

Annual Report 2004

HOCHTIEF Construction AG



Cover photo:
Heading a joint venture,
HOCHTIEF Construction AG
designed and built a 42 kilo-
meter section of the Taiwan
High Speed Railway.

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HOCHTIEF Construction AG

Profit continues to rise

HOCHTIEF Construction AG brings together our core European construction operations. Its main business is building construction, civil engineering and structural engineering. HOCHTIEF Construction has also established a firm footing in the field of complex infrastructure projects worldwide, including airports, high-speed rail links, power stations and tunnels.

Position strengthened and expanded

Since its inception in 2001, HOCHTIEF Construction AG has been focusing on tapping and systematically developing profitable markets and segments with ever growing success. HOCHTIEF Construction is market leader in a host of high-earning business segments such as shopping centers and tunneling. Its risk management system, in place and improved on an ongoing basis for years, also contributes to increasing profitability. The drive to augment the services business is also showing ever greater success.

HOCHTIEF Construction bucks the trend

According to surveys by the German Institute for Economic Research, the downward trend in the German construction industry which has been holding sway for years also persisted in 2004—albeit to a lesser degree than in the previous year (see page 11). Thanks to its clear-cut strategy of focusing on profitable segments and regions, HOCHTIEF Construction once again succeeded in detaching itself from this ongoing unsatisfactory development.

The company benefited from the favorable economic trend in Eastern Europe and further expanded its presence in that region (see page 17).

New services a success

Following the auspicious launch of the partnership-based business model PreFair (see page 15) and building diagnosis (see page 15) where cooperation with the client already begins at the planning phase, HOCHTIEF Construction has been offering another service since the year under review, namely after sales service (see page 16). After sales service guarantees expert ongoing support following completion of a project. In 2004, these services made an important contribution to the success of our company.

Profile

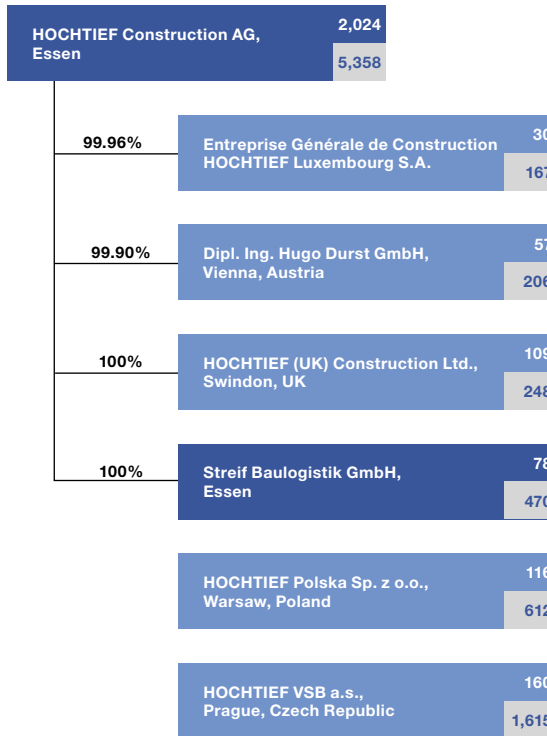
HOCHTIEF Construction AG:

- Unites European building construction activities as service-minded construction enterprise within the HOCHTIEF Group.
- Markets its expertise in civil engineering, structural engineering and airport construction worldwide.
- Targets selected regions and profitable market segments.
- Applies rigorous risk management.
- Implements innovative, partnership-based contracting with PreFair.
- Provides a further innovative offering in the shape of its after sales service.
- Is stepping up its internationalization drive in Europe.

Subsidiaries have a stable footing in their markets

Subsidiaries HOCHTIEF (UK) Construction Ltd., Entreprise Générale de Construction HOCHTIEF Luxembourg S.A., Dipl. Ing. Hugo Durst GmbH and Streif Baulegistik GmbH have consolidated their market positions. The companies HOCHTIEF Polska Sp. z o.o. and HOCHTIEF VSB a.s. managed by HOCHTIEF Construction AG as well as the business units in Russia and Hungary seized the additional market opportunities generated by the favorable construction market trend in Eastern Europe.

Main subsidiaries of HOCHTIEF Construction AG



- Consolidated, with profit/loss transfer agreement
- Consolidated
- Work done in EUR million
- Number of employees

Work done and employee numbers are shown in our reporting system for fully consolidated companies only and relate to FY 2004.

While these companies are legally subsidiaries of HOCHTIEF Aktiengesellschaft, their management is the responsibility of HOCHTIEF Construction AG.

Report of the Supervisory Board

During the 2004 fiscal year, the Supervisory Board performed the tasks for which it is responsible under the law and under the Company's Articles of Association and provided support to the Executive Board while monitoring its management activities. The Executive Board provided full, timely and regular verbal and written reports on the financial situation and development of the Company and its subsidiaries, their business policy plans, questions of principle regarding their future direction, as well as on risk management and specific material transactions. The Supervisory Board discussed these reports with the Executive Board and made all necessary decisions.

The Chairman of the Supervisory Board also kept abreast of business developments and key transactions by remaining in regular contact with the Executive Board outside of scheduled meetings.

At four meetings during the year, the Supervisory Board extensively discussed fundamental issues of business policy, and also the orders situation, financial performance and employment situation in the various company units.

A major subject of discussion were the new business models PreFair and after sales service. In addition, the Supervisory Board paid special attention to discussing the Company's future growth markets, focusing in particular on expansion of the Market Segment Group in the growth areas of sports facilities, educational properties und health-care facilities.

The Supervisory Board examined in depth the further decline in German construction market activity, which affected individual regions and market segments to a varying extent. In this context, the market opportunities in Eastern Europe as well as the repositioning of the Company in this region were explored.

The Supervisory Board devoted detailed discussion to the planned privately financed projects in Germany (PPP models) as well as expansion of real estate development. A further area reviewed was the handling of the Gotthard Base Tunnel construction project given the geological conditions prevailing on site which deviate from those indicated in the contract as well as the supplementary claims.

In the human resources field, the Supervisory Board paid special attention to the situation of the workforce in light of the necessary market adjustment and to the training activities available to employees.

The Principal Committee of the Supervisory Board met twice and the Human Resources Committee once in the 2004 fiscal year. The need did not arise for a meeting of the Mediation Committee pursuant to Section 27 (3) of the Co-determination Act (MitbestG).

The financial statements and Management Report covering fiscal year 2004 prepared for HOCHTIEF Construction AG by the Executive Board have been audited together with the bookkeeping by the Essen branch of PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany. This auditing company, engaged by the General Shareholders' Meeting of April 27, 2004 and instructed by the Supervisory Board to perform the audit of the financial statements, has issued an unqualified independent auditors' report on them.

The financial statements, Management Report and the independent auditors' report were duly submitted to all of the members of the Supervisory Board prior to the financial statements meeting on March 10, 2005. The Executive Board also provided verbal explanations at the financial statements meeting. The auditors who signed the independent auditors' report took part in the Supervisory Board's discussion of the submitted documents, reporting on the most significant results of the audit and remaining available to answer questions. The Supervisory Board approved the results of the auditors' examination of the financial statements.

The Supervisory Board reviewed the financial statements and Management Report. According to the final conclusion of this review, there are no objections to be raised. The Supervisory Board therefore approves and adopts the financial statements.

Fred Anders retired from the Supervisory Board with effect from the close of business, May 31, 2004 and Dr.-Ing. Karl Rönneberg with effect from the close of business, November 2, 2004. The Supervisory Board thanks both of them for their dedicated cooperation and expert advice.

By order of the Essen District Court dated June 1, 2004, Olaf Wendler was appointed member of the Supervisory Board. During an Extraordinary Shareholders' Meeting on November 3, 2004, Heiner Helbig was elected member of the Supervisory Board.

With effect from the close of business, May 31, 2004, Dr.-Ing. Martin Rohr retired as member of the Executive Board of HOCHTIEF Construction AG to take up his appointment to the Executive Board of HOCHTIEF Aktiengesellschaft. The Supervisory Board wishes to thank Dr. Rohr for his fruitful cooperation and work for the benefit of the Company.

The Supervisory Board expresses thanks and recognition for the work of the Executive Board, business managers and all employees over the 2004 fiscal year.

Essen, March 2005

*Sincerely yours
Traugott Kuhl*

Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel
Chairman

On behalf of the Supervisory Board

Executive Board

Dipl.-Ing. Dr.-Ing. E.h. Friedel Abel,

born in June 1945, began his career with HOCHTIEF in 1972 after studying civil engineering in Braunschweig (Brunswick). He started out in the technical department for civil and underground engineering, then progressed through a variety of positions. He was Assistant to the Director of the Rhine/Ruhr main branch, Superintendent Engineer for several major projects, Director of the Düsseldorf branch, the Rhineland construction unit and then the Rhine/Ruhr main branch. After becoming General Manager of HOCHTIEF, he was appointed to the Executive Board of HOCHTIEF Aktiengesellschaft in 1995 where he also fulfilled the role of Board member responsible for labor relations. In July 2001, Friedel Abel was appointed Chairman of the Executive Board and Human Resources Director of HOCHTIEF Construction AG. His scope of responsibility includes the Northwest, Southwest, East and Southeast divisions, the Market Segment Group, Infrastructure Europe and Tunneling, Dipl. Ing. Hugo Durst GmbH and HOCHTIEF Luxembourg S.A., HOCHTIEF (UK) Construction Ltd. as well as human resources, communications, risk management, market development and relations, engineering building construction, HOCHTIEF Consult as well as IKS (Engineering Construction, Powerplant Engineering and Specialized Contracting).

Dr. rer. pol. Burkhard Lohr,

born in February 1963, studied business administration in Cologne after having worked as construction administrator with HOCHTIEF Aktiengesellschaft. Following graduation, Burkhard Lohr first worked for Mannesmann AG in Group Controlling, then rejoined HOCHTIEF in 1993 as a member of the Group Auditing team. He held a number of operational management positions in Munich and Essen from 1995 on, with commercial executive responsibilities in various building and civil engineering fields. He received his doctorate at the Technical University of Braunschweig (Brunswick) in 2001 parallel to pursuing his career. Dr. Lohr was appointed to the Executive Board of HOCHTIEF Construction AG in January 2002, and is responsible for the Construction International segment, real estate development/investment controlling, Streif Baulogistik GmbH, HOCHTIEF Polska Sp. z o.o., HOCHTIEF VSB a.s. as well as the accounting, controlling, contract administration, finance, pro-

urement, IT strategy, legal, audit, tax and insurance functions.

Dr.-Ing. Martin Rohr (until May 31, 2004)

was born in June 1955. After earning his doctorate at the University of Hanover, Dr. Rohr passed the civil service examination as Construction Assessor. Having gained initial professional experience, he joined Otto Rohr GmbH & Co. KG in Helmstedt as fully authorized manager (Prokurist) in 1986. Following the sale of the Rohr companies to HOCHTIEF in 1994, his first role within the Group saw him in charge of the commercial management of Deutsche Gleis- und Tiefbau GmbH in Berlin. He later became Director of the Bavaria main branch, then acted as Management Spokesman of the Civil division as of 1999, joining the Executive Board of HOCHTIEF Aktiengesellschaft as of December 1, 2000. Martin Rohr was a member of HOCHTIEF Construction AG's Executive Board from April 2001. Effective May 31, 2004, Dr. Rohr retired from office at HOCHTIEF Construction AG to take up his appointment to the Executive Board of HOCHTIEF Aktiengesellschaft.

Organization

HOCHTIEF Construction Services Europe							
Northwest	East	Southwest	Southeast	Market Segment Group	Streif Baulogistik	Infrastructure Europe and Tunneling	Construction International
Refurbishment and Upgrading NRW	Berlin-Brandenburg	Baden-Württemberg	Munich	Healthcare facilities	Construction machinery and equipment	Frankfurt Civil and Infrastructure	Major International Projects
Düsseldorf	Saxony	Frankfurt am Main	North Bavaria	Logistics	Scaffolding and formwork	Munich Civil and Infrastructure	Civil Engineering, Power and Water
Hamburg	Thuringia	Freiburg/Property Development	DURST-BAU	PPP Building	Technology and services	Berlin Civil and Infrastructure	HOCHTIEF Hungary
Hanover		Kassel/Shopping Centers		Sports facilities	Holdings and international business	Leipzig Civil and Infrastructure	HOCHTIEF Polska
Cologne		Rhine-Main				Civil Engineering and Tunneling	HOCHTIEF VSB
Ruhr		HOCHTIEF Luxembourg S.A.				Civil Engineering and Marine Works	HOCHTIEF Canada
						HOCHTIEF (UK)	

To maximize value creation, HOCHTIEF Construction AG continued to adapt its organizational structure in 2004. At the same time, the company stayed the course with its successful strategy of focusing on profitable regions, markets and product market segments.

Building construction

In response to the market environment, the Hamminkeln, Liebenau and Stockstadt prefabricated elements works were sold as part of a transfer of ownership. The Logistics unit, previously based in Hamminkeln, will continue to successfully plan and build logistics properties as a competence center with headquarters in Essen.

At the end of 2004, territories of the Baden market were added to the Württemberg business unit, which is now known as the Baden-Württemberg unit. The former Baden unit is being expanded into a competence center that will handle the attractive real estate development business for the Southwest. In order to further optimize the structure of

HOCHTIEF Construction in the southwestern region, the Rhineland-Palatinate/Saarland unit was integrated into the Rhine-Main unit. In Northrhine-Westphalia, the company has bundled its activities in the structural maintenance and revitalization business segment into a unit known as Refurbishment and Upgrading NRW.

The interest public sector clients are taking in public-private partnership (PPP) building construction projects has risen, not least thanks to successful HOCHTIEF projects in the German city of Gladbeck and the Offenbach district. In keeping with this trend, HOCHTIEF Construction has established a PPP Building competence center where experienced specialists will work closely with HOCHTIEF Development to exploit opportunities in this fast-growing field.

Infrastructure

In order to systematically optimize know-how in the regions and product market segments, the Infrastructure Europe and Infrastructure and Tunneling segments were com-

bined at the beginning of 2004. In addition, the Civil Engineering and Marine Works unit is now part of this new segment. Another measure aimed at creating an organizational structure within HOCHTIEF Construction based on regional strengths and expertise was the setting up in mid-2004 of a competence center for public-private partnership (PPP) models in the traffic segment. Together with the recently established HOCHTIEF PPP Solutions GmbH, the center will concentrate on tapping the emerging market for privately financed and operated A-model highway projects in Germany, with the goal of subsequently offering such projects throughout Europe.

An Austria unit (civil engineering and infrastructure) is currently under development. HOCHTIEF Construction is already involved in two major projects in the region, which gives it a solid basis for successfully exploiting the potential of the attractive Austrian infrastructure market.

In early 2004, the Central/Eastern Europe division was integrated into the Infrastructure International segment, which now bears the name Construction International. This served to strengthen both management and sales organization, and has provided an opportunity to utilize the expertise in the Construction International segment for further expansion in Central and Southeastern Europe. HOCHTIEF Russia became part of the Major International Projects unit in 2004. As planned, the former Civil Engineering and Airports and Taiwan High Speed Railway units were subsumed under the Major International Projects unit due to completion of major projects.

HOCHTIEF Civil Canada Inc., which was formed at the beginning of 2004, is harnessing the opportunities in Canada's growing, profitable infrastructure market. In partnership with Canadian HOCHTIEF associate Aecon, the new company is already at work building the Eastmain hydroelectric power station (see also page 20).

With HOCHTIEF Hungary, which was also founded in the year under review, HOCHTIEF Construction has created the means for comprehensively tapping the attractive building

construction as well as civil and structural engineering markets in Hungary.

Management and service units

The HOCHTIEF Group restructured the internal service offerings of its holding company and divisions as of the beginning of 2004. As a result, HOCHTIEF bundled any units that existed both at HOCHTIEF Construction and within the holding company into service centers. In addition, HOCHTIEF Construction's personnel department was integrated into the newly established Personnel Management Center Europe. The communications unit is now part of the holding company's Corporate Communications Service Center.

HOCHTIEF Aktiengesellschaft outsourced its IT administration, previously handled in large part by an internal IT department, to Siemens and signed a long-term service contract with the company. A strategic IT support office remains in place at HOCHTIEF Construction. The employees there are in charge of optimizing the IT processes, as well as hiring and supervising external computer technicians.

Management Report

Markets

HOCHTIEF Construction AG is systematically stepping up its activities in Europe, which means that it again faced varying economic environments and levels of construction demand in the individual regions in 2004.

After slowing considerably in 2003, growth in the **Eastern European construction sector** returned to positive territory in the year under review, with volume up more than six percent. This trend promises to continue in 2005 and 2006. Due to EU subsidies, demand in the transport infrastructure as well as energy and water supply segments in particular is expected to increase. The same applies to building construction.

Developments in the **Russian construction market** remained stable overall, with annual growth rates of approximately nine percent. However, the extent to which this trend played out in the individual regions and segments varied. Growth in building construction is being driven notably by the commercial property segment. The market's size and appeal to foreign investors promise continued strong growth.

The volume of construction in the **Czech Republic** rose eight percent in 2004. Similar growth rates are expected for 2005 and 2006. In the area of building construction, the industrial and commercial property segments proved to be the major growth engines. The civil engineering segment also continued to perform well.

Following several years of decline, the construction market in **Poland** recovered in 2004 to post growth of 3.2 percent. Experts anticipate annual growth in the country's construction volume of around ten percent for 2005 and 2006. The substantial increase in demand above all in the area of transport infrastructure is a reflection of this trend.

Developments in **Western Europe** paint a different picture. With growth in construction volume of 1.9 percent, 2004 marked the first year in quite some time that any noteworthy gains were made. Between now and 2006, industry experts forecast an average 1.6 percent annual growth in construction volume.

The **tunneling** segment is growing throughout Europe. According to recent market research by HOCHTIEF, tunnel projects with a total length of over 1,500 kilometers are currently planned in the region. In Western Europe, notably the road and long-distance rail tunnel segments are performing well. In Eastern Europe, expanding the subway systems is the focal point.

Tunnel refurbishment represents an area of growing interest to the construction industry. According to a study by the German automobile club, ADAC, numerous European tunnels pose serious safety risks. An initiative was started in 2004 to refurbish road tunnels in Northrhine-Westphalia. The program's total project cost will reach EUR 65.5 million by 2007.

The modernization and construction of **power plants** continues to be a growth market. Experts estimate that, in Germany alone, one-third of existing power plant capacity will require replacement by 2020, and the assumption is that a large part of the existing need will have to be addressed through new construction. Forty-five new power plants are scheduled to be built in Germany over the next 15 years. The refurbishment market is also showing strong growth, particularly in Eastern Europe.

In **Germany**, the slump in the construction industry appears to be over, at least for the time being. After dropping 3.9 percent in 2003, construction volume in 2004 fell 1.9 percent in real terms to EUR 232 billion.

The level of activity in the **office and commercial real estate** market will again drop slightly in 2005, but is expected to pass the low point of its cycle.

Economic recovery has thus far bypassed **commercial construction**. For 2005, the experts of the Central Federation of the German Construction Industry expect the segment to shrink an additional five percent.

Residential construction volume was up just under six percent in 2004. In 2005, however, a drop of some six percent to EUR 124.2 billion is anticipated. The reason for the projected decline is that many developers pulled forward their projects to the year under review in light of discussions about eliminating grants for home buyers.

The volume of **public construction** in Germany continued to decline in the year under review. In 2005, this negative trend will persist, with a drop of some four percent. The reason: Regional authorities remain under pressure to consolidate their budgets. Growth is expected in the future, however, triggered by the rising prevalence of PPP projects.

Volume in the **structural maintenance/refurbishment and upgrading** segment is expected to grow further (see page 16). In 2004, this segment accounted for approximately 60 percent of all construction activity in Germany.

The demand for **healthcare properties** will flourish as healthcare reforms promise to alleviate the chronic investment backlog in the industry. This applies to new buildings as well as refurbishment projects.

In the **sports facilities** segment, the market in Germany will return to its previous level once the exceptional circumstances surrounding the 2006 World Cup soccer championships dissipate. In contrast, substantial growth is projected for Central and Eastern Europe, the UK, Russia and South Africa.

Orders and Work Done

New orders

Despite the challenging market environment, new orders were gratifyingly high in 2004, increasing some seven percent over the previous year to EUR 1,973 million.

Business in Germany in particular was a major contributor to the favorable result, growing some eight percent to EUR 1,809 million despite a persistently shrinking construction market overall. HOCHTIEF Construction was especially successful at acquiring shopping center, department store and trade fair construction projects. In the tunneling and railroad segments, attractive projects were implemented in Berlin and Munich.

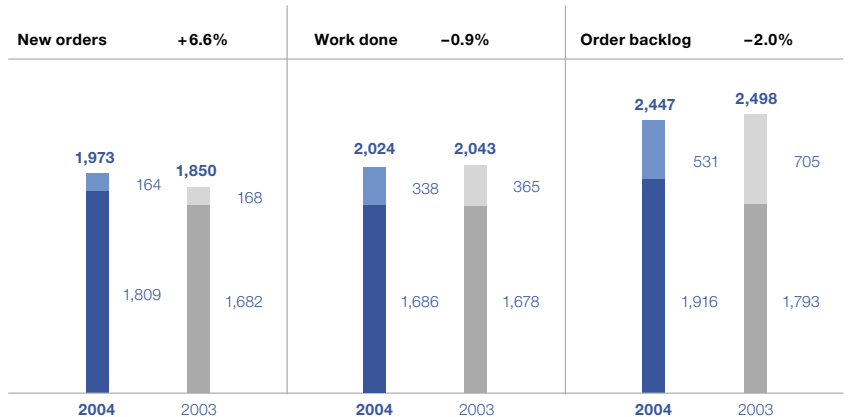
Internationally, we scored a noteworthy success with our involvement in the construction of the Wienerwald Tunnel in Austria. At EUR 164 million, the total project cost is, however, on the lower end. This is in keeping with our highly selective and risk-sensitive approach to accepting and executing international contracts.

Work done

Construction output was on a par with the prior year at EUR 2,024 million total.

At EUR 1,686 million, output in Germany surpassed the 2003 level by a narrow margin. The strong orders situation in the course of the year, as well as solid order backlog at the beginning of 2004, are the reasons for this gratifying result. At the same time, the work done outside of the home market dropped. Of note is the progress made on projects such as the Gotthard Base Tunnel (Switzerland), Parramatta Rail Link (Australia) and the Ngqura deepwater port (South Africa).

Orders and work done (EUR million)



Order backlog

The order backlog stood at EUR 2,447 million as of the balance sheet date, down two percent from the prior year. The situation as already described with new orders and work done led to an approximately seven percent increase in the order backlog in Germany, which ended the year at EUR 1,916 million, while the order backlog outside of the German market was reduced some 25 percent to EUR 531 million.

Overall, the order backlog ensures extensive use of capacity and creates a firm foundation for fiscal 2005.

Financial and Earnings Situation

In 2004, HOCHTIEF Construction AG achieved the best result since its inception in 2001.

The profit before distribution amounting to EUR 15.8 million was more than double the prior-year figure of EUR 7.3 million, underscoring that the turnaround has been achieved and the growth course is sustainable.

Contributing to this ongoing positive course in the year under review was notably the completion of the Stendal Pulp Mill, Taiwan High Speed Rail and T-Online headquarters in Darmstadt. Other contributing factors were the restructuring program, which was brought to a successful close, and the net income from financial assets.

Despite these developments, trimming necessitated by the recessionary tendencies in the German market remained unavoidable in 2004. That such measures will also be necessary in the future cannot be ruled out.

Final closeout on earlier projects may also hold as yet unforeseeable risks.

We will stay the positive course and continue to deliver solid profits in the years ahead.

The cash situation at HOCHTIEF Construction AG remains good. The company had access to nearly EUR 900 million in funds at year-end. The drop of around EUR 100 million as compared to 2003 is chiefly the result of the large volume of advance payments taken on contracts in the previous year.

Risk Management

HOCHTIEF Construction promotes risk awareness on all company levels with an effective and transparent risk management system, which contributes to its ability to identify and contain business risks early on. In operations risk management, an effective bid monitoring procedure minimizes the threat of accepting projects with incalculable risks. The responsibility for assessing and analyzing projects from a risk perspective rests with the Contract Review Committee. Staffed by experienced managers, this committee reviews all projects with an individual contract value in excess of EUR 3 million, scrutinizing them for risks and opportunities at various stages, from prequalification to contract signing. Project audits serve as tools for monitoring the progress of projects during the construction phase. Since its beginnings in the fall of 2001, the Contract Review Committee has reviewed over 1,900 projects worth over some EUR 75 billion, with lasting improvements being made in the earnings situation and in project quality.

Project execution is accompanied by detailed project, supply and liquidity monitoring.

Supply monitoring is another key component of HOCHTIEF Construction's risk management system. The risks related to procuring materials are reduced by carefully selecting and managing the relationships with business partners on the front end.

HOCHTIEF Construction's risk management system is subject to continuous improvement. The Global Risk Management Initiative adopted by the International Committee in June 2004 will help optimize the system even further. Part of the goal is to continue improving operations risk management within the HOCHTIEF Group, to facilitate knowledge transfer between HOCHTIEF units and to promote integration of the various risk management systems in the Group.

The liquidity management system introduced in 2003 has proven extremely effective.

Strategy and Outlook

Continued unswerving focus on profitable markets and segments

Following a successful turnaround during the 2003 business year, HOCHTIEF Construction AG's sights are once again firmly set on sustained growth in returns. At the same time, the company is systematically expanding its status as innovation leader in the construction industry with new consulting and service offerings, thus tapping new sales and earnings potential.

Five strategic building blocks create the foundation for this sustainable success—a success which compellingly sets HOCHTIEF Construction apart from the sector's overall development:

1. Optimized service for repeat clients enhances customer loyalty

When it comes to follow-up contracts, repeat clients are served by the same team with whom they enjoyed fruitful cooperation in the past. That also goes for projects under the domain of other business units. In addition to engineers, employees from the respective regions coordinate the projects. These team members bring the requisite local knowledge to bear, for instance, as regards subcontractors.

On behalf of the Maritim Group, for example, the Berlin-Brandenburg unit has undertaken to spearhead expansion of the former Erlweinspeicher warehouse in Dresden into a four-star hotel (see page 20).

2. Synergies generate added sales and earnings potential

HOCHTIEF Construction is further expanding cooperation with other divisions and associated companies. This enables our company to deliver even better service to our clients at every link in the value chain, thereby boosting both customer loyalty and customer satisfaction.

Examples:

- HOCHTIEF Construction is contributing its expertise in power plant construction to its joint venture with HOCHTIEF associate Aecon for the realization of a 480-megawatt

hydroelectric power station on Canada's Eastmain River (see page 20).

- In the PPP schools projects in Germany's Offenbach district (see page 18) and the town hall in Gladbeck (see page 18), our company rounds out the range of services offered by HOCHTIEF PPP Solutions and HOCHTIEF Facility Management and carries out the necessary construction measures.

3. New consulting and service offerings increase the benefit to clients and add value

• PreFair continues to gain ground

Already two years ago, HOCHTIEF Construction triggered a paradigm shift in the German construction industry with the partnership-based business model PreFair. Under this contractual model, the company looks at the entire life cycle of a real estate project to achieve an ideal balance between quality, costs and timing needs. The close partnership with the client takes root early on in the planning process and is geared to jointly developing efficient solutions. PreFair's success has been impressive: 15 projects with a volume of over EUR 380 million have already been handed over, 17 projects with a total value topping EUR 700 million are now under construction, and over 20 projects are currently at the preconstruction phase. By 2006, HOCHTIEF Construction aims to generate 30 percent of its sales in building construction based on the PreFair model. The systematic cooperation established between HOCHTIEF Construction and HOCHTIEF Facility Management for PreFair projects will be instrumental in achieving this aim.

• Building diagnosis points up efficient revitalization options

Building diagnosis is a type of survey offered by HOCHTIEF Construction, giving owners of older real estate a clear idea of their properties' potential. The service also shows owners how they can substantially boost the profitability and value of a property. To establish a building diagnosis, a team of engineers, architects, commercial specialists, facility managers, external engineers and other experts analyze and coherently document all technical and business-related factors. The client receives an in-depth expert opinion

containing a number of different revitalization scenarios and a variable returns profile. When presenting options, HOCHTIEF Construction also discusses how quality and convenience can be augmented and what measures can be taken to conserve energy and safeguard value.

- **After sales service ensures value retention of real estate and fosters customer satisfaction**

By adding after sales service to its lineup, HOCHTIEF Construction is making its service focus even more of a priority. Raising the bar in the construction industry, the new service centers around support of clients following project completion. The user guide is a key feature of this service package, offering a frame of reference for building structure and materials used. In addition, the user guide serves as “instructions for use” of the property, at the same time providing tips on technical building services, maintenance and repair issues. This goes a long way toward eliminating problems arising from the improper handling of systems and equipment. An additional service manual lists all people to contact as well as the addresses of planners and sub-contractors. The manual also gives the dates for regular, proactive HOCHTIEF reviews as well as building maintenance and warranty schedules. At the touch of a button, an optionally available digital room book shows, for instance, the facility manager all room data, including materials, products and their manufacturers. The upshot is that clients are spared expensive stocktaking and can sustainably cut operating costs. During the warranty period, HOCHTIEF Construction conducts ongoing checks for anything conspicuous in and around the building. At the same time, inspections are carried out to ensure proper elimination of any reported defects.

Both client and HOCHTIEF Construction benefit equally from this ongoing customer focus after construction has been completed. The new after sales service allows the client to optimize maintenance and repair work, lower costs, maintain the value of a property over the long term and increase satisfaction among building users. Our company benefits from a significant reduction in the number of facility damage incidents and their financial repercussions. At the same time, the new service offers HOCHTIEF Facility Management an excellent opportunity to establish itself among our clients.

4. HOCHTIEF Construction proactively harnesses potential in growth markets

For HOCHTIEF Construction, gaining a foothold in markets of the future early on is becoming ever more vital to sustainable growth. Below are several examples of high-potential segments in which we already successfully conduct activities.

- **Refurbishment and upgrading**

Already today, nearly four out of five industrial and residential properties in Germany were built more than 25 years ago. Which means that renovation will become necessary in the foreseeable future. HOCHTIEF Construction offers the owners of such properties a one-stop, all-inclusive package. We take on consulting, planning and implementation. Clients can also choose to entrust the technical and business management of their buildings to HOCHTIEF Facility Management once the project is completed.

We are extremely gratified by the level of demand for refurbishment and upgrading services. During the year under review, for instance, we began converting the former state council building of the German Democratic Republic in Berlin into a management institute (see page 18). In Dresden, our company is remodeling the former Erlweinspeicher warehouse into a luxury hotel (see page 20). Numerous business offices have already opted to focus on projects in the refurbishment and upgrading segment—among them

offices within the Berlin, Ruhr, Saxony and Thuringia business units. As of the current fiscal year, a dedicated business unit will exclusively handle projects of this type in North-rhine-Westphalia.

• **New markets in Eastern Europe**

Via its subsidiaries in the Czech Republic and Poland as well as the business unit in Russia, HOCHTIEF Construction is already benefiting from the upward curve in Eastern Europe's construction industry (see page 11). We expanded our presence in the region in 2004 by adding a business unit in Hungary. This means we are well poised to harness attractive sales and earnings potential in burgeoning markets.

• **Power plant construction**

The demand for new and upgraded power stations will increase briskly over the next few years (see page 11). According to a HOCHTIEF survey, the necessary investment level in Germany alone will reach around EUR 30 billion, with standard construction services accounting for 20 percent of this sum. HOCHTIEF Construction draws on years of experience in this growth segment, which places the company in an excellent position to benefit from this trend. This also applies to the dismantling of decommissioned nuclear power plants, should Germany indeed disavow nuclear energy as planned. Our company is currently carrying out three large-scale power station projects in Canada, Iceland and England (see pages 20 and 24).

5. Incubation of new business segments cements our innovation leadership

HOCHTIEF Construction sets itself apart from the competitive field through its resolute expansion of new business segments. During the year under review, for instance, the School of the Future project was launched under the direction of an experienced educationalist. Among other things, part of this project is to devise new usage concepts for schools in response to declining birth rates and a higher average age among the population.

With the research focus InTun, HOCHTIEF Construction is reinforcing its technical expertise and innovative prowess in the high-growth tunneling segment (see also page 11). Within the scope of InTun, there are plans for as many as 20 R&D projects on conventional and machine tunneling. Initial results of these efforts include a fire-resistant concrete now being used in the construction of the Gotthard Base Tunnel, the longest rail tunnel in the world, and guaranteed to substantially increase the tunnel's safety.

Outlook

HOCHTIEF Construction AG will forge ahead along its chosen path in 2005, generating further profitable growth. As part of these efforts, we aim to further expand the share of work done accounted for by our service offerings and broaden our activities in Eastern Europe.

Successes of HOCHTIEF Construction AG, its Subsidiaries and Business Units

HOCHTIEF Construction AG is focused on profitable markets and segments: Once again in the year under review, this clear strategy enabled our company to cement and expand its strong position in Germany and large parts of Europe. The following examples of projects underway in 2004 illustrate the exceptionally broad capabilities of HOCHTIEF Construction.

Educational properties

Modernization of the GDR state council building, Berlin

What used to be the home of the supreme constitutional body of the German Democratic Republic will be a learning center for upcoming managers from 2006. Under a refurbishment and upgrading project, HOCHTIEF Construction is thoroughly renovating the historic building and fitting it with the latest building and communications technology to meet the requirements of the European School of Management and Technology—without altering the heritage-protected shell of the building. The contract is worth around EUR 27 million.

Refurbishment of schools in the Offenbach district

In October 2004, HOCHTIEF won the contract for the largest PPP project in Germany's public buildings sector. From January 2005 to the end of 2009, our company will refurbish 49 schools in the Offenbach district. HOCHTIEF Construction is responsible for the refurbishment work, which is worth a total of approximately EUR 100 million. The annual volume of work will be EUR 15 to 25 million.

Office properties

Office building, Bochum

In July 2004, work began on a new office property for BP on the site of the former Aral head office. The office complex, with 37,000 square meters of gross floor area, is further proof of how well the HOCHTIEF network functions: Three HOCHTIEF Construction business units are constructing the buildings, while Streif Baulegistik is equipping the construction site.

Mainova, Frankfurt am Main

In a project extending till May 2006, HOCHTIEF Construction is building phase two of an office complex for water and energy utility Mainova in Frankfurt's City-West district. The architecture is dominated by steel, stone and wood. With nine above-ground and three basement stories, the project has a contract value of approximately EUR 39 million.

Garden Towers, Frankfurt am Main

HOCHTIEF Construction is working on another project in the refurbishment and upgrading segment: complete refurbishment of the former high-rise building of Landesbank Hessen-Thüringen (Helaba). The highly flexible office building with advanced technical facilities and cutting-edge architecture is a PreFair project. The contract is worth approximately EUR 37 million.

Town hall, Gladbeck

With a contract to design, finance and build the town hall in Gladbeck and operate it for a period of 25 years after completion, HOCHTIEF landed the first public-private partnership project of its kind in Northrhine-Westphalia (see page 15). The value of the contract for HOCHTIEF Construction is approximately EUR 13 million.

Kap am Südkai, Cologne

Construction work on the EUR 18 million glass office complex in Cologne's Rheinauhafen was completed in fall 2004. The complex was built under a PreFair contract (see page 15). Among the successful features of the project thanks to PreFair was our alternative proposal for the complex all-glass facade, which simplified the design and helped reduce costs.

Shopping centers

Kaufland hypermarket, Bochum

HOCHTIEF Construction acted as general contractor for the construction of the expansive hypermarket including specialty stores in the Ruhrpark mall, completed between February and October 2004. The contract was worth over EUR 5 million.

Europa Passage, Hamburg

Scheduled for completion in early 2007, the Europa Passage will be Hamburg's biggest inner-city shopping center. Its five floors offering 30,000 square meters of gross floor area will house around 130 specialty retail shops as well as food and drink outlets. There will also be 34,000 square meters of office space. A glass roof will add to the appeal of the EUR 121 million project.

Alstertal shopping mall, Hamburg

Our company is extending the well-known shopping center in Hamburg-Poppenbüttel for repeat client ECE Projektmanagement. At the same time, HOCHTIEF Construction is carrying out extensive modernization work. The project ends in August 2007.

Karstadt department store, Leipzig

Acting as general contractors, the Thuringia and Saxony business units are refurbishing and expanding the historic City Carree department store in Leipzig for repeat client Karstadt. The shopping gallery will be handed over to its owners at the end of 2006.

Cannstatter Carré, Stuttgart-Bad Cannstatt

In fall 2004, HOCHTIEF Construction as general contractor began building a shopping center offering 30,000 square meters of retail and 12,000 square meters of office space in the oldest and largest district of Bad Cannstatt. An integrated parking deck provides space for 750 cars. The contract is worth around EUR 50 million.

Healthcare properties

Medcube, Hanover

With Medcube, HOCHTIEF Construction has developed a holistic concept in medical care and set another innovative milestone. Medcube offers physicians from a variety of disciplines state-of-the-art offices in the vicinity of a municipal hospital. Close cooperation between the two institutions will make it possible to coordinate diagnostic and therapeutic strategies and implement them as part of an integrated healthcare concept. The hospital benefits from access to disciplines not previously available, while the doctors who work in the Medcube complex can rely on the expertise and skills of their colleagues at the neighboring hospital.

Schlosspark-Klinik, Berlin

The clinic extension is another example of a sophisticated refurbishment and upgrading project. While clinic operations continue, HOCHTIEF Construction will revamp parts of the complex and construct a new building. Our company is also responsible for the entire planning of the approximately EUR 5 million turnkey project.

Katharina-von-Bora-Haus, Düsseldorf

In this nursing home project for the Diakonie social services organization in Düsseldorf, HOCHTIEF is responsible as general contractor for construction planning, architecture as well as the design of technical building systems and outside facilities. Our company is also supplying all the equipment for the project, worth just under EUR 7 million.

“Am Dreschplatz” senior citizens' center, Rottendorf

In August 2004, construction work began on the center which will offer 30 residential nursing places, day care facilities and 18 assisted living apartments. HOCHTIEF will sell the apartments to individual investors. The German Red Cross is buying the nursing home and day care facilities.

Hotels

Maritim Konferenz- und Kongresshotel, Berlin

Work on this new hotel, worth around EUR 65 million, was progressing to schedule and should be completed in July 2005.

OpernCarrée, Berlin

HOCHTIEF Construction was commissioned by HOCHTIEF Projektentwicklung to revitalize this historic building complex in the center of Germany's capital city. A first-class hotel is taking shape behind the historic facades. It will be augmented by two office palais and luxury apartments. The EUR 150 million project also includes a new office building with food and retail outlets.

Erlweinspeicher, Dresden

HOCHTIEF Construction is converting the historic Erlweinspeicher warehouse into another luxury hotel for repeat client Maritim. When finished, the hotel will offer more than 650 beds in 258 elegant rooms and 40 generously appointed suites. Turnkey handover is planned for May 2006. The contract is worth approximately EUR 35 million.

Hotel Mövenpick, Frankfurt am Main

Work on this four-star hotel close to the exhibition center began in September 2004. The 288-room development will be handed over in May 2006. HOCHTIEF Construction is building the hotel with a partner as part of a joint venture and will receive 50 percent of the approximately EUR 26 million contract value.

Infrastructure projects

Ports

Container terminal IV, Bremerhaven

June 2004 saw the start of work on container terminal IV, which after completion will allow for four large container ships more than before to be loaded and unloaded at the same time. The EUR 225 million terminal construction is currently the largest port construction project in Northern Europe. HOCHTIEF is involved as part of a joint venture.

Seabird naval port, India

Work on Asia's largest naval port was officially completed at the end of February 2004. The total value of the contract for three breakwaters as well as dredging and land reclamation was around EUR 140 million.

Ngqura deepwater port, South Africa

Work on this project, begun in 2003 by HOCHTIEF Construction, the South African HOCHTIEF associate Concor and a local partner, continued to schedule. The EUR 184 million project which includes two breakwaters as well as quay facilities will be completed in late 2005.

Waste incineration plant

Mechanical-biological waste treatment plant, Cröbern

Capable of handling 300,000 tons of waste per year, this plant is the largest of its kind in Germany. HOCHTIEF Construction is working on the EUR 70 million project as part of a joint venture. Completion is slated for December 2005.

Power stations

Underground hydroelectric power plant, Iceland

Our company is part of a joint venture building an underground hydroelectric power plant for the Kárahnjúkar hydroelectric project in Iceland. HOCHTIEF has a 42.5 share in the contract worth a total of approximately EUR 74 million.

Eastmain hydroelectric power station, Canada

March 2004 marked the start of construction on a 480-megawatt hydroelectric power station on the Eastmain River 1,000 kilometers north of Montreal by a joint venture between HOCHTIEF Construction and the Canadian HOCHTIEF associate Aecon. The project, which has a contract value totaling EUR 76 million, will be completed at the beginning of 2006.

Railroad tunnels/Railway (subway) links **Gotthard Base Tunnel, Switzerland**

Together with four partners, HOCHTIEF Construction is building a section of the longest railroad tunnel in the world between the towns of Bodio and Faido in Ticino. The project has a contract value of approximately EUR 1.2 billion (HOCHTIEF share: 25 percent).

Busch Tunnel, Aachen

In a project extending to June 2008, a joint venture involving our company is renewing Germany's oldest still operational railroad tunnel as well as building an additional tunnel and a pedestrian bridge. HOCHTIEF Construction's share of the EUR 23 million contract is around EUR 14 million.

Wienerwald Tunnel, Austria

HOCHTIEF Construction is involved in one of Austria's most important infrastructure projects, the construction of a 13.1 kilometer long tunnel at the border between the Vienna and Lower Austria regions, under a contract from Austria's Eisenbahn-Hochstrecken AG.

Taiwan High Speed Railway, Taiwan

The contract to design and build a 42 kilometer section of the Taiwan High Speed Railway had a total value of EUR 720 million. HOCHTIEF Construction's share of the project, completed at the end of June 2004, was EUR 400 million.

"Kanzlerbahn", Berlin

In Berlin, work on extending subway line 5 is ongoing. The so-called Kanzlerbahn currently stretches from Hönnow to Alexanderplatz. Scheduled to be operational by the start of the 2006 World Cup soccer championships, the first section of the new extension will link the newly opened central station Lehrter Bahnhof with Pariser Platz.

Subway construction, Munich (Moosach)

At the end of August 2004, our company was contracted to participate in the construction of phase 2 of Line 3-North. The 46-month, EUR 74 million project involves the construction of two stations and a total of 2,406 meters of tunnels.

Logistics centers

Nordland Papier, Dörpen

Even before the contract was awarded, HOCHTIEF was involved in the planning and construction of the warehouse for storing approximately 20,000 tons of paper. Our company's alternative proposals resulted in cost savings and shortened the construction time of the EUR 6 million project.

Rewe logistics warehouse, Cologne

Construction work on the extension to the Rewe-Grossverbraucher-service logistics warehouse was completed in early June 2004 after just under nine months. The EUR 10 million project involved 10,000 tons of prefabricated construction elements.

Rewe perishables center, Stuttgart

The contract to extend this perishables center was worth EUR 1.1 million. The project was completed after only five months.

Lidl logistics center, Leverkusen

The new logistics center, with a gross floor area of 29,300 square meters and a contract value of around EUR 11 million, was completed in 2004 after a construction period of six months on a property measuring 98,300 square meters.

Logic Port TTI, Maisach/Gernlinden

HOCHTIEF Construction as general contractor is building the approximately 11,000 square meter warehouse with office facilities in a project scheduled for completion in May 2005. Our alternative proposals helped reduce costs appreciably on this EUR 7 million plus project.

Trade show facilities

Koelnmesse

In a partnership-based PreFair model, four new exhibition halls with a total display area of 80,000 square meters are being built for the Cologne-based exhibition company. As well as acting as general contractor for the project, expected to be completed in late 2005, our company played a leading role in the planning.

Sports facilities

König Palast arena, Krefeld

The Krefeld Penguins ice hockey team moved into its new home in November 2004. Built by HOCHTIEF Construction as general contractor, the multi-functional arena can be converted to hold functions such as concerts and other sports events. The contract was worth EUR 26 million.

Nordpark stadium, Mönchengladbach

Finished in November 2004, this World Cup-standard soccer stadium took two years to build and holds up to 56,000 spectators. Numerous alternative proposals submitted by our company enabled the arena to be completed at a favorable fixed price. The value of the contract for HOCHTIEF Construction was approximately EUR 67 million.

Underground parking garages

Airport City underground garage, Düsseldorf

Our company is building a new three-level underground parking garage with 1,815 parking spaces at Düsseldorf Airport in a project extending from July 2004 to September 2005. To facilitate the financing, HOCHTIEF Construction developed an innovative lease model for the EUR 25 million project together with an eminent leasing company.

University Clinic underground garage, Hamburg

HOCHTIEF Construction is building an underground garage with at least 900 parking spaces for the clinic in Hamburg-Eppendorf. The contract is worth around EUR 17 million.

Main subsidiaries of HOCHTIEF Construction AG

Streif Baulogistik GmbH

Streif Baulogistik has established itself as a service provider for construction and construction-related infrastructure as well as logistics. With a modular range of equipment and services, the logistics experts provide complete support for construction projects, from tender to completion. By combining services for site installation, construction site administration and site process optimization on the basis of a client's project-specific needs, the company generates time and cost savings that benefit contracting companies and clients in equal measure. The HOCHTIEF Construction subsidiary is still chiefly active in Germany, Luxembourg and Poland, but its declared goal is to expand further into the European market.

Given the state of the construction sector and the low returns currently being generated, the Streif service package is becoming increasingly important. The company's core service is the hire of construction machinery and equipment as well as scaffolding and formwork. With increasing success, Streif offers clients an efficient alternative to purchasing and operating their own equipment at high cost. Currently averaging only 55 percent capacity utilization, German building yards are proving a major burden on contractors' profitability.

In fiscal 2004, Streif Baulogistik focused on pursuing the previous year's consolidation strategy as well as anchoring its structures and processes adapted to current market requirements. At the same time, the company managed to further expand its market position and strengthen its solid platform. Streif Baulogistik is number one in the tower crane hire business in Germany and Poland.

The share of non-Group clients in the reporting period was 50 percent, roughly the same as in 2003. Collaboration with clients was further intensified as the sales department succeeded in harnessing synergies with other HOCHTIEF companies on complex construction projects. The trend shows that the idea of integrated construction logistics is set to gain greater acceptance on the German market. The company is therefore further optimizing its sales structures and continuing the standardization of its sales processes in order to better serve the expanding construction logistics market.

Customer focus was enhanced through reorganization and by strengthening local responsibility. Tighter internal processes resulted in further improved cost efficiency. Optimized project controls contributed to more consistent project management in the operational units. The identification and systematic targeting of high-volume clients was intensified.

The strategic partnerships with market-leading equipment manufacturers continue to bear fruit. A new sales collaboration in the container business will enable Streif Baulogistik to nurture new customer groups in Germany outside the construction industry and thus stabilize the company's earnings situation.

The Logistics Consulting & Management business segment has established itself and, with its logistics services, is evolving into a key source of sales. Within this segment, the fledgling outdoor advertising business achieved initial successes marketing the worldwide patent for advertising on construction cranes and giant posters on construction site scaffolding. However, the outdoor advertising unit will have to contend with stronger competition in the new fiscal year. For this reason, the company has stepped up marketing efforts for its services. In addition, clients and project owners are to be targeted even more specifically.

The Scaffolding and Shuttering business segment improved its cost structure significantly in the reporting period, at the same time expanding its activities throughout Europe. Attractive major projects were won in collaboration with the other segments of Streif Baulogistik.

The company expects the German market to remain tight in 2005. Against this backdrop:

- We aim to further develop the European market by participating in major projects of the HOCHTIEF Group.
- We will systematically continue the reorganization and standardization of sales processes.

Project examples

Europa Passage, Hamburg

Streif Baulogistik is providing the tower cranes and handling the formwork for over 250,000 square meters of concrete in the construction of this upmarket shopping center in Hamburg (see page 19). In addition, the company is responsible for round-the-clock site security and site access surveillance with the help of the InSite access container. The value of the project for Streif is around EUR 2.9 million.

Koelnmesse

During construction of the new exhibition halls in Cologne from September 2004 to the end of 2005 (see page 22), Streif Baulogistik excels with a particularly broad service package. As well as providing nine cranes and 184 containers, the company is responsible for energy procurement, supplies standard hire formwork and handles security and site access surveillance. The contract is worth roughly EUR 1.6 million.

Waste processing plant, Zorbau

In a project extending to May 2005, HOCHTIEF Construction is building a waste processing plant in Zorbau near Leipzig as part of a joint venture. Streif Baulogistik is meeting all the project's equipment requirements—from cranes and various smaller items of equipment to a 24-hour machine service, site containers as well as the InSite access surveillance system.

HOCHTIEF (UK) Construction Ltd.

The subsidiary HOCHTIEF (UK) Construction has been part of HOCHTIEF Construction AG since the beginning of 2002. It was previously assigned to the HOCHTIEF International division of HOCHTIEF Aktiengesellschaft. The company is mainly engaged in transport infrastructure, water and wastewater facilities, industrial construction and regional airports. In addition, HOCHTIEF (UK) Construction Ltd. works with HOCHTIEF Development on public-private partnership projects. The company continued its positive performance in the year under review.

Project examples

Guernsey airport

Construction work on the new airport terminal on the Channel Island finished on schedule in 2004. The contract to demolish existing buildings, build the new terminal and construct access roads and parking lots was worth approximately EUR 25 million.

Paddington Bridge, London

From 2006 the new bridge will span 14 rail lines, two London Underground lines, a canal, a sewer and a disused goods yard site. A particularly challenging project: HOCHTIEF (UK) Construction Ltd. had to raise the existing bridge to allow the new bridge to be built below it while rail operations continue. After completion of the new structure the old bridge will be lowered and demolished. The contract is worth approximately EUR 35 million.

Allington waste-to-energy plant, Maidstone (Kent)

Work on the waste-to-energy plant, which will handle up to 560,000 tons of waste per year, began in April 2004. HOCHTIEF (UK) Construction Ltd. was also responsible for the planning and, together with HOCHTIEF Construction's Civil Engineering Power and Water competence center, will complete the EUR 42 million contract by June 2006.

Coulsdon bypass

The three kilometer long section of the A 23 between Brighton and London will take two years to complete, allowing car drivers to bypass the town in Surrey from the end of 2006. Worth approximately EUR 37 million, the project is being handled by our British subsidiary as general contractor.

Entreprise Générale de Construction HOCHTIEF Luxembourg S.A.

Formed in 1981 as a fully integrated subsidiary of HOCHTIEF Aktiengesellschaft, HOCHTIEF Luxembourg has been a subsidiary of HOCHTIEF Construction AG since 2002. The company's employees focus among other things on real estate development projects in which HOCHTIEF Luxembourg also takes charge of financing or marketing.

The company had to contend with a slight decline in building construction activity in the year under review. The market environment for turnkey office building stabilized at a low level in 2004. The residential properties sector performed positively. HOCHTIEF Luxembourg will market and realize initial projects in this sector in 2005. Further impetus is expected from the EU enlargement.

Project example

European Court of Justice, Luxembourg

HOCHTIEF Luxembourg began work on section four of the complex on Kirchberg Plateau in November 2004. The contract sum is EUR 23 million. The company also built the first three sections of the court building.

Dipl. Ing. Hugo Durst GmbH

The Austrian company has been part of the HOCHTIEF Group since 1987 and part of HOCHTIEF Construction AG since 2002. In the future, it will perform wider tasks in connection with our Central/Eastern Europe strategy. Headquartered in Vienna, Durst is a general contractor and construction manager focused on real estate development and refurbishment. Thanks to clear improvements in the revitalization business and a strong market position in residential construction, the company achieved its highest ever level of work done in 2004. Activities at the Innsbruck location include civil engineering, sewerage and alpine construction projects.

Project examples

Gartensiedlung Ottakring, Vienna

Acting as general contractor, Durst completed the estate comprising 309 housing units, 350 square meters of commercial space and 390 car parking spaces between January 2003 and early 2005. The contract sum was approximately EUR 25 million.

Allgemeines Krankenhaus, Vienna

The contract to revitalize and refurbish the grounds of the hospital in Vienna is worth roughly EUR 8 million.

Group companies and branches of HOCHTIEF Aktiengesellschaft managed by HOCHTIEF Construction AG

HOCHTIEF VSB a.s.

The HOCHTIEF subsidiary, one of the six largest building contractors in the Czech Republic, is mainly engaged with its subsidiaries in general construction and civil engineering. Part of the HOCHTIEF Group since 1999, VSB confirmed its strong position in the Czech construction sector in 2004. In the year under review, the company successfully moved into the transport infrastructure projects sector and expanded its activities in project development.

Project examples

Nuclear waste interim storage facility, Dukovany

Construction of the facility began in early 2003 and will be completed in April 2007. The contract value is EUR 8 million.

Hotel President, Prague

The company completed the hotel revitalization in the Czech metropolis in summer 2004. Handled by HOCHTIEF VSB from the development phase through to completion, the project had a contract value of approximately EUR 7 million.

Metro, Prague

Since mid-2004 HOCHTIEF VSB has been leading a joint venture to build the new metro station Prosek. Worth approximately EUR 48 million (HOCHTIEF-VSB share: 51 percent), the station will be handed over in summer 2007.

HOCHTIEF Polska Sp. z o.o.

Founded in 1996, the almost wholly-owned Polish HOCHTIEF subsidiary is one of the country's leading building contractors. HOCHTIEF Polska is focused on building construction. In addition, the company is working on establishing itself in the infrastructure area and in project development. Numerous contracts won in 2004 provide the platform for a strong workload at HOCHTIEF Polska in 2005.

Project examples

Opera, Cracow

Audiences of over 750 will be able to enjoy performances on the 300 square meter stage of the new Cracow Opera from December 2006. HOCHTIEF Polska is extending and refurbishing the building as general contractor in a project worth around EUR 11 million.

Rondo 1 office complex, Warsaw

The company is building the Rondo 1 high-rise complex in the center of the Polish metropolis in a project due for completion in late 2005. It consists of two sections, one with ten, the other with 40 stories. The total gross floor area is over 95,000 square meters.

Retail, business and art center Stary

Browar (former brewery), Poznań

The center merges the restored former brewery building with state-of-the-art architecture. The 62,300 square meter center consists of two retail buildings, an office complex, a Courtyard of Art, restaurants and a three-story parking garage. The Stary Browar is Poznań's most famous shopping center and also one of its most important cultural venues, attracting around 25,000 visitors every day. The center is due to be extended in 2005. HOCHTIEF Polska has drawn up the project design as part of a joint venture.

HOCHTIEF Russia

HOCHTIEF Construction is represented on the expanding Russian construction market by the HOCHTIEF Russia business unit. It is primarily concerned with commercial properties, upmarket residential construction, wholesale centers and complex project management. In the future, HOCHTIEF Russia will step up collaboration with the competence centers of the HOCHTIEF Construction Services Europe division both in building construction and in the management of complex infrastructure projects.

Project examples

Mercedes-Benz Plaza, Moscow

Between 2002 and 2004, the company completed a prestige building for the auto manufacturer with a project value of more than EUR 23 million. It includes display rooms, a showroom, offices, a restaurant and parking areas for more than 100 vehicles.

Mosmart Shopping Mall, Moscow

The 26,000 square meter shopping center was built in the Russian metropolis between April 2003 and February 2004. The contract value for HOCHTIEF Russia totaled EUR 22 million.

Financial Statements and Notes

Boards

Supervisory Board

Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel

Essen, Chairman, Chairman of the Executive Board of HOCHTIEF Aktiengesellschaft

Gerhard Peters*

Butzbach, Deputy Chairman, Administrative Officer, HOCHTIEF Construction AG

Fred Anders*

Delmenhorst, Technician, HOCHTIEF Construction AG (until May 31, 2004)

Bernd Börgers*

Haldern/Rees, Executive Manager of the Mülheim/Oberhausen regional chapter of the German Construction, Agricultural and Environmental Employees' Union

Werner Böse*

Weilerswist, Concrete Worker, HOCHTIEF Construction AG

Günter Haardt*

Frankfurt, Executive Manager, Vermögensverwaltungs- und Treuhandgesellschaft mbH, trust fund of the German Construction, Agricultural and Environmental Employees' Union

Olaf Hasselmann*

Hanover, Chairman of the Management of the Hanover business unit, HOCHTIEF Construction AG

Heiner Helbig

Hilden, Member of the Management Board, HOCHTIEF Development (from November 3, 2004)

Dr. jur. Wolfgang Kässer

Pullach, former Chairman of the Executive Board of RWE Net AG

Hans-Wolfgang Koch

Meerbusch, former Member of the Executive Board of HOCHTIEF Aktiengesellschaft

Wojciech Kostrzewa

Warsaw, President and General Director of ITI Corporation Sp. z o.o.

Dr.-Ing. Karl Rönnerberg

Düsseldorf, former Member of the Executive Board of HOCHTIEF Aktiengesellschaft (until November 2, 2004)

Olaf Wendler*

Osterweddingen, Technician, HOCHTIEF Construction AG (from June 1, 2004)

Dr. rer. pol. Hans-Georg Vater

Ratingen, Member of the Executive Board of HOCHTIEF Aktiengesellschaft

Executive Board

Dipl.-Ing. Dr.-Ing. E. h. Friedel Abel

Mettmann, Chairman

Dr. rer. pol. Burkhard Lohr

Haltern am See

Dr.-Ing. Martin Rohr

Düsseldorf (until May 31, 2004)

*Employee representative

Financial Statements of HOCHTIEF Construction AG for the Fiscal Year January 1 – December 31, 2004

The 2004 Financial Statements and Management Report of HOCHTIEF Construction AG are published in the Bundesanzeiger (Federal Official Gazette) and are submit-

ted together with the Bundesanzeiger announcement to the commercial registry of the Essen District Court under registered number HRB 14772.

Balance Sheet

(EUR thousand)

Assets	See note	Dec. 31, 2004	Dec. 31, 2003
Fixed assets	(1)		
Property, plant and equipment		4,817	8,800
Financial assets		5,725	5,715
		10,542	14,515
Current assets			
Inventories			
Construction work in progress		1,363,549	1,340,291
Less: Installment payments received		(1,243,260)	(1,228,290)
		120,289	112,001
Other inventories	(2)	20,508	12,068
		140,797	124,069
Receivables and other current assets	(3)	784,297	845,340
Marketable securities	(4)	356,581	342,549
Cash and cash equivalents	(5)	20,072	29,605
Prepaid expenses		24	0
		1,301,771	1,341,563
		1,312,313	1,356,078
Liabilities and Shareholders' Equity			
Shareholders' equity	(6)		
Subscribed capital		100,050	100,050
Additional paid-in capital		103,615	103,615
Less: Unappropriated net loss		(3)	(3)
		203,662	203,662
Provisions	(7)	392,195	413,427
Liabilities	(8)	716,456	738,989
		1,312,313	1,356,078

Statement of Earnings

(EUR thousand)

	See note	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Sales	(10)	1,645,862	1,562,895
Change in construction work in progress		23,258	100,733
Other own work capitalized		0	438
Other operating income	(11)	29,144	23,957
Materials	(12)	(1,278,549)	(1,247,221)
Personnel costs	(13)	(325,642)	(363,742)
Depreciation and amortization	(14)	(7,399)	(9,302)
Other operating expenses	(15)	(108,326)	(106,719)
Income from participating interests (net)	(16)	87	267
Income from financial assets (net)	(16)	2	4
Interest income (net)	(17)	37,930	46,080
Writedowns on financial assets and marketable securities	(18)	(533)	(41)
Profit from ordinary activities		15,834	7,349
Profit transferred under profit/loss agreement		(15,834)	(7,349)
Net income/(loss) before changes in reserves		0	0
Net loss brought forward from previous period		(3)	(3)
Unappropriated net loss		(3)	(3)

Movements in Fixed Assets over the Period Jan. 1–Dec. 31, 2004

(EUR thousand)	Cost of acquisition and production					Dec. 31, 2004	Dec. 31, 2003
	Jan. 1, 2004	Additions	Disposals	Depre- ciation and amortiza- tion cumu- lative	Depreciation and amortiza- tion in FY		
Property, plant and equipment							
Technical equipment and machinery, transportation equipment	20,696	295	16,920	3,600	615	471	2,695
Other equipment, office furniture and equipment, small equipment	48,873	6,225	15,154	35,598	6,784	4,346	6,105
	69,569	6,520	32,074	39,198	7,399	4,817	8,800
Financial assets							
Shares in affiliated companies	5,638	–	–	–	–	5,638	5,638
Other participating interests	32	26	–	–	–	58	32
Other long-term loans	45	0	16	–	–	29	45
	5,715	26	16	–	–	5,725	5,715
Total fixed assets	75,284	6,546	32,090	39,198	7,399	10,542	14,515

Notes to the 2004 Financial Statements of HOCHTIEF Construction AG

General principles

These annual financial statements have been prepared in accordance with the German Commercial Code (HGB) and Stock Corporations Act (AktG). HOCHTIEF Construction AG has exercised the option provided by Sec. 265 (7) of the Commercial Code to aggregate a number of items in both the balance sheet and the statement of earnings for the sake of clarity. Also in the interest of clarity, we have added two further subitems in these Notes to the usual statutory balance sheet format: "Receivables from joint ventures" and "amounts due to joint ventures." They record the net amounts (credit or debit) remaining for the joint ventures involved, after accounting for products and services supplied, construction work done, administration fees, cash advances paid, and the pro rata share of the venture's profits or losses. The statement of earnings classifies expenses by their nature, using what is also known as the "cost of production" method.

The Company is a fully-owned subsidiary of HOCHTIEF Aktiengesellschaft, with which it has concluded a Control and Profit Transfer Agreement.

Accounting and valuation methods

Property, plant and equipment are stated at cost of acquisition or production (at the amount required to be capitalized under tax law), less scheduled depreciation. Interest on debt is not included in those costs.

Depreciation charges against property, plant and equipment are made to the full extent permissible under tax law. The declining balance depreciation method is used wherever permitted, switching to the straight-line method once this yields a greater amount. In the prior year, under the tax regulations then in force, depreciation on additions to movable assets during the first and second half of the year were still calculated using full or half-year rates respectively. Low-value assets are fully written down in the year of acquisition and posted as disposals to the schedule of movements in fixed assets. Owing to its limited significance, acquired IT software is not reported as a separate item but under office equipment. All permissible extraordinary tax depreciation allowances are used.

Financial assets are reported at cost of acquisition. Non-interest-bearing loans and low-interest loans to third-party entities are reported at their present value.

Inventories are stated at cost of acquisition or production or at their fair value if lower. The production cost of construction work in progress includes unit costs of materials and other prime cost, and also an appropriate proportion of capitalizable general operating expenses.

Impending losses are taken into account by writing down the cost of production accordingly or, if the losses exceed the capitalized cost of production, by establishing provisions. These are estimated on the basis of the prospective future performance of each contract until construction is completed, assessing future income solely on the basis of figures confirmed in writing by the client whereas future costs consist of the estimated full costing up to completion.

Advance payments received from clients are deducted from inventories up to the amount of the cost of production for each project. Advance payments which exceed these amounts are reported on the liabilities side.

Appropriate provision has been made for foreseeable risks in the valuation of receivables and other current assets. A lump sum charge has additionally been recognized to cover general credit risks. Receivables from clients in other countries are largely secured against political and economic risks by Hermes guarantees.

Marketable securities are reported at acquisition cost. If the cost of acquisition or production of any assets is higher than their fair value on the balance sheet date, their value is written down accordingly.

Provisions for pensions, long-service bonuses, and semi-retirement programs for older employees are determined using actuarial tables. The discount factor applied is 3.5 percent. The 1998 actuarial tables have been used for assessing pension provisions. Other provisions are allocated on a prudent, discretionary basis; in a limited number of project-related cases, the Company has set the provision on a legally determined basis, reflecting the level of risk that can realistically be anticipated.

Liabilities are invariably reported as the amount due.

Sales figures include the net profit/loss from joint ventures apportioned on a pro rata basis.

Expenses for severance allowances to employees and other taxes are reported as other operating expenses.

Currency translation

Assets and liabilities in foreign currency are reported in the financial statements at the central rate or the daily rate applicable at the time of initial entry into the accounts. Losses due to changes in exchange rates are recognized as expense.

Explanatory Notes on the Balance Sheet and Statement of Earnings

1. Fixed assets

The affiliated companies and participating interests included in financial assets are shown in the list of holdings included in this report.

2. Other inventories

(EUR thousand)	Dec. 31, 2004	Dec. 31, 2003
Raw materials and supplies, spare parts	15,554	1,409
Advance payments	4,954	10,659
	20,508	12,068

3. Receivables and other current assets

(EUR thousand)	Dec. 31, 2004	Of which: with residual term above 1 year	Dec. 31, 2003	Of which: with residual term above 1 year
Trade receivables	87,570	6,840	122,516	937
Receivables from joint ventures	62,637	-	40,790	-
Receivables from affiliated companies	595,880	6,200	659,224	6,800
Receivables from companies linked by virtue of participating interests	182	-	299	-
Other current assets	38,028	11,645	22,511	19
	784,297	24,685	845,340	7,756

Amounts due from affiliated companies consisted primarily of cash-pool receivables, trade receivables, and loans.

Other current assets include short-term and medium-term loans, interest receivables from securities, fixed-term deposit investments, tax refund entitlements, damage claims,

advance contributions made to funds set up to compensate construction employees during reduced working hours or bad weather, advances on wages, salaries and travel expenses, other non-trade receivables and other assets.

4. Marketable securities

Our securities are largely fixed-interest investments and shares in bond funds denominated in euros.

5. Cash and cash equivalents

These consist mostly of euro bank balances.

6. Shareholders' equity

(EUR thousand)	Amount as of Dec. 31, 2004	Amount as of Dec. 31, 2003
Subscribed capital (nominal capital stock)	100,050	100,050
Additional paid-in capital	103,615	103,615
Unappropriated net loss	(3)	(3)
	203,662	203,662

The nominal capital of HOCHTIEF Construction AG is divided into 100,050,000 bearer shares of common stock with no par value (the notional nominal value is EUR 1.00 each); the sole shareholder is HOCHTIEF Aktiengesellschaft of Essen, Germany.

7. Provisions

(EUR thousand)	Dec. 31, 2004	Dec. 31, 2003
Provisions for pensions	184,562	177,742
Other provisions	207,633	235,685
	392,195	413,427

Provisions for pensions are created for obligations arising from entitlements to future pension benefits and ongoing payments to current and former employees and their survivors.

Current pension payments during the reporting year were EUR 3,875,000 (2003: EUR 2,762,000).

Other provisions cover warranty obligations, costs of order processing and follow-up costs on contracts already invoiced, anticipated losses related to pending transactions, obligations for long-service bonus payments, costs of preparing the annual financial statements, contributions to occupational accident mutual indemnity associations, outstanding employee vacation time, costs for social compensation plans, costs of semi-retirement programs for older employees, payments for damages, and other uncertain liabilities.

(EUR thousand)

	Dec. 31, 2004	Of which: with residu- al term up to 1 year	Dec. 31, 2003	Of which: with residu- al term up to 1 year
Amounts due to banks	28,800	28,800	8,300	8,300
Advance payments for orders	204,429	204,429	209,678	209,678
Trade payables	302,935	302,935	310,131	310,131
Amounts due to joint ventures	76,011	76,011	108,666	108,666
Amounts due to affiliated companies	41,054	41,054	38,420	38,420
Amounts due to companies linked by virtue of participating interests	156	156	184	184
Other liabilities	63,071	63,071	63,610	63,610
Of which: from taxes	[4,641]	[4,641]	[5,101]	[5,101]
Of which: from social insurance	[7,433]	[7,433]	[8,007]	[8,007]
	716,456	716,456	738,989	738,989

Amounts due to banks are secured by charges on real property to the amount of EUR 19.3 million (2003: EUR 8.3 million).

Other liabilities include liabilities from payroll, tax liabilities, short-term borrowing, social insurance liabilities, other non-trade payables and other obligations.

9. Contingencies, commitments and other financial obligations

Under the centralized cash management system operated by the parent company HOCHTIEF Aktiengesellschaft, the Company bears a secondary liability for the use of funds by HOCHTIEF Aktiengesellschaft, provided that meeting the assumed payment obligation does not affect the asset base needed to preserve the capital stock at the time the payment obligation is entered into.

HOCHTIEF Construction AG is jointly and severally liable for all joint ventures in which it participates.

HOCHTIEF Construction AG has pledged securities with a par value of EUR 164,618,000 (2003: EUR 145,696,000), mostly to secure liabilities of HOCHTIEF Aktiengesellschaft.

HOCHTIEF Construction AG is liable up to a maximum of EUR 18.9 million under a guarantee bond provided in connection with a project to be implemented by Entreprise Générale de Construction HOCHTIEF Luxembourg S.A. To secure the contractual and financial obligations of Entreprise Générale de Construction HOCHTIEF Luxembourg S.A., HOCHTIEF Construction AG has deposited a limited-term letter of comfort with the companies register in Luxembourg. HOCHTIEF Construction AG is also liable under guarantees given for a lease transaction (EUR 4.8 million) and in securing a guarantee line for HOCHTIEF Polska Sp. z o.o. (EUR 6.6 million).

Other financial obligations arise in connection with long-term tenancy agreements. In FY 2004, the total expense involving rentals and lease rentals was EUR 24,173,000 (2003: EUR 24,210,000).

Earnings Statement

10. Sales

Our sales totaling EUR 1,645,862,000 (2003: EUR 1,562,895,000) primarily consist of the contract values invoiced directly to clients, products and services supplied to joint ventures, and pro rata profits/losses from joint ventures. This comprises EUR 1,603,137,000 generated domestically and EUR 42,725,000 abroad. Because of the long-term nature of contracts, sales figures provide only an incomplete picture of work done during the fiscal year (including the pro rata share of work done for joint ventures), which is therefore detailed separately for domestic and international operations below.

Work done

(EUR thousand)	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Domestic:		
Subdivided by sector		
Commercial/industrial	1,375,470	1,402,525
Public sector	192,489	169,380
Residential	118,434	106,315
	1,686,393	1,678,220
International:		
Subdivided by region		
Europe	101,710	104,345
Asia	26,853	137,095
Africa	71,620	62,838
Americas	62,935	10,339
Australia	74,839	50,089
	337,957	364,706
Total	2,024,350	2,042,926

11. Other operating income

This item primarily includes income from the sale of securities, disposal of fixed assets, writing back provisions, insurance payments received for damages, the reimbursement of administrative expense, and renting and leasing out.

12. Materials

(EUR thousand)	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Raw materials, supplies and purchased goods	100,162	128,737
Purchased services	1,178,387	1,118,484
	1,278,549	1,247,221

13. Personnel costs

(EUR thousand)	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Wages and salaries	260,118	300,083
Social insurance and support	50,450	53,619
Pensions	15,074	10,040
	325,642	363,742

Employees (average for the year)

(EUR thousand)	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Waged/industrial employees	1,764	2,060
Salaried/office employees	3,594	3,932
Total	5,358	5,992

14. Depreciation and amortization

This item applies entirely to property, plant and equipment, which is depreciated to the full extent permitted by tax law.

15. Other operating expenses

Other operating expenses primarily include rentals and lease rentals, insurance premiums, including the cost of Hermes insurance against foreign risks, sales, marketing and travel expenses, court, attorneys' and notaries' fees, legal costs, costs for social compensation plans, costs of materials for administrative purposes, foreign exchange losses, other provisions, and other social benefits payable that are not reported elsewhere. The "other taxes" subitem reported here comes to EUR 110,000 (2003: EUR 943,000).

16. Income from participating interests (net) and financial assets (net)

(EUR thousand)	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Income from participating interests (net)	87	267
Income from profit/loss transfer agreements	74	221
Income from participating interests	13	49
Of which: affiliated companies	[0]	[49]
Losses from participating interests	0	3
Income from financial assets (net)	2	4
Income from other securities and long-term loans	2	4

17. Interest income (net)

(EUR thousand)	Jan. 1 – Dec. 31, 2004	Jan. 1 – Dec. 31, 2003
Other interest and similar income	46,813	57,680
Of which: affiliated companies	[31,631]	[29,687]
Other interest and similar expenses	8,883	11,600
Of which: affiliated companies	[7,455]	[8,031]
	37,930	46,080

18. Writedowns on financial assets and marketable securities

This item includes writedowns on marketable securities only.

19. Total compensation for the Supervisory Board and Executive Board

Total compensation for FY 2004 came to EUR 1,819,000 for the Executive Board and EUR 434,000 for the Supervisory Board. The members of the Supervisory Board and Executive Board are listed on page 27.

Participating interests in the Company

HOCHTIEF Aktiengesellschaft (Essen, Germany) is the sole shareholder in HOCHTIEF Construction AG.

The Company is included in the consolidated financial statements of HOCHTIEF Aktiengesellschaft, which is the largest and smallest group of companies for which group financial statements are drawn up. These consolidated financial statements are deposited in the records of the Essen District Court, under the registered number HRB 279.

HOCHTIEF Construction AG
The Executive Board

Essen, January 2005

List of Holdings

Name and registered location	Percentage of equity held	Shareholders' equity		Profit/(loss) for the year	
		(thousand)		(thousand)	
		Local currency	EUR	Local currency	EUR
Entreprise Générale de Construction HOCHTIEF Luxembourg S.A., Luxembourg	99.96%		(6,529)		(1,765)
Dipl. Ing. Hugo Durst GmbH, Vienna, Austria	99.90%		7,302		663
HOCHTIEF (UK) CONSTRUCTION Ltd., Swindon, UK	100%	GBP 1,357	1,925	GBP 65	96
Streif Baulogistik GmbH, Essen	100%		31,659		0*
HOCHTIEF Construction Chilena Ltda., Las Condes, Santiago, Chile	100%	CLP 274,517	351	CLP 110,610	142
HT CIVIL CANADA INC., Toronto, Canada	100%	CAD 28	17	CAD (152)	(94)
HGW Verwaltungsgesellschaft mbH, Bremen	100%		33		1
HGW Grundstücksverwaltungsgesellschaft Theodor-Heuss-Allee KG, Bremen	95%		152		(2)
Projektverwaltungsgesellschaft Mönchengladbach Area of Sports mbH, Mönchengladbach	50%		25		0
Area of Sports GmbH & Co KG, Mönchenglad- bach	50%		18		15
Bau und Grund AG, Cologne**	70%		-		-
Betonsteinwerk Iffeldorf GmbH i. L., Munich	100%		48		0
CONTUR Wohnbauentwicklung GmbH, Düsseldorf**	50%		-		-
CONTUR Wohnbauentwicklung und Projekt- steuerung GmbH & Co. KG, Düsseldorf**	49.50%		-		-
Projektentwicklungsgesellschaft acht bis elf mbH, Cologne***	51%		31		7

* Income totaling EUR 74,000 was transferred to HOCHTIEF Construction AG under the existing profit/loss transfer agreement.

** No current annual financial statements yet available.

*** Formerly DILIGENTIA Hundertsechste Vermögensverwaltungs GmbH

Independent Auditors' Report*

*Translation—the German text is authoritative.

We have audited the annual financial statements of HOCHTIEF Construction AG, Essen, for the fiscal year January 1 – December 31, 2004, including the bookkeeping system on which they are based and the Management Report. The responsibility for keeping accounts and preparing the annual financial statements and the accompanying Management Report conforming to German commercial law lies with the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the Management Report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 of the German Commercial Code (Handelsgesetzbuch—HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the Management Report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the accounting principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the annual financial statements and Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

It is our opinion that the annual financial statements convey a true and fair view of the assets and liabilities, financial position and results of operations of the Company, in accordance with the principles of proper accounting. On the whole the Management Report provides a suitable understanding of the Company's business situation, and properly portrays the risks inherent in future developments.

Kunst
Wirtschaftsprüfer
(German Public Auditor)

Bedenbecker
Wirtschaftsprüfer
(German Public Auditor)

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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**This annual report is a translation of
the original German version, which
remains definitive.**

As of: March 2005