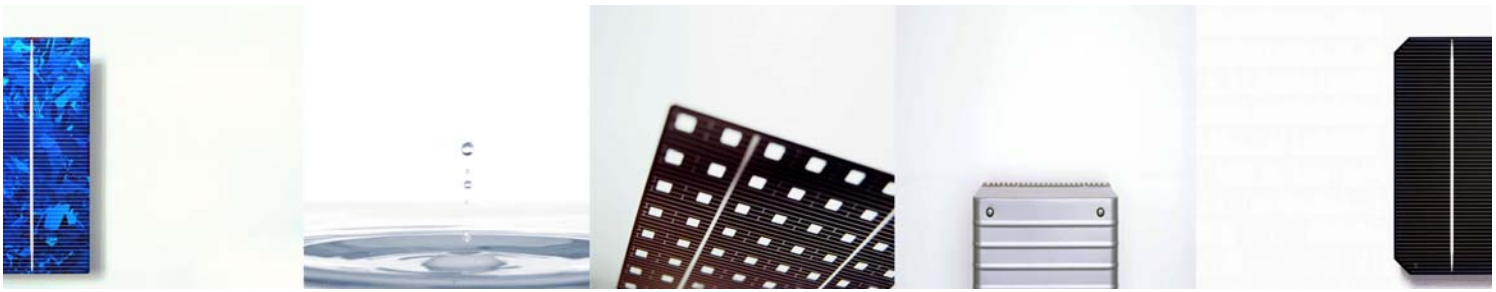


Sunways AG, Constance

2nd Quarter Report 2005



Sunways AG, Constance
Notes to the Consolidated Interim Financial Statements (IAS)
as of 30 June 2005

Highlights

1. Major Events of the Second Quarter 2005

- 31 percent rise in sales against comparable prior year period
- Second quarter EBIT of Euro +0.4 million despite scheduled start-up costs relating to the erection the new production plant
- Continuously strong demand for photovoltaics products
- Full utilization of production capacities

2. Accounting Principles

This quarterly report was prepared in accordance with the International Reporting Standards (IFRS) and the International Accounting Standards (IAS) of the International Accounting Standards Board (IASB), respectively, and is in conformity with the major accounting principles presented therein. The accounting and valuation principles applied were the same as for the consolidated financial statements for the fiscal year ended on 31 December 2004.

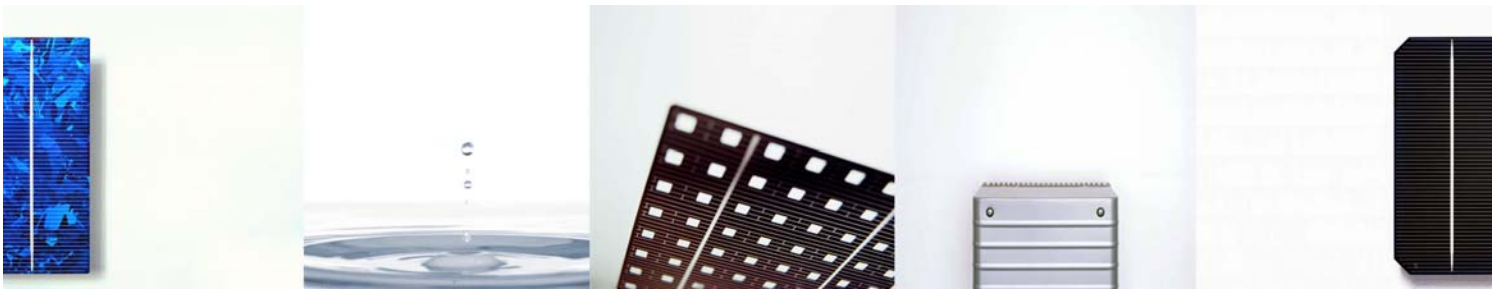
3. Business Operations

The demand for solar cells and solar inverters continues to rise on a domestic as well as on an international level and exceeds the relevant supply. At Sunways AG too, this development results in an amount of orders received that markedly surpasses current capacities.

The business development continues to be positive: Gross performance in the second quarter 2005 rose from Euro 15.1 million (2004) to Euro 21.5 million.

Wafer procurement, which may restrict the production of solar cells, is a much discussed topic. We have secured the procurement of this raw material for the 2005 production and beyond. Due to our good contacts in the wafer procurement market, we are confident that we will be able to fully meet the requirements for the year 2006. The relevant prices will be negotiated step by step.

Photovoltaics market characterized by continuously strong demand



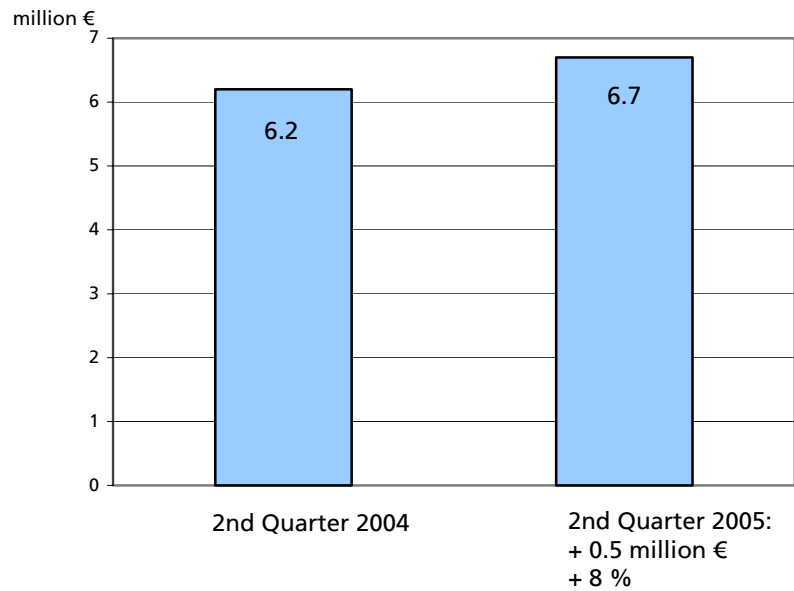
2005 production sold out

3.1 Solar Cells

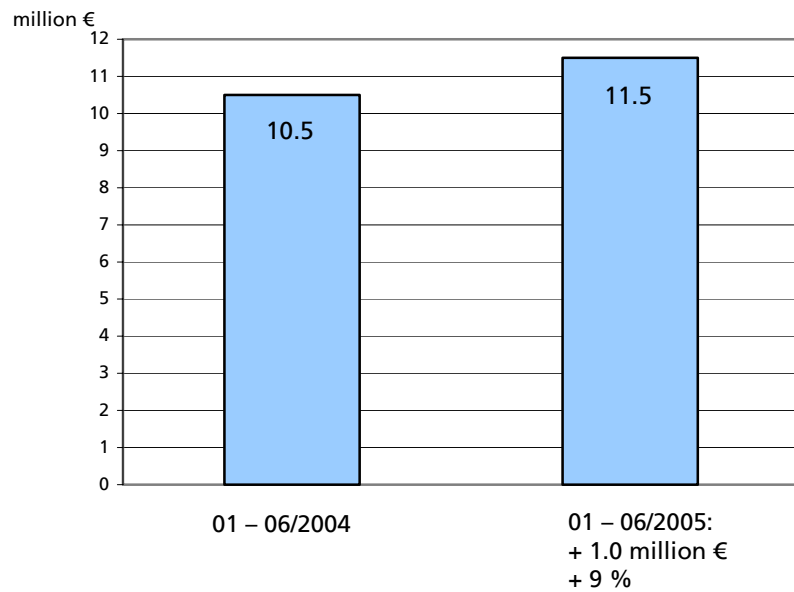
The demand for our solar cells continued to be undiminished also in the second quarter 2005. Our total 2005 production has already been sold off. There is already a strong demand for significant amounts for the year 2006. Our production capacities are fully utilized for the current year. The current order backlog will last until the middle of 2006.

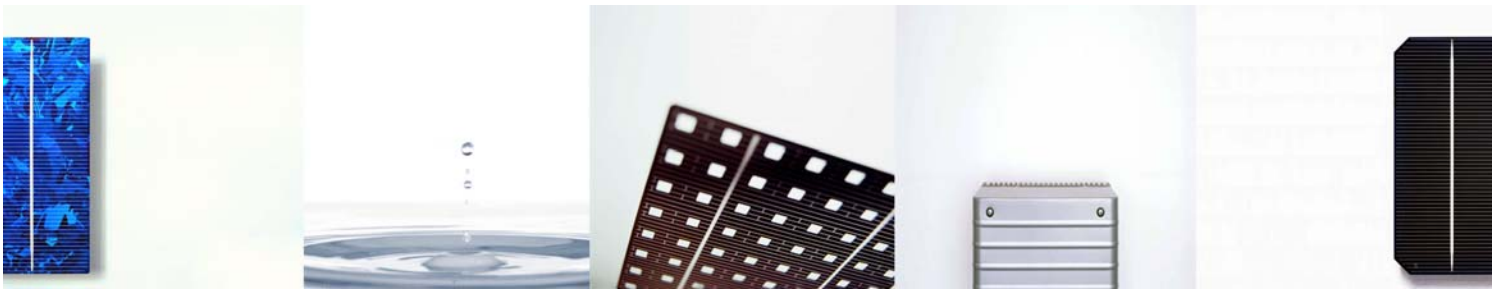
Quarterly comparison:
8 percent rise in sales

Sales



Semi-annual comparison:
9 percent rise in sales





In the second quarter, sales rose by approximately 8 percent against the comparable prior year period to Euro 6.7 million (prior year: Euro 6.2 million).

Approximately 8 percent of solar cell sales in the second quarter 2005 were generated abroad (prior year: approx. 13 percent). Domestic demand continues to be so strong that our capacities are not sufficient to further increase the share of international sales.

As we had already reached the limit of our capacities last year, we only achieved a moderate rise in sales. This was mainly due to optimizations in our production process. We will be able to generate markedly higher growth rates with the additional production capacities at the new Arnstadt plant.

Price development

The price for solar cells slightly increased due to the procurement situation in the silicon market.

Production

The further flexibilization of our solar cell production continued also in the second quarter 2005. This enables us to respond to specific customer demands at short notice, a fact from which we will benefit during the rest of the year.

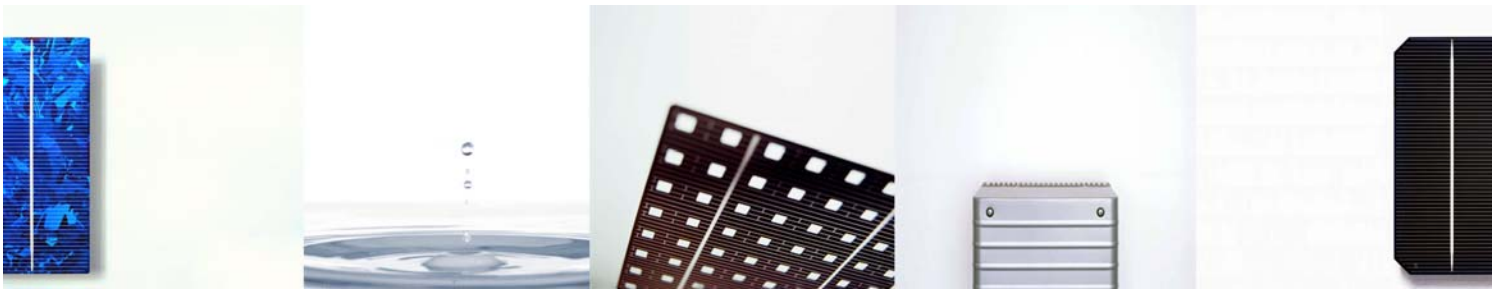
In the second quarter 2005, our production output increased from 2.2 megawatt (1st quarter 2005) to 3.4 megawatt. The average efficiency rate of solar cells from multicrystalline silicon was approximately 14.7 percent. At present, top efficiency rates of up to 16 percent are achieved. The monocrystalline solar cells have efficiency rates of up to approximately 17 percent and thus continue to hold a leading position in technology.

The erection of the new production plant Sunways Production GmbH in Arnstadt / Thuringia continued as planned. Production will start at the end of the third quarter. The result of the solar cell division for the past quarter was affected by the start-up costs which will also have an impact in the third quarter as planned.

Technology

In May 2005, we entered into a cooperation agreement with Unaxis AG, Liechtenstein. The goal is to jointly develop a production plant for the manufacture of solar cells based on the thin-film technology within a period of two years. By going into the thin-film technology business, Sunways AG will be expanding its product range. Also significantly less silicon and a smaller number of process steps are required for the production of thin-film solar cells than for the manufacture of mono- and multicrystalline solar cells so that the production costs may be reduced substantially.

Going into the thin-film
technology business



In order to secure the supply of the raw material silicon and to markedly expand the processing capacities of the wafer manufacturer Swiss Wafers AG, Weinfelden / Switzerland, we entered into a cooperation agreement with this enterprise in June 2005. The five-year agreement covers the supply and purchase of an amount of wafers that corresponds to a capacity of at least 7.5 megawatt per year in terms of wafers (approximately 16 percent of our expected production capacity in 2006). This cooperation will also enable us to have high purity silicon or ingots processed to wafers by our partner. This will significantly improve our position in the currently difficult silicon procurement market, as we will be able to approach a larger number of suppliers to cover our raw material requirements and thus secure the supply of raw materials for the solar cell production in the long term.

Investments

Investments in the solar cell division during the past quarter amounted to Euro 8.1 million and mainly related to the erection of the new production plant (Sunways Production GmbH).

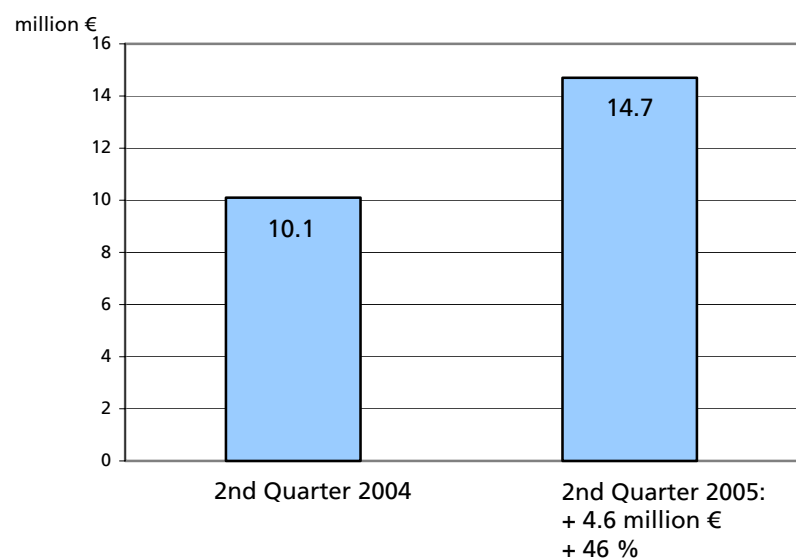
3.2 Solar systems and projects

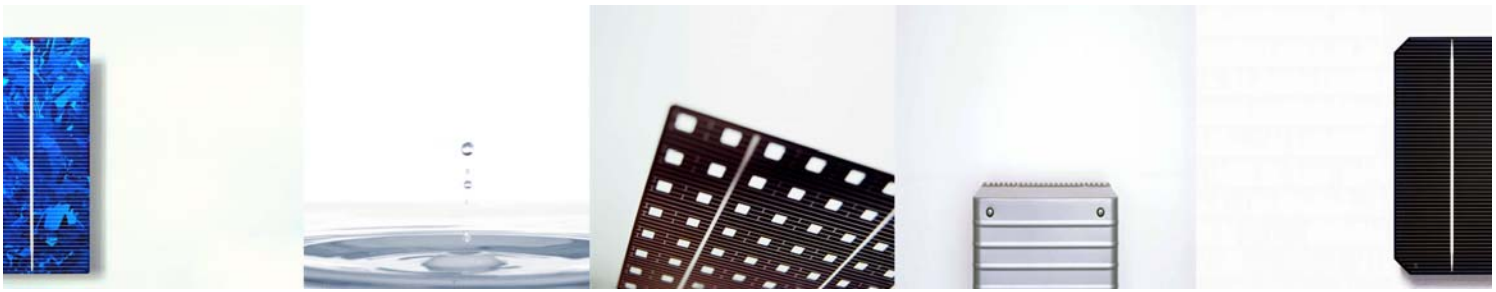
As expected, the solar systems and projects division again recorded a high demand in the second quarter which resulted in a shortage of high quality modules.

Strong demand continues to be undiminished

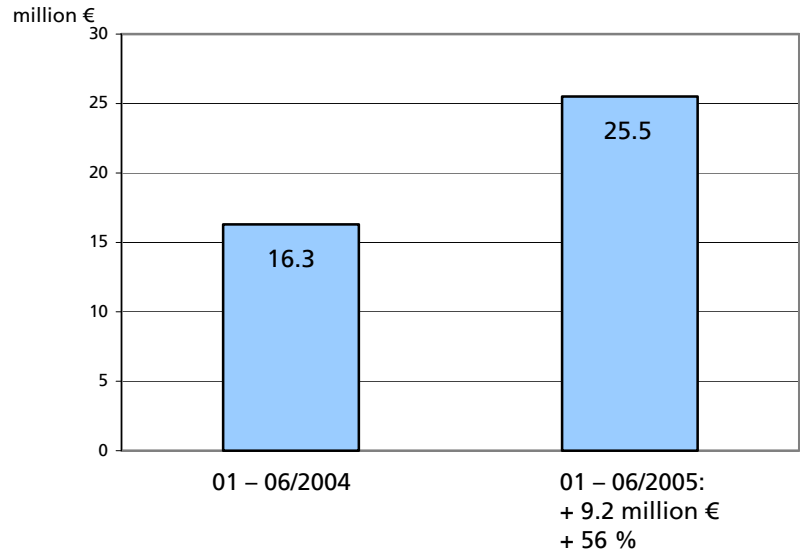
Quarterly comparison: 46 percent rise in sales

Sales





Semi-annual comparison:
56 percent rise in sales



Business development of
MHH Solartechnik GmbH
continues to be positive

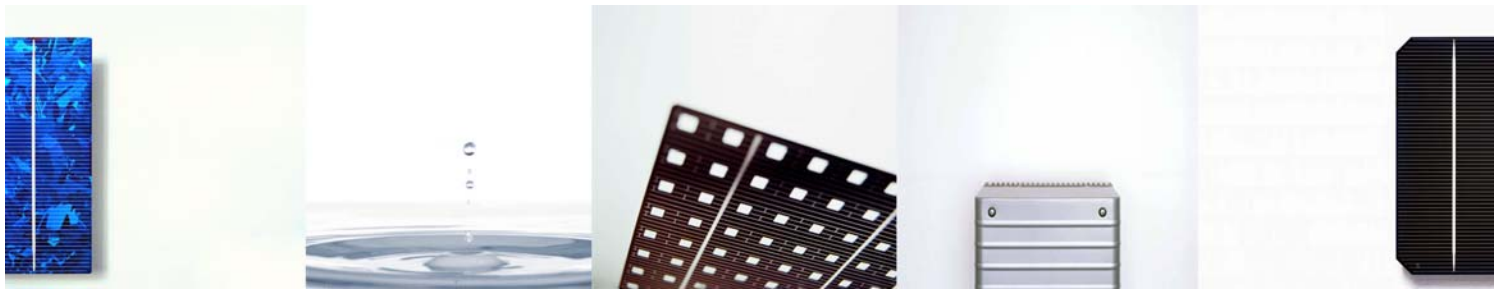
In the second quarter 2005, sales in this business division rose by 46 percent against the prior year to Euro 14.7 million (prior year: Euro 10.1 million).

Sales volumes of all modules distributed by MHH rose further. The continuously strong domestic demand and the prevailing shortage of modules again resulted in 97 percent of all sales in the second quarter being generated in Germany (prior year: 98 percent).

International sales in Spain in the area of Solar Inverters more than doubled against the first half-year 2004.

Price development

Due to the strong demand in Germany and higher prices of raw materials, the prices of solar modules rose again. This might also result in a price increase in the next few months.



Further development of the Sunways Solar Inverter

Production of the new generation of Solar Inverters

Our NT family of Solar Inverters was developed further as planned. The expanded voltage range was a response to customer wishes: the new version of the device, which has been available since the second quarter 2005, now covers a voltage range from 350 to 850 volt and thus ideally adapts to the electric properties of the solar cells in the 156 x 156 mm format that are increasingly found in the market and also produced by Sunways AG. Thus the number of possible variations with respect to circuits of photovoltaic modules increased as well.

In addition, the Sunways Solar Inverter NT 10000 was added to the product range. The device may be used for photovoltaic systems of 10 kilowatt and more and constitutes the answer to the increasing size of photovoltaic systems and customers' wishes for more efficiency and easy handling of large solar inverters. The Solar Inverter NT 10000 was introduced at the INTERSOLAR trade exhibition in June and will be available from October 2005.

Another novelty is the Sunways Communicator. With the aid of this device, all key data of photovoltaic systems may be monitored from any computer with internet access. The device has been available since July 2005.

Investments

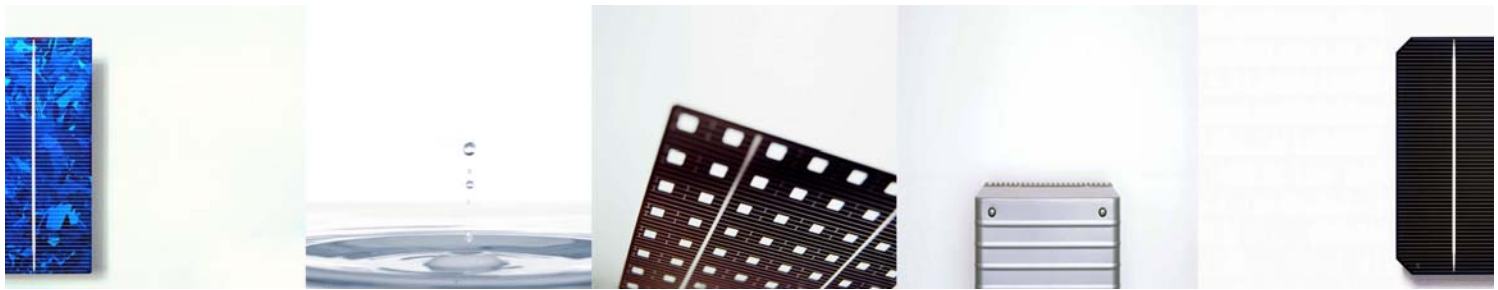
There were no major investments in the second quarter.

4. Financing

In the second quarter, the redemption of bank loans continued as planned. Redemption payments amounted to approx. Euro 0.1 million. The preliminary financing of silicon was partly funded by drawings on an overdraft facility.

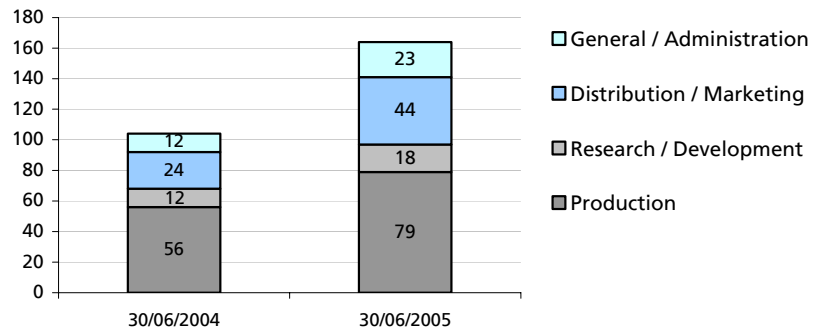
Loan agreements relating to a total amount of approximately Euro 15 million were entered into in early April 2005 to finance Sunways Production GmbH. An amount of Euro 6.4 million was disbursed under these agreements by 30 June 2005.

The promotion notification from the State of Thuringia relating to our new Arnstadt plant was handed over in April 2005. The entitlement to state subsidies and the claim for investment grants so far existing were for the first time carried as assets. The subsidies were recorded under deferred income on the liabilities side pursuant to IAS 20 and will be amortized affecting income over the useful life of the relevant assets. Payments under these grants will be received from 2006 onwards.



5. Personnel and Social Matters

As of 30 June 2005, the Sunways Group employed a staff of 164 (as of 30 June 2004: 104). The increase in the number of employees on the one hand resulted from the establishment of Sunways Production GmbH. In addition, we strengthened our distribution organization in the area of Solar Inverters and in the systems business. The break-down of employees by functions was as follows:



In the second half-year 2005, the number of staff will rise again due to the commissioning of Sunways Production GmbH.

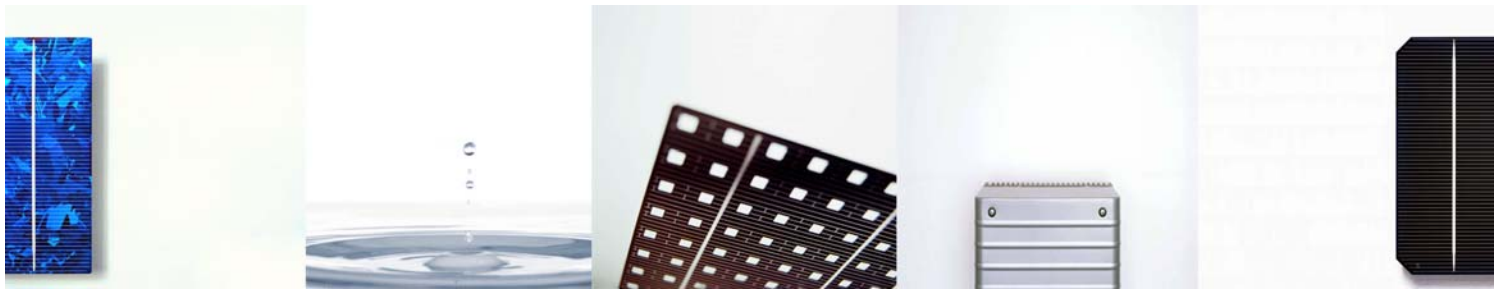
In the period under review, the first rights under the employee share option scheme of Sunways AG were exercised with respect to 113,000 options, thus creating 113,000 new Sunways shares corresponding to a share of Euro 1.00 each in the total share capital of Sunways AG. The number of outstanding shares increased to an aggregate of 9,627,070.

6. Result

In the second quarter 2005, Sunways generated sales of Euro 21.4 million (prior year: Euro 16.3 million) and positive EBIT of Euro +0.4 million (prior year: Euro + 1.2 million). EBITDA amounted to Euro +0.9 million (prior year: Euro+1.7 million) which resulted in a breakeven on a consolidated basis (prior year: net income of Euro +0.8 million).

Undiluted earnings per share (basic earnings per share pursuant to IAS 33) at the end of the first six months 2005 were Euro 0.00 (prior year: Euro 0.06). Diluted earnings equal the undiluted earnings.

The result was affected by the start-up costs of our Arnstadt production plant. The increased prices of raw materials in the solar cell and module segment could not fully be passed on to end customers. Despite the excess demand, the investment decision depends on the profitability of a photovoltaic system. Therefore, margins were slightly below those of the previous quarter.



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).

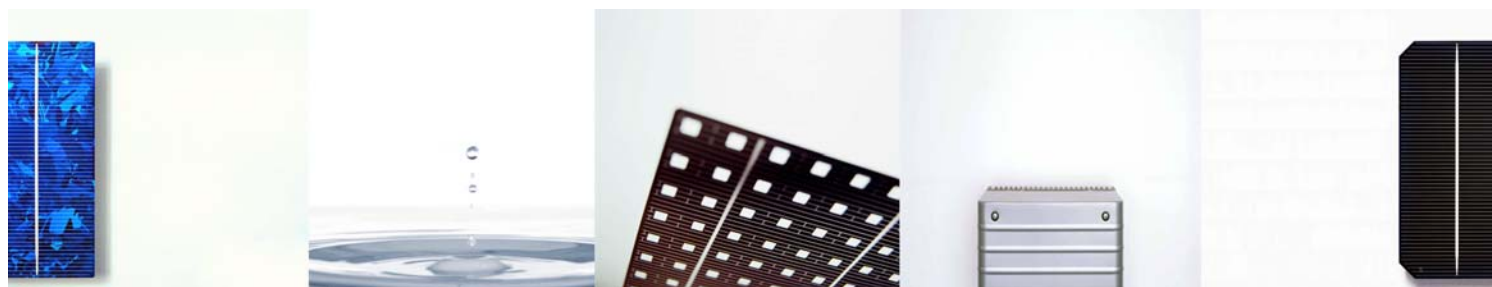
	2nd Quarter 2005				2nd Quarter 2004		
	Solar cells Millions of €	Solar systems Millions of €	Conso- lidation Millions of €	Total Millions of €	Solar cells Millions of €	Solar systems Millions of €	Total Millions of €
Sales	6.7	14.7	0.0	21.4	6.2	10.1	16.3
EBITDA	-0.2	+1.0		+0.9	+0.7	+1.0	+1.7
Depreciation / amortization	-0.5	0.0		-0.5	-0.4	-0.1	-0.5
EBIT	-0.6	+1.0		+0.4	+0.3	+0.9	+1.2

	01 – 06/2005				01 – 06/2004		
	Solar cells Millions of €	Solar systems Millions of €	Conso- lidation Millions of €	Total Millions of €	Solar cells Millions of €	Solar systems Millions of €	Total Millions of €
Sales	11.5	25.5	-0.2	36.8	10.5	16.3	26.8
EBITDA	-0.3	+1.8		+1.5	+0.6	+1.3	+1.9
Depreciation / amortization	-0.8	-0.1		-0.9	-0.7	-0.2	-0.9
EBIT	-1.1	+1.7		+0.6	-0.1	+1.1	+1.0

(Rounding differences are possible)

8. Cash-Flow

Claims for investment grants were carried as an asset on the balance sheet as of 30 June 2005. Consequently, a corresponding item was recorded under deferred income on the liabilities side. Since payments under the investment grants will only be made as from 2006, these items have not been taken into account in the statement of cash-flows.



Sunways AG, Constance
Consolidated Balance Sheet as of 30 June 2005

ASSETS

Current assets

Liquid funds	2.6	13.1
Marketable securities	1.0	1.1
Trade receivables	4.2	3.6
Inventories	9.3	5.4
Prepayments and accrued income and other current assets	8.2	1.2

Total current assets	25.3	24.5
-----------------------------	-------------	-------------

Tangible fixed assets	26.3	10.7
Intangible assets	1.1	1.2
Financial assets	0.0	0.0
Goodwill	0.2	0.2
Deferred taxes	3.6	3.7

Total assets	56.6	40.4
---------------------	-------------	-------------

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Short-term loans and current portion of long-term loans	1.2	0.8
Trade payables	10.0	8.0
Prepayments received	0.0	0.1
Provisions	1.3	1.5
Income tax payable	0.3	0.3
Other current liabilities	1.1	0.5

Total current liabilities	13.8	11.0
----------------------------------	-------------	-------------

Long-term liabilities

Bonds	9.7	9.6
Long-term loans	9.3	3.3
Deferred taxes	0.6	0.7

Total long-term liabilities	19.5	13.5
------------------------------------	-------------	-------------

Deferred investment grants	6.9	0.0
-----------------------------------	------------	------------

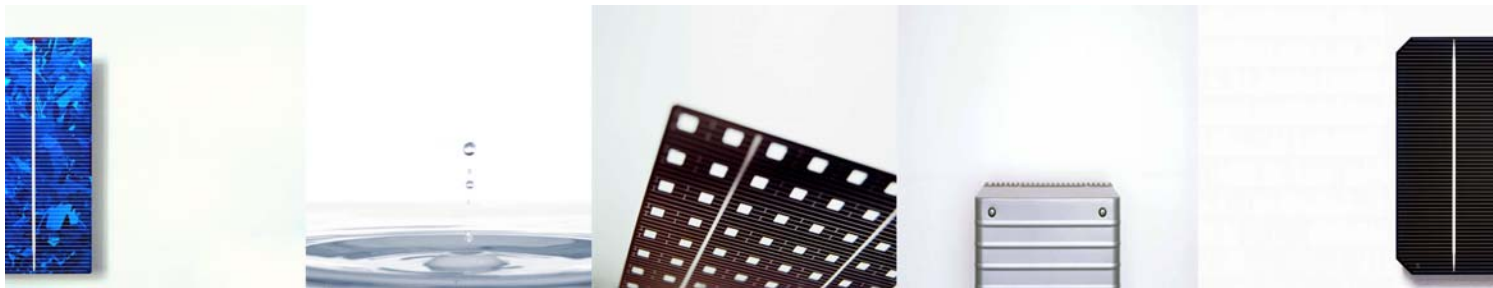
Shareholders' equity

Subscribed capital	9.6	9.5
Capital reserve	15.1	14.7
Accumulated profit/loss	-8.4	-8.3

Total shareholders' equity	16.4	15.9
-----------------------------------	-------------	-------------

Total liabilities and shareholders' equity	56.6	40.4
---	-------------	-------------

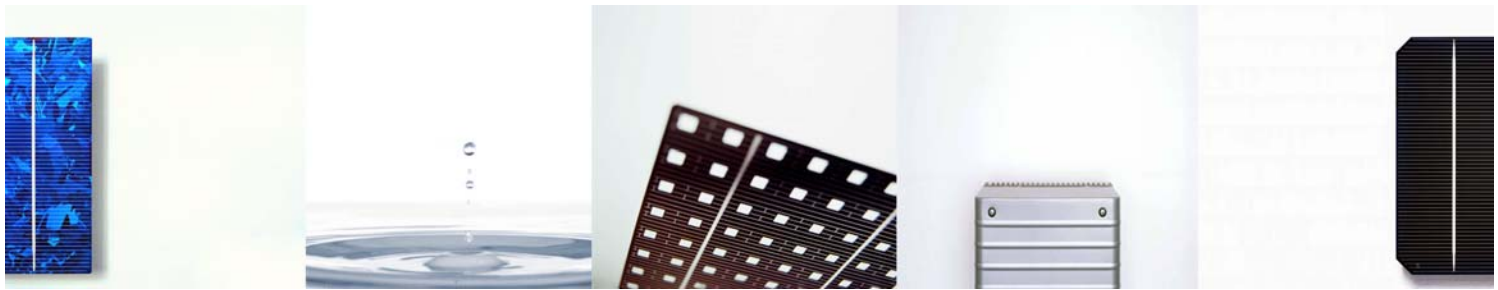
(Rounding differences are possible)



Sunways AG, Constance
Consolidated Income Statement
for the Fiscal Year 2005

	01/04 - 30/06/2005 Millions of €	01/04 - 30/06/2004 Millions of €	01/01 - 30/06/2005 Millions of €	01/01 - 30/06/2004 Millions of €
Sales	21.4	16.3	36.8	26.8
Changes in inventories of finished and unfinished goods	0.1	-1.2	0.1	-1.0
Gross performance	21.5	15.1	36.9	25.8
Other operating income	0.0	0.0	0.1	0.0
Cost of materials	-17.3	-11.4	-29.4	-20.0
Personnel expenses	-1.8	-1.2	-3.3	-2.3
Depreciation and amortization	-0.5	-0.5	-0.9	-0.9
Other operating expenses	-1.6	-0.8	-2.8	-1.6
Operating result (EBIT)	0.4	1.2	0.6	1.0
Interest income/expenses	-0.3	0.0	-0.5	-0.1
Result before taxes	0.1	1.2	0.1	0.9
Taxes on income	0.0	-0.4	-0.1	-0.3
Consolidated net income/loss	0.0	0.8	0.0	0.6
Earnings per share (consolidated net income/loss : number of shares; here: diluted = undiluted)	0.00	0.08	0.00	0.06
Average number of shares outstanding	9,569,903	9,514,070	9,542,126	9,514,070

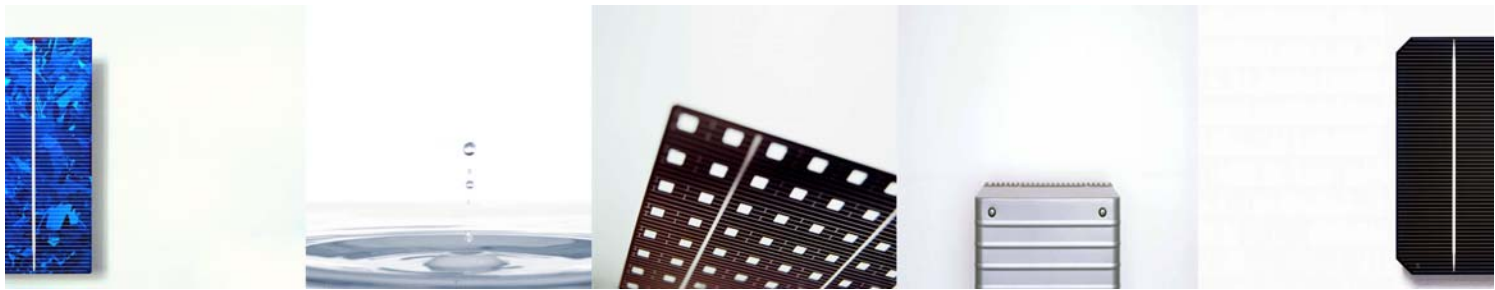
(Rounding differences are possible)



Sunways AG, Constance
Changes in Shareholders' Equity
from 01/01 – 30/06/2005

	Subscribed capital	Reserves	Profit/ loss brought forward	Total
	Millions of €	Millions of €	Millions of €	Millions of €
01 January 2004	9.5	14.3	-9.9	13.9
Net income			0.6	0.6
30 June 2004	9.5	14.3	-9.2	14.6
01 January 2004	9.5	14.3	-9.9	13.9
Equity from convertible bonds		0.2		0.2
Revaluation of marketable securities		0.1		0.1
Net income			1.6	1.6
31 December 2004	9.5	14.7	-8.3	15.9
31 December 2004 / 01 January 2005	9.5	14.7	-8.3	15.9
Equity from convertible bonds		0.0		0.0
Changes resulting from share options	0.1	0.4	-0.1	0.4
Net income			0.0	0.0
30 June 2005	9.5	15.1	-8.4	16.4

(Rounding differences are possible)



9. 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 30 June 2005.

	Shares as of 30/06/2005	Options as of 30/06/2005
Management Board		
Roland Burkhardt	1,740,345	30,000
Supervisory Board		
Dr. Roland Bahr, chairman	9,902	
Otto Mayer, deputy chairman	760,000	
Ernst Haug	3,695	
Heinz W. Bull	0	
Frank Wehking	0	
Thomas Nordmann (since 19 May 2005)	0	

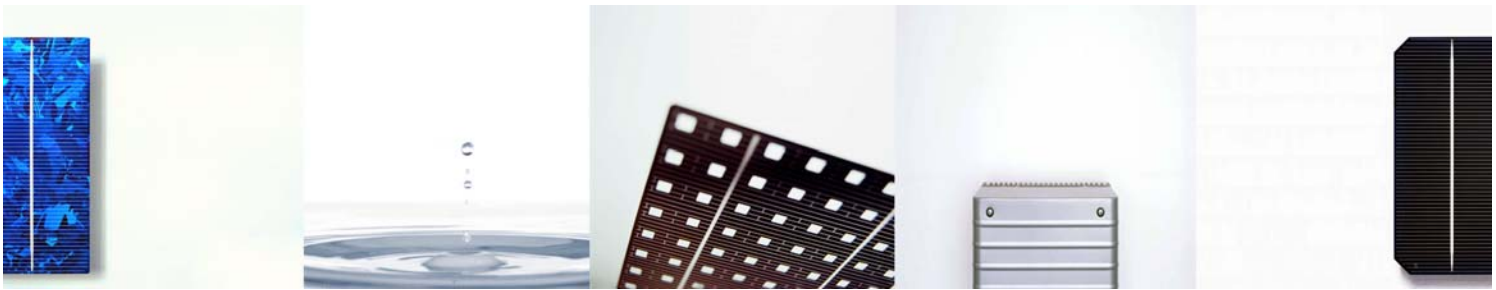
On 19 May 2005, the shareholders' meeting appointed Mr Thomas Nordmann a member of the Supervisory Board. Mr Nordmann replaces Franz Heim who resigned as of 31 January 2005.

Currently, 9,627,070 Sunways shares are outstanding.

Directors' Dealings

The following directors' dealings were reported in the period under review:

31/05/2005	Roland Burkhardt, member of the Management Board, Kreuzlingen	Purchase; 10,000 shares at a price of € 10.39 per share (total amount: € 103,900); off-the-floor purchase under the share option scheme 2001 at the price then quoted of € 10.39 per share
19/05/2005	Angela Mayer, spouse of Otto Mayer, member of the Supervisory Board, Tübingen	Purchase; 450 shares at a price of € 14.55 per share (total amount: € 6,547.50); Stock exchange: Stuttgart



Photovoltaics industry continues to grow

Sunways Production GmbH expands its capacities and has an impact on results

Positive annual result expected for 2005

10. Outlook for the Entire Fiscal Year 2005

The positive development of the solar industry is continuing on a domestic and international level.

On 1 August 2005, our new distribution office in Barcelona / Spain has started its operations. Thus we are intensifying our contacts with our customers in Southern Europe.

At the end of the third quarter 2005, Sunways Production GmbH will start to produce mono- and multi-crystalline solar cells. For 2005 we expect an additional production output of 6 megawatt. Full production capacity will be reached in early 2006.

We are anticipating a two-digit sales growth for 2005. In this year, Sunways AG will have to cope with the start-up losses of the new Arnstadt production plant. We are striving for a result in excess of the prior year EBIT. The amount of EBIT will partially be affected by the level of purchase prices in the global markets.

The Management Board, 9 August 2005

Financial Calendar 2005

31 August 2005	SCC Small Cap Conference, Frankfurt am Main
9 November 2005	Financial data 3rd quarter 2005
9 November 2005	Analysts' conference, Frankfurt am Main

This quarterly report is also available in the German original. In addition, you may find our annual and quarterly reports as well as current information on the Internet (www.sunways.de).

Sunways AG
Investor Relations
Macairestraße 3 - 5
D-78467 Konstanz
Telephone +49 7531
99677480
Fax +49 7531 99677548
ir@sunways.de
www.sunways.de