



# Quarterly report

III / 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 30 September 2001**

**A. Major Events of the 3rd Quarter 2001**

- Declining demand of important purchasers of solar cells
- First successes achieved by intensified distribution efforts to offset decline in demand
- Development in the system and project business better than projected

**B. 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 2000.

In the preparation of these interim financial statements the Company has taken into account the requirements of the Deutsche Börse for the preparation of structured quarterly reports which have come into effect on 18 October 2001. In addition, the Company again has taken into account IAS 34 in the preparation of this interim report.

**C. Business Operations**

**1. Sales and Gross Performance**

In the third quarter 2001 sales and gross performance continued to grow against the second quarter. Sales amounted to € 6.0 million (2<sup>nd</sup> quarter: € 4.8 million). Gross performance also increased again (€ 7.0 million in the third quarter against € 6.2 million in the second quarter 2001).

In the first nine months 2001 sales were € 12.6 million (prior year: € 1.9 million) and gross performance was € 15.6 million (prior year: € 2.6 million). Thus gross performance grew by approx. 600% over the prior year. If the subsidiary MHH Solartechnik GmbH, Tübingen, acquired in October 2000 were to be included in the prior year comparative figures, growth would amount to approx. 300%.

**3rd Quarter 2001**

	3rd Quarter 2001			3rd Quarter 2000		
	Solar Cells	Solar Sys-tems	Total	Solar Cells	Solar Sys-tems	Total
Sales	0.6	5.4	6.0	0.4	0.3	0.7
Changes in inventories	1.0	0.0	1.0	0.5	0.0	0.5
	1.6	5.4	7.0	0.9	0.3	1.2

## 9 Month Report 2001

	9 Month Report 2001			9 Month Report 2000		
	Solar Cells	Solar Sys-tems	Total	Solar Cells	Solar Systems	Total
Sales	2.0	10.6	12.6	0.4	1.5	1.9
Changes in inventories	3.0	0.0	3.0	0.7	0	0.7
	5.0	10.6	15.6	1.1	1.5	2.6

### Solar Cells

As a result of the decline in demand of major customers, sales in the 3<sup>rd</sup> quarter were €0.6 million. However, the Company was able to generate the first significant sales with new customers in September. A master agreement on the supply of solar cells in a total amount of approx. €7.4 million over the next few years, whereof at least €0.5 million will be realized this year, was entered into with the new customer Alfasolar GmbH.

In the third quarter gross performance in the solar cell segment amounted to €1.6 million. The decline against the second quarter was the result of the smaller production volume due to an expansion of the production facility in August/September which led to reduced manufacturing operations.

### Solar Systems

With respect to sales of solar modules and inverters as well as other accessories for solar systems the lively development in the second quarter continued. Sales rose to €5.4 million (against €4.8 million in the second quarter). Growth over the 3<sup>rd</sup> quarter 2000 amounted to 1,800%. More than 90% of the projected sales for the total year 2001 were already generated at the end of the 3<sup>rd</sup> quarter.

If the relevant sales of MHH Solartechnik were included in the comparative prior year figures, the growth over the first nine months 2000 would be approx. 265%.

Approx. 9% of the sales of the first nine months accounted for international sales primarily generated in Europe (mainly in The Netherlands, Switzerland and Austria).

## 2. Production

According to plan, the diffusion plant was expanded and another screen printer was installed to maximize the capacities of the existing production line in August/September. The installation of the new equipment was completed by the end of September.

Due to the declining demand of major purchasers the Company's production plans were revised. The initially projected production volume was adjusted to the 20% decrease of expected sales in the solar cell segment. The currently high volume of inventories will be sold completely in the fiscal year 2002. The solar cells produced at present are mainly so-called opaque solar cells, i.e. non-transparent.

## 3. Procurement

The stable development of the past months continued in the procurement area. At present, negotiations are under way with existing and potential master agreement partners on delivery volumes and prices for the next year. The Company still expects, in addition to existing suppliers, to win another partner for the supply of silicon wafers and anticipates constant prices for the procurement of wafers.

## 4. Investments

In the third quarter investments amounted to €1.4 million.

They mainly related to the expansion of the diffusion plant as well as to another screen printer. These expansions will maximize the capacities of the existing production line. Payments already recorded in the prior quarter as prepayments made were reclassified accordingly in the period under review.

**5. Financing Measures and Plans**

The majority of the funds generated in the going public was invested in Euro or DM-denominated fixed-interest securities of high-quality borrowers.

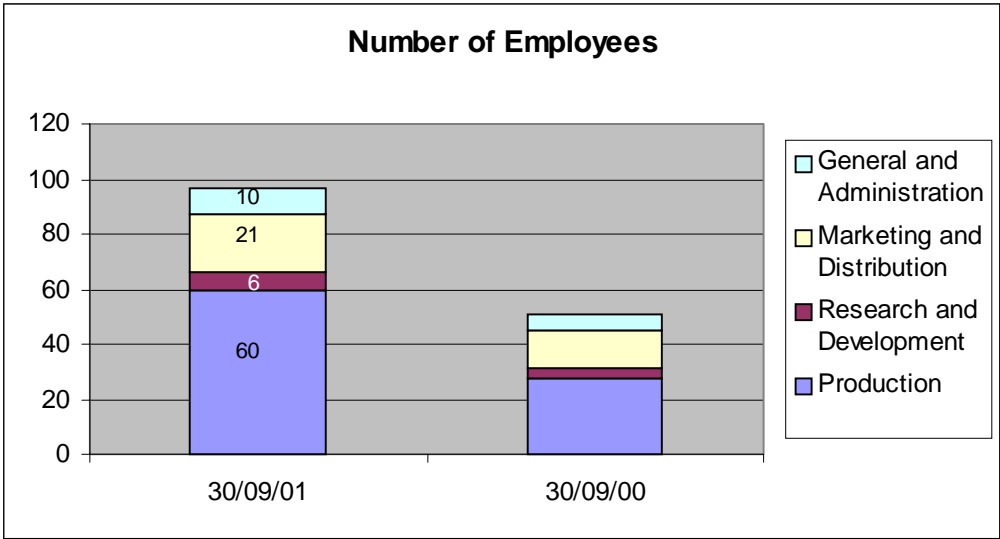
According to plan, redemption payments of €0.7 million on the Company's existing long-term loans were made in the third quarter 2001.

**6. Personnel and Social Matters**

As of 30 September 2001 Sunways employed a staff of 97 (prior year: 51).

The increase in the number of staff for the current fiscal year was completed. In addition to new employees in the production sector, further employees were recruited in particular in the distribution organization, mainly in the strongly growing system business. Contrary to the initial planning, the number of part-time employees was reduced to almost zero in favour of permanently employed personnel.

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



## 7. Research and Development

The research and development department for the **solar cell division**, headed by Dr. Peter Fath, was successfully build up.

The focus of the research and development activities continues to be on the further reduction of manufacturing costs of the POWER solar cells as well as on a continuous increase of the efficiency of this type of solar cell and of opaque solar cells. In addition, the Company participates in other research projects with domestic and international research institutes and industrial partners.

On the occasion of the 17th European Photovoltaics Conference in Munich the new NT 1800 Inverter was presented to international experts. The development of additional devices of the digital inverter family is currently under way and is expected to be completed by the end of 2002.

These projects are largely promoted by public funds.

## 7. Result

As the demand of major customers declined, the targeted further reduction of the consolidated net loss was not achieved in the 3<sup>rd</sup> quarter. Due to the resulting non-recurrent extraordinary effects in the amount of approx. € 0.6 million (such as additional inventory valuation adjustments) the consolidated result before taxes (EBT) in the third quarter was € -1.3 million. As a result of capitalized deferred taxes, the result after taxes and minority interests amounted to € -0.8 million. The accumulated consolidated result for the first nine months was € -1.5 million.

## D. Shareholdings of Members of Executive Bodies

	Number of Shares as of 30/9/2001	Number of Options as of 30/9/2001	Lock-up until
<b>Management Board</b>			
Franz Heim, CEO	1,685,654	10,000	09/02/2003
Roland Burkhardt, CTO	1,775,655	10,000	09/02/2003
Bernd Fessler, CFO	56,000	10,000	09/02/2003
<b>Supervisory Board</b>			
Dr. Roland Bahr, Chairman	9,902		
Otto Mayer, Deputy Chairman	655,146		09/02/2002
Ernst Haug	3,695		

## **E. Outlook for the Total Year 2001**

In view of the decline at short notice of the demand of two major purchasers of solar cells in the third quarter, the Company anticipates that the sales and earnings targets announced for the year 2001 in the solar cell area will not be reached.

Meanwhile an agreement was entered into with a customer on the supply of approx. 40% of the outstanding volume 2001 in the 4<sup>th</sup> quarter.

In September intensified distribution efforts resulted in the conclusion of a master agreement with the new customer Alfasolar GmbH covering a total volume of approx. € 7.4 million over the next three years, whereof € 0.5 million will be realized in the current fiscal year. The Company anticipates to enter into additional master agreements in the next weeks securing a majority of sales for the next year. First orders under these agreements are expected in 2001.

The development in the system business handled by the subsidiary MHH Solartechnik GmbH, Tübingen, is expected to be better than projected. Sales so far generated in this area as of 30 September 2001 already account for approx. 90% of the expected sales for the total fiscal year. However, the positive development at MHH will not offset the decline in the solar cell area.

According to the revised planning, the Company expects a gross performance of approx. € 21.7 million for the total fiscal year 2001. Sales are projected at € 18.5 million (initial projections: € 22.9 million gross performance/sales). The Company expects a consolidated net loss of € 2.1 million (initial projection: net income of € 0.1million).

**SUNWAYS AG, CONSTANCE**  
**CONSOLIDATED BALANCE SHEET (IAS) AS OF 30 SEPTEMBER 2001**

	<u>30.09.01</u> Mio. €	<u>31.12.00</u> Mio. €
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	1,0	2,8
Short-term Investments	8,4	0,0
Trade accounts receivable	2,3	1,4
Inventories	5,7	2,6
Prepaid expenses and other current assets	0,6	0,1
<b>Total current assets</b>	<b>18,0</b>	<b>6,9</b>
Property, plant and equipment	7,0	4,8
Intangible assets	0,6	0,1
Investments	0,1	0,1
Goodwill	0,1	0,1
Deffered tax asset	2,2	0,0
<b>Total assets</b>	<b>28,0</b>	<b>12,0</b>
<b>Liabilites and shareholders' equity</b>		
<b>Current liabilities</b>		
Short term debt and account of long-term debt	0,5	0,7
Trade accounts payable	4,0	2,2
Accrued expenses	0,5	0,4
Income tax payable	0,1	0,0
Other current liabilities	0,3	0,2
<b>Total current liabilities</b>	<b>5,4</b>	<b>3,6</b>
Long-term debt, less current portion	5,8	6,5
Minority interest	0,2	0,1
<b>Shareholders' equity</b>		
Share Capital	9,2	5,5
Contributions made for the implementation of the capital increase	0,0	1,1
Additional paid-in capital	13,7	0,0
Retained Earnings / Accumulated deficit	-6,3	-4,8
<b>Total Shareholders' equity</b>	<b>16,6</b>	<b>1,8</b>
<b>Total Liabilities and Shareholder's equity</b>	<b>28,0</b>	<b>12,0</b>

**SUNWAYS AG, CONSTANCE**  
**CONSOLIDATED INCOME STATEMENT (IAS)**  
**FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2001**

	Quarterly report II/2001 01/07/01- 30/09/01 Mio. €	Quarterly Report II/2000 01/07/00- 30/09/00 Mio. €	9 Month Report 01/01/2001- 30/09/2001 Mio. €	9 Month Report 01/01/2000- 30/09/2000 Mio. €
Revenues	6,0	0,7	12,6	1,9
Changes in inventories of finished goods and work in progress	1,0	0,5	3,0	0,7
<b>Gross performance</b>	<u>7,0</u>	<u>1,2</u>	<u>15,6</u>	<u>2,6</u>
Other operating income	0,1	0,1	0,2	0,1
Cost of purchased materials	-6,3	-1,0	-13,4	-2,2
Personnel expenses	-1,0	-0,4	-2,3	-1,0
Depreciation and amortization	-0,2	-0,1	-0,5	-0,4
Other operating expenses	<u>-0,8</u>	<u>-0,5</u>	<u>-2,2</u>	<u>-1,0</u>
<b>Operating Income (EBIT)</b>	<u>-1,2</u>	<u>-0,7</u>	<u>-2,6</u>	<u>-1,9</u>
Interest income and expenditure	<u>-0,1</u>	<u>0,0</u>	<u>0,1</u>	<u>-0,1</u>
<b>Result before income taxes and minority interest</b>	<u>-1,3</u>	<u>-0,7</u>	<u>-2,5</u>	<u>-2,0</u>
Income tax	<u>0,6</u>	<u>0,0</u>	<u>1,1</u>	<u>0,0</u>
<b>Result before minority interest</b>	<u>-0,7</u>	<u>-0,7</u>	<u>-1,4</u>	<u>-2,0</u>
Minority interest	<u>-0,1</u>	<u>0,0</u>	<u>-0,1</u>	<u>0,0</u>
<b>Consolidated Net income/loss</b>	<u><u>-0,8</u></u>	<u><u>-0,7</u></u>	<u><u>-1,5</u></u>	<u><u>-2,0</u></u>
Net income per share	-0,08	-0,76	-0,17	-2,20
Average number of outstanding shares	9.200.000	914.031	8.909.003	914.031

**CONSOLIDATED CASH-FLOW STATEMENT FOR THE PERIOD 1 JANUARY TO 30 SEPTEMBER 2001**

	<b>01/01-30/09 2001 millions of €</b>	<b>01/01-30/09 2000 millions of €</b>
<b>Operating activities</b>		
Result before taxes	-2,5	-2,0
Result after taxes	<u>-1,5</u>	<u>-2,0</u>
Adjustments for:		
Depreciation	0,5	0,4
Minority interests	<u>-0,1</u>	<u>0,0</u>
<b>Operating result before changes in net current assets</b>	<u><u>-1,1</u></u>	<u><u>-1,5</u></u>
Changes in assets and liabilities:		
Increase(-)/decrease in receivables and other current assets, accruals and deferrals and deferred tax assets	-3,4	-0,3
Increase (-)/decrease in inventories	-3,1	-1,1
Increase(-)/decrease in trade payables and other short-term provisions and liabilities	<u>2,0</u>	<u>1,6</u>
<b>Cash provided by operating activities</b>	<u><u>-5,6</u></u>	<u><u>-1,4</u></u>
<b>Investment activities</b>		
Purchase of fixed assets	<u>-3,3</u>	<u>-0,9</u>
<b>Cash used in investment activities</b>	<u><u>-3,3</u></u>	<u><u>-0,9</u></u>
<b>Financing activities</b>		
Cash provided by/used for (-) long-term bank loans	-0,7	0,0
Cash provided pay/used for (-) short-term bank loans	-0,2	0,5
Contributions to subscribed capital and capital reserves	16,3	1,0
Additions to minority interests	<u>0,1</u>	<u>0,0</u>
<b>Cash provided by/used for (-) financing activities</b>	<u><u>15,4</u></u>	<u><u>1,6</u></u>
<b>Net increase/decrease in liquid funds</b>	<u><u>6,6</u></u>	<u><u>-0,6</u></u>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<u><u>2,8</u></u>	<u><u>0,6</u></u>
<b>Cash and cash equivalents at the end of the reporting period</b>	<u><u><u>9,4</u></u></u>	<u><u><u>0,0</u></u></u>

## SUNWAYS AG, CONSTANCE

### CHANGES IN SHAREHOLDERS' EQUITY 1 JANUARY TO 30 SEPTEMBER 2001

	<b>Subscribed capital millions of €</b>	<b>Contributions made for the implementation of the capital increase millions of €</b>	<b>Reserves millions of €</b>	<b>Profit-/ loss carried forward millions of €</b>	<b>Total millions of €</b>
1 January 2001	5,5	1,1	0,0	-4,8	1,8
Cash capital increase	2,6		15,7		18,3
Costs of the public offer			-1,5		-1,5
Others			-0,5		-0,5
Reclassification	1,1	-1,1			0,0
Net loss				-1,5	-1,5
30 September 2001	9,2	0,0	13,7	-6,3	16,6