

SIX-MONTHS'-REPORT

OCTOBER 1, 2003 THROUGH MARCH 31, 2004



At A Glance

EUR million US-GAAP, unaudited	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 1-2 2002/2003 1.10.02 – 31.3.03	Q 2 2003/2004 1.1.04 – 31.3.04	Q 2 2002/2003 1.1.03 – 31.3.03
Revenue	203.7	194.6	115.4	107.3
EBIT	38.7	16.9	29.3	11.8
EBITDA	64.0	45.1	42.3	27.8
Net income	16.1	2.7	12.8	2.7
Depreciation of plant and equipment, rental equipment and capital lease	19.8	20.7	10.1	10.9
Capital expenditure (plant and equipment, rental equipment and capital lease)	22.7	28.9	11.2	12.9
Operating cash flow ¹	18.4	11.5	--	--
Total assets	560.5	579.9	--	--
Shareholders' equity	142.0	113.9	--	--
Equity ratio	25.3%	19.6%	--	--

¹ As of 2002/2003, losses/gains on sale of fixed assets are shown separately.

	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 1-2 2002/2003 1.10.02 – 31.3.03
Number of homes serviced (in million)	6.7	6.7
Number of installed devices (in million)	36.9	36.7
Germany	28.2	28.1
International	8.7	8.6
Customers	615,203	607,492
Employees ¹	2,206	2,397

¹ excluding commercial representative offices in Germany

The Techem Share

During the period under review, October 1, 2003 through March 31, 2004, the Techem share price increased by 15.3% (Xetra closing price EUR 17.30). During the same period, the DAX rose by 15.8% and the MDAX by 19.2%.

Annual General Shareholders' Meeting

61.92% of the share capital were represented at the annual general shareholders' meeting of Techem AG on March 18, 2004. Ursula Felten, pharmaceutical assistant, was elected member of the supervisory board.

Further information in German language is to be found on the homepage www.techem.de in the section Investor Relations / Hauptversammlung 2004.

Revenue

In the second quarter 2003/2004 revenue achieved EUR 115.4 million (previous year: EUR 107.3 million).

Revenue rose by 4.7% from EUR 194.6 million in the first six months 2002/2003 to EUR 203.7 million in the same period 2003/2004. The core business Energy Services contributed EUR 173.5 million (previous year: EUR 167.3 million, an increase of 3.7%), Energy Contracting EUR 25.3 million (previous year: EUR 20.9 million, an increase of 21.1%), IT Services EUR 3.7 million (previous year: EUR 4.0 million, a decrease of 7.5%) and Others EUR 1.2 million (previous year: EUR 2.4 million, a decrease of 50.0%).

The decline in IT Services in fiscal year 2003/2004 is primarily attributable to the absence of the revenues generated by HausPerfekt, as the shares of that company were sold in April 2003.

Revenue by business area

EUR million	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 1-2 2002/2003 1.10.02 – 31.3.03	Q 2 2003/2004 1.1.04 – 31.3.04	Q 2 2002/2003 1.1.03 – 31.3.03
Energy Services	173.5	167.3	98.4	92.3
Energy Contracting	25.3	20.9	14.4	11.7
IT Services	3.7	4.0	1.9	1.9
Others	1.2	2.4	0.7	1.4
Total	203.7	194.6	115.4	107.3

In the core business area Energy Services revenue stems from the following four revenue streams:

Revenue Energy Services

EUR million	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 1-2 2002/2003 1.10.02 – 31.3.03	Q 2 2003/2004 1.1.04 – 31.3.04	Q 2 2002/2003 1.1.03 – 31.3.03
Billing services	83.7	76.8	54.4	48.0
Equipment rental	56.9	53.4	28.1	26.8
Equipment sales	20.0	24.9	9.6	11.8
Maintenance	12.9	12.2	6.3	5.7
Total	173.5	167.3	98.4	92.3

Revenue Energy Services Germany

EUR million	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 1-2 2002/2003 1.10.02 – 31.3.03	Q 2 2003/2004 1.1.04 – 31.3.04	Q 2 2002/2003 1.1.03 – 31.3.03
Billing services	71.0	64.2	45.9	40.1
Equipment rental	55.4	52.8	26.8	26.4
Equipment sales	10.3	10.8	5.7	5.4
Maintenance	12.5	11.9	6.1	5.8
Total	149.2	139.7	84.5	77.7

International Revenue

Revenue from international business in the first six months decreased by 14.5% from EUR 31.1 million in 2002/2003 to EUR 26.6 million in 2003/2004. Thereof EUR 15.2 million were achieved in the second quarter 2003/2004 (previous year: EUR 16.5 million). The Eastern European markets contributed EUR 8.7 million to international revenue in 2003/2004 (EUR 14.8 million in 2002/2003, a decrease of 41.2%). Western Europe (excluding Germany) achieved a revenue of EUR 17.9 million in 2003/2004 (EUR 16.3 million in 2002/2003, an increase of 9.8%).

The disproportionately high increase in revenue for Eastern Europe that was posted in the past was mainly due to developments in Bulgaria. On the Bulgarian market, sales of heat cost allocators dominated revenue. This market has largely reached a saturation point now – with Techem having acquired a high market share. As no new international markets could be developed until now, we still see the decline in revenue already reported in the first quarterly report of the fiscal year 2003/2004.

Revenue Eastern/Western Europe (excluding Germany)

EUR million	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 1-2 2002/2003 1.10.02 – 31.3.03	Q 2 2003/2004 1.1.04 – 31.3.04	Q 2 2002/2003 1.1.03 – 31.3.03
Western Europe (excluding Germany)	17.9	16.3	11.4	10.3
Eastern Europe	8.7	14.8	3.8	6.2
Total	26.6	31.1	15.2	16.5

EBIT

For the period October 1, 2003 - March 31, 2004, EBIT amounted to EUR 38.7 million, representing a year-on-year increase of 129.0% compared to the previous year's EUR 16.9 million. The second quarter 2003/2004 accounted for EUR 29.3 million (previous year: EUR 11.8 million).

Net Income

In the first half of fiscal 2003/2004, net income amounted to EUR 16.1 million (previous year: EUR 2.7 million). This represents an increase of 496.3%. The second quarter 2003/2004 contributed EUR 12.8 million (previous year: EUR 2.7 million).

Capital Expenditure

In the first six months 2003/2004, group capital expenditure amounted to EUR 27.9 million (previous year: EUR 32.1 million). In the second quarter 2003/2004 capital expenditure amounted to EUR 14.7 million (previous year: EUR 14.9 million).

Capital expenditure was made up of::

EUR million	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 1-2 2002/2003 1.10.02 – 31.3.03	Q 2 2003/2004 1.1.04 – 31.3.04	Q 2 2002/2003 1.1.03 – 31.3.03
Financial assets	0.1	0.2	0.1	0.1
Rental devices	15.9	19.3	8.4	10.3
Capital lease*	0.0	3.2	0.0	0.0
Property, plant and equipment	6.8	6.4	2.8	2.6
Intangible assets	5.1	3.0	3.4	1.9
Total	27.9	32.1	14.7	14.9

* The leased assets mainly comprise fixed assets that were acquired in connection with the move to the new Techem building.

Business Areas

Energy Services

Measuring and billing of energy and water as well as equipment sales and rental and maintenance of devices; Home Automation

Installed base (installed, invoiced and billed devices)

As at March 31, 2004, Techem provided services to about 615,000 customers with 6.7 million apartments spread across Europe. About 36.9 million meter readings are taken by our employees in order to issue consumption-based bills.

Installed base Europe

Devices in million	March 31, 2004	March 31, 2003
Radio-controlled devices	3.9	2.7
Electronic devices	12.7	13.0
Water meters	6.7	6.7
Evaporators	13.6	14.3
Total	36.9	36.7

The share of radio-controlled devices in the installed base Europe as at March 31, 2004 was 10.6% (previous year: 7.4%).

Installed base Germany

Devices in million	March 31, 2004	March 31, 2003
Radio-controlled devices	3.7	2.6
Electronic devices	9.5	9.9
Water meters	5.9	5.9
Evaporators	9.1	9.7
Total	28.2	28.1

The share of radio-controlled devices in the installed base Germany as at March 31, 2004 was 13.1% (previous year: 9.3%).

Equipment sales (invoiced devices, not yet billed)

Equipment sales for the first six months of fiscal 2003/2004 amounted to about 1.5 million devices, compared to 2.0 million units for the first six months of 2002/2003. In the same period, about 1.2 million devices were sold in Germany, compared to roughly 1.4 million devices in the first half of fiscal 2002/2003.

In Germany, the drop in sales is primarily due to the fall in the number of new construction projects completed as well as to a temporary decline in the volume of units exchanged as a result of the transition from 8-year to 10-year contracts in the case of heat cost allocators.

Sales for the first six months of 2002/2003 outside Germany had been driven by the first-time equipping of the Bulgarian market. As this process has been largely completed now, sales during current fiscal 2003/2004 are on the decline.

Equipment sales Europe

Devices in million	Q1-2 2003/2004 1.10.03 – 31.3.04	Q1-2 2002/2003 1.10.02 – 31.3.03
Radio-controlled devices	0.6	0.6
Electronic devices	0.4	0.7
Water meters	0.4	0.5
Evaporators	0.1	0.2
Total	1.5	2.0

The share of radio-controlled devices in equipment sales Europe as at March 31, 2004 was 40.0% (previous year: 30.0%).

Equipment sales Germany

Devices in million	Q1-2 2003/2004 1.10.03 – 31.3.04	Q1-2 2002/2003 1.10.02 – 31.3.03
Radio-controlled devices	0.6	0.6
Electronic devices	0.2	0.3
Water meters	0.4	0.4
Evaporators	0.0	0.1
Total	1.2	1.4

The share of radio-controlled devices in equipment sales Germany as at March 31, 2004 was 50.0% (previous year: 42.9%).

In the meantime, 834,370 households (previous year: 644,025) have been equipped with the radio-controlled system. The number of delivered radio-controlled devices was 4.9 million as at March 31, 2004. The variation in the numbers of delivered and installed devices of 1.0 million is caused by a time lapse in billing.

Rental and maintenance of devices

The rental contracts cover a base comprising 13.3 million devices (previous year: 12.6 million devices), which corresponds to about 47.2% of 28.2 million devices installed in Germany. The 4.6 million devices with maintenance contracts (previous year 4.4 million devices) represent 16.3% 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.

Energy Contracting

The supplying of heat, cold and electricity under contracting agreements; modular range of services from planning, financing and installation to the operation of energy-producing facilities, including maintenance, conservation and the billing of consumption.

As at March 31, 2004, 672 heating supply contracts (previous year: 592) represented a thermal connection capacity of approximately 441 Megawatts.

IT Services

Software applications for the housing industry.

Outlook

Based on today's information, the Techem Group expects for fiscal year 2003/2004 an organic revenue of between EUR 430 and 432 million.

As a result of the Group's EBIT for the first six months 2003/2004 Techem is increasing the Group's EBIT target for the full fiscal year to EUR 74 to 77 million. Net debt as at the end of the fiscal year 2003/2004 should amount to about EUR 245 to 250 million.

**Techem AG, Group Balance Sheet
(U.S. GAAP, unaudited)**

Assets in KEUR	March 31, 2004	March 31, 2003	Sept. 30, 2003
Cash and cash equivalents	18,433	11,250	16,038
Trade accounts receivable	45,949	58,663	38,200
Unbilled receivables	122,010	115,910	110,993
Accounts receivable due from other group companies	25	9	25
Other receivables	7,274	14,145	8,979
Total accounts receivable	175,258	188,727	158,197
Inventories	30,069	37,495	26,243
Deferred tax assets	1,112	566	2,042
Other current assets	1,194	902	881
Total current assets	226,066	238,940	203,401
Financial long-term assets	118	1,256	1,052
Accounts receivable, long-term	5,819	7,021	6,284
Total financial assets	5,937	8,277	7,336
Rent equipment	136,743	138,071	137,200
Capital lease	7,295	7,546	8,780
Property, plant and equipment	47,219	47,699	44,541
Total fixed assets	191,257	193,316	190,521
Intangible assets	124,908	130,288	125,080
Deferred tax assets	12,376	9,062	13,683
Total assets	560,544	579,883	540,021

The accompanying notes are an integral part of these financial statements.

**Techem AG, Group Balance Sheet
(U.S. GAAP, unaudited)**

Liabilities and Shareholders' Equity in KEUR	March 31, 2004	March 31, 2003	Sept. 30, 2003
Trade accounts payable	9,629	8,234	9,687
Bank overdrafts and borrowings	71,478	300,497	35,004
Progress payments	860	304	1,214
Accounts payable due from group companies	323	532	216
Capital lease obligations, current portion	2,945	2,117	2,945
Other current liabilities	23,927	20,214	28,589
Tax accruals	9,457	10,705	8,091
Other accrued expenses	33,963	33,627	37,495
Deferred tax liabilities	812	1,178	809
Other deferred items	1,015	1,174	814
Total current liabilities	154,409	378,582	124,864
Bank loans	209,786	33,806	233,341
Capital lease obligations, less current portion	4,604	5,606	6,062
Pension accruals	12,373	12,602	12,257
Other accrued expenses	28,444	25,995	26,852
Deferred tax liabilities	6,371	3,712	7,030
Other deferred items	517	2,893	592
Total non-current liabilities	262,095	84,614	286,134
Total liabilities	416,504	463,196	410,998
Minority interest	2,052	2,809	3,068
Share capital	24,681	24,681	24,681
Additional paid-in capital	59,711	59,711	59,711
Retained earnings	58,372	30,245	42,269
Accumulated other comprehensive income / -loss	-776	-759	-706
Total shareholders' equity	141,988	113,878	125,955
Total liabilities and shareholders' equity	560,544	579,883	540,021

The accompanying notes are an integral part of these financial statements.

**Techem AG, Group Statement of Income
(U.S. GAAP, unaudited)**

in KEUR	Q 1-2 2003/04 1.10.03 – 31.3.04	Q 1-2 2002/03 1.10.02 – 31.3.03	Q 2 2003/04 1.1.04 – 31.3.04	Q 2 2002/03 1.1.03 – 31.3.03
Revenue	203,755	194,607	115,442	107,348
Cost of sales	82,230	82,687	41,761	43,362
Gross profit	121,525	111,920	73,681	63,986
Selling expenses	38,656	38,792	22,120	21,841
General and administrative expenses	37,764	47,636	18,575	26,418
Other operating income	4,111	4,153	2,453	2,668
Other operating expense	8,339	11,137	4,893	5,694
Research and development	2,141	1,560	1,199	831
EBIT	38,736	16,948	29,347	11,870
Result from investments	-115	196	-212	24
Interest income / -expense	-8,253	-8,460	-5,073	-4,254
Result before income tax (and minority interest)	30,368	8,684	24,062	7,640
Income tax	13,887	4,684	10,931	4,157
Result before minority interest	16,481	4,000	13,131	3,483
Minority interest	-378	-276	-356	-762
Net income before cumulative effects of changes in accounting principles	16,103	3,724	12,775	2,721
Net cumulative effects of changes in accounting principles (after tax)	0	-1,077	0	0
Net income	16,103	2,647	12,775	2,721
Earnings per share (in EUR)				
EPS, basic	0.65	0.11	0.52	0.11
EPS, diluted	0.65	0.11	0.52	0.11
EBIT per share (in EUR)				
EBITPS, basic	1.57	0.69	1.19	0.48
EBITPS, diluted	1.57	0.69	1.19	0.48

The accompanying notes are an integral part of these financial statements.

Techem AG, Group Statement of Cash Flow (U.S. GAAP, unaudited)

in KEUR	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 1-2 2002/2003 1.10.02 – 31.3.03
Cash flows from operating activities		
Net income	16,103	2,647
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	25,330	28,184
Deferred tax assets	1,569	1,552
Unbilled receivables	-11,017	-12,171
Allowance for doubtful accounts	106	-613
Inventory reserve	491	7
Change in pension and other long-term accruals	1,740	1,583
Loss on sale of fixed assets	658	498
Debt acquisition cost	416	0
Income applicable to minorities	378	276
	19,671	19,316
	35,774	21,963
Changes in operating assets and liabilities		
Accounts receivable, short-term	-6,136	-3,824
Inventories	-4,317	-7,484
Other current assets	-313	-1,281
Accounts receivable, long-term	451	-682
Trade accounts payable	-58	-4,146
Progress payments	-354	-642
Accounts payable due from group companies	17	-22
Other current liabilities	-4,662	825
Other accrued expenses	-3,532	5,764
Tax accruals	1,366	368
Deferred items	126	664
	-17,412	-10,460
Net cash provided by operating activities	18,362	11,503
Cash flows from investing activities		
Investment net of cash acquired	-3,179	-139
Purchase of fixed and intangible assets	-26,059	-32,002
Disposal of fixed and intangible assets	2,289	2,107
Net cash used in investing activities	-26,949	-30,034
Cash flows from financing activities		
Increase / decrease in liquid funds from factoring of accounts receivable	0	2,226
Changes in financing due to capital lease	-1,458	2,230
Changes in bank loans: proceeds from borrowing	27,503	11,714
Changes in bank loans: repayment of debt	-15,000	0
Dividends paid	-63	-145
Net cash provided by financing activities	10,982	16,025
Net change in cash	2,395	-2,506
Net increase / -decrease in cash and cash equivalents	2,395	-2,506
Cash and cash equivalents at beginning of period	16,038	13,756
Cash and cash equivalents at end of period	18,433	11,250
Supplemental disclosures of cash flow information		
Cash paid on interest	5,841	7,409
Cash paid on income taxes	20,407	1,856

Techem AG, Group Consolidated Intangible and Fixed Assets

in KEUR	Acquisition cost					Ending balance 31.3.2004
	Beginning balance 1.10.2003	Current year additions	Change in consolidation	Re-allocations	Deletions	
I. Financial Assets						
1. Investments in affiliated companies	187					187
2. Long-term loans to affiliated companies	309					309
3. Investments at equity	1,289	46			-980	355
	1,785	46	0	0	-980	851
II. Fixed Assets						
1. Rent equipment	267,200	15,900		-6	-9,186	273,908
2. Capital lease	45,049	2			-3	45,048
3. Property, plant and equipment						
Property and plant	8,058				-52	8,006
Technical equipment	37,559	1,619		1,446	-241	40,383
Office equipment	40,146	4,185		181	-488	44,024
Work in progress	2,484	1,274		-1,659	-90	2,009
Subsidies	-3,556	-233				-3,789
	84,691	6,845	0	-32	-871	90,633
	396,940	22,747	0	-38	-10,060	409,589
III. Intangible Assets						
1. Software and licences	61,176	2,166		-28	-30	63,284
2. Goodwill						
Energy Services	99,484			1,743		101,227
Energy Contracting	10,313					10,313
IT Services	12,209			-1,743		10,466
3. Other intangible assets	6,855	1,843				8,698
4. EDP Software work in progress	610	1,105		66		1,781
	190,647	5,114	0	38	-30	195,769
	589,372	27,907	0	0	-11,070	606,209

The accompanying notes are an integral part of these financial statements.

Techem AG, Group Consolidated Intangible and Fixed Assets

in KEUR	Depreciation / Amortization					Net book value		
	Beginning balance 1.10.2003	Current year additions	Change in consoli- dation	Re- alloca- tions	Dele- tions	Ending balance 31.3.2004	March 31, 2004	Sept. 30, 2003
I. Financial Assets								
1. Investments in affiliated companies	184					184	3	3
2. Long-term loans to affiliated companies	309					309	0	0
3. Investments at equity	240	212			-212	240	115	1,049
	733	212	0	0	-212	733	118	1,052
II. Fixed Assets								
1. Rent equipment	130,000	14,587		-1	-7,421	137,165	136,743	137,200
2. Capital lease	36,269	1,484				37,753	7,295	8,780
3. Property, plant and equipment								
Property and plant	3,796	109			-5	3,900	4,106	4,262
Technical equipment	13,538	1,352		-115	-75	14,700	25,683	24,021
Office equipment	23,518	2,363		115	-383	25,613	18,411	16,628
Work in progress	1					1	2,008	2,483
Subsidies	-703	-97				-800	-2,989	-2,853
	40,150	3,727	0	0	-463	43,414	47,219	44,541
	206,419	19,798	0	-1	-7,884	218,332	191,257	190,521
III. Intangible Assets								
1. Software and licences	29,326	5,037		1	-27	34,337	28,947	31,850
2. Goodwill								
Energy Services	29,018			266		29,284	71,943	70,466
Energy Contracting	6,177					6,177	4,136	4,136
IT Services	416			-266		150	10,316	11,793
3. Other intangible assets	630	283				913	7,785	6,225
4. EDP Software work in progress	0					0	1,781	610
	65,567	5,320	0	1	-27	70,861	124,908	125,080
	272,719	25,330	0	0	-8,123	289,926	316,283	316,653

The accompanying notes are an integral part of these financial statements.

TECHEM AG, ESCHBORN
Notes to the Six-Months'-Report
October 1, 2003 through March 31, 2004

Note 1 – Basis of Presentation

The accompanying unaudited consolidated interim financial statements represent the accounts of Techem AG and its subsidiaries (“the Company” or „Techem Group“) as of March 31, 2004. The interim financial statements have been prepared in accordance with the United States Generally Accepted Accounting Principles („U.S. GAAP“). All amounts are stated in thousand Euro (KEUR) unless mentioned otherwise.

All significant intra-group transactions have been eliminated. Individual prior period amounts have been reclassified to conform to current period presentation.

An interim report does not contain all information and notes to the accounts which are required for year-end reporting purposes; therefore it has to be read in conjunction with the audited consolidated financial statements as of September 30, 2003, which can be obtained from the annual report on the internet homepage of the Company.

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses as well as accompanying notes during the reporting period. Actual results could differ from these estimates.

The Board of Directors considers this interim report to provide all required information and adjustments for a true and fair presentation of the net assets, financial position and results of operations. The results of the first six months of the current financial year do not necessarily indicate future results.

Corporate Governance

Pursuant to the German Stock Corporation Act (“AktG”), §161 and §15 EG AktG, the Board of Directors and the Supervisory Board of Techem AG have declared to generally comply with the recommendations of “German Corporate Governance Code” and have granted shareholders permanent access to this declaration on the Techem Group’s homepage.

Note 2 – Significant Accounting Policies

Recent pronouncements

In December 2003, the Financial Accounting Standards Board ("FASB") revised Statement of Financial Accounting Standard ("SFAS") No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits". SFAS No. 132 (Revised) requires additional disclosures about assets, obligations, cash flows, and net periodic benefit cost of pension plans. Additional information is disclosed in note 7 of this interim report.

Application of SFAS No. 132 (Revised) does not change the measurement of those plans.

Seasonal Influences

Revenue and the operating result of the Company are subject to predictable seasonal fluctuations, as Techem Group invoices its customers for services rendered once a year.

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

Changes in the Group of Companies Included in Consolidation

There have been no changes in the group of consolidated companies in the first half of financial year 2003/2004.

Note 3 – Supplementary Information on Six Months' Report 2002/2003

Effects of Changes in Accounting Principles

Techem Group applied SFAS No. 142 "Goodwill and Other Intangible Assets" for the first time in financial year 2002/2003. The transitional goodwill impairment test required by this statement was finalized in the second quarter of financial year 2002/2003. The resulting extraordinary amortization was recorded as effect of changes in accounting principle.

According to SFAS No. 142, the impairment was recorded on the first day of the reporting period in which the statement was 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) was disclosed in the income statement as an adjustment of the first quarter of financial year 2002/2003.

Pro Forma Disclosure of Goodwill Amortization

	Q 1-2 2002/2003 1.10.02 – 31.3.03
Goodwill amortization (in KEUR):	
Reported net income	2,647
Add back: amortization and impairment of goodwill	480
Adjusted net income	3,127
Goodwill amortization per share (in EUR):	
Reported net income	0.11
Add back: amortization and impairment of goodwill	0.02
Adjusted earnings per share (basic / diluted)	0.13

Note 4 - Acquisition and Disposal of Investment

In the first six months of financial year 2003/2004 the following changes in investment were made:

WIB Consult GmbH, Dortmund/Germany: On October 7, 2003 the Company acquired additional 12% of WIB Consult for a purchase price of KEUR 6 and now holds 100%.

Techem Messtechnik Ges.m.b.H., Innsbruck/Austria: On January 21, 2004, the Company acquired additional 16.67% of the shares of Techem Messtechnik Innsbruck for a purchase price of KEUR 3,173 and now holds 83.33%. Goodwill of KEUR 1,843 resulting from this transaction has been capitalized as intangible asset due to established long-time customer relations. The valuation of these customer relations is based on planned cashflows. The amortization period of the intangible asset amounts to ten years. Accumulated amortization expense in the first half of fiscal 2003/2004 was KEUR 31.

EL-ME AG, Au/Germany: On January 9, 2004, the Company sold its 25% share of EL-ME AG for KEUR 768. The loss resulting from this transaction amounts to KEUR 212, and is included in result from investment, as EL-ME was accounted for using the equity method.

Note 5 – Shareholders' Equity**Share Capital**

The share capital amounts to EUR 24,681,139, representing 24,681,139 ordinary bearer shares.

Authorized Capital

The Board of Directors is authorized, subject to consent of the Supervisory Board, to increase the share capital of Techem AG, until March 26, 2007, in one or more tranches, up to an aggregate amount not exceeding EUR 5,365,465, through the issuance of new shares against cash contribution or against contribution in kind. Under certain defined conditions and with the consent of the Supervisory Board, the Board of Directors may exclude the shareholders' pre-emptive rights.

Treasury Shares

The Board of Directors is authorized to repurchase shares of the Techem AG up to an amount of 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 on September 18, 2005.

Other than selling the shares on the Stock Exchange, the Board of Directors, subject to consent of the Supervisory Board, is authorized to act as follows:

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

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 Techem Group. In the first quarter of financial year 2003/2004 a conversion plan of stock options into stock appreciation rights ("SARs", so called "phantom options") was initiated and has been finalized in the second quarter of financial year 2003/2004. Due to the conversion, the number of outstanding stock options has been reduced to 454,180. For further information on stock appreciation rights please refer to the respective paragraph below.

The Techem Group has adopted the disclosure provisions of SFAS No. 148 and No. 123, but opted to remain under the provisions of the Accounting Principles Board's ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" in accounting for options granted in the framework of the stock option plans mentioned 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 first two quarters of financial year 2003/2004 would have amounted to KEUR 183 before tax. As a result net income and earnings per share would have been reduced to the pro forma amounts shown below:

	Q 1-2 2003/2004 1.10.03 – 31.3.04
Net income (in KEUR)	
As reported	16,103
Expense from stock option plans, after tax	99
Pro forma	16,004
Earnings per share (in EUR)	
As reported	0.65
Pro forma	0.65

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

Stock Appreciation Rights (phantom options)

In the first quarter of financial year 2003/2004 the Techem Group has offered to the owners of stock options to convert their stock options to stock appreciation rights (SARs). The offer was accepted by the majority of stock option owners. The basis for assessment has been the amount of stock options received from the third tranche of stock option plan I, the conversion rate is 1 to 1.2. Furthermore additional SARs have been granted to key employees.

Techem Group applies APB No. 25 "Accounting for Stock Issued to Employees", which is also applicable to SARs pursuant to Financial Accounting Interpretations No. 28.2. According to this regulation, issuing SARs generally leads to personnel expense.

In the framework of SARs employees receive – without becoming shareholders – a variable remuneration, the amount of which depends on the share price development. Stock Appreciation Rights provide the beneficiaries the right to receive cash payment for the difference between the agreed subscription price and the share price over the exercise period. Prerequisite for settlement is that the share price exceeds the exercise price.

	Q 1-2 2003/2004 1.10.03 – 31.3.04
SARs key information	
Number of SARs granted	448,206
Reference price in EUR	13.50
Exercise price in EUR	17.10
Vesting period	18 months
Expiry	60 months

As of balance sheet date, personnel expense of KEUR 568 have been accrued for.

Distribution of earnings of Techem AG

The Techem AG's accumulated earnings amounting to KEUR 79,374 for financial year 2002/2003 are carried forward.

By-Election to the Supervisory Board

Mrs. Ursula Felten, resident in Frankfurt am Main, has been elected as the successor of Mr. Grüschow for the remainder of his service period.

Miscellaneous

In financial year 2003/2004, a dividend of KEUR 63 was distributed to minority shareholders of Veridis Software Systeme GmbH.

Note 6 – Contingent Liabilities

Contingencies due to guarantees of bank loans exist on behalf of HausPerfekt GmbH & Co. KG in the amount of KEUR 345 (KEUR 447 on September 30, 2003).

Techem Group granted a guarantee for EL-ME AG amounting to KEUR 125 (September 30, 2003: KEUR 1,116). For further information please refer to note 4.

Management is not aware of any other items that could give rise to any other liabilities or that would have an adverse effect on Techem Group's net assets, financial position and results of operations.

Note 7 – Accruals

Pension accruals

The Techem Group sponsors a pension plan covering members of the management of Techem Energy Services GmbH & Co. KG and Techem AG. Consistent with German practice, the pension plan is not funded.

The following table details net periodic pension cost of the respective periods:

KEUR	Q1-2 2003/2004 1.10.03 – 31.3.04	Q1-2 2002/2003 1.10.02 – 31.3.03
Service Cost	32	115
Interest Cost	318	565
Accrual loss	16	84
Net periodic pension cost	366	764

According to FASB Interpretation („FIN“) No. 45 „Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others“, a guarantor has to make accruals at the date of granting in the amount of the actual cash value of the guarantee. This applies to all guarantees issued or modified after December 31, 2002.

Techem grants a two years' warranty on its devices.

The accrual for warranty has developed as follows:

KEUR	Ending balance March 31, 2004	Change	Beginning balance October 1, 2003
Warranty reserve	1,861	1,056	805

The accrual for restructuring has developed as follows:

KEUR	Ending balance March 31, 2004	Change	Beginning balance October 1, 2003
Accrual for restructuring	3,475	-4,137	7,612

Note 8 – Interest Income/Expense

KEUR	Q 1-2 2003/2004 1.10.03 – 31.3.04	Q 1-2 2002/2003 1.10.02 – 31.3.03
Interest income on installment sales	325	234
Interest income, other	221	459
Interest expense	-7,348	-7,798
Amortization of deferred capital procurement costs	-416	-
Gains / losses of financial instruments		
Trigger swap (unrealized)	-	-1,355
Constant maturity swap (unrealized)	-1,035	-
Total interest income/expense	-8,253	-8,460

Deferred capital procurement costs are expensed over the term of the financing contract of five years.

Note 9 – Income Tax

SFAS No. 109, "Accounting for Income Taxes", requires 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.

Note 10 - Number of Employees

The number of employees amounted to 2,206 at March 31, 2004 and to 2,397 at March 31, 2003.

Note 11 – Segment Reporting

The IT Services and Energy Contracting segments are not yet reported as separate operating segments of Techem Group according to SFAS No. 131.

Geographical Information for the First Half of Financial Years 2003/2004 and 2002/2003

KEUR	Germany	International
Gross revenue Q1-2 2003/2004 by country of		
origin	177,125	26,630
destination	176,267	27,488
Gross revenue Q1-2 2002/2003 by country of		
origin	163,499	31,108
destination	162,872	31,735

Financial Calendar

August 17, 2004 Publication of Nine-Months-Report as at June 30, 2004;
Telephone conference with analysts and institutional investors

As at: May 2004

Contact

Anton Steiner-Holzmann
(Head of Investor Relations)
Telephone +49 (0) 61 96/522 - 28 38
Facsimile +49 (0) 61 96/522 - 29 57
E-Mail: investor@techem.de

Techem AG
Hauptstrasse 89
D-65760 Eschborn
Telephone +49 (0) 61 96/522 - 0
Facsimile +49 (0) 61 96/522 - 3000
www.techem.de