

# QUARTERLY REPORT

# Q III / 2007

April – June 2007

***sunways***  
Photovoltaic Technology

## Sunways AG, Constance

### Management Report as of 30 June 2007

#### Highlights

#### Major events in the second quarter and first half-year, respectively, of 2007 compared to the 2006 reference period:

- 59 percent rise in sales to 61 million Euro; rise in EBIT by 33 percent to +0.6 million Euro
- Sales growth supported by both business divisions
- Growing demand for Sunways Solar Inverters, in particular from abroad

**1. Business operations.** As expected, a surge in demand started in the second quarter 2007, in particular in Germany. As sales markedly exceeded the production output, inventories built up in the first quarter 2007 were largely reduced.

In the international business, Sunways AG also further expanded its good position so that the international share in the first half of 2007 rose to 15.6 percent against the first six months 2006 (prior year: 12.4 percent). The most significant increase was recorded in the systems segment: Sunways was able to double the international share in this area.

Sunways' exclusive subsidy-independent business with Sunways automotive cells for Webasto AG again developed as planned in the second quarter 2007. In addition, project solutions customized for individual end clients were successfully implemented with our unique transparent solar cells in the area of facades.

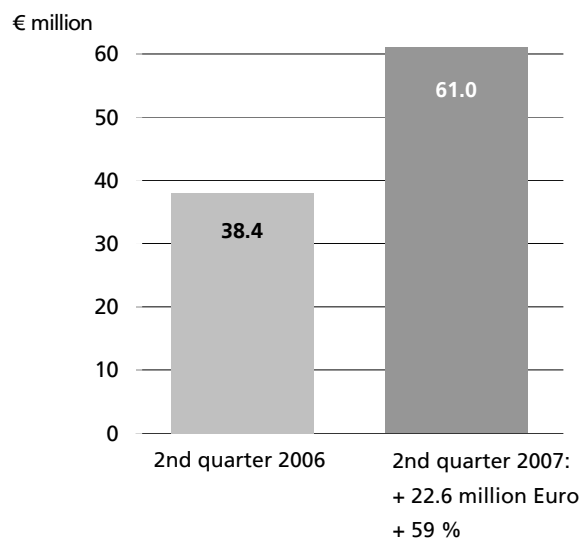
In the second quarter 2007, sales rose by 59 percent against the previous year to 61.0 million Euro (prior year: 38.4 million Euro). EBIT generated in the period under review improved by 33 percent to +0.58 million Euro (prior year: +0.44 million Euro) and – just as in previous quarters – continued to be influenced by the high cost of raw materials. EBITDA in the second quarter amounted to +1.6 million Euro (prior year: +1.7 million Euro). In all, the business development in the second quarter resulted in an increase in consolidated net income against the second quarter 2006 to +0.3 million Euro (prior year: +0.1 million Euro).

Undiluted earnings per share (basic earnings per share pursuant to IAS 33) after the second quarter amounted to 0.06 Euro (prior year: 0.04 Euro). Diluted earnings equal the undiluted earnings.

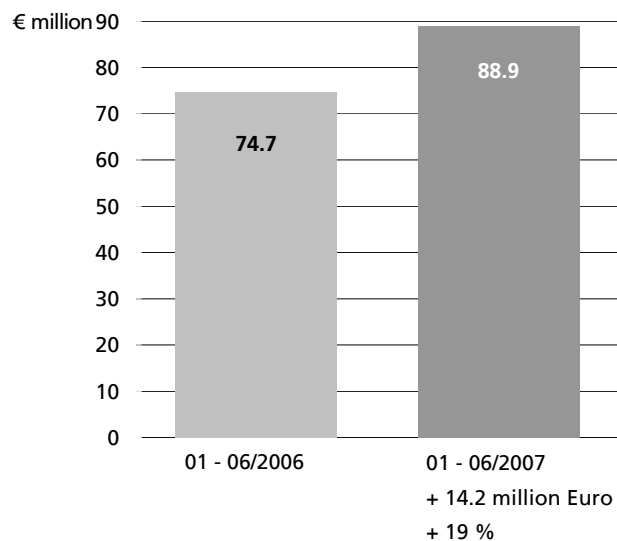
As against the 2006 Annual Report, no major new opportunities and risks arose during the period under review.

**Quarterly comparison**

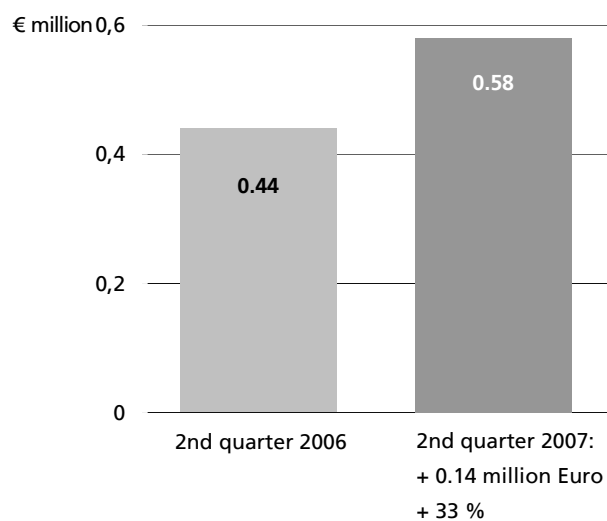
59 percent rise in sales

**Half-year comparison**

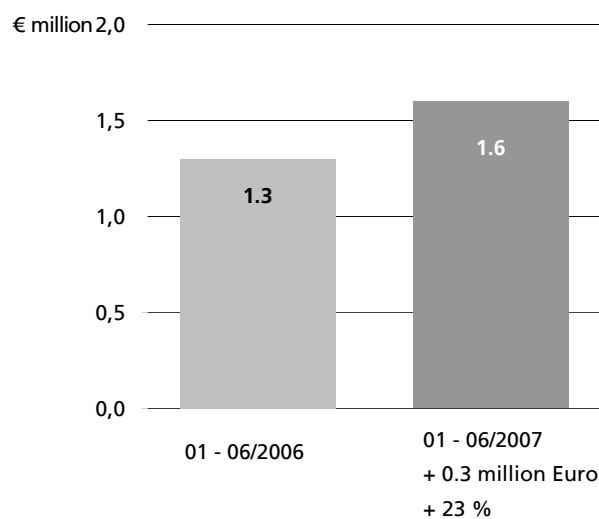
19 percent rise in sales

**Quarterly comparison**

33 percent rise in EBIT

**Half-year comparison**

23 percent rise in EBIT



## 2. Segment reporting

For purposes of the following segment reporting, the Company's operations are divided into two major divisions: solar cells (development, production and distribution of solar cells) as well as solar systems and projects (development, production and distribution of inverters and distribution of and project management for solar systems, including Sunways Solar Modules).

	2nd quarter 2007				2nd quarter 2006			
	Solar cells	Solar systems	Conso- lidation	Total	Solar cells	Solar systems	Conso- lidation	Total
	Million €	Million €	Million €	Million €	Million €	Million €	Million €	Million €
Sales	24.4	36.6	0.0	61.0	15.5	22.9	0.0	38.4
EBITDA	+0.6	+1.0		+1.6	+0.1	+1.6		+1.7
Depreciation and amortization	-0.9	-0.1		-1.0	-1.2	-0.1		-1.3
EBIT	-0.3	+0.9		+0.6	-1.1	+1.5		+0.4

	01 – 06/2007				01 – 06/2006			
	Solar cells	Solar systems	Conso- lidation	Total	Solar cells	Solar systems	Conso- lidation	Total
	Million €	Million €	Million €	Million €	Million €	Million €	Million €	Million €
Sales	38.7	50.2	0.0	88.9	35.0	39.7	0.0	74.7
EBITDA	+2.9	+0.8		+3.7	+0.6	+3.0		+3.6
Depreciation and amortization	-1.8	-0.3		-2.1	-2.1	-0.2		-2.3
EBIT	+1.1	+0.5		+1.6	-1.5	+2.8		+1.3

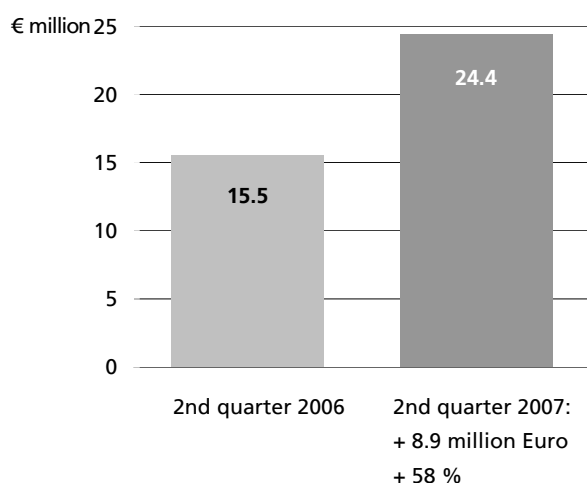
Marked rise in sales in both segments

**Solar cells.** Sales in the solar cell segment rose markedly by 58 percent to 24.4 million Euro in the second quarter 2007 (prior year: 15.5 million Euro). In the period under review, approx. 17 percent of solar cell sales were generated abroad (prior year: 24 percent); the international share in the cell segment rose from 21 percent to 24 percent when comparing the first half-years 2006 and 2007.

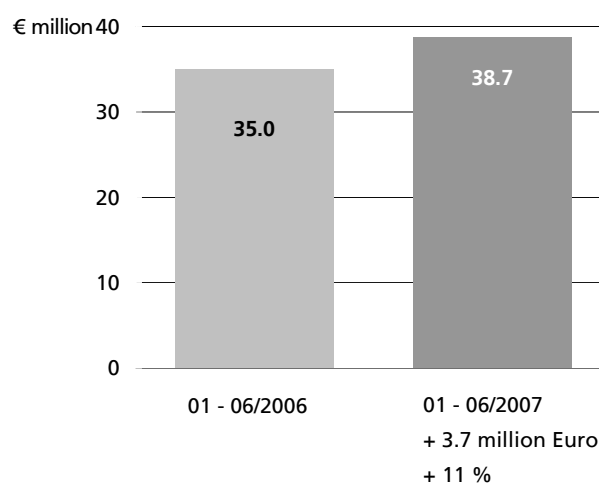
The gross margin declined against the first quarter 2007 due to a change in the product mix and related higher cost prices. The development of cell prices against the prior year period varied depending on cell types. The average rise in sales prices against the prior year period was approx. two percent after approx. four percent in the first quarter 2007. In an overall comparison against the first half-year 2006, the cell segment reports a significant increase in the 2007 semi-annual EBIT to +1.1 million Euro from –1.5 million Euro in the first half-year 2006.

**Quarterly comparison**

58 percent rise in sales

**Half-year comparison**

11 percent rise in sales



The raw materials supply in the solar cell area for the third quarter is secured at a high level. The good market demand for modules so far has not yet eased the tension in the spot market for wafers so that prices continue to be high.

In the context of its raw materials procurement strategy, Sunways AG entered into another longer-term purchase contract for multicrystalline silicon wafers with Deutsche Solar AG. The contract will take effect as from 2010 and relates to a silicon wafer supply volume for the annual production of 7.5 megawatts of multicrystalline solar cells at Sunways AG. The contract was entered into at appropriate terms and provides for down payments deductible at a later stage.

Furthermore, we announced in May 2007 that two reactors for the production of polysilicon were available and indicated that the final location of the facilities would be notified upon completion of current negotiations. At present, we assume that the negotiations will be finalized within the third quarter 2007.

The current nominal production capacity of Sunways AG is 46 megawatts (Sunways Production GmbH: 30 megawatts; Sunways AG: 16 megawatts). Compared to the first half-year 2006 and taking into account the various wafer formats, we raised our production output by almost 22 percent from 14.3 megawatts to 17.4 megawatts. Taking into account the various wafer formats, our production sites in Constance and Arnstadt were fully utilized in the second quarter 2007. This high production output was also sold completely. In addition, the inventories built-up in the first quarter 2007 was reduced by approx. 5.2 million Euro.

In the second quarter 2007, investments amounted to 0.7 million Euro.

Successful inverter business; growth in the international area

**Solar systems and projects.** In the area of solar systems, the strong increase in demand resulted in a substantial sales improvement. EBIT also recovered when compared to the first three months of the current fiscal year. The high-income Sunways Inverters made a particularly strong contribution to the positive development in this segment. In this area, we recorded a steady rise in sales figures during the three months of the past quarter, mainly with respect to the high-yield Sunways Solar Inverter NT 10000. In particular in Spain, our most important international market, sales figures for this device almost doubled against the comparable prior year period.

In the second quarter 2007, sales in this business division increased by approx. 60 percent against the previous year to 36.6 million Euro (prior year: 22.9 million Euro), with 8.4 percent of such sales being generated abroad (prior year: 10 percent). The international share in this business segment for the first half 2007 almost doubled against the first six months 2006 to currently 9 percent.

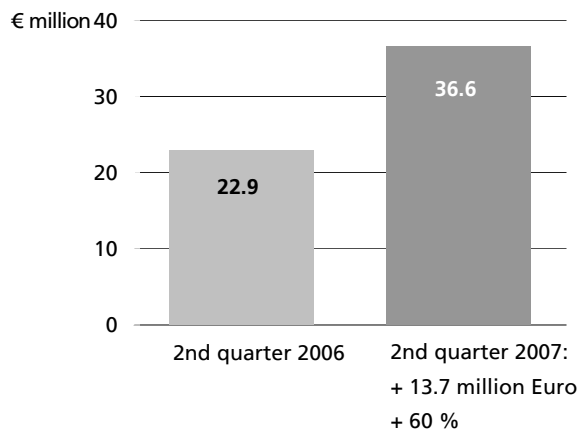
In the first half-year 2007, prices in the area of modules and inverters declined against the prior year period by approx. 6.5 percent on the average. Thus the good result of the first half 2006 so far has not been reached. Due to the slightly higher price level in the international markets, increased export sales partially offset the stronger pressure on domestic prices.

As in the cell segment, moderately rising inventories in the cell segment during the first quarter were largely reduced as a consequence of the good demand in the second quarter 2007.

In the second quarter 2007, investments amounted to 0.4 million.

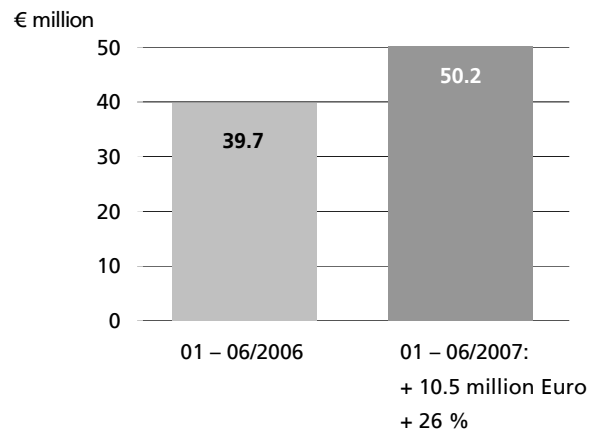
#### Quarterly comparison

60 percent rise in sales



#### Half-year comparison

26 percent rise in sales



### 3. Technology and products

**Solar cells.** Against the background of the still tense raw materials situation, our research and development activities continue to be focused on minimizing the amount of raw materials used by processing the thinnest possible wafers and increasing the efficiency rate of solar cells. The harmonization of solar system components contributes to a maximization of system operators' yields. Therefore, we continuously optimize the coordination of all Sunways components, a fact from which our customers will benefit in the long term.

The average efficiency rate of our monocrystalline solar cells is 17 percent; our multicrystalline solar cells continue to generate average efficiency rates of about 14.7 percent, with top efficiency rates even reaching up to 16 percent.

**Solar systems and projects.** The new Sunways Solar Inverter AT, which inter alia may also be used in combination with thin-film modules, has met with great interest on the part of our customers since the commencement of sales in the second quarter.

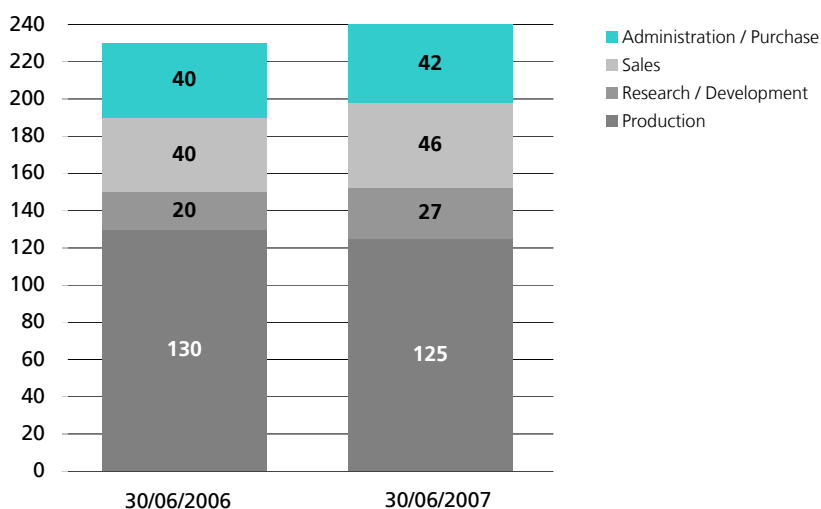
The Sunways Solar Modules, which have been available since February and feature three busbars instead of the customary two, have proven their worth: In the second quarter 2007, 30 percent of all modules sold by us were already equipped with 3-busbar cells.

In the customer service area, we again offered information events for dealers and installers in various German cities in June 2007, presenting our most recent developments. The focus was on the Sunways Solar Inverter AT and Sunways solar modules. The „sunways on tour“ event is scheduled to continue in September in Northern and Eastern Germany, Bavaria and Switzerland.

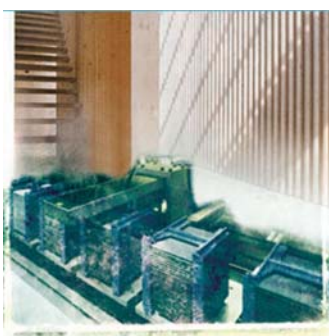
An architecturally sophisticated building designed by star architect Owen Gehry is presently being erected at the plant site of Novartis Pharma AG in Basle (Switzerland). Special modules with transparent grey Sunways solar cells will be integrated into the glass building envelope. In addition to the desired aesthetics, they will generate electricity and simultaneously provide efficient sun protection.

#### 4. Personnel and social matters

At the group level, Sunways AG employed a workforce of 240 (as of 30 June 2006: 230). As of 31 March 2007, the employees were reclassified. This reclassification ensures an accurate period-on-period comparison of the numbers of employees, also with respect to prior quarters. The break-down of employees by functions was as follows:



Our subsidiary Sunways Production GmbH in Arnstadt introduced a preventive occupational safety and health protection system which was integrated into the existing quality management system: occupational safety requirements were systematically determined and documented – since their introduction, these have been reviewed and evaluated on a regular basis and improved where necessary. The Ministry for Social and Family Affairs and Health of Thuringia officially acknowledged the exemplary solutions developed by Sunways Production GmbH to ensure the occupational safety and health of its workforce.



## 5. Shareholdings of members of executive bodies and Directors' Dealings

The following table shows the Sunways shares held by the members of the Management Board and Supervisory Board as of 30 June 2007:

	Shares held as of 30/06/2007
<b>Management Board</b>	
Roland Burkhardt (chairman)	1,770,345
Ralph Kienzler	1,000
Michael Wilhelm	0
<b>Supervisory Board</b>	
Prof. Heinz W. Bull, chairman	0
Otto Mayer, deputy chairman	744,000
Dr. Roland R. Bahr	5,902
Ernst Haug (until 23 May 2007)	3,695
Thomas Nordmann	0
Frank Wehking	0

As of 29 June 2007, 11,311,495 Sunways shares were outstanding.

Ernst Haug withdrew from the Supervisory Board on 23 May 2007.

Pursuant to § 15a WpHG, an issuer's executives 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 Euro by the end of the calendar year. The relevant notifications have to be published by the company without delay for a duration of one month.

The following directors' dealings were reported to us in the period under review:

Date	Name	Transaction
21/05/2007	Ralph Kienzler (Management Board member) and Susanne Neue-Kienzler (spouse); Stuttgart; joint securities deposit account	Purchase by Ralph Kienzler and Susanne Neue-Kienzler; 1,000 shares at 8.49 Euro per share (total volume: 8,490 Euro); Stuttgart stock exchange

## 6. Outlook for the entire fiscal year 2007

### Strong demand

Demand in the domestic market increased significantly. The Spanish market also strengthened. Solely the Italian market still fails to meet our expectations and experiences a modest development. We hold on to our positive assessment that the overall photovoltaics market will remain stable or grow and, for the year 2007, anticipate about the same growth level in Germany as in 2006. The Spanish market is expected to again record two-digit growth rates and thus remain to be a reliable growth component. For the Greek market, the year 2007 seems to be somewhat too early to report a significant installed capacity. On the basis of pending approval procedures for solar systems, the first major projects are expected here in 2008.

These positive market signals and expectations strengthen the Sunways management in its belief that the growth rates of the business divisions projected for the fiscal year 2007 will be reached. Due to the currently strong market demand, we expect price developments in the systems business to largely remain stable in the third quarter. On a group level, Sunways AG expects a rise in sales and stable results for the entire fiscal year.

Raw material volumes at a high level will be available to Sunways AG in the third quarter 2007. We anticipate that the wafer supply in the fourth quarter 2007 will continue to be ensured at a high level. In all, we find that the still prevailing shortage of the raw material polysilicon is keeping wafer cost prices high.

The strong customer interest in our Sunways Solar Inverter AT, which was introduced in the second quarter 2007, demonstrated at the "Intersolar 2007" trade exhibition is reflected by sales figures to date and indicates a positive sales development. The Solar Inverter AT fills the gap in our solar inverter family with a device addressing the high initial voltage segment that may also be used in the thin-film area. A transformerless central inverter is currently being development and will be available as from early 2008.

## 7. Representation by legal representatives

We represent that, to best of our knowledge, this consolidated interim report in accordance with the applied principles of proper consolidated interim reporting accurately presents the group's asset, financial and earnings situation, the group management report and business development, including the result of operations and financial position of the group, so as to give a true and fair view and to describe the major opportunities and risks of the group's expected development during the remainder of the fiscal year.

The Management Board of Sunways AG  
14 August 2007

## 8. Financial calendar 2007

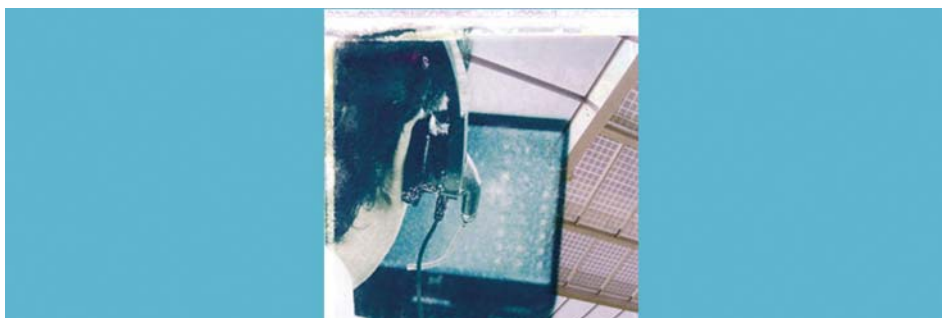
13 November 2007                      Financial figures 3rd quarter (July - September)

Analysts' conference, Dt. Eigenkapitalforum, Frankfurt

23 November 2007                      Analysts' conference, Forum Solarpraxis, Berlin

This quarterly report is also available in the German original. In addition, you may find our annual and quarterly reports as well as current information on the Internet ([www.sunways.de](http://www.sunways.de)).

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**Sunways AG, Constance**  
**Consolidated Interim Financial Statements (IFRS)**  
**as of 30 June 2007**

## Sunways AG, Constance Consolidated Balance Sheet as of 30 June 2007

	30/06/2007	31/12/2006
	Million €	Million €
<b>Assets</b>		
<b>Current assets</b>		
Liquid funds	26.4	3.8
Trade receivables	14.0	8.0
Inventories	22.8	18.5
Prepayments and accrued income and other current assets	1.6	4.9
<b>Total current assets</b>	<b>64.7</b>	<b>35.3</b>
Tangible fixed assets	30.3	31.1
Intangible assets	2.3	2.0
Financial assets	0.1	0.1
Goodwill	0.2	0.2
Other long-term assets	1.0	1.0
Deferred taxes	5.2	5.6
<b>Total assets</b>	<b>103.7</b>	<b>75.2</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Short-term loans and current portion of long-term loans	2.3	0.0
Trade payables	25.6	11.4
Prepayments received	0.7	0.0
Provisions	2.3	2.4
Income tax payable	0.0	0.0
Other current liabilities	3.4	1.1
<b>Total current liabilities</b>	<b>34.2</b>	<b>14.9</b>
<b>Long-term liabilities</b>		
Bonds	6.7	6.9
Long-term loans and other long-term liabilities	1.4	2.7
Prepayments received	10.0	0.0
Deferred taxes	0.9	0.7
<b>Total long-term liabilities</b>	<b>19.0</b>	<b>10.3</b>
<b>Deferred investment grants</b>	<b>9.2</b>	<b>9.7</b>
<b>Shareholders' equity</b>		
Subscribed capital	11.3	11.3
Capital reserve	35.6	35.3
Accumulated profit / loss	-5.6	-6.3
<b>Total shareholders' equity</b>	<b>41.3</b>	<b>40.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>103.7</b>	<b>75.2</b>

(Rounding differences are possible)

**Sunways AG, Konstanz**  
**Consolidated Income Statement**  
**from 01/01 – 30/06/2007**

	Note	01/04 – 30/06/2007	01/04 – 30/06/2006	01/01 – 30/06/2007	01/01 – 30/06/2006
		Million €	Million €	Million €	Million €
Sales	C 1	61.0	38.4	88.9	74.7
Changes in inventories of finished and unfinished goods		-5.0	1.0	2.8	0.4
<b>Gross performance</b>		<b>56.0</b>	<b>39.4</b>	<b>91.7</b>	<b>75.1</b>
Other operating income	C 2	0.3	0.6	0.9	1.0
Cost of materials		-49.2	-33.0	-78.7	-62.8
Personnel expenses		-2.6	-2.4	-5.0	-4.8
Depreciation and amortization	C 3	-1.0	-1.3	-2.1	-2.3
Other operating expenses	C 4	-2.9	-2.9	-5.3	-4.9
<b>Operating result (EBIT)</b>		<b>+0.6</b>	<b>+0.4</b>	<b>+1.6</b>	<b>+1.3</b>
Interest income / expenses	C 5	-0.1	-0.3	-0.3	-0.6
<b>Result before taxes</b>		<b>0.5</b>	<b>0.1</b>	<b>1.3</b>	<b>0.7</b>
Taxes on income	C 6	-0.2	-0.1	-0.5	-0.3
<b>Consolidated net income / loss</b>		<b>0.3</b>	<b>0.1</b>	<b>0.7</b>	<b>0.4</b>
<b>Earnings per share in €</b> (Consolidated net income / loss : number of shares; diluted = undiluted)		<b>0.03</b>	<b>0.00</b>	<b>0.06</b>	<b>0.04</b>
Average number of shares outstanding		11,277,098	10,757,613	11,272,121	10,426,745

(Rounding differences are possible)

## Sunways AG, Constance Consolidated Cash-Flow Statement from 01/01 – 30/06/2007

	01/01 – 30/06/2007	01/01 – 30/06/2006
	Million €	Million €
<b>Operating activities</b>		
Operating result (EBIT)	+1.6	+1.3
Income tax received / paid (-)	0.0	-0.2
Depreciation and amortization	2.1	2.3
Income and expenses not affecting cash-flow	-0.4	-0.5
<b>Operating result before changes in net current assets</b>	<b>3.2</b>	<b>2.9</b>
<b>Changes in assets and liabilities:</b>		
Increase (-) / decrease in receivables and other current assets, accruals and deferrals	-5.3	2.4
Cash provided by investment grants	2.7	0.0
Increase (-) / decrease in inventories	-4.3	-2.6
Increase (-) / decrease in trade payables and other short-term provisions, liabilities	16.9	-0.9
<b>Cash provided by operating activities</b>	<b>13.2</b>	<b>1.8</b>
<b>Investment activities</b>		
Purchase of fixed assets	-1.6	-1.3
Cash provided by interest	0.2	0.0
<b>Cash used for investment activities</b>	<b>-1.5</b>	<b>-1.3</b>
<b>Financing activities</b>		
Cash provided by / used for (-) bonds	-0.2	-2.0
Cash provided by / used for (-) long-term loans	8.7	-4.9
Cash provided by / used for (-) short-term bank loans	2.3	-2.6
Contributions to subscribed capital and capital reserves	0.2	20.8
Cash provided by / used for (-) interest	-0.1	-0.4
<b>Cash provided by/used used for (-)financing activities</b>	<b>10.9</b>	<b>10.9</b>
<b>Net increase/decrease of liquid funds</b>	<b>22.6</b>	<b>11.6</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>3.8</b>	<b>2.8</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>26.4</b>	<b>14.4</b>
<b>Composition of liquid funds at the end of the reporting period</b>		
Marketable securities	0.0	0.5
+ Cash	26.4	13.9
	<b>26.4</b>	<b>14.4</b>

(Rounding differences are possible)

## Sunways AG, Constance Changes in Shareholders' Equity from 01/01 – 30/06/2007

	Subscribed capital	Reserves	Profit/ loss brought forward	Total
	Million €	Million €	Million €	Million €
01 January 2006	9.6	15.2	-8.1	16.7
Changes relating to capital increase 10 %	1.0	17.8		18.7
Convertible bonds	0.4	1.6		2.0
Exercise of share options	0.1	0.1		0.1
<b>Net income</b>			<b>1.7</b>	<b>1.7</b>
<b>30 June 2006</b>	<b>11.1</b>	<b>34.5</b>	<b>-6.3</b>	<b>39.3</b>
01 January 2006	9.6	15.2	-8.1	16.7
Changes relating to capital increase 10 %	1.0	18.1		19.0
Transaction costs after taxes		-0.3		-0.3
Convertible bonds	0.6	2.3		2.9
Change in equity component of convertible bonds after taxes		-0.1		-0.1
Changes relating to share options pursuant to IFRS 2		0.1		0.1
Exercise of share options	0.1	0.1		0.1
<b>Net income</b>			<b>1.8</b>	<b>1.8</b>
<b>31 December 2006</b>	<b>11.3</b>	<b>35.3</b>	<b>-6.3</b>	<b>40.3</b>
31 December 2006 / 01 January 2007	11.3	35.3	-6.3	40.3
Convertible bonds	0.1	0.2		0.2
Changes relating to share options pursuant to IFRS 2		0.1		0.1
<b>Net income</b>			<b>0.7</b>	<b>0.7</b>
<b>30 June 2007</b>	<b>11.3</b>	<b>35.6</b>	<b>-5.6</b>	<b>41.3</b>

(Rounding differences are possible)

## Notes to the Consolidated Interim Financial Statements (IFRS) as of 30 June 2007

### A. General information, basis of preparation and premises

This quarterly report has been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) established by the International Accounting Standards Board (IASB) and is in conformity with the material accounting principles described therein. The accounting and valuation principles correspond to those applied to the consolidated financial statements as of 31 December 2006. There have been no changes to the scope of consolidation against 31 December 2006.

This report has not been audited.

### B. Notes to the consolidated balance sheet

#### 1. Liquid funds.

	30/06/2007	31/12/2006
	Million €	Million €
Liquid funds	26.4	3.8

The rise in liquid funds was inter alia due to prepayments under long-term supply contracts in the amount of 10.0 million Euro received in the first half-year as well as other prepayments received in the amount of 0.7 million Euro. Furthermore, the last installment of the Common Task subsidies „Improvement of the regional economic structure“ (GA) was disbursed in the first half-year in the amount of 2.7 million Euro. Otherwise the rise mainly resulted from the increase in operating activities.

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

	30/06/2007	31/12/2006
	Million €	Million €
Trade receivables	14.0	8.0
Other assets and prepayments and accrued income	1.6	4.9
	16.5	12.9

The rise in trade receivables was inter alia due to increased sales in the second quarter. In addition, receivables experienced a date-related rise.

The decline in other assets resulted from the disbursement of GA subsidies included in this item in the amount of 2.7 million Euro.

### 3. Inventories.

	30/06/2007	31/12/2006
	Million €	Million €
Raw materials and supplies	3.7	4.2
Work in progress	2.4	1.9
Finished goods and merchandise	14.6	10.2
Prepayments made	2.1	2.2
	<b>22.8</b>	<b>18.5</b>

The rise in inventories was due to the seasonal distribution of sales: Due to traditionally weaker sales in the first quarter, inventories are built up in the first quarter which are again reduced in subsequent quarters generating higher sales.

Inventories experienced a decline of 5.1 million Euro against the end of the first quarter.

**4. Tangible fixed assets.** Major additions related to prepayments with respect to reactors for the production of polysilicon. Other additions were attributable to the expansion and modernization measures at the Constance production plant as well as the remaining investments to complete the new production plant in Arnstadt. Additions to furnishings and fixtures related essentially to EDP hardware and other office equipment.

**5. Intangible assets.** Pursuant to IAS 38, development costs for new products as well as the further development and improvement of production procedures were capitalized in the amount of 0.5 million Euro in the first half-year 2007. Such capitalized development costs mainly relate to the further development of and additions to the NT inverter product family as well as the new development of the AT inverter product family. Amortization of capitalized development costs in the first half-year 2007 amounted to 0.1 million Euro. Other additions primarily related to EDP software.

**6. Short-term liabilities and provisions.** The rise in trade payables largely resulted from the increase in business volume, in particular in the second quarter 2007. In addition, there were date-related effects.

The rise in other short-term liabilities inter alia related to the reclassification of the typical silent partnership interest of Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH („MBG“) in the amount of (1.0 million Euro) reported under long-term loans as of 31 December 2006. Such partnership interest will fall due for redemption as of 30 June 2008.

**7. Long-term liabilities.** On 15 October 2004, the Company issued convertible bonds. In the first half-year 2007, a nominal amount of 0.2 million Euro was converted into shares so that convertible bonds in a nominal amount of 6.8 million Euro were outstanding as of 30 June 2007.

In the first half-year 2007, the Company received prepayments aggregating 10.0 million Euro under long-term supply contracts.

**8. Deferred investment grants.** Deferred investment grants related to government subsidies in connection with the erection of the new solar cell production plant of Sunways Production GmbH in Arnstadt, Thuringia. The deferred item will be amortized affecting income over the expected useful life of the subsidized assets. Income from the amortization of this deferred item on the liabilities side amounted to 0.5 million Euro in the first half 2007.

#### 9. Shareholders' equity.

##### Subscribed capital

	Shares / €
As of 1 January 2007	11,270,284
Conversion of convertible bonds	44,406
<b>As of 30 June 2007</b>	<b>11,314,690</b>

Otherwise reference is hereby made to „Changes in shareholders' equity“.

##### Capital reserve

	Thousands of €
As of 1 January 2007	35,306
Issue of share options	139
Conversion of convertible bonds	170
Reversal of deferred items (IFRS) due to conversion	-4
<b>As of 30 June 2007</b>	<b>35,611</b>

Otherwise reference is hereby made to „Changes in shareholders' equity“.

### C. Notes to the consolidated income statement

**1. Sales.** With respect to the breakdown of sales, reference is made to "Segment reporting".

**2. Other operating income.** Other operating income was mainly generated from the amortization affecting income of deferred investment grants (0.5 million Euro) and the reversal of specific allowances (0.3 million Euro).

**3. 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 and amortization during the first half-year 2007.

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

**5. Interest income/expenses.** This item included interest income in the amount of 0.2 million Euro. Interest and similar expenses amounted to –0.5 million Euro. This item included additional interest expenses pursuant to IFRS relating to the debt component of the convertible bonds as well as the transaction costs incurred in connection with the launch of the convertible bonds in the amount of 0.1 million Euro.

**6. Taxes on income.** In the first half-year 2007, income taxes were reported on the basis of the best estimate of the weighted average annual income tax rate expected for the entire fiscal year. This tax rate was applied to the pre-tax result reported in the interim financial statements.

### D. Changes in shareholders' equity

Changes in the Company's shareholders' equity during the first half-year 2007 are shown in „Changes in shareholders' equity 2007“.

### E. Earnings per share

	01 - 06/2007	01 - 06/2006
Result for the period/ millions of €	1.6	1.3
Number of shares (weighted)	11,272,121	10,426,745
<b>Earnings per share / €</b>	<b>0.06</b>	<b>0.04</b>

The figures presented correspond to 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 figures are presented in accordance with IAS 33.

### F. Notes to the consolidated cash-flow statement

The consolidated cash-flow statement shows how the group's cash changed over the course of the first half-year 2007 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 in banks and marketable securities.

### G. Subsequent events

In July 2007, Sunways AG terminated its business relations with one of its credit institutions and, in this context, cancelled the credit facility not yet drawn upon at that time.

**Staff changes relating to executive and supervisory bodies.** Supervisory Board chairman Prof. Heinz W. Bull died in July 2007. The Supervisory Board appointed Otto Mayer as new chairman of the Supervisory Board on 8 August 2007.

### H. Related party transactions

There were no major related party transactions in the first half-year 2007.

