

QUARTERLY REPORT

Q III / 2008

April – June 2008

sunways
Photovoltaic Technology

Sunways AG, Constance

Management Report as of 30 June 2008

Highlights
2nd quarter 2008

Major events in the second quarter (as compared to the second quarter 2007)

- 6.4 percent rise in sales to 64.9 million Euro
- EBIT doubled to +1.2 million Euro
- 22.7 million EURO financing secured for the expansion of capacities at Arnstadt

1. Business operations. High level growth in the photovoltaics industry continued also in the second quarter 2008, on both a domestic and an international scale. Sunways was able to increase its sales against the prior year quarter as well as against the first quarter 2008. EBIT in the past quarter also improved against both comparable periods but continues to be affected by high cost of materials.

In particular the international markets recorded a positive development: International sales rose by 45 percent against the prior year quarter. The export quota of consolidated sales rose from 16 percent in the first half-year 2007 to 23 percent in the first half-year 2008.

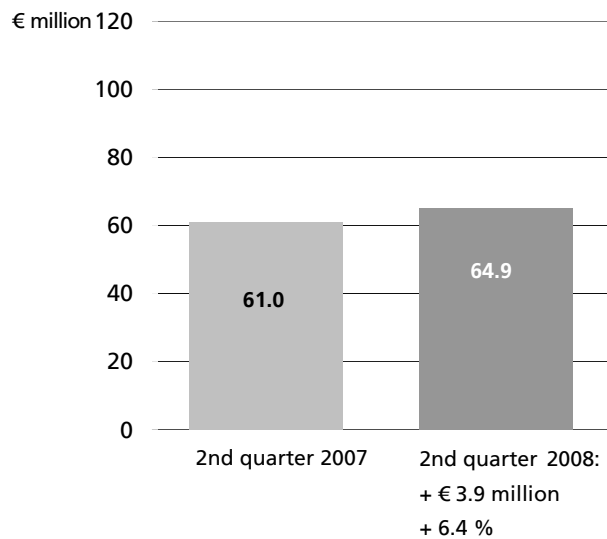
Consolidated sales in the second quarter 2008 increased by 6.4 percent over the previous year to 64.9 million Euro (prior year: 61.0 million Euro). EBIT generated in the period under review doubled to +1.2 million Euro (prior year: +0.6 million Euro). EBITDA in the second quarter amounted to +2.3 million Euro (prior year: +1.6 million Euro). When comparing the semi-annual results, consolidated net income at +0.7 million Euro was at the prior year level.

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

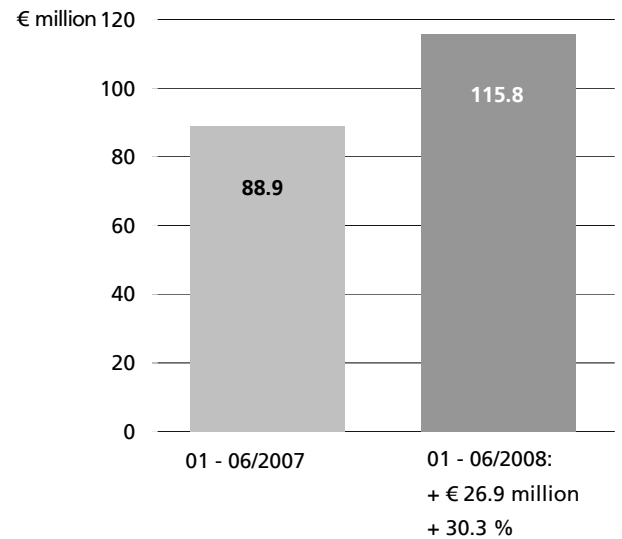
There were no significant new opportunities and risks in the period under review other than those described in the 2007 annual report.

Quarterly comparison

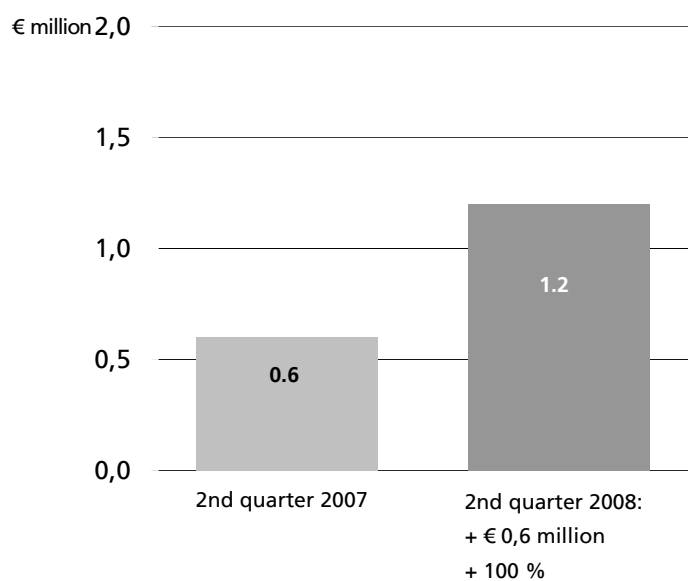
6.4 percent rise in sales

**Semi-annual comparison**

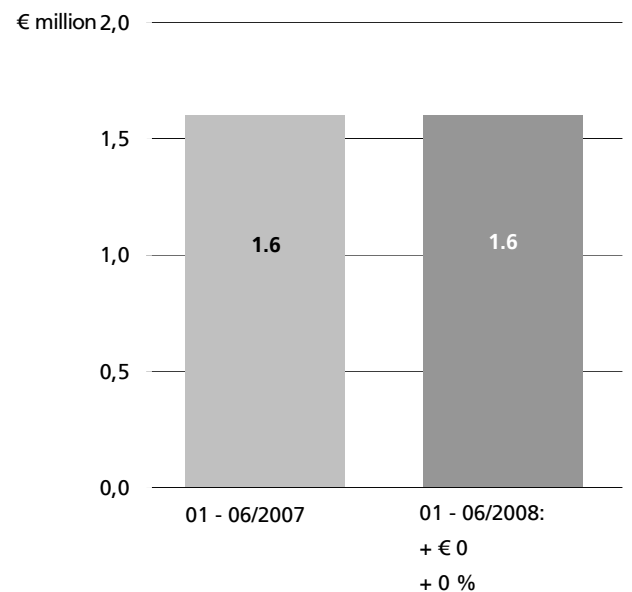
30.3 percent rise in sales

**Quarterly comparison**

EBIT doubled

**Semi-annual comparison**

EBIT remained constant



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 as well as distribution of and project management for solar systems, including Sunways Solar Modules).

An accounting change at Sunways AG in the past fiscal year should be noted: As from the third quarter 2007, the Company optimized the assignment of materials and expense items to the individual segments. Thus the meaningfulness of the segment reporting and the internal product-related income statements was improved significantly. To ensure continuity across the periods, all data for the relevant accounting periods as well as the corresponding prior year periods have been adjusted to the new system ever since.

	2nd quarter 2008			2nd quarter 2007		
	Solar		Total	Solar		Total
	Solar cells	systems		Solar cells	systems	
	€ million	€ million	€ million	€ million	€ million	€ million
Sales	20.2	44.7	64.9	24.5	36.5	61.0
EBITDA	0.2	+2.1	+2.3	+0.9	+0.7	+1.6
Depreciation and amortization	-0.9	-0.2	-1.1	-0.9	-0.1	-1.0
EBIT	-0.7	+1.9	+1.2	0.0	+0.6	+0.6

Possible rounding differences.

	01 - 06/2008			01 - 06/2007		
	Solar		Total	Solar		Total
	Solar cells	systems		Solar cells	systems	
	€ million	€ million	€ million	€ million	€ million	€ million
Sales	40.1	75.7	115.8	38.8	50.1	88.9
EBITDA	+0.2	+3.6	+3.8	+3.2	+0.5	+3.7
Depreciation and amortization	-1.8	-0.4	-2.2	-1.8	-0.3	-2.1
EBIT	-1.6	+3.2	+1.6	+1.4	+0.1	+1.6

Possible rounding differences.

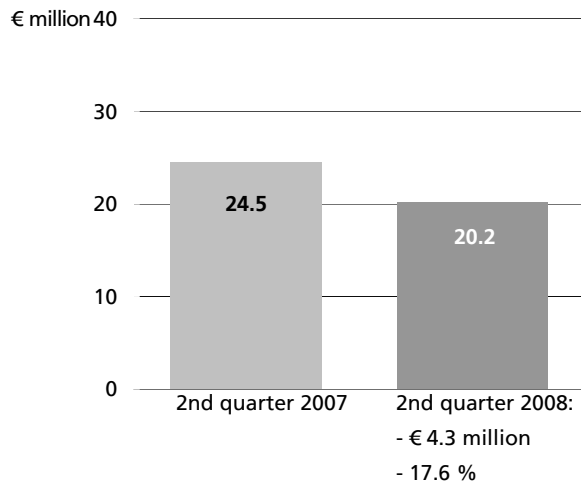
Solar cells. Sales in the solar cell segment declined by 17 percent in the second quarter 2008 to 20.2 million Euro (prior year: 24.5 million Euro). According to the percentage-of-completion method, quarterly sales include another portion of the project deal with LDK Solar in the amount of 0.9 million Euro. Thanks to the strong first quarter 2008, overall semi-annual sales rose slightly against the prior year period from 38.8 million Euro to 40.1 million Euro.

International quota almost doubled to 31 percent

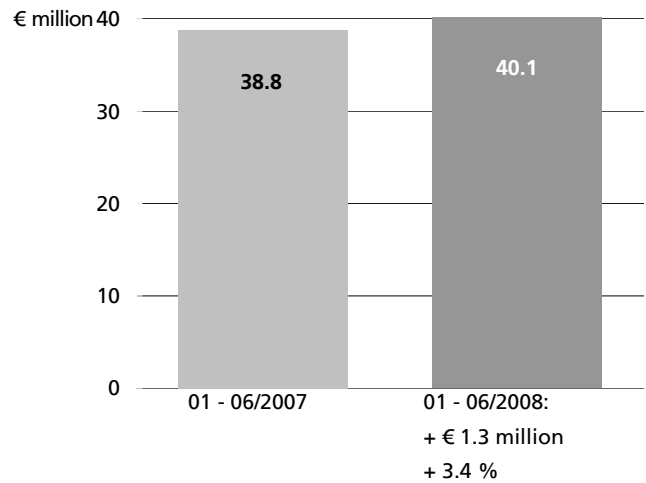
A good 31 percent of quarterly sales were generated abroad (prior year: 17 percent); the international quota in the cell segment increased from 24 percent in the first half of 2007 to 32 percent for the first half-year 2008. Quarterly EBIT in the cell segment for the months of April through June declined from 0.0 million Euro in 2007 to -0.7 million Euro in 2008 due to lower sales and increased cost of materials.

Quarterly comparison

17.6 percent decline in sales

**Semi-annual comparison**

3.4 percent rise in sales



New production lines in Arnstadt will reach their nominal capacity already in 2008

Sunways AG's current nominal production capacity is 46 megawatts (Sunways Production GmbH, Arnstadt: 30 megawatts; Sunways AG, Constance: 16 megawatts). At present, Sunways AG is extending its production capacities in Arnstadt from 30 to 100 megawatts. The financing for the expansion was completed in May 2008. The investment volume for the plant's expansion from one to three production lines as well as for other remodeling and extension measures in the administrative area amounts to 22.7 million Euro. The financing is a combination of a plant lease purchase, loan finance and investment grants; the subsidy portion is about 30 percent. Sunways AG was notified of the 3.9 million subsidy from funds of the Common Task „Improvement of the Regional Economic Structure“ and the European Regional Development Fund on 24 July 2008. The production plant will be gradually commissioned in the second half of 2008; it is scheduled to reach its nominal capacity by the end of 2008.

Wafer shipments under the LKD cooperation as from the end of 2008/ early 2009

The supply of raw materials will continue to have a material impact on the results of Sunways AG. In September 2007, Sunways had entered into a strategic raw materials supply agreement with Chinese wafer manufacturer LDK Solar Co., Ltd. The 10-year contract provides for the supply to Sunways AG of multicrystalline silicon wafers having a total volume of 1,000 megawatts. Due to the complexity and size of the production plant, the project at times experienced delays on the part of suppliers and brought on by weather conditions during the months of June and July, mainly in the infrastructure and utility supply areas. Therefore, Sunways currently expects the raw materials supply situation to initially remain tense in the second half of 2008. First wafer shipments under the cooperation agreement with LDK Solar may be expected at the end of 2008/in early 2009.

In addition, Sunways AG consistently pursues additional options for its long-term raw materials supply in line with the Sunways growth strategy.

Solarwatt AG will receive solar cells from Sunways from 2009 onwards

Against the background of its expanded production capacities and the markedly improved raw materials supply situation as from 2009, Sunways AG entered in an agreement with Solarwatt AG, Dresden, at the end of June 2008. As from next year, Sunways will supply mono- and multicrystalline solar cells to Solarwatt AG.

The prepayment contract has a five-year term and covers a total volume ranging between 155 and 160 megawatts. Annual supply volumes will gradually rise every year in line with the anticipated further increase in Sunways AG's production capacities. Solarwatt will initially receive a maximum of 20 megawatts of solar cells in 2009, including an option for five megawatts; the shipment volume in 2013 will be 50 megawatts.

The conclusion of this contract with a long-standing cooperation partner will, on the one hand, ensure sales of a portion of Sunways' markedly higher cell production from 2009 onwards. On the other hand, the contract will give Sunways sufficient scope to advance its system business in a targeted manner.

Raw materials supply for the third quarter largely secured

The raw materials supply for the solar cell production in the third quarter of the fiscal year 2008 has largely been secured. In the current third quarter, the focus will again be on the supply of high-quality monocrystalline wafers. Due to the strong demand for cells, spot market prices continue to be at a high level.

In the second quarter 2008, investments in the solar cell segment amounted to 3.5 million Euro. Thus investments in the first half-year totaled 6.8 million Euro and were mainly used for expanding the Arnstadt production plant.

Sunways inverters increase the segment's international quota

Solar systems and projects. In the area of solar systems, our high-quality Solar Inverters again won significant market share: In Germany, sales grew by just under 80 percent against the first half-year 2007; at the international level, sales in the first half-year 2008 even increased to reach four times the prior year figure.

Segment sales in the second quarter 2008 grew by about 23 percent against the previous year to 44.7 million Euro (prior year: 36.5 million Euro). The international share doubled to approx. 17 percent (prior year: 8 percent). Sales outside Germany rose by almost 20 percent in the first half-year 2008 over the corresponding prior year period. Driven by the strong demand for inverters, the Spanish market recorded the best development; here Sunways was able to more than triple its sales against the first half-year 2007. Segment EBIT also increased markedly from +0.6 million Euro in the second quarter 2007 to +1.9 million Euro in the period under review. At the semi-annual level, segment sales rose by 50 percent against the first six months 2007 to 75.7 million Euro. EBIT grew by 3.1 million Euro to 3.2 million Euro.

Successful sales start for the first central inverter

Sunways Solar Inverters are particularly successful in the market: The Solar Inverter PT 30k, which was only launched in the market in April 2008 and is used in large systems, meets strong demand. PT stands for Performance Technology and indicates the high efficiency rates of more than 97.5 percent in combination with a very wide input voltage range: With 420 to 1,000 volts, the inverter makes optimum use of the potential system voltage of solar modules and thus ensures cost optimization in connection with the installation of large systems. In terms of the maximum and European efficiency rates, the device holds a top position and, in addition, is among the most compact and lightest inverters of its performance class. By developing the Solar Inverter PT 30k, we again provided a product that fully meets our customers' requirements.

Contract on module shipments with Webasto Solar GmbH

In May 2008, Sunways AG entered into a contract with Webasto Solar GmbH, Landsberg / Germany, on the production and supply of solar modules. Webasto Solar GmbH, a joint venture between Systaic AG and Webasto AG, is the second experienced module supplier for our solar modules that implements Sunways quality standards.

The contract took effect as from May 2008 and will initially run until June 2011. It relates to the production and supply by Webasto Solar of solar modules with Sunways solar cells at the newly erected production plant of Systaic AG. Sunways will primarily use the additionally available module volumes in the total amount of 25 megawatts to promote international expansion. First module shipments under the contract will start in August 2008.

Under this contract, Sunways will continue partnership-based market cultivation activities with Webasto Solar. Sunways has already been supplying solar cells for installation in car sliding roofs to Webasto since February 2006.

Internationalization continues: MHH France

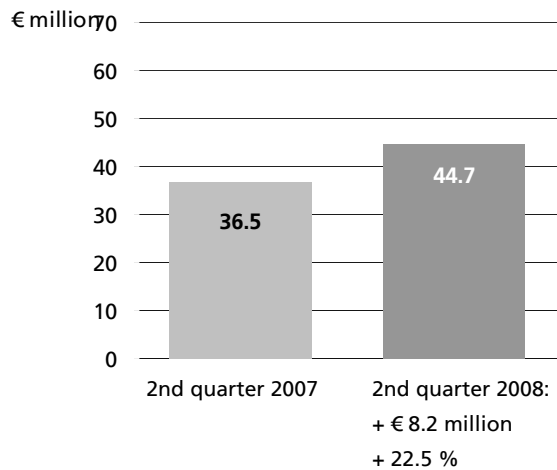
In June 2008, our subsidiary MHH Solartechnik GmbH opened a branch office in France. By establishing MHH France S.A.S, the system house that already has four locations in Germany is now also expanding at the international level. MHH France primarily addresses installers and distributes all relevant photovoltaic components: In addition to solar modules, installation systems and numerous accessories, the new branch office in particular also offers the inverters of Sunways AG. MHH Solartechnik GmbH holds a 90 percent stake in MHH France; the remaining 10 percent of the company's shares are held by chairman Eric Roujolle.

Sunways AG already has branch offices in Barcelona (Spain) and Bologna (Italy). By establishing MHH France S.A.S, we are continuing the announced internationalization in one of the most important European photovoltaics markets. Another major solar market is opening up in France after the growing European markets, e.g. in Spain and Italy. Tax advantages and a significant feed-in rate are the motivation here for the generation of electricity from solar energy.

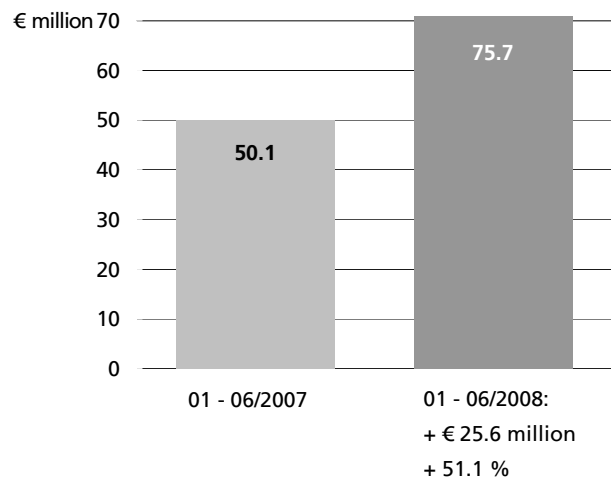
Investments in the solar systems and projects segment in the second quarter 2008 amounted to 0.1 million Euro. The total investment volume in the first half-year 2008 was 0.4 million Euro and was mainly spent on the new and further development of Sunways Solar Inverters.

Quarterly comparison

22.5 percent rise in sales

**Semi-annual comparison**

51.1 percent rise in sales

**3. Technology and products**

Solar cells. Our research and development activities continue to be focused on minimizing the amount of raw materials used and increasing the efficiency rate of solar cells. In this context, we have already achieved increases in efficiency, e.g. by reducing resistance losses and light reflections. For the system operator, the best possible adjustment of the components of a solar system results in maximum output. Thus our customers benefit in the long term from our efforts to optimize the interaction between Sunways modules and Sunways inverters in the form of higher output and an improved amortization of their solar systems.

The top efficiency rate of our monocrystalline solar cells is 17.5 percent; we have already produced the first prototypes of a new cell generation with efficiency rates of up to 18 percent. Our textured multicrystalline solar cells have an average efficiency rate of more than 15 percent and top rates of more than 16 percent.

Expanded product range

Solar systems and projects. We again expanded our product range and introduced the new Sunways Solar Inverter NT 8000 with the well proven HERIC® topology at the Intersolar trade exhibition in June 2008: With an output power of eight kilowatts and an input voltage range between 350 and 850 volts, this inverter was especially designed for crystalline modules with five-inch cells. The device may be used flexibly: It may be installed as an individual device for photovoltaic systems with a capacity of eight kilowatts and more and also - thanks to the three MPP trackers - in combination with solar generators of various dimensions. What is very rare in this performance category: The unbalanced load in the network cannot be exceeded due to the device's three-phase feed. Thus systems with partial shading or varying alignment can also generate maximum

output. With the NT 8000, we build on the success of the NT 10000; the Solar Inverter NT 8000 will be available as from August 2008.

Efficiency rates of inverters increased further

In recent years, the efficiency rates of solar cells and modules increased continuously. Therefore, we adjusted our inverters NT 2600 and NT 4000 to the current development in the field of available solar modules to achieve an optimum system performance. Thus our devices will be even better adapted to the higher efficiency rates of solar modules in the future and continue to achieve absolute top rates with a maximum efficiency rate of 97.5 percent. Both devices will be available as from August 2008.

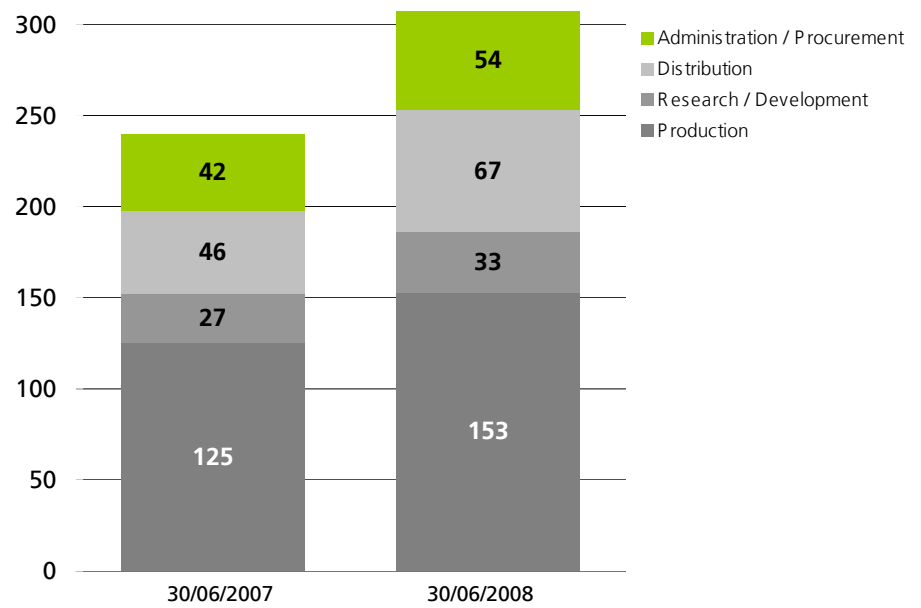
Expanded training program very well received

At our new training center in Constance, we again offered free-of-charge workshops for installers, distribution agents and planners of photovoltaic systems in the second quarter 2008. With 80 participants the attendance rate was excellent. Additionally, we provided intensive training for 33 service partners and 60 employees of wholesalers as well as 22 instructors active in the area of professional and further training. These training courses offer an opportunity for intensive familiarization with known and new Sunways products.

This offering is part of our service and quality campaign and ensures that our quality standards are implemented in practice. Simultaneously, Sunways was again "on tour": A total of 110 persons attended our product presentations in five cities at five events.

4. Personnel and social matters

As of 30 June 2008, the Sunways Group employed a workforce of 307 (2007: 240). The breakdown of employees by function was as follows:



The increase in the number of employees mainly resulted from the current expansion of Sunways Production GmbH and the promotion of our distribution activities.



5. Shareholdings of members of executive bodies and directors' dealings

The following table shows the number of Sunways shares held by the members of the Management Board and Supervisory Board as of 30 June 2008:

	Shares as of 30 June 2008
Management Board	
Roland Burkhardt, chairman	1,780,345
Ralph Kienzler	1,000
Michael Wilhelm	2,000
Supervisory Board	
Otto Mayer, chairman	744,000
Dr. Roland R. Bahr	5,902
Thomas Nordmann	0
Frank Wehking	0
Dr. Christian Bosse	0
Andreas Görwitz	3,000

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

6. Outlook for the entire fiscal year 2008

Further market growth in Europe

European locations forming the basis for international expansion

Raw materials will largely continue to be supplied at spot market prices in 2008

In Germany, we anticipate market growth in the two-digit percentage range for the current year. In Europe, Spain and Italy with their high growth expectations continue to be among the most promising sales regions. In these two markets, Sunways AG is already present at two locations. Through the announced expansion of the distribution organization and the development of additional local presences in France and Italy, we took another important step in the first half-year 2008 to benefit from the improvement of our supply situation from 2009 onwards and our expanded production capacities. Thanks to the direct access to customers and the resulting strong closeness to customers in combination with the high quality and efficiency of our products, we again expect Sunways AG to continue its growth within the solar markets in 2008.

Continuously high prices of raw materials expected in the second half of 2008 will affect the result for the entire fiscal year, in particular in the solar cell segment. As from 2009 onwards, Sunways AG anticipates a marked reduction of the cost of materials ratio due to the more cost-efficient supply of materials under the long-

term contract with LDK Solar and thus a significantly stronger cost and competitive position within the solar market.

In addition, our research and development efforts consistently are aiming to further optimize the performance and efficiency of Sunways solar components.

Sunways will continue to intensely pursue other strategic options for the supply of raw materials and cost optimization as well as further steps to optimize the distribution and marketing organizations.

7. 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, 14 August 2008



Roland Burkhardt
Chairman of the
Management Board (CEO)



Ralph Kienzler
Member of the
Management Board -
Technology (CTO)



Michael Wilhelm
Member of the
Management Board
Finance (CFO)

8. Financial calendar 2008

13 November 2008 Announcement of financial results
for the 3rd quarter
(July - September)

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 home page (www.sunways.de).

9. Contact

Sunways AG
Investor Relations
Macairestraße 3 - 5
D - 78467 Konstanz
Telephone +49 (0)7531 996 77-480
Fax +49 (0)7531 996 77-548
ir@sunways.de
www.sunways.de

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.



Sunways AG, Constance
Consolidated interim financial statements (IFRS)
as of 30 June 2008

Sunways AG, Constance Consolidated Balance Sheet as of 30 June 2008

	Note	30/06/2008	31/12/2007
		€ million	€ million
Assets			
Current assets			
Liquid funds	C 1	2.0	14.2
Trade receivables	C 2	9.6	6.8
Inventories	C 3	34.2	31.4
Prepayments and accrued income and other current assets	C 2	7.1	4.1
Total current assets		53.0	56.5
Tangible fixed assets	C 4	30.2	28.3
Intangible assets	C 5	2.1	2.2
Financial assets		0.1	0.1
Goodwill		0.2	0.2
Other long-term assets	C 6	3.2	3.4
Deferred taxes	C 7	3.5	3.4
Total assets		92.3	94.1
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans and current portion of long-term loans		6.5	2.0
Trade payables	C 8	15.5	12.7
Prepayments received		1.6	0.7
Provisions	C 8	3.7	3.5
Income tax payable		0.3	0.3
Other current liabilities	C 8	1.0	12.1
Accruals and deferred income	C 8	3.9	3.8
Total current liabilities		32.5	35.0
Long-term liabilities			
Bonds	C 9	5.5	6.5
Long-term loans and other long-term liabilities	C 9	0.9	1.2
Deferred taxes		1.0	0.5
Total long-term liabilities		7.4	8.2
Deferred investment grants	C 10	8.1	8.7
Shareholders' equity			
Subscribed capital	C 11	11.6	11.3
Capital reserve	C 11	36.9	36.0
Accumulated profit/loss		-4.4	-5.0
Minority interests	C 11	0.1	0.0
Total shareholders' equity		44.2	42.3
Total liabilities and shareholders' equity		92.3	94.1

(Possible rounding differences)

Sunways AG, Constance
Consolidated Income Statement
for the Period from 01/01 – 30/06/2008

	Note	01/04 – 30/06/2008	01/04 – 30/06/2007	01/01 – 30/06/2008	01/01 – 30/06/2007
		€ million	€ million	€ million	€ million
Sales	D 1	64.9	61.0	115.8	88.9
Changes in inventories of finished and unfinished goods		1.8	-5.0	1.1	2.8
Gross performance		66.7	56.0	116.9	91.7
Other operating income	D 2	0.4	0.3	0.8	0.9
Cost of materials		-57.3	-49.2	-100.0	-78.7
Personnel expenses	D 3	-3.5	-2.6	-6.6	-5.0
Depreciation and amortization	D 4	-1.1	-1.0	-2.2	-2.1
Other operating expenses	D 5	-4.0	-2.9	-7.2	-5.3
Operating result (EBIT)		+1.2	+0.6	+1.6	+1.6
Interest income/expenses	D 6	-0.3	-0.1	-0.5	-0.3
Result before taxes		0.9	0.1	1.1	1.3
Taxes on income	D 7	-0.3	-0.1	-0.4	-0.5
Result before minority interests		0.6	0.1	0.7	0.7
Consolidated net income/loss	D 8	0.6	0.1	0.7	0.7
Earnings per share in €					
(Consolidated net income/loss : number of shares; diluted = undiluted)		0.05	0.03	0.06	0.06
Average number of shares outstanding		11,424,246	11,277,098	11,399,580	11,272,121

(Possible rounding differences)

Sunways AG, Constance Consolidated Cash-flow Statement for the Period from 01/01 – 30/06/2008

	01/01 – 30/06/2008	01/01 – 30/06/2007
	€ million	€ million
Operating activities		
Operating result (EBIT)	1.6	1.6
Depreciation and amortization	2.2	2.1
Write-up of convertible bonds not affecting cash-flow	0.1	0.0
Income and expenses not affecting cash-flow	-0.2	-0.4
Operating result before changes in net current assets	3.6	3.2
Changes in assets and liabilities:		
Increase (-)/decrease in receivables and other current assets, accruals and deferrals	-6.0	-5.3
Cash provided by investment grants	0.0	2.7
Increase (-)/decrease in inventories	-2.7	-4.3
Increase (-)/decrease in trade payables and other short-term provisions, liabilities	-7.3	16.9
Cash provided by operating activities	-12.3	13.2
Investment activities		
Acquisition of fixed assets	-4.0	-1.6
Cash provided by disposals of long-term assets	0.2	0.0
Cash provided by/used for (-) interest	0.2	0.2
Cash used for investment activities	-3.7	-1.5
Financing activities		
Cash provided by/used for (-) short-term loans	4.5	2.3
Contributions to subscribed capital and capital reserves	0.0	0.2
Cash provided by/used for (-) interest	-0.4	-0.1
Cash provided by/used for other long-term liabilities	-0.2	8.5
Cash provided by/used for (-) financing activities	-3.9	10.9
Net increase/decrease of liquid funds	-12.1	22.6
Cash and cash equivalents at the beginning of the reporting period	14.2	3.8
Cash and cash equivalents at the end of the reporting period	2.0	26.4
Composition of liquid funds at the end of the reporting period		
+ Cash	2.0	26.4
	2.0	26.4

(Possible rounding differences)

Sunways AG. Constance Changes in Shareholders' Equity from 01/01 – 30/06/2008

	Subscribed capital	Reserves	Profit/loss brought forward	Minority interests	Total
	€ million	€ million	€ million	€ million	€ million
01 January 2007	11.3	35.3	-6.3		40.3
Convertible bonds	0.1	0.2			0.2
Changes related to share options pursuant to IFRS 2 (expense related to employee options)		0.1			0.1
Net income			0.7		0.7
30 June 2007	11.3	35.6	-5.6		41.3
01 January 2007	11.3	35.3	-6.3		40.2
Convertible bonds	0.1	0.4			0.5
Changes in the equity component of convertible bonds (after tax)		0.0			0.0
Changes related to share options pursuant to IFRS 2 (expense related to employee options)		0.3			0.3
Net income			1.3		1.3
31 December 2007	11.4	36.0	-5.1		42.3
31 December 2007 / 01 January 2008	11.4	36.0	-5.1		42.3
Convertible bonds	0.2	0.7			0.5
Changes in the equity component of convertible bonds (after tax)		0.0			0.0
Changes related to share options pursuant to IFRS 2 (expense related to employee options)		0.2			0.2
Changes in minority interests				0.1	0.1
Net income			0.7		0.7
30 June 2008	11.6	36.9	-4.4	0.1	44.2

(Possible rounding differences)

Notes to the consolidated interim financial statements (IFRS) as of 30 June 2008

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 2007.

These interim financial statements do not include all data requirement for the consolidated financial statements as of the end of any fiscal year and, therefore, should be read in conjunction with the consolidated financial statements as of 31 December 2007. These consolidated financial statements have not been audited or reviewed by an auditor.

B. Information on the scope and methods of consolidation

All subsidiaries are included in the consolidated financial statements. Subsidiaries are companies that are directly or indirectly controlled by us and fully consolidated.

MHH France S.A.S, Toulouse / France, was established as of 09 June 2008. On the occasion of its foundation, MHH Solartechnik GmbH, Tübingen, a wholly-owned subsidiary of Sunways AG, took a 90 percent state in the subscribed capital of 100,000 Euro. The capital contribution was fully paid in during the reporting period. The activities of MHH France S.A.S are focused on the distribution of solar systems as well as the planning and implementation of larger solar projects in France.

The first consolidation of MHH France S.A.S was recorded as of 09 June 2008. Capital consolidation was effected in accordance with the book value method. In this context, the acquisition cost of the investment is offset against the pro rata book value of its shareholders' equity at the time of its initial inclusion in the consolidated financial statements. Capital consolidation did not result in any positive or negative difference.

Material intercompany profits and losses, sales as well as expense and income items and receivables and liabilities among the consolidated companies are netted. Intercompany profits and losses relating to intra-group transactions are eliminated.

Deferred taxes are reported with respect to consolidation measures to the extent that any tax expense variations are likely to be offset in subsequent fiscal years.

C. Notes to the consolidated balance sheet

1. Liquid funds.

	30/06/2008	31/12/2007
	€ million	€ million
Liquid funds	2.0	14.2

The decline in liquid funds was largely due to the scheduled repayment of prepayments received and reported under "other liabilities" as of 31 December 2007 as well as to investments in the expansion of the Arnstadt production plant made in the first half-year.

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

	30/06/2008	31/12/2007
	€ million	€ million
Trade receivables	9.6	6.8
Other assets and prepayments and accrued income	7.1	4.1
Total	16.7	10.9

Trade receivables rose by 2.8 million Euro against 31 December 2007. This increase, on the one hand, was date-related and, on the other hand, resulted from the increase in receivables under long-term production orders reported pursuant to the percentage-of-completion method in accordance with IAS 11. As of 30 June 2008, such receivables amounted to 2.1 million Euro (31 December 2007: 0.2 million Euro).

Other assets as of 30 June 2008 included accounts receivable relating to prepayments made for plant under construction in the amount of 3.3 million Euro. Sunways AG initially made prepayments for machinery relating to the expansion of the Arnstadt production plant. These investments have meanwhile been refinanced via lease purchase contracts and the prepayments made by the Company are gradually repaid to Sunways AG.

3. Inventories.

	30/06/2008	31/12/2007
	€ million	€ million
Raw materials and supplies	3.0	3.0
Work in progress	2.8	1.8
Finished goods and merchandise	16.2	14.1
Prepayments made	12.2	12.5
Total	34.2	31.4

Work in progress recorded a date-related increase by 1.0 million Euro. Finished goods and merchandise increased by 2.1 million Euro against 31 December 2007. Such increase was mainly date-related and also resulted from a rise in sales volume in the first half-year 2008. Prepayments made declined by 0.3 million Euro.

4. Tangible fixed assets. Significant additions to tangible fixed assets relate to the expansion of the production plant in Arnstadt, in particular the construction of a new office building and warehouse as well as corresponding office equipment and the connection of new machinery to the supply units. Machinery under construction has meanwhile been refinanced under lease purchase contracts. Advance payments by Sunways AG so far included in prepayments made are repaid to the Company and thus were transferred to other assets.

Other additions were attributable to expansion and modernization measures for the Constance production plant. Additions to furnishings and fixtures mainly related to the setting up of a new training center, additions to laboratory equipment, additional EDP equipment (hardware), other office equipment as well as the establishment of our distribution office in Bologna / Italy.

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 0.1 million Euro in the reporting period. Such capitalized development costs mainly relate to the further development of and addition of a transformerless central inverter to the inverter product family. Amortization of capitalized development costs in the first half-year 2008 amounted to 0.2 million Euro.

Other additions primarily related to EDP software.

6. Other long-term assets. Other long-term assets comprise financial accounts receivable in the amount of 0.6 million Euro as well as the long-term portion of the security provided for module shipments in the amount of 2.7 million Euro.

7. Deferred taxes. Mainly deferred tax assets relating to existing loss carry-forwards are reported under this item. Valuation is based on a tax rate of 28.25 percent.

8. Short-term liabilities and provisions. The rise in trade payables by 2.8 million Euro is date-related and inter alia resulted from the increased sales volume. Prepayments received on orders also recorded a date-related increase by 0.9 million Euro.

Provisions increased by 0.3 million Euro against the fourth quarter 2007 and largely related to personnel expenses, warranties and outstanding invoices.

The decline in other short-term liabilities was due to the scheduled repayment of prepayments received and corresponds to the decline in liquid funds. In this context, reference is made to item C.1.

The atypical silent partnership interest of Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH („MBG“) in the amount of 1.0 million Euro reported under short-term liabilities as of 31 December 2007 was repaid as scheduled as of 30 June 2008 upon expiration of the partnership agreement.

Accruals and deferred income include forfeited future revenues.

9. Long-term liabilities. The convertible bond item relates to the convertible bonds issued by the Company on 15 October 2004. In the first half-year 2008, the nominal amount of bonds converted into shares was 0.9 million Euro. As of 30 June 2008, the liabilities under the convertible bonds amounted to 5.5 million Euro

The long-term portion of lease purchase liabilities in the amount of 0.9 million Euro is reported under other long-term liabilities.

10. Deferred investment grants. Deferred investments grants relate to government subsidies in connection with the erection of the 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-year 2008.

11. Shareholders' equity.

Subscribed capital. Reference is made to „Changes in shareholders' equity“.

	Shares / €
As of 01 January 2008	11,374,913
Conversion of convertible bonds	193,688
As of 30 June 2008	11,568,601

Changes in subscribed capital were exclusively due to the conversion of convertible bonds into shares.

Capital reserves. Changes in capital reserves are shown below:

	€ thousand
As of 01 January 2008	35,958
Conversion of convertible bonds	746
Changes in the equity component (pursuant to IFRS) of convertible bonds (after tax)	-15
Changes related to share options pursuant to IFRS 2 (expense related to employee options)	238
As of 30 June 2008	36,927

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 percent subsidiary of MHH Solartechnik GmbH, Tübingen. The remaining 10 percent of its shares held by management are reported as minority interests under shareholders' equity.

Share option scheme. The total number of share options newly issued to employees and members of the Management Board under the existing Long Term Incentive Plan 2006 in the first half-year 2008 amounted to 99,320 and 46,667 respectively. Thus the total number of shares issued under the scheme so far is 304,687. As of 30 June 2008, a total of 8,590 share options had lapsed so that 296,097 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 are reported under personnel expenses as well as in the form of a corresponding increase in capital reserves.

The exercise price of the options newly issued in the first quarter 2008 (99,320) was determined at the time of commitment and amounted to 8.21 Euro. The fair value of the newly issued options was estimated by the Company to be 4.26 Euro. The exercise price of the share options newly issued in the second quarter (46,667) amounted to 7.53 Euro, the fair value was estimated to be 4.07 Euro. This determination was based on the Black-Scholes option model. The model calculations were based on the following other parameters assumed for this purpose:

Expected share price volatility	53.49 %
Risk-free interest	4.5 %
Expected dividend	0.0 %

Volatility was determined approximately on the basis of historical volatilities. Risk-free interest corresponds to the average return on a long-term government bond.

Personnel expenses reported in the period under review with respect to share options already existing and those newly issued in the first half-year 2008 amounted to 0.2 million Euro.

D. Notes to the consolidated income statement

All comparable period data relate to the period from 01 January to 30 June 2007.

1. Sales. Sales rose by 30 percent against the comparative prior year period. With respect to the breakdown of sales, reference is made to the information set forth under "Segment reporting".

Sales for the first half-year 2008 include an amount of 1.9 million Euro relating to long-term production orders accounted for according to the percentage-of-completion method pursuant to IAS 11. As, based on the project's progress, expenses and income until the date of the order's completion could now be reliably estimated, a partial profit of 1.5 million Euro was realized in the first half-year 2008. The percentage of completion was determined according to the cost-to-cost method.

2. Other operating income. Other operating income largely relates to the amortization affecting income of deferred investment grants in the amount of 0.5 million Euro.

3. Personnel expenses. Personnel expenses in the first half-year 2008 include expenses of 0.2 million Euro with respect to share options issued under the outstanding share option schemes. Personnel expenses rose by 1.6 million Euro against the first-half of 2007. Such increase mainly related to new recruitments in connection with the expansion of the Arnstadt production plant. A total of 67 employees were newly hired in the first half of 2008.

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 and 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 income/expenses. This item included interest income in the amount of 0.1 million Euro. Interest and similar expenses amounted to -0.6 million Euro. The increase in interest expenses was primarily due to the expansion of the Arnstadt production plant. Interest expenses also included additional expenses pursuant to IFRS 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 percent.

8. Consolidated net income/loss. Consolidated net income of 0.7 million Euro was reported as of 30 June 2008.

E. Changes in shareholders' equity.

Changes in the Company's shareholders' equity during the period under review are set forth in the table „Changes in shareholders' equity“.

F. Earnings per share.

	01 - 06/2008	01 - 06/2007
Result for the period / € million	0.7	0.7
Number of shares (weighted)	11,399,580	11,272,121
Earnings per share / €	0.06	0.06

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

In August 2008, Sunways AG entered into a cell supply contract with Italian module manufacturer Solarday S.p.A. The prepayment contract relates to a total volume of 19 megawatts of solar cells in the 156 x 156 millimeter format. First shipments to the Italian module manufacturer will already occur later in 2008; shipment quantities will increase gradually during the contract term until 2010. The parties agreed to maintain silence concerning the prepayment amount.

I. Related-party transactions

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

