



Quarterly report

I / 2001

sunways
P h o t o v o l t a i c s

sunways AG, Constance
Notes to the Consolidated Interim Financial Statements (IAS)
as of 31 March 2001

A. Major Events of the 1st Quarter 2001

- Successful initial public offering on 9 February 2001
- Increase in gross performance to Euro 2.4 million
- Development of New Production Lines on Schedule

B. Successful Initial Public Offering

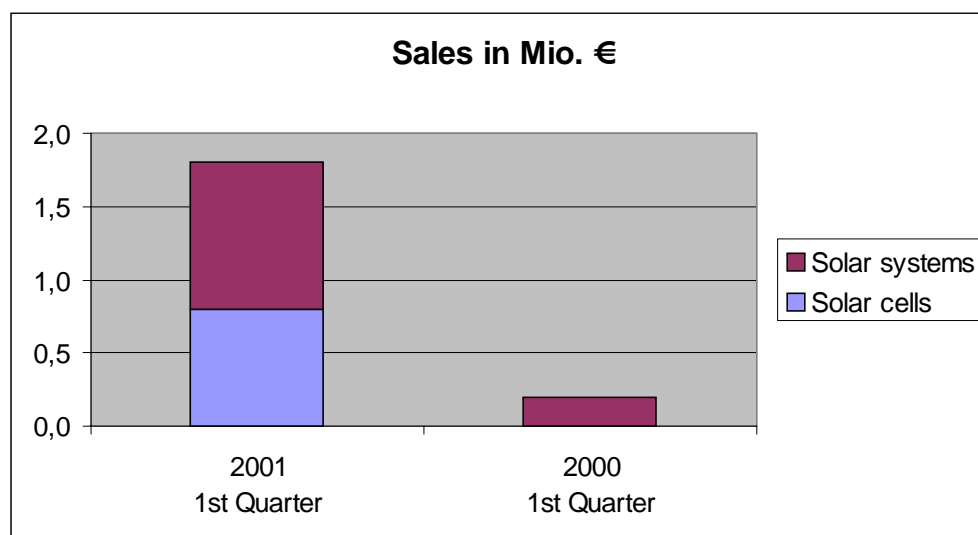
The listing on the Neuer Markt of the Frankfurt Stock Exchange on 9 February 2001 was one of the major events in the first quarter 2001. Despite the generally weak demand for new issues, our going public was very successful. Due to the strong demand of private and institutional investors the sunways shares were 33 times over-subscribed. The issue price of Euro 7 was at the upper end of the book-building range. The first quotation was Euro 13. As a result of the successful placement the Greenshoe option for 330,000 shares was exercised in full. sunways AG will use the proceeds of the public offering for the expansion of its production capacities and for further investments in research and development as well as quality control and improvement.

C. Business Operations

1. Sales and Gross Performance

Sales

Consolidated sales of sunways rose against the comparable prior year period from Euro 0.2 million to Euro 1.8 million. The break-down of sales by product groups is as follows:



While in the comparative prior year period sales were completely based on the system business (distribution of solar modules, inverters and accessories as well as planning and installation of solar systems), in the first quarter 2001 significant sales contributions were generated from the two-shift production of

solar cells. The share in total sales attributable to solar cells in the period under review was approx. 43%.

As scheduled, sales in the **solar cell** division were largely attributable to standard solar cells. In addition, the Company was able to implement further POWER solar cell projects in the area of façade design.

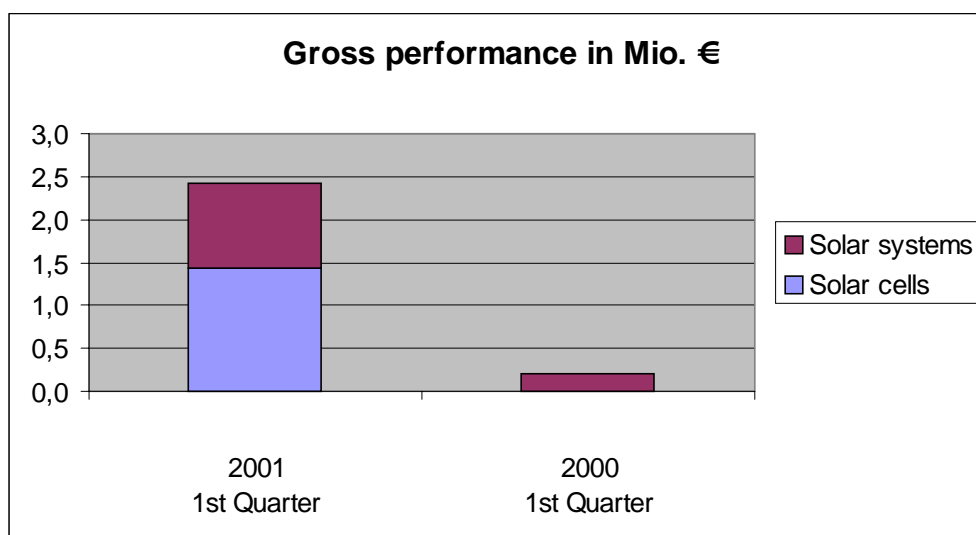
Sales of solar modules and inverters as well as other accessories of **solar systems** also rose substantially during the first quarter 2001. The increase was largely due to the subsidiary MHH Solartechnik GmbH, Tübingen, acquired in October 2000. If the sales of MHH Solartechnik are included in the comparative prior year figures, the growth rate in this segment was approx. 33%.

If **total sales** of the first quarter are compared with the sales for the relevant prior year period, including MHH Solartechnik, the growth rate amounted to approx. 135%.

About 40% of total sales accounted for international sales which were almost exclusively generated in Europe (inter alia in the Netherlands, Switzerland and Austria).

Gross Performance

In the period under review, the gross performance of sunways AG was Euro 2.4 million (prior year: Euro 0.2 million), an increase of approx. ten times.



The increase in gross performance was again largely attributable to the inclusion of MHH Solartechnik GmbH. If the relevant figures of MHH Solartechnik are taken into account in the prior year comparative figures, gross performance rose by approx. 211% against the prior year period.

Changes in inventories were mainly due to a seasonal rise in finished goods in the solar cell segment.

Orders and Prices

Currently, the price level in the solar cell segment is stable. The order situation is as expected. Sales are largely secured by master agreements.

2. Production

The solar cells manufactured at present are primarily so-called "opaque", i.e. non-transparent solar cells. The production of Power solar cells, i.e. transparent solar cells, which have been manufactured by the Company since October 2000 under an exclusive license in a patented process, was expanded in

the first quarter. Due to their transparency, the POWER solar cells offer opportunities for new applications of solar cells (e.g. in the area of façade design, sliding roofs of motor vehicles, conservatories as well as in the mobile leisure segment).

At the beginning of the year a major inspection of the production facilities was carried out. As announced in the listing prospectus, in this context, but primarily to secure the production output following the start-up of three-shift operations, additional expenses were incurred for quality control and improvement. In particular, the raw material control area for wafers was expanded.

Preparations for the start-up of three-shift operations were completed on schedule in May 2001. As a result, the production capacities are gradually extended which will contribute to a further reduction in fixed costs.

Approx. 0.5 million solar cells were produced in the 1st Quarter 2001.

3. Procurement

As a result of the strong demand for solar cells, a bottleneck situation was experienced in the period under review with respect to silicon wafers required for the production of solar cells. At present, the Company has two major suppliers for silicon wafers. The Company has increased its efforts to expand its supply base for this raw material. In the period under review, sunways has carried out promising tests with materials from other potential suppliers. Tests and negotiations in this area are still underway. The Company anticipates to win additional suppliers of silicon wafers during the course of the current year, in particular in the second half, in order to reduce its dependence in this sector.

The general price development for silicon wafers at present shows an upward tendency. However, wafer manufacturers are currently significantly expanding their production capacities so that the supply situation as well as price developments are expected to relax markedly in the second half 2001, at the latest.

4. Investments

The investments of Euro 0.6 million in the period under review were mainly used to further optimize the existing production line at the Constance location as well as for quality improvement and control.

The development of new production capacities was started immediately after the successful completion of the initial public offering. At present, sunways is evaluating potential locations for the planned new production facilities. There are various alternatives in the Lake of Constance area. Planning of the production facilities was initiated simultaneously with the choice of location and is on schedule.

5. Financing Measures and Plans

The Company's share capital after the public offer amounts to Euro 9.2 million, divided into 9,200,000 non-par value shares to bearer with an imputed share in the Company's capital of Euro 1 per share.

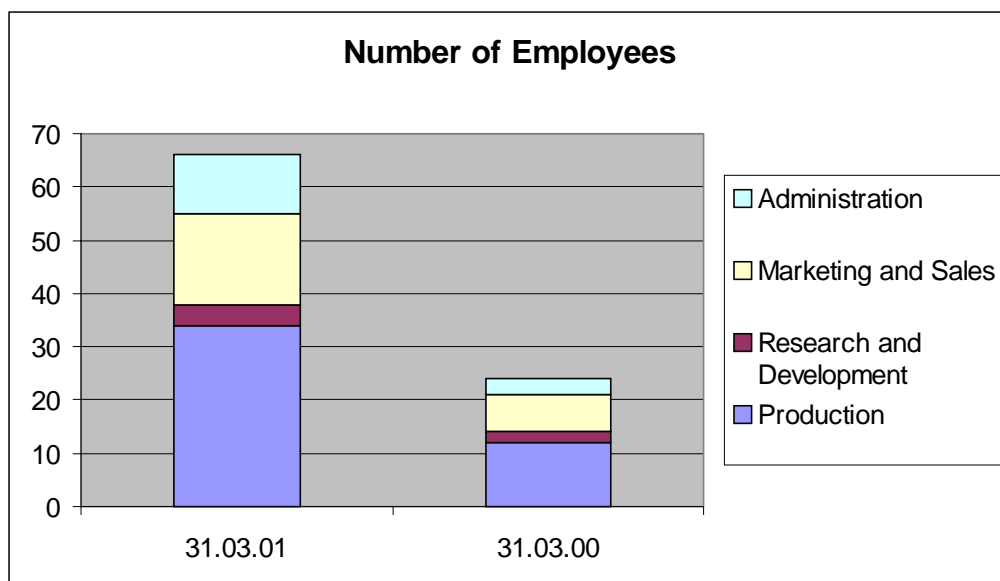
After deduction of the costs of the initial public offering, the Company received liquid funds of approx. Euro 16,0 million. These funds are largely to be used for the construction of the new production facilities, quality control and improvement as well as for further research and development.

6. Personnel and Social Matters

Qualified employees are an important factor of the Company's success.

The Company's strong growth is reflected in the continuously growing number of staff. As of 31 March 2001, the number of employees of the Group was 66. As of 31 March 2000, the Company employed a staff of 24.

The break-down of employees by functions is as follows:



7. Research and Development

In the first quarter 2001, the development and expansion of a research and development department for the **solar cell division** was initiated, as planned. The employees active in the production area who mainly had research and development tasks were transferred to a separate organizational division. In addition, this area was further expanded through new recruitments. As announced in the listing prospectus, sunways will invest substantial funds in research and development. In the first quarter the focus of research and development activities was on the improvement of efficiency of standard solar cells and a further cost reduction in the production of POWER solar cells. During the course of the current year, a further increase in the number of employees is planned in this sector, in particular to promote the development of new products towards market ability.

In the **inverter division** the development of the first model of a new inverter generation was completed on schedule. The inverter is to be launched in the market in the third quarter. Like the other sunways inverters so far in the market, the device will be produced by a third party.

The individual research projects are mainly implemented in co-operation with domestic and international research institutes. The projects are largely supported by public subsidies.

8. Results

In the period under review, the consolidated net loss amounted to Euro 0.3 million which was almost in line with expectations. According to its planning, the Company expects to reach break-even in its operations in the second half of the current year.

9. Per Share Result

	01/01 to 31/03/2001	01/01 to 31/03/2000
Quarterly result/millions of Euro	-0.3	-0.6
Number of shares (weighted)	8,327,008	914,031
Per share result/EUR	-0.04	-0.70

D. Shareholdings of Members of Executive Bodies

Pursuant to the legal requirements of the Neuer Markt, the following table sets forth the holdings of sunways shares and options of members of the Management Board and of the Supervisory Board as of 31 March 2001:

	Shares as of 31/3/2001	Options as of 31/3/2001
Management Board		
Franz Heim, CEO	1,685,654	10,000
Roland Burkhardt, CTO	1,775,655	10,000
Bernd Fessler, CFO	56,000	10,000
Supervisory Board		
Dr. Roland Bahr, Chairman	9,902	
Otto Mayer, Deputy Chairman	655,146	
Ernst Haug	3,695	

E. Forecast for the Fiscal Year 2001

For the remaining months of the current fiscal year the Company anticipates further strong sales growth. Due to seasonal effects the solar system division will record a progressive growth over the next months. First figures for the 2nd quarter support these expectations. Following the planned start-up of three-shift operations, a significant rise in sales is also expected in the solar cell segment during the course of the year.

Due to the scheduled start-up costs in connection with three-shift operations, the Company anticipates a negative result for the second quarter. In the second half of 2001 the company expects to reach break-even in its operations.

SUNWAYS AG, CONSTANCE
CONSOLIDATED BALANCE SHEET(IAS) AS OF 31 MARCH 2001

(unaudited)	31/03/2001	31/12/2000
	<u>millions of €</u>	<u>millions of €</u>
ASSETS		
A. Non-current assets		
1. Property, plant & equipment	5,2	4,8
2. Long-term investments	0,1	0,1
3. Intangible assets	0,4	0,1
	<u>5,7</u>	<u>5,0</u>
B. Current assets		
1. Inventories	3,8	2,6
2. Receivables and other assets	2,1	1,4
3. Securities	12,2	0,0
4. Cheques, cash on hand and in banks	4,1	2,8
	<u>22,1</u>	<u>6,8</u>
C. Prepaid expenses	<u>0,2</u>	<u>0,1</u>
D. Deferred tax assets	<u>1,4</u>	<u>0,0</u>
Total assets	<u>29,4</u>	<u>12,0</u>
SHAREHOLDERS' EQUITY AND LIABILITIES		
A. Shareholders' equity		
1. Subscribed capital	9,2	5,5
2. Contributions made for the implementation of the capital increase	0,0	1,1
	<u>9,2</u>	<u>6,6</u>
3. Reserves	14,2	0,0
4. Profit/loss carried forward	-4,8	-1,6
5. Net income/loss	-0,3	-3,2
	<u>18,2</u>	<u>1,8</u>
B. Minority interests	<u>0,1</u>	<u>0,1</u>
C. Long-term liabilities		
1. Bank loans and overdrafts	5,3	5,5
2. Other liabilities	1,0	1,0
	<u>6,4</u>	<u>6,5</u>
D. Short-term liabilities and provisions		
1. Bank loans and overdrafts	0,5	0,7
2. Trade payables	3,4	2,2
3. Other liabilities	0,2	0,2
4. Provisions for taxes	0,1	0,0
5. Other provisions	0,5	0,4
	<u>4,7</u>	<u>3,6</u>
Total shareholders' equity and liabilities	<u>29,4</u>	<u>12,0</u>

SUNWAYS AG, CONSTANCE
CONSOLIDATED INCOME STATEMENT (IAS)
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2001

(unaudited)	01/01-31/03 2001 millions of €	01/01-31/03 2000 millions of €
1. Sales	1,8	0,2
2. Increase or decrease in inventories of finished and unfinished goods	0,6	0,0
3. Other operating income	<u>0,1</u>	<u>0,0</u>
4. Operating income	<u>2,5</u>	<u>0,2</u>
5. Cost of materials	-1,9	-0,2
6. Personnel expenses	-0,6	-0,3
7. Depreciation and amortisation	-0,2	-0,1
8. Other expenses	<u>-0,7</u>	<u>-0,2</u>
9. Operating expenses	<u>-3,4</u>	<u>-0,8</u>
10. Profit from operations	<u>-0,9</u>	<u>-0,6</u>
11. Other interest and similar income	0,1	0,0
12. Interest and similar expenses	<u>-0,1</u>	<u>0,0</u>
13. Net financing costs	<u>0,0</u>	<u>0,0</u>
14. Net profit or loss from ordinary activities	<u>-0,9</u>	<u>-0,6</u>
15. Income tax	<u>0,6</u>	<u>0,0</u>
16. Profit after tax	<u>-0,3</u>	<u>-0,6</u>
17. Minority interests	<u>0,0</u>	<u>0,0</u>
18. Consolidated net loss for the period	<u>-0,3</u>	<u>-0,6</u>

SUNWAYS AG, CONSTANCE
CONSOLIDATED CASH FLOW STATEMENT (IAS)
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2001

(unaudited)	01/01-31/03 2001 millions of €	01.01.-31.03. 2000 millions of €
Operating activities		
Consolidated profits before tax	-0,9	-0,6
Adjustments for:		
Depreciation and amortisation	0,2	0,1
Non-realised currency gains/losses (net)		
Interest income	-0,1	0,0
Interest expenses	0,1	0,0
Operating result before changes in net current assets	<u>-0,8</u>	<u>-0,5</u>
Increase (-)/decrease in receivables and other current assets, prepaid expenses and deferred tax assets	-2,1	0,0
Increase (-)/decrease in inventories	-1,1	-0,2
Increase (-)/decrease in supplier liabilities and other short-term provisions and liabilities	1,2	0,7
Cash provided by operating activities	<u>-2,8</u>	<u>0,0</u>
Interest payments	-0,1	0,0
Income tax	0,6	0,0
Cash provided by operating activities	<u>-2,4</u>	<u>0,0</u>
Investing activities		
Purchase of fixed assets	-0,8	-0,6
Interest received	0,1	0,0
Cash used in investing activities	<u>-0,7</u>	<u>-0,6</u>
Financing activities		
Cash provided by (-)/used for long-term bank loans	-0,1	0,0
Cash provided by (-)/used for short-term bank loans	-0,2	0,0
Contributions to subscribed capital and capital reserves	16,8	0,0
Cash provided by/used in (-) financing activities	<u>16,4</u>	<u>0,0</u>
Net increase/decrease in liquid funds	<u>13,4</u>	<u>-0,6</u>
Cash and cash equivalents at the start of the period	<u>2,9</u>	<u>0,6</u>
Cash and cash equivalents at the end of the period	<u>16,3</u>	<u>0,0</u>