



AT OUR COMPANY **a lot** HAS CHANGED

In recent years, we have reshaped our company at all levels. Today, we are well prepared for the future.





BUSINESS SEGMENTS

As a pure real estate company, our business is systematically built on two columns: residential real estate and project development

With approx. 152,000 housing units managed, Vitera is present on the main housing markets in Germany. Regional responsibilities are clearly defined. Six branches and the subsidiary Wohnungsgesellschaft Hüls are responsible for the management and marketing of our housing stock in the Ruhr area (approx. 90,000 units), Vitera Rhein-Main in the Rhine-Main region (approx. 21,000 units) and Deutschbau in the rest of Germany (approx. 41,000 units).

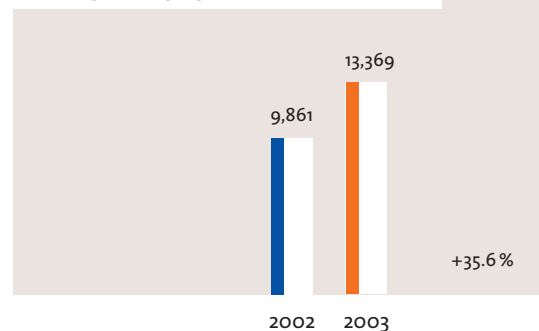
RESIDENTIAL REAL ESTATE

Apartment sales well up thanks to increased marketing efforts

The motor for the pleasing performance in recent years has been the steady rise in apartment sales. In the last three years, Vitera managed to virtually double the number of apartments sold. In comparison to 2002, we increased apartment sales by approx. 36 % to 13,369 units.

This was largely achieved by stepping up our marketing efforts. Another key factor was that we systematically focused our management activities on enhancing the value of the housing units and then selling them.

TOTAL NUMBER OF HOUSING UNITS SOLD IN RESIDENTIAL REAL ESTATE SEGMENT



In general, the sale of rented apartments to tenants, owner-occupiers and capital investors is becoming an increasingly accepted and important way for people to acquire assets and provide for retirement. The upward trend in the last two years was also stimulated by higher demand as prospective buyers were unsure as to whether the government might cut the level of subsidies for first-time buyers.

Viterra has managed to steadily increase apartment sales in the last few years. However, in future it will not be possible to repeat the exceptionally high growth rates.

Marketing activities successfully developed

As part of our greater focus on apartment marketing, we launched a project in 2003 designed to identify further potential for improving our marketing activities and to optimise processes. As far as selling apartments to tenants, owner-occupiers and capital investors is concerned, we intend to speed up the sale of all units in a property. Here, one important element is continual project control in all phases of the selling process – from the development to the sale of a residential building. Therefore, we have adapted the local selling processes accordingly. A number of other measures were also introduced:

- A new remuneration model for our sales staff has given them a greater incentive to sell all the apartments in one building at a faster rate.
- Efforts to sell apartments which are not bought by tenants or owner-occupiers to capital investors are being stepped up. In this segment, we are particularly aiming at regional investors. Here, we are correctly positioned as our nationwide presence ensures we are close to the market and our local sales staff really know and understand the properties they are selling.
- In addition to initiating direct contact to potential capital investors, we also started building up a system to provide support for agents selling our properties.
- Residential properties with several owners are mainly sold through external marketing organisations.



All in all in 2003, we improved the processes for making major decisions on our housing stocks, i.e. on their sale, modernisation and management. Any decision to sell is preceded by systematic portfolio management. An individual selling strategy is developed for every property which might be put up for sale. This strategy is based on a whole list of criteria regarding the location and specific features of the property (infrastructure, general condition, likely development of rents, possible occupancy rights). In addition, the work processes connected with our letting and selling activities were more closely interlinked.

Branches in the Ruhr Area

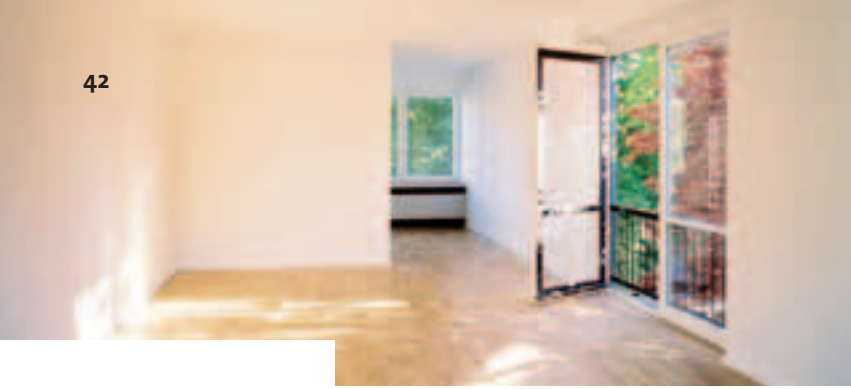
BRANCHES IN THE RUHR AREA	2003	2002	Change
	€ million	€ million	%
Sales	467.7	522.8	-10.5
EBITDA	392.0	348.4	12.5
Operating profit	289.8	247.2	17.2
Investments	51.3	87.9	-41.6
Number of employees*	616	957	-35.6
Number of housing units sold	11,060	7,682	44.0
Average monthly rent €/m ²	4.08	4.06	0.5
Percentage of vacant accommodation in %	2.9	3.1	-
Number of housing units	90,226	101,521	-11.1

* Excluding managing directors and trainees

New organisational structure for the Ruhr area

A new organisational structure for the Ruhr area was introduced in the first half of 2003 with the merger of Viterra Wohnen AG with Viterra AG. This move has created a leaner management structure and transferred responsibility for the housing stock in the Ruhr area to Viterra AG. The 90,226 apartments in the Ruhr area are managed and sold by six branches and one subsidiary:

- Bergkamen (5,866 housing units)
- Bochum (13,355 housing units)
- Dortmund (22,494 housing units)
- Essen (13,132 housing units)
- Gelsenkirchen (16,871 housing units)
- Recklinghausen (14,968 housing units) and the subsidiary Wohnungsgesellschaft Hüls (3,540 housing units).



More apartments sold in all housing segments

Viterra considerably increased apartment sales in the Ruhr area by 44 % to 11,060 units in 2003. All housing segments contributed to this development. The sale of owner-occupied apartments and single-family houses rose by approx. 16 % to 3,764. Sales of multi-family houses were up more than 64 % on the 2002 figure, with 7,296 units sold.

One contributory factor was that entrepreneurial responsibility for decisions on housing stock – sale, modernisation and management – was transferred to the branches. This enabled us to take advantage of the branch staff's closeness to the market and their detailed local knowledge of the properties. As a result, more information was available for making carefully considered decisions on the properties.

Operating profit well up on previous year

The Ruhr area branches' sales dropped in 2003 by 10.5 % to € 467.7 million. This decrease was a result of lower rental income as more apartments were sold.

By contrast, operating profit jumped by 17.2 % to € 289.8 million thanks to the larger number of apartments sold. Here, lower depreciation charges also had a positive effect whilst a fall in income from property management and higher expenses resulting from the early repayment of mortgages on apartments sold had a negative impact.

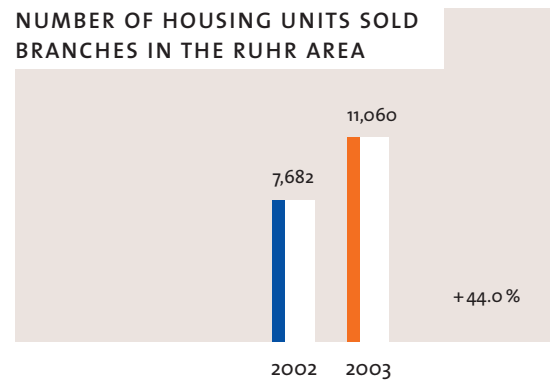
Sale of package of apartments reduces percentage of Viterra units in the Ruhr area

Viterra sold a package of 27,058 apartments to an investor, MIRA Grundstücksgesellschaft mbH & Co. KG (MIRA) in 2003. We felt that these apartments were not suitable for selling singly. MIRA has commissioned Viterra to manage and sell multi-family houses to investors.

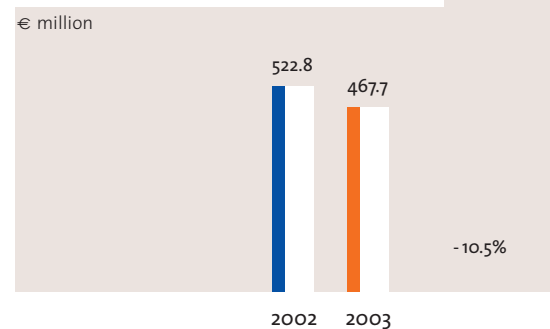
The sale of this portfolio of apartments enabled Viterra to considerably reduce the percentage of its total housing stock in the Ruhr area, which for historical reasons was disproportionately high. The company therefore decreased its dependence on the development of the housing market in one particular region.

In accordance with US accounting practice, the apartments sold to MIRA are still to be consolidated in the Viterra balance sheet. They are therefore shown as Viterra housing stock.

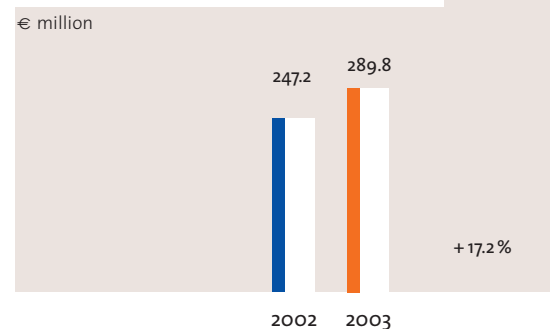
NUMBER OF HOUSING UNITS SOLD BRANCHES IN THE RUHR AREA



SALES BRANCHES IN THE RUHR AREA



OPERATING PROFIT BRANCHES IN THE RUHR AREA



Net rents raised in a difficult market environment

Thanks to quality improvements and optimised portfolio restructuring, we achieved a moderate rise in rents in the Ruhr area despite the difficult market environment. In 2003, the average net monthly rent increased by 0.5 % to € 4.08/m².

The crucial factor in this success was our consistent emphasis on steadily enhancing the value of our housing stock. We spent € 151.1 million (2002: € 175.0 million) on targeted modernisation and repair work to improve the quality of our apartments in the Ruhr area.

Vacancy rate slightly down

The housing market was again a tenants' market in 2003. Nevertheless, we managed to slightly cut the vacancy rate for property awaiting relet by 0.2 percentage points to 2.9 %.

We redoubled our efforts to reduce the number of vacant properties. For example, we pushed ahead with work to upgrade unlet apartments. Since demand for accommodation is shifting, on the property management side we concentrated on providing better quality apartments as regards size, layout and standard of comfort. Here, the size of our portfolio and the wide range of properties it covers place us in a very good position to adapt to the customers' changing demands.

Tradesmen's portal simplifies handling of repairs for property management

Every year the branches in the Ruhr area arrange for approx. 200,000 minor repairs to be carried out in the properties they manage. In 2003, SAP R/3, the housing management system we use, was optimised by introducing the web-based tradesmen's portal (WebHWK). This enabled us to simplify and speed up the complex and extensive processes involved in handling minor repairs.

The new system permits fast, direct access to order and billing data via an online Internet connection. The tradesmen Viterra contracts and the property management staff can follow the progress of the repair order online.



With WebHWK, we can handle minor repairs more simply and quickly and so increase customer satisfaction. After the tenant has reported the fault, the entire process is fully automated – from the placing of a repair order with a tradesman and the tradesman's repair completion report to the issuing, checking and payment of the invoice.

The tradesmen's portal, WebHWK, has not only substantially improved the quality of repair work but also cut costs.

Outlook

The current discussions about the growing need to make private provision for retirement has highlighted the importance of home ownership. Therefore, we expect demand to rise in the years to come. What's more, at just under 29 %, the percentage of home-owners in the Ruhr area is still low compared with the average of 45 % in western Germany, which indicates there is quite a gap to be closed.

In view of the current volatility of the stock markets and the weak office real estate markets, the apartment block with its steady rental income is regaining attractiveness as an investment. Viterra is meeting the demands of the market by stepping up sales of apartments to capital investors. We expect our apartments to be increasingly interesting both for local private capital investors and institutional investors.

Demographic trends will also affect the housing markets in the Ruhr area. In the long term, demand can be expected to fall but the situation will differ greatly from city to city and district to district. However, it is safe to predict that residential areas with a low vacancy rate where a healthy mixture of owner-occupiers and tenants ensures social stability will have good prospects.

In contrast to the structural collapse in eastern Germany, changes in the Ruhr area are taking place more slowly and are therefore easier to forecast. Viterra took early action to adapt to developments. For several years now, we have been successfully using a whole range of suitable instruments such as the sale of apartments, portfolio optimisation, the joining of two apartments into one, apartment upgrading through repairs and modernisation as well as improvements to the surrounding area. In 2003, we enhanced our efficiency in the Ruhr area yet again thanks to the new organisational structure.



Viterra Rhein-Main

VITERRA RHEIN-MAIN	2003	2002	Change
	€ million	€ million	%
Sales	117.8	134.4	-12.3
EBITDA	69.3	72.2	-4.0
Operating profit	0.1	-8.0	>100
Investments	58.5	278.1	-79.0
Number of employees*	255	321	-20.6
Number of housing units sold	1,000	974	2.7
Average monthly rent €/m ²	5.23	5.06	3.4
Percentage of vacant accommodation in %	1,5	1.5	-
Number of housing units	20,507	22,561	-9.1

* Excluding managing directors and trainees

Good regional market position strengthened with Viterra Rhein-Main

The build-up and further development of our activities in the Rhine-Main region is an example of an important element in our trading strategy: the acquisition of residential properties which can be sold individually and their successful marketing. Since 1999, we have gradually expanded our involvement in the Rhine-Main growth region by steadily increasing our shareholdings in WohnBau Rhein-Main (WBRM) and Frankfurter Siedlungs-gesellschaft (FSG). The positive development of business shows that we have the necessary know-how to effectively split up large housing stocks into individually marketable units, optimise property management and successfully sell the apartments to tenants, owner-occupiers or investors.

In early 2003, we purchased further shares in Frankfurter Siedlungsgesellschaft, taking over the company virtually completely. We had already bought an 86.3 % stake in 2002. Following the acquisition of the shares in 2003, we merged the activities of WBRM and FSG with effect from January 1, 2003 to form the new company Viterra Rhein-Main.

By combining the activities of WBRM and FSG in one company, we streamlined the organisation and assigned responsibilities in line with our trading strategy. For example, six regional customer centres were set up to provide an even better tenant service. The time available for giving advice was increased by cutting the number of apartments each customer service representative has to look after. This has reduced the response times to tenants' queries and requests. The customer service representatives also know their properties better as a result of having fewer apartments to look after. This move has also improved the apartment marketing aspect of real estate management. Now there is more up-to-date, detailed information on which to base a well-considered decision on whether and how to sell a property.

The different computer systems used at WBRM and FSG were replaced by SAP as the common system for management and operating costs. This improved the property management process. The new system is more efficient and has simplified and speeded up workflows.

The measures implemented in 2003 further strengthened our good market position in the Rhine-Main growth region. Viterra Rhein-Main is one of the largest regional housing companies in the Rhine-Main region with 20,507 apartments.

Greater focus on marketing activities

Another focus in 2003 – apart from the measures connected with the merging of the activities of WBRM and FSG in Viterra Rhein-Main – was the stepping-up of marketing efforts.

- Here, we improved the preparations for sale, carefully selecting appropriate apartments. More consideration is now given to the best way of selling the apartments (sale of individual apartments to tenants, owner-occupiers or capital investors or sale in blocks) with an exact goal in mind.
- We also expanded the sale of multi-family houses. A separate section was set up in the sales organisation specially for this market segment.
- Performance-related incentive systems were introduced to give the sales organisation more bite.
- We commissioned the services of external marketing organisations, above all to sell residential properties with several owners.

Furthermore, controlling was expanded both for the property management and marketing sides.



Viterra Rhein-Main continues to perform successfully

In 2003, business in the Rhine-Main region continued to develop well with the newly established company, Viterra Rhein-Main. Although sales dropped by 12.3 % to € 117.8 million as a result of lower rental income, mainly due to the transfer of management of 1,100 apartments in Berlin and eastern Germany to Deutschbau and increased apartment sales, the operating profit was positive for the first time. At € 0.1 million, it was well up on the previous year's figure of - € 8.0 million. The main factor was the positive impact on results from lower interest expense relating to the financing of the acquisition of the shares in WBRM and FSG. The 2.7 % increase in apartment sales to 1,000 housing units and lower selling expenses thanks to more efficient sales structures also had a positive effect. By contrast, operating profit was also hit by the transfer of management of 1,100 apartments to Deutschbau.

All in all, our business in the Rhine-Main region has developed successfully in the last two years. Sales and results have exceeded our targets.

Apartment sales up again

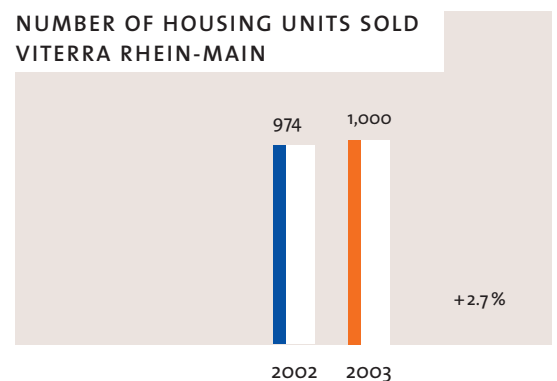
Viterra Rhein-Main has set out to sell its apartments to tenants, owner-occupiers and capital investors. Marketing activities were stepped up as part of our trading strategy and consequently Viterra Rhein-Main managed to slightly increase apartment sales by 2.7 % to 1,000 housing units. The current low interest rates helped to boost sales to capital investors and the marketing of multi-family houses.

Given the low interest rates, rising rents and the need to make private provision for retirement, sales of apartments to capital investors will increase in future. Considerable growth rates are expected in this segment.

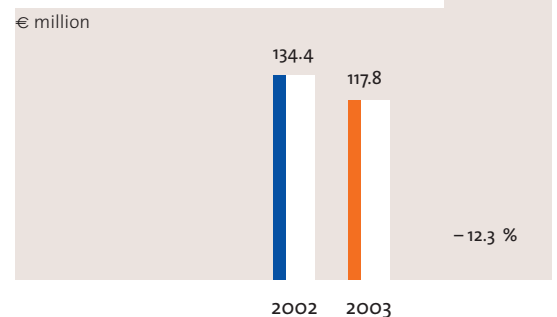
Property management developed well

Viterra Rhein-Main was able to raise rents significantly in the light of the positive development of the regional housing markets, Rhine-Main and Bonn. The average monthly rent rose by 3.4 % to € 5.23/m².

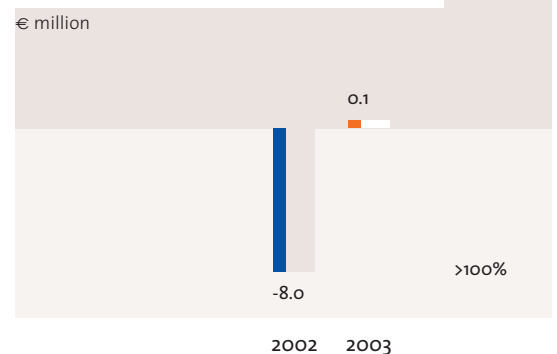
NUMBER OF HOUSING UNITS SOLD
VITERRA RHEIN-MAIN

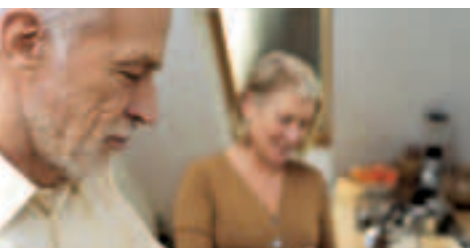


SALES
VITERRA RHEIN-MAIN



OPERATING PROFIT
VITERRA RHEIN-MAIN





At the same time, the percentage of vacant accommodation remained low at 1.5 %. It is therefore well below the national average of approx. 5 %. To enhance the quality of its housing stock and prepare properties for sale, Viterra Rhein-Main spent a total of € 30.2 million (2002: € 26.9 million) on repair and modernisation work in 2003.

Outlook

Despite the slow recovery of the economy, Viterra Rhein-Main is expecting business overall to develop well in 2004. The performance of property management should be stable. The market for rented accommodation will also remain tight this year so it will again be possible to raise rents.

The effects of the changes in tax subsidies for home-buyers announced by the German government at the end of 2003 are difficult to predict. However, we are confident that we can further increase the already high number of apartments sold. Sales of apartments singly or in blocks to capital investors will be expanded.

The organisational structure of Viterra Rhein-Main is being reviewed with the aim of optimising workflows. As part of a consistent policy of customer orientation, we perform so-called "mystery shopping tests" on the marketing and property management sides of business. Here, trained testers pose as potential tenants or investors and test the quality of the Viterra Rhein-Main service, particularly the advice given. The results are the basis for further measures to improve our customer service.

Deutschbau

DEUTSCHBAU	2003	2002	Change
	€ million	€ million	%
Sales	262.8	267.4	-1.7
EBITDA	152.6	144.3	5.7
Operating profit	26.7	11.7	>100
Investments	8.4	5.7	45.8
Number of employees*	347	716	-51.5
Number of housing units sold	1,309	1,205	8.6
Average monthly rent €/m ²	4.89	4.72	3.6
Percentage of vacant accommodation in %	1.6	1.5	-
Number of housing units	41,103	40,910	0.5

* Excluding managing directors and trainees

Apartment sales rose by 8.6 %

Deutschbau is responsible for Viterra's residential real estate throughout Germany with the exception of the Ruhr area and the Rhine-Main region. The company is currently represented at about 200 locations all over Germany and manages 41,103 apartments.

Overall, 2003 was a very successful year. Apartment sales rose by 8.6 % to 1,309 units. Individual apartment sales to tenants and owner-occupiers amounted to 1,196 and another 113 units were sold in blocks. We achieved this increase in apartment sales above all by focusing even more on our trading strategy.

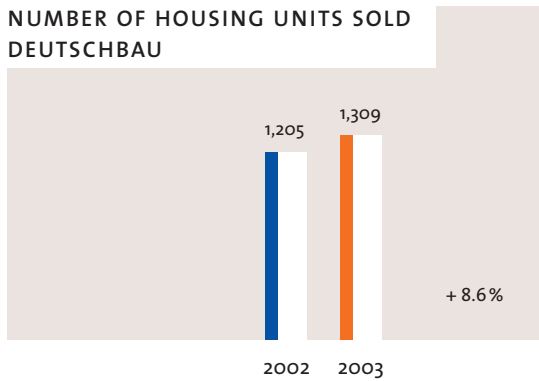
Operating profit more than doubled

Income from housing management rose as a result of the takeover of management of 1,100 apartments in Berlin and eastern Germany. However, overall sales dropped in 2003 by 1.7 % to € 262.8 million. Sales in 2002 partly included higher proceeds from disposal of stock held for resale.

By contrast, operating profit more than doubled to € 26.7 million. This jump was mainly attributable to higher profits from apartment sales and lower interest expense.

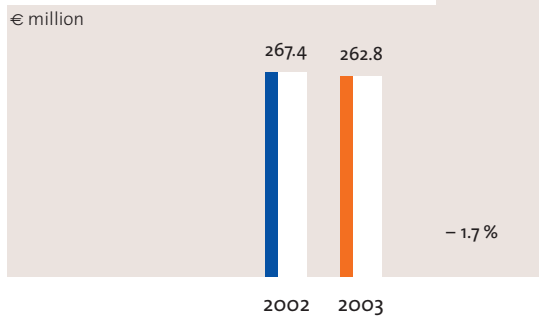


**NUMBER OF HOUSING UNITS SOLD
DEUTSCHBAU**



The number of employees decreased by 51.5 % to 347, thus cutting personnel costs substantially. The change in staff numbers is mainly due to the restructuring of the caretaker organisation. At the beginning of 2003, all caretaker work was outsourced to a service company. This gave the tenants a better service while also reducing costs.

**SALES
DEUTSCHBAU**

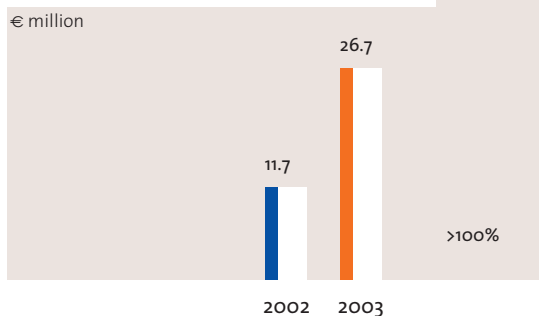


Rents rose

The overall positive development of business is reflected in the steady rise in average rents. Here the takeover of the 1,100 Viterra Rhein-Main apartments in 2003 had a positive effect. Most of these apartments are located in the Berlin area and command comparatively high rents. Compared with the previous year, the average monthly rent rose by 3.6 % to € 4.89/m².

The development of rents did, however, vary from region to region. Whereas it was possible to raise rents in the metropolitan areas of southern Germany, we even had to reduce them in some more rural, structurally weak areas of northern and eastern Germany. Furthermore, when considering the development of average rents, it must be remembered that currently only about 42 % of Deutschbau's apartments are free from rent-increase restrictions. It is mainly in this segment that rents can be adjusted in line with market developments.

**OPERATING PROFIT
DEUTSCHBAU**



Vacancy rate virtually unchanged

In 2003, Deutschbau invested a total of € 47.4 million (2002: € 44.9 million) in maintenance, repair and modernisation work to improve the standard of its housing stock and prepare units for sale.

Thanks to these measures and more customer-oriented management of the properties, we were able to keep the vacancy rate on a par with the previous year at 1.6 %.