

CORPORATE GOVERNANCE STATEMENT PURSUANT TO § 289 A OF THE COMMERCIAL CODE (HGB)

The Corporate Governance statement pursuant to § 289a HGB is an integral part of the summarized Management Report. In accordance with § 317 subparagraph 2 sentence 3 HGB, the information pursuant to § 289 HGB is not required to be included in the audit of the financial statements. Sunways AG's relevant statement is also available at the Company's homepage at www.sunways.eu/en/company/investor-relations/governance/overview/.

Compliance statement pursuant to § 161 of the Stock Corporation Act (AktG).

Sunways AG believes that a responsible and transparent corporate governance forms the basis of long-term sustainable entrepreneurial success. The Management Board and Supervisory Board of Sunways AG jointly made the following statement pursuant to § 161 AktG, taking into account the amendments to the Code as of 26 May 2010:

Compliance statement of 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 AktG).

1. In the future, Sunways AG will comply with all recommendations of the "Government Commission on the German Corporate Governance Code," as amended on 26 May 2010, with the following exceptions:

Items 2.3.1 and 2.3.3 of the Code: Postal voting.

2.3.1 "At least once a year the shareholders' General Meeting is to be convened by the Management Board, giving details of the agenda. A quorum of shareholders is entitled to demand the convening of a General Meeting and the extension of the agenda. The convening of the meeting, as well as the reports and documents, including the Annual Report and the Postal Vote Forms, required by law for the General Meeting are to be published on the company's internet site together with the agenda."

2.3.3 "The company shall facilitate the personal exercising of shareholders' voting rights. The company shall also assist the shareholders in the use of postal votes and proxies. The Management Board shall arrange for the appointment of a representative to exercise shareholders' voting rights in accordance with instructions; this representative should also be reachable during the General Meeting. "

So far, no postal voting is provided for in the Company's articles of incorporation. In the Company's opinion, a number of legal and practical issues relating to postal voting remain unsolved as far as the practical implementation is concerned. Furthermore, the Company's shareholders are given an opportunity to appoint a proxy designated by the Company to exercise their voting rights. Thus shareholders already have various options for exercising their shareholder rights. Against this background, an additional postal voting option would not significantly facilitate the exercise of shareholder rights. The recommendations are not complied with in this respect. Therefore, no postal voting forms are made available. The above recommendations are not complied with as far as postal voting is concerned.

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

3.8 "... 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 continue to only comply with this recommendation with respect to the Management Board.

The D&O insurance for Supervisory Board 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.

4.2.3 "... 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 will only be complied with in connection with the future renewal of existing contracts.

4.2.3 "... 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.

4.2.4 "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 17 June 2010 and initially 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 Board 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 paid to the Management Board as well as a summary of existing termination-related commitments. In this context, the Company is of the opinion that the right of privacy of individual Management Board members should also be duly taken into account when deciding on a disclosure of individual data.

Items 5.3 and 4.2.2 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. Therefore, no proposal relating to the Management Board's total remuneration is submitted by a committee (item 4.2.2 of the Code).

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

5.4.6 subparagraph 2 "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 paid to 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. 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 2010, Sunways AG has complied with all recommendations of the Government Commission on the German Corporate Governance Code during the period from 14 December 2009 to 2 July 2010 (the Code, as amended on 18 June 2009) and during the period from 3 July 2010 to the date hereof (the Code, as amended on 26 May 2010), with the following exceptions:

Items 2.3.1 and 2.3.3 of the Code: Postal voting.

2.3.1 "At least once a year the shareholders' General Meeting is to be convened by the Management Board, giving details of the agenda. A quorum of shareholders is entitled to demand the convening of a General Meeting and the extension of the agenda. The convening of the meeting, as well as the reports and documents, including the Annual Report and the Postal Vote Forms, required by law for the General Meeting are to be published on the company's internet site together with the agenda. ..."

2.3.3 The company shall facilitate the personal exercising of shareholders' voting rights. The company shall also assist the shareholders in the use of postal votes and proxies. The Management Board shall arrange for the appointment of a representative to exercise shareholders' voting rights in accordance with instructions; this representative should also be reachable during the General Meeting."

So far, no postal voting is provided for in the Company's articles of incorporation. In the Company's opinion, a number of legal and practical issues relating to postal voting remain unsolved as far as the practical implementation is concerned. Furthermore, the Company's shareholders are given an opportunity to appoint a proxy designated by the Company to exercise their voting rights. Thus shareholders already have various options for exercising their shareholder rights. Against this background, an additional postal voting option would not significantly facilitate the exercise of shareholder rights. The recommendations are not complied with in this respect. Therefore, no postal voting forms are made available. The above recommendations are not complied with as far as postal voting is concerned.

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

3.8 "... 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 continue to only comply with this recommendation with respect to the Management Board.

The D&O insurance for Supervisory Board 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.

4.2.3 "... 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 will only be complied with in connection with the future renewal of existing contracts.

4.2.3 "... 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.

4.2.4 "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 17 June 2010 and initially 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 Board 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 paid to the Management Board as well as a summary of existing termination-related commitments. In this context, the Company is of the opinion that the right of privacy of individual Management Board members should also be duly taken into account when deciding on a disclosure of individual data.

Items 5.3 and 4.2.2 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. Therefore, no proposal relating to the Management Board's total remuneration is submitted by a committee (item of the code 4.2.2).

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

5.4.6 subparagraph 2 "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 paid to 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. The Company is of the opinion that the statutory provisions ensure the adequate and timely information of shareholders.

Sunways AG

10 March 2011

The Management Board and Supervisory Board

Information on corporate governance practices.

The responsible management of business-related risks is one of the principles of good corporate governance. Company-specific reporting and control systems are available to the Management Board and executives of Sunways AG, enabling them to record, assess and control risks. These systems are improved and adjusted to changing framework conditions on an ongoing basis. The Management Board informs the Supervisory Board of any existing risks and related developments on a regular basis. The Supervisory Board in particular engages in monitoring the accounting process, including the financial reporting system, the efficiency of the internal control system, risk management activities and the internal auditing system, compliance matters as well as the audit of the financial statements.

Details relating to risk management activities within the Sunways Group are set forth in the report on the accounting-related internal control and risk management system [see Management Report for the fiscal 2010, page 76 et seq.]. The annual report is also available at www.sunways.eu/en/company/investor-relations/financial-reports/annual-reports/.

Sunways AG informs capital market participants and interested members of the general public promptly, regularly and simultaneously of the Group's economic situation and any new facts. The annual report, semi-annual financial report as well as interim reports for each quarter are published within the periods stipulated. Notification of current events and recent developments occurs via press releases or ad-hoc communications, as the case may be.

No corporate governance practices beyond statutory requirements are applied.

Description of the working methods of the Management Board and Supervisory Board as well as of the composition and working methods of their committees.

Management Board. In the fiscal year 2010, the Management Board was composed as follows:

- Michael Wilhelm, business graduate (Dipl.-Kaufmann), Karben (Germany), Chairman (CEO)
- Roland Burkhardt, graduate engineer (Dipl.-Ingenieur – FH), Kreuzlingen (Switzerland)
- Jörg von Strom, graduate engineer (Dipl.-Ingenieur) and MBA, Konstanz (Germany)
- Jürgen Frei, business economist (Betriebswirt – VWA), Waiblingen (Germany)

No Management Board committees have been established.

Supervisory Board. In the fiscal year 2010, the Supervisory Board was composed as follows:

- Otto Mayer, graduate engineer (Dipl.-Ingenieur – FH), entrepreneur, Tübingen (Germany), Chairman
- Andreas Görwitz, business graduate (Dipl.-Betriebswirt – FH), Konstanz (Germany)
- Thomas Nordmann, entrepreneur, Erlenbach (Switzerland)

No Supervisory Board committees have been established.

A general description of the tasks and working methods of the Management Board and Supervisory Board as well as details in relation to their composition are set forth in the Corporate Governance Report on page 86 et seq. of this annual report. (The annual report is also available at www.sunways.eu/en/company/investor-relations/financial-reports/annual-reports/.) Reference is made to the information set forth therein. Further details with respect to the working methods of the Management Board and Supervisory Board are specified in the rules of procedure for the Management Board and Supervisory Board.