

Corporate governance report

Corporate governance at AWD

Corporate governance provides a normative basis for AWD's dual system of management and supervision. At the AWD Group, corporate governance has traditionally enjoyed a high status based in particular on timely, voluntary commitments and their implementation. All areas of the Group are affected. Corporate governance at AWD serves to ensure the effective organisation of the management, support and monitoring of the company to develop and optimise entrepreneurial potential. It helps us to realise a sustainable increase in enterprise value, to ensure transparency in accounting, reporting and corporate communication, and to develop relevant corporate functions.

The AWD Group already created its own corporate governance department at the time of the initial public offering in 2000. The Supervisory Board and the Board of Management gave the Compliance Officer the task of creating a clear understanding of transparency and uniform standards in the Group. On the basis of statutory requirements and a voluntary code of conduct, including the recommendations and suggestions of the German Corporate Governance Code (HGB), corporate governance structures and procedures are constantly being further developed. The Corporate Compliance Officer conducts regular reviews of the normative basic principles of management and supervision, and reports directly to the Supervisory Board and the Board of Management on compliance with the code.

Communication on the issue of corporate governance is given high priority. In the past financial year, once again a detailed review was carried out in preparation for AWD's declaration of compliance 2008, which was discussed with the Board of Management and the Supervisory Board. The practice of corporate governance at the AWD Group is described in comparison with the currently valid version of the German Corporate Governance Code.

The declaration of compliance pursuant to Section 161 of the German Stock Corporation Act was issued on 18 December 2008. It was made available to the shareholders on the company's Internet website in good time in December 2008. All of the other declarations of compliance made since 2002 are also accessible there.

Declaration of compliance according to Section 161 of the German Stock Corporation Act

In accordance with Section 161 of the German Stock Corporation Act, the Supervisory Board and the Board of Management of AWD Holding AG declare, after separate resolutions by the Supervisory Board and the Board of Management, that the recommendations of the German Government Commission's Corporate Governance Code in

the currently valid version as amended on 6 June 2008 will be complied with in full in the future, with the exception of a deviation stated here.

The recommendation of Clause 7.1.2, Sentence 4 of the German Corporate Governance Code as amended on 6 June 2008, according to which "interim reports shall be publicly available within 45 days of the end of the reporting period", will from today's perspective be followed except with regard to interim report on the first half of 2009.

Since the last declaration of compliance made on 13 September 2007, which referred to the German Corporate Governance Code as amended on 14 June 2007, AWD Holding AG has fully complied with the recommendations of the German Corporate Governance Code with the exception of the deviations stated here:

The recommendation of Clause 5.3.3 of the German Corporate Governance Code as amended on 14 June 2007, according to which "the Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates for the Supervisory Board for recommendation to the General Meeting", was not followed with regard to the candidate proposals for the General Meeting on 4 June 2008. The 2007 declaration of compliance was updated on 23 April 2008.

The recommendation of Clause 7.1.2, Sentence 3 of the German Corporate Governance Code as amended on 14 June 2007, according to which "interim reports shall be publicly available within 45 days of the end of the reporting period", was not followed solely with regard to the interim report on the first half of 2008. The 2007 declaration of compliance was updated on 17 June 2008.

The recommendation of Clause 4.2.3, Sentence 2 of the German Corporate Governance Code as amended on 14 June 2007, according to which "the monetary compensation elements (for the members of the Board of Management) shall comprise fixed and variable elements", was not followed with regard to some of the Board of Management contracts newly concluded in 2008. Due to the strategic further development process and the Board of Management's expansion for the Group's further development from three to seven members in September 2008, 2008 is to be regarded as a year of transition concerning remuneration. From today's perspective, the Code recommendations will be followed in 2009.

AWD Holding AG

Hanover, 18 December 2008

Supervisory Board and Board of Management