



NINE MONTHS' REPORT

OCTOBER 1, 2002 TROUGH JUNE 30, 2003

At a glance

Techem is one of Europe's leading providers of services to the housing and real estate industries. Our competencies are:

- **Energy Services** – The measuring and billing of energy and water as well as equipment sales, rentals and maintenance; home automation
- **Energy Contracting** – The planning, financing, installation and operation of energy-producing facilities
- **IT Services** – Software applications for the housing industry.

EUR million US-GAAP, unaudited	Q 3 2002/03 01.03.03 – 30.06.03	Q 3 2001/02 01.03.02 – 30.06.02	Q 1-3 2002/03 01.10.02 – 30.06.03	Q 1-3 2001/02 01.10.01 – 30.06.02
Revenues	110.6	98.9	305.2	273.0
EBIT ¹	15.8	12.4	32.8	23.5
EBITDA	27.7	28.0	72.8	64.8
Net income ²	5.4	4.0	8.1	5.6
Depreciation of plant and equipment, rental equipment and capital lease	9.3	10.8	30.0	29.9
Capital expenditure (consolidated intangible and fixed assets)	12.4	14.9	44.5	71.2

¹ See page 16, note 1, definition EBIT

² See page 17, note 1, definition Intangible Assets

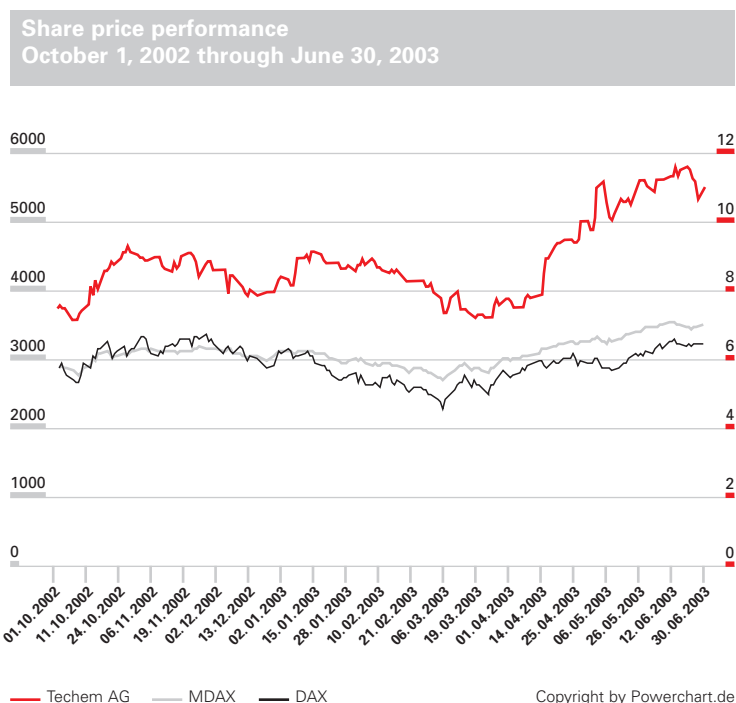
EUR million US-GAAP, unaudited	Q 1-3 2002/03 01.10.02 – 30.06.03	Q 1-3 2001/02 01.10.01 – 30.06.02
Operating cash flow	61.4	50.4
Net present value of rental contracts ³	591.1	557.0
Shareholders' equity	119.1	104.0
Equity ratio	21.2 %	21.2 %
Total assets	561.7	491.7
Customers	606,912	471,140
Number of homes serviced (million approx.)	6.7	6.3
Number of installed devices (million approx.)	36.7	34.7
Germany	28.1	27.9
International	8.6	6.8
Employees ⁴	2,879	2,858

³ See page 5 for details of the basis for computation

⁴ includes commercial representative offices in Germany

The Techem Share

During the period under review, October 1, 2002 through June 30, 2003, the price of the share increased by 61.4 % (Xetra closing price EUR 10.73). During the same period, the DAX rose by 12.4 % and the MDAX by 24.3 %.



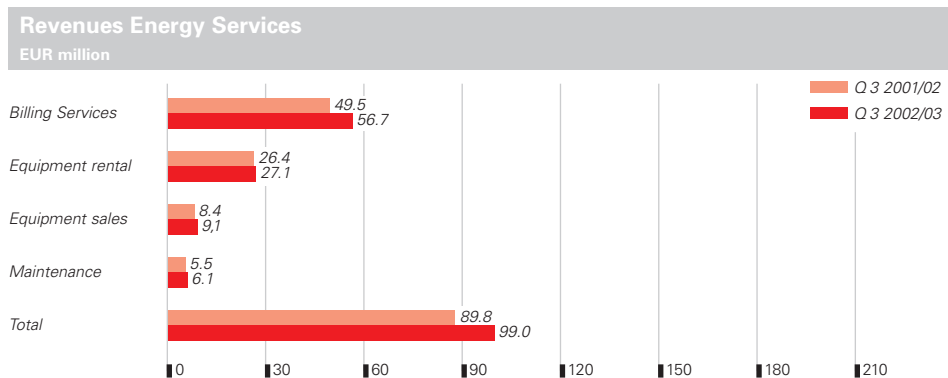
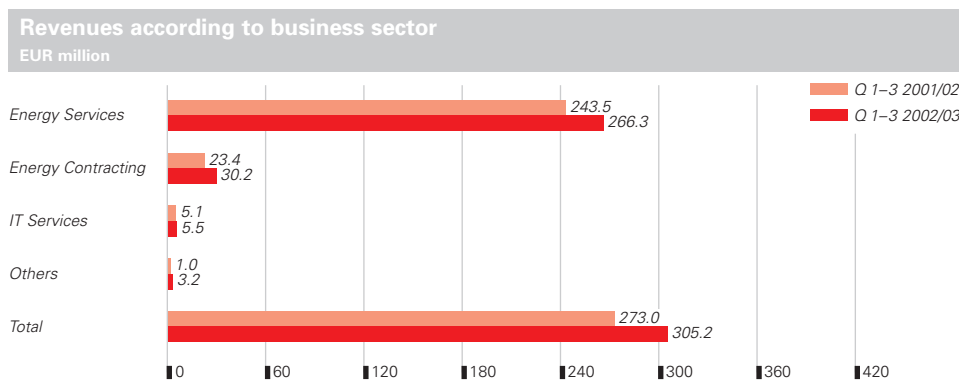
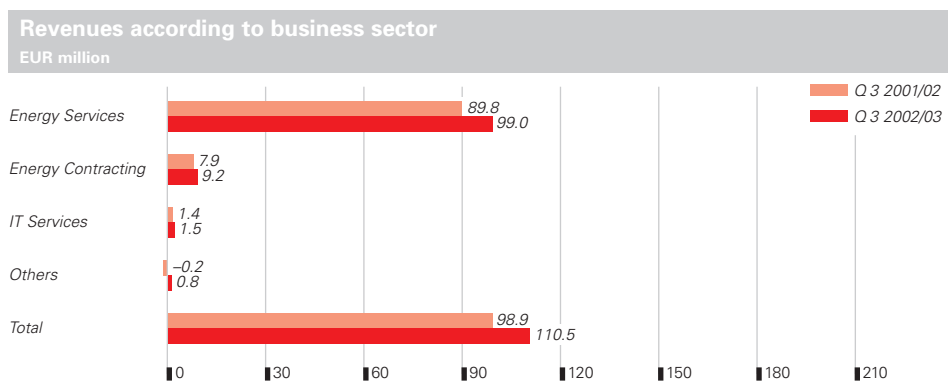
Revenues

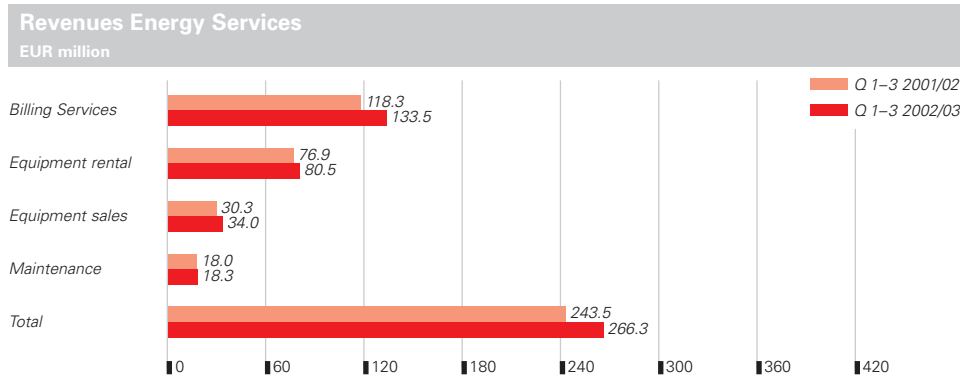
In the third quarter 2002/2003 revenues achieved EUR 110.6 million (previous year: EUR 98.9 million).

Revenues rose by 11.8 % from EUR 273.0 million in the first nine month 2001/2002 to EUR 305.2 million in the same period 2002/2003. The core business Energy Services contributed with EUR 266.3 million (previous year: EUR 243.5 million, an increase of 9.4 %), Energy Contracting with EUR 30.2 million (previous year: EUR 23.4 million, an increase

of 29.1 %; adjusted for the impact of reduced energy prices the increase amounted to approx. 34.0 %), IT Services with EUR 5.5 million (previous year: EUR 5.1 million, an increase of 7.8 %) and Others with EUR 3.2 million (previous year: EUR 1.0 million, an increase of 220 %).

The main source of revenues in Energy Services was consumption-based measuring and billing of energy and water with EUR 133.5 million (previous year: EUR 118.3 million, an increase of 12.8 %). The equipment rentals contributed with EUR 80.5 million in revenues (previous year: EUR 76.9 million, an increase of 4.7 %), equipment sales with EUR 34.0 million in revenues (previous year: EUR 30.3 million, an increase of 12.2 %) and maintenance of measuring devices with EUR 18.3 million in revenues (previous year: EUR 18.0 million, an increase of 1.7 %).



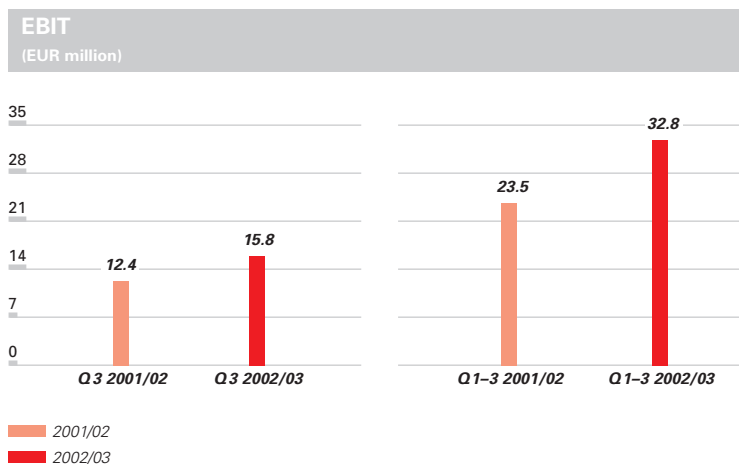


EBIT¹

As at June 30, 2003, EBIT amounted to EUR 32.8 million, representing a year-on-year increase of 39.6 % compared to the previous year EUR 23.5 million. The third quarter 2002/2003 contributed with EUR 15.8 million (previous year: EUR 12.4 million).

As of the start of the current business year according to US GAAP we no longer regularly amortise goodwill on a straight-line basis but it will be tested for impairment at least annually. In the first nine month of 2001/2002, EUR 5.8 million of amortisation for goodwill occurred.

In connection with the "Fokus" restructuring program announced at the end of last year, the past few months have seen a detailed analysis conducted of the following four areas: corporate headquarters, the field organization in Germany, purchasing/logistics/materials expenditure and project management. We expect the package of measures that has now been presented to yield significant operational savings and improvements as of the next fiscal year (see Outlook page 8). The restructuring program caused a reduction in EBIT for the reporting period of approx. EUR 12.1 million.



Net income²

As at June 30, 2003, net income after change of accounting principles amounted to EUR 8.1 million (previous year: EUR 5.6 million). This represents an increase of 44.6 %. The third quarter 2002/2003 contributed with EUR 5.4 million (previous year: EUR 4.0 million).

¹ See page 16, note 1, definition EBIT
² See page 17, note 1, definition Intangible Assets

Capital expenditure

In the first nine month 2002/2003, group investment outlays (consolidated intangible and fixed assets) amounted to EUR 44.5 million (previous year: EUR 71.2 million). They comprised: EUR 4.2 million in intangible assets (previous year: EUR 29.4 million), EUR 7.9 million in property, plant and equipment (previous year: EUR 12.2 million), EUR 27.3 million in rental devices (previous year: EUR 29.2 million), EUR 5.0 million (previous year: EUR 0.0 million) in leased property and EUR 0.1 million in financial assets (previous year: EUR 0.4 million). The leased property mainly comprises fixed assets that were acquired in connection with the move to the new Techem building.

In the third quarter 2002/2003 investment capital expenditure amounted to EUR 12.4 million (previous year: EUR 14.9 million).

Net present value of rental contracts

With respect to the business model for the core business (Energy Services), the rentals area, i.e. equipment rentals for the consumption-based measurement of energy and water, is heavily affected by capital expenditure. Devices are generally rented for a period of between 5 and 10 years. Rented equipment is recognized and depreciated over the duration of rental contracts. Cash flow is negatively affected by capital expenditure on rental devices when it occurs. However, in view of the long-term rental contracts that they relate to, precisely such capital expenditure has a value over the duration of rental contracts. Thus, total capital expenditure on the rental business needs to be contrasted with the cash value of all receipts from rental contracts. As at June 30, 2003, the net present value of the rental business in Germany amounted to EUR 591.1 million (previous year: EUR 557.0 million), representing an increase of 6.1 % in relation to the previous year. In the balance sheet, this cash value is viewed in relation to the total value of rented devices, being EUR 134.4 million (previous year: EUR 131.0 million). The growing difference between the cash value of the rental contracts and the underlying rented assets underscores the important place occupied by the rental business as a contributor to value within the Techem core business.

With respect to the date for which the balance sheet was prepared, the following assumptions were made in computing the value of the rental business in Germany: Pre-tax, contracts continued with a cancellation rate of 1 %, a discount of 8 %, interest on external capital of 6 %, replacement expenses as well as contract administration expenses of EUR 1.4 million in each case in the year basis, after that an increase in expenses of 3 % p. a., annualized rental receipts as at June 30, 2003 of EUR 109.6 million (previous year: EUR 103.7 million), discounted for October 1, 2002. Ten year review period. The computation of the net present value does not take into account overheads and is not a business valuation.

BUSINESS AREAS

Energy Services

Techem Energy Services provides meter reading and billing services, sells the necessary devices and offers the rental of equipment and the concluding of maintenance contracts. The housing industry can draw on a range of services that can be combined individually in line with a given customer's needs. It spans metering reading services, the preparation of bills for heating-, hot water/cold water and other operating costs as well as the collection of advance payments and invoices in accordance with the instructions of property managers.

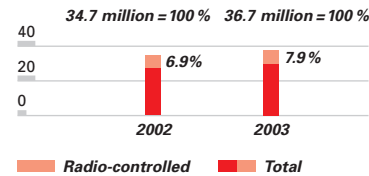
Installed base (installed, invoiced and billed devices).

As at June 30, 2003, Techem provides services to 606,912 customers with about 6.7 million apartments spread across Europe. About 36.7 million meter readings are taken by our employees in order to issue consumption-based bills.

Installed base Europe

approx.	June 30,	
	2002	2003
Radio-controlled devices	2.4	2.9
Electronic devices	12.2	12.9
Water meters	6.4	6.7
Evaporators	13.7	14.2
Total (million)	34.7	36.7

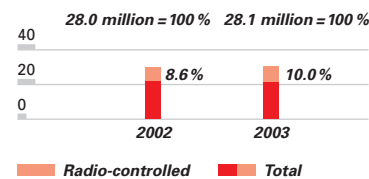
Share of radio-controlled devices in installed base Europe as of 30.06.



Installed base Germany

approx.	June 30,	
	2002	2003
Radio-controlled devices	2.4	2.8
Electronic devices	9.7	9.8
Water meters	5.8	5.9
Evaporators	10.1	9.6
Total (million)	28.0	28.1

Share of radio-controlled devices in installed base Germany as of 30.06.

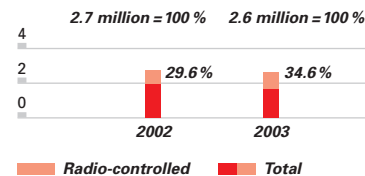


Equipment sales (invoiced devices, not yet billed)

Equipment sales Europe

approx.	June 30,	
	2002	2003
Radio-controlled devices	0.8	0.9
Electronic devices	0.9	0.8
Water meters	0.7	0.7
Evaporators	0.3	0.2
Total (million)	2.7	2.6

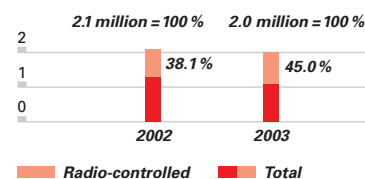
Share of radio-controlled devices in total sales Europe as of 30.06.



Equipment sales Germany

approx.	June 30,	
	2002	2003
Radio-controlled devices	0.8	0.9
Electronic devices	0.5	0.4
Water meters	0.6	0.6
Evaporators	0.2	0.1
Total (million)	2.1	2.0

Share of radio-controlled devices in total sales Germany as of 30.06.



Almost 691,918 households (previous year: 497,436) have been equipped with the radio-controlled system data. The share of delivered radio-controlled devices was 4.1 million. The variation in numbers of delivered and installed devices of about 2.9 million is caused by a time lapse in billing.

Rental and maintenance of devices

The rental contracts cover a base comprising 12.8 million devices, which corresponds to about 45.6 % of 28.1 million devices installed in Germany. 4.5 million devices with maintenance contracts represent 16 % of the installed base in Germany.

Outside Germany, rental and maintenance contracts are only being offered in Austria and Switzerland at present and on a modest scale.

Home automation

Techem offers assisto, the radio-controlled home automation system for individual room temperature control and consumption measurement. The system also provides the control of under floor heating, the control of use of boilers in line with needs, security (alarm) and remote access by cellular phone and internet.

Energy Contracting

The contracting services that Techem offers include providing energy from its own or leased generating plants and thus, the supplying of tailor-made energy services to all sectors of the real estate industry. As at June 30, 2003, the current number of 629 heating supply contracts (previous year: 432) represents a thermal connection capacity of approximately 363.7 Megawatts.

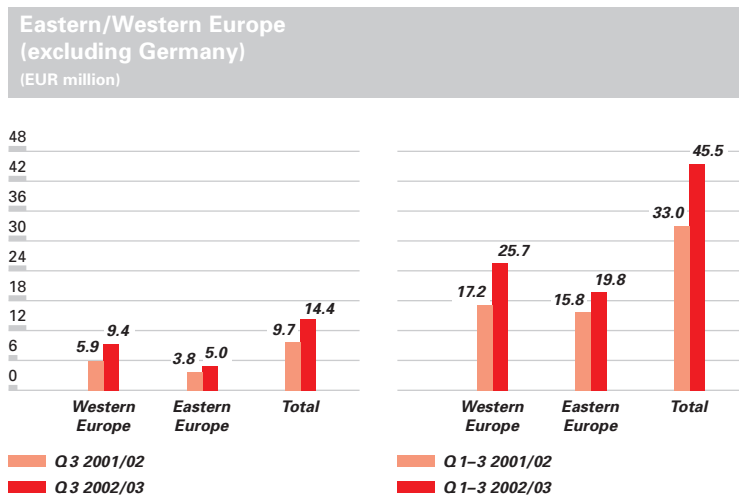
IT Services

The Techem IT Services business area combines a variety of software applications and consultancy services for the housing industry.

With the acquisition of WODIS in the last fiscal year, Techem has become the second largest provider of software and communications services to the housing industry in Germany. At present, approx. 300 businesses in Germany use the wodis® software to manage more than 1.0 million residential and commercial property units. WODIS also offers a data service center solution: wodis, ASP (Application Service Provider).

Expansion of International Business

Revenues from international business in the first nine months rose by 37.9 % from EUR 33.0 million in 2001/2002 to EUR 45.5 million in 2002/2003. Thereof EUR 14.4 million were achieved in the third quarter 2002/2003 (previous year: EUR 9.7 million). The Eastern European markets (EUR 19.8 million as at 30.06.2003, EUR 15.8 million as at 30.06.2002) contributed 25.3 % to the growth in international business. Western Europe achieved an increase in sales revenues of 49.4 % (EUR 25.7 million as at 30.06.2003, EUR 17.2 million as at 30.06.2002).



Outlook

The "Fokus" restructuring program will give rise to costs of approximately EUR 15 million that will impact on earnings for the current fiscal year. At the same time, it will yield savings of approximately EUR 3 million. We expect "Fokus" to produce savings of at least EUR 12 million annually as of fiscal year 2003/2004.

The core element of the restructuring process involves significant organizational and structural changes as well as reducing staffing by about 150 persons until 1st October 2003. Due to further take-overs of sales representatives in Germany and selective recruiting in important business areas there will be a contrary increase in staff. The overall net effect on staff numbers, however, will be negative.

In keeping with a conservative policy on forecasts and given the effects that "Fokus" is expected to have, we will still refrain from forecasting EBIT as at September 30, 2003. However, given the results obtained in the first nine months, we are confident of closing the current fiscal year with a good result. The revenue forecast remains unchanged at approximately EUR 406 million. Significant advances will be made by the further scaling back of total indebtedness.

Enhancing the value of the company will remain the core element of our strategic course. In pursuing it, we will concentrate on our existing business sectors and achieve organic growth in all areas. Our international operations remain a further key area on which attention will be focused. Growth in these countries is highly dependent on the regulatory environment. Countries with a heat cost allocation law comparable to that of Germany show a fast sales growth which slows down or even decreases as soon as a high market penetration is reached. As soon as a new country decides to pass a heat cost allocation law it is possible to generate growth again.

We will continue to attach great importance to developing the technologies used in a direction that responds to the needs of customers. Our technological superiority, coupled with a keen awareness of what is demanded of a service provider, will secure our leading role in Europe for the future, too.

**TECHEM AG, CONSOLIDATED BALANCE SHEET
(U.S. GAAP UNAUDITED)**

Assets

	June 2003 KEUR	June 2002 KEUR	Sept. 2002 KEUR
Cash and cash equivalents	17,989	10,681	13,756
Trade accounts receivable	54,198	54,781	52,927
Unbilled receivables	102,978	51,778	104,007
Accounts receivable due from group companies	0	1,014	417
Other receivables	10,755	27,752	14,335
Total accounts receivable	167,931	135,325	171,686
Inventories	32,283	33,933	29,776
Deferred tax assets	800		566
Other current assets	3,107	3,754	1,582
Total current assets	222,110	183,693	217,366
Financial long-term assets	1,122	962	1,140
Accounts receivable, long-term	7,644	5,582	6,341
Total financial assets	8,766	6,544	7,481
Rent equipment	137,157	133,028	136,201
Capital lease	9,213	0	5,413
Property, plant and equipment	47,195	42,323	46,223
Total fixed assets	193,565	175,351	187,837
Intangible assets	127,916	112,864	134,629
Deferred tax assets	9,384	13,292	11,723
Total assets	561,741	491,744	559,036

Liabilities

	June 2003 KEUR	June 2002 KEUR	Sept. 2002 KEUR
Trade accounts payable	6,840	6,988	12,371
Bank overdrafts and borrowings	39,226	62,687	283,857
Progress payments	857	821	946
Accounts payable due from group companies	329	928	237
Current portion of capital lease obligation	2,821	0	2,054
Other current liabilities	17,685	14,871	18,413
Tax accruals	16,112	8,259	10,819
Other accrued expenses	41,034	34,565	27,863
Deferred tax liabilities	1,270	1,377	1,705
Other deferred items	826	763	822
Total current liabilities	127,000	131,259	359,087
Bank overdrafts and borrowings	260,601	58,140	38,732
Capital lease obligations, less current portion	6,574	0	3,439
Pension accruals	12,849	13,398	12,181
Other accrued expenses	25,736	23,787	24,833
Deferred tax liabilities	3,610	663	3,957
Other deferred items	2,957	157,834	2,581
Total non-current liabilities	312,327	253,822	85,723
Total liabilities	439,327	385,081	444,810
Minority interest	3,274	2,655	2,678
Share capital	24,681	24,681	24,681
Additional paid in capital	59,711	59,711	59,711
Retained earnings	35,714	20,819	27,598
Accumulated other comprehensive income/loss	-966	-1,203	-442
Total shareholders' equity	119,140	104,008	111,548
Total liabilities and shareholders' equity	561,741	491,744	559,036

TECHEM AG, CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Share Capital		Treasury	Additional	Retained	Accumulated	Total
	Shares	Amount	Stock	paid-in	Earnings	other com-	Share-
		KEUR	KEUR	capital	KEUR	prehensive	holders'
				KEUR		income/-loss	Equity
						KEUR	KEUR
Balance at September 30, 2000	24,681,139	24,681	-342	59,552	2,093	81	86,065
Currency translation adjustment						149	149
Net add. minimum pension liability						-1,411	-1,411
Treasury Stock			342	159			501
Net income					13,079		13,079
Balance at September 30, 2001	24,681,139	24,681	0	59,711	15,172	-1,181	98,383
Currency translation adjustment						-59	-59
Net add. minimum pension liability						798	798
Net income					12,426		12,426
Balance at September 30, 2002	24,681,139	24,681	0	59,711	27,598	-442	111,548
Currency translation adjustment						-554	-554
Net add. minimum pension liability						30	30
Net income					8,116		8,116
Balance at June 30, 2003	24,681,139	24,681	0	59,711	35,714	-966	119,140

**TECHEM AG, CONSOLIDATED STATEMENT OF INCOME
(U.S. GAAP UNAUDITED)**

	June 2003 YTD KEUR	June 2002 YTD KEUR	June 2003 QTD KEUR	June 2002 QTD KEUR
Revenues	305,162	273,021	110,555	98,902
Cost of sales	125,670	107,526	42,983	36,159
Gross profit	179,492	165,495	67,572	62,743
Selling and marketing expenses	58,216	56,585	19,424	19,752
General and administrative expenses	75,466	70,893	27,830	26,686
Other operating income	5,831	3,839	1,678	1,125
Other operating expenses	16,609	18,402	5,472	5,031
Research and development	2,265	–	705	–
EBIT	32,767	23,454	15,819	12,399
Income from investments	6	159	–190	9
Interest income/-expense	–12,479	–11,609	–4,019	–3,669
Result before income tax	20,294	12,004	11,610	8,739
Income tax	10,478	5,882	5,794	4,552
Result before minority interest	9,816	6,122	5,816	4,187
Minority interest	623	475	347	232
Net income/-loss before cumulative effects of changes in accounting principles	9,193	5,647	5,469	3,955
Net cumulative effects of changes in accounting principles	1,077			
Net income/loss	8,116	5,647	5,469	3,955
Earnings per share in Euro				
Income before cumulative effects of changes in accounting principles	0.37	0.23	0.22	0.16
Net cumulative effects of changes in accounting principles	–0.04	0.00	0.00	0.00
Earnings per Share in Euro, basic/diluted	0.33	0.23	0.22	0.16
Pro Forma Disclosure Goodwill Amortization:				
Reported net income	8,116	5,647	5,469	3,955
Add back: amortization and impairment of goodwill	480	5,838	0	2,612
Adjusted net income	8,596	11,485	5,469	6,567
Earnings per share in Euro				
Reported net income	0.33	0.23	0.22	0.16
Add back: amortization and impairment of goodwill	0.02	0.24	0.00	0.11
Adjusted earnings per share, basic/diluted	0.35	0.47	0.22	0.27

TECHEM AG, CONSOLIDATED STATEMENT OF CASH FLOW

	June 2003 KEUR	June 2002 KEUR
Cash flows from operating activities		
Net income/loss	8,116	5,647
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	40,056	41,315
Deferred tax assets	1,304	2,224
Unbilled receivables	1,029	-10,475
Change in pension and other long term accruals	1,620	-3,824
Income applicable to minorities	623	475
	44,632	29,715
	52,748	35,362
Changes in operating assets and liabilities		
Accounts receivable, short term	3,157	-10,952
Inventories	-2,265	403
Other current assets	-2,145	12,762
Accounts receivable, long term	-1,303	-177
Trade accounts payable	-5,540	-2,852
Progress payments	-89	182
Accounts payable due from group companies	-462	108
Other current liabilities	-1,704	-1,506
Other accrued expenses	13,171	8,323
Tax accruals	5,438	2,876
Deferred items	380	5,850
	8,638	15,017
Net cash provided by operating activities	61,386	50,379
Cash flows from investing activities:		
Investment net of cash acquired	-139	-23,908
Purchase of fixed & intangible assets	-44,329	-47,255
Disposal of fixed and intangible assets	5,317	4,644
Net cash used in investing activities	-39,151	-66,519
Cash flows from financing activities		
Increase/Decrease in liquid funds from factoring of accounts receivable	5,823	-651
Changes in financing due to capital lease	3,902	-388
Changes in bank loans	-27,700	20,363
Change in minority interest	118	-508
Dividends paid	-145	-1,220
Net cash provided by/-used in financing activities	-18,002	17,596
Net change in cash	4,233	1,456
Net increase/-decrease in cash and cash equivalents	4,233	1,456
Cash and cash equivalents at beginning of period	13,756	9,225
Cash and cash equivalents at end of period	17,989	10,681
<i>Supplemental Disclosures of Cash Flow Information</i>		
– Cash paid on Interest	10,196	9,754
– Cash paid on Income Taxes	3,112	1,259

TECHEM AG, CONSOLIDATED INTANGIBLE AND FIXED ASSETS

	Acquisition cost					Ending Balance 30.06.2003 KEUR
	Beginning Balance 01.10.2002 KEUR	Current Year Additions KEUR	Change in Consol- idation KEUR	Real- locations KEUR	Deletions KEUR	
I. Intangible Assets						
1. Software & Licences	50,288	2,258	-6	2,452	-135	54,857
2. Goodwill						
Energy Services	99,412	0	72	1,743	0	101,227
Energy Contracting	10,313	0	0	0	0	10,313
IT Services	16,302	479	0	-1,743	-4,572	10,466
3. Other Intangible Assets	6,783	0	72	0	0	6,855
4. EDP Software Work in Progress	6,304	1,450	0	-2,452	0	5,302
	189,402	4,187	138	0	-4,707	189,020
II. Fixed Assets						
1. Property, Plant and Equipment						
Property & Plant	8,040	60	0	34	-61	8,073
Technical Equipment	32,350	2,909	0	2,540	-759	37,040
Office Equipment	37,160	3,847	-114	76	-958	40,011
Work in Progress	3,140	833	0	-2,693	-41	1,239
Subsidies	-288	262	0	0	0	-26
	80,402	7,911	-114	-43	-1,819	86,337
2. Rent Equipment	251,341	27,261	0	43	-14,605	264,040
3. Capital Lease	39,718	5,023	0	0	0	44,741
III. Financial Assets						
1. Investments in affiliated companies	348	0	-101	0	-57	190
2. Long term loans to affiliated companies	309	0	0	0	0	309
3. Investments at Equity	1,140	94	52	0	-63	1,223
	1,797	94	-49	0	-120	1,722
Total Intangible and Fixed Assets	562,660	44,476	-25	0	-21,251	585,860

	Amortization/Depreciation						Net Book Value		
	Beginning	Current Year	Change in		Ending	30. 06. 2003	30. 06. 2003	30. 09. 2002	
	Balance		Consol- idation	Real- locations					Deletions
01.10. 2002	Amort./Depr.	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	
I. Intangible Assets									
1. Software & Licences	17,424	7,662	-2	0	-94	24,990	29,867	32,864	
2. Goodwill									
Energy Services	29,018	0	0	267	0	29,285	71,942	70,394	
Energy Contracting	6,177	0	0	0	0	6,177	4,136	4,136	
IT Services	2,030	1,974	0	-267	-3,588	149	10,317	14,272	
3. Other Intangible Assets	124	379	0	0	0	503	6,352	6,659	
4. EDP Software Work in Progress	0	0	0	0	0	0	5,302	6,304	
	54,773	10,015	-2	0	-3,682	61,104	127,916	134,629	
II. Fixed Assets									
1. Property, Plant and Equipment									
Property & Plant	2,900	297	0	2	-3	3,196	4,877	5,140	
Technical Equipment	10,681	2,332	0	0	-332	12,681	24,359	21,669	
Office Equipment	20,597	3,555	-58	-2	-829	23,263	16,748	16,563	
Work in Progress	1	1	0	0	0	2	1,237	3,139	
Subsidies	0	0	0	0	0	0	-26	-288	
	34,179	6,185	-58	0	-1,164	39,142	47,195	46,223	
2. Rent Equipment	115,140	22,632	0	0	-10,889	126,883	137,157	136,201	
3. Capital Lease	34,304	1,224	0	0	0	35,528	9,213	5,413	
III. Financial Assets									
1. Investments in affiliated companies	241	0	0	0	-57	184	6	107	
2. Long term loans to affiliated companies	309	0	0	0	0	309	0	0	
3. Investments at Equity	107	0	0	0	0	107	1,116	1,033	
	657	0	0	0	-57	600	1,122	1,140	
Total Intangible and Fixed Assets	239,053	40,056	-60	0	-15,792	263,257	322,603	323,606	

NOTES TO THE INTERIM FINANCIAL STATEMENTS JUNE 30, 2003

1 Basis of Presentation

The accompanying unaudited interim financial statements represent the accounts of Techem AG and its subsidiaries ("Techem Group" or "the Company"). The consolidated financial statements have been prepared in accordance with the United States Generally Accepted Accounting Principles ("US-GAAP") for interim reports and therefore do not necessarily contain all information of complete financial statements for year end reporting purposes.

The Board of Directors considers this nine months' report to provide all required information and adjustments for a fair presentation of interim results.

The results of the first nine months of financial year 2003 do not necessarily indicate future results. The accounting principles and practices applied correspond in general to those in the Techem Group annual financial statements. A detailed description of these principles is published in the annual financial report 2002.

Corporate Governance. Pursuant to the German Joint Stock Corporation Act ("AktG"), §161 and §15 EG AktG, the Techem Board of Directors and Supervisory Board have issued a declaration of general compliance and have granted shareholders permanent access to this declaration available on the Techem Group's homepage.

Changes in Accounting Standards. In April 2003, the Financial Accounting Standards Board (FASB) issued SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This statement amends and clarifies the accounting and reporting for derivative instruments, including embedded derivatives and hedging activities. The provisions of SFAS No. 149 are applicable for financial instruments and hedging relationships entered into or modified after June 30, 2003. The standard is assumed to have no material impact on Techem Group's result of operation or its financial position.

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". The statement requires certain financial instruments so far classified as equity to be recognized as liabilities. The types of financial instruments affected are mainly those with a future obligation to repurchase shares. The new standard is applicable for financial instruments entered into or modified after May 31, 2003. The standard is assumed to have no material impact on Techem Group's result of operation or its financial position.

SFAS No. 146 "Accounting for the Costs Associated with Exit or Disposal Activities" regulates accounting of cost associated with restructuring activities. These costs cannot be accounted for in the planning phase of the restructuring, but only when liabilities are actually incurred. Techem Group applies SFAS No. 146. As of balance sheet date, a restructuring accrual of KEUR 6,533 was accounted for.

Definition of Earnings before Interest and Tax (EBIT). The EBIT definition of Techem Group has been changed to exclude investment income. This change of definition has no material impact on the result of operation or the financial position of the company.

Seasonal Influences. Net sales and the operating result of the company are subject to predictable seasonal fluctuations, as Techem bills its customers for its services once a year.

Revenues from measuring and billing of energy and water consumption are mainly generated in the months of March, April and July. Billing services rendered throughout the year are accounted for as work in progress, and invoiced once a year. Revenue on maintenance and rental contracts is accrued periodically throughout the year. Energy contracting revenues, to the extent that they relate to the energy component, are also accrued periodically throughout the year.

Intangible Assets. The Techem Group initially adopted SFAS No. 142 "Goodwill and Other Intangible Assets," in financial year 2003. The transitional goodwill impairment test required upon introduction of the statement was finalized by Techem Group in the second quarter of financial year 2003. The impairment resulting from the evaluation is recorded as a result of changes in accounting principles.

According to SFAS No. 142, the impairment is recorded on the first day of the reporting period in which the statement is adopted. Hence the cumulative effect of changes in accounting principles of Techem Group amounting to KEUR 1,077 (KEUR 1,495 minus tax of KEUR 418) is disclosed in the income statement as an adjustment of the first quarter of financial year 2003.

	Q1 FY 2003
Amounts in KEUR:	
Net income as reported	1,004
Cumulative effect of changes in accounting principle (net of tax), resulting from the initial adoption of SFAS No. 142	-1,077
Adjusted net income	-73
Earnings per share in EUR:	
Net income as reported	0.04
Cumulative effect of changes in accounting principle (net of tax), resulting from the initial adoption of SFAS No. 142	-0.04
Adjusted earnings per share in EUR:	0.00

Due to strategic changes in the business segment IT-Services, intangibles assets of KEUR 721 relating to HausPerfekt were identified as impaired and written off in the second quarter of financial year 2003.

Changes in the Group of Companies Included in Consolidation. The following changes in the companies being consolidated have been made in the first nine months of financial year 2003:

- Agpo Techem Meettechniek B.V., Breda: Techem International acquired additional 51 % of the shares for a purchase price of KEUR 231 on December 6, 2002, and now holds 100 % of Agpo Meettechniek. Accordingly Agpo is no longer accounted for at equity, but is fully consolidated since the first quarter of financial year 2003.
- A joint venture between Techem Energy Services and Drecount GmbH & Co. KG, Dresden, was entered into, effective as of January 8, 2003. Each partner holds 50 % of the shares of Techem Drecount Utility Service GmbH (TDUS), i.e. KEUR 150. TDUS offers services all over Germany for small to medium size waste management and supply companies for reading and billing services, credit collection, call centre, measuring data and meter management as well as billing of operating costs. TDUS is accounted for using the equity method.
- This interim report includes the balance sheet and the operating profit of the Techem Energy Services S.R.L Romania, founded in financial year 2003. In order to reflect changes in the general purchasing power of the Romanian currency, balance sheet and income statement, have been restated based on SFAS No. 52.
- HausPerfekt GmbH & Co. KG and HausPerfekt Software Verwaltungs GmbH were sold to the minority shareholders, effective April 9, 2003. The purchase price amounts to 1 EUR respectively, the loss resulting from the transaction equals the impairment loss on intangible assets as reported in the second quarter of financial year 2003 (pls. compare Note 1 "Intangible Assets"). The software developed by Hausperfekt was transferred to the Techem accounts before the transaction. Hausperfekt software is sold, respectively leased for licence fees. Targeted customers are real estate agencies with administrative sizes exceeding 100 units.

2 Financing Agreement

On April 15, 2003, a new financing agreement for a period of five years, amounting to Mio. EUR 350, was signed by a bank consortium led by Dresdner Kleinwort Wasserstein.

The financing contract consists of the following four tranches:

1. An amortizable loan of EUR 150 Mio; repayments of EUR 15 Mio scheduled every six months, starting on November 30, 2003.
2. A bullet term loan of EUR 70 Mio.
3. A bullet revolving facility of EUR 40–80 Mio.
4. An asset backed facility of EUR 50–90 Mio, as described in the Note "Factoring" below.

The margin for tranches (1) to (3) amounts to 100 to 165 points depending on the senior leverage, i.e. net senior debt in relation to EBITDA, of 1.5 to 3.0.

The total of tranches (3) and (4) may not exceed EUR 130 million.

The margin for tranche (4) amounts to 110 points over Euribor, fixed for the complete contract period. Tranche (4) relates to factoring as explained below.

Factoring. The company has entered into a master agreement with Best Accounts Receivable ("BAR") to sell its receivables resulting from device rental contracts.

The prior master agreement with BAR ended on April 15, 2003, and was renewed on the same date by the financing agreement as described above.

As of balance sheet date, KEUR 66,652 were sold to BAR. A corresponding long-term bank liability is reflected in the Company's balance sheet.

3 Shareholders' Equity

Annual Shareholders' Meeting. The annual shareholder's meeting on March 21, 2003, agreed as follows:

Authorization to repurchase shares.

- a) The authorization to repurchase shares declared on March 26, 2002, was revoked.
- b) The Board of Directors is authorized to repurchase shares of the Techem AG amounting to up to EUR 2,468,113. The repurchase can be executed in parts or in total, at one time or at various times. The authorization to repurchase shares expires September 21, 2004.

The purchase takes place on the stock exchange or by public buy-back offer.

If the acquisition of the shares is made on the stock exchange, the equivalent of the shares excluding additional expenses paid by the company may not vary more than 10 % from the opening price of the XETRA.

The Board of Directors, subject to consent of the Supervisory Board, is authorized to act as follows:

- a) in connection with mergers or the acquisition of a company, offer shares to a third party;
- b) withdraw shares from the market, while at the same time reducing share capital, without additional approval of the shareholders' meeting.

Distribution of earnings of Techem AG. The Techem AG's accumulated earnings amounting to KEUR 70,549 for financial year 2002 are carried forward.

By-Election to the Supervisory Board. As of November 11, 2002, Dr. Hans-Jochen Otto resigned as a member of the Supervisory Board. Dr. Wilhelm Bender, chief executive officer of FRAPORT AG, was elected as member of the Supervisory Board.

Stock Options. In January 2000 and March 2001 the Company introduced a stock option plan with conditional capital increase which provides for the granting of up to 2,046,340 shares of common stock to officers and key employees of the Group.

The Group has adopted the disclosure provisions of SFAS No. 123, but opted to remain under the expense recognition provisions of the Accounting Principles Board's ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" in accounting for options granted under the stock option plans described above. Both stock option plans are variable plans. If the compensation expense for these options had been determined in accordance with SFAS No. 123, i.e. based on their fair value at the grant dates, the Company's charge to income for the third quarter of financial year 2003 would have amounted to KEUR 3,016. As a result net income and earnings per share would have been reduced to the pro-forma amounts shown below:

	QIII FY 2003
Net income according to US-GAAP in KEUR:	
As reported	8,116
Pro forma	5,100
Earning per share according to US-GAAP in EUR:	
As reported	0.33
Pro forma	0.20

Since the performance targets have not been met at balance sheet date, no compensation expense was recognized.

4 Income Taxes

According SFAS No. 109, "Accounting for Income Taxes", it is required to determine the expected tax rate for the current financial year for interim reporting purposes. Since the expected tax rate is calculated based on estimates and assumptions, it may differ from the actual rate at the end of financial year 2003.

Reorganisations in the Techem Group's legal structure during financial year 2003 may significantly lower the tax rate of the Company.

5 Contingent liabilities

Contingencies due to guarantees of bank loans exist on behalf of HausPerfekt GmbH & Co. KG, in the amount of KEUR 447 (KEUR 362 in 2002).

In addition comfort letters exist on the behalf of EL-ME GmbH in the amount of KEUR 1,031 (KEUR 1,118 in 2002). EL-ME GmbH is consolidated using the equity-method.

Warranty accruals amount to KEUR 725 in financial year 2002. In the current financial year, the accrual has been increased by KEUR 289. Warranty accruals are calculated based on relation of revenue to actual expenses.

6 Personnel

The number of employees at balance sheet date amounts to 2,373 and to 2,298 in the prior year.

7 Interest Income/ -Expense Following is an overview of the Techem Group's interest income and expense:

	QIII FY 2003	QIII FY 2002	QIII FY 2001
Interest income	1,277	647	414
Interest expense	-12,047	-12,256	-15,162
Unrealized gain/-loss on financial derivatives			
Trigger Swap	-1,112	0	0
CMS	-597	0	0
Total Interest Income/-Expense in KEUR	-12,479	-11,609	-14,748

The Group's interest income and expense are hedged against fluctuations by swaps. Even though the use of these instruments economically hedges the interest rate risk mentioned above, the hedging criteria of SFAS No. 133 and SFAS No. 138 are not met and therefore need to be accounted for within the profit and loss statement.

As of balance sheet date, the total nominal value of the swap agreement amounts to KEUR 120,000; the total market value amounts to KEUR 597.

The trigger swap was sold in the third quarter of financial year 2003 with a profit of KEUR 198.

8 Research and Development

The research and development costs as of June 30, 2003, amount to EUR 2.3 million, and to EUR 2.7 million in the prior year. In prior years, the amount was included mainly in selling expenses.

9 Segment Reporting

In compliance with SFAS No. 131, the segments IT Services and Energy Contracting are not yet to be disclosed as separate segments.

Veridis has been allocated to the segment Energy Services, since this segment reflects its business operations more appropriately.

Geographical information for nine months' revenues is as follows:

	Germany	Europe (without Germany)
Gross revenues QIII FY 2003 by country of:		
origin	259,693	45,469
destination	258,772	46,390
Gross revenues QIII FY 2002 by country of:		
origin	240,006	33,015
destination	238,499	34,522
Gross revenues QIII FY 2001 by country of:		
origin	230,217	27,273
destination	228,843	28,647

FINANCIAL AND EVENTS CALENDAR

- January 15, 2004** Publication of annual financial statements as at September 30, 2003
Press conference
DVFA conference
Telephone conference with analysts and institutional investors
- March 1, 2004** Publication of Three months report as at December 31, 2003
Telephone conference with analysts and institutional investors
- March 18, 2004** Ordinary General Shareholders Meeting
Congress Center, Messe, Frankfurt am Main
- May 18, 2004** Publication of Six months report as at March 31, 2004
Telephone conference with analysts and institutional investors
- August 17, 2004** Publication of Nine months report as at June 30, 2004
Telephone conference with analysts and institutional investors

As at: August 2003

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