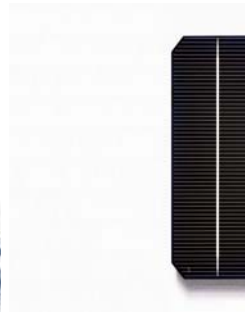
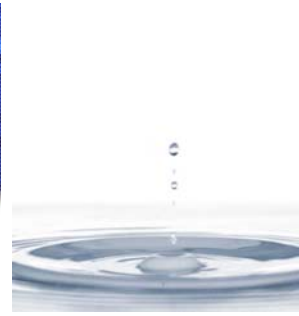
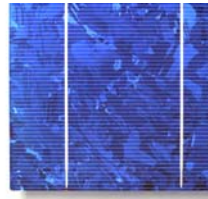


Sunways AG, Constance

1st Quarter Report 2003



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

Highlights

1. Major Events of the First Quarter 2003

- Rise in sales of approx. 38 % against the comparable prior year period
- Prepaid expenses for the entire year affect the result
- New successful projects with the transparent POWER Cell

2. Accounting Principles

This quarterly report was prepared in accordance with the International Accounting Standards (IAS). The accounting and valuation principles applied were the same as for the consolidated financial statements for the fiscal year ended on 31 December 2002.

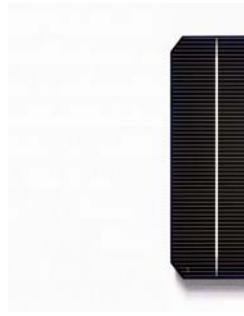
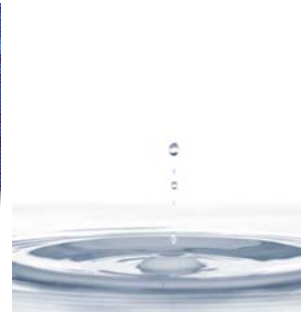
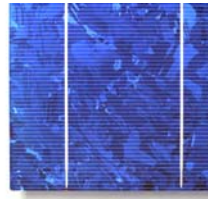
In the preparation of these interim financial statements, the Company took into account the requirements of the Deutsche Börse for the preparation of structured quarterly reports, as in effect since 18 October 2001, as well as IAS 34.

3. Business Operations

In the first quarter 2003, the worldwide economic development so far has not recovered significantly. In their spring reports, the leading German economic research institutes anticipate a markedly lower growth than projected last autumn. This lower growth will intensify the structural problems in the labour market as well as in the health and old-age pension areas. The purchaser and investor restraint experienced in all sectors has not yet been effectively brought to a halt.

New energy feeding rate
may open up additional
growth opportunities

In Germany, the 100,000 Roofs Programme will expire in 2003. Under this programme, purchasers of photovoltaic systems received low-interest loans from KfW – Kreditanstalt für Wiederaufbau. The government coalition is currently discussing a successor scheme. The preferred solution is to discontinue the promotion of photovoltaics by low-interest loans in favour of an increase of the energy feeding rate guaranteed by law. Sunways supports these considerations as public promotion thus will be independent of the financing decision. This will enable the photovoltaics industry to gain access to new customer groups.



Orders received strengthen confidence

4 % rise in sales

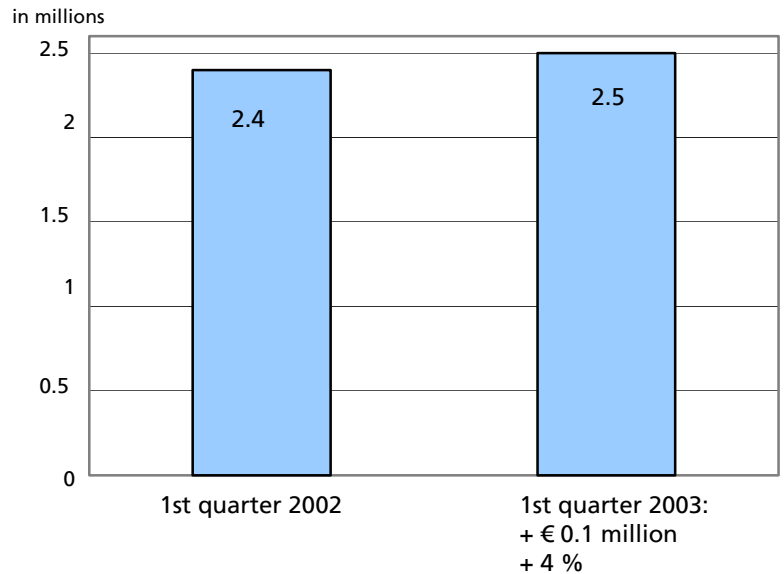
Another major project with the transparent POWER Cell

3.1 Solar Cells

The development in the solar cell business division in the first quarter was marked by a seasonal restraint in customer demand. However, incoming orders as well as concrete requests for quotes indicate a substantial upturn in sales for the next months as planned.

Sunways AG responded to this traditional restraint in customer demand in the first three months of the fiscal year by adjusting its production output. The increase in fixed costs against the comparable prior year period due to the expansion of production facilities as well as prepaid expenses for the entire year affected the first quarter result as planned. In addition, as a result of the price development in the sales markets, value adjustments had to be made with respect to inventories.

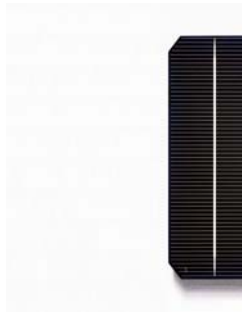
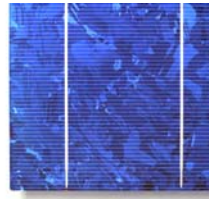
Sales



Sales rose about 4 % against the comparable prior year period.

Approx. 10 % of Sunways' sales were generated abroad (prior year: 15 %). Nine percent of sales accounted for the EU countries (mainly Italy and Spain), one percent for South America.

According to plan, a major portion of sales in the area of solar cells related to standard solar cells. The demand for the transparent POWER Cell experienced a satisfactory development in the first quarter. Following the completion of the summit station of the Kriegerhornbahn in Lech am Arlberg (Austria) in December 2002 (system capacity: 11 kWp), Sunways supplied another major project in February 2003: i.e. a system in Eindhoven, the Netherlands, with a nominal capacity of 15 kWp to



Development of continuous shift operations

be installed in April. With this order, we were able to realise another important reference project in the area of façades. Concrete negotiations are currently under way with respect to other interesting projects – mainly abroad.

Price Development

In the first quarter 2003, prices declined by approx. 10 % against the year-end 2002. Some of the price decline in the sales market was offset by decreasing prices of materials – mainly for silicon wafers. Furthermore, we have adopted a cost-cutting programme to make up for the price decline. The programme's major features have already been implemented or will be implemented shortly. Sunways will further pursue its strategy to position itself as a high-quality provider.

Production

In the past quarter, the production output was on the level of the comparable prior year period. In the first quarter, we adapted our capacity utilization to the typically lower market demand in this period.

The average efficiency rate of solar cells based on multi-crystalline silicon amounted to approx. 14.5 %. Currently, we achieve top efficiency rates of up to 15.7 %.

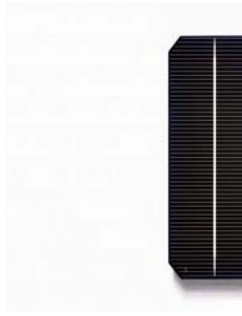
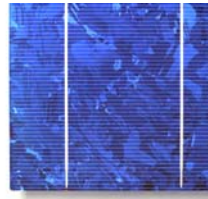
In the first quarter, we started the development of continuous shift operations at the Constance location. Additional new recruitments over the next months will secure the full development of the selected five-shift-model by mid-year.

Technology

In addition to the large research projects undertaken jointly with national and international research institutes (cost-efficient wafer material, reverse-contact solar cell), the focal points of research and development activities continue to be on a further reduction of the production costs of the transparent POWER Cell as well as the continuous increase of efficiency rates of this type of solar cell as well as of the opaque PLUS Cell.

Investments

Investments in the solar cell division in the past quarter amounted to Euro 0.4 million. They mainly related to investments in the further automation of our production plant, capitalised development costs as well as EDP hardware and software.



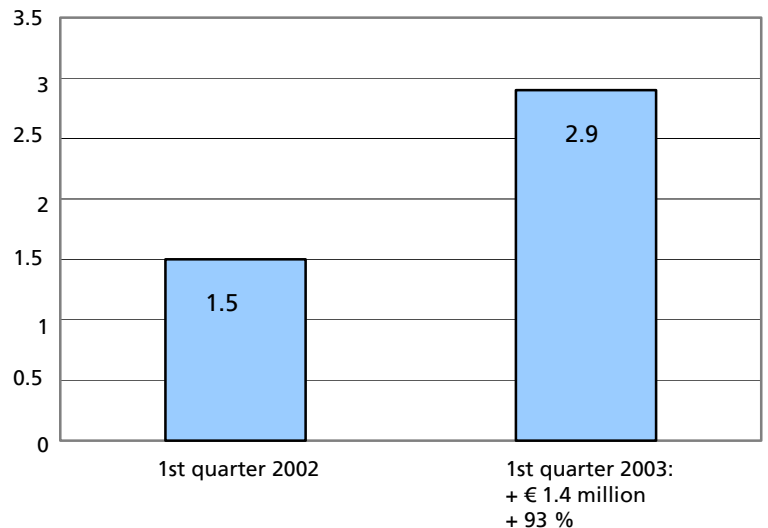
New exclusive partnership for Sunways

3.2 Solar Systems and Projects

The business division of solar systems and projects started the new fiscal year with a significant growth against the comparable prior year period. Orders received indicate a positive market development for the months to come. Sunways has entered into an extensive distribution partnership with Solarcomplex GmbH headquartered in the Lake of Constance region. The goal of Solarcomplex is to install a Megawatt photovoltaic capacity in 2003. The funds will be provided by private investors. Solarcomplex will exclusively use Sunways components (MHH modules with Sunways solar cells, Sunways solar inverters). The sales volume from this partnership guaranteed for 2003 amounts to Euro 2.6 million.

According to plan, the result of this business division in the first quarter was significantly affected by prepaid expenses (increase in the number of staff, marketing expenses) to support the envisaged substantial sales growth for 2003.

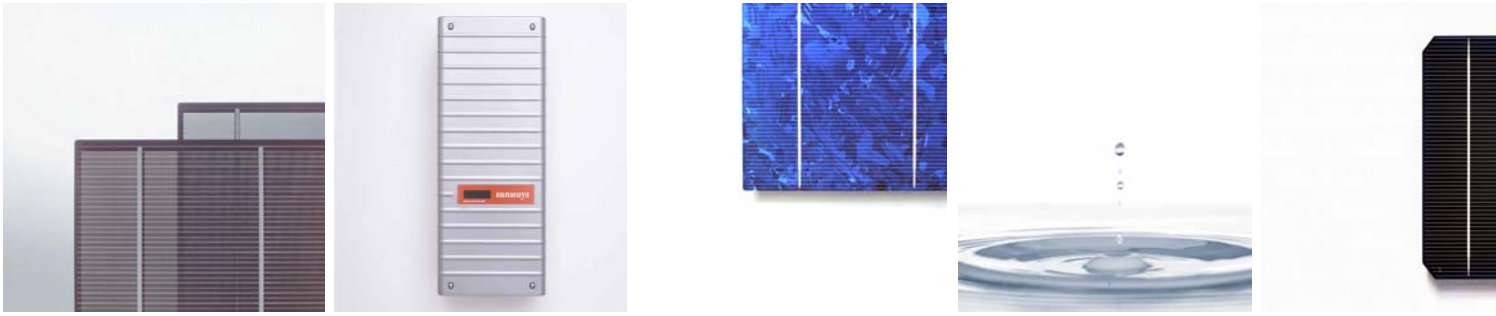
Sales
in millions



Steady rise of sales contribution of Group-internal MHH modules

Sales growth in the first quarter amounted to 93 %. However, in this context it should be taken into account that in January a major project was invoiced that had already reached an advanced stage in December 2002. After adjustments for this project sales growth amounted to 67%.

The Group-internal solar modules offered under the "MHH" brand name were sold successfully. The percentage contribution of sold modules in the first quarter rose to approx. 25 % (prior year: 20 %). In the course of the year, we anticipate a further rise in sales contributions in this area.



92 % of sales (prior year: 99 %) accounted for Germany. International sales were primarily generated within the EU markets (mainly Austria) as well as in Switzerland.

Price Development

Due to the intensified competition, prices of solar systems declined markedly, mainly in Germany. This development was largely offset by correspondingly lower purchase prices for goods delivered by suppliers.

Start of Production of the New Generation of Inverters

At the end of March, the production development with respect to our new generation of inverters was started at the Hungarian plant of our cooperation partner. The first pre-series devices will be delivered in May 2003. Large numbers of units will initially be available in summer.

Our production partner will substantially increase its capacities in the course of the year to enable us to rapidly satisfy the anticipated demand.

Investments

Investments in fixed assets amounted to Euro 0.1 million and mainly related to capitalised development costs as well as investments in plant and office equipment.

4. Financing

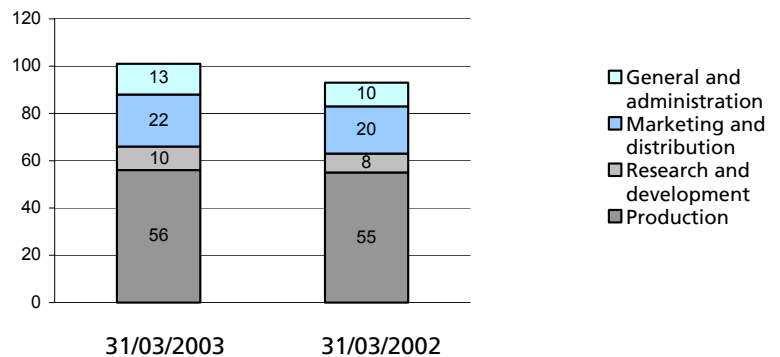
Redemption payments on the bank loans raised for production development were continued as planned in 2003. They amounted to Euro 0.3 million in the first quarter.



5. Personnel and Social Matters

As of 31 March 2003, the Sunways Group employed a staff of 101 (as of 31 March 2002: 93)

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



The number of staff increased substantially against the comparable prior year period, mainly in 2002. In the first quarter 2003, the number of employees remained almost stable.

At the beginning of the year, we have introduced a five-shift-model at the production unit of the Constance location. This permits production operations on seven days per week. The model was developed by management in close cooperation with our employee representatives.

6. Result

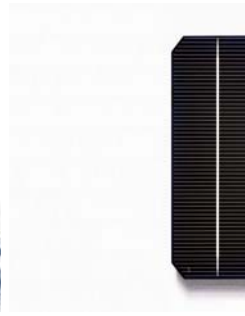
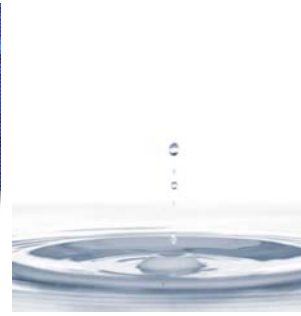
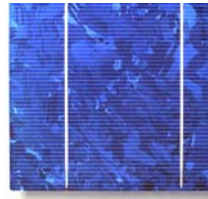
Negative result in line with expectations

A loss in line with our expectations was again incurred in the first quarter 2003. The rise in losses against the comparable prior year period, on the one hand, resulted from the commissioning of the expanded production plant (see 3.1 Solar Cells / Production). On the other hand, prepaid expenses for the current fiscal year were made in the solar cell division as well as in the area of solar systems and projects.

Earnings before interest, tax, depreciation and amortisation (EBITDA) recorded a loss of Euro -0.8 million (prior year: Euro -0.2 million) in the first quarter.

EBIT in the first quarter amounted to Euro -1.2 million (prior year: Euro -0.5 million).

The consolidated net loss was Euro -0.9 million (prior year: Euro -0.3 million).



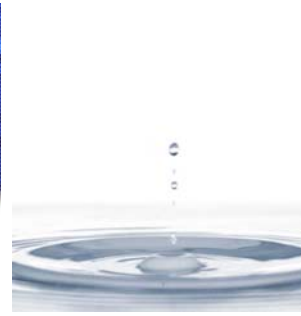
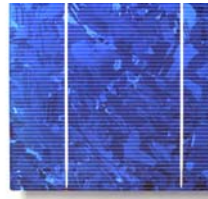
Undiluted earnings per share (basic earnings per share pursuant to IAS 33) in the first quarter amounted to Euro -0.08 Euro (prior year: Euro -0.03).

7. Segment Reporting

For purposes of the following segment reporting, the Company's operations are divided into two major divisions: solar cells (development, production and distribution of solar cells) and solar systems (development, production and distribution of inverters as well as distribution of and project management for solar systems).

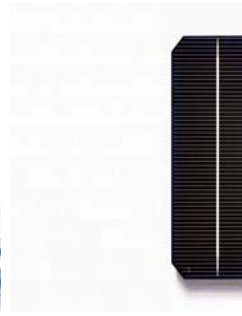
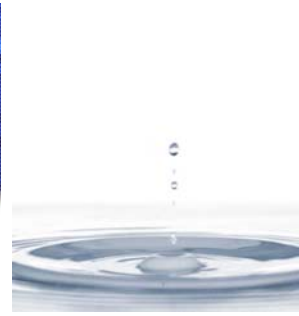
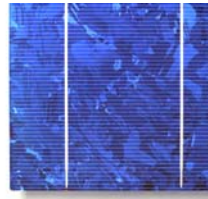
	1st Quarter 2003			1st Quarter 2002		
	Solar cells Millions of €	Solar systems Millions of €	Total Millions of €	Solar cells Millions of €	Solar systems Millions of €	Total Millions of €
Sales	2.5	2.9	5.4	2.4	1.5	3.9
EBITDA	-0.5	-0.3	-0.8	0.0	-0.2	-0.2
Depreciation and amortisation	-0.3	-0.1	-0.4	-0.3	0.0	-0.3
EBIT	-0.8	-0.4	-1.2	-0.3	-0.2	-0.5

(Possible rounding differences)



**Sunways AG, Constance
Consolidated Balance Sheet
as of 31 March 2003**

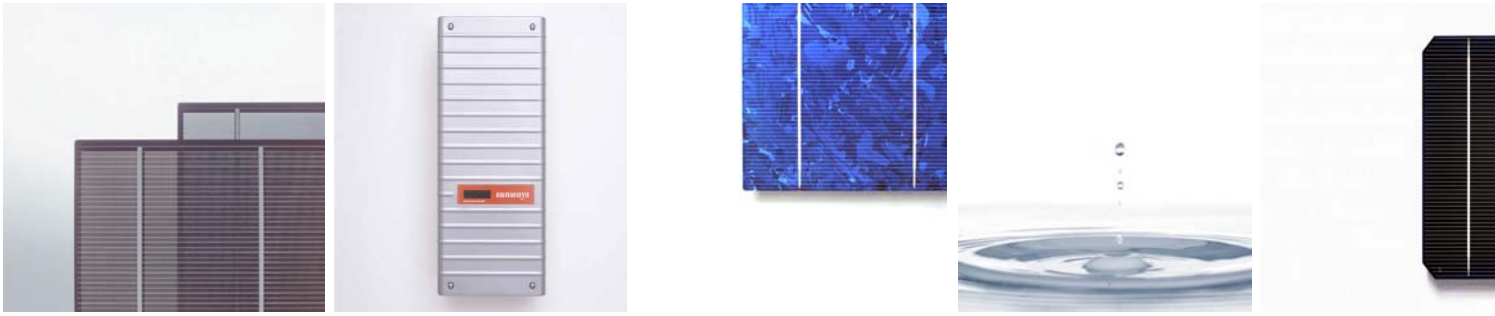
	31/03/2003	31/03/2002
	Millions of €	Millions of €
ASSETS		
Current assets		
Liquid funds	0.3	2.6
Marketable securities	0.5	1.5
Trade receivables	4.5	3.9
Inventories	8.4	6.8
Prepayments and accrued income and other current assets	0.9	0.4
Total current assets	14.6	15.2
Tangible fixed assets	6.4	6.4
Intangible assets	1.4	1.4
Financial assets	0.0	0.0
Goodwill	0.4	0.4
Deferred taxes	4.1	3.6
Total assets	26.9	27.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term loans and current portion of long-term loans	0.9	1.0
Trade payables	5.5	4.3
Provisions	0.6	0.5
Income tax payable	0.0	0.0
Other current liabilities	0.4	0.5
Total current liabilities	7.3	6.3
Long-term loans	4.5	4.8
Deferred taxes	0.6	0.5
Minority interests	0.0	0.0
Shareholders' equity		
Subscribed capital	9.5	9.5
Capital reserve	14.1	14.2
Accumulated profit/loss	-9.1	-8.3
Total shareholders' equity	14.5	15.4
Total liabilities and shareholders' equity	26.9	27.0



**Sunways AG, Constance
Consolidated Income Statement
for the Fiscal Year 2003**

	01/01/2003 – 1/03/2003 Millions of €	01/01/2002 – 31/03/2002 Millions of €
Sales	5.4	3.9
Changes in inventories of finished and unfinished goods	-0.7	0.5
Gross performance	<u>4.7</u>	<u>4.4</u>
Other operating income	0.1	0.1
Cost of materials	-4.0	-3.2
Personnel expenses	-1.0	-0.9
Depreciation and amortisation	-0.3	-0.3
Other operating expenses	-0.7	-0.5
Operating result (EBIT)	<u>-1.2</u>	<u>-0.4</u>
Interest income/expenses	<u>-0.1</u>	<u>-0.1</u>
Result before taxes and minority interests	<u>-1.3</u>	<u>-0.5</u>
Taxes on income	0.5	0.2
Result before minority interests	<u>-0.8</u>	<u>-0.3</u>
Minority interests	0.0	0.0
Consolidated net income/loss	<u><u>-0.8</u></u>	<u><u>-0.3</u></u>
Earnings per share	-0.08	-0.03
Average number of shares outstanding	9,514,070	9,200,000

(Possible rounding differences)



Sunways AG, Constance
Consolidated Cash-Flow Statement for the Fiscal Year 2003

01/01/2003 – 31/03/2003
Millions of €

01/01/2002 - 31/03/2002
Millions of €

Operating activities

Result before taxes and minority interests	-1.3	-0.5
Result after taxes and before minority interests	<u>-0.8</u>	<u>-0.3</u>
Adjustments for:		
Depreciation and amortisation	0.3	0.3
Minority interests	<u>0.0</u>	<u>0.0</u>
Operating result before changes in net current assets	<u>-0.5</u>	<u>0.0</u>
Changes in assets and liabilities:		
Increase (-)/decrease in receivables and other current assets, accruals and deferrals and deferred tax assets	-1.5	-1.1
Increase (-)/decrease in inventories	-1.6	-0.9
Increase (-)/decrease in trade payables and other short-term provisions, liabilities and deferred tax assets	<u>1.2</u>	<u>-0.9</u>
Cash-flow provided by operating activities	<u>-2.3</u>	<u>-2.9</u>

Investment activities

Purchase of fixed assets	-0.4	-0.3
Cash used for the acquisition of consolidated companies	<u>0.0</u>	<u>0.0</u>
Cash used for investment activities	<u>-0.4</u>	<u>-0.3</u>

Financing activities

Cash provided by/used for (-) long-term loans	-0.3	-0.3
Cash provided by/used for (-) short-term bank loans	-0.1	-0.1
Contributions to subscribed capital and capital reserves	-0.1	0.0
Additions to minority interests	<u>0.0</u>	<u>0.0</u>
Cash provided by/used for (-) financing activities	<u>-0.5</u>	<u>-0.4</u>

Net increase/decrease of liquid funds -3.2 -3.6

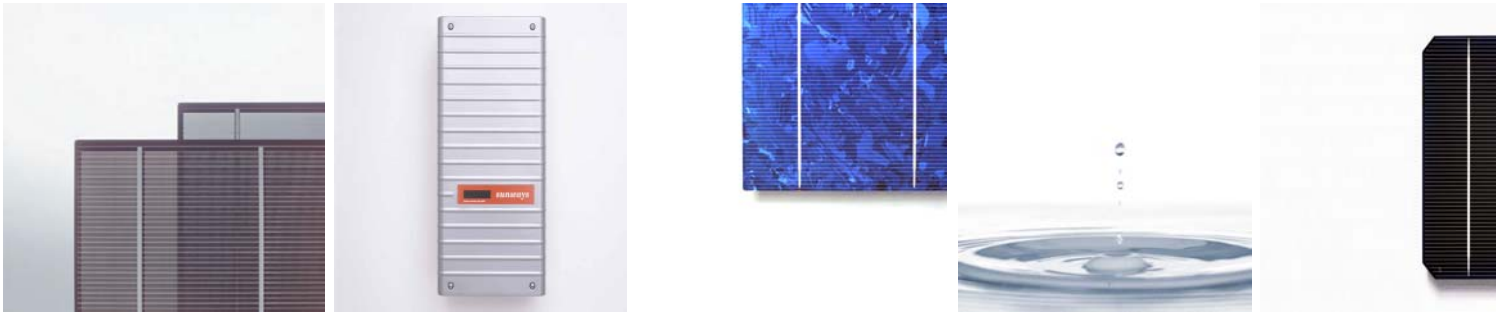
Cash and cash equivalents at the beginning of the reporting period 4.1 7.8

Cash and cash equivalents at the end of the reporting period 0.8 6.0

Composition of liquid funds at the end of the reporting period

Marketable securities	0.5	3.6
+ Cash	<u>0.3</u>	<u>2.5</u>
	0.8	6.0

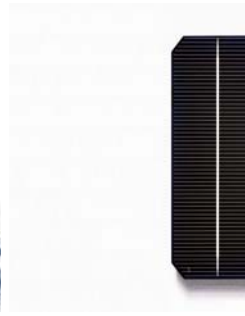
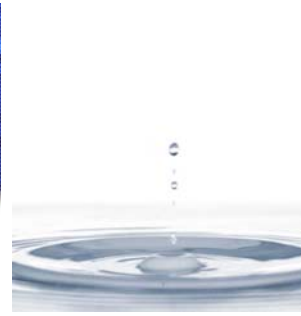
(Possible rounding differences)



Sunways AG, Constance
Changes in Shareholders' Equity
from 01/01 – 31/03/2003

	Subscribed capital	Reserves	Profit / loss brought forward	Total
	Millions of €	Millions of €	Millions of €	Millions of €
01 January 2002	9.2	14.0	-6.9	16.3
Capital increase against contribution in kind	0.3	0.2		0.5
Revaluation of marketable securities		-0.1		-0.1
Net loss			-1.4	-1.4
31 December 2002	9.5	14.1	-8.3	15.3
01 January 2003	9.5	14.1	-8.3	15.3
Revaluation of marketable securities		0.0		0.0
Net loss			-0.8	-0.8
31 March 2003	9.5	14.1	-9.1	14.5

(Possible rounding differences)



8. Shareholdings of Members of Executive Bodies

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

	Shares as of 31/03/2003	Options as of 31/03/2003
Management Board		
Roland Burkhardt	1,880,345	10,000
Bernd Fessler	56,000	10,000
Supervisory Board		
Dr. Roland Bahr, chairman	9,902	
Otto Mayer, deputy chairman	759,836	
Ernst Haug	3,695	
Franz Heim	1,685,654	
Heinz W. Bull		
Manfred Schulz		

Sunways continues to strive for a positive result in 2003

9. Outlook for the Total Fiscal Year 2003

Following the hesitant market development in the first quarter, there are now indications of a substantial market upturn in the photovoltaics market, in particular in Germany. At the beginning of the second quarter, sales rose markedly. However, against the background of the uncertain economic development, it is presently impossible to finally assess to what extent this will apply to the total fiscal year. The current development makes us feel optimistic that we will be able to achieve the two-digit sales growth we strive for with respect to the total fiscal year.

In view of this uncertain development, the Company continues to strive for its first positive result in 2003. However, in the course of the year, this will crucially depend on the development of sales and on the further development of prices in the sales as well as in the procurement markets.

The Management Board, May 2003

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