2008.

Investments in the solar cell segment amounted to € 0.3 million in the first quarter 2009.

**Regular shipments started under the agreement with LDK Solar.** Since the beginning of the year, Sunways AG has been receiving wafer shipments under the cooperation agreement with LDK Solar on a regular basis. The quality of such wafers meets our high quality standards and the long-term conditions of the agreement continue to be competitive despite the marked deterioration of spot market prices for silicon. Our weighted purchase prices are lower than the current New-Energy-Finance-Wafer-Price-Index, a price index calculated on the basis of long-term contracts for a volume of about 30 GW. Under the existing long-term contracts with LDK Solar and Deutsche Solar, the raw material supply for our two production plants is largely secured. If applicable, any additionally required wafer amounts will be pur-

chased via the spot market. Against the background of changed framework conditions in the photo-voltaics market, we also decided at the end of March to abandon the announced erection of a company-owned polysilicon plant and to discontinue the development cooperation with Solarvalue.

**The expanded capacities in Arnstadt were almost fully utilized by Sunways AG in the first quarter 2009.** In connection with the ramp-up of the new production lines in Arnstadt, we started processing a high-volume customer order in February and, under this arrangement, produced more than 1.5 million cells in the 156x156 mm format by the end of March. The nominal production capacity of Sunways AG currently amounts to 116 megawatts (Sunways Production GmbH: 100 megawatts; Sunways AG: 16 megawatts). Overall, Sunways AG produced cells with a capacity of just under 12 megawatt-peak in Arnstadt and Constance in the first quarter 2009. Taking into account the envisaged ramp-up curve, this production volume corresponds to a capacity utilization rate of about 94 % at the Arnstadt production site.

**The capacity utilization rate in Constance, on the other hand, declined due to sales difficulties faced by the automotive industry.** These sales difficulties were immediately reflected in the declining demand for Sunways specialist cells for the automotive industry. Therefore, Sunways AG shut down its production plant in Constance for a total period of two weeks at the end of February/beginning of March and took advantage of the shutdown to undertake extensive plant conversion activities in order to enable the production of 156 mm mono wafers. Thus the nominal capacity of the Constance plant as well as the flexibility between the Arnstadt and Constance plants was increased. After two weeks of conversion and maintenance work, production was restarted in three-shift operations, five days a week. Overall, about 10 % of Sunways AG's employees were affected by short-time work which was discontinued at the end of March.

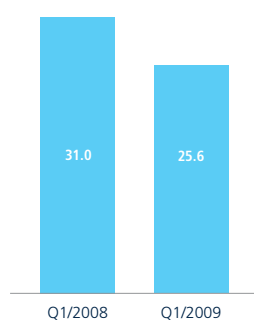
**Solar systems and projects.** Sales in the systems segment declined by a good 17 % in the first quarter 2009 to € 25.6 million (1st quarter 2008: € 31.0 million). In particular demand outside Germany was very weak in the first three months of 2009: international sales in the solar systems and projects segment decreased by 41 % against the prior year quarter. Accordingly, the international percentage of segment sales also recorded a marked decline and amounted to 17 % in the reporting period after 24 % in the first quarter 2008. The declining demand in conjunction with significantly reduced selling prices in the first quarter 2009 resulted in a decrease in segment EBIT from € 1.4 million in the first quarter 2008 to € -2.7 million in the first three months of 2009. The net loss amounted to € 2.0 million after net income of € 0.7 million in the prior year quarter.

Investments in the solar systems and projects segment amounted to € 0.5 million in the first quarter 2009.

#### DEVELOPMENT IN THE SOLAR SYSTEMS AND PROJECTS SEGMENT IN € MILLION (QUARTERLY COMPARISON)

##### Sales

17 % (€ -5.3 million) decline



Possible rounding differences.

**Prices in the solar systems segment have also fallen significantly since the 4th quarter 2009.**

Prices for solar modules decreased by 12 % against the prior year period, the price decline for inverters amounted to 17 % during the same period.

**The regular exchange of opinions with our customers and partners is important to us, especially now.**

Our annual "Sunways on Tour" information events for installers, planners and dealers started on 30 March in Zurich, followed by four events in Germany. Furthermore, Sunways AG presented itself at the Eurexpo in Lyon as well as at the Photovoltaik-Symposium in Bad Staffelstein in the reporting period. The dialogue with users having a practical background is considered particularly important by Sunways, especially in the current market environment: only thus will we be able to respond fast and with certainty to current trends and changes in demand.

**Technology and products.**

**Solar cells.** Increasing efficiency rates, reducing the amount of raw materials used as well as improving the optical appearance of our solar cells continue to be our most important development targets in the cell segment. We expect efficiency rates of more than 18 % for our newly developed monocrystalline cell generation, our acid-textured cells currently achieve average efficiency rates of more than 15.7 % in the production process.

Last year, we developed a black multicrystalline solar cell that combines a very homogeneous surface structure with high efficiency. We are presently initiating the serial production of this cell type.

**Constance plant upgraded for the production of standard cells.** We took advantage of the low capacity utilization rate of our Constance production plant during the first weeks of 2009 to expand our facilities for the production of solar cells in the 156 mm format. Since March, we have also produced monocrystalline cells in the 156 mm standard format at our corporate headquarters in addition to quadratic 100 mm and 125 mm specialist cells. The average efficiency rate of these cells was 16.8 % in the first production month and thus almost reached the level of the cells manufactured in Arnstadt.

**Solar systems and projects.** Products of Sunways AG yet again received the "red dot product design award". The PT 30k, Sunways AG's first central inverter, was honored for its attractive design, high functionality and excellent formal quality in March 2009 on the occasion of a competition organized by the "Design Zentrum Nordrhein-Westfalen". The "red dot design award" is one of the most important and renowned international design awards.

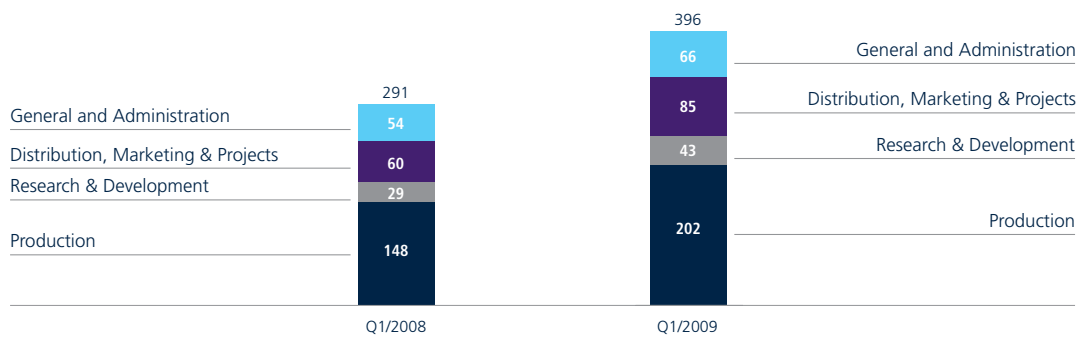
Furthermore, we launched our solar laminate SM215L in the market, a solar module that is ideally suited for roof integration, in the period under review.

**Personnel and social matters.**

As of 31 March 2009, the Sunways Group employed a workforce of 396 (2008: 291). The increase in personnel by 36 % since the first quarter 2008 was mainly due to new recruitments in connection with the capacity expansion in Arnstadt, the targeted strengthening of our research and development team and new employees hired in the sales area. In Arnstadt alone, we recruited 55 new employees between early April 2008 and late March 2009.

The breakdown of employees by function was as follows:

### EMPLOYEES BY DIVISION



### 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 31 March 2009:

Management Board	Shares as of 31 March 2009
Michael Wilhelm, chairman	2,000
Roland Burkhardt	1,780,345
Jörg von Strom	2,500
Jürgen Frei	1,500
<b>Supervisory Board</b>	
Otto Mayer, chairman	750,000
Andreas Görwitz	8,100
Dr. Roland R. Bahr	5,902
Dr. Christian Bosse	0
Thomas Nordmann	6,000
Frank Wehking	0

**Directors' dealings.** Pursuant to § 15a 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 € 5,000,00 by the end of the calendar year. The following directors' dealings were reported to us in the period under review.

Date	Name	Transaction
31 March 2009	Jürgen Frei (Management Board member)	Purchase; 1,500 shares at a price of € 1.74 per share (total volume: € 2,610); Frankfurt Stock Exchange

### Outlook for the fiscal year 2009.

Based on the negative expectations for the overall economic development in the year 2009, Sunways AG – in particular with respect to the German market – anticipates only a marginal growth of the photovoltaics markets. At the same time, we are convinced that the market conditions in the photovoltaics market will see fundamental changes in the current year: the solar market is increasingly developing from a seller's into a buyer's market where the close contact with customers and thus a products and services portfolio well adjusted to customers' needs will play an important role.

In the first months of 2009, we were unable, even as a premium provider, to avoid the effects of such changed market conditions and suffered a price decline to a previously unexpected extent for our photovoltaic products. Therefore, we will pay increased attention to our topmost target for 2009, i. e. improving the profitability of Sunways AG. Against the background of a significantly intensified competition, we intend to take additional measures in the current year – based on an optimized strategic and operational starting position already established in 2008 – to further optimize the future prospects for Sunways.

We are seeking to:

- expand our sales and marketing organizations,
- broaden our customer base in Germany and abroad,
- expand the services offered to our customers and partners, and
- further strengthen our reputation as technological leader in the industry by launching new and improved solar components in the market.

Thus we will launch further high-performance central inverters in the market in the fiscal year 2009 and start serial production of our highly efficient multicrystalline solar cell with the optical appearance of a monocrystalline cell.

In the current year, we will benefit from the high-quality supply of raw materials at competitive terms as well as state-of-the-art solar cell production facilities in Arnstadt. Therefore, we remain confident that we will be able to realize the envisaged corporate growth and increase in profitability upon completion of the ramp-up phase in Arnstadt which is expected to occur at the end of the second quarter. Against the background of our improved cost structures, we anticipate an improved earnings situation at Sunways AG from the third quarter 2009 onwards despite the deterioration in market conditions.

### 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.

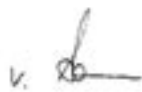
Constance, 15 May 2009



Michael Wilhelm  
Chairman of the  
Management Board



Roland Burkhardt  
Management Board  
member – Technology



Jörg v. Strom  
Management Board  
member – Procurement  
and Production



Jürgen Frei  
Management Board  
member – Sales and  
Marketing

## CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2009.

Assets	Note	31/03/2009	31/12/2008
		€ million	€ million
<b>Current assets</b>			
Liquid funds	C. 1.	4.7	3.6
Trade receivables	C. 2.	14.4	5.2
Inventories	C. 3.	47.0	47.1
Prepayments and accrued income and other current assets	C. 2.	1.9	2.6
<b>Total current assets</b>		<b>68.0</b>	<b>58.4</b>
<b>Long-term assets</b>			
Tangible fixed assets	C. 4.	31.2	31.5
Intangible assets	C. 5.	1.8	1.9
Financial assets		0.1	0.1
Goodwill		0.2	0.2
Other long-term assets	C. 6.	0.3	0.4
Deferred taxes	C. 7.	5.7	4.0
<b>Total assets</b>		<b>107.4</b>	<b>96.5</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bonds	C. 8.	5.5	5.5
Short-term loans and current portion of long-term loans	C. 9.	12.2	10.2
Trade payables	C. 10.	25.8	13.4
Prepayments received		3.1	2.2
Provisions	C. 10.	4.4	4.4
Income tax payable		0.0	0.3
Other current liabilities	C. 10.	2.1	1.9
Deferred investment grants	C. 12.	1.1	1.1
<b>Total current liabilities</b>		<b>54.2</b>	<b>39.0</b>
<b>Long-term liabilities</b>			
Long-term loans and other long-term liabilities	C. 11.	4.2	4.4
Long-term prepayments received		3.4	4.7
Deferred investment grants	C. 12.	8.1	6.5
Deferred taxes		0.4	0.5
<b>Total long-term liabilities</b>		<b>16.2</b>	<b>16.1</b>
<b>Shareholders' equity</b>			
Subscribed capital	C. 13.	11.6	11.6
Capital reserves	C. 13.	37.2	37.1
Retained earnings/accumulated loss		-11.8	-7.3
Minority interests		0.0	0.0
<b>Consolidated shareholders' equity</b>		<b>37.0</b>	<b>41.4</b>
<b>Total liabilities and shareholders' equity</b>		<b>107.4</b>	<b>96.5</b>

Possible rounding differences.

## CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01 JANUARY – 31 MARCH 2009.

	Note	01/01 – 31/03/2009	01/01 – 31/03/2008
	No.	€ million	€ million
Sales	D.1.	44.5	50.8
Changes in inventories of finished and unfinished goods		-0.1	-0.6
<b>Gross performance</b>		<b>44.4</b>	<b>50.2</b>
Other operating income	D.2.	0.7	0.4
Cost of materials		-41.1	-42.8
Personnel expenses	D.3.	-4.2	-3.1
Depreciation and amortization	D.4.	-1.1	-1.1
Other operating expenses	D.5.	-4.1	-3.1
<b>Operating result (EBIT)</b>		<b>-5.4</b>	<b>+0.5</b>
Interest income		0.0	0.1
Interest expenses	D.6.	-0.7	-0.4
<b>Result before taxes</b>		<b>-6.0</b>	<b>0.2</b>
Taxes on income	D.7.	1.7	-0.1
<b>Consolidated net income/loss</b>	D.8.	<b>-4.3</b>	<b>0.1</b>
Thereof attributable to the shareholders of Sunways Aktiengesellschaft		-4.3	0.1
Thereof attributable to minority interests		0.0	0.0
Earnings per share in € (Consolidated net income/loss : number of shares; diluted = undiluted)		-0.37	0.01
Average number of shares outstanding		11,588,450	11,374,913

Possible rounding differences.

## STATEMENT OF INCOME AND EXPENSES RECOGNIZED IN CONSOLIDATED SHAREHOLDERS' EQUITY FROM 01 JANUARY – 31 MARCH 2009.

	01/01 – 31/03/2009	01/01 – 31/03/2008
	€ million	€ million
<b>Consolidated net income/loss</b>	<b>-4.3</b>	<b>0.1</b>
Change in the market value of derivative financial instruments in hedge accounting	-0.1	0.0
<b>Total income and expenses recognized in shareholders' equity</b>	<b>-4.4</b>	<b>0.1</b>
Thereof attributable to the shareholders of Sunways Aktiengesellschaft	-4.4	0.1
Thereof attributable to minority interests	0.0	0.0

Possible rounding differences.

## CONSOLIDATED CASH-FLOW STATEMENT FOR THE PERIOD FROM 01 JANUARY – 31 MARCH 2009.

	01/01 – 31/03/2009	01/01 – 31/03/2008
	€ million	€ million
<b>Operating activities</b>		
Operating result (EBIT)	-5.4	0.4
Depreciation and amortization	1.1	1.1
Cash used for income taxes	-0.3	0.0
Book gains (-)/losses on the disposal of fixed assets	0.0	0.0
Income and expenses not affecting cash-flow	-0.1	-0.1
Increase (-)/decrease in receivables and other assets, accruals and deferrals	-9.7	0.4
Increase (-)/decrease in inventories	0.0	-1.7
Increase (-)/decrease in trade payables and other provisions, liabilities	13.6	-6.7
Interest received	0.0	0.1
Interest paid	-0.5	-0.3
<b>Cash provided by/used for (-) operating activities</b>	<b>-1.2</b>	<b>-6.8</b>
<b>Investment activities</b>		
Acquisition of fixed assets	-0.8	-3.6
Cash provided by investment grants/subsidies	1.1	0.0
Cash provided by disposals of fixed assets	0.0	0.0
<b>Cash used for investment activities</b>	<b>0.3</b>	<b>-3.6</b>
<b>Financing activities</b>		
Cash provided by/used for (-) long-term bank loans	0.0	0.0
Cash provided by/used for (-) short-term bank loans	2.0	-0.5
Cash provided by/used for (-) minority interests	0.0	0.0
<b>Cash provided by/used for (-) financing activities</b>	<b>1.9</b>	<b>-0.5</b>
<b>Net increase/decrease of liquid funds</b>	<b>1.1</b>	<b>-10.9</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>3.6</b>	<b>14.2</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4.7</b>	<b>3.3</b>
<b>Composition of liquid funds at the end of the reporting period</b>	<b>4.7</b>	<b>3.3</b>
Cash	4.7	3.3

Possible rounding differences.

## CHANGES IN SHAREHOLDERS' EQUITY FROM 01 JANUARY – 31 MARCH 2009.

	Subscribed capital	Capital reserves	Retained earnings/ accumulated loss	Shareholders of Sunways AG	Minority interests	Consolidated shareholders' equity
	€ million	€ million	€ million	€ million	€ million	€ million
01/01/2008	11.4	36.0	-5.1	42.3	0.0	42.3
Changes related to share options pursuant to IFRS 2 (expense related to employee options)	0	0.1	0	0.1	0	0.1
Changes in minority interests						
<b>Net income</b>	<b>0</b>	<b>0</b>	<b>0,1</b>	<b>0,1</b>	<b>0</b>	<b>0,1</b>
<b>31/03/2008</b>	<b>11.6</b>	<b>36.1</b>	<b>-5.0</b>	<b>42.5</b>	<b>0.0</b>	<b>42.5</b>
01/01/2008	11.4	36.0	-5.1	42.3	0.0	42.3
Convertible bonds	0.2	0.8	0	1.0	0	1.0
Changes in the equity component of convertible bonds (after tax)	0	0.1	0	0.1	0	0.1
Changes related to share options pursuant to IFRS 2 (expense related to employee options)	0	0.3	0	0.3	0	0.3
Changes in the market value of derivative financial instruments in hedge accounting	0	0	-0.3	-0.3	0	-0.3
Changes in minority interests	0	0	0	0	0,1	0,1
<b>Net income</b>	<b>0</b>	<b>0</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-0.1</b>	<b>-2.0</b>
<b>31/12/2008</b>	<b>11.6</b>	<b>37.1</b>	<b>-7.3</b>	<b>41.4</b>	<b>0.0</b>	<b>41.4</b>
31/12/2008/01/01/2009	11.6	37.1	-7.3	41.4	0.0	41.4
Convertible bonds						
Changes related to share options pursuant to IFRS 2 (expense related to employee options)		0.1		0.1		0.1
Changes in the market value of derivative financial instruments in hedge accounting			-0.1	-0.1		-0.1
Changes in minority interests						0.0
<b>Net income</b>			<b>-4.3</b>	<b>-4.3</b>	<b>0</b>	<b>-4.3</b>
<b>31/03/2009</b>	<b>11.6</b>	<b>37.2</b>	<b>-11.8</b>	<b>37</b>	<b>0</b>	<b>37</b>

Possible rounding differences.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS OF 31 MARCH 2009 (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 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 Group's interim financial statements were drawn up in Euros (€). Sunways is a company of the photovoltaics industry domiciled in Germany and largely active in Germany and Europe.

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 IFRS consolidated financial statements published by Sunways for the fiscal year 2008. The accounting and valuation principles applied by the Group in the context of these interim financial statements generally correspond to those to the consolidated financial statements as of 31 December 2008. In addition, the standards and interpretations initially to be complied with as from 1 January 2009 were observed. Material changes relating to the Group are briefly described below:

In line with the revised version of IAS 1 "Presentation of financial statements", in addition to the income statement, the interim consolidated financial statements for the first time contain a separate statement of income and expenses recognized in consolidated shareholders' equity. Such statement of income and expenses included in consolidated shareholders' equity reports the result for the period as well as all changes in shareholders' equity not affecting net income in the period that did not result from transactions with shareholders in their capacity as such.

IFRS 8 "Operating segments" was applied for the first time. IFRS 8 replaces IAS 14 "Segment reporting" and its application is mandatory for listed companies only. It provides for the identification of operating segments based on an internal management approach and involves additional reporting requirements.

IFRIC 13 "Customer loyalty programs" was also applied for the first time. IFRIC 13 regulates the treatment of customer loyalty programs. Loyalty award credits under these programs now are no longer treated as expense items but have to be carried as deferred revenues until award credits are redeemed. Sunways initially adopted such a program in the first quarter 2009.

The remaining newly applicable standards and interpretations did not result in any material accounting and valuation changes.

From management's point of view, these consolidated interim financial statements include all adjustments normally to be made on an ongoing basis to present a true and fair view of the Company's course of operations in the reporting periods. The results generated in the first quarter 2009 are not necessarily indicative of the further development of operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

General information, preparation principles and premises

Information on the consolidation scope and methods

Notes to the consolidated balance sheet

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 in the reporting period. Actually incurred amounts may vary from such estimates.

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. No changes in the scope of consolidation against the IFRS consolidated financial statements as of 31 December 2008 arose as of 31 March 2009.

Significant inter-company profits and losses, sales, expenses and income as well as any receivables and payables existing between consolidated companies are netted. The results of inter-company services are eliminated.

Deferred taxes with respect to consolidation procedures are 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.

	31/03/2009	31/12/2008
	€ million	€ million
Liquid funds	4.7	3.6

Liquid funds increased by € 1.1 million against 31 December 2008. Changes in liquid funds are shown in the cash-flow statement.

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

	31/03/2009	31/12/2008
	€ million	€ million
Trade receivables	14.4	5.2
<b>Financial assets</b>		
Short-term portion of financial assets	0.5	0.4
<b>Other assets</b>		
Turnover tax receivable	0.0	1.1
Tax refund claims	0.2	0.2
Prepayments and accrued income	0.4	0.2
Other	0.8	0.7
<b>Sub-total</b>	<b>1.4</b>	<b>2.2</b>
<b>Total</b>	<b>16.3</b>	<b>7.8</b>

Possible rounding differences.

Trade receivables increased by € 9.2 million against 31 December 2008. The decline in other assets was mainly due to the reduction in turnover tax receivable.

## 3. Inventories.

	31/03/2009	31/12/2008
	€ million	€ million
Raw materials and supplies	6.1	4.8
Work in progress	1.1	3.1
Finished goods and merchandise	20.3	16.8
Prepayments made	19.5	22.4
<b>Total</b>	<b>47.0</b>	<b>47.1</b>

As of 31 March 2009, raw materials and supplies recorded a balance sheet date related increase by € 1.3 million. Work in progress, on the other hand, experienced a decline by € 2.0 million which was also balance sheet date related. Finished goods and merchandise increased by € 3.5 million against 31 December 2008. This rise was mainly due to the expansion of the Arnstadt production plant. Prepayments made declined by € 2.9 million.

## 4. Tangible fixed assets.

Significant additions to tangible fixed assets related to the expansion of the Arnstadt production plant. Other additions were made in the area of furnishings and fixtures, mainly in connection with an expansion of laboratory equipment, additional EDP appliances (hardware) as well as other office equipment. At the beginning of the second quarter 2009, machinery handed over under lease purchase contracts in the amount of € 5.6 million was capitalized.

**5. Intangible assets.**

Pursuant to IAS 38, development costs for new products in the amount of € 0.1 million were capitalized in the reporting period. Such capitalized development costs mainly related to the further development of and additions to the inverter product family. Amortization of capitalized development costs in the first three months of 2009 amounted to € 0.1 million.

Other additions primarily related to EDP software.

**6. Other non-current assets.**

Other non-current assets exclusively related to financial receivables.

**7. Deferred taxes.**

Mainly deferred tax assets relating to existing loss carry-forwards are reported under this item.

**8. Bonds.**

This item comprises the convertible bonds issued by the Company on 15 October 2004. No bonds were converted into shares in the first quarter 2009.

**9. Short-term loans and current portion of long-term loans**

In the period under review, the credit facilities granted by several banks were expanded by € 4.5 million to € 17.5 million. The Company assigned further accounts receivable to secure such additionally agreed credit facilities.

**10. Current liabilities and provisions.**

The rise in trade payables by € 12.4 million resulted inter alia from the expansion of the Arnstadt production plant and the related increased volume of wafer shipments. The current portion of prepayments received on orders experienced a balance sheet date related increase by € 0.9 million.

Provisions remained almost unchanged from 31 December 2008. The provisions item mainly included provisions for personnel expenses, warranties and invoices outstanding.

**11. Long-term liabilities.**

Other long-term liabilities included long-term bank loans (€ 3.7 million) to finance the expansion of production facilities in Arnstadt as well as the long-term portion of liabilities under lease purchase contracts in the amount of € 0.5 million. Additional liabilities under lease purchase contracts were reported at the beginning of the second quarter 2009 in connection with the expansion of the Arnstadt production plant. Reference is made to item C.4 in this context.

**12. Deferred investment grants.**

Deferred investments grants related to government subsidies in connection with the erection and expansion of the solar cell production plant of Sunways Production GmbH in Arnstadt, Thuringia. The deferred item will be amortized affecting net income over the expected useful life of the subsidized assets. A deferred item amounting to € 1.9 million was newly added in the period under review. This amount relates

to buildings and facilities in Arnstadt so far commissioned in connection with the expansion of the production plant. Income resulting from the amortization of this deferred item on the liabilities side amounted to € 0.3 million in the first quarter of 2009.

### 13. Shareholders' equity.

**Subscribed capital.** Reference is made to "Changes in shareholders' equity". There were no changes in subscribed capital in the first quarter 2009.

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

	Capital reserves
	€ million
As of 01 January 2009	37.1
Changes related to share options pursuant to IFRS 2 (expense related to employee options)	0.1
<b>As of 31 March 2009</b>	<b>37.2</b>

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

**Minority interests.** In June 2008, MHH France S.A.S in Toulouse, France, was established as a 90 % subsidiary of MHH Solartechnik GmbH, Tübingen. The remaining 10 % of its shares held by management are reported as minority interests under shareholders' equity.

**Share option scheme.** So far, 294.687 share options were issued under the existing Long Term Incentive Plan 2006, thereof 36,667 to Management Board members. As of 31 March 2009, a total of 41,790 share options had lapsed so that 252,897 share options may still be exercised. In accordance with IFRS 2, the share options are carried at the fair value of the options issued and reported under personnel expenses as well as in the form of a corresponding increase in capital reserves.

Personnel expenses reported in the period under review with respect share options already issued amounted to € 0.1 million.

### D. Notes to the consolidated income statement.

Comparative data relate to the period from 01 January to 31 March 2008.

#### 1. Sales.

Sales declined by 12 % against the prior year comparative period. In the first quarter 2008, sales of € 1.0 million related to the recognition of long-term construction contracts in accordance with the percentage of completion method pursuant to IAS 11. With respect to the breakdown of sales, reference is made to the information set forth under "Segment reporting".

**2. Other operating income.**

Other operating income largely relates to the amortization of deferred investment grants through profit or loss in the amount of € 0.3 million as well as the reversal of provisions through profit or loss in the amount of € 0.2 million.

**3. Personnel expenses.**

Personnel expenses in the first quarter 2009 included expenses of € 0.1 million with respect to share options issued under the outstanding share option schemes. Personnel expenses rose by € 1.1 million against the first quarter 2008. Such increase mainly related to new recruitments in connection with the expansion of the Arnstadt production plant, extended research activities and new recruitments in the sales area. A total of 24 employees were newly hired in the first three months of 2009.

**4. Depreciation and amortization.**

Depreciation and amortization comprised scheduled depreciation of tangible fixed assets as well as scheduled amortization of intangible assets. There was no non-scheduled depreciation or amortization during the period under review.

**5. Other operating expenses.**

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

**6. Interest expenses.**

The increase in interest expenses was primarily due to the expansion of the Arnstadt production plant. Pursuant to IFRS, interest expenses also included additional expenses relating to the debt component of the convertible bonds as well as the transaction costs incurred in connection with the issue of the convertible bonds.

**7. Taxes on income.**

Taxes on income included the full amount of deferred taxes pursuant to IAS 12. The determination of deferred taxes was based on a tax rate of 28.25 %.

**8. Consolidated net income/loss.**

A consolidated net loss of € 4.3 million was reported as of 31 March 2009.

**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 – 31/03/2009	01/01 – 31/03/2008
Result for the period / € million	-4.3	0.1
Number of shares (weighted)	11,588,450	11,374,913
<b>Earnings per share / €</b>	<b>-0.37</b>	<b>0.01</b>

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 are 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 liquidity shown in the cash-flow statement includes cash in hand, checks, cash at bank and marketable securities.

**H. Subsequent events.**

No other reportable circumstances 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 2009.**

17 June 2009	Annual general meeting in Constance
14 August 2009	Interim financial statements as of 30 June 2009
13 November 2009	Interim financial statements as of 30 September 2009

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 information are available at our homepage ([www.sunways.de](http://www.sunways.de)).

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**Imprint.**

Responsible  
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Editors  
Lucia Mathée Investor Relations Consulting, Kriftel

Design, Typography and Production  
Red Cell, Düsseldorf

**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 printing. 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.