

## Risk Management

### Risk management system

We use a multi-staged risk management system to identify and handle risks at an early stage which may be of significance to the economic situation of Viterra. As an instrument for preventing risks, it is closely linked with the organisational structure and operations of the Group, particularly with the planning and controlling processes. Furthermore, Viterra is integrated in the group-wide risk management system of E.ON AG.

The risk management system covers risk identification, risk analysis and evaluation, the development of preventive measures as well as reports to the Board of Management and the Supervisory Board. By standardising the process, we ensure that all companies evaluate existing risks at least once a quarter and report substantial risks to the Board of Management. The main aim is to take appropriate action to deal with the risks. External and internal auditors also include risk management in their audits, which strengthens the system.

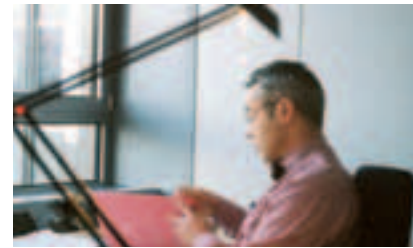
### Risk situation and individual risks

We are not aware of any risks which might jeopardise the survival of Viterra – be it a risk to the assets or the liquidity of the company.

Major risk areas or risks for the Group have been identified in the following fields:

### Risks from changes in the business environment

The German government's decision to reduce **subsidies** for first-time home-buyers has made the purchase of residential real estate more difficult for many potential owner-occupiers. At present, it is impossible to predict what effect this decision will have on demand for residential real estate, particularly from threshold households, in 2004. Viterra is following the market situation very closely and will, if necessary, react to this risk by stepping up sales promotion measures.



The change in the tax treatment of **stockholder debt financing**, which came into effect on January 1, 2004, may lead to higher tax expenses for Viterra. It is not yet clear how the tax authorities will interpret this new regulation. Therefore, concrete effects cannot be predicted.

It is still not certain that the tax authorities will not continue to maintain that, with former non-profit housing companies, some of the profit transferred under profit-and-loss transfer agreements is to be **treated and taxed as a dividend**. The Federal Court of Finance ruled against the tax authorities in three sample cases in December 2002. However, Viterra has yet to receive any legally binding, amended tax assessment notices from the tax authorities. Should the matter nevertheless result in a tax expense for Viterra, E.ON AG will reimburse Viterra through the profit-and-loss transfer agreement.

Economic forecasts predict that the **demographic development of German metropolitan areas** will differ greatly: According to these forecasts, there will be regions to which substantial numbers of people will migrate (e.g. Rhine-Main, Munich, Stuttgart) and lead to rising demand for accommodation. By contrast, there will be regions, including the Ruhr area, from which large numbers will move away. The population will also decrease here as a result of falling birth rates. However, this development will be cushioned by a shift in the type of accommodation required: The number of one and two-person households is rising steadily and demand for bigger apartments is also growing. Therefore, in future there will be fewer people but they will be living in bigger homes and the number of households will initially increase overall. Thus a noticeable fall in demand for rented and owner-occupied accommodation is not likely to occur before 2015, even in the regions like the Ruhr area which people are leaving. We are countering this risk, mainly by value-enhancing portfolio restructuring to increase the number of housing units in regions where attractive economic development is forecast.

The **overall strained economic situation** in Germany has caused a sharp drop in demand for office real estate. We are limiting the marketing risks associated with commercial real estate development projects by not starting construction until leases have been signed for a certain percentage of the office space as well as by limiting project volumes. Furthermore, we will not become involved in speculative projects and will concentrate on locations where demand is expected to be high. Last but not least, we are stepping up our marketing activities.



### Performance/Operational risks

In the south of the Ruhr area, the many years of coal mining have left disused mine workings near the surface, which present a risk of **mining damage** to Viterra's land and buildings. At present, it is difficult to estimate the associated economic risk as there are no or very few records for many of the old mine workings. Moreover, the law is not clear on the question of liability for any damage which might occur.

Viterra is countering this risk by conducting a systematic analysis to identify potential mining damage. These results will provide the basis for Viterra to take suitable remedial action and clarify the legal situation where necessary.

The **risk of any inherited burdens** from soil contamination by former business operations has been fully covered by provisions. The scope of any necessary remediation work is regularly determined and valued by independent experts

### Financial risks

In its financing activities for its operational business, Viterra is exposed to risks **arising from changes in interest rates and exchange rates**. Viterra operates a systematic finance management system to limit these risks. This system is in turn integrated in the finance management system of E.ON AG. Apart from other measures, we also use interest rate swaps as derivative instruments.

### Other risks

Other **legal disputes** beyond those shown in the balance sheet which might have a substantial negative impact on the economic situation of Viterra are neither pending nor, to our knowledge, has such a case being threatened.

No major risks for Viterra can currently be identified in the **information technology and human resources** sectors.

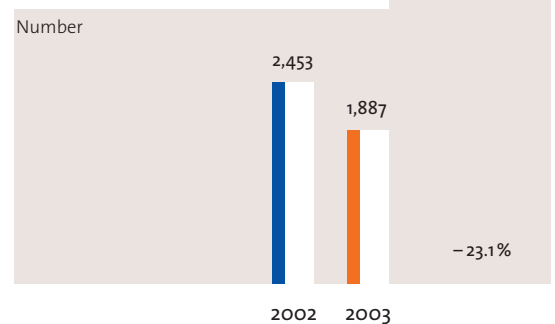


## Employees

EMPLOYEES*	2003	2002 **	Change
	€ million	€ million	%
Branches in the Ruhr area	616	957	-35.6
Viterra Rhein-Main	255	321	-20.6
Deutschbau	347	716	-51.5
Viterra Development	140	92	52.2
Viterra head office	424	132	>100
Others	105	235	-55.3
<b>Total</b>	<b>1,887</b>	<b>2,453</b>	<b>-23.1</b>

\* Excluding Board members, managing directors and trainees  
\*\* After adjustment for discontinued operations

## EMPLOYEES



### Staff numbers fall by 23.1 % as a result of structural changes

At the end of 2003, 1,887 people were employed in the Viterra Group. Therefore, the number of employees fell by 23.1 % in a year-on-year comparison. This decrease is mainly due to the outsourcing of caretaker work at Deutschbau, the reorganisation of caretaker services at Viterra Rhein-Main as well as the discontinuation of Viterra Baupartner's business operations.

Viterra Baupartner ceased trading on December 31, 2003. Of the 177 Viterra Baupartner employees (December 31, 2002), 90 were given alternative employment in the Viterra Group. With the aid of our internal job vacancy coordination system, we managed to place 22 in other Group companies. 68 staff moved with the apartment development activities to Viterra Development. Another 16 have been working at Viterra AG since January 1, 2004.

The changes at the branches in the Ruhr area are mainly due to the transfer of 292 Viterra Wohnen employees to Viterra head office as part of the merger of Viterra Wohnen with Viterra AG.

Financial and other measures were introduced to cushion the effect of the merger on employees and make any changes necessary as socially acceptable as possible. This action included a reconciliation of interests and a social plan agreed with the works councils.

200 employees had part-time contracts with Viterra at the end of the year (2002: 586).

### Personnel expenses

Personnel expenses totalled € 150.9 million in 2003 (2002: € 157.3 million). € 117.6 million was spent on wages and salaries (2002: € 123.3 million), € 16.7 million on social security contributions (2002: € 18.1 million) and € 16.6 million on pensions and support (2002: € 15.9 million).