

Corporate Governance Kodex

The introduction of the Corporate Governance Codex on 26 February 2002 made the rules for company management and supervision applicable in Germany transparent for domestic and international investors. Cooperative interaction of Supervisory Board and Management Board, an open style of corporate communications and a solid balance sheet policy should be guaranteed as the minimum requirements.

For these reasons, Neschen AG follows the recommendations of the government commission on the German Corporate Governance Codex, subject only to the following exceptions:

- The General Meeting is not published via modern communications media due to the overproportionately high expenses incurred (Codex Item 2.3.4.).
- There is a D&O insurance policy without a deductible covering the members of the Management Board and Supervisory Board. (Codex Item 3.8.).
- The Supervisory Board sets the share of the variable Management Board compensation according to results. There was no variable compensation in 2004. There is no stock option programme for the members of the Management Board (Codex Item 4.2.3.).
- We made public the total compensation for the Management Board in 2004. We do not see any advantage for the shareholders in an itemized statement (Codex Item 4.2.4.).
- Because of the size of the Supervisory Board, no committees are formed (Codex Item 5.3.).
- We made public the total compensation for the Supervisory Board in 2004. The variable share is determined according to the amount of the dividend distributed for the fiscal year. There is no stock option programme for the members of the Supervisory Board. We do not see any advantage for the shareholders in an itemized statement (Codex Item 5.4.5.).
- The Supervisory Board controls the fulfillment of its conference memos and its directives; there will be no verification for this because of the overproportional effort and the little size of the Supervisory Board. Therefore there will be no verification for the review of efficiency of the Supervisory Board (Codex Item 5.6.).

According to the statement of conformity, the following information is given regarding ownership subject to disclosure obligations:

The member of the Supervisory Board, Dr. H. Sulitze acts as Managing Director of the „Vermögensverwaltung Erben Dr. Karl Goldschmidt GmbH, Essen“, which hold 29,9% of the stock issued by the Company. As of 31 december 2004 any other member of the Supervisory Board do not hold any of the stock issued by NESCHEN AG. The members of the Management Board hold a total of less than 1% of the stock issued by the Company as of 31 december 2004.