

**Compliance statement by the Management Board and Supervisory Board of Sunways AG relating to the recommendations of the “Government Commission on the German Corporate Governance Code” (Regierungskommission Deutscher Corporate Governance Kodex) pursuant to § 161 of the German Stock Corporation Act (AktG)**

(As of: 12 March 2010)

1. In the future, Sunways AG will comply with all recommendations of the “Government Commission on the German Corporate Governance Code”, as amended on 18 June 2009, with the following exceptions:

***Item 3.8 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – the “Code”): Deductible with respect to D&O insurance for the Management Board and Supervisory Board***

*„If the company takes out a D&O (directors’ and officers’ liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Management Board member must be agreed upon. A similar deductible must be agreed upon in any D&O policy for the Supervisory Board.“*

The Company will only comply with this recommendation as from 1 July 2010 and only with respect to the Management Board as the existing insurance policies are presently being amended. Up to that date, the statutory transition regulations will apply. This deviation thus is due to the period of time required to amend the contracts.

The D&O insurance for the Supervisory Boards members does not provide for any deductible and no such deductible is expected to be agreed upon in the future. The Company believes that a deductible will not constitute an additional incentive for the Supervisory Board members to duly perform their activities in accordance with the provisions of law.

***Item 4.2.3 of the Code: Compensation structure for the Management Board and severance pay***

*... “The compensation structure must be oriented toward sustainable growth of the enterprise. The monetary compensation elements shall comprise fixed and variable elements. The Supervisory Board must make sure that the variable compensation elements are in general based on a multi-year assessment. Both positive and negative developments shall be taken into account when determining variable compensation components. All compensation components must be appropriate, both individually and in total, and in particular must not encourage to take unreasonable risks.” ...*

At present, the Company does not meet this specification. The compensation provisions in the current agreements with Management Board members are, in the opinion of the Supervisory Board, appropriate and do not encourage to take unreasonable risks. Variable compensation elements are presently not based on a multi-year assessment; negative developments were not taken into account in the determination of variable compensation components. This recommendation is not complied with at present; a potential modification of existing agreements with Management Board members is currently under review.

... „In concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his contract without serious cause, including fringe benefits, do not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year.“ ...

The Supervisory Board has not entered into any agreements with Management Board members with respect to premature termination of their appointment without serious cause and does not intend to do so in the future. Thus the statutory provisions apply. In the opinion of the Company, the statutory provisions ensure an adequate reconciliation of mutual interests and thus form an appropriate basis in case of a Management Board member's premature resignation.

**Item 4.2.4 of the Code: Disclosure of the compensation of individual Management Board members**

„The total compensation of each one of the members of the Management Board is to be disclosed by name, divided into fixed and variable compensation components. The same applies to promises of benefits that are granted to a Management Board member in case of premature or statutory termination of the function of a Management Board member or that have been changed during the financial year. Disclosure may be dispensed with if the General Meeting has passed a resolution to this effect by three-quarters majority.“

On 23 May 2006, the general meeting of Sunways AG passed a resolution by three-quarters majority to the effect that the compensation of Management Boards members is not to be disclosed on an individual basis. Also any commitments made or changed during the fiscal year with respect to payments to be granted to a Management Board member in the event of any premature or statutory termination of his appointment are not intended to be disclosed on an individual basis.

The Company believes that adequate account is taken of legitimate information requirements by publishing the total amount of remunerations to the Management Board as well as a summary of existing commitments in relation to termination. In this context, the Company is of the opinion that the right of privacy of individual Management Board members should also be adequately taken into account when deciding on a disclosure of individual data.

**Item 5.3 of the Code: Establishment of committees**

The entire item 5.3 of the Code is not applied. In view of the limited number of Supervisory Board members, Sunways AG generally does not establish any committees. This approach ensures the efficiency and full information of all Supervisory Board members. The Company believes that all Supervisory Board members should at all times be involved in the decisions of the Supervisory Board.

**Items 5.4.6 and 5.4.7 of the Code: Supervisory Board compensation and disclosure thereof**

„Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise.“

...

“The compensation of the members of the Supervisory Board shall be reported individually in the Corporate Governance Report, subdivided according to components. Also payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services shall be listed separately on an individual basis in the Corporate Governance Report.“

The Supervisory Board members of Sunways AG do not receive any performance-related remuneration (Item 5.4.6 of the Code). The Company believes that additional incentives in the form of variable pay elements that, in practice, in most cases have resulted in a marked increase in the overall amount of Supervisory Board remunerations at other companies and thus in higher expenses for the relevant enterprise would put the Company at a disadvantage compared to the current fixed remuneration. This approach also helps avoid conflicts of interest in the context of monitoring activities.

The compensation of Supervisory Board members and any remuneration for services rendered are not specified on an individual basis in the corporate governance report (Item 5.4.7 of the Code).

In view of the limited number of Supervisory Board members, the publication of the total amount of fees paid for consultancy services ensures sufficient transparency. In this respect as well, the Company believes that the protection of the individual Supervisory Board members' privacy outweighs the need for greater transparency and further details.

#### ***Item 7.1.2: of the Code: Publication of financial reports***

The consolidated annual financial statements and interim financial statements are published exclusively in conformity with statutory timing requirements. (Item 7.1.2 of the Code).

The Company is of the opinion that the statutory provisions ensure the adequate and timely information of shareholders.

**2. Since the last compliance statement dated 12 March 2009, Sunways AG has complied with all recommendations of the Government Commission on the German Corporate Governance Code during the period from 12 March 2009 to 4 August 2009 (the Code, as amended on 6 June 2008) and during the period from 5 August 2009 to the date hereof (the Code, as amended on 18 June 2009), with the following exceptions:**

#### ***Item 3.8 of the Code: Deductible with respect to D&O insurance for the Management Board and Supervisory Board***

*„If the company takes out a D&O (directors' and officers' liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Management Board member must be agreed upon. A similar deductible must be agreed upon in any D&O policy for the Supervisory Board.“*

The Company will only comply with this recommendation as from 1 July 2010 and only with respect to the Management Board as the existing insurance policies are presently being amended. Up to that date, the statutory transition regulations will apply. This deviation thus is due to the period of time required to amend the contracts.

The D&O insurance for the Supervisory Boards members does not provide for any deductible and no such deductible is expected to be agreed upon in the future. The Company believes that a deductible will not constitute an additional incentive for the Supervisory Board members to duly perform their activities in accordance with the provisions of law.

#### ***Item 4.2.3 of the Code: Compensation structure for the Management Board and severance pay***

*... „The compensation structure must be oriented toward sustainable growth of the enterprise. The monetary compensation elements shall comprise fixed and variable elements. The Supervisory*

*Board must make sure that the variable compensation elements are in general based on a multi-year assessment. Both positive and negative developments shall be taken into account when determining variable compensation components. All compensation components must be appropriate, both individually and in total, and in particular must not encourage to take unreasonable risks.“ ...*

At present, the Company does not meet this specification. The compensation provisions in the current agreements with Management Board members are, in the opinion of the Supervisory Board, appropriate and do not encourage to take unreasonable risks. Variable compensation elements are presently not based on a multi-year assessment; negative developments were not taken into account in the determination of variable compensation components. This recommendation is not complied with at present; a potential modification of existing agreements with Management Board members is currently under review.

*... „In concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his contract without serious cause, including fringe benefits, do not exceed the value of two years' compensation (severance pay cap) and compensate no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year..“ ...*

The Supervisory Board has not entered into any agreements with Management Board members with respect to premature termination of their appointment without serious cause and does not intend to do so in the future. Thus the statutory provisions apply. In the opinion of the Company, the statutory provisions ensure an adequate reconciliation of mutual interests and thus form an appropriate basis in case of a Management Board member's premature resignation.

#### **Item 4.2.4 of the Code: Disclosure of the compensation of individual Management Board members**

*„The total compensation of each one of the members of the Management Board is to be disclosed by name, divided into fixed and variable compensation components. The same applies to promises of benefits that are granted to a Management Board member in case of premature or statutory termination of the function of a Management Board member or that have been changed during the financial year. Disclosure may be dispensed with if the General Meeting has passed a resolution to this effect by three-quarters majority.“*

On 23 May 2006, the general meeting of Sunways AG passed a resolution by three-quarters majority to the effect that the compensation of Management Boards members is not to be disclosed on an individual basis. Also any commitments made or changed during the fiscal year with respect to payments to be granted to a Management Board member in the event of any premature or statutory termination of his appointment are not intended to be disclosed on an individual basis.

The Company believes that adequate account is taken of legitimate information requirements by publishing the total amount of remunerations to the Management Board as well as a summary of existing commitments in relation to termination. In this context, the Company is of the opinion that the right of privacy of individual Management Board members should also be adequately taken into account when deciding on a disclosure of individual data.

#### **Item 5.3 of the Code: Establishment of committees**

By resolution of the general meeting of Sunways AG on 17 June 2009, the number of Supervisory Board members was reduced from six to three. In view of the limited number of Supervisory Board members, Sunways AG generally has not established any committees since the Supervisory Board's downsizing. The entire item 5.3 of the Code has not been applied since that date. This approach ensures the efficiency and full information of all Supervisory Board members. The Company believes

that all Supervisory Board members should at all times be involved in the decisions of the Supervisory Board.

**Items 5.4.6 and 5.4.7 of the Code: Supervisory Board compensation and disclosure thereof**

*„Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise.“*

...

*„The compensation of the members of the Supervisory Board shall be reported individually in the Corporate Governance Report, subdivided according to components. Also payments made by the enterprise to the members of the Supervisory Board or advantages extended for services provided individually, in particular, advisory or agency services shall be listed separately on an individual basis in the Corporate Governance Report.“*

The Supervisory Board members of Sunways AG do not receive any performance-related remuneration (Item 5.4.6 of the Code). The Company believes that additional incentives in the form of variable pay elements that, in practice, in most cases have resulted in a marked increase in the overall amount of Supervisory Board remunerations at other companies and thus in higher expenses for the relevant enterprise would put the Company at a disadvantage compared to the current fixed remuneration. This approach also helps avoid conflicts of interest in the context of monitoring activities.

The compensation of Supervisory Board members and any remuneration for services rendered are not specified on an individual basis in the corporate governance report (Item 5.4.7 of the Code).

In view of the limited number of Supervisory Board members, the publication of the total amount of fees paid for consultancy services ensures sufficient transparency. In this respect as well, the Company believes that the protection of the individual Supervisory Board members' privacy outweighs the need for greater transparency and further details.

**Item 7.1.2: of the Code: Publication of financial reports**

The consolidated annual financial statements and interim financial statements are published exclusively in conformity with statutory timing requirements. (Item 7.1.2 of the Code).

The Company is of the opinion that the statutory provisions ensure the adequate and timely information of shareholders.

**Sunways AG**

**12 March 2010**

**The Management Board and Supervisory Board**