

QUARTERLY REPORT

Q1/10

JANUARY – MARCH 2010



sunways
Photovoltaic Technology

CONTENT.

GROUP MANAGEMENT REPORT AS OF 31 MARCH 2010

- 03 Preliminary remark
- 03 Business operations
- 05 Segment reporting
- 10 Technology and products
- 11 Personnel and social matters
- 12 Shareholdings of members of executive bodies and directors' dealings
- 12 Outlook for the entire fiscal year 2010
- 13 Representation by legal representatives

CONSOLIDATED INTERIM FINANCIAL STATEMENTS (IFRS) AS OF 31 MARCH 2010

- 14 Consolidated balance sheet
- 15 Consolidated income statement
- 16 Statement of income and expenses recognized in shareholders' equity
- 17 Consolidated cash-flow statement
- 18 Changes in shareholders' equity

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (IFRS) AS OF 31 MARCH 2010

- 19 General information, preparation principles and premises
- 20 Information on the consolidation scope and methods
- 20 Notes to the consolidated balance sheet
- 25 Notes to the consolidated income statement
- 26 Changes in shareholders' equity
- 27 Earnings per share
- 27 Notes to the consolidated cash-flow statement
- 27 Subsequent events
- 27 Related-party transactions

- 28 Financial calendar 2010
- 28 Contact
- 28 Imprint
- 28 Forward-looking statements

GROUP MANAGEMENT REPORT AS OF 31 MARCH 2010.

PRELIMINARY REMARK.

As of the beginning of 2010, Sunways AG's former reporting system was expanded to separately include the two product groups "solar modules" and "solar inverters" in respect of the solar systems segment. As from 2010, the detailed information presented by Sunways AG on its business operations is subdivided into three business segments: solar cells (development, production and distribution of solar cells), solar modules (distribution of solar modules and projects) as well as solar inverters (development, production and distribution of inverters).

The segment figures for the first quarter 2009 were adjusted to ensure comparability. Changes were also made in the solar cell segment. In the future, Sunways AG will account for solar cells used in the production of its own modules at intercompany transfer prices customary in the market. The high Sunways-specific selling prices in the cell segment are unsuited for a market comparison appraisal of the solar module segment.

MAJOR EVENTS IN THE FIRST QUARTER 2010 COMPARED TO THE PRIOR YEAR QUARTER.

- 52 % SALES GROWTH ACROSS ALL SEGMENTS
- PALPABLE GROWTH IN THE INTERNATIONAL MARKETS
- INCREASE IN EBIT BY € 10 MILLION TO € 4.7 MILLION

Business operations.

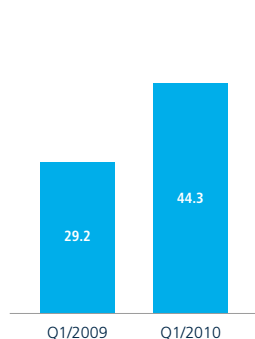
The strong demand for Sunways components over the last few months of 2009 continued in the first quarter 2010. Even against the background of a further reduction of feed-in tariffs for solar energy as from July 2010, the interest in photovoltaic systems remains strong, in particular in Germany. In the international markets, Sunways AG also benefits from an upturn in business which, in addition to seasonal and cyclical factors, is also due to close customer relationships continuously and steadily expanded in the past years.

In the first quarter 2010, consolidated sales of Sunways AG grew by 51.7 % against the prior year quarter to € 44.3 million (Q1/2009: € 29.2 million). This gratifying growth was supported by all three product segments of Sunways AG – solar cells, solar modules and solar inverters. Consolidated EBIT recorded an even stronger improvement and rose by € 10 million from € -5.3 million in the first quarter 2009 to a positive figure of € 4.7 million in the quarter under review. After-tax earnings also turned positive to a significant extent and amounted to € 3.2 million (Q1/2009: € -4.2 million). Due to an adjustment of the first tranche of the purchase price for MHH Solartechnik GmbH by € -1.1 million after the preparation of the closing balance sheet in the first quarter, consolidated net income in the quarter under review amounted to € 2.1 million (Q1/2009: € -4.3 million).

GROUP DEVELOPMENT IN € MILLION (QUARTERLY COMPARISON)

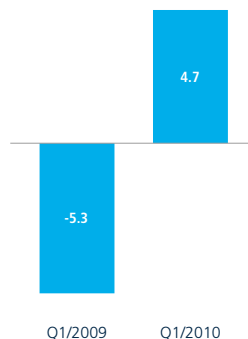
Sales

51.7% (+ € 15.1 million) rise



EBIT

improved by € 10.0 million



Possible rounding differences.

In the first quarter 2010, Sunways largely generated its consolidated sales in Germany (84.1%). Compared to the first three months of 2009, sales in other European countries experienced a very positive development across all product divisions – in absolute terms as well as expressed as a percentage of consolidated sales. Growth in Italy was especially remarkable. Business volume increased from € 0.4 million in the first quarter 2009 to € 3.1 million in the quarter under review. Our strategy to have local teams in place in the major European sales markets proved successful, in particular in the crisis. At present, we are benefiting from our intensive distribution activities, which also continued in the past year, and the confidence in the efficiency of Sunways AG so established. Customers who had postponed their projects last year due to the general economic uncertainties increasingly get in touch with us now to continue their planning activities. Our experiences in Greece, where we cooperate with a local partner, are similar. Sales have increased significantly since the cooperation's formation: sales in Greece in the first quarter 2010 amounted to € 1.2 million (Q1/2009: € 0.5 million).

SALES BY REGION

	Q1/2010		Q1/2009	
	€ million	%	€ million	%
Germany	37.2	84.1	26.1	89.4
Rest of Europe	7.1	15.9	2.2	7.5
America	0	0	0	0
Asia	0	0	0.9	3.1
Rest of world	0	0	0	0
Total	44.3	100	29.2	100

Possible rounding differences.

Cost of materials and personnel expenses of Sunways AG as a percentage of gross performance were again optimized: cost of materials expressed as a percentage of gross performance declined by 19 percentage points against the prior year period; the personnel expense ratio decreased by 3.3 percentage points against the first quarter 2009 while the number of employees remained stable. Due to the reduced amount of loan liabilities, interest expenses also declined from € 0.6 million in the prior year quarter to € 0.3 million in the first quarter 2010. With these further improved cost and income structures, Sunways AG is well positioned to meet future challenges in the international competition.

Due to the strong demand for solar components in the second half of the past fiscal year 2009, the inventories of Sunways AG had declined markedly. In the first quarter 2010, inventories rose by a total of 78 % to € 24.4 million. This increase mainly related to raw materials and supplies as well as finished goods. Due to larger wafer shipments, Sunways AG's inventories of raw materials increased to € 8.2 million as of the balance sheet date 31 March 2010; as of 31 December 2009, raw materials and supplies amounted to € 3.4 million. The build-up of inventories of finished goods from € 7.6 million as of the balance sheet date 31 December 2009 to € 13.7 million as of 31 March 2010 was deliberate since Sunways AG faces a continuously strong demand for solar components in the current quarter as a result of the further reduction of feed-in tariffs as from 1 July 2010. To ensure delivery at all times even when demand is strong, the inventory ratio of 19.7 % as of 31 March 2010 markedly exceeded the corresponding figure as of the year-end 2009 (31 December 2009: 12.4 %). Despite the significant increase in inventories in the first quarter 2010 and the rise in working capital due to increased business volumes, cash used for operating activities only amounted to € 2.1 million; overall, liquid funds declined by € 3.2 million in the first quarter 2010. Cash and cash equivalents of Sunways AG amounted to € 18.7 million as of 31 March 2010.

In the period under review, there were no major changes in risks and opportunities compared to those described in the 2009 annual report.

Segment reporting.

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

Sales reported refer to the Group's external sales. Comparative figures for the first quarter 2009 include intercompany sales of Sunways AG generated with MHH Solartechnik GmbH. Intersegment sales generated in the reporting period between the solar cell and solar module segments amounted to € 5.2 million (Q1/2009: € 0 million).

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

	1 st quarter 2010					1 st quarter 2009				
	Solar cells	Solar modules	Solar inverter	Consolidation	Total	Solar cells	Solar modules	Solar inverter	Consolidation	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	21.7	18.7	9.1	-5.2	44.3	19.0	7.9	2.4	0	29.2
EBITDA	4.1	0.8	1.3	0	6.2	-1.8	-1.4	-1.0	0	-4.2
Depreciation and amortization	1.3	0	0.2	0	1.5	0.9	0	0.2	0	1.1
EBIT	2.8	0.8	1.1	0	4.7	-2.7	-1.4	-1.2	0	-5.3
Investments	0.5	0	0.2	0	0.7	0.5	0	0.2	0	0.7

Possible rounding differences.

	31/03/2010				31/12/2009			
	Solar cells	Solar modules	Solar inverter	Total	Solar cells	Solar modules	Solar-Inverter	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Segment assets	81.0	14.8	7.2	103.0	68.6	11.5	5.5	85.6

Possible rounding differences.

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

	1 st quarter 2010	1 st quarter 2009
	€ million	€ million
Total EBIT (segments)	4.7	-5.3
Net interest income	-0.3	-0.6
Earnings before taxes	4.4	-5.9
Taxes on income	-1.2	1.7
Earnings after taxes – continuing operations	3.2	-4.2

Possible rounding differences.

	31/03/2010	31/12/2009
	€ million	€ million
Total segment assets	103.0	85.6
Liquid funds	18.7	22.0
Deferred tax assets	2.0	2.8
Tax receivable	0.1	0.0
Total assets	123.8	110.4

Possible rounding differences.

Solar cells. Sales in the solar cell segment rose from € 19.0 million in the first quarter 2009 by 14.2 % to € 21.7 million in the first three months of 2010. This sales volume includes inter-segment sales of € 5.2 million generated with the solar module segment of Sunways AG. More than 97 % of sales in this segment were generated in Germany. Nevertheless, international solar cell sales increased substantially – albeit from a low level; overall, the international share of segment sales was a good € 0.5 million.

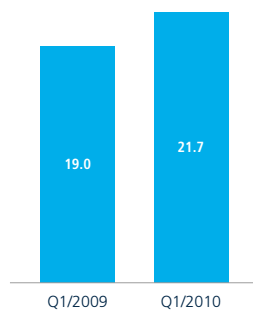
Solar cell sales volume in the quarter under review increased by a marked 71.2 % against the first quarter 2009 to 17.8 megawatts peak. Sunways produced cells in advance in the first few months of 2010 as the demand for solar modules is expected to increase further. Currently, our production plants are utilized to full capacity. Due to the strong improvement in the cost of materials ratio of Sunways AG since the beginning of last year in combination with economies of scale resulting from increased production capacities in Arnstadt, segment earnings grew overproportionately: at € 2.8 million, EBIT in the first quarter exceeded the earnings of the prior year quarter (Q1/2009: € -2.7 million) by € 5.5 million. Thus the EBIT margin in the solar cell segment reached a gratifying 12.9 % in the first quarter of the current year.

At € 0.5 million, investments in the solar cell segment during the first three months of 2010 remained at the same level as in the prior year period.

SOLAR CELLS: DEVELOPMENT OF SALES AND EARNINGS IN € MILLION (QUARTERLY COMPARISON)

Sales

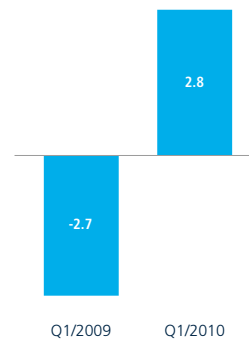
14.2 % (+ € 2.7 million) rise



Possible rounding differences.

EBIT

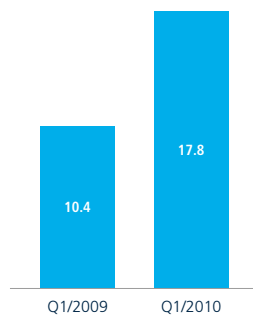
improved by € 5.5 million



SOLAR CELLS: DEVELOPMENT OF SALES IN MWP

Sales

+7.4 MWP rise



Possible rounding differences.

Solar modules. Sunways AG subdivided the former solar systems segment into two product divisions, i. e. "solar modules" and "solar inverters." Therefore, developments in the modules and inverter business are reported separately as from the beginning of 2010.

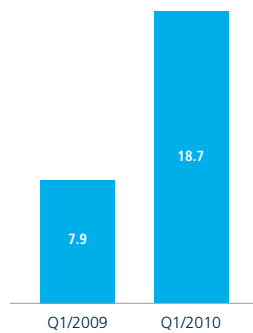
In the first quarter 2010, sales in the solar module segment at € 18.7 million rose by more than 136 % against the comparable figure for the prior year quarter of € 7.9 million. Such growth was largely achieved in Germany: domestic sales increased 125 % against the prior year quarter. The international business reached 24 % of sales. In particular in the Italian market, Sunways generated a significant increase in sales in the period under review to € 2.5 million from just under € 0.3 million in the prior year quarter. Thus the Italian market's contribution to segment sales in the first quarter 2010 was 13.2 %.

Due to a substantial expansion of supply capacities in the first quarter 2010, module sales of Sunways AG amounted to 10.0 megawatts peak and thus reached the highest quarterly level in the Company's history. Module capacities sold in the reporting period more than tripled compared to the first three months of 2009 (Q1/2009: 2.9 megawatts peak); sales even increased by 1.4 megawatts peak against the fourth quarter 2009.

Earnings also experienced a significant rise: EBIT in the reporting period again turned positive to reach € 0.8 million; negative EBIT of € -1.4 million had been recorded in the first quarter 2009. Thus the EBIT margin in the reporting period amounted to 4.3 %. No investments were made in the module segment in the first three months of 2010.

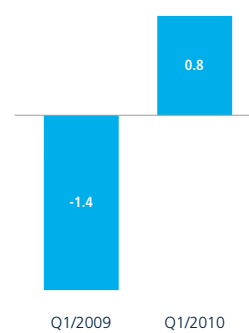
SOLAR MODULES: DEVELOPMENT OF SALES AND EARNINGS IN € MILLION (QUARTERLY COMPARISON)

Sales
136.7 % (+ € 10.8 million) rise



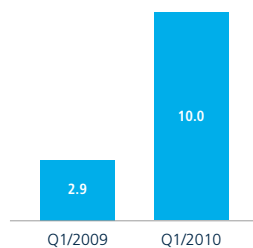
Possible rounding differences.

EBIT
improved by € 2.2 million



SOLAR MODULES: DEVELOPMENT OF SALES IN MWp

Sales
+7.1 MWp rise



Possible rounding differences.

Solar inverters. Sales in the solar inverter segment rose to € 9.1 million in the reporting period and thus quadrupled against the prior year quarter (Q1/2009: € 2.4 million), thus remaining at the high level of the fourth quarter 2009. Just under 79 % of segment sales in the period under review were generated in Germany (Q1/2009: 83 %). Sunways AG was able to markedly increase its sales volumes in all major European markets. Sales revenues in Italy and France more than tripled against the first quarter 2009. Sales volumes in the first quarter 2010 also rose against the prior year period to 37.7 megawatts peak (Q1/2009: 9.5 megawatts peak); compared to the fourth quarter 2009, sales volumes remained relatively stable.

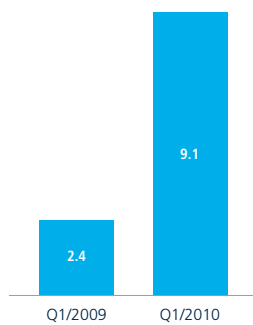
An even stronger growth in sales revenues and sales volumes was prevented by the limited availability of relevant electronic components in the world market over the last few months – a development that started in the fourth quarter 2009 and intensified during the first quarter 2010. In some cases, procurement periods for electronic components increased by several weeks while prices rose simultaneously. Nevertheless, segment EBIT at € 1.1 million exceeded the result for the first quarter 2009 of € -1.2 million. Due to the continuously strong demand and the very limited supply of inverters, Sunways AG has received orders for inverters stretching well into the second half of the year.

Investments in the solar inverter segment amounted to € 0.2 million in the first quarter 2010.

SOLAR INVERTERS: DEVELOPMENT OF SALES AND EARNINGS IN € MILLION (QUARTERLY COMPARISON)

Sales

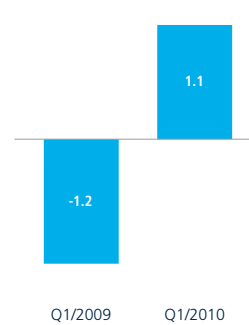
279.2% (+ € 6.7 million) almost quadrupled



Possible rounding differences.

EBIT

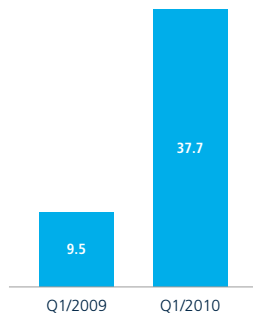
improved by € 2.3 million



SOLAR INVERTERS: DEVELOPMENT OF SALES IN MWP

Sales

+28.2 MWP rise



Possible rounding differences.

Technology and products.

The ongoing improvement of technical possibilities and prerequisites for the generation of electricity from solar energy in order to offer our customers at all times photovoltaic solutions with maximum energy yield and optimum benefits – that is the driving force behind the research and development activities of Sunways. Together with a number of leading research institutes and within the framework of numerous research projects, we persistently strive to further expand our technological leadership with respect to cells, modules and inverters.

Solar cells. In a joint research and development project with the Institut für Solarenergieforschung Hameln (ISFH), we achieved major successes in relation to the improved efficiency of silicon solar cells: using the well-established screen printing method, we optimized the back side of monocrystalline prototypes in the 5-inch format, enabling us to manufacture cells with efficiency rates of 19.1 % under conditions similar to those prevailing in the production process. Thus Sunways again ranks among the top performers.

Solar modules. New products offered to our customers by the solar module segment since early 2010 include the solar module SM 235U with high-quality multicrystalline Sunways solar cells; in the second half of 2010, we plan to launch another version of this module with monocrystalline Sunways solar cells.

As a provider of design-oriented photovoltaic solutions, Sunways proves with its solar laminate SM 215L that sophisticated architecture and photovoltaic generation of electricity are not mutually exclusive. The frameless module is now also available with an integrated in-roof installation system. The SM 215L, which is made of high-efficiency Sunways solar cells with a homogenous black surface, replaces traditional roofing materials, is resistant to weather conditions and mechanical stress and, like all our solar modules, offers the "LeistungPlus+" feature: the actual module capacity exceeds its nominal capacity.

Solar inverters. On the occasion of the 25th "Symposium Photovoltaische Solarenergie" held in Bad Staffelstein in late March, Sunways AG presented its inverters of the NT series with improved yields that can now be applied throughout Europe. These inverters with capacities ranging between 2.5 and 5 kilowatts generate efficiency rates of up to 98 %, which are among the leading rates worldwide, while complying with the new low and medium voltage regulations. In January 2010, the NT 4200 received the best possible rating "sehr gut +" as a top device in the performance test of the magazine Photon. Excellent data were published with respect to the Sunways NT 5000 in mid-March 2010 following a test at the photovoltaics laboratory of the Berner Fachhochschule in Burgdorf, Switzerland. In this context, the NT 5000 achieved an excellent MPP (Maximum Power Point) tracking of almost 100 %. The amount of electricity drawn is controlled by an MPP device so that the photovoltaic system always produces optimum yields.

Sunways also improved and expanded the product range of three-phase NT solar inverters for larger systems with a capacity of 10 kilowatts and more. In addition to the NT 10000 with a nominal capacity of 10 kilowatts, the NT 11000 with a nominal capacity of 11 kilowatts as well as the NT 12000 with a nominal capacity of 12 kilowatts are now available. In addition to very high efficiency rates of up to 97.6 %, these new devices, which may be used throughout Europe at the touch of a button, are extremely user-friendly: as the device only weighs a good 30 kilograms, it can easily be installed on the wall by one person; thanks to the plug-in connection at the bottom, a very large, well legible display and the intuitive menu, its operation is easy. The warranty extension option offered emphasizes the first-rate product quality and outstanding longevity of our devices.

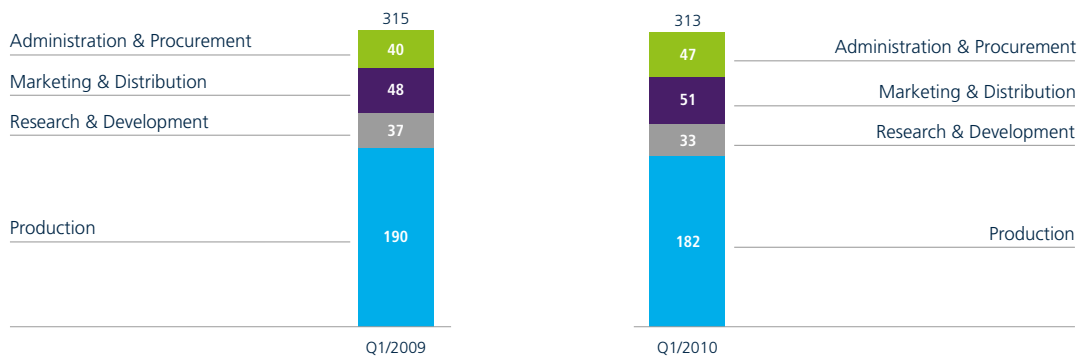
Personnel and social matters.

As of 31 March 2010, the Sunways Group employed a workforce of 313 as well as 13 apprentices. As of the end of the first quarter 2009, there were 315 employees and 11 apprentices. Thus the overall number of employees within the Sunways Group remained stable compared to the prior year balance sheet date.

There were, however, changes within the areas of activity: the number of employees in the administration / procurement and distribution areas increased due to the intensified expansion of our distribution and marketing competencies during the year 2009 while, on the other hand, the number of employees in the research and development as well as in the production areas declined. This decline in the number of production staff resulted from the significant staff build-up in 2008/2009 at our Thuringia site in the wake of the expansion of the Arnstadt production plant. Some employment contracts with limited duration were not renewed due to weak demand in late summer 2009 and short-time working at Arnstadt; an increase in the number of staff was avoided through targeted productivity improvements.

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

EMPLOYEES BY FUNCTION



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 2010:

Management Board	Shares as of 31 March 2010
Michael Wilhelm, Chairman	2,000
Roland Burkhardt	1,780,345
Jörg von Strom	2,500
Jürgen Frei	1,500
Supervisory Board	
Otto Mayer, Chairman	750,000
Andreas Görwitz	8,100
Thomas Nordmann	6,000

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 by the end of the calendar year.

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

Outlook for the entire fiscal year 2010.

Overall, Sunways AG is satisfied with the business development in the first three months of 2010. The increased sales volumes as well as the markedly improved consolidated EBIT confirm our strategic corporate development which was consistently pursued in the past year.

A continuously high domestic demand may be expected in the current second quarter due to the extraordinary reduction of feed-in tariffs as from July. At the same time, we observe a significant recovery in the international markets. The demand for our components, in particular from Italy, Greece and Spain, is increasing significantly. Therefore, Sunways AG initially does not expect any severe drop in sales in the third quarter 2010. These expectations are also supported by the order backlog in the inverter segment which stretches well into the second half of the year. Price pressures with respect to solar components and in particular solar cells will, however, continue to prevail in 2010. Due to the qualification of further module manufacturers, additional production capacities are available to Sunways AG as from the current year. The Company, therefore, anticipates that sales volumes will double compared to the fiscal year 2009.

All in all, based on markedly increased volumes against the prior year period in all product divisions, our competitive cost structures as well as further intensified domestic and international distribution activities, we expect the profitable consolidated growth of Sunways AG to continue in the current fiscal year. Furthermore, we will again consider and – wherever this may be useful – take advantage of all strategic and operational options in 2010 in order to further accelerate the growth of Sunways AG. Due to the sale of MHH Solartechnik with effect as of 31 December 2009, we have sufficient liquid funds to implement even major strategic measures. An important goal will again be to diversify our sales markets and to strengthen our product and service range.

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 position and that the Group interim management report gives a true and fair view of the business development, including the result of operations and situation of the Group, and that the major opportunities and risks of the Group's expected development during the remainder of the fiscal year are described therein.

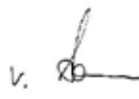
Konstanz, 12 May 2010



Michael Wilhelm
Chairman of the
Management Board



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



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



Jürgen Frei
Member of the Management
Board – Distribution and
Marketing

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2010.

Assets	Note	31/03/2010	31/12/2009
		€ million	€ million
Current assets			
Liquid funds	C. 1.	18.7	21.9
Trade receivables	C. 2.	18.4	8.8
Inventories	C. 3.	24.4	13.7
Prepayments and accrued income and other current assets	C. 2.	4.3	6.1
Total current assets		65.8	50.5
Non-current assets			
Tangible fixed assets	C. 4.	39.6	40.3
Intangible assets	C. 5.	1.6	1.6
Financial assets		0.1	0.1
Other non-current assets	C. 6.	14.7	15.0
Deferred taxes	C. 7.	2.0	2.8
Total non-current assets		58.0	59.8
Total assets		123.8	110.4
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans and current portion of long-term loans	C. 8.	3.0	3.0
Trade payables	C. 9.	22.2	10.2
Prepayments received		1.0	1.7
Provisions	C. 9.	6.4	5.6
Income tax payable		0.9	0.5
Other current liabilities	C. 9.	4.0	3.9
Deferred investment grants	C. 11.	1.9	1.9
Total current liabilities		39.4	26.9
Long-term liabilities			
Long-term loans and other long-term liabilities	C. 10.	9.5	10.3
Long-term prepayments received		3.6	3.5
Deferred investment grants	C. 11.	10.1	10.6
Deferred taxes		0.6	0.5
Total long-term liabilities		23.8	24.9
Shareholders' equity			
Subscribed capital	C. 12.	11.6	11.6
Capital reserves	C. 12.	37.4	37.3
Retained earnings		12.0	9.9
Other equity components		-0.3	-0.3
Consolidated shareholders' equity		60.7	58.6
Total liabilities and shareholders' equity		123.8	110.4

Possible rounding differences.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01 JANUARY – 31 MARCH 2010.

	Note	01/01/ – 31/03/2010	01/01/ – 31/03/2009
	No.	€ million	€ million
Sales – including discontinued operations		44.3	44.5
Sales – discontinued operations		0.0	15.3
Sales – continuing operations	D. 1.	44.3	29.2
Changes in inventories of finished and unfinished goods		5.3	-0.1
Gross performance – continuing operations		49.6	29.1
Other operating income	D. 2.	0.6	0.7
Cost of materials		-36.6	-27.0
Personnel expenses	D. 3.	-4.0	-3.3
Depreciation and amortization	D. 4.	-1.5	-1.1
Other operating expenses	D. 5.	-3.4	-3.6
Operating result (EBIT) – continuing operations		4.7	-5.3
Interest expenses	D. 6.	-0.3	-0.6
Earnings before taxes – continuing operations		4.4	-5.9
Taxes on income	D. 7.	-1.2	1.7
Earnings after taxes – continuing operations	D. 8.	3.2	-4.2
Earnings after taxes – discontinued operations	D. 9.	-1.1	-0.1
Consolidated net income/loss		2.1	-4.3
thereof attributable to the shareholders of Sunways Aktiengesellschaft		2.1	-4.3
thereof attributable to minority interests		0.0	0.0
Earnings per share in € – continuing operations	F.	0.27	-0.36
Earnings per share in € – discontinued operations	F.	-0.09	-0.01
Earnings per share in € – continuing and discontinued operations (consolidated net income/loss : number of shares; diluted = undiluted)	F.	0.18	-0.37
Average number of shares outstanding		11,588,613	11,588,450

Possible rounding differences.

STATEMENT OF INCOME AND EXPENSES RECOGNIZED IN CONSOLIDATED SHAREHOLDERS' EQUITY FOR THE PERIOD FROM 01 JANUARY – 31 MARCH 2010.

	01/01/ – 31/03/2010	01/01/ – 31/03/2009
	€ million	€ million
Consolidated net income/loss	2.1	-4.3
Changes in the market value of derivative financial instruments in hedge accounting	0.0	-0.1
Total income and expenses recognized in shareholders' equity	2.1	-4.4
thereof attributable to the shareholders of Sunways Aktiengesellschaft	2.1	-4.4
thereof attributable to minority interests	0.0	0.0

Possible rounding differences.

CONSOLIDATED CASH-FLOW STATEMENT FOR THE PERIOD FROM 01 JANUARY – 31 MARCH 2010.

	01/01/ – 31/03/2010	01/01/ – 31/03/2009
	€ million	€ million
Operating activities		
Operating result (EBIT)	4.7	-5.3
Depreciation and amortization	1.5	1.1
Cash used for income taxes	0.0	-0.2
Income and expenses not affecting cash-flow	-0.5	-0.1
Increase (-)/decrease in receivables and other assets, accruals and deferrals	5.4	-9.5
Increase (-)/decrease in inventories	-10.6	4.3
Increase (-)/decrease in trade payables and other provisions, liabilities	-2.4	12.7
Interest paid	-0.3	-0.5
Cash provided by/used for (-) operating activities – continuing operations	-2.1	2.5
Cash provided by/used for (-) operating activities – discontinued operations	0.0	-3.6
Cash provided by/used for (-) operating activities – continuing and discontinued operations	-2.1	-1.2
Investment activities		
Acquisition of fixed assets	-0.7	-0.7
Cash provided by investment grants/subsidies	0.0	1.1
Cash used for investment activities – continuing operations	-0.7	0.4
Cash used for investment activities – discontinued operations	0.0	-0.1
Cash used for investment activities – continuing and discontinued operations	-0.7	0.3
Financing activities		
Cash provided by/used for (-) long-term bank loans	-0.4	0.0
Cash provided by/used for (-) short-term bank loans	0.0	-1.5
Cash provided by/used for (-) financing activities – continuing operations	-0.4	-1.5
Cash provided by/used for (-) financing activities – discontinued operations	0.0	3.4
Cash provided by/used for (-) financing activities – continuing and discontinued operations	-0.4	1.9
Net increase/decrease of liquid funds	-3.2	1.1
Cash and cash equivalents at the beginning of the reporting period	21.9	3.6
Cash and cash equivalents at the end of the reporting period	18.7	4.7
Less cash, cash equivalents relating to the disposal of certain assets and discontinued operations at the end of the reporting period	0.0	-0.7
Composition of liquid funds at the end of the reporting period (consolidated balance sheet)	18.7	4.0
Cash – continuing operations	18.7	4.0

Possible rounding differences.

CHANGES IN SHAREHOLDERS' EQUITY FROM 01 JANUARY – 31 MARCH 2010.

	Subscribed capital	Capital reserves	Retained earnings/accumulated loss	Other equity components, derivative financial instruments	Shareholders of Sunways AG	Minority interests	Consolidated shareholders' equity
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
01/01/2009	11.6	37.1	-7.0	-0.3	41.4	0	41.4
Changes related to share options pursuant to IFRS 2 (expense related to employee options)	0	0.1	0	0	0.1	0	0.1
Changes in the market value of derivative financial instruments in hedge accounting	0	0	0	-0.1	-0.1	0	-0.1
Changes in minority interests	0	0	0	0	0	0	0
Income and expenses recognized in shareholders' equity	0	0	-4.3	0	-4.3	0	-4.3
31/03/2009	11.6	37.2	-11.3	-0.4	37.0	0	37.0
01/01/2009	11.6	37.1	-7.0	-0.3	41.4	0	41.4
Convertible bonds	0	0	0	0	0	0	0
Changes in the equity component of convertible bonds (after tax)	0	0	0	0	0	0	0
Changes related to share options pursuant to IFRS 2 (expense related to employee options)	0	0.2	0	0	0.2	0	0.2
Income and expenses recognized in shareholders' equity	0	0	16.9	0.1	17.0	0	17.0
Changes in minority interests	0	0	0	0	0	0	0
31/12/2009	11.6	37.3	9.9	-0.3	58.6	0	58.6
31/12/2009/01/01/2010	11.6	37.3	9.9	-0.3	58.5	0	58.6
Changes related to share options pursuant to IFRS 2 (expense related to employee options)	0	0.1	0	0	0.1	0	0.1
Changes in the market value of derivative financial instruments in hedge accounting	0	0	0	0	0	0	0
Income and expenses recognized in shareholders' equity	0	0	2.1	0	2.1	0	2.1
31/03/2010	11.6	37.4	12.0	-0.3	60.7	0	60.7

Possible rounding differences.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (IFRS) AS OF 31 MARCH 2010 (NOTES).

A. General information, preparation principles and premises.

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

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

The consolidated interim financial statements were prepared in an abridged form and in conformity with IAS 34 "Interim financial reporting." They do not include all information required for purposes of consolidated financial statements as of the fiscal year's end and should, therefore, be read in conjunction with the consolidated financial statements in accordance with IFRS published by Sunways for the fiscal year 2009. The accounting and valuation principles applied by the Group in the context of these interim financial statements generally correspond to those applicable to the consolidated financial statements as of 31 December 2009. In addition, the standards and interpretations initially to be complied with as from 1 January 2010 were observed.

The standards and interpretations to be initially applied as of 1 January 2010 did not result in any material accounting and valuation changes.

Effective as of 1 January 2010, Sunways AG reorganized the Group's business divisions following the sale of its subsidiary MHH Solartechnik GmbH, an enterprise mainly active in the solar systems and projects sector, as of 31 December 2009.

This also involved a reclassification of the Company's business activities into the segments defined for reporting purposes pursuant to IFRS 8 "Operating segments." The solar systems and projects segment, which formerly existed alongside the solar cell segment, was subdivided into two segments, i. e. solar modules and solar inverters, due to the change in management structures.

The solar cell segment continues to comprise the development, production and distribution of solar cells and the two production plants in Konstanz and Arnstadt as well as related activities. The newly created solar module segment comprises activities in the area of trading in and distribution of solar modules and solar projects. The solar inverter segment comprises the development, production and distribution as well as installation of solar inverters.

From management's point of view, these consolidated interim financial statements include all adjustments normally required to be made on an ongoing basis to present a true and fair view of the Company's course of operations in any reporting period. The results generated in the first three months of the fiscal year 2010 are not necessarily indicative of the further development of operations.

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

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

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

B. Information on the consolidation scope and methods.

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

	31/03/2010	31/12/2009
	€ million	€ million
Liquid funds	18.7	21.9

The decline in liquid funds by € 3.2 million corresponds to the seasonal increase in net working capital in the first quarter of the current fiscal year.

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

	31/03/2010	31/12/2009
	€ million	€ million
Trade receivables	18.4	8.8
Accounts receivable from MHH Solartechnik GmbH	0	2.1
Amounts receivable under embedded derivatives	0.1	0
Financial assets		
Current portion of financial receivables	0.4	0.4
Other assets		
Value added tax receivable	0.1	0
Prepayments and accrued income	0.3	0.1
Grants and subsidies	3.2	3.2
Other	0.2	0.3
Sub-total	4.2	4.0
Total	22.7	14.9

Possible rounding differences.

Trade receivables increased by € 9.6 million against 31 December 2009. This rise was mainly due to markedly increased sales as of the end of the first quarter.

3. Inventories.

	31/03/2010	31/12/2009
	€ million	€ million
Raw materials and supplies	8.2	3.4
Work in progress	1.3	1.3
Finished goods and merchandise	13.7	7.6
Prepayments made	1.2	1.4
Total	24.4	13.7

Possible rounding differences.

Inventories increased by € 10.7 million against 31 December 2009.

Raw materials and supplies recorded a balance sheet date increased by € 4.8 million. This rise was almost exclusively due to major wafer shipments received prior to the balance sheet date. Finished goods and merchandise increased by € 6.1 million as of 31 March 2010. This rise resulted from the usual weather-related seasonal increase in cell and module inventories in the first quarter.

4. Tangible fixed assets.

Significant additions to tangible fixed assets related to prepayments in the context of the expansion of the Arnstadt production plant. Other additions were recorded with respect to measuring and control equipment in the inverter production segment as well as plant and office equipment. These additions comprise additional EDP equipment (hardware) as well as other office and storage furnishings.

5. Intangible assets.

As of 31 March 2010, capitalized development activities totaled € 1.4 million. Pursuant to IAS 38, development costs for new products in the amount of € 0.1 million were capitalized in the period under review. 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 2010 amounted to € 0.1 million.

Other additions mainly related to EDP software.

6. Other non-current assets.

Other non-current assets exclusively comprise financial receivables.

7. Deferred taxes.

This item mainly includes deferred tax assets with respect to existing loss carryforwards.

8. Short-term loans and current portion of long-term loans.

Credit facilities made available to Sunways AG by several banks as of 31 March 2010 amounted to € 6.5 million (31 December 2009: € 6.5 million). Due to the positive liquidity situation, no drawings had been made on such credit facilities as of 31 March 2010.

As of 31 December 2009 and 31 March 2010, the item "short-term loans and current portion of long-term loans" exclusively related to amounts due to banks.

9. Current liabilities and provisions.

The rise in trade payables by € 12 million was due, on the one hand, to larger wafer shipments received shortly before the balance sheet date and, on the other hand, the increase in business volume.

Provisions increased by € 0.8 million against 31 December 2009. This rise was mainly due to increased provisions with respect to personnel expenses and warranties.

Income tax payable amounted to € 0.9 million as of 31 March 2010 (31 December 2009: € 0.5 million). This item includes trade tax, corporate income tax as well as solidarity surcharge payable with respect to the fiscal year 2009 as well as the current fiscal year.

Other current liabilities are composed as follows:

	31/03/2010	31/12/2009
	€ million	€ million
Current portion of liabilities under lease purchase contracts	2.2	2.3
Liabilities under financial derivatives – in hedge accounting	0.3	0.3
Value added tax payable	0.0	0.5
Wage and church tax payable	0.2	0.2
Other liabilities	1.3	0.5
Total	4.0	3.9

Possible rounding differences.

10. Long-term liabilities.

Other long-term liabilities include long-term bank loans in the amount of € 3.0 million (31 December 2009: € 3.3 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 € 6.5 million (31 December 2009: € 7.0 million). Such long-term portion of liabilities under lease purchase contracts almost exclusively relates to the expansion of the Arnstadt production plant.

11. Deferred investment grants.

Deferred investment grants refer to government subsidies in connection with the erection and expansion of the solar cell production plant of Sunways Production GmbH in Arnstadt, Thuringia. This deferred item will be amortized affecting net income over the expected useful life of the subsidized assets. The amount relates to buildings and machinery in Arnstadt 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 € 0.5 million in the first three months of 2010 (prior year: € 0.3 million).

12. Shareholders' equity.

Subscribed capital. Reference is made to "changes in shareholders' equity." There were no changes in subscribed capital in the first three months of 2010. Stated capital as of 31 March 2010 amounted to € 11,588,613.00.

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

Capital reserves	
	€ million
As of 01/01/2010	37.3
Issue of share options	0.1
As of 31/03/2010	37.4

Possible rounding differences.

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

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

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

With respect to the already existing share option schemes, reference is made to the relevant information set forth in the consolidated financial statements of Sunways AG as of 31 December 2009.

No new share options were issued or exercised, as the case may be, in the first quarter of 2010. The number of share options remained unchanged compared to 31 December 2009.

D. Notes to the consolidated income statement.

1. Sales.

"Sales – continuing operations" comprise all business divisions continued within the Group. All sales from discontinued activities are recognized under "sales – discontinued operations."

Sales – continuing operations increased by 51.7 % against the prior year comparative period. 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 (affecting net income) of deferred investment grants as well as to income from derivative financial instruments.

	31/03/2010	31/03/2009
	€ million	€ million
Amortization of investment grants	0.5	0.3
Income from derivative financial instruments	0.1	0
Income from exchange rate differences	0	0.1
Income from the reversal of provisions	0	0.2
Other	0	0.1
Total	0.6	0.7

Possible rounding differences.

3. Personnel expenses.

Personnel expenses rose by € 0.7 million against the first three months of 2009. In this respect it should, however, be noted that, on the one hand, the first quarter 2009 was affected by order-related vacation time and compensatory time off as well as short-time working. On the other hand, additions to staff related provisions for variable pay components increased due to the positive earnings development.

Personnel expenses in the first three months of 2010 included expenses of € 0.1 million with respect to share options issued under the outstanding share option schemes (prior year period: € 0.1 million).

4. Depreciation and amortization.

Depreciation and amortization comprised scheduled depreciation and amortization. There was no non-scheduled depreciation or amortization during the period under review. Amortization of capitalized research and development costs as of 31 March 2010 amounted to € 0.1 million (prior year period: € 0.1 million). In all, depreciation and amortization increased by € 0.4 million against the prior year period. This rise was due to the commissioning of new production lines for the manufacture of solar cells at the Arnstadt plant during the fiscal year 2009.

5. Other operating expenses.

Other operating expenses included mainly premises and operating costs as well as administrative and distribution costs. Despite increased sales, other operating expenses in the first quarter 2010 were reduced by € 0.2 million against the prior year quarter to € 3.4 million.

	31/03/2010	31/03/2009
	€ million	€ million
Premises and operating costs	1.2	1.1
Distribution costs	0.8	0.8
External research and development costs	0.1	0.1
Expenses relating to operating leases	0.0	0.1
Other	1.3	1.5
Total	3.4	3.6

Possible rounding differences.

6. Interest expenses.

The decline in interest expenses was mainly due to the low amount of drawings on credit facilities.

7. Taxes on income.

Taxes on income include the tax expense determined for the fiscal year on the basis of the expected income tax rate as well as deferred taxes pursuant to IAS 12. The calculation of deferred taxes was based on a tax rate of 28.25%. Taxes on income are in each case recognized after earnings from continuing or discontinued operations have been determined.

8. Earnings from continuing operations.

Consolidated net income from continuing operations of € 3.2 million was reported as of 31 March 2010.

9. Earnings after taxes from discontinued operations.

Earnings from discontinued operations include purchase price adjustments made upon presentation of the closing balance sheet of MHH Solartechnik GmbH. Subject to the achievement of pre-defined earnings targets, further purchase price payments may be due to Sunways AG in 2011.

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/ – 31/03/2010	01/01/ – 31/03/2009
	€ million	€ million
Net income/loss for the period in € million	2.1	-4.3
thereof from continuing operations	3.2	-4.2
thereof from discontinued operations	-1.1	-0.1
Number of shares (weighted)	11,588,613	11,588,450
Earnings per share in €	0.18	-0.37
thereof from continuing operations	0.27	-0.36
thereof from discontinued operations	-0.09	-0.01

Possible rounding differences.

The figures presented correspond to the undiluted earnings per share within the meaning of IAS 33 ("basic earnings per share"). As the calculation of diluted earnings does not result in any material changes, no relevant figures 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 liquid funds shown in the cash-flow statement include cash in hand, checks, cash at bank and marketable securities.

H. Subsequent events.

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

I. Related-party transactions.

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

Financial calendar 2010.

17/06/2010	Annual general meeting in Singen/Hohentwiel
13/08/2010	Interim report as of June 30, 2010 (Q2 2010)
12/11/2010	Interim report as of September 30, 2010 (Q3 2010)

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.eu/en).

Contact.

Sunways AG
Dr. Harald F. Schäfer
Head of Corporate Communications & Investor Relations
Macairestraße 3 - 5
D-78467 Konstanz

Telephone +49 (0) 7531 996 77-415
Telefax +49 (0) 7531 996 77-10
communications@sunways.de
www.sunways.eu/en

Imprint.

Responsible
Sunways AG, Management Board

Editors
Dr. Harald F. Schäfer, Sunways AG
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 publication. Should the assumptions underlying these prognoses not eventuate, actual results may vary substantially from the forecasts. Uncertainties include inter alia changes in the political, legal, economic and business environment, exchange and interest rate fluctuations as well as the behavior of competitors and other market participants. We neither intend nor assume any obligation to update forward-looking statements on an ongoing basis as these are based exclusively on the circumstances prevailing on the date of publication.