

# **Business Results Press Conference 2010**

## March 25, 2010

Page 1 of 14

Dr.-Ing. Herbert Lütkestratkötter  
Chairman of the Executive Board

Check against delivery.

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Ladies and gentlemen,

Allow me to welcome you to our 2010 business results press conference, also on behalf of my colleague on the Executive Board, Dr. Burkhard Lohr.

In this same forum a year ago today, I gave a moderately optimistic outlook for the performance of our business in 2009. I also made clear on the same occasion that 2009 would be a year of challenges. Today, I am able to tell you that HOCHTIEF mastered those challenges superbly. After twelve successful months, our Group presents itself in outstanding shape.

This is clearly illustrated by a glance at the key figures:

- **New orders** totaled EUR 22.47 billion, returning to their normal range from the exceptionally high level set in 2008. New orders still exceeded both sales and work done.

- The **order backlog** consequently swelled to a new all-time record of EUR 35.59 billion. That is equivalent to a forward order book of nearly 21 months—an exceptionally strong backlog compared with the industry as a whole.
- **Sales** reached EUR 18.17 billion, despite the difficult market environment.
- **Profit before taxes** climbed sharply, to EUR 600.5 million—an increase of more than 20 percent on the prior year.
- **Consolidated net profit** showed substantial growth of almost 25 percent to a total of EUR 195.2 million.

Certain comparative figures for 2008 have been restated. Dr. Lohr will go into this later on.

In short, we attained or exceeded all of our targets. We were even able to raise our forecast for the order backlog during the course of the 2009 fiscal year. Our Group once again demonstrated its enduring strength in the face of difficult conditions.

It goes without saying that HOCHTIEF felt the impact of the crisis. What matters, however, is that we have kept on taking in new orders and generating profitable new business in all divisions.

The value of our strategy has therefore been reaffirmed at a time of crisis. Further recognition of this came only recently in the Best of European Business 2010 awards, where we garnered first prize in the “Growth despite crisis” category for large companies.

We have placed our business on a broader footing through strategic acquisitions and have expanded in new growth markets. HOCHTIEF today is supremely placed in attractive markets including the USA, Australia, the Gulf region as well as selected Asian countries. We have purposefully built up a diversified capability portfolio and provide our clients with 360-degree service. And we are pioneers, with innovations ranging from green building to energy-efficient operation.

The outcome of all this is a combination of strengths that makes us exceptionally resilient. Our Group can make up for both regional and sectoral swings in the market. Plus, our global reach allows us to seize a huge range of business opportunities.

Positive signals came from the stock market in 2009. After an irrational slide in value due to turbulence from the financial crisis, the price of **HOCHTIEF stock** made an above-average recovery. In track with the gradual recovery in the global economy and the easing of the situation on financial markets, HOCHTIEF stock marked its high point for the year at EUR 59.52 in October 2009. The stock price gained 49.8 percent over the year as a whole. That is a respectable performance. As a result, the Group's year-end market capitalization came to just short of EUR 3.8 billion. Despite its marked recovery, we still do not consider that the gain in the HOCHTIEF stock price does justice to our successful business performance and positive business outlook.

As in past years, we naturally intend for our shareholders to participate in their company's success. The Executive Board and the Supervisory Board will be proposing a **dividend** of EUR 1.50 per share at the General Shareholders' Meeting on May 11, 2010. This represents a further year-on-year rise in the dividend distribution, making for an almost 14 percent annual average increase since 2005. Our dividend policy testifies that an investment in HOCHTIEF is an investment in a company that creates sustained value.

The same clear value focus drove our decision in December 2009 to shelve plans for an initial public offering of the HOCHTIEF Concessions division for the time being. The capital market environment had deteriorated markedly because of the Dubai crisis. We would have been forced to accept a considerable discount on the fair value we and analysts put on the business—yet we had, and have, no reason to make any such compromise. Numerous investors subsequently confirmed us in our decision.

It nonetheless remains a good idea to create market transparency about the HOCHTIEF Concessions business portfolio in the form of a stock exchange listing, and we are keeping the option open.

Quite independently of this, our financing is secured for the long term. HOCHTIEF has a tradition of conservative planning and business policies. Our balance sheet as of the 2009 year-end remains extremely solid, as my colleague Dr. Lohr will show you shortly. Our Group enjoys the confidence of the capital market and has the scope needed for all projects. Regarding projects, we continue to be selective, investing as usual only in those which meet our high return-on-investment targets.

We retained the Group's long-term strategic direction without change in the year under review. We support and advise clients from the initial project idea onward; we are project developers, construction specialists, marketers, real estate and portfolio managers, energy contractors, concessionaires and co-owners.

This is our integrated life cycle approach for infrastructure projects, real estate and facilities. The approach has proven its long-term worth, and we have now gone another step further under the banner of **“One roof—all solutions”**:

We pool our capabilities more than ever before, continue to network Group companies increasingly closely and are stepping up cooperation within the Group right from the bidding stage—even across continental boundaries. Our clients reward this integrated approach to construction and services time and

again with new orders and contract renewals. They value the high efficiency and quality we deliver through our cooperation-based relationships. In the year under review, we worked on some EUR 2.2 billion worth of projects in which multiple divisions combine their capabilities in an integrated package. And this statistic is tracing an upward curve. The result is added value rather than competitive market differentiation based on price alone.

We also use such lateral integration to promote lateral thinking across the Group. This frequently sparks good new ideas—like that of further adding to our capabilities for serving the growth market in offshore wind power. HOCHTIEF already possesses great expertise in erecting large offshore wind farms—as a result of the Group’s own abilities in hydro engineering and its own jack-up platforms. In partnership with Beluga Shipping, a company focusing on heavy-lift cargo and project shipping, we now plan to construct special-purpose vessels. In this way, we will draw on our experience in building and operating our floating jack-up platforms.

Before Dr. Lohr acquaints you in detail with the figures for fiscal 2009, I would like to take a brief look with you at the **performance of our divisions**:

I will begin with **HOCHTIEF Americas**. Both subsidiaries, Turner and Flatiron, have attained outstanding successes on what remains the world’s largest construction market—not least with jointly secured contracts in which the two companies complement each other ideally with their building construction and civil engineering expertise.

**Turner** has consolidated its position as number one general builder in the United States and profited both from its specialization in crisis-resistant segments such as education and healthcare as well as generally from the green building market. New orders included several schools in Los Angeles and New York, a hospital at Princeton University, a cancer research center at the University of Chicago and a new building for the Yale-New Haven Hospital at Yale University. The three healthcare contracts alone add up to EUR 675 million. More projects have come

in as recently as the last few days. We are to build a new high school in Los Angeles. Since 2003, Turner has already built 19 schools in the city under contracts worth over EUR 436 million. The HOCHTIEF subsidiary is also to renovate a building accommodating more than 2,000 staff for the US government in Washington to green building standards. Such projects enable Turner to hold its own despite the weakness of the private-sector commercial construction market.

Meanwhile, the market that is home to **Flatiron**, our civil engineering specialist and one of the top two bridge builders in the USA, performed very well in spite of the financial crisis. As expected, this performance was helped along by the US government's infrastructure program. The first order we received under the economic stimulus package, worth EUR 41 million, was for the extension of Route 905 in California. Then last month, we won the second contract financed out of this program, under which Flatiron is to widen the state Route 76 in southern California for EUR 44 million. In addition, the company secured a number of significant contracts in the USA and Canada, one highlight being Flatiron's involvement in the construction of the Port Mann Bridge over the Fraser River in Vancouver, which is worth more than EUR 1.5 billion overall. This is our US company's largest project to date.

In 2009, we worked vigorously to further mesh the activities of our US building construction and civil engineering companies. In doing so, we create added value that gives us a competitive edge in the marketplace and is appreciated by an increasing number of clients. For the second time, our US subsidiaries teamed up successfully on an airport project, for example. At San Diego International Airport, they will play a key part in the construction of the new Terminal 2 under a contract expected to total EUR 375 million.

We anticipate that market performance in the United States will remain mixed in 2010. While we foresee a stabilization in the North American building construction market, we continue to plan on growth in civil and structural engineering due to the state economic stimulus programs. Thanks to our

positioning, we are optimally placed going forward. We therefore expect profit before taxes for 2010 to exceed the prior-year figure.

Page 7 of 14

In the **HOCHTIEF Asia Pacific** division, the companies of our subsidiary **Leighton** secured further attractive projects. The division's new orders amounted to EUR 12.42 billion in total. An infrastructure specialist and the world's largest mine operator, Leighton is active in Australia, Asia and the Gulf region. Contributing to its success were the infrastructure and contract mining segments in particular. Of the many projects we were awarded, I would like to highlight the following four:

- A consortium including Leighton subsidiary Thiess is to design, finance and build Australia's most advanced seawater desalination plant. The contract awarded by the Australian state of Victoria is worth approximately EUR 2.1 billion.
- As project manager at the Duralie mine in Australia, Leighton Contractors will mine coal—around 1.8 million metric tons of it a year—for a further seven years for approximately EUR 251 million.
- On the island of Saadiyat off the coast of Abu Dhabi, a joint venture including the Al Habtoor Leighton Group is carrying out the St. Regis Hotel and Residences project. The Leighton Holdings associate is to receive half of the contract value totaling almost EUR 345 million.
- In Australia, too, we have benefited from the government's economic stimulus programs. In a consortium, Leighton subsidiary John Holland is upgrading the rail link between Maitland and Whittingham on a project worth EUR 142 million in total.

As part of its strategy, our Australian subsidiary focuses on high-growth markets. Increasingly, this also includes offshore oil and gas projects, such as the Gorgon project to develop a gas field off the coast of Western Australia. Thiess and Leighton Contractors have received some significant contracts here, including

the contract to build a village for around 3,300 workers. The orders for this project now add up to more than EUR 1.1 billion in total.

Page 8 of 14

The order backlog at HOCHTIEF Asia Pacific reached a record level thanks to the robust state of the economy in the Asia-Pacific region, government spending programs, notably in Australia and Hong Kong, and high demand for raw materials in China. Australia has weathered the global financial crisis much better than other western economies. Here too, therefore, we predict a further rise in profit before taxes in fiscal 2010.

The **HOCHTIEF Concessions** division and its subsidiaries HOCHTIEF AirPort and HOCHTIEF PPP Solutions also navigated 2009 successfully. Our concessions portfolio performed very well: On December 31, 2009, its net present value reached a total of EUR 1,596.4 million, outstripping the prior-year figure by more than eight percent. Despite the decline in business travel, our six airport holdings almost matched their prior-year performance, with the number of passengers passing through their gates down just 1.4 percent on the comparable figure to 88.7 million. Sydney and Tirana airports increased their passenger figures year on year and Düsseldorf Airport even set a new passenger record in the second half of 2009. In addition, HOCHTIEF AirPort cemented its position as an independent consulting firm. For instance, in 2009, we developed a master plan for Riga International Airport in Latvia and our airport experts received the contract to rework the master plan for Geneva Airport, the second largest airport in Switzerland.

In the roads and social infrastructure segments, too, the past fiscal year saw us solidify our position as a reliable partner to the public sector on road and building construction projects. In the UK, we won a contract of great strategic value: We will rebuild and then operate the secondary schools in the towns of Wigan and Salford. The contract awarded to HOCHTIEF PPP Solutions is part of the UK government's Building Schools for the Future program to renovate or rebuild all 3,500 secondary schools in the country over the next 15 years. We have secured a favorable point of departure for taking on further tasks within the

program as a whole. We are also successful in the North American PPP market, where we have just—and this is breaking news—been named preferred bidders for the first public-private partnership in social infrastructure. A significant success that sends out a strong signal. In total, HOCHTIEF was involved in 27 social infrastructure projects worldwide with a total value of well over EUR 6 billion at the end of 2009.

In the airports business segment, we expect passenger numbers to pick up further. In addition, the ongoing optimization of operations will be reflected in improved earnings at our airport companies. The financial close for the large-scale D1 toll highway in Slovakia will be front and center in the roads segment in 2010. Due to the positive nonrecurring item relating to the reversal of provisions for Athens Airport in 2009, we anticipate that HOCHTIEF Concessions' pretax profit for fiscal 2010 will fall below the previous year's figure. Adjusted for this item, we expect operating earnings to be higher year on year.

Under the leadership of **HOCHTIEF Construction**, the **HOCHTIEF Europe** division combines the Group's portfolio of construction and construction-related services in Europe. Here and outside Europe, we operate as a general contractor for complex, large-scale projects.

Despite the economic crisis, we were able to achieve a turnaround in the German building construction segment in 2009. New projects are now successful again and contributing to earnings. HOCHTIEF Construction, for instance, expanded the profitable real estate development business in Germany. The company also cemented its outstanding position in the green building segment while at the same time operating in both the high-growth market for offshore wind plants and the geothermal energy segment.

The company's international business continued to perform exceedingly well, one outstanding example being the construction of the Barwa Commercial Avenue in Doha. The project comprising a retail and commercial center more than eight kilometers in length is the largest single contract in the history of

HOCHTIEF Construction worth EUR 1.3 billion. We had already provided consulting services to the client during the project's planning phase.

Page 10 of 14

Overall in 2009, we clearly met our target for the division of a pretax return on sales of one percent. In 2010, we expect contract placement to remain subdued. However, our international positioning enables us to balance out regional volatility. We are therefore confident that the Europe division will continue to generate positive earnings in 2010, with this figure exceeding the prior-year level. HOCHTIEF Europe's mid-term goal is a pretax return on sales of three percent.

The **HOCHTIEF Real Estate** division held up well in a tough environment and benefited from the typical seasonal end-of-year business: In December 2009 alone, HOCHTIEF Projektentwicklung and aurelis Real Estate generated proceeds of EUR 600 million overall from sales of real estate, projects and properties in large German cities. Our companies HOCHTIEF Projektentwicklung, HOCHTIEF Property Management and aurelis provide an integrated offering of products and services spanning the entire real estate life cycle, from project development and implementation through to marketing and ongoing management.

In 2009, **HOCHTIEF Projektentwicklung** was able to expand its leading position in the market for premium real estate and was named "Best Developer in Germany." The company successfully placed numerous top-of-the-line properties on the market in 2009, including the multiple-award-winning Unilever building in Hamburg, a new office building at Düsseldorf Airport City and the former Lufthansa high-rise—now named maxCologne—opposite Cologne cathedral. In Germany as well as in Central and Eastern Europe, construction began on ten new projects worth EUR 225 million in total.

**HOCHTIEF Property Management** saw increased interest from investors in efficient real estate management. Among other things, aurelis entrusted the company with the management of 4,000 rental agreements. Since January 2009, our subsidiary has also been managing 75 percent of the real estate of DEKA Immobilien and WestInvest.

While we anticipate that the market environment will remain strained for the office rental markets, we foresee a slight improvement in the investment markets in 2010. Nevertheless, the impact of the financial crisis on demand for real estate is currently difficult to predict. From ongoing business, we are therefore planning for the division to generate healthy profit before taxes in 2010 on a par with the previous year.

In the **HOCHTIEF Services** division, our companies achieved sound results in the market for real estate-related services. This market continues to grow, but with cost pressure bearing down. In response, **HOCHTIEF Facility Management** has driven ahead its international activities and rapidly secured important new contracts as a result: Only a few days ago—you will no doubt have seen our press release—the company took over facility management at Bahrain International Airport. The EUR 85 million contract initially runs for six years.

In Germany, too, HOCHTIEF Facility Management again proved to be a popular outsourcing partner in 2009 and took on some demanding projects. Among others, the company was awarded the contract to manage the Lufthansa Training & Conference Center in Seeheim, Hesse. In addition, the contract for Color Line Arena in Hamburg was extended and we now manage the entire Zollverein Coal Mine Industrial Complex, a UNESCO World Heritage Site in Essen.

Let me take this opportunity to point out that we are, of course, actively involved in “RUHR.2010 European Capital of Culture”. We are a partner sponsor of the event and HOCHTIEF Facility Management has taken on responsibility for its

technical management. We give the Ruhr our full backing and, as one of the region's companies, intend to help make RUHR.2010 a resounding success.

Page 12 of 14

The new projects at **HOCHTIEF Energy Management** include a contract awarded by the Berlin Senate to reduce energy costs and emissions at 18 of the city's properties. Under an energy performance contracting assignment, our company will generate savings of around EUR 4.5 million over a period of ten years, reducing carbon emissions by 22,000 metric tons overall. The properties include the Rotes Rathaus city hall, several court buildings, inland revenue offices and other state-owned buildings.

In 2010, we expect moderate growth in the HOCHTIEF Services division. The cost pressure bearing down on clients and the restructurings they are undertaking will increase their willingness to outsource. We will continue to expand our international activities with the focus on Eastern Europe. Overall, we expect profit before taxes in the Services division to exceed the prior-year figure.

**Ladies and gentlemen, if I may sum up:**

- We have done our homework. Despite the financial crisis and the resulting troubled economic environment, HOCHTIEF delivered very strong business performance in 2009.
- We increasingly create added value through our life cycle service portfolio. Using this integrated approach, we successfully demonstrate to clients our outstanding ability to perform and craft solutions. Both internally and for clients, HOCHTIEF is "One roof—all solutions."
- Our financing is secured for the long term. An example is the successful placement of four promissory note loans for a total of EUR 300 million in May 2009.

- We have reinforced our position in key markets, winning a large number of highly attractive contracts particularly in growth markets including the Americas, Asia and Australia.
- Our strategy of profitability before volume growth is delivering results.
- We constantly work to align our structure to the market, and we will continue to do so in the future.

The success of the past fiscal year is an outcome of the work and dedication of our 66,000-plus workforce. With their expertise and commitment, HOCHTIEF employees achieve something out of the ordinary. My sincere thanks for this go to every member of our team.

Projections are still difficult. It currently appears that the global economic recession has bottomed out. We nonetheless anticipate only a slow recovery in fiscal 2010. Working on the assumption that the financial and capital markets will normalize again in 2010, there will not be a sustained recessive setback in the world economy and areas of political tension remain in control, our forecast for the current fiscal year is as follows:

- **New orders** and an **order backlog** slightly below the prior-year level;
- **Sales** roughly on a par with 2009;
- **Profit before taxes** and **consolidated net profit** slightly above the 2009 level—not least thanks to our very healthy order backlog and current opportunities.

In the **medium term**, we aim for **profit before taxes** of EUR 1 billion. Among the key drivers that make us confident of attaining this goal:

- We have completed loss-making projects and tailored resources to market needs.
- We have further honed our access to attractive markets.
- We have streamlined organizationally to improve contract award rates and margins on multidisciplinary projects.

Thank you for your attention and interest. I will now hand over to Dr. Lohr. We will, of course, both be available to answer questions afterwards as usual.