



Sunways Aktiengesellschaft, Constance
ISIN DE0007332207, WKN 733220

Invitation to the
Annual General Meeting
on Thursday, 6 May 2004, 11:00 a.m.
at the Steigenberger Inselhotel
Auf der Insel 1
D-78462 Konstanz

sunways
Photovoltaic Technology

I. Agenda

1. Presentation of the financial statements and consolidated financial statements adopted as of 31 December 2003, of the summarised management report of Sunways Aktiengesellschaft and of the Group, together with the report of the Supervisory Board relating to the fiscal year 2003.

2. Resolution on the appropriation of the result

The Management Board and Supervisory Board propose to carry forward to new account the accumulated loss for the year 2003 in the amount of € 16,877,548.15.

3. Resolution on the formal approval of the actions of the members of the Management Board

The Management Board and Supervisory

Board propose to grant formal approval of the actions of the members of the Management Board for the fiscal year 2003.

4. Resolution on the formal approval of the actions of the members of the Supervisory Board

The Management Board and Supervisory Board propose to grant formal approval of the actions of the members of the Supervisory Board for the fiscal year 2003.

5. Appointment of the auditors for the fiscal year 2004

The Supervisory Board proposes to appoint WPG Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Tübingen, as auditors and Group auditors for the fiscal year 2004.

6. Resolution on the cancellation of the existing authorised capital and creation of new authorised capital and corresponding modification of the articles of incorporation

The Management Board and Supervisory Board propose to pass the following resolution:

a. While simultaneously cancelling the existing authorized capital, the Management Board is hereby authorised, with the consent of the Supervisory Board, to increase the share capital by 5 May 2009 through the issuance of up to 4,757,035 new non-par value shares to bearer against contribution in cash or in kind, on one or more occasions, by a total amount of no more than EUR 4,757,035.00 (authorised capital). The Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholders' statutory pre-emptive rights

- with respect to fractional shares,
- with respect to the granting of shares against contribution in kind, in particular in connection with business combinations with or the acquisition of other enterprises, parts of or equity interests in other enterprises,
- if the capital is increased against cash contributions and the issue price is not materially less, within the meaning of §§ 203, subparagraphs 1 and 2, 186, subparagraph 3, sentence 4 of the Stock Corporation Act (Aktien-gesetz), than the stock exchange quotation of shares of the same class and with identical terms already listed at the time the final issue price is determined by the Management Board and if the pro rata capital amount attributable to the shares issued by excluding the pre-emptive right pursuant to § 186, subparagraph 3, sentence 4 is not in excess of EUR 951,407.00 and ten per cent of the reg-

istered share capital at the time of the issue of the new shares. Sales of treasury shares have to be applied to this limit of ten per cent of the share capital if such sales are effected, excluding the pre-emptive right, under an authorisation pursuant to § 71, subparagraph 1, No. 8, of the Stock Corporation Act in conjunction with § 186, subparagraph 3, sentence 4 of the Stock Corporation Act. In addition, those shares issued or to be issued to cover convertible bonds and/or bonds with warrants have to be applied to this limit of ten percent of the share capital if the bonds were issued, excluding the pre-emptive right, under an authorisation in effect at the time this authorisation takes effect or replacing this authorisation by applying § 186, subparagraph 3, sentence 4 of the Stock Corporation Act mutatis mutandis.

The Management Board is authorised, with the consent of the Supervisory Board, to determine the further details of the implementation of the capital increase from authorised capital.

b. § 5, subparagraph 2 of the Articles of Incorporation is amended as follows:

“The Management Board is hereby authorised, with the consent of the Supervisory Board, to increase the share capital by 5 May 2009 through the issuance of up to 4,757,035 new non-par value shares to bearer against contribution in cash or in kind, on one or more occasions, by a total amount of no more than EUR 4,757,035.00 (authorised capital). The Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholders’ statutory pre-emptive rights

- with respect to fractional shares,
- with respect to the granting of shares

against contribution in kind, in particular in connection with business combinations with or the acquisition of other enterprises, parts of or equity interests in other enterprises, ■ if the capital is increased against cash contributions and the issue price is not materially less, within the meaning of §§ 203, subparagraphs 1 and 2, 186, subparagraph 3, sentence 4 of the Stock Corporation Act (Aktien-gesetz), than the stock exchange quotation of shares of the same class and with identical terms already listed at the time the final issue price is determined by the Management Board and if the pro rata capital amount attributable to the shares issued excluding the pre-emptive right pursuant to § 186, subparagraph 3, sentence 4 is not in excess of EUR 951,407.00 and ten per cent of the registered share capital at the time of the issue of the new shares. Sales of treasury shares have to be applied to

this limit of ten per cent of the share capital if such sales are effected, excluding the pre-emptive right, under an authorisation pursuant to § 71, subparagraph 1, No. 8, of the Stock Corporation Act in conjunction with § 186, subparagraph 3, sentence 4 of the Stock Corporation Act. In addition, those shares issued or to be issued to cover convertible bonds and/or bonds with warrants have to be applied to this limit of ten per cent of the share capital if the bonds were issued, excluding the pre-emptive right, under an authorisation in effect at the time this authorisation takes effect or replacing this authorisation by applying § 186, subparagraph 3, sentence 4 of the Stock Corporation Act mutatis mutandis.

The Management Board is authorised, with the consent of the Supervisory Board, to determine the further details of the implemen-

tation of the capital increase from authorised capital. The Supervisory Board is authorised to modify the Articles of Incorporation according to the volume of the capital increase from authorised capital.”

7. Resolution on the cancellation of the existing conditional capital 2003 (for the issue of convertible bonds and/or bonds with warrants) and creation of new conditional capital for the issue of convertible bonds and bonds with warrants

The Management Board and Supervisory Board propose to pass the following resolution:

a. While simultaneously cancelling the existing conditional capital 2003 (§ 5, subparagraph 4 of the Articles of Incorporation) and the authorisation pursuant to the resolution of the General Meeting of 22 May 2003, the Management Board is hereby authorised, with the



consent of the Supervisory Board, by 5 Mai 2009, on one or more occasions, to issue convertible bonds and/or bonds with warrants to bearer in the aggregate principal amount of up to EUR 30,000,000.00 and with a maturity of no more than 20 years and to grant to the bondholders conversion or option rights for new shares of Sunways AG in a pro rata capital amount of up to a total of EUR 4,357,035.00 (condition capital II) pursuant to the conditions of issue of the convertible bonds or bonds with warrants. In addition to EUR, the bonds may also be denominated in the legal currency of any OECD country (up to the limit of the corresponding EUR equivalent). They may also be issued by domestic or foreign companies in which the Company, directly or indirectly, holds a 100 per cent interest; in that case, the Management Board is authorised, with the

consent of the Supervisory Board, to assume a guarantee for the bonds on behalf of the Company and to grant conversion or option rights to the holders of such bonds for the new shares of Sunways AG.

The bonds are to be purchased by a bank or banking syndicate with the obligation to offer them for subscription to the Company's shareholders, unless they are directly offered for subscription to the shareholders.

However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the pre-emptive rights of the Company's shareholders with respect to the bonds with conversion or option rights for the Company's shares

■ if the issue price is not materially less than the market value of the bonds determined in accordance with accepted methods of finance mathematics. However, the authorisation to

exclude the pre-emptive right only applies to bonds with conversion or option rights for shares in a pro rata amount of up to ten per cent of the share capital and such ten per cent limit may neither be exceeded at the time of the resolution of today's General Meeting nor at the time of exercise of this authorisation. Shares issued, excluding the pre-emptive right, under an authorisation for the issuance of new shares from authorised capital pursuant to § 203, subparagraphs 1 and 2 of the Stock Corporation Act in conjunction with § 186, subparagraph 3, sentence 4 of the Stock Corporation Act in effect at the time this authorisation takes effect or replacing this authorisation have to be applied to this limit.

Treasury shares transferred, excluding the pre-emptive right, pursuant to § 71, subparagraph 1, No. 8 of the Stock Corporation Act in conjunction with § 186, subparagraph 3,

sentence 4 of the Stock Corporation Act also have to be applied to this limit.

■ as far as necessary to grant pre-emptive rights to holders or creditors of then outstanding warrants, option rights, convertible bonds and convertible profit-sharing certificates to the extent that they would have been entitled to upon exercise of the conversion or option right or performance of the conversion obligation.

■ to exclude fractional shares resulting from the subscription ratio from shareholders' pre-emptive rights.


If any convertible bonds to bearer are issued, the bondholders will have the right to exchange their convertible bonds for new shares of the Company as provided for in detail in the conditions of issue of the convertible bonds. The conversion ratio is to be deter-

mined by dividing the nominal amount of one bond by the conversion price fixed for one share of the Company. The conversion ratio may also be determined by dividing the issue price that is less than the nominal amount of one bond by the fixed conversion price for one share of the Company. The terms of conversion may provide for a variable conversion ratio and for the conversion price to be fixed within a range to be determined in accordance with the performance of the share price during the term of the issue or during a period of time within the term of the issue. The conversion ratio may be rounded up or down to an integer. Furthermore, an additional cash payment may be provided for. A combination of and/or cash compensation for fractional shares may also be stipulated.

In case of an issue of bonds with warrants, one or several warrants entitling the holder to

subscribe for shares of the Company, as provided for in detail in the conditions of warrants to be determined by the Management Board, will be attached to each bond with warrants. The pro rata capital amount of the shares to be subscribed for per bond with warrants must not be in excess of the nominal amount of the bond with warrants. The term of the option rights must not be in excess of 20 years.

In addition, the conditions of conversion may provide for a mandatory conversion at maturity (or any earlier date). Finally, the conditions of issue of the convertible bonds may provide for the Company not to issue shares in the Company but to pay a cash compensation to the holders of conversion rights. As provided for in detail in the conditions of issue, such cash compensation will correspond to the average price of the shares of Sunways AG in



the closing auction of the XETRA trading (or any successor system thereof with a similar function) during the last one to ten trading days preceding the conversion notice. The pro rata capital amount of the shares to be issued upon conversion must not exceed the nominal amount of the convertible bond.

Also in case of a variable conversion ratio/ exercise price, unless there is a mandatory conversion, the conversion or exercise price to be fixed for one share of Sunways AG (subscription price), has to equal at least 80 per cent of the average closing auction price of the shares of Sunways AG in the XETRA trading (or any successor system thereof with a similar function) on the ten trading days immediately prior to the date of the resolution of the Management Board on the issue of the convertible bonds or bonds with warrants or at least 80 per cent of the average closing

auction price of the shares of Sunways AG in the XETRA trading (or any successor system thereof with a similar function) during the days the pre-emptive rights are traded on the Frankfurt Stock Exchange, with the exception of the last two trading days of the pre-emptive rights.

Notwithstanding § 9, subparagraph 1, of the Stock Corporation Act, the conversion or exercise price may be reduced under an anti-dilution clause, as provided for in detail in the conditions of issue of the convertible bonds or bonds with warrants, through payment of a corresponding amount of money upon the exercise of the conversion right or by reducing the additional payment, if Sunways AG, during the conversion or exercise period, increases its share capital, thereby granting pre-emptive rights to its shareholders, or issues additional convertible bonds or bonds with

warrants or convertible profit-sharing certificates or profit-sharing certificates with warrants or grants any other option rights without granting pre-emptive rights to the holders of conversion or option rights to the extent they would be entitled to upon exercise of the conversion or option right. Furthermore, the conditions may, in case of a reduction of share capital, provide for an adjustment of the conversion and/or option rights.

The Management Board is authorised to determine the further details of the issue and terms of the convertible bonds and/or bonds with warrants, in particular the interest rate, issue price, maturity and denomination, conversion or exercise price and the conversion or exercise period, or to determine the same in agreement with the executive bodies of the companies issuing the convertible bonds and/or bonds with warrants.

b. The share capital is conditionally increased by up to EUR 4,357,035.00 through the issuance of up to up to 4,357,035 non-par value shares to bearer (condition capital II). The purpose of the conditional capital increase is to grant shares to the holders of convertible bonds and/or bonds with warrants issued pursuant to the above authorisation under item a. by 5 May 2009 by Sunways AG or any domestic or foreign companies in which the Company, directly or indirectly, holds a 100 per cent interest. The new shares will be issued at the conversion or exercise price determined in accordance with item a. The conditional capital increase is only to be implemented to the extent that such rights are exercised or holders obliged to convert perform such conversion obligation. The new shares will participate in profits from the beginning of the fiscal year in which they are created upon the exercise of conversion or

option rights or the performance of conversion obligations. The Management Board is authorised, with the consent of the Supervisory Board, to determine the further details of implementation of the conditional capital increase.

c. § 5 subparagraph 4 of the Articles of Incorporation is amended as follows:

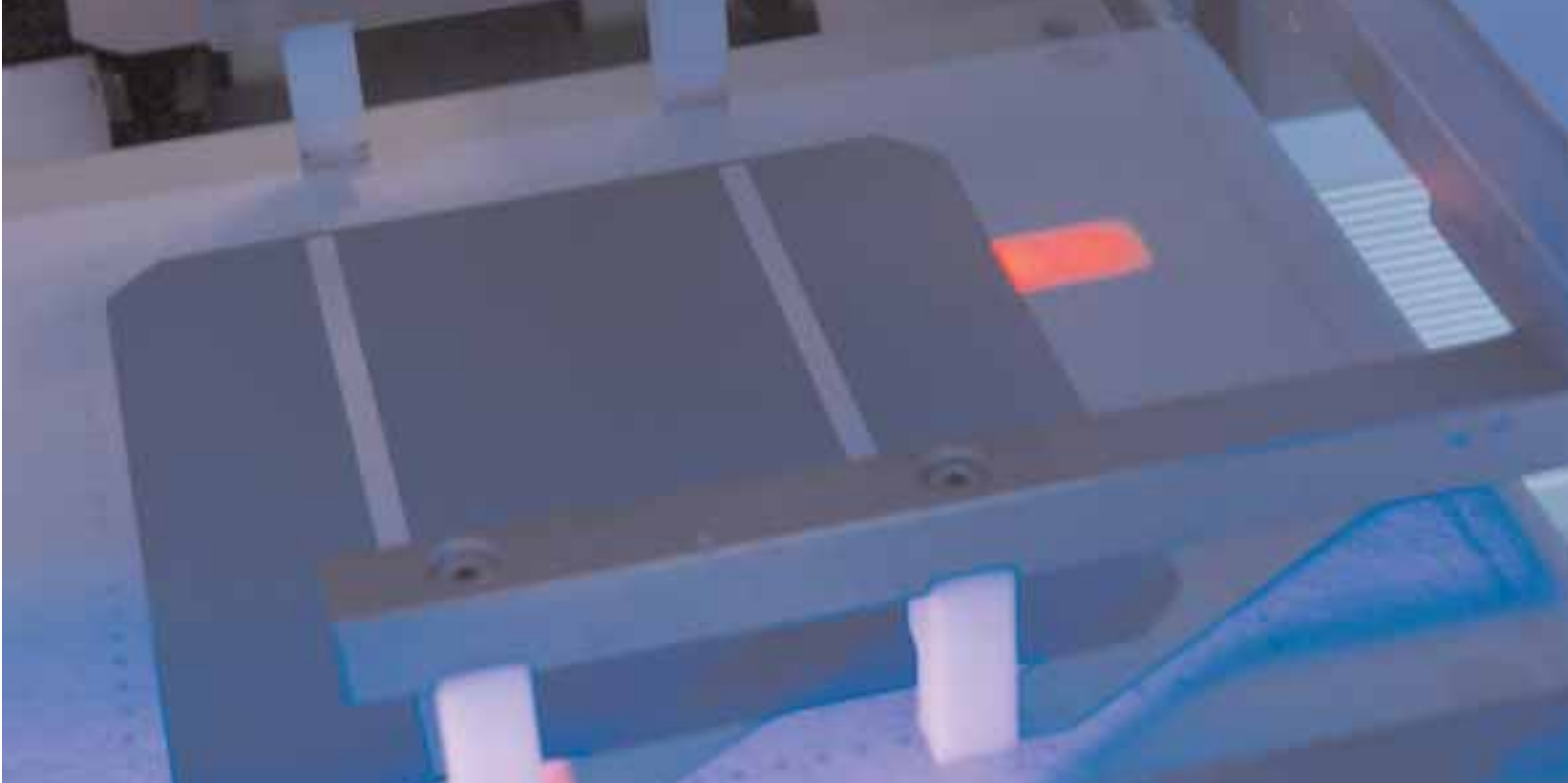
“(7) The share capital is conditionally increased by up to EUR 4,357,035.00 through the issuance of up to up to 4,357,035 non-par value shares to bearer (condition capital II). The conditional capital increase will only to be implemented to the extent that the holders of convertible bonds or bonds with warrants issued under the authorisation of the Management Board by resolution of the General Meeting of 6 May 2004 exercise their conversion or option rights or holders obliged to convert perform such conversion obligation.

The new shares will participate in profits from the beginning of the fiscal year in which they are created upon the exercise of conversion or option rights or the performance of conversion obligations. The Supervisory Board is authorised to modify the Articles of Incorporation according to the volume of the capital increase from conditional capital.”

8. Resolution on the appointment of a member of the Supervisory Board

The Supervisory Board proposes to appoint Mr. Frank Wehking, Diplom-Kaufmann, Hofheim/Taunus, a member of the Supervisory Board for the remaining term of office of the retired member, Mr. Manfred Schulz. A new member of the Supervisory Board has to be appointed as Mr. Manfred Schulz has retired from office effective as of the end of April 2004.

Pursuant to §§ 95 and 96 of the Stock Corporation Act, the Supervisory Board is composed of six members elected by the shareholders. Proposals for appointment are not binding on the General Meeting.



II. Reports to the General Meeting

1. Report of the Management Board pursuant to § 186, subparagraph 4, sentence 2 in conjunction with § 203, subparagraph 2, sentence 2 of the Stock Corporation Act on the exclusion of pre-emptive rights with respect to the conditional capital according to item 6 of the agenda

The Management Board, pursuant to § 186, subparagraph 4, sentence 2 in conjunction with § 203, subparagraph 2, sentence 2 of the Stock Corporation Act, reports as follows on the reasons for the exclusion of the pre-emptive right; such report is made available as part of this invitation from the date of the announcement of the convening of the general meeting at the Company's offices as well as at the General Meeting and a copy thereof will, upon request, be sent to each shareholder without delay and free of charge: The proposed authorisation to increase the

Company's share capital through the issuance of new shares against contributions is to enable the Management Board, with the consent of the Supervisory Board, to respond at short notice to any financing requirements arising in connection with the implementation of strategic decisions.

The proposed authorisation is to augment the amount and expand, as far as legally possible, the time frame of the potential capital increase from authorised capital in view of the capital increase already implemented in the meantime.

The purpose of authorisation, with the consent of the Supervisory Board, to exclude the pre-emptive right with respect to fractional shares is to achieve an even issue amount and subscription ratio. The exclusion of the pre-emptive right is necessary for the realisation of fractional shares, if any. Such fractional

shares will be realised at the best available price but at least at the exercise price. The purpose of the additional proposal to exclude the pre-emptive right with the consent of the Supervisory Board with respect to capital increases against contributions in kind is to enable the Company to grant shares of Sunways AG as compensation in connection with business combinations or the acquisition of enterprises or parts thereof or equity interests. In order to also permit the contribution of other assets in connection with the acquisition of an enterprise, any part thereof or of an equity interest or any similar transaction, the exclusion of pre-emptive rights should not be limited to the contribution of such enterprise or part thereof or equity interest. Thus it would also be possible to comply with a request of the target company's shareholders for a contribution of their loan receivables

from the target company or any other rights in exchange for shares in Sunways AG. Sunways AG competes on a national, European and global level. It has to be in a position at any time to act fast and flexibly in its shareholders' best interest on the national and international markets. This also includes the opportunity to acquire enterprises or equity interests to improve the competitive position. The optimum implementation of such an option in the best interest of the shareholders and the Company may in certain cases be the acquisition of an enterprise or a part thereof or an equity interest by granting shares in Sunways AG. The proposed authorisation to exclude the pre-emptive right is to give the Company the flexibility required to take advantage of any opportunities offered for the acquisition of enterprises, parts thereof or equity interests or other assets in

a rapid and flexible fashion. As in many cases a capital increase for such an acquisition has to be effected at short notice, the creation of authorised capital with an option to exclude the pre-emptive right is a necessity. If the opportunity for such an acquisition of enterprises, parts thereof or equity interests materialises, the Management Board will carefully consider whether to exercise its authorisation to increase the capital and to exclude the pre-emptive right. It will only exercise its authorisation if the acquisition in exchange for Sunways shares is in the Company's best interest. The Supervisory Board will only give its consent required by law to make use of the authorised capital if these requirements are met. Finally the Management Board is to be authorised to exclude the pre-emptive right, with the consent of the Supervisory Board, if the volume and other requirements for the exclusion of

the pre-emptive right under § 186, subparagraph 3, sentence 4 of the Stock Corporation Act are met. Any discount on the price currently quoted on the stock exchange is not expected to amount to more than three per cent and will not in any case be more than five per cent. This optional exclusion of the pre-emptive right is to enable the Company's management to take advantage of a favourable stock market situation at short notice and to achieve the highest possible issue price and thus the best possible equity strengthening by a pricing in line with the market. Experience has shown that, due to the possibility to act fast, such a capital increase results in a markedly higher inflow of funds than a comparable capital increase with a pre-emptive right of shareholders. Thus it is in the best interest of the Company and its shareholders.

The authorisation to exclude the pre-emptive right pursuant to §§ 186, subparagraph 3, sentence 4 of the Stock Corporation Act is limited to a total amount of EUR 951,407.00 and ten per cent of the registered share capital at the time of the issue of the new shares. The authorisation to exclude the pre-emptive right with respect to issues of convertible bonds or bonds with warrants (e.g. under the authorisation according to item 7) of the agenda) is also subject to the limit of ten per cent of the share capital prescribed by law. This ensures that the interests of shareholders are safeguarded by affecting their rights as little as possible. The Management Board will in each case report to the next General Meeting on any use of the authorized capital.

2. Report of the Management Board pursuant to §§ 221, subparagraph 4, sentence 2, 186, subparagraph 4, sentence 2 of the Stock Corporation Act on item 7 of the agenda

The Management Board, pursuant to § 221, subparagraph 4 in conjunction with § 186, subparagraph 4, sentence 2 of the Stock Corporation Act, submits the following report; such report is made available as part of this invitation from the date of the announcement of the convening of the General Meeting at the Company's offices as well as at the General Meeting and a copy thereof will, upon request, be sent to each shareholder without delay and free of charge:

We propose to the General Meeting to grant an authorisation to issue bonds with warrants or convertible bonds while at the same time revoking the authorisation pursuant

to the resolution of the General Meeting of 22 May 2003. Pursuant to this authorisation, the Management Board is in a position, by 5 May 2009, on one or more occasions, to issue convertible bonds or bonds with warrants to bearer in the aggregate principal amount of up to EUR 30,000,000.00 with a maturity of no more than 20 years and to grant the bondholders conversion or option rights for new shares of Sunways AG in a pro rata capital amount of up to a total of EUR 4,357,035.00.

The selected aggregate principal amount gives the Management Board an opportunity to take advantage of a positive share price development within the 5-year period of the authorisation.

An adequate capitalisation is a basic requirement for our Company's development. Bonds with warrants or convertible bonds are financ-

ing instruments that initially ensure the inflow of external funds at low interest rates. Therefore, the proposed authorisation will enable the Management Board, with the consent of the Supervisory Board, to take advantage of a flexible funding at short notice in the Company's best interest, in particular in the event of favourable conditions in the capital markets. The Company will benefit from any conversion and option premiums generated. The option to also create conversion obligations in addition to the conversion and option rights gives additional leeway with respect to the detailed terms of such a financing instrument.

The authorisation gives the Company the necessary flexibility to issue the bonds itself or via domestic or foreign Companies in which the Company, directly or indirectly, holds a 100 per cent interest. In this latter case, the





authorisation also includes the option to assume the guarantee for bonds issued by affiliated companies. In addition to EUR, bonds may also be denominated in the legal currency of any OECD country.

Generally, shareholders are entitled to the statutory pre-emptive rights with respect to the bonds with warrants or convertible bonds (§ 221, subparagraph 4 in conjunction with § 186, subparagraph 1 of the Stock Corporation Act). To facilitate the implementation, the bonds with warrants and/or convertible bonds are expected to be issued to a bank or banking syndicate with the obligation to offer the bonds to the shareholders corresponding to their pre-emptive rights (indirect pre-emptive right within the meaning of § 186, subparagraph 5 of the Stock Corporation Act). The exclusion of the pre-emptive right with respect to fractional shares permits to exercise

the proposed authorisation for even amounts to facilitate the settlement procedure with respect to the pre-emptive rights of shareholders. The exclusion of the pre-emptive right in favour of the holders of existing option rights and convertible bonds has the advantage that the exercise or conversion prices with respect to any bonds with warrants or convertible bonds already issued at the relevant time do not have to be reduced which permits a higher overall inflow of funds. Therefore, both types of exclusion of the pre-emptive right are in the best interest of the Company and its shareholders. Furthermore, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the pre-emptive right of shareholders if bonds with warrants and/or convertible bonds are issued at a price which is not materially below the theoretical market

value of such bonds. This enables the Company to rapidly take advantage of favourable market situations at very short notice and, by fixing conditions in line with the market, to achieve a better interest rate, exercise or conversion price and issue price of the bonds with warrants or convertible bonds. If pre-emptive rights are granted, the possibility to fix terms in line with the market and to place the bonds smoothly are limited. § 186, subparagraph 2 of the Stock Corporation Act, as amended by the Act on Transparency and Publicity, now permits a publication of the subscription price (and thus also of the terms of the bonds with warrants or convertible bonds) by the third from last day of the subscription period. However, due to the volatility often experienced in the stock markets, there is also a market risk for several days which, when the terms of the bonds are fixed, results

in safety discounts so that the terms are no longer in line with the market. Also due to the uncertainty with respect to the exercise of any pre-emptive rights granted (subscription behaviour) the successful placement with third parties is jeopardized or may involve additional expense. Finally, if pre-emptive rights are granted, the Company, due to the duration of the subscription period, is unable to respond to positive or negative market conditions at short notice and may thus be subject to declining stock prices during the subscription period which may result in an unfavourable equity funding for the Company. Pursuant to § 221, subparagraph 4, sentence 2 of the Stock Corporation Act, if pre-emptive rights are excluded in such a case, the provisions of § 186, subparagraph 3, sentence 4 of the Stock Corporation Act will apply correspondingly. The limit of ten per cent of the

share capital for the exclusion of pre-emptive rights provided for in these provisions of law has to be complied with according to the contents of the resolution. Shares issued, excluding the pre-emptive right, under an authorisation to issue new shares from authorised capital pursuant to § 203, subparagraphs 1 and 2 of the Stock Corporation Act in conjunction with § 186, subparagraph 3, sentence 4 of the Stock Corporation Act (e. g. under the authorisation pursuant to item 6) of the agenda) in effect at the time this authorisation takes effect or replacing this authorisation as well as treasury shares transferred, excluding the pre-emptive right, pursuant to § 71, subparagraph 1, No. 8 of the Stock Corporation Act in conjunction with § 186, subparagraph 3, sentence 4 of the Stock Corporation Act are in each case applied to such ten per cent limit. This ensures that

the interests of shareholders are safeguarded by affecting their rights as little as possible. § 186, subparagraph 3, sentence 4 of the Stock Corporation Act further provides that the issue price must not be substantially less than the theoretical market value of the bonds to prevent any material dilution of the shares economic value. Whether or not the issue of bonds with warrants or convertible bonds involves such a dilution effect may be determined by calculating the theoretical market value of such bonds with warrants or convertible bonds in accordance with accepted methods of finance mathematics and comparing it to the issue price. If such issue price is then only marginally lower than the theoretical market value at the time of the issue of the bonds with warrants or convertible bonds, the exclusion of the pre-emptive right is permissible according to the purpose and intent

of § 186, subparagraph 3, sentence 4 of the Stock Corporation Act as the discount is only negligible. The Management Board is obliged to obtain an expert opinion from an investment bank or auditing company for the purpose of determining the theoretical market value of the bonds. This expert opinion has to provide evidence that the issue price is not substantially less than the theoretical market value of the bonds to ensure that shareholders are protected from a dilution of their holdings.

In addition, shareholders may maintain their interest in the Company's share capital upon the exercise of option or conversion rights by purchasing shares via the stock exchange at any time. On the other hand, the Company's authorisation to exclude the pre-emptive right permits to fix the terms in the light of market conditions and to take advantage of favour-

able market conditions at short notice, while offering the greatest possible degree of security with respect to a placement with third parties.

To obtain further flexibility, the conditions of issue may provide for the Company not to issue any shares in the Company but to pay an equivalent cash compensation upon the exercise of conversion or option rights. Such virtual convertible bonds or bonds with warrants may be used by the Company for a funding in line with the capital markets without any corporate action relating to share capital actually being required. A variable number of shares to be subscribed for upon the exercise of option or conversion rights or performance of conversion obligations or a variable conversion right and/or an exercise or a conversion price which may be modified during the term of the issue within a range

to be determined by the Management Board depending either on the development of the share price or under anti-dilution provisions may also be provided for. This may make the issue more attractive in the capital market under certain circumstances.

However, also in case of a variable conversion ratio/conversion or exercise price, unless there is a mandatory conversion, the conversion or exercise price to be fixed for one share of Sunways AG, has to equal at least 80 per cent of the average closing auction price of the shares of Sunways AG in the XETRA trading (or any corresponding successor system) on the ten trading days prior to the date of the resolution of the Management Board on the issue of the bonds or at least 80 per cent of the average closing auction price of the shares of Sunways AG in the XETRA trading (or any corresponding successor system) during the

subscription period, with the exception of the last two trading days of the pre-emptive rights.

The proposed conditional capital II will be used to cover the conversion and option rights relating to the bonds or conversion obligations with respect to the Company's shares to the extent that any bonds have been issued. As § 5, subparagraph 3 of the Articles of Incorporation already provides for a conditional capital of EUR 400,000.00, the above refers to the conditional capital II. § 5, subparagraph 4 of the Articles of Incorporation will be amended accordingly.







III. Participation in the General Meeting

Shareholders who have deposited their shares until the end of the General Meeting with a collective securities deposit bank, Landesbank Baden-Wuerttemberg, Stuttgart, or a notary on the seventh day before the General Meeting, at the latest, are entitled to attend and vote at the General Meeting. The deposit will also be duly made if the shares, with the consent of a depositary agent, are kept in their names in blocked accounts with other credit institutions until the end of the General Meeting.

Thus the shares have to be deposited by 29 April 2004, at the latest.

A certification of such deposit has to be submitted to the Company on the first working day after the expiration of the deposit period, at the latest.

Please note that the voting right in General Meeting may be exercised by proxy or by an

association of shareholders (§ 125, subparagraph 1 of the Stock Corporation Act). The proxy has to be made out in writing and to be submitted to the Company in the original. Counter-motions of shareholders should be mailed in due time to the following address:
Sunways Aktiengesellschaft
Ms Astrid Forst
Macairestraße 3–5
D-78467 Konstanz
Fax +49 7531 99677548

In addition, shareholders who are unable to attend the General Meeting in person are given the opportunity to have their voting rights exercised in accordance with their instructions by a proxy appointed by the Company. Shareholders who authorise the proxy appointed by the Company require an admission ticket to the General Meeting

for this purpose. Shareholders will receive the documents and information required for voting by proxy together with the admission ticket. The completed proxy and instruction forms have to be received in the original via mail by 3 May 2004, at the latest, by Sunways AG, Mr. Klaus Kühnle, Macairestraße 3–5, D-78467 Konstanz. Any proxies or instructions submitted cannot be modified after that date. Furthermore, shareholders who attend the General Meeting and have to leave before voting may also authorise and give instructions to the proxy appointed by the Company by means of another form provided by the Company for this purpose when leaving the General Meeting.

In case of an authorisation of the proxy appointed by the Company, the shares also have to be deposited in due time and form in accordance with the above provisions.

The financial statements and consolidated financial statements as of 31 December 2003 as well as the summarised management report of Sunways Aktiengesellschaft and of the Group, together with the report of the Supervisory Board and the proposed appropriation of the result, will be available to shareholders for inspection at the Company's offices from the day of announcement. Upon request, each shareholder will receive a copy of these documents without delay.

Constance, March 2004

The Management Board

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The Steigenberger Inselhotel is located near the Constance railroad station. As there is only limited parking space available, subject to a fee, we kindly ask you to use public means of transport, if possible.

