

Corporate Governance

Corporate governance stands for accountability in managing an enterprise as well as for dedication to increasing sustainable shareholder value. This not only includes internal and external control mechanisms, but also organisational flows as well as principles and guidelines of a company's business policies. Corporate governance that is proper and clear-cut will foster trust in the management and supervision of enterprises among investors, business partners, employees and the public.

In February 2002, the "Government Commission on the German Corporate Governance Code" first published the basic principles of corporate management, control and transparency in one set of standards. It is largely based on legal regulations governing corporate management and supervision in Germany. Moreover, this code makes recommendations that go beyond legal regulation, from which companies, however, may deviate. It is mandatory for the executive and supervisory boards of publicly listed enterprises to submit an annual declaration of compliance in accordance with Art. 161 of the German Stock Corporation Act (AktG), indicating whether they have complied with these recommendations or to what extent they have deviated therefrom. Furthermore, this code provides suggestions from which companies can also deviate without disclosing their reasons. The German Corporate Governance Code is regularly updated and adapted to changing conditions as required. The last time that this occurred was on May 21, 2003.

MVV Energie is committed to value-based corporate management and has provided for efficient and responsible oversight and control in its corporate group. We have regularly informed our shareholders and the public openly and comprehensively about current and planned courses of business. We have been making use, inter alia, of our Investor Relations' Internet web site (www.mvv-investor.de) to furnish timely and uniform information. At this site MVV Energie's most important financial events and their dates can be found on its publicly accessible company timetable. Our accounting practices are also oriented towards national and international standards: The consolidated financial statements of MVV Energie AG are prepared in accordance with the principles of International Financial Reporting Standards (IFRS), while the financial statements of MVV Energie AG are in line with those of the German Commercial Code (HGB).

Declaration of Compliance:

The Executive Board and the Supervisory Boards do hereby declare that MVV Energie AG has complied and will continue to comply with the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic *Bundesanzeiger*. For the present, the following declaration is based on the latest version of May 21, 2003 and on the prior version for the past. The Executive Board and the Supervisory Boards fully intend to comply with the recommendations of the German Corporate Governance Code in future, as well. Only the following recommendations have not been, and will not be, realised:

Retention for D&O Insurance: No. 3.8, Para. 2: “Should a company take out D&O insurance for its executive and supervisory boards, agreement should be reached on a commensurate retention.”

MVV Energie AG's D&O (Directors & Officers) insurance, which is intended to protect the insured against possible claims for damages, does not provide for insurance coverage for intentional wrongdoing or negligence as well as for knowingly committing acts of nonfeasance on the part of the executive board or the supervisory board. As a consequence, the question of a deductible (retention) only arises for negligent behaviour. Nevertheless, we are convinced that our efforts to gain outstanding personalities for activities either on the Executive or Supervisory Boards at MVV Energie AG would be severely restricted if said personalities had to reckon with the risk of liability claims even for negligent behaviour.

Remuneration for Members of the Executive Board: No. 4.2.4: “Information should be individualised.”

Remuneration for the members of the Executive Board has been and will continue to be divided into fixed and variable parts as well as into components with long-term incentive value. This information is essential to assessing whether dividing remuneration into a guaranteed and a performance-based part would be commensurate and whether the intended incentive value for members of the Executive Board would indeed emanate from this remuneration structure. Conversely, we - as well as many other enterprises - have not recognised any noticeable gain in transparency by further individualising remuneration for the members of the Executive Board. The Executive Board is an organ of peers so that any incentive value must apply to the entire organ.

Performance-Based Remuneration for the Supervisory Board: No. 5.4.5, Para. 2, Sentence 1: “The members of the supervisory board shall receive both a fixed salary and variable remuneration based on performance.”

The articles of incorporation of MVV Energie AG currently only provide for fixed salaries for its Supervisory Board. However, this does not mean that MVV Energie AG may not introduce performance-based remuneration for its Supervisory Board members in future. In the near future, we intend to await developments in real-world practice. At present, we have found neither partial linkage of the Supervisory Board’s remuneration to the dividend nor remuneration models based on the share price particularly convincing as criteria for performance-based remuneration. We have examined various concepts and a completely convincing solution for both the shareholders and the administration has not yet been found.