

Corporate Governance Report 2008.

Remuneration of the Management Board and Supervisory Board.

The German Corporate Governance Code (Deutscher Corporate Governance Kodex – the Code) specifies benchmarks for the remuneration structures of the Management Board and Supervisory Board pursuant to which the remuneration shall comprise fixed as well as variable components. The variable components shall be closely linked to the Company's success and thus constitute a long-term incentive.

The remuneration of the Management Board of Sunways AG complies with these principles through variable components linked to performance and results. The Supervisory Board receives a fixed remuneration. For further motivation, the share option program constitutes an additional remuneration instrument for the executives and Management Board members of Sunways AG.

Management Board. In the fiscal year 2008, the Management Board was composed of:

- Roland Burkhardt, graduate engineer (Dipl.-Ing. - FH), Kreuzlingen (Switzerland), chairman
- Michael Wilhelm, business graduate (Dipl.-Kaufmann), Karben
- Ralph Kienzler, business economist (Betriebswirt), Drackenstein (until 31 October 2008)
- Jörg von Strom, graduate engineer (Dipl.-Ingenieur - MBA), Constance (since 1 November 2008)
- Jürgen Frei, business economist (Betriebswirt - VWA), Nordhorn (since 17 November 2008)

The remuneration paid to the Management Board comprises a non-performance-related component paid on a monthly basis (fixed salary) as well as a performance-related component. The Supervisory Board regularly reviews the structure of the Management Board's remuneration system.

Total remunerations to the Management Board in 2008 amounted to € 590,000, consisting of fixed salaries of € 510,000 and other benefits in the amount of € 30,000. Performance-related remuneration components in the past fiscal year amounted to € 50,000. Remunerations of € 24,000 were paid to resigned Management Board members. In the year under review, a total of 36,667 share options were allocated to the members of the Management Board under the Long Term Incentive Plan adopted by the general meeting in 2006.

Supervisory Board. Members of the Supervisory Board in the fiscal year 2008 were:

- Otto Mayer, chairman, graduate engineer (Dipl.-Ingenieur), entrepreneur, Tübingen
- Andreas Görwitz, business graduate (Diplom-Betriebswirt - FH), Constance
- Dr. jur. Roland R. Bahr, attorney at law, Radolfzell
- Dr. jur. Christian Bosse, attorney at law, Stuttgart
- Thomas Nordmann, entrepreneur, Erlenbach, (Switzerland)
- Frank Wehking, business graduate (Dipl.-Kaufmann), Hofheim/Taunus

Total remunerations to the Supervisory Board of Sunways AG for the fiscal year 2008 amounted to € 112,500. The members of the Supervisory Board receive a fixed remuneration. In addition, members of the Supervisory Board received a total amount of € 25,000 for consulting services in the year 2008.

Agreements with Management Board members with respect to a change of control.

With the exception of Roland Burkhardt, the Management Board members are entitled to an extraordinary termination of their employment as of the end of any month and to retire from their office as Management Board members at three months' notice if there is any change in the Company's control. Such change of control occurs when one or more external shareholders acting in concert acquire a majority of voting rights in Sunways AG and exert a controlling influence, Sunways AG becomes a controlled company by entering into a contract between business enterprises within the meaning of § 291 of the Stock Corporation Act (AktG) or upon the merger of Sunways AG into another enterprise.

In the event of such an extraordinary termination, the relevant Management Board member will receive a non-recurrent severance payment equal to the remuneration still due to him up to the end of the contract term; such severance payment is payable in one amount within four weeks from termination of the contract and irrespective of the length of service of the relevant Management Board member. If any share options granted under mandatory regulations lapse as a result of the contract's termination, the Management Board member will receive a corresponding cash compensation payable together with the severance payment.

Employee participation.

For further motivation and long-term retention of qualified employees, Sunways AG established employee share option programs in 2000 and 2006.

Directors' dealings – information on transactions of executives pursuant to § 15a of the Securities Trading Act (WpHG).

Pursuant to § 15a of the Securities Trading Act (WpHG), persons performing executive tasks with an issuer of shares and any persons closely related to such person have to inform the issuer and the Federal Financial Supervisory Authority (BaFin) within five working days of any transactions for their own account involving the issuer's shares or any financial instruments referring to such shares to the extent that the total amount of such transactions exceeds € 5,000 by the end of the calendar year. Such communications have to be published by the Company without delay over a period of one month. In the fiscal year 2008, the following transactions were reported to the Company:

Share of Sunways AG, ISIN DE 0007332207

| Date | Name | Transaction |
|-------------|---|---|
| 13/11/2008 | Thomas Nordmann (Supervisory Board member) | Purchase of 6,000 shares at € 3.85 per share (total volume: € 21,480); Xetra trading platform |
| 10/10/2008 | Otto Mayer (Chairman of the Supervisory Board) | Purchase of 6,000 shares at € 2.88 per share (total volume: € 17,280); Frankfurt am Main stock exchange |
| 7/10/2008 | Andreas Görwitz (Supervisory Board member) | Purchase of 3,000 shares at € 3.60 per share (total volume: € 10,800); Frankfurt am Main stock exchange |
| 3/10/2008 | Andreas Görwitz | Purchase of 2,100 shares at € 4.70 per share |

| | | |
|------------|--|--|
| | (Supervisory Board member) | (total volume: € 9,870); Frankfurt am Main stock exchange |
| 31/03/2008 | Roland Burkhardt (Chairman of the Management Board), | Purchase of 10,000 shares, thereof 2,000 at € 6.79 per share (total volume: € 13,580), Xetra trading platform; 1,000 at € 6.81 per share (total volume: € 6,810), Xetra trading platform; 1,000 at € 6.85 per share (total volume: € 6,850), Frankfurt am Main stock exchange; 3,000 at € 6.90 per share (total volume: € 20,700), Frankfurt am Main stock exchange; 1,000 at € 6.93 per share (total volume: € 6,930), Frankfurt am Main stock exchange; 1,000 at € 6.79 per share (total volume: € 6,790), Frankfurt am Main stock exchange; 1,000 at € 6.80 per share (total volume: € 6,800), Xetra trading platform |
| 12/03/2008 | Ralph Kienzler (Management Board member) | Purchase by Ralph Kienzler and Susanne Neue-Kienzler, spouse; 500 shares at € 6,68 per share (total volume: € 3,340); Stuttgart stock exchange |
| 7/03/2008 | Andreas Görwitz (Supervisory Board member) | Purchase of 1,500 shares at € 6.75 per share (total volume: € 10,125); Frankfurt am Main stock exchange |

Shares and financial instruments referring thereto held by members of the Company's executive bodies as of 31 December 2008.

As of 31 December 2008, members of the Management Board and Supervisory Board held the following shares in the Company and financial instrument referring thereto:

| | Shares | Options |
|---|-----------|---------|
| Management Board | | |
| Roland Burkhardt (CEO until 31 December 2008) | 1,780,345 | 20,000 |
| Michael Wilhelm (CEO since 1 January 2009) | 2,000 | 11,667 |
| Ralph Kienzler (until 31 October 2008) | 1,500 | 20,000 |
| Jörg von Strom | 2,500 | 0 |
| Jürgen Frei | 0 | 0 |
| Supervisory Board | | |
| Otto Mayer, Chairman | 750,000 | 0 |
| Andreas Görwitz | 8,100 | 0 |
| Dr. Roland R. Bahr | 5,902 | 0 |
| Dr. Christian Bosse | 0 | 0 |
| Thomas Nordmann | 6,000 | 0 |
| Frank Wehking | 0 | 0 |

Notes relating to deviations from the German Corporate Governance Code.

The Company deviates from the following recommendations of the German Corporate Governance Code (Deutscher Corporate Government Kodex – the Code):

1. Publication of documents on the internet. The Company publishes the agenda and individual details relating to the general meeting on its internet page. There are no plans to publish on the internet all reports and documents required for the general meeting under statutory provisions (item 2.3.1 of the Code).

The Company believes that the provision of sufficient information is guaranteed by mailing documents and making them available for inspection.

2. Capped severance payments under contracts with Management Board members. The Supervisory Board has not entered into any agreement with Management Board members with respect to an early termination of their appointment without good cause. Thus the statutory provisions will apply in such a case. The Supervisory Board believes that the statutory provisions would sufficiently safeguard mutual interests in the event of a Management Board member's resignation and thus form an adequate basis (item 4.2.3., subparagraph 4 of the Code).

3. Deductible with respect to D & O insurance. No deductible has been agreed upon with respect to the D & O insurance taken out by Sunways AG for the members of its Management Board and Supervisory Board. (item 3.8 of the Code).

The Company believes that a deductible with respect to the D & O insurance would not constitute an additional incentive to avoid events subject to liability.

4. Management Board remunerations. The issue of Management Board remunerations is in its entirety decided upon by the Supervisory Board in plenary meeting. Any such decisions are not based on the proposal of another panel. The Committee for Management Board Matters was dissolved in the fiscal year 2008 (item 4.2.2 of the Code). Management Board remunerations are disclosed in the notes to the consolidated financial statements with a breakdown by fixed and variable amounts. However, the relevant figures will not be specified on an individualized basis (item 4.2.4 of the Code). The Company's general meeting on 18 May 2006 resolved not to disclose Management Board remunerations on an individualized basis.

In view of the limited number of Management Board members, the Company believes that the publication of the total amount of Management Board remunerations provides a sufficient level of transparency. In the opinion of the Company, the protection of the privacy of individual Management Board members prevails over the need for more transparency and details. From the Company's point of view, the handling of all remuneration-related matters in plenary meeting is transparent and adequate.

5. Remunerations to Supervisory Board members. Sunways AG pays no profit-related remuneration to the members of the Supervisory Board. Committee memberships and chairmanships are not reflected in the remuneration. The Supervisory Board remuneration and remunerations for services rendered are not specified on an individualized basis in the corporate governance report (item 5.4.7 of the Code).

The Company is of the opinion that additional variable remuneration incentives, which in practice at other enterprises in almost all cases resulted in a marked increase in total remunerations paid to supervisory board members and thus in higher expenses on the part of the company, would be less favorable to the Company than the current fixed remuneration. In view of the limited number of Supervisory Board members, the publication of the total amounts paid for consulting services provides a sufficient level of transparency. In the opinion of the Company, here as well, the protection of the

privacy of individual Supervisory Board members prevails over the need for more transparency and details.

6. Publication of financial reports. The consolidated financial statements and interim report are exclusively published in accordance with statutory timing requirements (item 7.1.2 of the Code).

The Company believes that the statutory provisions guarantee the adequate and timely information of shareholders.

Constance, 20 February 2009

The Management Board

The Supervisory Board