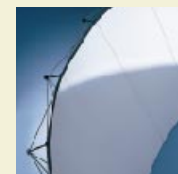
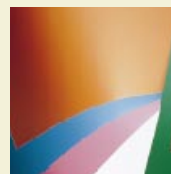
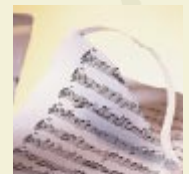




Neschen AG

Quarterly Report

September 30th, 1999



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Chairman's Foreword

A specialised chemicals company on expansion course

Neschen AG, based in Bueckeberg, is a market leader for technically complex protection and enhancement films and has continued to develop successfully throughout the first 9 months of the current fiscal year. It's performance improved from EUR 42.3M to EUR 52.6M, a rise of 24.3%. Profit after tax could be substantially increased to reach 7.8% (=EUR 3,931,286) based on the DVFA results compared to 6.4% (=EUR 2,628,000) in the last year.

This success must be subscribed to the unchanged and unwavering continued development of the corporate strategy of Neschen AG which embraces all the essential factors of real net output.

We are continually expanding our range of products in line with our one-stop-shopping philosophy as a means of strengthening our customer ties. In this fiscal year alone, we as a group have added more than 150 articles to our assortment. This rapid expansion is particularly due to the innovative products now available.



Rolf W. Zinn,
Chairman of the Board of Neschen AG.

 The Neschen logo is displayed on a metallic, reflective surface. The logo consists of a stylized blue and white graphic above the word "NESCHEN" in a bold, sans-serif font. The surface is angled, creating a sense of depth and perspective.

NESCHEN

Additionally we are investing vigorously in the expansion of all our business units. In the first 9 months of 1999 these investments have amounted to EUR 2.8M. The total volume of investments for 1999 amounts to EUR 5.7M, and for the year 2000 a total of EUR 7.5M is planned, not including acquisitions.

With a strong sense of purpose we are increasing our presence abroad, opening up new regions of potential growth. Two 51% stakes in the first half of 1999 in Poland and Spain were followed in July by a preliminary agreement for a joint venture in Greece with Neschen AG having the majority holding and by the establishment in September of a further bridgehead for our US expansions: the joint venture contract with GBC (General Binding Corporation), world-wide market leader in hot seal films, was signed. The foreign share of our sales has increased in the current financial year from 71.6% to 73.7%. Foreign business accounted for 82.1% of our group's growth. All companies contributed positively to the result.

The start-up of production in the USA at the beginning of 2001 and the completion of a comprehensive US dealer network by mid-2000 give us reason to expect a further boost. We will open up opportunities in China, participating at our first trade fair in Peking, soon.

A well-tuned system of controlling helps us to continually improve the efficiency of our production flow. We are proud to be able to report that our equity return reached 25.41% in the first nine months of the year. A further controlling success is, among other, the performance per standard employee which has again risen by 9.5% to EUR 189,500. On the basis of this successful development we can expect another good set of results in the final quarter of the year. Our target of EUR 71 M sales and a profit of 7.1% after tax should be met without problems.

The Chairman of the Board

Ratio of the Neschen Group

in TEUR	1999 per 31.3.	1999 per 30.6.	1999 per 30.9.	%-changes to 1998
➤ Sales	16,120	34,093	50,649	24.25
➤ Net income after taxes	1,031	2,342	3,271	24.47
➤ DVFA-operating result	1,384	3,003	3,931	49.58
➤ DVFA-net yield	8.59%	8.81%	7.76%	20.38
➤ DVFA-operating result per share in EUR	0.23	0.50	0.66	49.58
➤ Reported equity	21,722	22,955	23,859	130.25
➤ Equity ratio	53.1%	50.1%	51.5%	77.46
➤ Equity return	25.62%	28.03%	25.41%	-32.38
➤ Sales per employee in TEUR (Ø-workforce)	190.21	190.46	182.77	12.52
➤ Employees world-wide	340	378	401	19.70

Executive Bodies of Neschen AG

Supervisory Board

Dr. Peter Hennig, Chairman
Dr. Hans-Günter Scholz
Matthias Werth

Managing Board

Rolf Werner Zinn, Chairman
Klaus Dieter Vogt
Dipl.-Kfm. Stefan Zinn
Dr. Michael Magerstädt



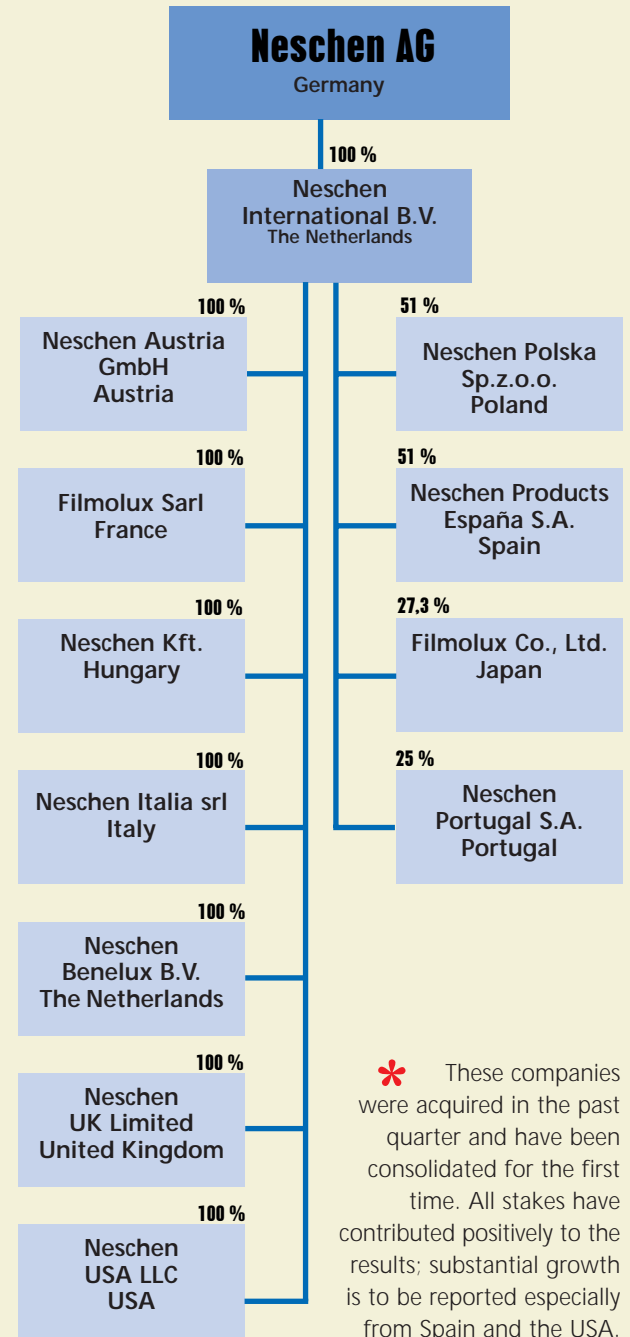
Think globally, act globally

Globalisation is the programme at Neschen AG. The plan of the company's management is to increase the number of subsidiaries or joint ventures in the core Neschen markets throughout the world by the year 2001.

The production joint venture with GBC, America's world market leader in the field of hot seal films, was signed on schedule in September. Production will begin there in 2001.

At the moment new premises covering a total area of 5,000 m² are being built in Germany. Storage capacity will be considerably expanded and space will be provided for a new coating line. This will start up operation in 2000 and is a further step in the expansion of our production capacity.

The regionalisation of the Archive Centre Project, officially registered as an EXPO project, is expected to result in an immense increase in the market share in the field of the mass de-acidification of archival papers. A first step will be the installation of a conservation plant in the National Archives in Berlin in 2000.



The Business Units



Books + Archives

A separate catalogue for the Books + Archives Unit has appeared in time for the millennium.

This again shows the unwavering one-stop-shopping strategy of Neschen AG.

There are 80 pages presenting the complete range „all round the book“, including numerous innovative products.

This range is being used to take on a new, great challenge: the Chinese market.

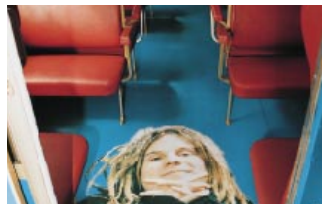
In November Neschen AG will be exhibiting in Peking at the „Library China '99“.

Graphics & Images

In this field there is also a new product catalogue.

Included are numerous protection, enhancement and mounting films as well as self-adhesive printable films, cold and hot laminating machines and a wide range of accessories; these offer intelligent solutions for quality-conscious picture finishing. A constant flow of additions

to the product range are witness to the creativity and innovative skill of this field. This includes plottable stencil films and removable adhesive printable films, not to mention the filmoprint® FGS System for floor graphics.



The field is supplemented by a comprehensive range of fair-stand display and banner-display systems. These systems are marketed as trade goods. They stand out for their modern design

and flexibility of layout and application. One of the highlights is the new ChronoExpo 2 system. It is marketed exclusively by Neschen AG and will help us to further expand our market-leadership in the field of banner-display systems.



Industry

This business unit develops and markets flexible and individual solutions to adhesive problems in industry and medicine. Reputable partners in industry know the value of this allround service.

A needs profile combined with our specialists' experience result in products which fit the application spot on. And it is not the fastest solution that we are looking for - it is the best solution for the customer which matters.



Constant expansion of market-leadership

Neschen AG operates exclusively in expanding niche markets as a trend-setter recognised as a partner and world market-leader in the fields of photographic laboratories and digital picture processing. Responsible for these fields is the Graphics & Images Business Unit. The most comprehensive programme imaginable is available here for customers interested in picture presentation.



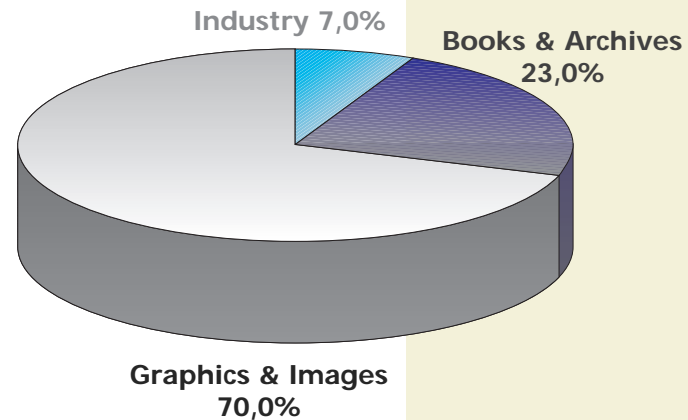
Neschen AG's authority in the fields of archive-management and paper restoration are also clearly evident.

High-quality raw films, well-tested adhesive systems as well as a wide range of products and first-class service guarantee a constant, above-average growth of 15% to 20% p.a.



Market situation

- **Market-leader in the core markets**
- **Growth in all business fields**
- **Technology leader**
- **One-stop-shopping-philosophy**



Quarterly Report of Neschen AG ending September 30th, 1999

The high expectations which arose from the positive sales results of the second quarter could be realised in full. Neschen AG increased its net-DVFA-result in the first nine months by 49.6% to reach EUR 3.9M and is thus ahead of plan.

The chemicals specialist for high-quality self-adhesive products has presented excellent results for the third quarter of 1999, following on smoothly from the success of the previous quarter. The continuing success of our range of products has contributed particularly to this increase in efficiency.

The performance per standard employee has risen from EURO 173,000 to EUR 189,500 consolidated sales. We expect the per capita performance throughout the Neschen Group will again rise by the year 2001.

There were merely negligible price fluctuations to report from our own products or the raw materials.



Consolidated Balance Sheet 3rd Quarter 1999 (HGB)

Assets in Mio. EUR	1998	1999
Start-up and expansion costs	0.0	0.1
Fixed and financial assets	12.7	14.9
Inventories	9.7	14.2
Accounts receivable and other assets	12.3	16.3
Cash assets	0.7	0.6
Current assets	22.7	31.2
RAG	0.3	0.2
Balance sheet total	35.7	46.3

Liabilities in Mio. EUR	1998	1999
Total equity	10.4	23.9
Accrued liabilities	2.6	2.7
Financial liabilities	15.7	13.3
Accounts payable	5.7	4.9
Other liabilities	1.3	1.5
Liabilities	22.7	19.7
RAG	0.0	0.0
Balance sheet total	35.7	46.3

Notes to the consolidated balance sheet

The exceptionally good constitution of the balance sheet is the programme Neschen AG strives for and represents a stable foundation for our course of growth.

The injection of new funds from the IPO resulted in an increase of our equity ratio from a very good level of 29.1% last year to a present 51.6%. The debt-equity ratio was reduced to 0.5 x equity.

The fixed-assets-to-net-worth ratio amounts to 160%. This means that Neschen AG has substantial resources at its disposal to aid it in its global expansion.

Company Profit and Loss Account 3rd Quarter 1999

Within the framework of the strategic company planning, all subsidiaries are monitored continually. The accounting control department is to take on extra personnel in the year 2000 to cope with the planned company expansion.

Neschen AG and the main subsidiaries are to be audited each year on June 30th and December 31st by local certified public accountants to ensure conformity and to enable prompt reaction to changes in foreign tax laws.

in EUR	9 month 1998	9 month 1999
Sales revenue from own products and goods	40,762,482	50,649,197
Inventory changes	1,551,561	1,834,756
Cap. costs of self-constr. assets	0	105,003
OUTPUT	42,314,043	52,588,956
Expired costs of raw materials, supplies a. acquired merchandise	20,136,083	26,520,177
NET AMOUNT	22,177,960	26,068,779
Wages and salaries	8,166,266	9,096,472
Social security levies	1,950,245	2,075,228
Depreciation assets	1,178,663	1,636,212
Other costs	6,219,771	8,006,803
Other income	350,643	633,707
Income from investments	70,069	27,991
Other expenses	88,377	233,402
Oth. interest and similar income	25,498	54,087
Interest and similar expenses	706,559	574,529
Profit on ordinary activities	4,314,289	5,161,918
Extraordinary income	16,150	4,900
Extraordinary charges	23,814	94,794
Tax	1,678,405	1,800,738
PROFIT OF THE FINANCIAL YEAR	2,628,220	3,271,286
Cost of listing on stock exchange		660,000
DVFA-profit		3,931,286

Notes to the statement of income

Sales revenues

Sales revenues have improved by 24.25% over 1998. The improvement is in the first place a result of a growth in sales amounting to 19%, added to which come 5.25% realised from acquisitions and investments.

Growth in sales

Internal growth in sales is a consequence of the considerable expansion seen in our product range. The programme of products we can supply, both from our own production and the trade goods, will be further expanded. Neschen already counts as the company with the largest choice of goods in certain fields.

Material costs

The rise in the ratio of material expenses is mainly a result of the expansion of the trade goods business. We do not expect any significant price rises from suppliers before the end of the year.

Salaries and wages

The ratio of personnel costs were reduced through the rationalisation of internal activities from 23.9% to 21.2%. On the other hand we have invested heavily in human resources. Especially at the level of middle-management we will be preparing for the greater demands that will be made in future due to the planned acquisitions and expansion of the company's activities. We want to have the right personnel in good time for the growth of the company so as to avoid any potential risks.

Funds statement

Transition to operational results

in EUR	Sept. 1999
DVFA-profit	3,931,286
- Costs of the IPO	-660,000
- Attribution to minority interests	-70,604
Profit or loss for the year	3,200,682

in EUR	Sept. 1999
Profit or loss for the year	3,200,682
± Depreciation / appreciation on fixed assets	1,636,212
= Cash-flow out of operations	4,836,893
± Increase / decrease in accrued liabilities	709,353
± Loss / profit out of assets	
± Increase / decrease of accounts receivable and other assets	-10,866,466
± Increase / decrease of accounts payable and other liabilities	2,670,425
= Increase / decrease of funds from current operations	-2,649,795
+ Cash inflow from asset disposal (remaining book value increased by profit and reduced by loss from disposal from assets)	
- Outpayments for investments in assets	-2,779,133
= Increase / decrease of funds from investment activity	-2,779,113
+ Inpayments from increase of share capital and contributions from shareholders	10,892,018
- Outpayments to shareholders (dividends, repayment of capital, other dividend outpayments)	-677,590
± Increase / decrease of consolidation of investment, shares with outside investors	-22,886
+ Inpayments of flotation of shares and from raising finance loans	
- Outpayments for repayment of loans and finance credits	-4,475,568
= Increase / decrease of funds from financing operations	5,715,974
= Total of effective changes to financial resources	287,066
+ Total financial resources at beg. of period	309,981
= Total financial resources at end of period	597,047

Notes to fund statement

Debtors / other assets

The increase to EUR 10,866,466 on Sept. 30th, 1999 is mainly a consequence of the usual close-down of the company for the period from December 15th to 30th. This means that our accounts receivable are automatically less at the end of the year than in the course of the year. At the same time, the inventory of goods was increased due to the great increase in sales so that uniform reliability of supply might be guaranteed. Account must also be taken of the expansion of the product range.

Creditors / other liabilities

The increase in creditors is a result of the extended business activities.

Outflow of capital spending

Investments of approx. EUR 2.8M were above depreciation. This is a result of the expansion of the storage space and machinery and is only the first step towards bigger investments which will have an effect in the current financial year and the year 2000.

Inpayments

Inpayments from increases of share capital and inflow from listing on the stock exchange. The income was utilised for repayment of bank loans and for financing current assets.

Outlook

The budget for September 30th, 1999 has been met in full with regard to sales and revenue.

We expect that sales and revenue targets for December 31st, 1999 will be achieved with certainty.

Growth rates for 2000 are guaranteed due to the good situation; further acquisitions are foreseen which will further improve sales and revenue .

Information service centres are to be opened in Bueckeberg and certain other subsidiaries of Neschen AG; these are to support marketing. A product line is to be established in all companies by mid-2000 which will be managed via the internet.

All acquisitions are directly connected with our product fields. We will be boosting production and trade in Europe and the USA with the aim of increasing our market-leadership still further.

We are convinced that our growth in the next few years will be beyond proportion, because in our core markets we have not only build up a big lead with our wide range of articles but also with the most modern production and applications technology we have installed.

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