

WE HAVE **a lot** TO OFFER

With around 152,000 housing units, we have one of the largest real estate portfolios in Germany. That makes us strong.





Dr. Michael Hermes

Responsible for:
Branches in the Ruhr Area, Viterra Rhein-Main GmbH, Information Management, Land, Marketing of Residential Real Estate, Marketing, Technical Systems, Property Management

**Dr.-Ing. Wolfhard Lechnitz
Chairman of the Board**

Responsible for:
Viterra Development GmbH, Deutschbau, Corporate Communications, Corporate Development, Human Resources, Political Contacts

Dr. Manfred Püschel

Responsible for:
Tax, Finance, Controlling, Auditing, Legal Affairs, Group Accounting, Accounting, Procurement, Administration & Services

INTERVIEW WITH THE BOARD

Trading strategy and focusing are working. Answers to questions on 2003.



Dr. Lechnitz, how would you rate 2003?

Wolfhard Lechnitz: We are very satisfied with the development of business in 2003. As a result of our strategic focusing on the real estate business, 2003 was a year of far-reaching structural changes. Therefore, we are all the more pleased that we managed to improve our operating profit again, increasing it by more than 45 %. Naturally, the fact that sales of apartments rose by nearly 36 % in line with our trading strategy deserves special mention, but we also boosted the results in our project development segment, which we restructured in 2003.

You spoke of structural changes at Viterra. What does that mean?

Wolfhard Lechnitz: At regular intervals we review the organisational structure, realigning it with the company's strategy and business development. So structural changes are perfectly normal in a company like ours. At the same time, we are positioning ourselves for the capital market with a view to the separation from E.ON, which is planned for 2007 at the latest. As a company which wants to be attractive for the capital market, we must concentrate even more on our core competencies and be able to present a convincing, long-term and transparent business model.

Therefore, in the last two years we have pushed ahead with our strategy of focusing on the real estate business. One of the consequences of this was the decision to sell the services activities and discontinue the construction of row and semi-detached houses. In 2003, we successfully completed divestment of the services activities with the sale of Viterra Contracting and Viterra Energy Services. At the end of the year, we also discontinued the housing development business. Following our strategic concept, we could then focus clearly on the real estate business.

What does gearing the company to the real estate business mean for Viterra's management organisation?

Manfred Püschel: We have concentrated the management structure of Viterra AG on two business areas, residential real estate and project development. Viterra Rhein-Main, Deutschbau and Viterra Development as well as the branches responsible for the housing stocks in the Ruhr area and the subsidiary, Wohnungsgesellschaft Hüls mbH, have been placed directly under Viterra AG. At the same time, we have merged Viterra Wohnen AG with Viterra AG. This has given us much more efficient workflows as well as shorter and simpler decision-making paths. All in all, we the Board of Management of Viterra AG are now much closer to the operational business units.



With its trading strategy, Viterra is pursuing a new approach in the management of large housing portfolios. How has this worked out so far?

Michael Hermes: In our terms, trading strategy means buying residential real estate, managing it to enhance its value and then selling it. In the last few years, we have succeeded in placing this strategy on a broad footing. Viterra has bought some 69,000 apartments since 1997. The companies which we acquired – Deutschbau, WohnBau Rhein-Main and Frankfurter Siedlungsgesellschaft – have been successfully integrated in the Viterra Group. One of the last steps was the purchase of further shares in Frankfurter Siedlungsgesellschaft in early 2003, which means we now own virtually the entire company. All in all, Viterra has been admirably successful in implementing its trading strategy and has impressively demonstrated that we have the expertise to further develop large housing stocks successfully in line with our strategy. This is proof of the successful implementation of our trading strategy and a clear improvement in our company's performance.

In the core business, residential real estate, you want to substantially reduce the disproportionate percentage of apartments in the Ruhr area. What progress have you made with this plan?

Manfred Püschel: The regional housing markets in Germany are currently showing very different patterns of development. Therefore, our objective is to end up with a well-balanced portfolio of housing in the German growth regions. We do not want to be dependent on the development of one particular region. In 2003, we succeeded in reducing the percentage of apartments in the Ruhr area, which is high for historical reasons, by selling a whole package of approx. 27,000 housing units. That is roughly 30 % of our housing portfolio in this region. These were properties which we felt were not suitable for selling singly or as individual apartment buildings and therefore did not fit into the Viterra trading strategy.

Viterra has increased sales of apartments two years in succession. Can this development be continued?

Michael Hermes: By stepping up our marketing activities, we managed to roughly double apartment sales in the last three years! Naturally, this growth rate cannot be repeated every year. Apart from the sale of the portfolio of apartments we just mentioned, we also recorded a very high and pleasing result in 2003 with well over 13,000 housing units sold.

Success will continue to hinge on whether we can continue to improve our marketing activities. For example, we will have to make apartments which are not bought by the tenants or potential owner-occupiers attractive for capital investors. We will also be redoubling our efforts in multi-family houses and improving the selling process. In future when we sell such a property, we will above all try to ensure that all units are quickly sold to permit complete disposal.



Last year you announced you would be expanding the project development segment. What progress have you made?

Wolfhard Lechnitz: We have expanded the project development business as an addition to our core business. One crucial step here was to combine our many years of experience in the development of office real estate with our apartment construction activities at the beginning of 2003. The last twelve months have shown that we have a very promising position in the project development segment. Sales and results rose sharply although the market was extremely difficult. One guarantee for this was certainly the fact that we made our projects as low-risk as possible. We will also retain this approach in future.

What are you expecting in 2004?

Wolfhard Lechnitz: This year we will also be concentrating on implementing our trading strategy. One major element in this strategy is the systematic gearing of business to the ultimate sale of properties. As far as the additional business segment, project development, is concerned, we got off to a good start with our new business model in 2003. The current projects are a good foundation for the future development of business. However, it is basically difficult to estimate to what extent the changes in tax law will have an impact on the real estate industry. Therefore it is not very easy to make any predictions in this area. The exceptional number of apartments sold last year was partly due to the fact that people decided to bring forward purchase of their own home to 2003 because of an anticipated drop in the level of first-time buyers' subsidies in 2004. This year our aim is to come as close as possible to the very good sales figures of 2003. Operating profit will probably not reach the same high level as in 2003.

