



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).

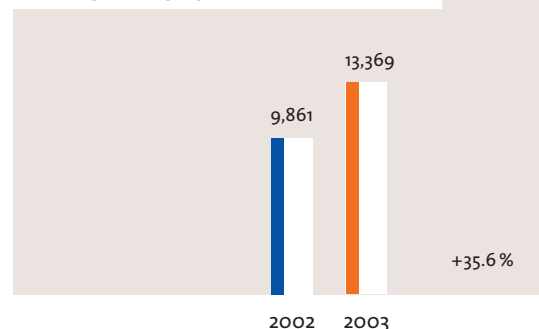
### RESIDENTIAL REAL ESTATE

#### 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 <sup>2</sup>	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.

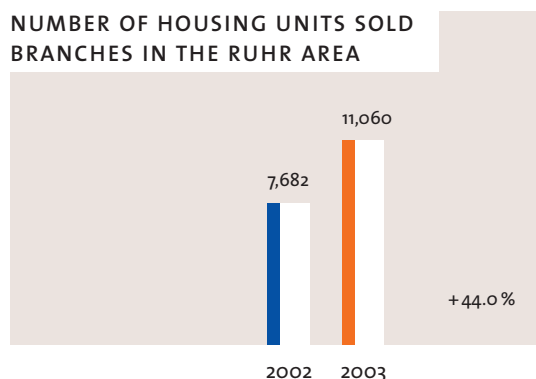
**Sale of package of apartments reduces percentage of Viterra units in the Ruhr area**

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.

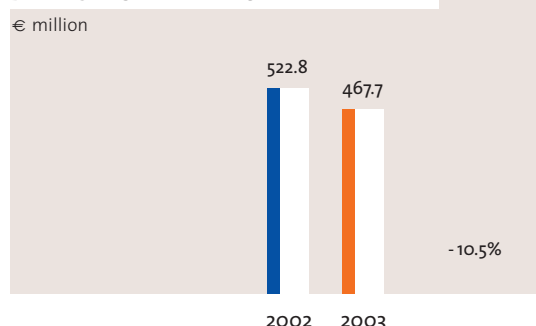
The sale of this portfolio of apartments enabled Viterra to considerably reduce the percentage of its total housing stock in the Ruhr area, which for historical reasons was disproportionately high. The company therefore decreased its dependence on the development of the housing market in one particular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

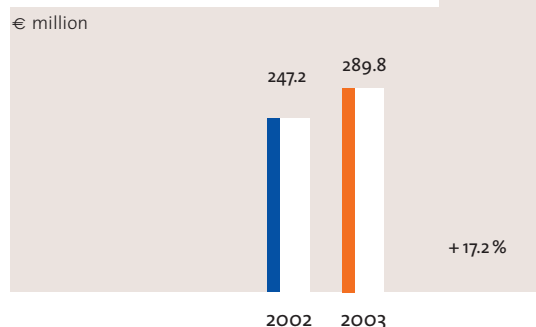
**NUMBER OF HOUSING UNITS SOLD BRANCHES IN THE RUHR AREA**



**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/m<sup>2</sup>.

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 <sup>2</sup>	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

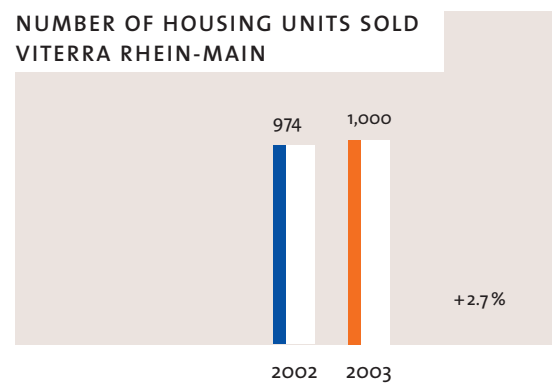
Viterra Rhein-Main has set out to sell its apartments to tenants, owner-occupiers and capital investors. Marketing activities were stepped up as part of our trading strategy and consequently Viterra Rhein-Main managed to slightly increase apartment sales by 2.7 % to 1,000 housing units. The current low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

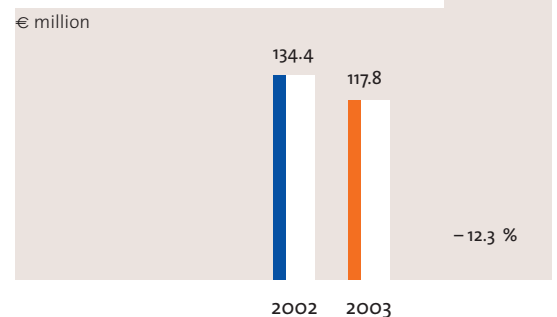
### Property management developed well

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/m<sup>2</sup>.

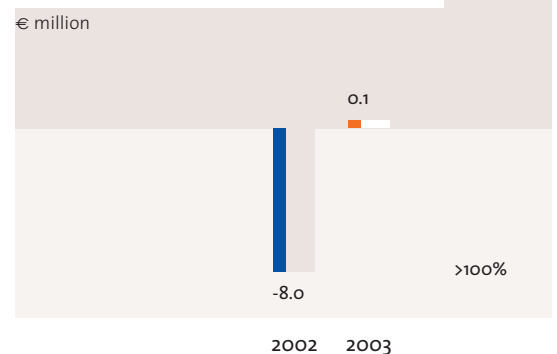
NUMBER OF HOUSING UNITS SOLD  
VITERRA RHEIN-MAIN

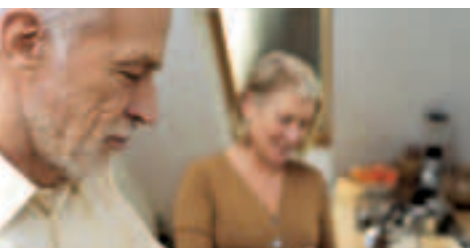


SALES  
VITERRA RHEIN-MAIN



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 <sup>2</sup>	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.

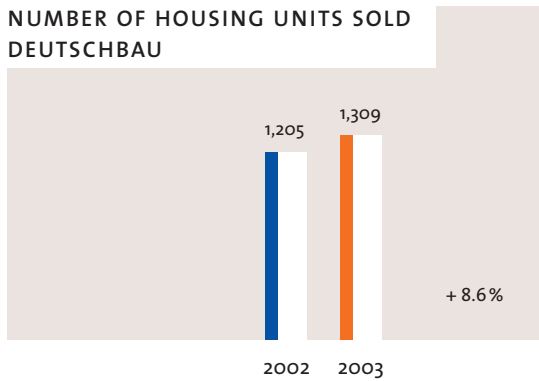
### Operating profit more than doubled

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.

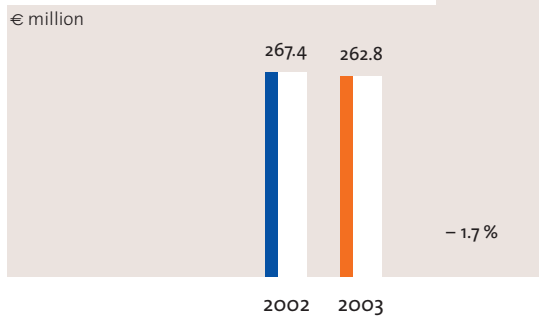


**NUMBER OF HOUSING UNITS SOLD  
DEUTSCHBAU**



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**

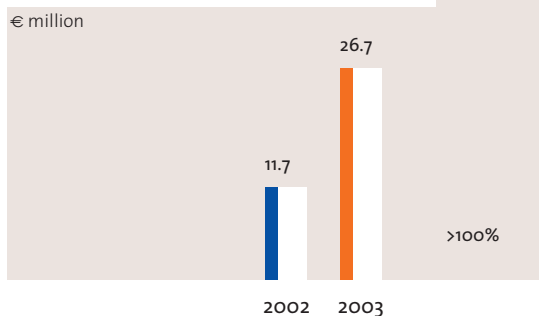


**Rents rose**

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/m<sup>2</sup>.

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 %.



## Outlook

In 2004 Deutschbau will continue to systematically increase the value of its properties and intensify its apartment-selling activities. Key elements are timely, careful planning for all the residential properties as well as housing management which is even more geared to selling apartments. On the apartment marketing side, we will be focusing more on capital investors in addition to selling individual apartments to tenants and owner-occupiers. Apartment sales should be on a par with the figure for 2002.

We are not expecting the general situation on the real estate markets in Germany to change fundamentally in 2004. The markets will still show no uniform pattern of development. In the high-price regions such as Hamburg, Frankfurt or Munich, we will be able to obtain both higher rents and higher selling prices. By contrast, the more rural areas, particularly the structurally weaker regions, are definitely tenants' and buyers' markets. The stagnation process is continuing, particularly in the north and east of Germany. Prices are stabilising at a low level. In general, living in the north and east of Germany is still much cheaper than in the south and west.

These to some extent opposing trends may mean that business will develop differently at the various Deutschbau locations in the two segments - apartment letting and selling. With approx. 41,000 apartments, Deutschbau is represented at over 200 locations and on the major regional housing markets in Germany. This wide geographical spread of our housing stock enables us to react to the patchy development of the individual markets.

Therefore, we expect Deutschbau to perform well overall in 2004.

## PROJECT DEVELOPMENT

### Viterra Development

VITERRA DEVELOPMENT	2003	2002	Change
	€ million	€ million	%
Sales	149.1	80.2	85.9
EBITDA	64.9	26.4	> 100
Operating profit	3.5	-11.9	> 100
Investments	4.3	4.4	-2.9
Number of employees*	140	92	52.2

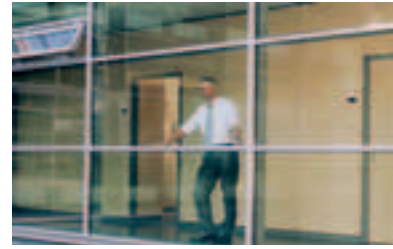
\* Excluding managing directors and trainees

### Project development segment extended to include apartment development activities

In 2003, we expanded the project development segment by pooling our many years of experience in office real estate and apartment development.

This involved integrating the apartment development activities of Viterra Baupartner into Viterra Development. Operational responsibility for the former Viterra Baupartner branches in Hamburg, Frankfurt/Main, Munich and the subsidiary in Warsaw had already been transferred to the branches of Viterra Commercial Properties at those locations in September 2002. We then changed the name of Viterra Commercial Properties to Viterra Development with effect from January 1, 2003.

The successful incorporation of the apartment development activities in early 2003 culminated in a new business model for our project development segment: Viterra Development focuses on the development of office real estate and owner-occupied apartments in the German metropolitan areas as well as in Warsaw and Prague.



### Rudná logistics park successfully sold

At the end of 2003, Viterra Development sold the Rudná logistics park – the largest logistics park in the Czech Republic covering an area of 340,000 m<sup>2</sup> – to an investment fund of the real estate investment company Heitman LLC. Since the land was purchased in 1996, twelve construction phases with 90,000 m<sup>2</sup> of logistics and storage space and 25,000 m<sup>2</sup> of office space had been built. These units had all been fully let to several well-known international companies before the sale. The Rudná logistics park has potential for the development of a further 25,000 m<sup>2</sup> of logistics, storage and office space. Final completion of the logistics park is planned for the end of 2005.

Viterra Development recognised the Rudná site's potential at a very early stage. After purchasing the land in 1996, we developed and successfully marketed the Rudná logistics park step by step as a central logistics hub in the Czech Republic.

The Rudná logistics park is an example of our business approach when developing commercial real estate. Our aim is to quickly identify sites with high potential as locations for commercial properties, to develop them successfully and sell them at a profit.

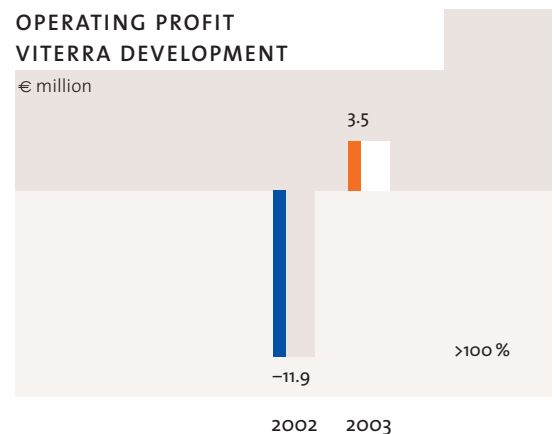
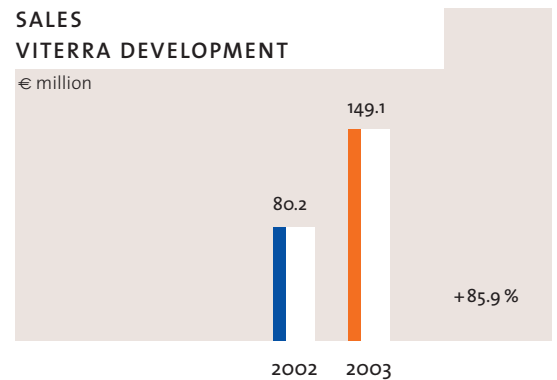
### Leases signed for some 77,500 m<sup>2</sup> despite difficult market situation

In 2003, Viterra Development signed leases with users for approx. 77,500 m<sup>2</sup> of commercial space. Of this figure, approx. 14,500 m<sup>2</sup> were new leases and 63,000 m<sup>2</sup> lease renewals. In some of the lease renewal negotiations, we managed to secure very long periods of tenure. For example, the lease on an office building in the former government quarter of Bonn was extended to 2023. In the Technology Park Poing in Munich, a lease on approx. 25,000 m<sup>2</sup> of commercial space was renewed until the end of 2013.

The positive development in the letting of our commercial space is particularly pleasing given the tight market situation. One important factor is Viterra Development's concentration on a clearly user-oriented, value-enhancing concept for commercial real estate.

### Sales rise sharply thanks to expansion of activities

The integration of the apartment construction activities of Viterra Baupartner had a major impact on sales performance at Viterra Development. Sales shot up by 85.9 % to € 149.1 million, mainly as a result of this change. We also managed to considerably improve the operating profit, which rose by € 15.4 million from a loss of € 11.9 million in 2002 to a profit of € 3.5 million in 2003. In addition to the sale of the Rudná logistics park, the apartment development activities also had a positive influence on the year's figures. However, decisions made as part of portfolio optimisation led to value adjustments which had a negative impact on the results.





### Projects successfully launched or completed despite difficult market environment

The year 2003 was a year focusing on the expansion of our project development segment. The projects completed or started by Viterra Development despite the extremely tight market situation are clear evidence of this. With a clearly user-oriented, value-enhancing concept, we ensure the top quality and lasting functionality of our projects. This applies both to our up-market office buildings and our attractive owner-occupied apartments. The customers of Viterra Development are institutional investors such as funds, private investors as well as commercial and private users.

In 2003, Viterra Development started or completed the following commercial real estate projects:

■ In We are now developing the largest four-star superior congress hotel in the centre of Germany's capital, Berlin, on behalf of the operator MARITIM Hotelgesellschaft mbH and the investor SEB Immobilien-Investment GmbH. The building in the southern Tiergarten district is to be completed by the summer of 2005. The hotel designed by the Berlin architect, Jan Kleihues, will have 505 rooms and suites and cater for events and receptions for up to 5,500 guests. Construction work started on the 12,000 m<sup>2</sup> plot of land in June 2003.

■ A ten-storey, high-rise office building with approx. 4,000 m<sup>2</sup> of space for let was also completed in Berlin. The property situated in Lennéstraße, near Potsdamer Platz, was handed over to the investor, Bayerische Versorgungskammer, in early April 2003.

■ In mid-July 2003, work began on construction of the first phase of the office real estate project, H2 Office, in the inner port of Duisburg. In the two construction phases, about 25,000 m<sup>2</sup> of office space is to be completed on the roughly 14,000 m<sup>2</sup> plot of land. The building, designed by the internationally well-known Hamburg architects' office, Bothe Richter Teherani, is reminiscent of the shape of a catamaran and so picks up on the maritime atmosphere of the port. The main tenant in the first construction phase, which will be finished in November 2004, is Wirtschaftsbetriebe Duisburg.

■ In the centre of the Frankfurt banking district known as Westend, we revitalised an office building originally erected in the 1970s. Work was completed in early October 2003. Some 90 % of the approx. 2,000 m<sup>2</sup> of office space has now been let.

### Construction of owner-occupied apartments at attractive locations

Viterra Development develops owner-occupied apartments at selected, well-established inner-city locations. The focus of the projects is on the markets of our branches in Munich, Frankfurt, Hamburg and Warsaw:

■ By 2006, 185 owner-occupied apartments are to be erected in the Schwabing district of Munich for the "Parkstadt Schwabing" project. 74 units have already been completed and work started on another 33 in 2003. Construction of a further 78 apartments is to commence in 2004.

■ As part of the "Ackermannbogen" urban development project, which is also in the Schwabing district of Munich, we completed a residential complex with 37 luxury apartments on a 2,100 m<sup>2</sup> plot of land at the end of the year. All units had been sold prior to completion.

In September 2003, we started work on another 20 owner-occupied apartments in a second project on the same site. Most of these units have also already been sold.

■ At the end of August 2003, we started to market the 35 apartments which will be built in the first construction phase of the "taunSide" project in Frankfurt/Main. In the next few years, a total of 121 units are to be erected on a roughly two hectare piece of land on Homburger Landstraße overlooking the Taunus.

■|| Under the “terrazza” project in Frankfurt-Sachsenhausen, we plan to build an eight-storey terraced house with 38 high-quality owner-occupied apartments. We started selling the apartments in October 2003.

■|| In Ursynow, one of the most popular districts of Warsaw, we are currently constructing VitaParc, a residential complex with 227 apartments on a 11,820 m<sup>2</sup> plot of land. The first construction phase with 112 apartments was completed in January 2004. The second phase is scheduled for completion in August 2004. Nearly all the apartments have already been sold.

In Hamburg, we are also pursuing other apartment construction projects with a total of 115 housing units including the urban development project, HafenCity, as well as ones in the Bramfeld and Uhlenhorst districts.

In Munich, apart from the projects already described, we are also developing, constructing and selling a total of 204 owner-occupied apartments in the districts of Obermenzing, Oberföhring, Oberhaching and Olching. In five other projects, we are planning and developing a total of 464 owner-occupied apartments in desirable areas of Warsaw.

### Portfolio restructuring continued

In 2003, Viterra Development systematically pushed ahead with restructuring its commercial real estate portfolio. Not all the properties in Viterra Development's current portfolio meet the increasing demands on return on investment. Furthermore, the portfolio has grown over the years so some buildings are no longer located in our target markets. In 2003, we successfully sold another 13 properties (2002: 15 properties) with a total land area of 500,661 m<sup>2</sup> (2002: 144,978 m<sup>2</sup>).

### Outlook

All in all, we are confident that pooling of our many years of experience in the development of office buildings and owner-occupied apartments as well as focusing on attractive metropolitan areas are the recipe for success even in the current difficult market phase. Concentrating on a clearly user-oriented, value-enhancing concept for office and residential real estate will also help.



For example, in the immediate vicinity of the Düsseldorf inner city, we want to develop an impressive, forward-looking concept, the 22-storey Sky Office. The building on Kennedydamm has a gross floor area of 37,400 m<sup>2</sup>. The architecture features a highly efficient ground plan design and offers a great degree of flexibility in allocating floor space. Construction will begin as soon as enough office space has been prelet. Completion is scheduled for the end of 2006.

As the current situation on the commercial real estate market is not easy, in 2004 Viterra Development will adhere to its policy of only starting construction when enough space has been prelet. We will continue to avoid speculative projects. In the transition phase, this may mean that development projects will take some time before they are implemented. However, we are confident that demand will pick up again as more office space will be needed in the period up to 2006.

The market for owner-occupied apartments is also suffering from the weak economy. It is above all a lack of job security which is making owner-occupiers and capital investors reluctant to buy residential property. Only when the economy picks up will demand start to catch up, particularly in the fast-growing metropolitan areas of Munich, Frankfurt and Hamburg.

## FURTHER ACTIVITIES

### Viterra Baupartner

VITERRA BAUPARTNER	2003	2002	Change
	€ million	€ million	%
Sales	81.5	214.8	-62.0
EBITDA	0.1	-16.1	>100
Operating profit	-1.5	-27.6	94.6
Investments	0.0	0.7	-100
Number of employees*	47	177	-73.4

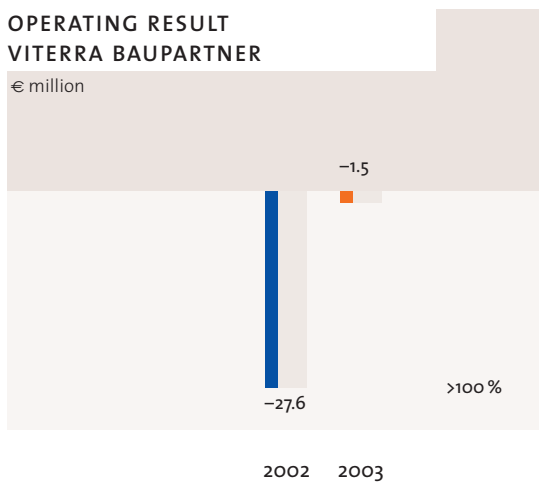
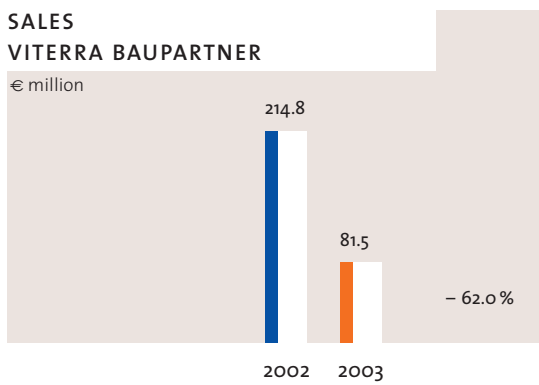
\* Excluding managing directors and trainees

### Viterra Baupartner ceases trading

At the end of 2003, we discontinued the business operations of Viterra Baupartner (construction of row and semi-detached houses). This decision was taken following a strategic review of our business areas as part of the restructuring of our real estate activities. The winding-down of Viterra Baupartner had already begun in the second half of 2002.

The construction of row and semi-detached houses ties up large amounts of capital with all the associated risks and was not able to make the contribution to profits Viterra had expected. The apartment construction segment also run by Viterra Baupartner was integrated into Viterra Development.

Of the 177 Viterra Baupartner employees (December 31, 2002), 90 were given alternative employment in the Viterra Group. As part of the integration of the apartment construction activities, 68 staff moved to Viterra Development. 22 people were found jobs through the Viterra internal job vacancy coordination system. Another 16 have been working at Viterra AG since January 1, 2004.



#### Sales and results marked by cessation of operations

Viterra Baupartner sales came mainly from the sale of owner-occupied houses (168 units) as well as land not sold in the previous year. Sales dropped by 62 % to € 81.5 million, particularly as a result of the cessation of business activities. The operating result improved by 94.6 % to - € 1.5 million. It mainly contains the remaining staff and material costs in connection with the wind-up of business.

#### Outlook

Viterra AG has been handling the sale of the remaining plots of land and the processing of warranty claims since the beginning of 2004.