



Sunways Products



Sunways Solar Cells

Sunways develops and produces solar cells on the highest technological level. Sunways Mono- and Multicrystalline Solar Cells have the highest efficiency rates among opaque solar cells. The Transparent Sunways Solar Cell is particularly suited for attractive façade integration with additional benefits.



Sunways Solar Inverters

The inverter, the heart of any solar system, is required to feed the energy generated by the solar cells into the public power supply system. Sunways Solar Inverters NT with HERIC[®] technology, at 96.4 per cent, have the highest efficiency rates in Europe.



Solar Systems and Projects

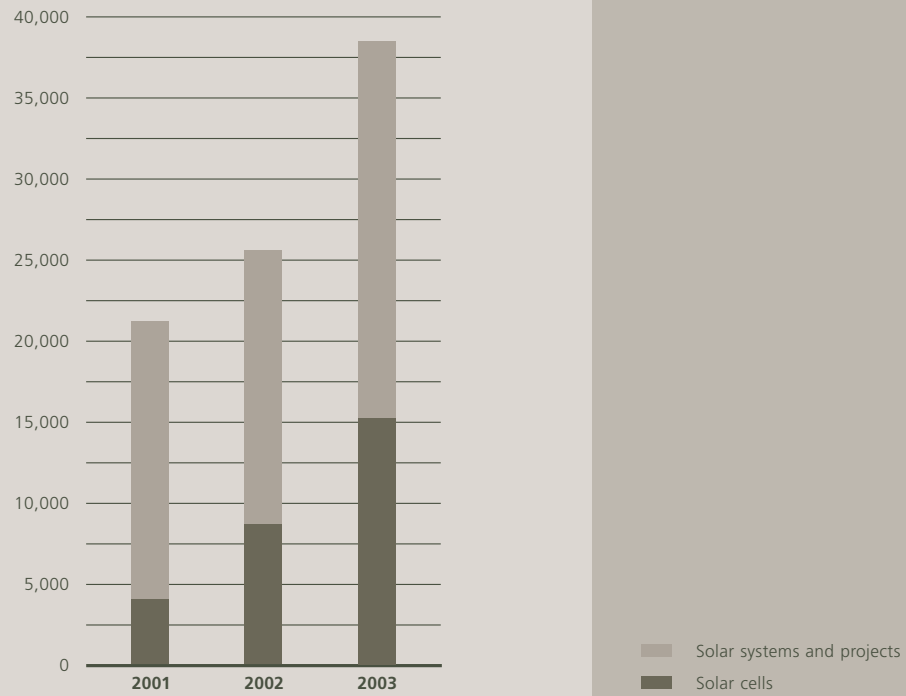
Our subsidiary, MHH Solartechnik GmbH, Tübingen, is focused on the distribution of solar systems, modules with Sunways solar cells and solar inverters. The employees have long-standing experience in the area of planning and implementation of complex projects.

At a Glance

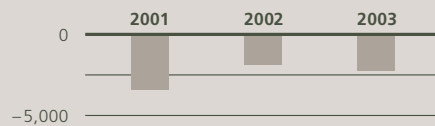
	2003		2002		2001		2000	
	millions of €	%	millions of €	%	millions of €	%	millions of €	%
Consolidated income statement								
1. Sales	38.7	105	25.8	94	21.3	90	5.1	81
Changes in inventories	-2.0	-5	1.7	6	2.3	10	1.2	19
2. Gross performance	36.8	100	27.5	100	23.6	100	6.3	100
Cost of materials	-30.2	-82	-22.3	-81	-20.1	-85	-5.4	-86
3. Gross margin	6.6	18	5.2	19	3.5	16	0.9	14
Other operating income	0.9	2	0.7	3	0.3	1	0.4	6
Personnel expenses	-4.6	-13	-3.9	-14	-3.2	-15	-1.7	-27
Other operating expenses	-3.5	-3	-2.6	-9	-3.1	-15	-1.9	-30
4. EBITDA	-0.6	-2	-0.6	-2	-2.5	-12	-2.3	-37
Depreciation and amortisation	-1.5	-4	-1.2	-4	-0.8	-4	-0.6	-10
5. EBIT	-2.1	-6	-1.8	-7	-3.3	-15	-3.0	-48
Financial result	-0.3	-1	-0.4	-1	0.1	0	-0.3	-5
6. EBT	-2.4	-7	-2.2	-8	-3.2	-15	-3.2	-51
Taxes on income	0.8	2	0.9	3	1.3	6	0.0	0
7. EAT	-1.6	-4	-1.3	-5	-1.9	-9	-3.2	-51
Minority interests	0.0	0	0.0	0	-0.1	0	0.0	0
8. Consolidated net income/loss	-1.6	-4	-1.3	-5	-2.0	-9	-3.2	-51
Earnings per share/€	-0.17		-0.15		-0.23		-0.99	
Assets								
Fixed assets	8.1	33	8.1	30	7.9	28	5.0	42
Current assets	13.6	56	14.7	55	12.2	44	4.1	34
Liquid funds	2.6	11	4.1	15	7.8	28	2.9	24
Total assets	24.3	100	26.9	100	27.9	100	12.0	100
Shareholders' equity and liabilities								
Shareholders' equity	14.0	57	15.4	57	16.3	58	1.8	15
Long-term loans	4.5	19	5.3	20	6.1	22	6.6	55
Short-term loans	5.8	24	6.2	23	5.5	20	3.6	30
Total shareholders' equity and liabilities	24.3	100	26.9	100	27.9	100	12.0	100

Rounding differences are possible

Sales in thousands of €



EBIT in thousands of €



Possible rounding differences

Employees

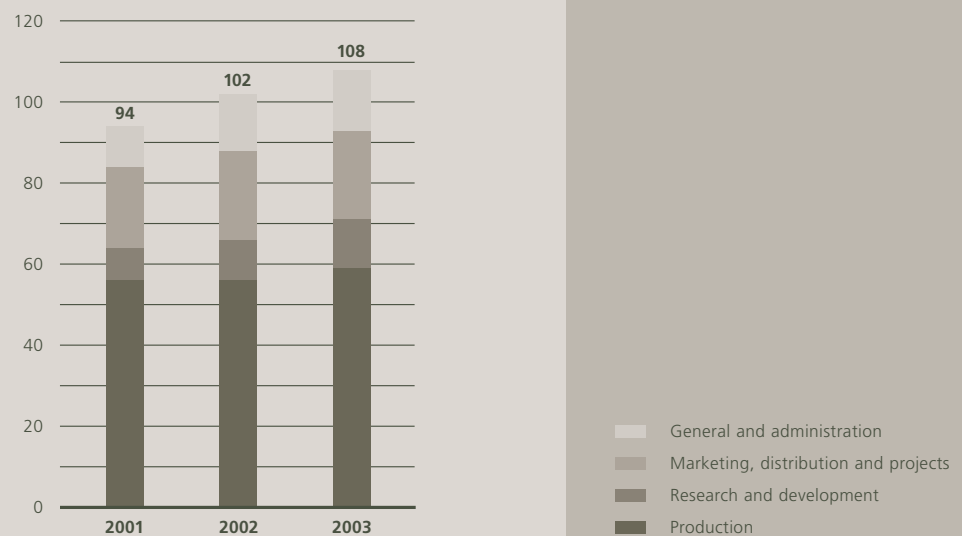
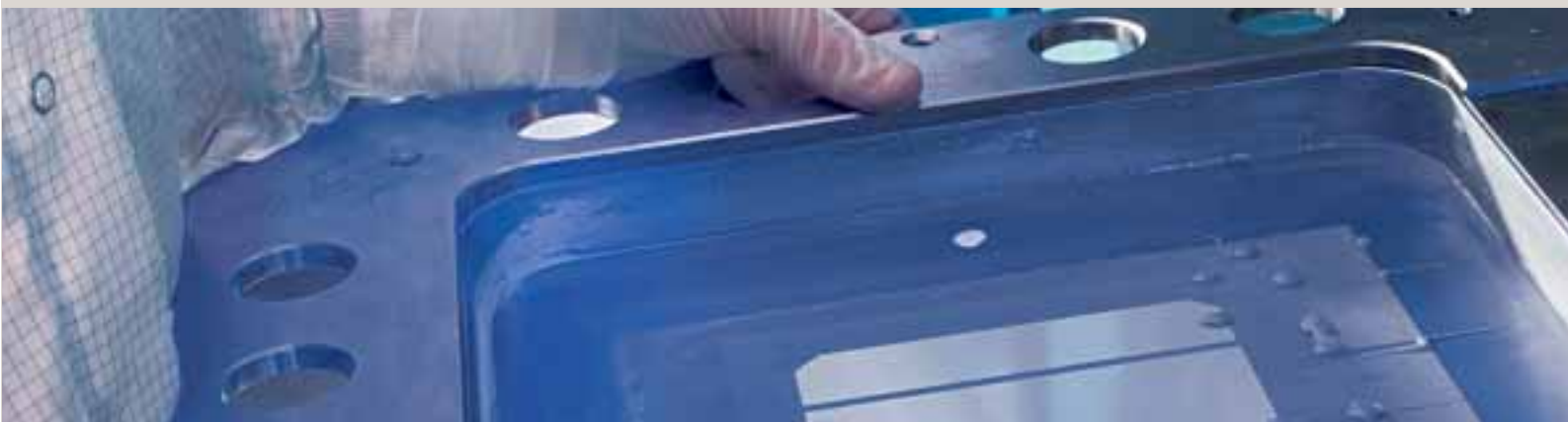


Table of Contents



1. 	The Company	
	8 Foreword of the Management Board	
	10 The Year 2003	
	12 Products and Distribution	
	18 The Sunways Share	
2. 	Group Management Report	
	22 Management Report	
	42 Report of the Supervisory Board	
	44 Corporate Governance	
3. 	Consolidated Financial Statements (IAS)	
	48 Consolidated Balance Sheet	
	49 Consolidated Income Statement	
	50 Changes in Shareholders' Equity	
	51 Consolidated Cash-Flow Statement	
	52 Notes to the Consolidated Financial Statements	
	66 Changes in Fixed Assets	
	68 Auditors' Opinion	
	69 Statement of Independence	
	70 Executive Bodies	
4. 	Information and Communication	
	74 Glossary	
	75 Financial Calendar	
	76 Contact	
	76 Imprint	

1

2

3

4

The Company



In 2003, Sunways increased its sales by 50 per cent, launched new products in the market and expanded its technological leadership.



Foreword of the Management Board

Dear Shareholders, Business Partners and Co-Workers,

Sunways again followed its growth path in 2003: sales rose by 50 per cent to € 38.7 million. We successfully expanded our capacities and launched new products in the market.

New products include an entirely new generation of solar inverters developed in cooperation with the Fraunhofer Institute for Solar Energy Systems and marketed worldwide exclusively by us as well as new solar cell types. With this broadening of our product range and expansion of our capacities, we seek to continue to participate in the vigorous market growth in the future. In particular, we expect significant contributions to sales and results from the new solar inverters which have already proven their worth in several tests and are among the highest quality devices of that type throughout the world.

The solar cell segment also has the potential for growth: the newly launched black Monocrystalline Solar Cell complements our product range and is mainly ordered if the highest aesthetic standards have to be met. With new equipment and a continu-

ous shift operation on seven days a week, we doubled our production capacities. Thus we will continue to be in a position to satisfy the increasing demand.

We are continuously improving our efficiency rates and maintaining our technological leadership. Our exclusive cooperation with Solarcomplex paves the way for innovative distribution concepts that we wish to expand in the future.

However, a shadow was also cast on our successful activities in 2003. Unfortunately, we were unable to reach the break-even as targeted. This was not least due to the external factors that affected us in 2003 in a manner hardly ever experienced before.

In Germany, our largest market, the 100,000 roofs programme, under which the Kreditanstalt für Wiederaufbau had financed low-interest subsidized loans for solar systems, expired in summer 2003. There was no successor programme so that the second half-year 2003 was marked by great uncertainty with respect to the promotion policy. We very much appreciate

the new programme providing for a higher energy feeding rate from 1 January 2004 instead of subsidized loans. However, it was introduced too late to offset the decline in demand of the prior year. Accordingly, we experienced a significant upswing in the first quarter 2004.

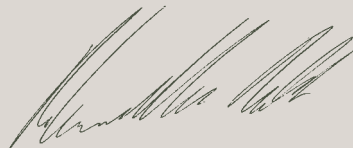
Our internationalisation efforts outside Europe were affected by the strong Euro. The standard solar cell business in Asia deteriorated against the prior year, as our competitors were able to offer substantially lower prices. At the same time, however, we were awarded a first reference project for the Transparent Sunways Solar Cell in Japan, the largest solar market in the world. This shows that we are on the right way with this high-technology product and that we will also be able to achieve better prices for our high-quality products.

Our sales growth in Europe outside Germany amounted to more than 50 per cent. This proves that we grow markedly stronger than the market in the Euro zone. Mainly in Spain and Austria, Sunways is among the major providers of solar technology. At the beginning of the new fiscal year, Sunways has a sound basis: Our products are leading from a technological point of view, they are received by a

growing market that should gain new momentum with the worldwide economic recovery. We anticipate being in a position to achieve a substantial and, above all, profitable growth.

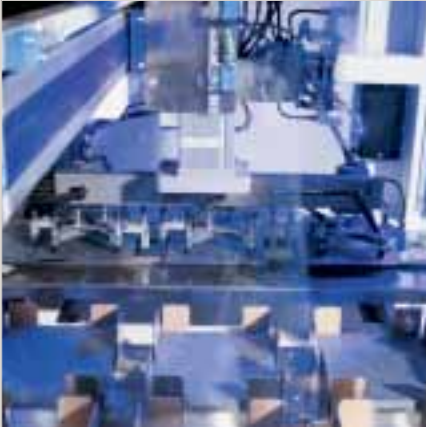
Stay in touch with us – we look forward to your interested and critical questions at any time.

With kind regards,



Roland Burkhardt

The Year 2003



January

Production capacities were successfully doubled

With an increase of production capacities from five to twelve megawatt, Sunways paves the way for future growth. Due to a more flexible approach, we are able to produce solar cells of various formats and to respond to changing market conditions.

June

Future-oriented expansion of product portfolio

At the "Intersolar" trade fair in Freiburg, the Sunways Solar Inverter NT will be launched in the market. The device will be an overwhelming success in the solar industry: it was awarded the Innovation Prize on the occasion of its initial presentation at the Photovoltaic Solar Energy Symposium in March 2003. Inverters with a capacity of almost four megawatt will be sold by year-end.

July

Development of the Japanese market

Transparent Sunways Solar Cells with a capacity of four kilowatt will be delivered to a Japanese module manufacturer. The cells ornate the staircase of the research centre of the Japanese Ministry of Trade and Economy in Tukuba City.



November

New cell type complements product portfolio

The Monocrystalline Sunways Solar Cell will be delivered for the first time. Compared to the polycrystalline cell, it is highly aesthetic with substantially higher efficiency rates of up to 16.7 per cent. Serial production will start in late March 2004.

December

Ten years of Sunways

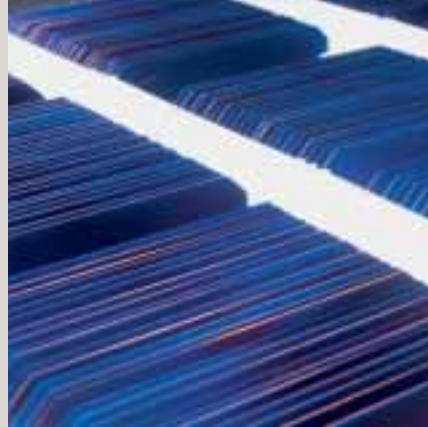
Sunways was established ten years ago on 1 December. Over the past ten years, Sunways has turned from engineering office to technology and quality leader. Today we offer our customers high-performance solar cells, high-efficiency inverters and, via our subsidiary MHH Solartechnik GmbH, complete solutions in the area of solar systems and projects.

December

Expanded distribution partnership

Sunways AG and Solarcomplex GmbH, Singen, enter into a framework agreement. Solarcomplex installs photovoltaic capacities of almost one megawatt in the Constance district in 2003, using exclusively Sunways Solar Inverters NT and solar modules of MHH Solartechnik. This corresponds to an order volume of € 2.1 million. In 2004, Solarcomplex intends to install a capacity of two megawatt.

Products and Distribution



Following a growth path with innovative products

Sunways AG is the technologically leading provider of solutions and products (solar cells and inverters) for the generation of electricity from solar energy. We continuously work on the systematic expansion of our product range and the improvement of our products' quality.

Sunways Solar Cells for a variety of applications

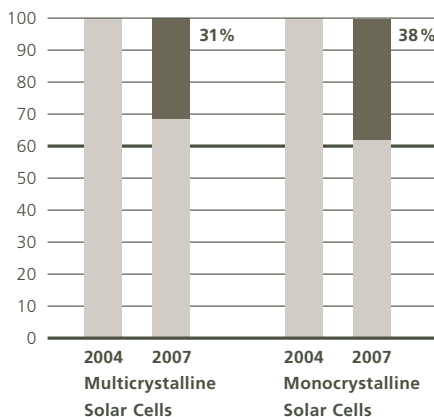
Our solar cells meet the highest quality and performance standards. Strict quality standards guarantee a consistently high production quality. As the first manufacturer worldwide of a maximum fixed voltage of 510 mV, we test every cell. Colours are as specified by our customers. We produce our solar cells in accordance with individual colour specifications. The Monocrystalline Sunways Solar Cells are high-performance solar cells for all sophisticated and professional applications. With efficiency rates of up to 16.7 per cent, they generate first-class output. Their 125 x 125 mm format (diagonal format: 165 mm) has been well established in the market. Their even surface and dark colour design make them an aesthetic design unit and eye-catcher.

Monocrystalline Sunways Solar Cells have some potential: their raw material allows to increase the efficiency rate over the next three years to 18.5 per cent at reasonable production cost.

Multicrystalline Sunways Solar Cells, due to their consistent quality, set standards and ensure the module's reliable output. With an efficiency rate of up to 15.7 per cent, they generate convincing output. Their good cost-performance ratio ensures optimum economic efficiency.

Transparent Sunways Solar Cells offer the architect a variety of new design opportunities: they combine the generation of energy with transparency, aesthetics and shading for an innovative design and high-quality applications. From the outside, the cells serve as sight and sun protection. From the inside, they allow an unobstructed view of the outside. In addition to the direct façade integration of photovoltaics, there are other areas of application for Transparent Sunways Solar Cells, e.g. in the automotive industry.

Potential decrease of production costs
in %





From innovative idea to successful product – the Sunways Solar Inverter NT

The inverter is the heart of every solar system: It is required to feed the energy generated by solar cells into the public power supply system.

In 2003, Sunways started the serial production of the new inverter generation “Sunways Solar Inverter NT” and introduced it to the market. These devices incorporate a number of innovations for improved economic efficiency and more comfort.

The HERIC® technology integrated into the Sunways Solar Inverters NT was developed together with the Fraunhofer Institute for Solar Energy Systems and awarded the Innovation Prize of the Photovoltaic Solar Energy Symposium in March 2003.

The operator of the solar system achieves a clearly measurable financial benefit, as this solar inverter has the highest efficiency rate in Europe: up to 96.4 per cent of the electricity generated by the solar cells may be fed into the public power supply system with the new inverter. Also the new technology ensures a maximum performance of the device even when sunshine alternates with an overcast sky. The Solar Inverter NT sets standards and improves the market position of Sunways

AG. The response to this new product has been entirely positive. Inverters with a capacity of almost four megawatt were already sold in 2003. With the new inverter generation, Sunways is well positioned to further increase its market share.

MHH Solartechnik GmbH – sun with a system

The business of MHH concentrates on the distribution of solar systems based on extensive know-how. As a so-called system house, our subsidiary distributes all necessary components for a photovoltaic system and provides project services for complete solar systems. Together with the customers – specialist firms and wholesalers – MHH develops customized solutions and offers complete services to operators of solar systems. The focus is on long-term customer relations, good advice, customer care and excellent service as well as strict observance of delivery periods. MHH offers support with respect to the planning and project management of solar systems from one kilowatt peak to several megawatt and is the ideal partner for wholesalers and craftsmen as well as investors in large solar systems. MHH Solartechnik GmbH distributes the Sunways product range and MHH modules. The latter in-



corporate Sunways Solar Cells and are characterised by perfect quality control, minimum process tolerance and ease of installation.

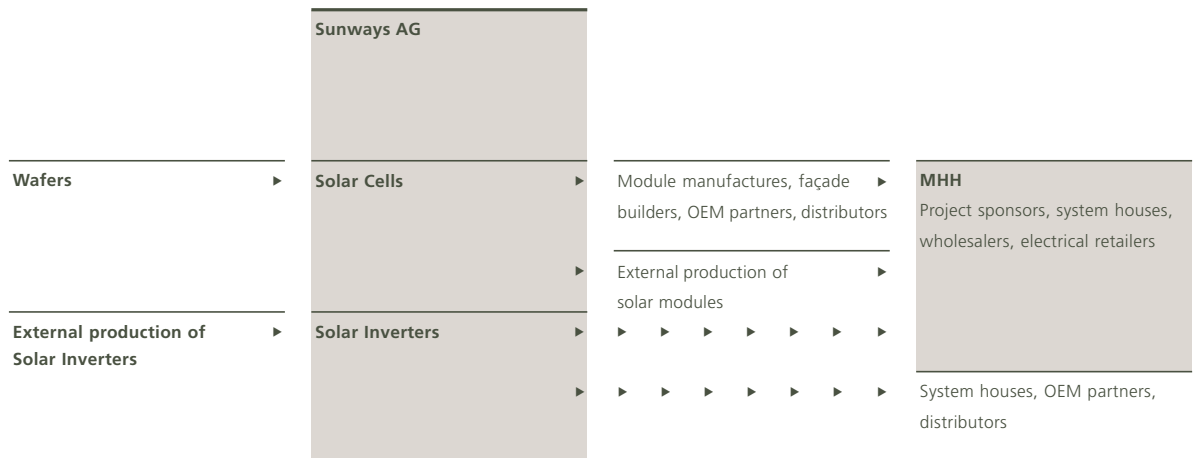
In 2003, MHH Solartechnik recorded a marked increase in sales of 43 per cent against the prior year. Its market share was approx. five per cent which makes MHH one of the ten largest system providers in Germany.

Concentration on core competences

With the production and distribution of solar cells and inverters as well as MHH modules, Sunways covers a major part of the solar value-added chain.

With our successful internal developments, such as the Solar Inverter NT, and continuous optimization in the areas of solar cell technology and production, we further promote our growth strategy. Due to its long-standing experience, our wholly-owned subsidiary understands the solar market, is very close to customers and thus provides important market information to Sunways AG.

Solar value-added chain





Quality is the most important criterion in the selection of our suppliers. Carefully chosen wafer suppliers provide us with the raw material for our solar cells. Our solar inverters have been produced for several years by a reliable German partner in Hungary. The modules sold under the "MHH" brand name are produced by a renowned German module manufacturer according to our specifications.

This shows that Sunways enters into production partnerships in cases where the development of its own capacities would be inefficient. However, in our core areas we rely exclusively on our own resources. This results in marked cost-savings and competitive advantages. Thus we are well positioned in a rapidly changing market.

Partnership with Solarcomplex GmbH opens up new distribution channels

We are working on the extension of our customer base and customer loyalty. In 2003, we continued and intensified the cooperations with selected distribution partners. One example is the regional cooperation with Solarcomplex GmbH. Solarcomplex intends to install photovoltaic capacities of at least two megawatt in the Constance district in 2004 by using exclusively Sunways Solar Inverters NT and

MHH solar modules. This corresponds to an order volume of approx. € 6.7 million and 20 per cent of our solar cell production. An installed capacity of two megawatt corresponds to a module surface of just under 20,000 square metres capable of generating almost two million kilowatt hours of solar energy per year sufficient to supply approx. 2,000 persons or 600 households. With a yield of seven per cent to nine per cent, project partners are confident to attract a sufficient number of citizens as investors.

Solarcomplex GmbH has its registered office in Singen/Hohentwiel and rents roofs of municipal, commercial, and agricultural buildings and free areas in the region, provides project services for photovoltaic systems and attracts shareholders.

An extension of its activities to include the entire western Lake of Constance region is planned.



Internationalisation

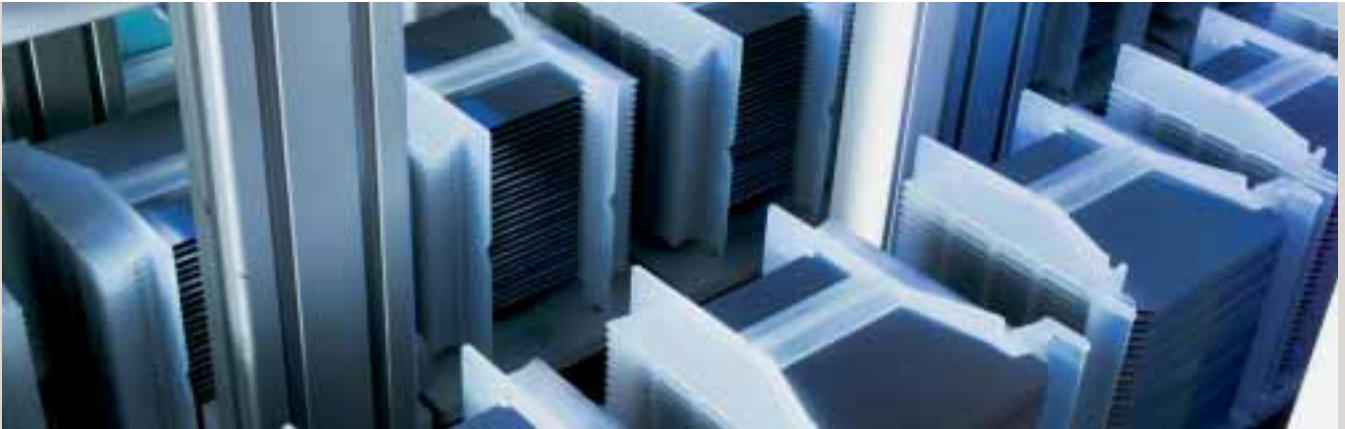
Sunways is active on an international scale. Last year, an upswing in business activities resulted inter alia from the systematic expansion of the international distribution network. In addition to an increase in sales in countries such as Austria, Switzerland and Japan, the cooperation with the Spanish distribution partners led to quadruple sales in this market. The Sunways Solar Inverter NT was successfully launched in Spain at the year-end 2003.

Within the framework of an energy plan and promotional programmes, the Spanish government strives for an installed photovoltaic capacity of 144 megawatt by the end of 2011. 21 megawatt thereof were realised by the end of 2002. In 2003, the installed capacity amounted to 4.5 megawatt. A market volume of seven megawatt is anticipated for the year 2004.

We plan a continuous expansion to include additional foreign markets in order to reduce our dependence on the German market. In Spain, we want to double our sales against the prior year in 2004.

Customer loyalty through “sunways on tour”

It is our target to provide competent and extensive consultancy and after sales services to our customers. Consequently, we have developed the Sunways Customer Service in 2003. To support the market launch of the Sunways Solar Inverters NT, we trod new paths with the “sunways on tour” campaign: in October and November 2003, the Sunways team informed interested plumbers in Dresden, Hanover, Stuttgart and Munich about the new generation of devices. Participants were given an opportunity to satisfy themselves as to the innovative HERIC® technology concept. We plan to continue this successful series of events in 2004.



Homepage with new design and increased contents

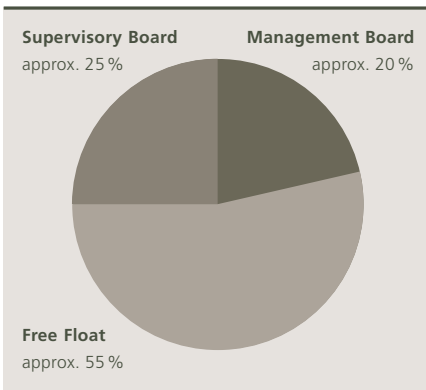
We also strengthened our distribution activities by redesigning our Internet presentation. We have improved the structure and adapted the layout to our corporate design.

The goal of this review of the concept and contents was to meet the requirements of end customers, module manufacturers, investors and shareholders. We also placed great emphasis on user-friendliness: the desired information can be easily found and rapidly called in.

The Sunways Share



Ownership structure

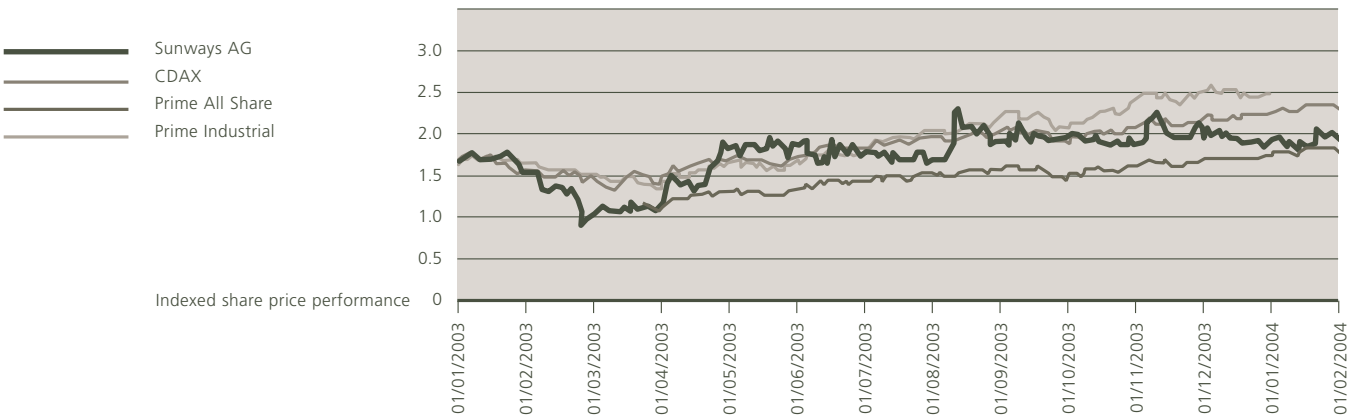


In the last quarter 2003, the price of the Sunways share stabilised between € 1.80 and € 2.00. The annual low was reached on 25 February 2003 at € 0.84. At the time, the Company had not announced any information that might have been related to this decline in the share price. The annual high was reached on 13 August 2003 at € 2.25. The imminent publication of the semi-annual figures had an impact here – numerous investors anticipated a good result which actually was in line with expectations.

At the end of the year, the price of the Sunways share amounted to € 1.85. This corresponded to a rise of about 16 per cent against the beginning of the year when

the share was quoted at € 1.60. Thus the Sunways share recorded a weaker price performance than other shares in the solar industry, ranging between the market-wide Prime All Share and CDAX indices. Nevertheless, we are not satisfied with this situation and will endeavour to improve the price performance for the benefit of our shareholders during the current year. It goes without saying that, with another rise in sales, reaching the break-even has first priority in the fiscal year 2004. We already achieved our first positive pre-tax result (EBIT) in the third quarter of the past fiscal year. We have generated positive cash-flows since the second quarter 2003. Thus we have stopped the outflow

Share price performance





of liquid funds and are now again developing a cushion of liquid funds.

In addition, we also intend to increasingly communicate our growth story. In September 2003, we presented our Company at the Small Cap Conference in Frankfurt and had many discussions with investors in the wake of this event. Our DVFA meeting was held on 13 November 2003 in Frankfurt when we presented our results for the third quarter 2003. On the basis of improved results of operations, we want to increase our investor relations activities in 2004, relying inter alia in the growing interest in sustainable investments.

It is our intention to make the Sunways share a quality investment in the area of

renewable energies. We want our share to reach a standing that our products already have achieved. A first step in this direction was the Prime Standard listing with its high transparency and precision requirements on our Company. We want to continue on this path, relying on sustainability, soundness and long-term commitment to our investors.

Currently, studies and assessments relating to Sunways AG are available from Landesbank Baden-Wuerttemberg, BW Bank and equinet Institutional Services.

Key figures compared to the prior year

	2003	2002
Earnings per share (€)	-0.17	-0.15
Net assets per share (€)	1.47	1.62
Number of shares (weighted)	9,514,070	9,234,419
Share price high/low (€)	2.25/0.84	4.76/1.60
Share price as of 31/12 (€)	1.85	1.60
Market capitalisation as of 31/12 (€)	17,601,029	15,222,512

Shareholdings of members of executive bodies

	Shares as of 31/12/2003	Options as of 31/12/2003	Lock-up until
Management Board			
Roland Burkhardt	1,775,655	10,000	09/02/2003
Bernd Fessler	26,000	10,000	09/02/2003
Supervisory Board			
Dr. Roland R. Bahr, chairman	9,902		
Otto Mayer, deputy chairman	655,146		
Ernst Haug	3,695		
Franz Heim	1,685,654		09/02/2003
Heinz W. Bull	0		
Manfred J. Schulz	0		

Group Management Report



Solar energy continues to be a growth market. Sunways is represented in the two major markets worldwide – Japan and Germany. We are continuously expanding our position in Europe.



⚡
Wichtige
Hinweise
zur
Sicherheit
bei
Arbeiten
mit
Strom

suncoys

suncoys

Management Report



A. Slight economic recovery in the industrial countries as of the year-end 2003

In the first nine months of the fiscal year 2003, the global economy was characterised by the hardly positive cyclical situation, moderate earnings prospects for enterprises and, in the first half-year, uncertainties in connection with the Iraq conflict. This applied especially to the economy in the Euro zone. All these elements of uncertainty resulted in a significant investor as well as buyer restraint on the part of enterprises as well as of individual consumers. In the last quarter 2003, a slight economic recovery was experienced in the USA and in the Euro zone. However, the overall weak economic growth for the entire year was not significantly improved by this recovery.

In Germany, the cyclical sideways move continued in 2003. It was only around the end of the financial year that there were first indications of a slow recovery also in Germany. Contrary to this rather moderate overall economic development, the situation in the photovoltaics market continued its positive course in 2003.

The leading economic research institutes expect the positive trends of the fourth quarter 2003 to continue in 2004.

B. Development of the industry and economic environment

Continuously strong growth in the photovoltaics market¹

The strong growth in 2002 – the worldwide photovoltaics market grew by 41 per cent from 396 MWp to 560 MWp – also continued in 2003. According to currently available estimates, there was again a market growth of approx. 40 per cent to 780 MWp. The assessment of the macro-economic environment for solar energy continues to be favourable.

The growth rate is also expected to persist in 2004 and to amount to about 20 per cent in 2005 and 2006 each on a higher basic level. This would still correspond to a marked increase of the annually installed capacity. By the end of the decade growth rates are anticipated to amount to about 13.5 per cent, while the annual sales volume is expected to increase to more than 1,500 MWp.

¹ "Solarenergie – heiter oder bewölkt?", Sarasin Study, Basle, November 2003;

"Trends in Photovoltaic Applications in selected IEA countries between 1992 and 2002", IEA – International Energy Agency, August 2003



Regional markets

The photovoltaics market is still dominated by Japan, Germany and the USA. The largest portion of the worldwide growth is generated in Japan and Germany. The share of these nations in the worldwide installed capacity amounts to more than 80 per cent. Germany continues to record the highest percentage growth rates.

Japan

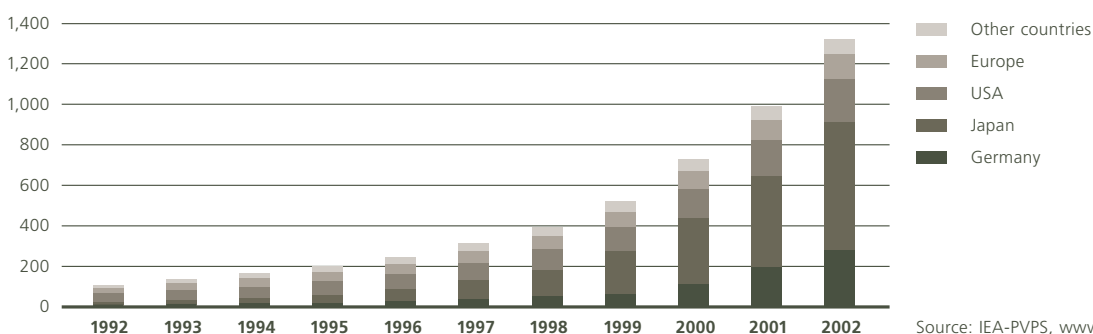
The prospects for Japan, by far the largest regional market, are again positive. The Japanese government intends to further reduce the dependence on energy imports and, against this background, attaches great importance to photovoltaics. The 70,000 roofs programme, which expired in March 2003, was de facto renewed for

another two years, although at reduced compensation rates. Furthermore, there are other promotion measures, such as the "Residential PV System Dissemination Program" as well as additional government and private initiatives, to ensure the growth of the Japanese market.

USA

The market structure in the USA varies considerably from that of the Japanese or German market. While in Japan and Germany the photovoltaics market is dominated by systems connected to the grid, approx. two thirds of the installed systems in the USA are so-called insular systems not connected to the grid (compared to only eleven per cent and six per cent, respectively, in Japan and Germany).

Regional break-down of accumulated photovoltaic capacity installed worldwide in MW



Source: IEA-PVPS, www.iea-pvps.org



Due to the federal system, the promotion situation is significantly less transparent than in Germany or Japan. There are a variety of promotion programmes in the individual federal states (investment grants, tax benefits etc.). As a result of such promotion programmes, US sales are expected to grow further in the future.

European Union

The goal of the European Union to install a total photovoltaic capacity in its member states of approx. 3 GWp by 2010 remains unchanged. Currently, Germany continues to be predominant in the European market. However, other countries are also beginning to implement these guidelines which leads to strong market growth, mainly in the Netherlands and Austria but also Spain.

The German photovoltaics market grows by 50 per cent in 2003

Irrespective of the moderate economic development, the photovoltaics market in Germany recorded a positive development in the past fiscal year. The market volume amounted to approx. 120 MWp. This corresponds to a 50 per cent increase against the prior year.

In June 2003, the 100,000 roofs programme, under which low-interest loans of Kreditanstalt für Wiederaufbau (KfW)

were granted to purchasers of photovoltaic systems, was discontinued. Photovoltaic systems with an overall volume of more than 300 MWp were promoted under this programme. This promotion substantially contributed to the strong market growth in recent years.

The new regulations with respect to public promotion will result in further market growth from 2004

Following extensive political discussions, a government draft for the further development of the Act on Renewable Energies (Erneuerbare Energien Gesetz – EEG) was adopted by the Federal Parliament (Bundestag) on 19 December. The new regulations relating to public promotion of solar energy took effect on 1 January 2004.

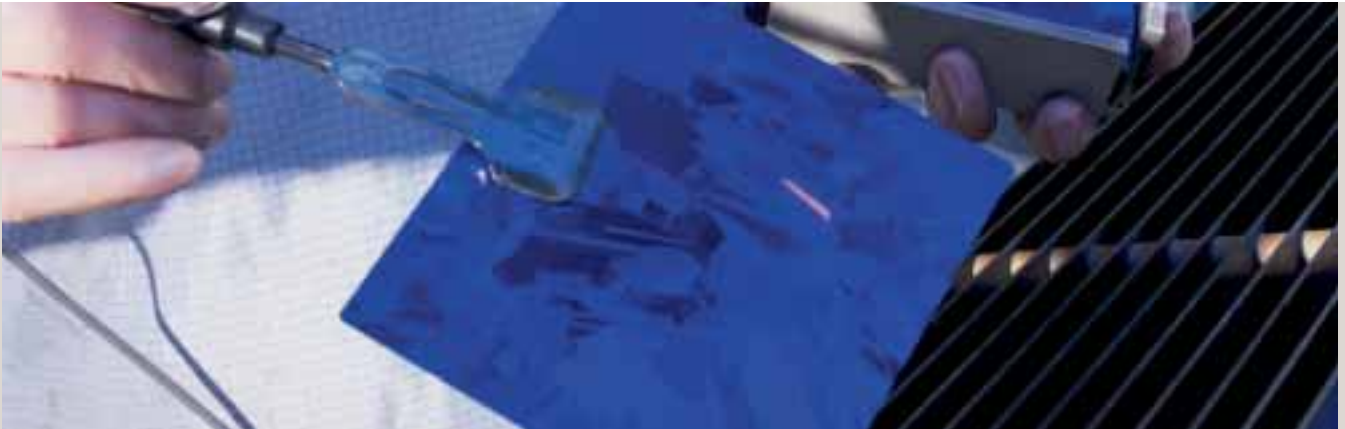
Thus the secure planning base for the next years required by the photovoltaic industry was established.

Under the new regulations, the promotion of photovoltaic systems by KfW in the form of low-interest loans will be discontinued in the future. Instead the energy feeding rate for systems connected to the grid will rise significantly. For promotion purposes, photovoltaic systems will be subdivided into various categories with different promotion rates.

We expressly welcome the separation of

Act on Renewable Energies: Public promotion from 2004, Germany

Type of system	Promotion €/kWh
PV roof systems <30 kWp	0.574
PV roof systems >30 kWp	0.546
PV free area systems	0.457
PV façade systems <30 kWp	0.624
PV façade systems >30 kWp	0.596



public promotion from funding and the concentration on energy feeding rates. On the one hand, the new regulations will result in a reduction of bureaucracy, on the other hand, individual investors may take their funding decision irrespective of public promotion. Thus the photovoltaic industry may gain access to new customer groups.

Market segments

In recent years, growth in photovoltaics mainly related to the market segment of systems connected to the grid. The market share of systems connected to the grid rose further and amounted to approx. 75 per cent in 2002. This share should have increased again in 2003, on the one hand, as a result of the government promotion

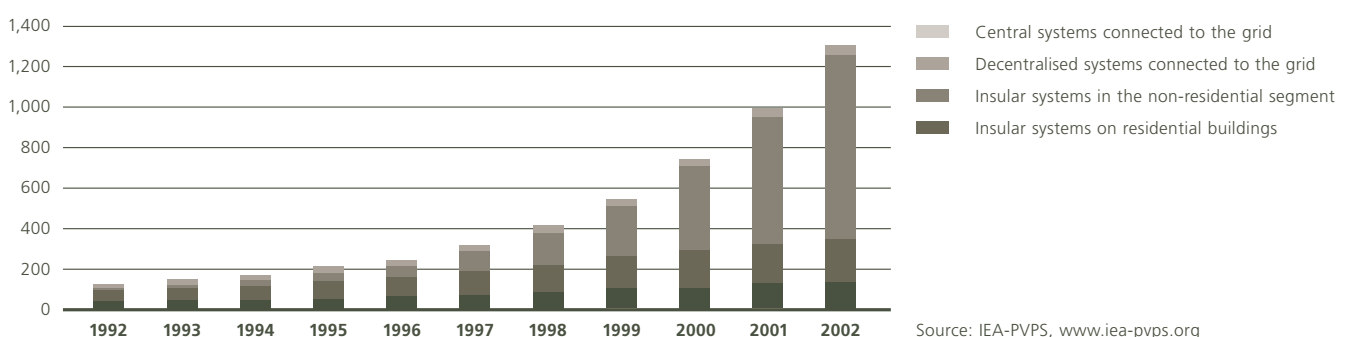
which, in particular in Japan and Germany, is focused on this area. On the other hand, a system connected to the grid is significantly more cost-effective than a so-called insular system. In our opinion, systems connected to the grid will also record the highest growth rates in the future due to the continuing public promotion.

Technological development

Over the past years, the crystalline silicon technology further expanded its strong market position. The share of mono- and polycrystalline solar cells in the total production volume of solar cells rose to a total of about 88 per cent.

The market share of polycrystalline solar cells amounted to approx. 52 per cent,

Accumulated photovoltaic capacity installed worldwide by areas of application
in MW



Source: IEA-PVPS, www.iea-pvps.org



while monocrystalline solar cells reached a market share of 36 per cent. While over the past years the market share of polycrystalline solar cells rose continuously, there are currently indications of a revival of monocrystalline solar cells. This is inter alia due to reduced procurement costs for monocrystalline silicon wafers as well as to the markedly higher efficiency rates that may be achieved with this material. New technologies (thin-film, melt-draw process, CIS technology etc.) are still in the development phase. It might still take some time before they are used in the industry. In our opinion, the crystalline silicon technology will remain predominant in the foreseeable future, as it is now a proven and reliable production process. Also it is possible to further increase efficiency rates and reduce costs with crystalline production procedures.

C. Business Divisions

1. Solar cells

Continued strong sales growth

In the past fiscal year, sales in the solar cell business division rose by 76 per cent to € 15,222 thousand.

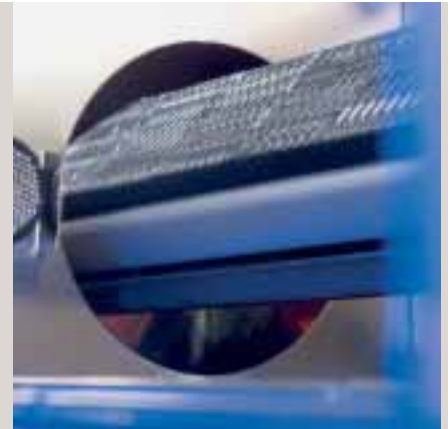
The internationalisation efforts initiated in the prior year were vigorously continued. However, the weak US-dollar resulted in a significant decline in sales in Asia and America. Such decline was more than offset by increased sales in Germany and the rest of Europe. The share of sales generated outside Germany amounted to twelve per cent (prior year: 26 per cent) in the past fiscal year.

As planned, a large portion of sales in the solar cell business division accounted for non-transparent Sunways Solar Cells made of polycrystalline material. € 1,284 thousand of total sales accounted for inter-company sales.

Sales of Transparent Solar Cells more than doubled in 2003. We also won major reference projects in this area. In spring 2003, the so far largest project with a capacity of 15 kWp was realised in an office building in Eindhoven, the Netherlands. There were also additional projects in Germany and Europe (e. g. Spain).

Sales of solar cells

	2003		2002		2001	
	k€	%	k€	%	k€	%
Germany	13,492	88	6,577	76	3,573	89
Rest of Europe	1,599	11	902	11	269	7
Asia	130	1	869	10	0	0
America	1	0	287	3	173	4
Total	15,222	100	8,635	100	4,015	100



In July, Sunways was for the first time able to position itself with a major order in Japan, the largest market for photovoltaic systems worldwide. These achievements emphasise the reliability and efficiency of the Transparent Sunways Solar Cells. In 2004, additional projects in Germany and abroad will be completed.

Price decline offset by increased efficiency rates and productivity

Prices in the market for solar cells again declined in 2003. In the first quarter, a decrease in prices of approx. ten per cent had to be coped with. Sales prices stabilised on this low level during the course of the year. The price decline was offset by improved purchase terms as well as an increase in productivity of the production units during the year: on the one hand, we further reduced production costs against the prior year, on the other hand, we were able to increase the average efficiency rate of produced solar cells.

Production rises by 56 per cent

In the past fiscal year, the production output amounted to approx. 7 MWp (prior year: 4.5 MWp). This corresponds to a marked increase of 56 per cent against the prior year.

While in the first quarter production still

had to be adjusted to the lower demand, we started doubling our production capacities by way of further automation and continuous shift operations (seven days per week) in spring. Now there is an annual capacity of approx. 12 MWp available. By making our production line even more flexible, we are also able to manufacture solar cells in the 125 x 125 mm and 150 x 150 mm formats in addition to the 100 x 100 mm format.

Declining purchase prices

Delivery of the wafer material required in 2003 was secured by framework agreements. The price decline in the sales market for our solar cells experienced in the first quarter was partly passed on to wafer suppliers. New production facilities resulted in a further relaxation of the wafer supply situation. Due to the commissioning of additional capacities also in the year 2004 and the resulting economies of scale with respect to the production of silicon wafers, we expect prices to decline again in the year 2004.

The prices of other raw materials for the production of solar cells also slightly decreased.



Sunways maintains technological leadership

In addition to the large national and international research projects (inter alia PROKON, RGSells), which were continued according to plan in cooperation with our partners, the focus of activities in the development area in the past fiscal year was on the further reduction of production costs as well as the increase in the efficiency rates of the Polycrystalline Sunways Solar Cell and of the Transparent Sunways Solar Cell. We continuously improved the production process in 2003 and thereby further reduced production costs. The average efficiency rate rose by 0.2 percentage points to 14.7 per cent. We achieve a top efficiency rate of 15.7 per cent. Thus Sunways maintains its position among the leading manufacturers of solar cells worldwide.

In addition to the on-going improvement of the existing product range, Sunways developed another product up to the point of market maturity in 2003, a black solar cell based on monocrystalline material which was already delivered to customers in November 2003. Serial production is scheduled to commence at the end of the first quarter 2004. This black solar cell is characterised by high aesthetics and markedly higher efficiency rates compared

to polycrystalline solar cells. At the end of 2003, the average efficiency rate of this new type of solar cell was 16.3 per cent, the top efficiency rate was 16.7 per cent.

Investments

Investments in the solar cell division in the past fiscal year amounted to €1,416 thousand and mainly related to the completion and expansion of the existing production facility in Constance, capitalised development costs as well as EDP hardware and software.



2. Solar systems and projects

Marked sales growth in the system business

In the past fiscal year, the solar system business was subject to strong price competition. In particular Japanese providers of solar modules were in a position, due to the development of the exchange rate of the Japanese Yen, to offer the products at lower prices in the German market. Despite this increasing price competition, our sales rose by 44 per cent against the prior year. In addition, the Group's system house, MHH Solartechnik GmbH, Tübingen, which handles the business with wholesalers, retailers and plumbers, was able to consolidate its position as a high-quality provider in Germany. The company continues to be among the ten largest system houses in Germany.

In the first quarter, we entered into a distribution cooperation with Solarcomplex GmbH, Singen, a regional sales organisation for photovoltaic systems, to strengthen our distribution capacities. Furthermore, Sunways acquired a five per cent equity interest in Solarcomplex. Despite the uncertainties following the discontinuation of 100,000 roofs programme, Solarcomplex sold photovoltaic systems with a volume of almost one megawatt to private in-

vestors in 2003. The company exclusively uses components of Sunways AG (MHH modules with Sunways Solar Cells, Sunways Solar Inverters). In 2003, Sunways generated sales of € 2,132 thousand from this cooperation. Solarcomplex intends to increase its sales volume significantly in 2004.

While a 56 per cent growth was generated in the first nine months, growth dynamics markedly decreased in the fourth quarter. The growth rate declined to 27 per cent due to the uncertainty with respect to the promotion policy following the expiration of the 100,000 roofs programme in summer 2003.

When the Federal Government resolved in November to modify the public promotion system and to introduce significantly improved conditions from 2004 on, many customers postponed the purchase of a photovoltaic system to the year 2004. One year after the market launch, the business with the Company's own modules with Sunways Solar Cells sold under the "MHH" brand name continued to experience a positive development. Meanwhile this type of module accounts for 32 per cent (prior year: 20 per cent) of total module sales. This means that sales tripled against the prior year. With the MHH module, we placed a quality product



in the upper market segment despite the strong price competition. We expect increasing sales in this area also in the future.

In the middle of the fiscal year, we started the successful marketing of our new NT series of Solar Inverters. The market launch was combined with intensive advertising and sales efforts which attracted many new customers. In 2003, we already sold 800 inverters of this new type. Together with our X.02 series, which was discontinued as of the year-end, we achieved a four per cent market share in Germany. The share of international business remained almost unchanged against the prior year at eleven per cent. Sales were largely generated in the neighbouring countries in Europe (mainly Austria and Switzerland). It is our intention to successfully continue our internationalisation efforts also with respect to the new solar inverters.

Sales of solar systems and projects

	2003		2002		2001	
	k€	%	k€	%	k€	%
Germany	22,267	89	15,357	90	17,210	99
Rest of Europe	2,536	11	1,773	10	89	1
Total	24,803	100	17,130	100	17,299	100

Programmed further growth

Due to the modification of the public promotion system for photovoltaics adopted by the Federal Parliament (Bundestag) as of the year-end 2003, which took effect as of 1 January 2004, we again expect a strong market growth in the German system business for 2004. We intend to take an overproportionate share in this market growth.

Continuously declining prices

As a result of the intensified competition, the prices for solar systems declined substantially, mainly in Germany. Thanks to lower purchase prices granted by suppliers, we were able to compensate for this development. We expect a further price decline in the sales market in 2004.

Production partnerships secure our success

In the system and project business, the Company concentrates on its core competences and, therefore, has no production capacities of its own for inverters and modules. There are long-term supply contracts with reliable partners.

The inverters developed by Sunways in Constance are manufactured by a German cooperation partner in Hungary. Thus we combine high quality with cost-effective



production. We further expanded this successful partnership with the serial production of the new NT inverter family which was started in summer as planned. The modules sold under the "MHH" brand name are produced by renowned German module manufacturers according to our specifications. This also emphasises our high quality standards in this area.

Further reduced dependence on suppliers

The secure supply of system components was further improved in 2003. Thanks to the markedly increased capacities of component suppliers, there was no supply bottleneck. The Company has entered into long-term partnerships with suppliers in the system business as well and, therefore, has a stable basis of calculation.

The market for solar systems is again expected to grow strongly in 2004. We prepared for this already in 2003. Sunways ensured its envisaged sales of solar modules as well as solar inverters under long-term framework agreements with respect to supply volumes and production capacities. In addition, the dependence on existing suppliers is reduced by the increasing success of the MHH module.

New inverter generation successfully established in the market

In mid 2003, the new Solar Inverters of the NT series were successfully launched in the market. The inverter family developed with the assistance of the Fraunhofer Institute for Solar Energy Systems, Freiburg, is distinguished by its extremely high efficiency rate based on a patented development. Sunways was granted the exclusive worldwide license for the utilization of this patent.

Investments

Investments in fixed assets amounted to € 277 thousand and mainly related to non-recurrent payments for licenses, utilization rights in the area of inverters, capitalised development costs as well as office equipment.



D. Personnel and social matters

Qualified employees are a major success factor for Sunways. In the past fiscal year, our employees were again required to make a substantial effort to successfully manage the Company's significant growth. The Management Board would like to take this opportunity to expressly thank our employees for their commitment. Daily working life will continue to be characterised by a fast innovation rate and numerous changes in the implementation of our ambitious goals.

Further increase in the number of employees

In connection with the expansion of production facilities in Constance as well as the further intensified research and development activities, the number of employees was increased to 108 (plus six per cent) in 2003.

Four-shift model with qualification and performance-related remuneration system

With the development of continuous shift operations in early 2003, a group-based four-shift model was introduced in the production unit at the Constance location. Production employees work in four fixed shift groups around the clock on seven days a week. Within these groups, employees are assigned to various functions, depending on their qualification, on a rotating basis.

To supplement this new, group-based shift model, a new remuneration system was also introduced in the production unit. The remuneration of employees is comprised of four elements. A uniform basic salary, a qualification-related bonus, a performance bonus as well as general additional payments for night, Sunday and holiday work. The goal of the new remuneration system is to create an incentive

Employees by function as of 31/12/2003

	2003	2002	2001
Production	59	56	56
Research and development	12	10	8
Marketing, distribution and projects	22	22	20
General and administration	15	14	10
Total	108	102	94



for the further education of employees so that they can be assigned in the production process as flexibly as possible and to promote the achievement of production targets.

Share options secure long-term commitment

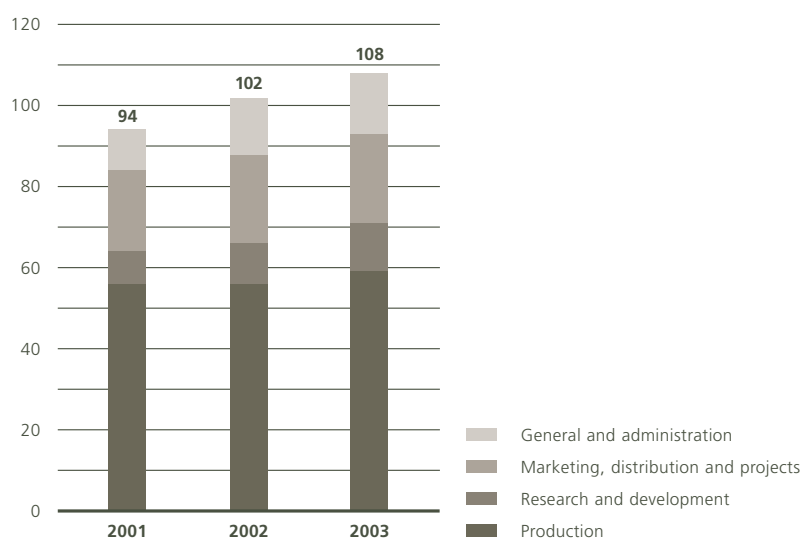
As an additional incentive and for a long-term attraction of qualified employees, Sunways has established an employee participation programme in the year 2000. The Company was authorised to issue up to 400,000 share options to the members of the Management Board and employees of the Company as well as to members of management and employees of associated companies.

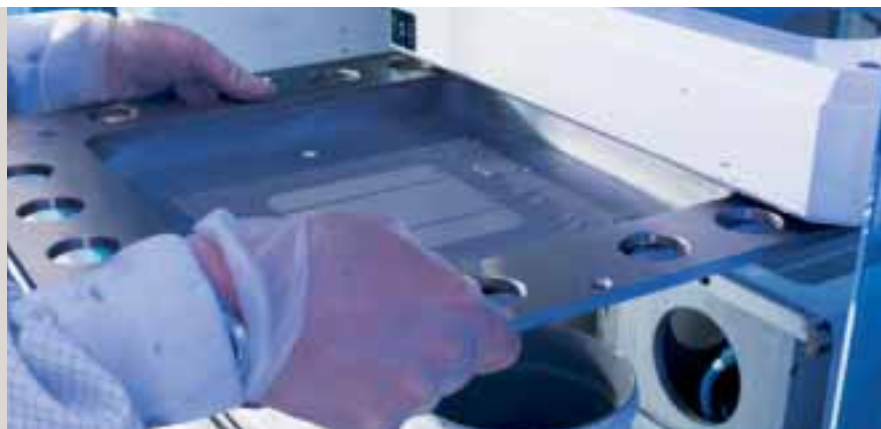
Each option entitles the holder to purchase one share. 120,000 of the options are earmarked for members of the Management Board of Sunways AG, 120,000 for members of management and employees

of associated companies and 160,000 for employees of the Company and its associated companies.

In the period under review, 55,000 new share options were issued to Group employees. As of 31 December 2003, the number of share options issued was 163,100.

Employees





E. Financial position and results of operations

Stable balance sheet relations – reduced working capital

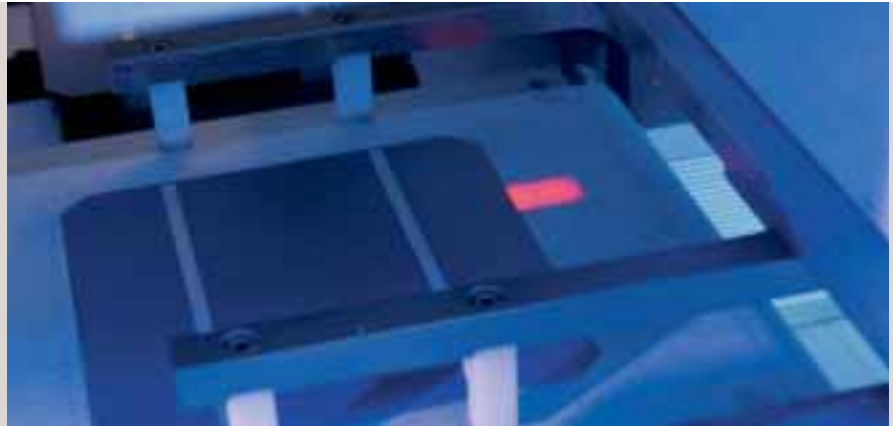
Total assets declined by ten per cent against the prior year. Despite an increase in consolidated sales by 50 per cent, we were able to markedly reduce working capital. Other current assets (mainly trade receivables and inventories) declined by 18 per cent. This reflects in particular the success of our strict management of accounts receivable. Inventories also decreased against the prior year.

Fixed assets experienced a stable development. Investments in the past fiscal year amounted to € 1,693 thousand and mainly related to the expansion of the production line in Constance, capitalised development costs as well as EDP software and hardware.

Liquid funds amounted to € 2,597 thousand (prior year: € 4,132 thousand) at year-end. While liquid funds again declined to € 760 thousand in the first three months, we were able to generate positive cash-flows from the second quarter 2003.

Consolidated Balance Sheet

	2003		2002		2001	
	k€	%	k€	%	k€	%
Assets						
Liquid funds	2,597	11	4,132	15	7,839	28
Other current assets	9,038	37	11,076	41	9,584	34
Fixed assets	8,108	33	8,135	30	7,817	28
Deferred taxes	4,593	19	3,648	14	2,630	10
Total	24,336	100	26,992	100	27,870	100
Liabilities and shareholders' equity						
Short-term loans	5,796	24	6,288	23	5,477	20
Long-term loans	4,553	19	5,285	20	6,096	22
Shareholders' equity	13,987	57	15,419	57	16,297	58
Total	24,336	100	26,992	100	27,870	100



Stable equity ratio at 57 per cent

As of 31 December 2001, the Company's equity ratio remained almost unchanged against the prior year at a comfortable 57 per cent.

The bank loans raised in connection with the development of production facilities were redeemed according to plan in 2003. Redemption payments in the past fiscal year amounted to € 718 thousand.

High expenditure for future growth

Sales rose by a total of 50 per cent against the prior year. Sunways thus was able to fully participate in the market growth in 2003. The gross margin declined slightly,

inter alia as a result of the low degree of utilization of production facilities in the first quarter of the past fiscal year. The successful reduction of working capital is reflected in changes in inventories (–€ 1,950 thousand).

The increase in personnel expenses to € 4,608 thousand (plus 20 per cent) reflects the rise in personnel expenses in the production area as well as the expansion of research and development activities.

The increase in other operating expenses, on the one hand, was due to the rise in sales, on the other hand, to the costs of the market launch of the new solar inverter.

Consolidated Income Statement

	2003		2002		2001	
	k€	%	k€	%	k€	%
Sales	38,740	105	25,766	94	21,314	90
Changes in inventories	–1,950	–5	1,662	6	2,305	10
Gross performance	36,790	100	27,428	100	23,619	100
Cost of materials	–30,233	–82	–22,275	–81	–20,073	–85
Gross margin	6,557	18	5,153	19	3,546	15
Personnel expenses	–4,608	–13	–3,853	–14	–3,235	–14
Other operating expenses and income	–2,626	–7	–1,926	–7	–2,814	–12
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	–676	–2	–626	–2	–2,503	–11
Depreciation and amortisation	–1,470	–4	–1,154	–4	–822	–3
Earnings before interest and taxes (EBIT)	–2,146	–6	–1,779	–6	–3,325	–14
Financial result	–314	–1	–436	–2	116	0
Earnings before taxes (EBT)	–2,461	–7	–2,215	–8	–3,210	–14



Depreciation and amortisation rose in line with the additional investments made over the past years.

The financial result improved to € 314 thousand due to the scheduled redemption of bank loans.

We were not satisfied with the development of our results in the past year. In 2003, Sunways had to cope with various non-recurrent expenses affecting the result. Following a moderate start at the beginning of the year, there was another marked price decline in the first quarter 2003, in particular in the area of solar cells. We were able to largely pass on this price decline to our suppliers, although with some delay.

The production volume was adjusted to the low demand at the beginning of the year. Expenses were incurred in connection with the doubling of our production capacities which will only generate income in the future. In addition, marketing and distribution costs rose as a result of the start of our new generation of Solar Inverters NT. The market response to the new products was very positive. This makes us look into the future with confidence.

While losses were incurred in the first and second quarter 2003, net income was for the first time generated in the third

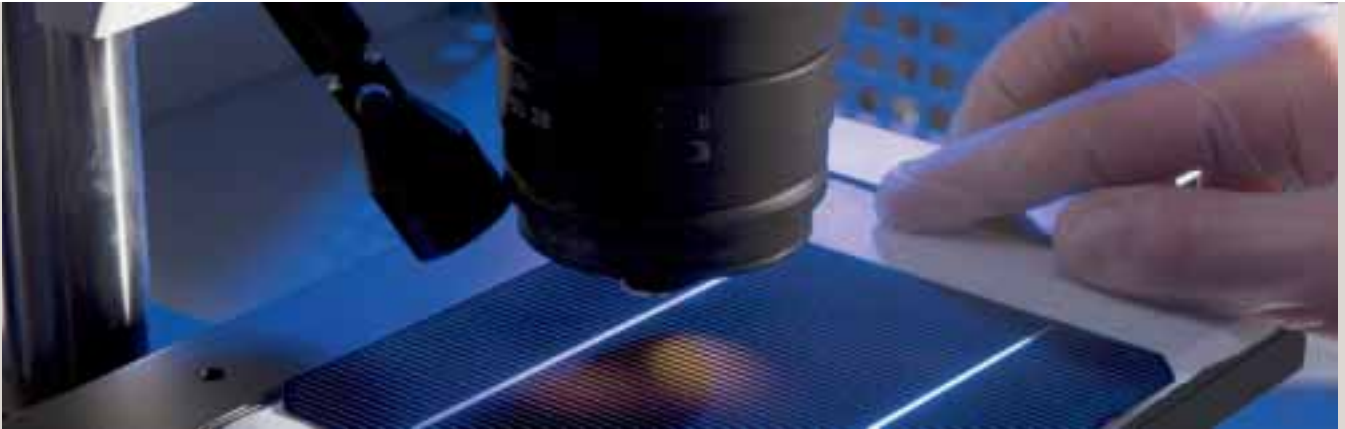
quarter. Due to the weakened demand at the year-end as well as shortened production days in December, another loss was recorded in the fourth quarter as planned.

F. Environmental protection

Environmental protection beyond the standards required by law

At its production facilities in Constance, the Company utilizes state-of-the-art technologies, also in the environmental protection sector.

Sunways has reviewed the chemicals supply for the production of solar cells since year-end 2003. Upon completion of these activities at the end of the first quarter 2004, we will reduce the former consumption in our wet-chemical process for cleaning the delivered silicon wafers by up to 80 per cent with respect to individual chemicals. Less waste will be produced and have to be disposed of as hazardous waste. In addition, there will be significant cost-savings in the area of materials used. This example shows how a better eco-balance of the Company simultaneously reduces costs. We expect the relevant investments to pay off within the next two years.



G. Risk Report 2003

1. Major risks

The term "risk" describes the possibility of unfavourable developments in the future the occurrence of which is likely, although not to a large extent. The order of the following presentation is not meant to be a weighting of risks by their impact on the Company or the probability of their occurrence. In addition to the risks and uncertainties described below, the Company may be subject to various other risks and uncertainties which are presently unknown or deemed to be insignificant.

In an overall assessment of the risk situation of the Sunways Group, it was found that such risks are limited and controllable and do not jeopardize the Group's continuation. From today's point of view, there is also no indication of any risks jeopardising the Group's continuation in the future.

Dependence on a limited number of production lines

The Company currently has only one production line on which its various types of solar cells are produced. The construction of further production lines is planned to occur gradually over the next few years. The Company may be unable to meet its

agreed delivery obligations, be subject to compensation claims, or permanently lose customers if individual components of its production line should fail and it is partially or completely impossible to rapidly repair these components, procure replacement equipment, switch to other equipment or make up for downtime.

Ensuring high product quality

The high quality of our solar cells, which is reflected by the high average efficiency rate and high optical quality, has a crucial effect on the sales prospects of our products. Therefore, variations in the quality of the production process may have a material impact on the financial position and results of operations of Sunways AG.

Dependence on customers

Worldwide there is a growing but still relatively small sales market for the solar cells produced by the Company. Therefore, Sunways AG has only a small circle of customers in the solar cell production sector. In the fiscal year 2003, sales to the ten largest customers accounted for approximately 92 per cent (prior year: 88 per cent) of total sales in this business segment. In this context, one should, however, bear in mind that a growing portion of the solar cells is now processed into



MHH modules and subsequently sold via the Group's own system house, MHH Solartechnik GmbH, Tübingen. In the solar systems and projects area, sales with the ten largest customers accounted for approximately 59 per cent (prior year: 69 per cent) of total sales. Sales in this segment are generated with a markedly larger number of customers.

Risks relating to accounts receivable

Accounts receivable may be subject to risks with respect to their collectibility from individual customers. However, in the past fiscal year, Sunways markedly improved its management of accounts receivable which is already reflected in improved balance sheet relations.

Dependence on suppliers

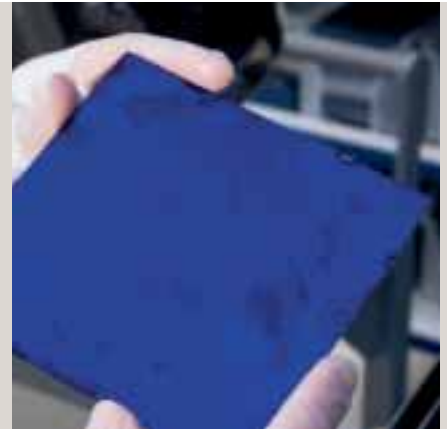
The Company currently purchases the silicon wafers from which it produces its solar cells from two major suppliers. Even though there are practically unlimited amounts of silicon, in the form of quartz sand, on earth and the Company has contractually secured the wafers expected to be necessary to meet its production capacity in 2004, the loss of one of its suppliers could have an adverse effect on its production capacity and, thus, on the financial position and results of operations of Sunways AG.

Overall economic development, changes in framework conditions

The focus of Sunways' business activities is on the production of solar cells as well as the sale and installation of photovoltaic products. The Company, therefore, is dependent on the overall development in this market segment. The overall development may be particularly affected by framework conditions which generally cannot be influenced by the Company. These framework conditions may also include the availability of state promotion programmes for the installation and operation of solar equipment, e.g. in the form of grants, low-interest loans or tax concessions. Changes in these as well as in overall economic framework conditions may cause customers or potential customers of Sunways to reduce or postpone their investments in the Company's products and services.

Competition in the photovoltaics market

Competition in the photovoltaics market may further intensify, in particular, if the projected strong growth does not occur. Business combinations, the market entry of new, larger competitors or a market consolidation may have a negative impact on revenues and margins of the industry and Sunways.



Changes in tax laws

Sunways has high losses carried forward from prior years and plans to use them in the future for the on-going tax optimisation. Changes in law, in particular in Germany, may restrict or even eliminate this scope for manoeuvre in the future. External tax audits may result in additional risks.

2. Risk management system in accordance with § 91, subparagraph 2 of the Stock Corporation Act (AktG)

The Company has further optimised its risk management system in the current fiscal year. In this context the Company differentiates between strategic and operational risks.

Among the strategic risks, the customer and supplier structures have been currently determined to be the most significant. To control and manage these risks, Sunways keeps in contact with its customers and suppliers in order to identify changing market conditions and requirements as early as possible. In addition, the efforts to reduce the risks in these areas were continued in the year under review by broadening the client as well as the supplier base.

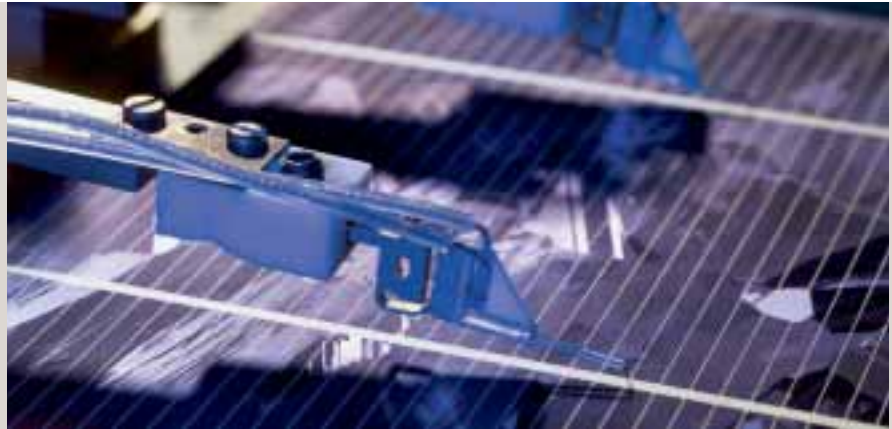
In the area of operational risks, the focus was on the production risk. In this sector,

the Company has installed an extensive controlling system which permits the ongoing comparison of the quantities produced with the targeted quantities and an early adjustment of any variations. In addition, the quality controls at individual stages were integrated into an extensive quality control system. Thanks to this system it is possible to widely supervise and control production quality, beginning with the inspection of ingoing shipments, via an ongoing quality check at the individual stages of the production process.

The relevant information is made available at short notice to the Management Board and the employees in charge.

Sunways controls risks relating to accounts receivable through strict management of such accounts receivable, credit reviews, establishment of credit limits as well as risk categorisation at an early stage.

Via an integrated Group-wide ERP system, the information required for the risk management system is recorded and condensed further and made available on an ongoing basis. This information enables management to respond rapidly to any changes in the Company's risk situation.



H. Supplementary report

In January 2004, Sunways and Solarcomplex GmbH, Singen, agreed to intensify their cooperation. Under this agreement, Solarcomplex is scheduled to market products of Sunways AG (MHH solar modules and Solar Inverters) in an amount of € 6,700 thousand in 2004. This means that sales with this customer will be more than tripled against the prior year and will be an important step in the realisation of the increase in sales planned in 2004.

I. Outlook: Striving for a turnaround of the earnings situation in 2004

The economic research institutes anticipate a significant upward trend in the worldwide economic development in 2004. The overall economic capacity utilization is expected to increase in most industrial countries and to result in a growth of the gross national product worldwide. Experts expect the strong market growth in the photovoltaics industry to continue in 2004. In particular in Germany, the major sales market of the Sunways Group, another strong rise in sales is anticipated due to the improved promotion guidelines adopted at the end of 2003.

As Sunways was able to markedly increase its sales in 2003, we are again striving for a two-digit rise in 2004. We expect high growth rates in the area of solar cells as well as for solar systems and projects. We intend to expand our current four per cent market share in the area of solar systems, in particular with respect to solar inverters.

In 2003, the growth of the Sunways Group was not yet reflected in the result. One should, however, keep in mind that in the past fiscal year various non-recurrent expenses had again to be coped with. E. g. a marked decline in sales prices for our



solar cells was experienced in the first quarter. In addition, production capacities were not fully utilized in the first months of the year 2003. The market launch of new products as well as the expansion and optimisation of our Constance production line also temporarily affected the results. In the third quarter 2003, we were able to reach the break-even point for the first time on a quarterly level. We want to continue this positive trend in 2004.

In the past fiscal year, Sunways AG has paved the way for a positive development. In particular the market launch of new products in the area of solar cells but also the successful completion of our new solar inverters will have a positive impact on our sales and results in the future. On the basis of the projected development of the industry, we want to reach the break-even point in 2004.

Report of the Supervisory Board

Dear shareholders,

Sunways AG continues to follow its growth path. Sales are rising and Sunways was again able to maintain its position of technological leader in 2003. Contrary to our expectations, the dynamic sales growth has not yet generated continuously positive quarterly results.

In the past fiscal year, the Supervisory Board again supported and monitored the activities of the Management Board far beyond its duties under the laws and articles of incorporation. The Supervisory Board obtains information on the Company's situation and business development in the form of verbal and written reports on an ongoing basis.

The Supervisory Board held a total of six ordinary and five extraordinary meetings.

2003 was the first full fiscal year for the Supervisory Board composed of six members since 2002. In the meeting on 28 February 2003, we resolved to establish an audit committee for a more efficient distribution of responsibilities. The audit committee held four meetings during the fiscal year. In addition to the mandatory issues of accounting and risk management, the

committee also addressed the Company's commercial affairs and, together with the Management Board, was able to ascertain more transparency and security. The committee is composed of Heinz W. Bull, chairman, as well as Ernst Haug and Dr. Roland R. Bahr.

In the second and third quarters, the Supervisory Board strongly supported and gave advice to the Management Board with respect to strengthening the Company's secondary management level. This resulted in several internal changes. Different concepts for the Company's further expansion finally led to the resignation of CFO Bernd Fessler as of the year-end.

A joint strategy meeting of the Management Board and Supervisory Board on 7 November 2003 paved the way for the future progress strategy. Clear targets were set, in particular in the central areas of solar cell development, expansion of production capacities, solar inverters as well as national and international distribution. The task assigned to the Management Board by the Supervisory Board is unambiguous: Sunways shall maintain its technological leadership and grow by expanding its production but also, if applicable, by entering into strategic partnerships.



The members of the Supervisory Board of Sunways AG see themselves as an active executive body. This includes a strong personal commitment of individual members who contribute their competences for the Company's benefit. Each member uses his best efforts to support Sunways AG in reaching its most important goals:

- to secure a positive cash-flow and maintain the high equity ratio
- to keep up the innovative strength
- to pursue the sustainable growth strategy

The financial statements and management report 2003 of Sunways AG as of 31 December 2003, including the consolidated financial statements and the Group management report, were prepared by the Management Board in due time. The auditors appointed by the annual general meeting on 22 May 2003, WPG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Tübingen, have audited the same, together with the accounting, and given their unqualified opinion.

The financial statements of Sunways AG and of the Group as well as the combined management report on the situation of Sunways AG and the Group were discussed

at length, reviewed and approved of by all members of the Supervisory Board in the presence of the auditors. At its meeting on 25 March 2004, the Supervisory Board has confirmed the auditors' results. Thus the financial statements for the fiscal year 2003 have been adopted in accordance with § 172 of the Stock Corporation Act (AktG). Simultaneously, the Supervisory Board has resolved to approve of the appropriation of the accumulated loss proposed by the Management Board.

The Supervisory Board would like to express its thanks to all employees as well as to the members of the Management Board for their great commitment in 2003. Further efforts will be required also in 2004 to keep Sunways on its growth path and we wish you again every success. We would also like to thank our shareholders whose investment in Sunways confirms their trust in the Company.

Constance, March 2004

Dr. jur. Roland R. Bahr
Chairman of the Supervisory Board

Corporate Governance

Compliance statement pursuant to § 161 of the Stock Corporation Act (AktG)

The Management Board and Supervisory Board represent that the recommendations of the "Regierungskommission Deutscher Corporate Governance Kodex" (Government Commission of the German Corporate Governance Code) published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) are largely complied with. In some cases the Company's Corporate Governance principles adopted on 28 February 2003 go beyond the recommendations of the Code.

The aspects of the Corporate Governance principles of Sunways AG that deviate from the Corporate Governance Code are described below:

1. The Company has taken out D&O insurance for the Management Board and Supervisory Board. Currently, the D&O insurance does not provide for any deductible to be borne by the members of the Company's executive bodies. The Company will consider the introduction of an adequate deductible.
2. Since 1 January 2004, the Company has been managed by one member of the Management Board. Thus no chairman or speaker of the Management Board has to be appointed.
3. The remuneration to the Management Board is indicated but not itemized in the notes to the consolidated financial statements.
4. At present, the members of the Supervisory Board of Sunways AG only receive a fixed remuneration. This remuneration was most recently adjusted at the general meeting on 14 May 2002 and currently, in accordance with the articles of incorporation, amounts to € 6,200 for an ordinary member. The chairman of the Supervisory Board receives twice that amount. There are no performance-related components of the remuneration. Presently, the Company is considering a performance-related remuneration for the Supervisory Board. The remunerations paid or benefits granted by the Company to members of the Supervisory Board with respect to personally provided services, in particular consultancy services, are not itemized but indicated in one amount at the end of the notes to the consolidated financial statements.



5. In items 6.3 and 6.9 of the Corporate Governance Code of Sunways AG, the term “affecting the share price – kursrelevant” has been inserted. This was solely done for the sake of clarity and to stress that only those facts have to be reported that are likely to have a material impact on the share price. In this respect the Company follows the terms and the wording of §§ 13 and 15 of the Securities Trading Act (WpHG) (see also item 6.1 of the Corporate Governance Code). This is to make sure that the capital market is not flooded with announcements the content of which is not meaningful.

6. When the 4th Capital Market Promotion Act (4. Finanzmarktförderungsgesetz) came into effect on 1 July 2002, a new § 15a was inserted in the WpHG. Pursuant to this provision, the purchase and sale of the Company’s shares and derivatives thereof by members of the Management Board or Supervisory Board is only subject to

reporting requirements, if the volume of transactions effected within 30 days is in excess of € 25,000. Also there is no reporting requirement, if the purchase was effected on the basis of an employment contract or as part of any remuneration. In accordance with this new legal provision, we have adjusted the Corporate Governance Code dated 26 February 2002 to include these restrictions with respect to the reporting requirements.

Thus only those legal transactions that, due to their volume, are likely to have an impact on the share price and the immediate announcement of which is of interest to the entire capital market are required to be published without delay. The requirement to immediately inform the Company and to disclose holdings of the Company’s shares and derivatives thereof in the quarterly reports or in the financial statements, as the case may be, shall be unaffected thereby to ensure the completeness of the documentation.

Constance, March 2004

Roland Burkhardt
Management Board

Dr. jur. Roland R. Bahr
Chairman of the Supervisory Board

Consolidated Financial Statements



Our working capital decreased as a result of a reduction of inventories and an improved management of accounts receivable. Sunways has generated positive cash-flows since mid 2003.



Consolidated Balance Sheet as of 31 December 2003

	Notes	31/12/2003	31/12/2002
		k€	k€
Assets			
Current assets			
Liquid funds	C.1.	2,222	2,614
Marketable securities	C.2.	375	1,518
Trade receivables	C.3.	1,891	3,926
Inventories	C.4.	6,411	6,770
Prepayments and accrued income and other current assets	C.3.	736	380
Total current assets		11,635	15,209
Tangible fixed assets	C.5.	6,131	6,337
Intangible assets	C.6.	1,651	1,407
Financial assets	C.7.	20	8
Goodwill	C.6.	305	383
Deferred taxes	C.8.	4,593	3,648
Total assets		24,336	26,992
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans and current portion of long-term loans	C.10.	1,247	1,038
Trade payables	C.10.	2,878	4,281
Provisions	C.10.	1,050	507
Income tax payable		52	20
Other current liabilities	C.10.	569	441
Total current liabilities		5,796	6,288
Long-term loans	C.11.	4,035	4,769
Deferred taxes	C.8.	518	516
Minority interests		0	0
Shareholders' equity			
Subscribed capital	C.12.	9,514	9,514
Capital reserve		14,328	14,160
Accumulated profit/loss		-9,855	-8,255
Total shareholder's equity		13,987	15,419
Total liabilities and shareholders' equity		24,336	26,992

Possible rounding differences

Consolidated Income Statement for the Fiscal Year 2003

	Notes	01/01 – 31/12/2003	01/01 – 31/12/2002
		k€	k€
Sales	D.1.	38,740	25,765
Changes in inventories of finished and unfinished goods		-1,950	1,662
Gross performance		36,790	27,428
Other operating income	D.2.	890	653
Cost of materials		-30,233	-22,275
Personnel expenses		-4,608	-3,853
Depreciation and amortisation	D.3.	-1,470	-1,154
Other operating expenses	D.4.	-3,512	-2,579
Operating result (EBIT)		-2,146	-1,779
Interest income/expenses	D.5.	-314	-436
Result before taxes and minority interests		-2,461	-2,215
Taxes on income	D.6.	860	836
Result before minority interests		-1,600	-1,378
Minority interests		0	13
Consolidated net income/loss		-1,600	-1,366
Loss brought forward		-8,255	-6,889
Accumulated loss		-9,855	-8,255
Earnings per share/€		-0.17	-0.15
Average number of shares outstanding		9,514,070	9,234,419

Possible rounding differences

Changes in Shareholders' Equity from 1 January 2003 to 31 December 2003

	Subscribed capital	Reserves	Profit/loss brought forward	Total
	k€	k€	k€	k€
1 January 2002	9,200	13,986	-6,889	16,297
Capital increase against contribution in kind	314	220		534
Revaluation of marketable securities		-46		-46
Net loss			-1,366	-1,366
31 December 2002 / 1 January 2003	9,514	14,160	-8,255	15,419
Revaluation of marketable securities		177		177
Costs of capital increase against contribution in kind (after taxes)		-9		-9
Net loss			-1,600	-1,600
31 December 2003	9,514	14,328	-9,855	13,987

Possible rounding differences

Consolidated Cash-Flow Statement for the Fiscal Year 2003

	01/01/2003 – 31/12/2003	01/01/2002 – 31/12/2002
	k€	k€
Operating activities		
Result before taxes and minority interests	-2,461	-2,215
Adjustments for:		
Income tax payable	-32	-34
Depreciation and amortisation	1,470	1,154
Book gains (-)/losses from disposal of fixed assets	-1	11
Minority interests	0	13
Operating result before changes in net current assets	-1,024	-211
Changes in assets and liabilities		
Increase (-)/decrease in receivables and other current assets, accruals and deferrals and deferred tax assets	1,680	-374
Increase (-)/decrease in inventories	359	-1,118
Increase (-)/decrease in trade payables and other short-term provisions, liabilities and deferred tax liabilities	-752	488
Cash provided by operating activities	264	-2,076
Investment activities		
Purchase of fixed assets	-1,611	-1,167
Cash provided by the disposal of fixed assets	170	24
Cash used for the acquisition of consolidated companies	0	-547
Cash used for investment activities	-1,441	-1,690
Financing activities		
Cash provided by/used for (-) long-term loans	-734	-738
Cash provided by/used for (-) short-term loans	209	323
Contributions to subscribed capital and capital reserves	168	488
Minority interests' share in profit and loss	0	-220
Cash provided by/used for (-) financing activities	-357	-146
Net increase/decrease (-) of liquid funds	-1,535	-3,705
Cash and cash equivalents at the beginning of the reporting period	4,132	7,839
Cash and cash equivalents at the end of the reporting period	2,597	4,132
Composition of liquid funds at the end of the reporting period		
Marketable securities	375	1,518
+ Cash	2,222	2,614
	2,597	4,132

Possible rounding differences

Notes to the Consolidated Financial Statements (IAS) of Sunways AG, Constance, as of 31 December 2003

A. General information, preparation principles and premises

Sunways Aktiengesellschaft has its registered office in Constance and is recorded in the Commercial Register B of the Constance local court (Amtsgericht) under number 1661. The purpose of the Company is to develop, manufacture and trade in objects for the utilisation of solar energy and related technologies, including accessories. The Company may establish branch offices at home and abroad, establish and purchase other companies or take a stake in them and enter into inter-company agreements with them. The focus of the Sunways Group, on the one hand, is on the business area of production and distribution of solar cells based on mono- and polycrystalline silicon. Another business segment comprises the production and distribution of solar inverters as well as the distribution of photovoltaic systems connected to the grid (solar systems). Sunways AG, Constance (hereinafter "Sunways AG" or the "Company") has prepared consolidated financial statements for the fiscal year 2003. The consolidated financial statements were prepared in accordance with § 292a of the Commercial Code (HGB) as well as with the rules and regulations of the Frankfurt Stock Exchange for the "Prime Standard" trading segment in compliance with International Accounting Standards (IAS). Pursuant to § 292a HGB, the consolidated financial statements are operative as a discharge.

The consolidated financial statements are based on uniform accounting and valuation principles. Use is made of the framework principles and the individual International Accounting Standards (IAS) applicable as of the balance sheet date. Similarly, the interpretations of the Standard Interpretations Committee (SIC) published on the balance sheet date are taken into account.

Compliance of the consolidated financial statements with the 7th EU Directive is based on the interpretation of the directive in accordance with the German Accounting Standard No. 1 (DRS 1).

The consolidated financial statements have been prepared in whole thousands of Euros. For this reason, rounding differences are possible.

Individual items of the consolidated balance sheet and the consolidated income statement have been combined to improve the clarity of presentation.

The annual financial statements of the companies included in the consolidated financial statements were prepared as of the date of the consolidated financial statements in accordance with uniform accounting and valuation principles.

B. Information on consolidation scope and methods

1. Consolidation scope

In addition to Sunways AG as the parent company, the following company in which Sunways AG directly holds the majority of voting rights and exercises uniform management, was included in the consolidated financial statements as of 31 December 2003:

Company	Registered office	Shareholders' equity	Equity interest
		as of 31/12/2003/k€	as of 31/12/2003/%
MHH Solartechnik GmbH	Tübingen, Germany	594	100

MHH Solartechnik GmbH, Tübingen (hereinafter also "MHH") is mainly active in the areas of distribution of solar systems as well as planning and implementation of large solar projects.

The 33.3 per cent equity stake in Beteiligungsanlage für Solarstrom Villingen-Schwenningen Theater am Ring GbRmbH as well as the five per cent equity stake in Solar-complex GmbH, Singen, were not included in the scope of consolidation due to their minor importance.

2. Consolidation methods

Capital consolidation is performed using the book value method. The acquisition costs of the investment are offset against the proportional book value of its shareholders' equity at the time of initial inclusion in the consolidated financial statements. The resulting goodwill has been capitalised and written off using the straight-line method over an estimated useful life of five years.

Material inter-company profits and losses, sales and expenses and income as well as the receivables and payables existing between the consolidated companies have been netted. The results of inter-company services have been eliminated.

Deferred taxes have been recorded with respect to consolidation procedures to the extent that any difference in tax expenses is expected to be offset in subsequent years.

C. Notes to the consolidated balance sheet

1. Liquid funds

Liquid funds are carried at nominal value. The development of liquid funds, which form the financial resources in accordance with IAS 7, is shown in the cash-flow statement.

2. Marketable securities

All marketable securities are carried at their market values. If the market value differs from the acquisition cost as of the balance sheet date, unrealised profits and losses are included in shareholders' equity in accordance with IAS 39 without affecting income.

3. Trade receivables, other assets and prepayments and accrued income

	31/12/2003	31/12/2002
	k€	k€
Trade receivables	1,891	3,926
Other assets and prepayments and accrued income	736	380
	2,627	4,306

All receivables and other assets have a remaining term of below one year. Prepayments and accrued income include discounts of € 33 thousand.

Trade receivables are recorded at their nominal value. Sufficient account has been taken of risks of default by way of allowances.

Receivables in foreign currencies are translated in accordance with IAS 21.9 at the rate prevailing on the transaction date and subsequently valued at the rate of the balance sheet date in accordance with IAS 21.11. No substantial foreign currency receivables existed on the balance sheet date.

Other assets are recorded at their nominal value. These are essentially claims for sales tax and corporate income tax refunds as well as accrued interest.

4. Inventories

	31/12/2003	31/12/2002
	k€	k€
Raw materials and supplies	1,403	1,171
Work in progress	840	659
Finished goods and merchandise	4,125	4,940
Prepayments made	43	0
	6,411	6,770

As a rule, inventories are carried at their acquisition or production costs.

In addition to directly attributable prime costs, the production costs also include all attributable overhead, including adequate depreciation of production installations. Financing costs have not been capitalised since the direct correlation requirement in accordance with IAS 23.11 has not been met.

Insofar as necessary, inventories were recorded at the lower realisable net sales value. No reinstatement of original values was necessary in the reporting period.

5. Tangible fixed assets

Tangible fixed assets are carried at acquisition or production cost less scheduled and, where appropriate, unscheduled depreciation. Financing costs are not capitalised in accordance with IAS 23.7.

Tangible fixed assets are written off over the economic useful life of between two and ten years. Account is taken of material residual values in the determination of depreciation. Maintenance costs are recorded directly as expenses.

No positions pursuant to IAS 17.3, i.e. "finance leases" existed in the reporting period.

In the area of technical equipment, major additions relate to the further expansion of the solar cell production unit in Constance. In the area of plant and office equipment, the additions relate essentially to EDP hardware, communication equipment and other office equipment.

No material disposals occurred in the reporting period.

Changes in tangible fixed assets in 2002 are shown in the consolidated changes in fixed assets.

6. Intangible assets

Intangible assets purchased are carried at acquisition costs plus costs incidental to acquisition. In accordance with their useful lives, they are reduced by scheduled depreciation using the straight-line method. Unscheduled depreciation is carried where necessary.

The useful life of licences is between four and a half and ten years. Goodwill from capital consolidation is depreciated using the straight-line method over a useful life of five years affecting income.

In addition to goodwill from capital consolidation, the goodwill item includes goodwill with respect to Ingenieurbüro für Solartechnik Konstanz acquired in 1996 (€ 14 thousand).

Pursuant to IAS 38, development costs for new products as well as the further development and improvement of production procedures were capitalised in the amount of € 438 thousand in the reporting period; € 209 thousand of this amount related to the development of the solar inverters NT2600, NT4000 and NT6000. An amount of € 153 thousand was used for further development to reduce the production costs of the Transparent Sunways Solar Cell. Costs of € 50 thousand and € 26 thousand, respectively, were capitalised for the development of a black solar cell based on monocrystalline material and a black solar cell for automotive applications. Valuation was based on IAS 38, subparagraph 53 et seq. External funding costs were not included. In the consolidated financial statements, internally produced and capitalised assets are directly offset against the related expense items (cost of materials € 26 thousand, other operating expenses € 31 thousand, depreciation and amortisation € 82 thousand and personnel expenses € 299 thousand. The capitalised costs attributable to the relevant projects are depreciated from the time of their commercial use. Depreciation is carried out over the expected useful life of five years; in 2003 depreciation amounted to € 249 thousand.

Other additions primarily relate to EDP software. No material disposals were recorded in the period under review.

Changes in intangible assets in 2003 are shown in the consolidated changes in fixed assets.

7. Financial assets

The following equity interests were held as of the balance sheet date:

Company	Registered office	Shareholders' equity	Equity interest
		as of 31/12/2003/k€	as of 31/12/2003/%
Beteiligungsanlage für Solarstrom GbRmbH	Villingen-Schwenningen, Germany	n.a.*	33.3
Solarcomplex GmbH	Singen, Germany	96**	5

*due to revenue surplus statement **as of 31 December 2002

Under a notarial agreement dated 26 May 2003, an equity share in a nominal amount of €12,500 (five per cent of the share capital) in Solarcomplex GmbH, Singen, was acquired.

The company is active in the distribution of solar systems within the framework of investment models.

The valuation was based on acquisition costs.

Changes in financial assets in 2003 are shown in the consolidated changes in fixed assets.

8. Deferred tax assets and liabilities

In general, deferred tax assets are created for all material timing differences between the commercial and tax balance sheet at the level of the individual companies as well as in the consolidated financial statements pursuant to IAS 12. As of 31 December 2003, there were the following differences:

Deferred taxes on losses brought forward were calculated at a tax rate of 38 per cent insofar as they had not been used by 31 December 2003. Additional account was taken of differences between losses carried forward for corporate income tax and for trade tax purposes at a rate of eleven per cent. In the reporting year, there were deferred tax assets on prior year losses carried forward in a total amount of €4,570 thousand. As in the previous year, deferred taxes on losses carried forward from fiscal years prior to 2001 were written off in full.

	31/12/2003			31/12/2002		
	Differences	Assets	Liabilities	Differences	Assets	Liabilities
	k€	k€	k€	k€	k€	k€
Valuation differences						
Inventories	-60	23		-3	1	
Intangible assets	1,288		-490	1,099		-418
Marketable securities	75		-28	258		-98
Losses brought forward						
Income tax 2003	-2,432	924				
Income tax 2002	-2,819	1,071		-2,819	1,072	
Income tax 2001	-6,777	2,575		-6,777	2,575	
Corporate income tax prior to 2001	-4,850	1,843		-4,850	1,843	
Trade tax prior to 2001	-878	96		-878	96	
Write-off of losses brought forward prior to 2001		-1,939			-1,939	
		4,593	-518		3,648	-516

9. Liabilities

As a rule, liabilities are recorded at their repayment amount. On the balance sheet date, there were liabilities to banks secured by liens in the amount of € 4,259 thousand (transfer by way of security of assets, assignment of trade receivables, transfer by way of security of storage space, undertaking with respect to the availability of licences). Liabilities in foreign currencies are translated as of the exchange rate prevailing on the transaction date pursuant to IAS 21.9 and 11 and any exchange rate differences are recorded affecting income. There were no material foreign currency liabilities as of the balance sheet date.

10. Short-term liabilities and provisions

Short-term loans relate to the current portion of long-term bank loans and current account liabilities. The average interest rate on short-term liabilities to banks is approximately six per cent.

Trade payables are exclusively to other enterprises.

Other liabilities include mainly sales tax, wage tax and church tax as well as social security contributions.

Other provisions take into account all identifiable obligations in respect of third parties in accordance with IAS 10.

11. Long-term loans

Long-term loans relate to long-term liabilities to banks for the financing of capital goods. The average interest rate on long-term liabilities to banks is approximately 4.8 per cent.

Other long-term loans as of 31 December 2003 include a typical silent partnership interest of Mittelständische Beteiligungsgesellschaft Baden-Wuerttemberg GmbH ("MBG"). The silent partnership interest of € 1,023 thousand was agreed upon in a contract dated 26 February 1999.

The silent partnership has a term up to 30 June 2008. MBG primarily receives a progressive fixed interest rate over the term ranging from two per cent to seven per cent per annum as well as an additional profit-related remuneration which is limited to nine per cent p. a.

	01/01/2003	Paid out/reversals	Additions	31/12/2003
	k€	k€	k€	k€
Outstanding invoices received	96	-96	442	442
Personnel expenses	187	-68	248	367
Warranties	73	0	0	73
Costs of preparation and audit of the financial statements	43	-43	45	45
Remuneration to the Supervisory Board	48	-48	43	43
Annual report/publication	30	-30	30	30
Trade association	25	-25	31	31
Other	5	-5	19	19
	507	-315	858	1,050

12. Shareholders' equity

Share capital

As of 31 December 2003, the Company's share capital remained unchanged against the prior year at € 9,514,070, divided into 9,514,070 non-par value shares to bearer with a notional share in the total share capital of € 1.00 each.

Authorised capital

A resolution of the extraordinary general meeting held on 20 December 2000 authorised the Management Board, with the consent of the Supervisory Board, to increase, on one or more occasions, the Company's registered share capital by up to € 4,600,000.00 through the issuance of up to 4,600,000 non-par value shares to bearer for cash and/or in-kind contributions (authorised capital) until 19 December 2005. The Management Board is authorised, with the consent of the Supervisory Board, to exclude existing shareholders' pre-emptive rights and to determine further details of the issuance of the new shares, in particular the terms of issue as well as the rights of these shares. Exclusion of pre-emptive rights is permitted, in particular, to:

- exclude share fraction amounts from the pre-emptive rights of shareholders,
- acquire enterprises or an interest therein through the issuance of shares for cash or in-kind contributions, provided the acquisition is generally understood to be in the Company's best interest,
- implement cash capital increases for up to a total of ten per cent of the Company's share capital, provided the issue price of these new shares is not substantially lower than the price at which the Company's shares are traded.

Following the implementation of the capital increase by € 314,070 for the acquisition of the remaining shares in MHH Solartechnik GmbH, Tübingen, the authorised share capital amounts to € 4,285,930.

Conditional capital

Also pursuant to a resolution of the general meeting held on 20 December 2000, a conditional capital of € 400,000.00 was created to satisfy share option rights for the Company's employee participation programme (see item I.4. "Employees").

By resolution of the general meeting on 22 May 2003, additional conditional capital in the amount of € 600,000 was created. The Management Board was authorized, with the consent of the Supervisory Board, on one or more occasions, to issue bearer or registered convertible bonds and/or bonds with warrants in a principal amount of up to € 4,000,000 and with a maturity of no more than ten years and to grant conversion or option rights for shares in Sunways AG in a pro rata capital amount of up to € 600,000 as provided for in detail in the conditions of issue of the convertible bonds or bonds with warrants. Reference is made in this respect to the information set forth in the section "Changes in shareholders' equity".

D. Notes to the consolidated income statement

The income statement was prepared using the total cost method.

1. Sales

	2003	2002
	k€	k€
Solar cells	15,222	8,636
Solar systems	24,803	17,130
Consolidation	-1,284	0
Total	38,740	25,766

Domestic sales amounted to € 34,474 thousand (prior year: € 21,934 thousand).

International sales (inter alia Switzerland, Austria, the Netherlands, Italy, Spain, Sweden, Japan) were € 4,266 thousand (prior year: € 3,831).

2. Other operating income

Other operating income was mainly generated from the provision of state aid for research projects and setting-in allowances from the employment office.

3. Depreciation and amortisation

Depreciation and amortisation includes amortisation of goodwill in the amount of € 83 thousand whereof € 81 thousand relate to goodwill from first consolidation.

4. Other operating expenses

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

5. Interest income/expenses

This item includes interest income in the amount of € 75 thousand. Interest amounts to € -271 thousand, exchange losses and similar expenses account for € -118 thousand.

6. Taxes on income

Tax expense includes corporate income tax and trade income tax. The corporate income tax rate, including solidarity surcharge, was 26.38 per cent, the average trade tax rate was approximately 17 per cent. Trade tax is deductible in the determination of the corporate income tax. Thus the tax burden in the year 2003 was 38.89 per cent. In 2003, taxes on income were € 37 thousand (prior year: € 34 thousand). Deferred tax assets amounted to € 897 thousand (prior year: € 870 thousand).

Deferred taxes were recorded in accordance with IAS 12 with respect to differences of accounting and valuation of the companies included in the consolidated financial statements as well as for consolidation measures affecting the result and losses carried forward.

Deferred tax liabilities and assets are set forth in the table below:

	2003	2002
	k€	k€
Losses brought forward for tax purposes	924	1,071
Intangible assets	-72	-151
Marketable securities	24	4
Inventories	21	-15
Provisions	0	-39
Deferred tax assets	897	870

The determination of deferred taxes was based on a 38 per cent tax rate.

The reconciliation of fictitious tax expense and actual tax expense is shown below:

	k€	k€
Net loss before taxes	-2,461	935
Taxes resulting from tax audit		-37
Other		-7
Non-deductible amortisation of goodwill		-31
Tax expense recorded in the income statement		860

7. Development costs

The development costs remaining after capitalisation pursuant to IAS and recorded as expenses amounted to € 661 thousand.

E. Segment reporting

The following segment reporting shows a breakdown of the Company's business activities by the two major segments of solar cells (development, production and distribution of solar cells) and solar systems (development, production and distribution of inverters as well as distribution and project services for solar systems).

	2003				2002		
	Solar cells	Solar systems	Consolidation	Total	Solar cells	Solar systems	Total
	k€	k€	k€	k€	k€	k€	k€
Sales	15,222	24,803	-1,284	38,740	8,635	17,130	25,765
EBITDA	-385	-291		-676	-990	365	-625
Depreciation and amortisation	-1,211	-259		-1,470	-1,103	-51	-1,154
EBIT	-1,596	-550		-2,146	-2,093	314	-1,779
Segment assets	19,654	4,682		24,336	23,206	3,784	26,990
Segment liabilities	7,864	2,485		10,349	9,027	2,546	11,573
Investments	1,416	277		1,693	829	679	1,506

The activities of Sunways AG are focused on Germany. A geographic breakdown of sales is shown below:

	2003				2002		
	Solar cells	Solar systems	Consolidation	Total	Solar cells	Solar systems	Total
	k€	k€	k€	k€	k€	k€	k€
Germany	13,492	22,267	-1,284	34,474	6,577	15,357	21,934
Rest of Europe	1,599	2,536		4,135	902	1,773	2,675
Asia	130	0		130	869	0	869
America	1	0		1	287	0	287
Total	15,222	24,803	-1,284	38,740	8,635	17,130	25,766

F. Changes in shareholders' equity

The development of the Company's shareholders' equity in the past fiscal year is set forth in the table "Changes in shareholders' equity 2003."

G. Earnings per share

	2003	2002
Result for the year/k€	-1,600	-1,366
Number of shares (weighted)	9,514,070	9,234,419
Earnings per share / €	-0.17	-0.15

The figures presented correspond to undiluted earnings per share within the meaning of IAS 33 ("basic earnings per share"). As of 31 December 2003, no options were outstanding which might have resulted in any dilution of earnings per share.

The Management Board and Supervisory Board propose not to distribute any dividend for the year 2003.

H. 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 year 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, cheques, cash in banks and marketable securities.

I. Other information

1. Related-party relations

The following persons, groups of persons and companies are deemed related parties at 31 December 2003: Members of the Management Board and Supervisory Board of Sunways AG.

No facts arising in the fiscal year 2003 were subject to any reporting requirements.

2. Contingent liabilities

There were no material contingent liabilities on the balance sheet date.

3. Other financial obligations

	k€
Due 2004	344
Due 2005 and later	895
Total	1,239

Other financial obligations mainly relate to tenancy and lease contracts.

4. Employees

At year-end, Sunways AG employed a staff of 108, including the members of the Management Board (prior year: 102).

As an additional incentive and for a long-term attraction of qualified employees, the Company has established an employee participation programme in the year 2000. Pursuant to a resolution of the ordinary general meeting held on 20 December 2000, a conditional capital of € 400,000.00 was created for the provision of share option rights to the Company's Management Board members and employees and for members of the management and employees of companies associated with the Company within the meaning of §§ 15 et seq. of the Stock Corporation Act. The Company was authorised to issue up to 400,000 share options to its Management Board members, management members of associated companies and to employees of the Company and companies associated with it. Each option entitles its holder to purchase one share.

120,000 of the options are for Management Board members of Sunways AG, 120,000 are for management members and employees of associated companies and 160,000 are for employees of the Company.

The waiting period for the first exercise of options is two years. Options may be exercised within five years after the expiry of the waiting period, but only between the 5th and 30th working day after the Company's ordinary general meeting.

Options may only be exercised if the closing price for the Company's shares on the last trading day of a calendar year preceding the exercise on the Xetra electronic trading system, has risen to a greater degree, in percentage terms, in comparison with the opening price on the first trading day of that calendar year or any system that may replace Xetra, than the weighted average price of all the shares traded in the Technology-All-Share-Index. The opening price and the closing price determined by Deutsche Börse AG of the Technology-All-Share-Index of the calendar year preceding the exercise in the electronic Xetra trading system or the respective subsequent system serves as the comparative index. In addition, the options may only be exercised when the price of the share in the electronic Xetra trading system, or the subsequent system, at the time of the exercise is not below the price of the share at the time of the granting of the option. The exercise price corresponds, subject to § 9, subparagraph 1 of the Stock Corporation Act, to the average closing price of the Company's shares on the electronic Xetra trading system, or any subsequent system, in December of the year preceding the grant of the option. If, in December of the year preceding the grant of the option, the shares were not quoted, the basis for computing the exercise price is the corresponding average of the closing prices of the shares in the second month following the first quotation of the share in the electronic XETRA trading system or any subsequent system. Subject to § 9, subparagraph 1 of the Stock Corporation Act, the exercise price is reduced by 30 per cent if the increase in the price of the shares has exceeded 50 per cent of the increase in the Technology-All-Share-Index of the calendar year preceding the exercise in the electronic Xetra trading system or any subsequent system, and the price of the Sunways share has risen by at least 30 per cent between the date of grant and the exercise date. The Company is authorised to adjust the exercise price accordingly as well as the basis of the calculation of the exercise price in the event of a capital increase.

The following share options were granted as of 31 December 2003:

	Number of outstanding share options	Total number of share options to be granted
Management Board	20,000	120,000
Employees of the Company	92,100	160,000
Managing directors and employees of associated companies	51,000	120,000
Total	163,100	400,000

The average exercise price of the share options issued so far is € 5.43.

5. Executive bodies and their shareholdings

Members of the Management Board in the fiscal year 2003 were:

- Roland Burkhardt, Dipl.-Ing. (FH), Kreuzlingen
- Bernd Fessler, lic.oec.publ., Markdorf, until 31 December 2003

Total remunerations of the Management Board of Sunways AG for the fiscal year 2003 amounted to € 397 thousand (prior year: € 319 thousand).

	k€
Fixed remuneration	397
Variable remuneration	0
Total	397

In addition to the fixed remuneration, the remuneration of the Management Board also includes a performance-related, variable component. In 2003, no variable remuneration was paid.

Members of the Supervisory Board in the fiscal year 2003 were:

- Dr. jur. Roland R. Bahr, Chairman, Stockach
- Otto Mayer, communication engineer, Deputy Chairman, Tübingen
- Heinz W. Bull, Dipl.-Kaufmann, Constance
- Ernst Haug, tax consultant, Constance
- Franz Heim, Dipl.-Verwaltungswirt (FH), Tübingen
- Manfred J. Schulz, Dipl.-Betriebswirt, Überlingen

Provisions were made in the amount of € 43 thousand with respect to total remunerations of the Supervisory Board of Sunways AG for the fiscal year 2003. The members of the Supervisory Board receive a fixed remuneration. The members of the Supervisory Board received consultancy fees in the total amount of € 190 thousand in the past fiscal year.

The following table shows the number of Sunways shares and share options held by the members of the Management Board and Supervisory Board as of 31 December 2003:

	Number of shares as of 31/12/2003	Number of share options as of 31/12/2003	Lock-up until
Management Board			
Roland Burkhardt	1,775,655	10,000	09/02/2003
Bernd Fessler	26,000	10,000	09/02/2003
Supervisory Board			
Dr. Roland R. Bahr, Chairman	9,902		
Otto Mayer, Deputy Chairman	655,146		
Ernst Haug	3,695		
Franz Heim	1,685,654		09/02/2003
Heinz W. Bull	0		
Manfred J. Schulz	0		

In the period under review, 30,000 shares were transferred to family members by Management Board member Bernd Fessler.

These consolidated financial statements were released for publication by the Management Board on 1 March 2004.

Constance, 1 March 2004

Roland Burkhardt
Management Board

Changes in Fixed Assets in the Consolidated Financial Statements (IAS) in the Fiscal Year 2003

	At cost				31/12
	01/01	Additions	Transfers	Disposals	
	k€	k€	k€	k€	k€
I. Tangible assets					
1. Real property and equivalent rights and buildings, including buildings on third-party property	1	0	0	0	1
2. Technical equipment and machinery	7,819	770	44	-192	8,441
3. Other equipment, plant and office equipment	1,120	126	0	-29	1,218
4. Prepayments made and plant under construction	54	136	-44	-10	136
Total	8,994	1,033	0	-231	9,796
II. Intangible assets					
1. Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	575	205	0	0	780
2. Development costs	1,243	438	0	0	1,681
3. Goodwill	430	0	0	0	436
Total	2,248	648	0	0	2,896
III. Financial assets					
Equity interests	8	12	0	0	20
Total	8	12	0	0	20
Total	11,250	1,693	0	-231	12,712

Possible rounding differences

Accumulated depreciation					Book values	
01/01	Additions	Reclassifications	Disposals	31/12	31/12/2003	31/12/2002
k€	k€	k€	k€	k€	k€	k€
1	0	0	0	1	1	0
2,140	780	82	-38	2,963	5,478	5,679
516	208	0	-24	701	517	604
0	0	0	0	0	136	54
2,656	989	82	-62	3,664	6,131	6,337
268	149	0	0	417	363	307
144	249	0	0	392	1,289	1,099
47	83	0	0	130	305	383
458	481	0	0	940	1,957	1,790
0	0	0	0	0	20	8
0	0	0	0	0	20	8
3,114	1,470	82	-62	4,604	8,108	8,135

Auditors Opinion

We have audited the consolidated financial statements prepared by Sunways AG, Constance, comprising the balance sheet, income statement, changes in shareholders' equity, cash-flow statement and the notes thereto, for the fiscal year from 1 January 2003 to 31 December 2003. The preparation and contents of the consolidated financial statements are the responsibility of the Company's Management Board. Our responsibility is to assess, on the basis of our audit, whether the consolidated financial statements comply with the International Accounting Standards (IAS).

We have conducted our Group audit pursuant to the German auditing standards and in compliance with the principles of proper auditing determined by the German Institute of Auditors (Institut der Wirtschaftsprüfer – IDW). According to these principles, the audit has to be planned and performed so as to be able to assess with reasonable assurance whether or not the consolidated financial statements are free of material misstatements. In the audit, the evidence of valuations and disclosures in the consolidated financial statements is assessed on a test basis. The audit also includes an appraisal of the accounting principles applied and the material estimates made by the legal representatives as well as an evaluation of the overall presentation of the consolidated financial statements. We believe that our audit is an adequate basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the asset and financial position and results of operations of the Group and adequately present the cash-flows of the fiscal year in accordance with the IAS. Our audit, which also covers the Group management report prepared by the Management Board for the fiscal year from 1 January 2003 to 31 December 2003, did not give rise to any objections. In our opinion, the Group management report gives an overall true and fair view of the Group situation and adequately presents the risks of future development. We also represent that the consolidated financial statements and Group management report for the fiscal year from 1 January 2003 to 31 December 2003 meet the requirements for an exemption of the Company from the obligation to prepare consolidated financial statements and a Group management report under German law.

Tübingen, 5 March 2004

WPG Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Reich
Wirtschaftsprüfer (Auditor)

Kässmann
Wirtschaftsprüfer (Auditor)

Statement of Independence

As statutory auditors of the financial statements/consolidated financial statements as of 31 December 2003 and of the management report/Group management report for the fiscal year 2003, we make the following representation with respect to our independence:

1. None of the partners of WPG AG and none of our employees involved in this audit holds a direct or indirect interest in Sunways AG. Similarly, WPG AG holds no shares in Sunways AG.
2. None of the partners of WPG AG and none of our employees involved in this audit has any employment or other relationship affecting his/her independence (e.g. as an asset manager) with Sunways AG.
3. None of the partners of WPG AG and none of our employees involved in this audit is a member of the Supervisory Board or Management Board of Sunways AG.
4. None of the partners of WPG AG and none of our employees involved in this audit has any family relationship with one of the legal representatives of Sunways AG.
5. None of the partners of WPG AG and none of our employees involved in this audit has been involved in the accounting or preparation of the financial statements/consolidated financial statements beyond the auditing activities within the meaning of § 319, subparagraph 3, No. 2 of the Commercial Code (HGB) in conjunction with § 319, subparagraph 2, Nos. 5 and 6 HGB. Furthermore, WPG AG has not provided any other services conflicting with an auditor's appointment.
6. None of the partners of WPG AG and none of our employees involved in this audit has any functions in connection with the control system introduced at the Company pursuant to § 91, subparagraph 2 of the Stock Corporation Act (AktG), in particular in the internal audit.
7. To the best of our knowledge, there are no other relations or aspects that might affect our independence with respect to Sunways AG.

In addition, we represent that no former partners or employees of WPG AG involved in the audit of Sunways AG over the last three years are legal representatives of Sunways AG. A (gross) fee of € 43 thousand is expected to be invoiced for the audit. An amount of approximately € 6 thousand thereof relates to the subsidiary in which Sunways AG holds a majority interest. We would like to point out that no obligations of Sunways AG will arise and no claims against WPG AG may be derived from this representation.

We would like to express our thanks for the trust placed in us.
With kind regards,

Tübingen, 5 March 2003

WPG Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Reich
Wirtschaftsprüfer (Auditor)

Kässmann
Wirtschaftsprüfer (Auditor)

Executive Bodies

Supervisory Board

Dr. jur. Roland R. Bahr, Chairman
Attorney, Stockach

Otto Mayer, Deputy Chairman
Entrepreneur, Tübingen

Ernst Haug
Tax Consultant, Constance

Franz Heim
Entrepreneur, Tübingen

Heinz W. Bull
Managing Director of ALTANA Innovationsfonds GmbH, Constance

Other Supervisory Board memberships:

ALTANA Pharma AG, Constance

Recordati Spa, Milan (Italy)

Tanox Inc., Houston (USA)

Manfred J. Schulz
Entrepreneur, Überlingen

Management Board

Roland Burkhardt

Bernd Fessler, until 31 December 2003

Information and Communication



In 2004, we want to intensify our investor relations activities and make the Sunways share a high-quality investment in the area of renewable energies.



Glossary

Current	Flow of electric charge; the unit of measure is ampere; abbr. A.
Efficiency rate	The efficiency e. g. of a solar cell or module defined as the ratio of energy output and energy input (i. e. sunlight).
GW	Abbreviation for gigawatt
Module	Connection of several solar cells that are enclosed in a weather-proof capsule and form the basic module for photovoltaic systems.
MW	Abbreviation for megawatt
MWp	Abbreviation for peak megawatt
Photovoltaics	Technology with which solar energy can be directly converted into electric energy through solar cells; abbr. PV.
Silicon	Chemical element won from the raw material silicon oxide (sand) and can be made into monocrystalline, polycrystalline or amorphous silicon. Silicon is the semiconductor which, to-date, plays the most important role for the semiconductor industry and in photovoltaics.
Solar cell	Electronic component capable of directly converting the absorbed light into electric energy.
Solar inverter	Converts the direct current of solar cells into alternating current in conformity with the power supply system so that e.g. household appliances can be operated or energy can be fed into the public power supply system.
Systems connected to the network	Includes all solar systems installed on private and corporate buildings that are connected to the local electricity supply system.
Wafer	Semiconductor slices, normally 0.2 to 0.5 millimetres thick, used in the production of solar cells or semiconductor components.

Financial Calendar

06 May 2004	Annual general meeting in Constance
06 May 2004	Publication of financial data for the 1st quarter
12 August 2004	Publication of financial data for the 2nd quarter
10 November 2004	Publication of financial data for the 3rd quarter
10 November 2004	Analysts' conference in Frankfurt/Main

Contact

Sunways AG
Photovoltaic Technology
Macairestraße 3–5
D-78467 Konstanz

Investor Relations
Astrid Forst
Telephone +49 7531 99677480
Fax +49 7531 99677548
ir@sunways.de

www.sunways.de

Imprint

Responsible
Sunways AG, Management Board

Editors
equinet Communications AG, Frankfurt/Main
Astrid Forst, Sunways AG

Translation
Astrid Bach Translation Services, Frankfurt/Main

Design, typesetting and production
Atelier Sternstein, Stuttgart

Photographs
Ben Wiesenfarth, Constance
Page 2 (top and centre), page 10 (right) and page 11 (centre):
Ferit Kuyas, Zurich

Printing
Offizin Chr. Scheufele GmbH & Co. KG, Stuttgart

