

Presse Conference

Half-year report 2011

August 17, 2011

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Dr. jur. Frank Stieler
Chairman of the Executive Board

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Ladies and gentlemen,

A warm welcome to our press conference from both myself and my colleague Dr. Lohr.

I am pleased to have my first opportunity to speak with you today about developments at HOCHTIEF—almost exactly 100 days after taking office as Chairman of the Executive Board. I must say right at the start that I am enjoying the work tremendously. At HOCHTIEF, we have a highly motivated team, plenty of scope to make a difference, and huge development potential that we aim to use to the full.

If I may pre-empt your questions on one topic, there is nothing new to report about our major shareholder ACS. ACS has announced that it will go on buying HOCHTIEF shares in the months ahead to raise its shareholding—excluding HOCHTIEF treasury stock—above 50 percent. HOCHTIEF will then still remain a successful, autonomous group based in Essen and will continue to make its own decisions.

Let us first look at the figures at the end of the second quarter. Generally speaking, HOCHTIEF once again performed very well and secured attractive orders internationally. However, the problems at Leighton took their toll on results.

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- **New orders** totaled EUR 13.04 billion, higher than the same period a year earlier, and adjusted for exchange rate effects 2.1 percent down on the prior-year figure.
- **Work done** came to EUR 11.61 billion, a marked 9.3 percent increase on the prior-year period. Adjusted for exchange rates, the gain was 6.5 percent.
- HOCHTIEF's **order backlog** of nearly EUR 47 billion was a good eleven percent up on the prior-year figure; the exchange rate adjusted increase was 9.5 percent. This is equivalent to a Group forward order book of almost two years.
- **Profit before taxes** came down to a loss of EUR 434.6 million and **operating earnings** to a loss of EUR 350.3 million.
- The shortfall also made itself felt in a larger **consolidated net loss** of EUR 155.6 million.

Of course, we are not satisfied with these results—not least because we can see the operating business is healthily growing in all other divisions. Except for HOCHTIEF Asia Pacific, all divisions performed strongly in the first half-year.

The problem projects at Leighton have been carefully analyzed. To give you a brief overview: In April, Leighton announced the need to recognize impairments on two projects. The impairment test at the Habtoor Leighton Group performed as planned as of June 30, 2011 also resulted in recognition of an impairment loss. Work on the two critical major projects—the Victorian Desalination Plant in Melbourne and the Airport Link in Brisbane—is now progressing well.

However, at the Victorian Desalination Plant, ongoing poor weather and disputes with unions had an additional impact, and Leighton consequently further raised provisioning for this project halfway through the year. This is sufficient to cover extra risks. Airport Link is running to plan. However, an updated estimate of the expected costs and of the claims for supplementary work has resulted in a markdown to the expected earnings contribution.

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To avoid a repeat of such events, the risk management system at Leighton has been examined and major deficits have been eliminated. The most important change made in response is that we will no longer be offering projects of this size and complexity in the same form. A group risk manager will now ensure at Leighton that contracts are only taken on in which cost and schedule overruns can be avoided.

The Australian construction business is and remains stable and profitable, and our subsidiary Leighton is an experienced, highly competent player in this market. I am very confident that we will once again generate large returns from our successful subsidiary. It is worth recalling that, in the last ten years, Leighton has contributed EUR 2.6 billion to profit before taxes. Overall, we expect the strong trend at HOCHTIEF to continue. For that, we have the right strategy made up of five key points:

1. **We focus on growth markets:** We have set ourselves the goal of generating growth. To achieve that goal, we are focusing on three strategic growth areas: Transforming energy supplies, shaping major cities, and developing smart mobility. I will go over these three growth areas with you in greater detail shortly. We also want to go on expanding in regional growth markets. These include India and Canada as well as the markets in the Middle East—places where we already operate as a reputable player and are highly regarded for our expertise.

2. **We implement global integration.** Our aim is a culture of global cooperation. We nurture this by doing more to promote exchange in international management—such as by inviting divisional heads to the Group Executive Committee. In this Committee, which includes the CEO of Leighton, we meet to discuss Group concerns. This is not just about safeguarding Group interests, however, but encouraging interchange and tightening the connection between strategic planning and operating activities. We also work harder to join up our knowledge and make the expertise around the Group available for use in all divisions.

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These initiatives also require organizational action:

3. **We constantly upgrade risk management:** Our global business entails risk. This makes reliable risk management critical for all HOCHTIEF divisions. We learn consistently from past mistakes. A few years ago, risk management at HOCHTIEF Europe was completely overhauled and relaunched—and the unit has had no significant problem projects since. We will establish adaptations of this state-of-the-art system at Leighton. The same applies for Turner and Flatiron.
4. **We streamline our structure:** Our aim is to cut complexity, to the benefit of clients. Now down to four and soon only three divisions, we have adopted a market-congruent lean structure. This additionally helps us reap synergies, cut costs, and gain operating flexibility. We are also going to reduce the size of the Executive Board from five to three members. The future Executive Board of the HOCHTIEF Group will consist of Dr. Rohr as COO, a new colleague as CFO, and myself as CEO.
5. **We efficiently deploy capital:** We want to make our portfolio less capital-intensive. This will partly follow as we proceed to release the value locked up in our portfolio as planned: Selling the airport business lets us redeploy capital where it can generate more added value. We also want to increase asset turnover in the PPP and real estate development segments so we can unlock

value there sooner. This way, we win more flexibility as well as greater scope for new activities and attractive business opportunities.

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In all activities, our express goal is and remains **earnings growth**. We are still confident of successfully selling our airport business in 2011. The twin-track process is in full swing and prospective buyers have placed their bids. Please appreciate that I cannot say any more on this today—suffice it to say that we are very satisfied with the course of the process so far. We will provide you with detailed information as soon as we can.

There is also no change in our plan to sell our interests in aurelis in 2012.

Before giving you an overview of our three strategic growth areas, I would like to report in brief on developments in our four divisions:

HOCHTIEF Americas continued its stable development trend, though the weaker dollar produced tangible exchange rate effects. Operating earnings and profit before taxes showed a marked improvement on the prior-year period. The order figures likewise held steady. Our subsidiaries are concentrating on orders for high-quality projects, and that is paying off.

New contracts at Turner in the second quarter included expansion of the Miami Intermodal Center—a transportation hub right next to the airport—and a number of projects in the healthcare sector, among them the country's biggest clinic for military veterans in Austin, Texas. Flatiron finished several bridge projects in the second quarter, such as the John James Audubon Bridge, which was opened for traffic earlier than planned.

In the **HOCHTIEF Asia Pacific** division, the problems at Leighton already mentioned caused a collapse in earnings. The growth in orders shows, however, that Leighton is fundamentally on a very stable trend. Once we complete the two infrastructure projects affected and our Gulf business is back on track, Leighton will return to its accustomed good performance.

New large-scale contracts include several hospital projects, a number of infrastructure projects—including expansion of the Australian broadband network—and high-volume contract mining orders. Leighton was again successful internationally, too, securing contracts including rail projects in Hong Kong and Singapore. Finally, Leighton won its first order on the African continent with a mining contract at a diamond mine in Botswana.

At **HOCHTIEF Concessions**, we posted an increase in earnings that resulted from operating improvements and notably from reversals of provisions.

Our Budapest, Düsseldorf, Hamburg, Sydney, and Tirana airport holdings once again reported higher passenger numbers in the second quarter. At 20.2 million, the figure was well up on the prior-year period. The exception is Athens. Passenger numbers at our Greek airport at first fell due to the difficult economic situation in the country, but were already on the way back up in June with an increase of 1.9 percent.

The economic crisis in Greece also impacted our roads segment. Fewer drivers used our toll roads there, and completion of those roads will be further delayed. We no longer expect that these projects will contribute to earnings in 2011. Phases like this are difficult, but need to be viewed in perspective given the long-term nature of the business. Anyone who has driven in Greece will know how important the Maliakos-Kleidi and Elefsina-Patras road links are for the country. I firmly believe that both of them will at least meet their traffic forecasts.

Our subsidiary HOCHTIEF PPP Solutions received valuable new orders in the second quarter, including a consortium contract to widen the A8 expressway between Ulm and Augsburg. We are designing, financing, building, operating, and maintaining the 58-kilometer road segment. As a partner in the construction joint venture, HOCHTIEF Solutions is also contracted with the building work—another prime example of synergies in action.

This is something we want to achieve more of, and we are consequently going to integrate our PPP business into HOCHTIEF Solutions AG. We are clearly committed to this segment and plan to go on implementing successful public-private partnerships. There is still a lot of potential here and we have all the capabilities needed to serve it. The difference is that we will make our portfolios more dynamic, so instead of building a portfolio, we aim to sell projects early on for optimum deployment of capital. On top of this, we will also be developing more infrastructure projects—in addition, that is, to transportation infrastructure.

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An example of what we have in mind here is offshore wind power, where we plan to join forces with financing partners to design and fund large projects and sell them to end investors before construction begins. There is enormous interest out there in the market. Many players want to invest in wind farms of this kind, but there is a lack of planning and development expertise—expertise that HOCHTIEF offers. In this business model, we operate as a trader, targeting rapid asset turnover and lower capital commitment.

On mainstream PPP projects such as toll roads, too, we aim in future to unlock value on mature projects earlier and reinvest the funds in new ones. In contrast, with projects in the social infrastructure segment such as schools and hospitals, we will continue committing capital on a long-run basis. HOCHTIEF is and remains a key success factor here as a long-term operating partner to the public sector.

The **HOCHTIEF Europe** division, relaunched in its current form on January 1, 2011, has put in a very successful first half-year. The earnings figures increased substantially on the prior-year period and orders showed a healthy trend.

Once again we showed how, with our service portfolio, we offer solutions that are in demand. For one thing, we secured large-volume contracts in the infrastructure segment. An example is the Forth Replacement Crossing project, in which we are to build a bridge and connecting roads over the Firth of Forth near Edinburgh. The consortium under our leadership won the contract because our

alternative technical proposals delivered economic benefits for the client. The project is a key link in the Scottish transportation network. In the consortium, incidentally, we work alongside Dragados, also a subsidiary of ACS.

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For another thing, we were successful in our Real Estate Solutions business line, with proceeds from sales significantly higher than in the prior-year period. Properties were sold with a total value of EUR 482 million.

As you can see from just these few examples, HOCHTIEF goes from strength to strength. We stand by the guidance we gave in May for the coming three years. Here is our **Group outlook for 2011, 2012, and 2013:**

- For **2011**, we confirm our most recent—revised—guidance and expect new orders, work done, and the order backlog for 2011 to normalize at a level below the record figures of 2010 and sales to be broadly on a par with 2010. Depending on the size and outcome of the sale of interests at HOCHTIEF Concessions, we expect profit before taxes to be about half of the prior-year figure, and consolidated net profit to be above the level recorded in the prior year.
- For **2012**, we anticipate a pretax profit of approximately EUR 1 billion and consolidated net profit of some EUR 500 million—according to the outcome of the aurelis Real Estate divestiture.
- In **2013**, we plan to attain pretax profit in excess of EUR 1 billion and consolidated net profit of around EUR 450 million excluding non-recurring income—that is, from the operating business.

However, and I must stress this even more strongly than before, this guidance assumes that the vagaries of the stock markets and the high levels of sovereign debt do not lead to a slump in the real economy.

Coming back to the subject of growth markets, HOCHTIEF's core competency is in developing solutions—offering clear answers to the complex challenges of our times. We get involved and make a substantial contribution in key tasks facing society. In the process, we have developed viable business models based on our expertise. We now concentrate mainly on three strategic growth areas, which I will present to you in brief:

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1. Transforming energy supplies

The German Bundestag's final decision to phase out nuclear power creates enormous demand for new infrastructure for renewable energy. Transforming energy supplies is a task for decades to come—a task in which our industry will have a major share. As you know, HOCHTIEF's business today is 90 percent international. But that does not mean we neglect Germany as a market. There is new ground to be broken here, from energy generation to transmission to consumers.

The greatest potential for alternative energy generation in Germany is in wind power. Two offshore wind farms are already up and running, 15 more in the North Sea and Baltic Sea are to join the grid from 2013 to 2017, and there is demand for yet more in the long term. Up to 2020 in Germany alone, the market for offshore wind energy is estimated at over EUR 30 billion. We can take a slice of this as investors, erectors, and operators—HOCHTIEF is already well established as a leading provider of offshore construction and logistics services. We have a hand in building almost all German offshore wind farms. Our Thor and Odin platforms and our future vessel, the "Innovation," enable assembly and maintenance in record time. I have already mentioned our future role as offshore wind farm developers.

The energy generated then has to be delivered to the consumer. Increasingly, electricity will be generated in the north of the country, while many consumers are in the south. This creates a need for at least 3,600 kilometers of transmission grid in Germany alone. Technically speaking, both

overhead and subterranean power lines are possible—that choice is something that government must yet decide. Whatever happens, preference should be given to solutions that have public acceptance and stay affordable. We cannot shape industry and energy policy in Germany without consulting the public. The cost and acceptability of industrial installations must be subjected to clear and open dialog.

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Regarding power transmission to densely populated regions, HOCHTIEF can serve as a provider of subterranean power tunnels. For structures of this kind, we have the ideal combination of tunneling and power plant construction expertise. Power tunnels can considerably speed up the approval process for new power lines.

We also have expertise to draw upon where power lines are to be erected above ground. We can profit directly here from the experience of our shareholder ACS and its subsidiary COBRA, which built much of the high voltage network in Spain.

Another challenge in transforming energy supplies is providing reliable storage for the harvested energy. It is a fact of life that the wind does not always blow when power is needed. So wind energy has to be stored. This calls for storage technologies to collect surplus power and feed it back to the grid when needed. Pumped storage power plants can do that, and HOCHTIEF has already built many plants of this kind. As this is another issue where much comes down to public acceptance, we are also currently reviewing whether we can make pumped storage an option harnessing disused mines. And we have developed ways of putting pumped storage schemes on former industrial sites.

Alongside energy generation and storage, another major focus for us is energy efficiency. This is a huge source of potential for sustainable business. Internationally, we belong to the ranks of opinion and industry leaders in green building and real estate development. Nearly all our devel-

opments now have LEED¹ or DGNB² certification and are in strong demand from both investors and tenants. Our subsidiary Turner alone has just had sustainable LEED certification awarded to its 200th building project.

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We also fine-tune energy consumption, distributed energy generation, and energy procurement. We package these services as energy performance contracting. HOCHTIEF Energy Management is among the top three in this business in Germany. Industry associations quantify the size of the market for energy contracting services in Germany at about EUR 20 billion. They project annual growth rates of between 10 and 15 percent. With a range of different business models, we help clients cut operating costs, run their energy systems more efficiently, and reduce carbon emissions. We design, build, and monitor combined heat and power plants and other systems to this end.

2. Shaping major cities

Another important thematic area for us is the future of major cities. Urbanization, demographic change, and the infrastructure needs of new technologies present us with diverse challenges.

As we all know, Germany's population is shrinking, and the issue of falling birth rates recently came up again in the German news. In the country with the fewest children for its size in Europe, the number of over-80s will triple by 2050 to ten million—while the working population gets smaller and smaller. There is a massive exodus from towns and rural communities. People are moving to cities, many of which keep on growing. Examples include Bonn, Munich, and Frankfurt. Simultaneously, the face of cities is dramatically changing. Former rail tracks and stations stand

¹ Leadership in Energy and Environmental Design certification awarded by the United States Green Building Council

² German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen) certification

derelict. Old factory sites get in the way of prime residential developments.

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Expectations of residential surroundings are rising at the same time. People today want more space and better amenities, and demand more of their living environment—such as green areas, recreational quality, and cultural offerings. The same changes apply to office and commercial real estate. The traditional separation of living and working is becoming a thing of the past.

We transform brownfield sites into high-quality living and working spaces. In partnership with communities and other parties, we have already completed various urban developments of this kind. These include the Quartier 21 project in Hamburg-Barmbek, where 21 landmarked buildings are being revitalized to provide modern rental and owner-occupied apartments and, combined with new properties, to create a place to live for all generations. The occupants and their Barmbek neighbors gain businesses, retailers and services, childcare, healthcare, and leisure facilities on their doorstep. We are implementing a similar residential concept with the “le flair” urban district development in Düsseldorf, which appeals to young families, older people, and singles alike. Alongside a joint venture partner, we are developing more than 800 residential units in green surroundings with high recreational value on this former rail freight yard by 2015. Occupants will also benefit from a service point where they can request things like caretaker services and bakery deliveries. In Kelkheim in the German state of Hesse, HOCHTIEF even created an entire town center, surrounding a central square for weekly markets and events with stores, offices, medical practices, a nursing home, and public amenities.

An example in a different league is the development of the entire Arabian city of Lusail in the northeast of Doha, Qatar—one of the biggest urban planning projects in the world. HOCHTIEF is assisting in this project under contract to a Qatari state enterprise—partly with the help of 3D tech-

nology. The new city for 200,000 people is to be completed by 2020, with ten urban districts and two ports in a 37-square-kilometer area.

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For us, providing living space for today and tomorrow goes hand in hand with the question of provision for old age. Since 2009, working with planners, communities, operators, and investors, we have developed nursing accommodation for nearly 840 senior citizens. These nursing care facilities incidentally also secure hundreds of jobs in the regions concerned. We attach great importance in all developments to individuality and the self-determination of occupants.

Finally, our current activities also include work in the middle of urban centers—office, hotel, and education buildings, Sky Office in Düsseldorf being a prime example, and public amenities. Here, too, HOCHTIEF draws on experience to shape spaces for the benefit of users.

3. Developing smart mobility

Geographical mobility and efficient traffic management are global issues of the future. Environmental and social compatibility are a key focus here, as are smart systems for transportation planning. Demand is rising worldwide: In Germany alone, motorized personal transportation will grow by nine percent, rail transport by six percent, and container shipping by nearly 30 percent by the year 2025. International aviation anticipates growth of more than 50 percent in the next 15 years. This creates a need for smart, efficient, and integrated transportation strategies—a clear theater of activity for HOCHTIEF.

Undertaking infrastructure projects the world over is one of our core competencies. Countless roads, rail lines, bridges, tunnels, and ports testify to our track record. We have long provided far more than construction in such projects. We are involved as expert partners throughout the project life cycle, from the very outset of the planning process. This

also means we have long been able to deliver functioning infrastructure projects on a turnkey basis.

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A case in point is the Kaiserschleuse lock recently opened in Bremerhaven. The new structure replaces a lock dating back to 1897 that no longer met the needs of today's shipping—it only took vessels up to a maximum length of 185 meters and was technically and economically outdated. The new lock can accommodate modern car carriers up to 240 meters in length, thus securing Bremerhaven's sound status as a leading automotive hub. HOCHTIEF carried out the project with all deliverables under a turnkey contract—and our experts developed numerous alternative proposals in the planning phase to cut construction and operating costs as well as ensure more reliable operation and faster passage.

We have made a name for ourselves as infrastructure operators and hence as managers of complex projects. Even before groundbreaking, we can ensure optimum utilization and operation. An example is the newly awarded A8 expressway project. Nearly half of all traffic jams in Germany could be avoided using the latest technology or more rapid road widening. We already contribute to congestion avoidance in this way through a range of PPP projects, including the Vespucio Norte Express project in Chile and the Herren Tunnel in Lübeck, here in Germany. In these projects, we use cutting-edge technology to guarantee a safe, smooth flow of traffic. We plan to further expand these capabilities.

In all three of these growth areas, close cooperation within the HOCHTIEF Group is a key to success. For this reason, we have brought together the divisions that previously operated side by side in Europe. And I mean that not just in a figurative and structural sense: In many locations, our branches are moving into a new shared HOCHTIEF House building. Now that is what we call "one roof."

We contribute to the resolution of social challenges. We craft solutions and shape living spaces—and as such, people and the environment are always at the focus of what we do. This is the benchmark we set ourselves—and by which we are measured. Shaping the future is what we see as our responsibility and our contribution. It is with this in mind that we will continue to develop our Group. I look forward to this challenge.

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Dr. Lohr will now explain the half-year figures to you in detail before we both open the floor for questions.

I would like to take this opportunity to thank Dr. Lohr—who today sits at this podium for the last time on behalf of our Group—for his twenty-plus years of dedicated hard work for HOCHTIEF. Dr. Lohr has contributed substantially to the success of our company and has made a key difference in many areas. Beginning in the construction business: Dr. Lohr held management responsibility in building construction, civil engineering, and structural engineering before becoming a member of the Executive Board of the then HOCHTIEF Construction AG. Since 2006, he has been a member of the Executive Board of HOCHTIEF Aktiengesellschaft and has served the company outstandingly as CFO. He has brought to bear great professional expertise and credibility in presenting HOCHTIEF's figures to the capital market—and in doing so, he earned great recognition not merely within the Group, but also among our investors and analysts. I wish Dr. Lohr all the very best for the future. The process of selecting a successor as CFO is at an advanced stage. I can provide you with more details on this in the weeks ahead.

Thank you.