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## China's Sinovel Indicted in the United States for Stealing AMSC Trade Secrets

AMSC Calls for Re-Evaluation of Trade Relationship With China

Chinese Company's Actions Led to Loss of More Than 500 AMSC Jobs

AMSC Hails Department of Justice for Working to Bring Sinovel to Justice

DEVENS, Mass., June 27, 2013 (GLOBE NEWSWIRE) -- AMSC (Nasdaq:AMSC) today requested that the Obama administration and Congress re-evaluate the U.S. trade relationship with China in conjunction with the Department of Justice (DoJ) indictment of Sinovel and two of its employees for the theft of AMSC's trade secrets. Following an investigation by the Federal Bureau of Investigation (FBI), the DoJ today charged Sinovel and two of its employees with the theft of Massachusetts-based AMSC's proprietary software code and the use of that intellectual property in four 1.5 MW Sinovel turbines that have been installed in the Massachusetts towns of Charlestown, Fairhaven, and Scituate. Those parties and their contractors are not implicated in any way. The DoJ's press release can be found on its [website](#).

"We have worked with law enforcement to verify that these Sinovel-manufactured wind turbines contain AMSC's stolen intellectual property," said Daniel P. McGahn, AMSC's President and CEO. "The fact that Sinovel has exported stolen American intellectual property from China back into the United States — less than 40 miles from our global headquarters — shows not only a blatant disrespect for intellectual property but a disregard for international trade law. These criminal acts have led to significant financial harm to AMSC, its employees and their families as well as its shareholders. Over the past two years, more than 500 staff members worldwide have lost their jobs following Sinovel's egregious and unlawful behavior."

In September 2011, AMSC filed four legal actions against Sinovel in China alleging the illegal use of AMSC's intellectual property and seeking more than \$1 billion in deliveries and damages. At that time, AMSC also requested that Chinese police bring criminal action against Sinovel and some of Sinovel's employees. Nearly two years later, we believe that the Chinese police have yet to undertake an investigation and China's civil courts have yet to begin substantive hearings of AMSC's cases.

"Enforcement and protection of intellectual property — the DNA of new products and technologies — is essential for U.S. companies to compete successfully in a global economy. This is impossible if companies in countries such as China are brazenly stealing trade secrets through industrial and cyber espionage," McGahn said. "China's president, Xi Jinping, recently said that China will protect legitimate rights of foreign enterprises. However, to date, the experience of companies like AMSC has proven otherwise. In the E.U., our former employee confessed to collusion with Sinovel, was convicted and jailed for his crimes. In the U.S., the Department of Justice has indicted Sinovel. In China, however, the legal system has yet to take substantive action. We believe this clearly demonstrates that the rights of foreign businesses are not being protected. The inability to rely on the rule of law is creating a risk for U.S. businesses operating in China. The administration has been incredibly supportive of our issue and so I'm requesting that, together with Congress, they examine how trade secret theft is impacting American jobs and innovation and address the issue before it further impacts economic development."

"We must get tough on those foreign companies that steal American ingenuity," said U.S. Senator Elizabeth Warren (D-Mass). "It's time to enforce our trade laws to ensure that U.S. companies compete on a level playing field. I call on China to cooperate fully in ending these unlawful practices. Decisive actions on their part will send a positive signal to the United States that China supports fair and mutually beneficial trade relations."

### Background — a Two-Year Odyssey

AMSC and Sinovel began working together in 2005, shortly after Sinovel's founding. AMSC provided extensive wind turbine design and engineering services as well as power electronics and controls to Sinovel in the years that followed. By 2011, with the cooperation of AMSC, Sinovel was manufacturing thousands of wind turbines annually and had emerged as China's largest and the world's second largest wind turbine manufacturer.

In March 2011, the Chinese company abruptly refused substantial shipments from AMSC, breaching multiple contracts. In June of 2011, AMSC discovered that Sinovel had gained access to and was actively using stolen AMSC trade secrets and intellectual property illicitly supplied by Dejan Karabasevic, an AMSC employee. Karabasevic confessed to the crime and to his collusion with Sinovel, and he was subsequently imprisoned in Austria.

In addition to this confession, the evidence collected by law enforcement and AMSC includes hundreds of e-mails and messages between Karabasevic and senior-level Sinovel staff members. These messages give a detailed account and timetable of the crime. They demonstrate that Sinovel sought this stolen intellectual property, the conspirators knew that this intellectual property was obtained illegally, and also were aware of the damages that the theft would likely inflict on AMSC.

The evidence includes contracts, personally authorized by Sinovel's then chairman and CEO and current director, Han Junliang, promising to pay Karabasevic in excess of \$1.5 million (approx. 11 million RMB). In addition, law enforcement has obtained the e-mails containing the actual intellectual property transfer as well as evidence from multiple wind farms in both China and the United States demonstrating that Sinovel has been utilizing the stolen software to upgrade its wind turbines.

"Our case against Sinovel is incredibly clear-cut and the evidence is very damning," said John Powell, Vice President and General Counsel, AMSC. "We would like to again advise wind farm developers around the world that any wind turbines that are purchased from Sinovel may very well contain stolen intellectual property from AMSC. We will continue to seek justice on a global basis."

## **Government Support**

AMSC has received strong support from officials within various branches of the U.S. and E.U. governments. The list of supporters includes former Secretary of State Hillary Clinton, current Secretary of State John Kerry and Vice President Joe Biden from the United States, U.S. Ambassador to Austria, William Eacho, former U.S. Trade Representative Ambassador Ron Kirk, Deputy Secretary of Commerce Rebecca Blank, Former Secretary of Commerce and current Ambassador to China, Gary Locke, U.S. Intellectual Property Enforcement Coordinator Victoria Espinel, Senator Elizabeth Warren, Congresswoman Niki Tsongas, as well as Karel De Gucht, E.U. Commissioner for Trade, Daniel Caspary, Majority Speaker in the European Parliament on Trade and Othmar Karas, Vice-President of the European Parliament.

"It is clear that intellectual property remains at the forefront of U.S. and E.U. trade agendas," McGahn said. "We deeply appreciate the support we have received thus far from all levels of the U.S. and E.U. governments but, despite all of the evidence in our favor, the fact remains that we still do not have a resolution. Successful trade relationships depend on businesses knowing that they can depend on the rule of law."

McGahn concluded: "Three years ago, President Obama heralded the AMSC trade relationship with China as a model for job creation in the U.S. and China. Today, we believe it's clear that a crime has been committed. We ask that AMSC be a model for how intellectual property theft be handled in a fair and just manner. We will continue to defend our intellectual property and, with the assistance of the U.S. and E.U. governments, we remain confident that justice will prevail."

## **About AMSC**(Nasdaq:AMSC)

AMSC generates the ideas, technologies and solutions that meet the world's demand for smarter, cleaner ... better energy. Through its Windtec™ Solutions, AMSC provides wind turbine electronic controls and systems, designs and engineering services that reduce the cost of wind energy. Through its Gridtec™ Solutions, AMSC provides the engineering planning service and advanced grid systems that optimize network reliability, efficiency and performance. The company's solutions are now powering gigawatts of renewable energy globally and enhancing the performance and reliability of power networks in more than a dozen countries. Founded in 1987, AMSC is headquartered near Boston, Massachusetts with operations in Asia, Australia, Europe and North America. For more information, please visit <http://www.amsc.com>.

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*This press release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements in this release about future expectations, plans and prospects for the company, including without limitation, our expectations regarding the outcomes of the charges against Sinovel and several of its employees and the outcomes of our pending proceedings with Sinovel and other statements containing the words "believes," "anticipates," "plans," "expects," "will" and similar expressions, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements represent management's current expectations and are inherently uncertain.*

*There are a number of important factors that could materially impact the value of our common stock or cause actual results to differ materially from those indicated by such forward-looking statements. Such factors include: We have experienced recurring operating losses and recurring negative cash flows from operations which raise substantial doubt about our ability to continue as a going concern. This substantial doubt has resulted in a qualified opinion from our auditors with an explanatory paragraph regarding our ability to continue as a going concern. We believe this opinion may have an adverse effect on our customer and supplier relationships; our success in addressing the wind energy market is dependent on the manufacturers that license our*

designs; we may not realize all of the sales expected from our backlog of orders and contracts; our business and operations would be adversely impacted in the event of a failure or security breach of our information technology infrastructure; our success is dependent upon attracting and retaining qualified personnel and our inability to do so could significantly damage our business and prospects; we rely upon third-party suppliers for the components and subassemblies of many of our Wind and Grid products, making us vulnerable to supply shortages and price fluctuations, which could harm our business; many of our revenue opportunities are dependent upon subcontractors and other business collaborators; if we fail to implement our business strategy successfully, our financial performance could be harmed; problems with product quality or product performance may cause us to incur warranty expenses and may damage our market reputation and prevent us from achieving increased sales and market share; our contracts with the U. S. government are subject to audit, modification or termination by the U. S. government and include certain other provisions in favor of the government; the continued funding of such contracts remains subject to annual congressional appropriation which, if not approved, could reduce our revenue and lower or eliminate our profit; we may acquire additional complementary businesses or technologies, which may require us to incur substantial costs for which we may never realize the anticipated benefits; many of our customers outside of the United States are, either directly or indirectly, related to governmental entities, and we could be adversely affected by violations of the United States Foreign Corrupt Practices Act and similar worldwide anti-bribery laws outside the United States; we have limited experience in marketing and selling our superconductor products and system-level solutions, and our failure to effectively market and sell our products and solutions could lower our revenue and cash flow; we have experienced recurring losses from operations and negative operating cash flow; these factors raise substantial doubt regarding our ability to continue as a going concern; we have a history of operating losses, and we may incur additional losses in the future; our operating results may fluctuate significantly from quarter to quarter and may fall below expectations in any particular fiscal quarter; we may require additional funding in the future and may be unable to raise capital when needed; our debt obligations include certain covenants and other events of default;. Should we not comply with the covenants or incur an event of default, we may be required to repay our debt obligations in cash, which could have an adverse effect on our liquidity; if we fail to maintain proper and effective internal controls over financial reporting, our ability to produce accurate and timely financial statements could be impaired and may lead investors and other users to lose confidence in our financial data; we may be required to issue performance bonds or provide letters of credit, which restricts our ability to access any cash used as collateral for the bonds or letters of credit; changes in exchange rates could adversely affect our results from operations; growth of the wind energy market depends largely on the availability and size of government subsidies and economic incentives; we depend on sales to customers in China, and global conditions could negatively affect our operating results or limit our ability to expand our operations outside of China; changes in China's political, social, regulatory and economic environment may affect our financial performance; our products face intense competition, which could limit our ability to acquire or retain customers; our international operations are subject to risks that we do not face in the United States, which could have an adverse effect on our operating results; adverse changes in domestic and global economic conditions could adversely affect our operating results; we may be unable to adequately prevent disclosure of trade secrets and other proprietary information; our patents may not provide meaningful protection for our technology, which could result in us losing some or all of our market position; the commercial uses of superconductor products are limited today, and a widespread commercial market for our products may not develop; there are a number of technological challenges that must be successfully addressed before our superconductor products can gain widespread commercial acceptance, and our inability to address such technological challenges could adversely affect our ability to acquire customers for our products; we have not manufactured our Amperium wire in commercial quantities, and a failure to manufacture our Amperium wire in commercial quantities at acceptable cost and quality levels would substantially limit our future revenue and profit potential; third parties have or may acquire patents that cover the materials, processes and technologies we use or may use in the future to manufacture our Amperium products, and our success depends on our ability to license such patents or other proprietary rights; our technology and products could infringe intellectual property rights of others, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages and disrupt our business; we have filed a demand for arbitration and other lawsuits against our former largest customer, Sinovel, regarding amounts we contend are overdue. We cannot be certain as to the outcome of these proceedings; we have been named as a party to purported stockholder class actions and stockholder derivative complaints, and we may be named in additional litigation, all of which will require significant management time and attention, result in significant legal expenses and may result in an unfavorable outcome, which could have a material adverse effect on our business, operating results and financial condition; our 7% convertible note contains warrants and provisions that could limit our ability to repay the note in shares of common stock and should the note be repaid in stock, shareholders could experience significant dilution; our common stock has experienced, and may continue to experience, significant market price and volume fluctuations, which may prevent our stockholders from selling our common stock at a profit and could lead to costly litigation against us that could divert our management's attention; and new regulations related to conflict-free minerals may force us to incur significant additional expenses. These and the important factors discussed under the caption "Risk Factors" in Part 1. Item 1A of our Form 10-K for the fiscal year ended March 31, 2013, and our other reports filed with the SEC, among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. Any such forward-looking statements represent management's estimates as of the date of this press release. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this press release.

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