Quarterly Report
January–March 2004

Successful start to the 2004 fiscal year:
Consolidated net profit up again despite risk provisioning in Australia

- HOCHTIEF Europe further boosts earning power
- Facility management activities substantially expanded
- International investors attracted by increased free float

HOCHTIEF

The HOCHTIEF Group in figures

(EUR thousand)	Q1 2004	Q1 2003	Percentage change	Full year 2003
New orders	**3,920,312**	3,895,775	**0.6%**	14,352,632
Work done	**2,709,884**	2,826,037	**–4.1%**	11,502,983
Order backlog	**18,340,885**	14,982,680	**22.4%**	16,464,715
External sales	**2,513,188**	2,656,359	**–5.4%**	10,534,380
Operating earnings (EBITA)	**28,739**	59,114	**–51.4%**	220,083
Profit before taxes	**31,502**	30,448	**3.5%**	159,459
Consolidated net income/(loss)	**599**	(16,140)	**103.7%**	16,231
Earnings/(loss) per share	**0.01**	(0.26)	**103.8%**	0.26
Cash flow	**63,387**	66,892	**–5.2%**	273,498
Capital expenditure	**93,906**	62,400	**50.5%**	369,852
Operating assets	**1,580,773**	1,703,226	**–7.2%**	1,525,780
Employees	**33,851** (End Q1 2004)	33,811 (End Q1 2003)	**0.1%**	34,039 (Annual average)

HOCHTIEF Aktiengesellschaft (including financial participations)

HOCHTIEF Airport

HOCHTIEF AirPort, Germany

- Athens International Airport, Greece
- Flughafen Düsseldorf, Germany
- Flughafen Hamburg, Germany
- Sydney Airports, Australia

- Transport & Logistics Consultancy, UK

HOCHTIEF Development

HOCHTIEF Projektentwicklung, Germany

HOCHTIEF Facility Management, Germany

Deutsche Bau- und Siedlungs-Gesellschaft (Debausie), Germany

HOCHTIEF Construction Services Americas

The Turner Corporation, USA

Kitchell Corporation, USA

Aecon Group, Canada

HOCHTIEF do Brasil, Brazil

HOCHTIEF Construction Services Asia Pacific

Leighton Holdings, Australia

- Leighton Contractors, Australia
- Thiess, Australia
- John Holland Group, Australia
- Leighton Properties, Australia
- Leighton Asia (Northern), Hong Kong
- Leighton Asia (Southern), Malaysia

Concor, South Africa

HOCHTIEF Construction Services Europe

HOCHTIEF Construction, Germany

- HOCHTIEF (UK) Construction, UK
- HOCHTIEF Luxembourg, Luxembourg
- Hugo Durst, Austria
- Streif Baulogistik, Germany
- HOCHTIEF Polska, Poland
- HOCHTIEF VSB, Czech Republic
- HOCHTIEF Russia, Russia

Cover photo: A baton well passed. More about RWE's handover on **page 15.**

Dear Shareholders,

The first quarter of 2004 was one of the most remarkable in HOCHTIEF history. February's international sale of the HOCHTIEF shares previously held by RWE marks a true milestone. We are delighted to welcome our many new stockholders in Germany and abroad. As a publicly held company with an above-average portion of its stock freely traded, HOCHTIEF attracts noticeably more attention from the stock markets. We are very aware of the responsibility this brings.

Strategically we are on track for quality growth. Our declared goal is to further expand services and so to complete our transformation into an innovative construction services provider with sustained stable earnings at a demandingly high level. Acquiring and integrating Siemens Gebäudemanagement und Services (now HOCHTIEF Gebäude Management) takes HOCHTIEF another big stride in this direction.

With one—albeit very palpable—exception, the first quarter figures are on target and confirm a very healthy business trend. The exception is our subsidiary Leighton Holdings, which earmarked its entire first quarter earnings to provide for risk.

The HOCHTIEF Group secured **new orders** worth EUR 3.92 billion in the first quarter of 2004, an increase of 0.6 percent on the prior year. Adjusted for exchange rates, the increase was a striking 4.8 percent. This is all the more remarkable considering that the impact of including HOCHTIEF Gebäude Management in the consolidated figures for the first time was more than offset by orders returning to normal at Leighton after rapid growth in the prior year. The surprisingly strong new orders figure also reflects healthy growth in Germany and the US.

Group **work done**, at EUR 2.71 billion, was down 4.1 percent from the prior-year figure (exchange rate adjusted, 1.7 percent), tracking the slight dip in new orders seen in the first half of 2003. Work done in Germany grew in the first quarter 2004 by a gratifying EUR 30 million, or 6.9 percent.

At EUR 18.34 billion, the **order backlog** broke the year-end 2003 record by nearly EUR 2 billion and was up 22.4 percent from the prior year.

HOCHTIEF Group **external sales** were EUR 2.51 billion in the period under review, a reduction of 5.4 percent from the equivalent figure a year earlier. As 83 percent of this amount consisted of foreign sales, the decrease was due to the drop in the US dollar against the euro.

HOCHTIEF generated **operating earnings** of EUR 28.7 million in the first three months of the 2004 fiscal year (Q1 2003: EUR 59.1 million). The shortfall is essentially down to the risk provisioning at Leighton and four other factors:

- HOCHTIEF Airport lacked the prior-year once-only boost to income from reversal of the fire damage reserve at Düsseldorf Airport.
- HOCHTIEF Development's earnings cycle is usually dominated by a sales-heavy fourth quarter. 2003 was nontypical in this regard, with two major sales early in the year.
- With the characteristic delay, HOCHTIEF Construction Services Americas was feeling the effects of a dip in new orders out of the first few months of 2003.
- A positive factor in the quarter was the EUR 10 million-plus improvement in results at HOCHTIEF Construction Services Europe.

Despite the considerable exertions at Leighton, **profit before taxes**, at EUR 31.5 million, was above the equivalent prior-year figure (EUR 30.4 million). The fully reinvigorated Europe division reported particularly healthy growth. There was also a marked improvement in net investment and interest income, which in the prior year had included risk provisions for our portfolio of marketable securities held in special-purpose funds.

The **tax expense** was EUR 21.8 million, a decrease of EUR 7.7 million from the prior year. We hold to our policy of not recognizing deferred tax assets on tax loss carryforwards in Germany. With the tax ratio now at 69.2 percent—as against 96.8 percent in the first quarter of 2003—the impact of this policy is reduced this year, though still higher than expected.

Deducting the tax expense and the **minority interest** of EUR 9.1 million (Q1 2003: EUR 17.1 million), HOCHTIEF generated a substantially better **consolidated net profit** of EUR 0.6 million. This represents a EUR 16.7 million gain on the prior-year figure of minus EUR 16.1 million.

Capital expenditure in the first quarter of 2004 was EUR 94 million, up 50.5 percent from the prior year. Intangible assets and property, plant and equipment accounted for EUR 38 million of this total, with the Leighton Group investing the largest share at EUR 21 million. HOCHTIEF sharply increased capital expenditure on financial assets to EUR 56 million from the prior-year quarter (EUR 1 million). EUR 37 million of this figure went on investments in the business portfolio of Leighton Holdings, EUR 10 million on stakes in the infrastructure business at Development, and EUR 7 million on capital paid in by HOCHTIEF Canada at our Canadian associate, Aecon.

HOCHTIEF stock performed well in the first quarter. Opening the year at EUR 22.83, the stock price topped EUR 26 mid-February, an increase of over 14 percent. HOCHTIEF Europe's return to profit was especially instrumental in winning over investors on the international markets. The close of March 2004 saw HOCHTIEF's stock at EUR 22.95, up one percent from the beginning of the year and ahead of the DAX 30, which was three percent down. HOCHTIEF Aktiengesellschaft's market capitalization was a good EUR 1.6 billion as of March 31, 2004.

Group outlook

Looking ahead to the full year, the strong start in nearly all business areas must also be viewed in the light of factors such as uncertain economic forecasts, notably in Germany, and the operating challenge facing our Australian subsidiary, Leighton, due to major contracts in the Asia-Pacific. Now it has made provision for risks in the first quarter and assuming no economic crises or extreme currency movements, HOCHTIEF expects to maintain its stable business trend and fully achieve its Group-level targets:

- New orders similar to the prior year, resulting again in record order backlogs.
- Single-digit percentage increases in work done and sales.
- High single-digit percentage growth in profit before taxes and high double-digit percentage growth in net profit.

Our goal is to create value. We want to significantly strengthen our construction services, free up resources from our airport holdings and focus our business portfolio.

The recent past especially has seen HOCHTIEF master some great challenges. We are well poised for the challenges to come and are committed as a team to delivering on our goals.

Sincerely yours,
Hans-Peter Keitel

Dr.-Ing. Hans-Peter Keitel

Divisions

HOCHTIEF Airport Division

(EUR thousand)	Q1 2004	Q1 2003	Change	Full year 2003
New orders	**101**	328	**–69.2%**	1,505
Work done	**101**	328	**–69.2%**	1,505
Order backlog	**0**	0	**–**	0
External sales	**72**	329	**–78.1%**	1,509
Operating earnings (EBITA)	**4,485**	9,150	**–51.0%**	23,635
Profit before taxes	**(3,446)**	(886)	**–288.9%**	3,163
Cash flow	**1,124**	(4,005)	**128.1%**	(22,402)
Capital expenditure	**509**	1,178	**–56.8%**	153
Operating assets	**653,583**	662,496	**–1.3%**	653,971
Employees	**49** (End Q1 2004)	59 (End Q1 2003)	**–16.9%**	59 (2003 average)

The results from our airport businesses in Athens, Düsseldorf and Sydney are recognized with a lag of one accounting period.

The international aviation market is now slowly but steadily picking up after two hard years, and HOCHTIEF Airport's businesses are sharing in the recovery. The rise in passenger numbers was strongest at Athens and Sydney, with a ten percent increase compared with the first quarter 2003.

HOCHTIEF Airport's first quarter **operating earnings** were on target. The decrease from the prior year is due to nonrecurring items impacting the 2003 figures, including the pro rata temporis write-back of reserves at Flughafen Düsseldorf GmbH.

Capital expenditure in the first quarter related to an approximately 0.06 percent increase of the portfolio stake in Athens Airport, which it was possible to acquire from Fraport AG. HOCHTIEF Airport now owns 40 percent of the Greek airport business.

HOCHTIEF Airport, together with international finance partners, was named preferred bidder for Tirana Airport in January. Negotiations have begun with the government of Albania for the contract to operate the Albanian capital's airport. The management concession will run for 20 years.

The Australian government has given the green light for plans to develop Sydney Airport. The master plan codeveloped by HOCHTIEF Airport makes it possible to improve resource utilization and increase passenger capacity.

The new surface transport services business hived off from the Düsseldorf airport company as part of a restructuring program will commence trading on May 1. The surface transport company has a workforce of about 1,000. The spinoff will help trim costs.

HOCHTIEF Airport outlook

Fiscal 2003 saw HOCHTIEF Airport report a profit earlier than planned due to nonrecurring items. For 2004, we expect the division will return its last pretax loss—a figure in the low double-digit million range. The positive results from the airport holdings are still being more than offset by costs of borrowing and goodwill amortization. HOCHTIEF Airport is thus ahead of its original long-term targets.

HOCHTIEF Development Division

(EUR thousand)	Q1 2004	Q1 2003	Change	Full year 2003
New orders	**471,715**	59,885	**687.7%**	476,314
Work done	**131,857**	111,416	**18.3%**	559,866
Order backlog	**1,213,232**	783,596	**54.8%**	746,508
External sales	**116,299**	110,248	**5.5%**	518,713
Operating earnings (EBITA)	**1,545**	11,190	**–86.2%**	51,909
Profit before taxes	**2,113**	7,206	**–70.7%**	37,886
Cash flow	**4,588**	12,667	**–63.8%**	26,449
Capital expenditure	**15,881**	1,842	**762.2%**	44,425
Operating assets	**460,466**	497,964	**–7.5%**	470,079
Employees	**2,719** (End Q1 2004)	1,089 (End Q1 2003)	**149.7%**	1,147 (2003 average)

The increase in the Development division's order book mostly reflects the takeover of Siemens Gebäudemanagement und Services (now HOCHTIEF Gebäude Management). This also resulted in a slight increase in **sales** compared with the prior year.

Divisional **operating earnings** in the first quarter of 2004 were below the prior-year figure due to seasonally exceptional sales in the prior-year first quarter.

Capital expenditure was significantly increased from the prior year and primarily related to stakes in infrastructure development and an office building in Warsaw.

The individual business units contributed to divisional performance as follows:

- The Property Development business unit made a strong start to 2004. Work began in Berlin on construction of the EUR 150 million OpernCarrée urban development. In Frankfurt, demolition of a former HOCHTIEF building made way for the WestendDuo high-rise development. Finally, tenants signed up for the first 20 percent of the Rondo 1 project in Warsaw.
- At the Infrastructure Development unit, work continued to schedule at the Lübeck Herren Tunnel and Santiago de Chile orbital expressway toll projects. At Santiago, the hardware and software are currently being assembled for a fully electronic toll system using technology similar to the successfully introduced Austrian system for heavy trucks.
- Together with HOCHTIEF Gebäude Management, HOCHTIEF Facility Management has established itself as one of Europe's leading facility management service providers at the high end of the market. The company's integration is going faster and better than planned, and the first joint successes in securing new business confirm the ambitions of the business plan drawn up at the time of the takeover.
- Debausie has further expanded its service activities in the asset management sector. Together with HOCHTIEF Facility Management, Debausie manages part of AMB Generali Group's realty portfolio under a long-term outsourcing contract.

HOCHTIEF Development outlook

We expect a good contribution to profit from Property Development and Asset Management above all in the fourth quarter. As planned, this will probably not match the prior-year figure due to the difficult markets. Earnings from Infrastructure Development will be impacted as in the previous year by expenses for new projects. Delayed privatization in Germany will, if anything, help reduce the budgeted expenses. Expansion of facility management—assuming the successful integration continues as expected—will lead to a rise in profit.

HOCHTIEF Construction Services Americas Division

(EUR thousand)	**Q1 2004**	Q1 2003	**Change**	Full year 2003
New orders	**1,823,862**	1,742,181	**4.7%**	6,266,032
Work done	**1,147,448**	1,411,441	**–18.7%**	5,452,657
Order backlog	**6,351,339**	5,832,678	**8.9%**	5,488,232
External sales	**1,176,819**	1,378,943	**–14.7%**	5,353,198
Operating earnings (EBITA)	**7,879**	14,211	**–44.6%**	67,955
Profit before taxes	**2,216**	6,794	**–67.4%**	38,282
Cash flow	**5,755**	9,431	**–39.0%**	48,582
Capital expenditure	**11,538**	4,658	**147.7%**	19,874
Operating assets	**292,529**	250,413	**16.8%**	264,150
Employees	**6,616** (End Q1 2004)	6,972 (End Q1 2003)	**–5.1%**	7,400 (2003 average)

New orders developed very healthily for the Americas division in the first three months of 2004. Even though exchange rate effects wiped EUR 253 million off new orders on currency translation, this still left an increase of some EUR 82 million compared with the prior year. The **order backlog** was up by EUR 519 million from the previous year despite a negative exchange rate impact of EUR 771 million. The lion's share of this growth was once again delivered by our US operations:

Turner's first quarter performance confirmed the upward trend of the last few months. To illustrate: The Denver office secured a contract to build teaching facilities for the University of Colorado. In Indianapolis, Turner was contracted by Clarian Health Partners to construct a new cancer center. Turner's New York office is to build a cardiac care hospital for EUR 95 million in Roslyn, New York. Turner Universal was awarded an EUR 80 million contract to build a research facility at Vanderbilt University Medical Center in Nashville, Tennessee.

The strengthening of Turner's presence on the market in and around Washington DC by the acquisition of Tompkins Builders is already bearing fruit. Among other things, the new subsidiary secured a contract for two fourteen-story towers in the heart of the US federal capital.

The reduction in **work done** and **sales** compared with the prior year is for the most part due to exchange rate effects. An added nonrecurring factor was last year's major contract at approximately 400 passenger airports where site preparations in connection with the installation of baggage-screeners were carried out.. A considerable portion was included in sales and earnings in the first quarter of 2003. Adjusted for this and the exchange rate effects, **operating earnings** almost matched the prior-year figure.

Aecon's corporate structure masterminded to a large extent by HOCHTIEF at the end of 2003 is already having a positive effect. Its new stock offering was very well received by the Canadian capital market; we participated commensurate with our stake in the company. This resulted in a sharp rise in **capital expenditure**.

HOCHTIEF Americas outlook

The division will continue to contribute to earnings at a high level. Whether it matches or surpasses its 2003 pretax profit mostly depends on how strongly the renewed increase in US ordering activity since mid-2003 feeds through to earnings before fiscal 2004 is over.

HOCHTIEF Construction Services Asia Pacific Division

(EUR thousand)	**Q1 2004**	Q1 2003	**Change**	Full year 2003
New orders	**1,042,770**	1,657,674	**–37.1%**	5,240,223
Work done	**907,244**	756,586	**19.9%**	2,983,396
Order backlog	**7,930,894**	5,570,225	**42.4%**	7,446,177
External sales	**792,852**	723,765	**9.5%**	2,647,279
Operating earnings (EBITA)	**19,695**	38,551	**–48.9%**	129,357
Profit before taxes	**19,416**	35,640	**–45.5%**	126,511
Cash flow	**58,238**	67,210	**–13.3%**	226,662
Capital expenditure	**58,457**	43,269	**35.1%**	273,284
Operating assets	**337,703**	366,478	**–7.9%**	311,548
Employees	**14,861** (End Q1 2004)	15,206 (End Q1 2003)	**–2.3%**	15,185 (2003 average)

New orders have returned to normal after the massive growth seen in 2003, though remain at the very high level of EUR 1.04 billion. As a result, the **order backlog** climbed to another all-time record.

Work done likewise tracked the exceptionally strong orders position, rising nearly 20 percent to EUR 907 million.

A prestige project by Leighton subsidiary John Holland came into operation at the beginning of the year: the new rail link between Alice Springs and Darwin. John Holland has a stake in the company contracted to operate the railroad for the next 50 years.

Thiess secured a further major coalmining contract at Ravensworth Mine in New South Wales, Australia. The contract is initially for some EUR 140 million over three years.

In Perth, Leighton Contractors is to design and build not one but two segments of the new urban metro line. The project is worth a total of EUR 175 million to Leighton.

Earnings were unable to keep up with the outstandingly strong orders position. In response to an unusual situation in which specific internal and external risks coincided, Leighton decided after the end of the quarter to allocate its entire earnings from the first three months of 2004 to risk provisioning. The risks mostly relate to a coalmine fire and difficulties executing two building projects in Melbourne and Sydney. We have taken Leighton's full Q3 results in the first quarter. We had conservatively deferred the first two quarters of Leighton's 2003/2004 year in our consolidated financial statements as of December 31, 2003 and as a result, despite the substantial risk provisioning, **operating earnings** were still EUR 19.7 million—slightly more than half the figure for the first quarter of 2003.

Capital expenditure significantly increased compared with the prior year due to the injection of new capital into Leighton Group operating companies.

HOCHTIEF Asia Pacific outlook

Despite the risk provisioning, Leighton has budgeted for earnings in 2003/2004 similar to the prior year and a slight improvement in 2004/2005. Under the realistic assumption that together with Leighton we can successfully master the extraordinary operational challenge presented by what for the Group is a highly gratifying record in orders growth, we expect the Asia Pacific division to broadly repeat its prior-year contribution to Group earnings in HOCHTIEF's 2004 fiscal year.

HOCHTIEF Construction Services Europe Division

(EUR thousand)	Q1 2004	Q1 2003	Change	Full year 2003
New orders	**562,134**	418,137	**34.4%**	2,293,003
Work done	**503,504**	528,696	**–4.8%**	2,430,004
Order backlog	**2,845,420**	2,796,181	**1.8%**	2,783,798
External sales	**403,664**	420,279	**–4.0%**	1,936,038
Operating earnings (EBITA)	**(4,311)**	(14,990)	**71.2%**	176
Profit before taxes	**571**	(11,331)	**105.0%**	10,371
Cash flow	**5,785**	(3,566)	**262.2%**	45,629
Capital expenditure	**7,454**	10,674	**–30.2%**	31,075
Operating assets*	**(129,276)**	(62,763)	**–106.0%**	(108,199)
Employees	**9,160** (End Q1 2004)	10,159 (End Q1 2003)	**–9.8%**	9,918 (2003 average)

*** The negative figure for operating assets is primarily due to large sums in advance payments—a normal feature of the construction business.**

The Europe division comprising the HOCHTIEF Group's traditional European construction business increased January to March **new orders** to EUR 562 million, a gain of 34.4 percent compared with the prior-year period. The high first-quarter **order backlog** means that about 80 percent of the planned 2004 total for work done is already assured.

Despite the still adverse operating environment, **work done** and **external sales** broadly matched the comparison period.

The positive earnings trend from fiscal 2003 continued into the new year. **Profit before taxes** in the first quarter of 2004 was positive despite the winter slowdown—as with **operating earnings**, a major improvement on the prior year. This was largely down to better project earnings due among other things to rigorously enforced risk management.

Capital expenditure solely related to property, plant and equipment and was below the prior-year figure.

HOCHTIEF Construction AG has secured many large contracts since the new year, bearing out its successful strategic focus on selected, complex market segments where the key criteria of technology leadership and project management expertise come into their own.

HOCHTIEF Polska is building the high-rise Rondo 1 project in Warsaw for HOCHTIEF Projektentwicklung. Due for completion in late 2005, Rondo 1 consists of a 194 meter, 40 story office tower and an adjacent smaller building. As part of a joint venture in the infrastructure sector, HOCHTIEF Construction secured a follow-up contract worth about EUR 230 million to extend the container terminal at Bremerhaven. The joint venture will complete four extra moorings for large ships by 2008. HOCHTIEF Construction is also chalking up successes in the growing rejuvenation market—as with a contract secured in February to convert the former Staatsrat building in Berlin. Following extensive refurbishment, the European School of Management and Technology will take up residence in the historical edifice at the end of 2005.

HOCHTIEF Europe outlook

An increase in business is expected for FY 2004, in terms of both new orders and work done. The division anticipates a marked improvement in earnings compared with 2003.

Consolidated Statement of Earnings

The Quarterly Report as of March 31, 2004 has been prepared to conform to the International Financial Reporting Standards (IFRSs) currently in force. These include new IFRSs issued by the International Accounting Standards Board (IASB), International Accounting Standards (IASs) and the statements issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). All prior-year figures conform to the IASs in operation at that time.

There have been no changes in the consolidation principles or in the accounting and valuation methods since December 31, 2003.

For further information, readers are referred to the consolidated financial statements as of December 31, 2003, the basis on which these interim financial statements were prepared.

In the first quarter of 2004, one German and one foreign company were included in the consolidated financial statements for the first time. In addition to HOCHTIEF Aktiengesellschaft, 246 companies are now fully consolidated and 44 companies accounted for using the equity method.

(EUR thousand)	**Q1 2004**	Q1 2003	**Percentage change**	Full year 2003
Sales	2,513,188	2,656,359	–5.4%	10,534,380
Changes in inventories	1,550	728	112.9%	(1,691)
Other own work capitalized	268	398	–32.7%	1,523
Other operating income	13,800	12,409	11.2%	120,023
Materials	(1,902,328)	(2,053,352)	7.4%	(8,077,842)
Personnel costs	(417,400)	(393,225)	–6.1%	(1,578,962)
Depreciation and amortization	(59,610)	(63,472)	6.1%	(232,018)
Other operating expenses	(136,319)	(125,728)	–8.4%	(644,547)
Profit from operating activities	**13,149**	**34,117**	**–61.5%**	**120,866**
Net income from participating interests	8,440	13,955	–39.5%	44,866
Net investment and interest income	9,913	(17,624)	156.2%	(6,273)
Profit before taxes	**31,502**	**30,448**	**3.5%**	**159,459**
Income taxes	(21,785)	(29,478)	26.1%	(82,956)
Profit after taxes	**9,717**	**970**	**901.8%**	**76,503**
Minority interest	(9,118)	(17,110)	46.7%	(60,272)
Consolidated net profit for the period	**599**	**(16,140)**	**103.7%**	**16,231**

Statement of Earnings

Group sales in the first quarter of 2004 were impacted by the US dollar exchange rate and totaled EUR 2.51 billion (Q1 2003: EUR 2.66 billion). Turner's sales were down EUR 163 million due to exchange rates. Sales in Germany were EUR 435 million, an improvement on the prior year (EUR 422 million) despite subjecting new business to strict profitability and ROI criteria. HOCHTIEF generated EUR 2.08 billion in sales internationally (Q1 2003: EUR 2.23 billion), making the international share of the total 83 percent (Q1 2003: 84 percent).

Profit from operating activities was EUR 13.1 million (Q1 2003: EUR 34.1 million). The decrease was due to risk provisioning at Leighton and exchange rate effects in 2004, and nontypical positive effects from various projects in 2003.

Net income from participating interests, which is dominated by earnings from airport holdings valued by the equity method, decreased from EUR 14.0 million in the first quarter of 2003 to EUR 8.4 million in the first quarter of 2004. Eliminating the once-only effect from writing back reserves at Flughafen Düsseldorf GmbH, net income from participating interests is at the prior-year level.

Net investment and interest income, at EUR 9.9 million, is very healthy compared with the prior year (negative EUR 17.6 million), mostly due to a marked increase in interest income. The prior-year quarter also included EUR 15.0 million in risk provisioning.

Profit before taxes was EUR 31.5 million, a 3.5 percent improvement on the prior year (EUR 30.4 million).

The **income taxes** figure totaling EUR 21.8 million consisted of EUR 12.4 million in current income taxes and EUR 9.4 million in deferred taxes. As in the prior year, HOCHTIEF has refrained from recognizing deferred tax assets for tax loss carryforwards in Germany.

HOCHTIEF achieved a marked increase in **profit after taxes** at EUR 9.7 million (Q1 2003: EUR 1.0 million) and, after deducting the minority interest, **consolidated net profit** at EUR 0.6 million (Q1 2003: EUR 16.1 million loss).

Consolidated Balance Sheet

(EUR thousand)	Mar. 31, 2004	Dec. 31, 2003
Assets		
Fixed assets		
Intangible assets	211,679	211,801
Property, plant and equipment	871,664	870,792
Financial assets	1,016,246	957,359
	2,099,589	**2,039,952**
Current assets		
Inventories	37,469	29,880
Trade receivables and other receivables	2,768,782	2,682,267
Marketable securities	1,258,421	1,269,331
Cash and cash equivalents	722,283	1,062,602
	4,786,955	**5,044,080**
Deferred tax assets	**310,475**	**295,873**
Prepaid expenses	**19,067**	**19,311**
	7,216,086	**7,399,216**
Liabilities and Shareholders' Equity		
Shareholders' equity and minority interest		
Attributable to the Group	1,604,713	1,588,295
Minority interest	394,513	386,997
	1,999,226	**1,975,292**
Provisions	**1,341,903**	**1,276,048**
Liabilities	**3,813,128**	**4,095,249**
Deferred tax liabilities	**45,179**	**39,342**
Deferred income	**16,650**	**13,285**
	7,216,086	**7,399,216**

Consolidated Balance Sheet

The **balance sheet total** decreased 2.4 percent from EUR 7.40 billion on December 31, 2003 to EUR 7.22 billion on March 31, 2004. The main cause was the reduction in liabilities affecting liquidity at the Americas and Europe divisions.

Fixed assets increased by EUR 60 million to EUR 2.10 billion. This included intangible assets and property, plant and equipment of EUR 1.08 billion, at the 2003 year-end level. Financial assets were EUR 1.02 billion (Dec. 31, 2003: EUR 0.96 billion). The increase was mostly due to additions to the business portfolio in the Asia Pacific, Americas and Development divisions.

Current assets decreased by EUR 257 million, from EUR 5.04 billion on December 31, 2003 to EUR 4.79 billion on March 31, 2004. Cash and cash equivalents were down as planned from EUR 1.06 billion to EUR 0.72 billion. The main factor was the marked reduction in liabilities from operating activities.

The EUR 24 million increase in the **shareholders' equity/ minority interest** item consists of profit after taxes for the first three months of the 2004 fiscal year (EUR 10 million), plus changes in other comprehensive income (EUR 29 million), less dividends to minority stockholders at Leighton Holdings (EUR 15 million). Other comprehensive income includes a EUR 15 million gain, recognized directly in equity, from remeasurement to fair value of marketable securities held in special-purpose investment funds.

Provisions were EUR 1.34 billion, an increase of EUR 66 million from December 31, 2003 (EUR 1.28 billion). This included provisions for future pension obligations of EUR 575 million (Dec. 31, 2003: EUR 533 million). The increase is essentially due to the first-time inclusion of HOCHTIEF Gebäude Management in the Development division consolidated financial statements.

Liabilities decreased by EUR 282 million to EUR 3.81 billion. The decrease is mostly due to the settlement of trade payables.

Consolidated Statement of Cash Flows

Cash flow generated in the first three months of 2004 was EUR 63 million, slightly below the equivalent prior-year figure (EUR 67 million). A decrease at the Asia Pacific and Development divisions was largely made up by the Europe division.

Net cash used in operating activities was EUR 267 million compared with EUR 35 million in the prior year. A reduction of trade payables, notably in the Americas and Europe divisions, resulted in cash outflows of the order of EUR 300 million (Q1 2003: EUR 80 million).

Investing activities produced a minor net cash outflow of EUR 6 million (Q1 2003: EUR 1 million). Capital expenditure on property, plant and equipment and on financial assets was largely financed by cash inflows from disposals of securities holdings and liquid investments.

Repayment of financial debts led to a cash outflow from **financing activities** of EUR 90 million. After including the effects of exchange rate changes, the HOCHTIEF Group's cash and cash equivalents decreased overall by EUR 340 million to EUR 722 million.

Free cash flow in the reporting period was a negative EUR 359 million (Q1 2003: negative EUR 90 million). It comprises net cash used in operating activities minus net cash used in investment activities excluding changes in loans, securities holdings and liquid investments.

Statement of changes in equity and minority interest (EUR thousand)

	Q1 2004			Q1 2003		
	Attributable to the Group	Attributable to minority interest	Total	Attributable to the Group	Attributable to minority interest	Total
Balance as of January 1	**1,588,295**	**386,997**	**1,975,292**	**1,572,461**	**367,867**	**1,940,328**
Dividends paid	0	(15,214)	(15,214)	0	(12,648)	(12,648)
Other comprehensive income/ other adjustments	15,819	13,612	29,431	(18,724)	7,399	(11,325)
Profit after taxes	599	9,118	9,717	(16,140)	17,110	970
Balance as of March 31	**1,604,713**	**394,513**	**1,999,226**	**1,537,597**	**379,728**	**1,917,325**

Consolidated Statement of Cash Flows

(EUR thousand)	Q1 2004	Q1 2003
Profit after taxes	9,717	970
Depreciation/write-ups	59,576	63,299
Changes in long-term provisions	(1,481)	(2,772)
Changes in deferred taxes	9,353	9,762
Losses on disposals of fixed assets and marketable securities	(16,824)	(10,706)
Other non-cash income and expenses (primarily writedowns on marketable securities and equity valuations)	3,046	6,339
Cash flow	**63,387**	**66,892**
Changes in short-term provisions	(24,005)	(19,078)
Changes in working capital (net current assets)	(305,944)	(82,915)
Changes in other balance sheet items	(304)	204
Net cash used in operating activities	**(266,866)**	**(34,897)**
Intangible assets/property, plant and equipment		
Purchases	(37,549)	(60,977)
Proceeds from asset disposals	1,585	3,182
Acquisitions and participating interests		
Purchases	(56,357)	(1,423)
Proceeds from asset disposals/divestments	0	3,800
Changes in loans, securities holdings and liquid investments	86,403	54,045
Net cash used in investing activities	**(5,918)**	**(1,373)**
Dividends/other distributions to HOCHTIEF's and minority shareholders	(15,214)	(12,648)
Proceeds from new borrowing	7,343	116,733
Service of debt	(82,604)	(74,285)
Net cash (used in)/provided by financing activities	**(90,475)**	**29,800**
Net cash decrease in cash and cash equivalents	**(363,259)**	**(6,470)**
Effect of exchange rate changes	22,635	(12,681)
Net cash from consolidation changes	305	12,088
Overall change in cash and cash equivalents	**(340,319)**	**(7,063)**
Cash and cash equivalents at the start of the year	1,062,602	704,295
Cash and cash equivalents as of March 31, 2004	**722,283**	**697,232**

Derivation of operating earnings
The derivation of operating earnings from profit from operating activities follows the principles set out in the consolidated financial statements for FY 2003. Non-operating earnings consist solely of restructuring expenses.

Reconciliation of profit from operating activities to operating earnings (EBITA)

(EUR thousand)	Q1 2004	Q1 2003
Profit from operating activities	**13,149**	**34,117**
+ Net income from participating interests	8,440	13,955
– Non-operating earnings	(+) 2,560	(+) 1,866
– Amortization of goodwill from capital consolidation	(+) 4,189	(+) 5,392
+ Interest credited	401	3,784
Operating earnings (EBITA)	**28,739**	**59,114**

Earnings per share	Q1 2004	Q1 2003
Consolidated net profit (EUR thousand)	**599**	**(16,140)**
Number of shares in circulation (weighted average)	63,052,199	63,049,503
Earnings per share (EUR)	**0.01**	**(0.26)**
Earnings per share (EUR) adjusted for goodwill amortization	**0.08**	**(0.17)**

HOCHTIEF's own stock

As of March 31, 2004, HOCHTIEF held 6,947,544 shares of its own stock, acquired during the period September 1999 through October 2001. This represents EUR 17,785,713 or 9.93 percent of the nominal capital stock. Of the shares held, 808,320 were purchased to service the stock options granted in the 1999 and 2000 Long Term Incentive Plans for management and staff. A further 6,139,224 were purchased in order to have stock to offer when acquiring companies or equity interests in them, when entering into mergers, or in order to retire the stock.

386 shares had been acquired in earlier years for sale to employees. As they were no longer needed, these shares were sold on the stock exchange at a price of EUR 21.32 per share in March 2004. They represented EUR 988 (0.0006 percent) of nominal capital stock. The proceeds have been credited to cash and cash equivalents.

The 1999 and 2000 Long Term Incentive Plans led to 874,120 stock purchase options originally being granted, pursuant to Sec. 192 (2) 3 of the German Stock Corporations Act (AktG). 410,720 options lapsed in earlier fiscal years while 7,650 were exercised, leaving 455,750 stock options in force as of March 31, 2004.

Contingent liabilities

These consist of contingent liabilities from guarantees provided; the figure decreased by EUR 45,504 thousand from December 31, 2003 to reach EUR 176,246 thousand on the reporting date.

News

New ownership structure at HOCHTIEF

On February 25, 2004, long-term majority owner RWE sold its direct and indirect stakes in HOCHTIEF to international institutional investors. A combined offering of HOCHTIEF stock and RWE bonds exchangeable for HOCHTIEF stock was snapped up in a matter of hours by investors in Europe and the US. The timing was just right. HOCHTIEF proved a compelling buy in an amenable market. At some EUR 750 million, it was the biggest such transaction ever involving a German stock. The sale price topped the six-month average by 9.6 percent. The regular stock offering sold a total of 32.6 million shares at 23 euros and was four times oversubscribed. The EUR 200 million three-year bond issue was oversubscribed 25 times. The bonds are exchangeable for 6.7 million shares of HOCHTIEF stock.

The combined offering allowed RWE to dispose of its entire stake in HOCHTIEF. It targeted two investor groups with very different preferences: stock buyers and investors in exchangeable bonds. Accelerated placement without long advance notice limited speculative tendencies, something that also benefited existing general stockholders. Accelerated placement also delivered the flexibility to act fast when the moment was right.

HOCHTIEF itself had blazed the trail for the new lineup. Strong 2003 profits readied many international investors to buy into the construction services provider. A steadily rising stock price from April 2003, numerous meetings between investors and the Executive Board and increasingly intensive capital market communications meant HOCHTIEF was excellently placed in the starting blocks. The direct contact gave interested investors a detailed view of the strategy and outlook of the Group and its various divisions. Investors for whom HOCHTIEF had taken only a peripheral role on the stock markets when little of its stock was freely traded now began to take notice. For an added clincher, HOCHTIEF stock jumped 77 percent in 2003.

The new ownership structure marks the dawn of a new era for HOCHTIEF. The freely traded portion of HOCHTIEF stock (the “free float”) has almost tripled, to 80.5 percent. The 9.6 percent stake still held by RWE is reserved to service the exchangeable bonds. HOCHTIEF continues to hold just under ten percent of its own shares. The marked increase in the free float positively affects HOCHTIEF’s weighting in the MDAX index.

Taking a look at the regional breakdown, by far the largest share of the RWE stake—56 percent of the 32.6 million shares on offer—was sold to the United Kingdom. Germany accounts for 22 percent and the US for 14 percent. The Luxembourg-listed exchangeable bonds met with a similarly international response. The resulting international pattern of ownership matches the global orientation of our business.

The increase in the freely traded portion of our stock to over 80 percent once again significantly increased the appeal of HOCHTIEF stock. This was reflected in a corresponding increase in trading after the sale to over 600,000 shares a day in March 2004—well above the daily average of about 71,000 shares in January 2004.

After the end of the first quarter, the HOCHTIEF stock price climbed again to mid-April, touching the EUR 24 mark it had already once exceeded in February 2003. This represented a price gain of nearly ten percent for the year to date.

HOCHTIEF sells stake in Ballast Nedam

After the close of the first quarter 2004, HOCHTIEF reached the decision to sell its 48 percent stake in Ballast Nedam N.V., the Netherlands. TCN Group B.V., Nieuwegein and Wedge International Holdings B.V., Amstelveen are to acquire 24 percent each of the HOCHTIEF shareholding. A contractual agreement has been signed with the buyers to this effect. The sale continues HOCHTIEF’s strategy of sharpening the focus of its business portfolio.

Financial Calendar

May 6, 2004
Quarterly Report at March 31, 2004
Conference Call with Analysts and Investors

May 7, 2004
General Shareholders' Meeting, 10:30 a.m.,
Congress Center West, West Entrance,
Norbertstrasse, Essen

August 19, 2004
Half-Year Report at June 30, 2004
Analysts' and Investors' Conference

November 29, 2004
Fall Press Conference
Interim Report at September 30, 2004
Conference Call with Analysts and Investors

February 16, 2005
Preliminary Report on FY 2004

March 23, 2005
Business Results Press Conference
Analysts' and Investors' Conference

May 18, 2005
General Shareholders' Meeting, 10:30 a.m.,
Congress Center West, West Entrance,
Norbertstrasse, Essen

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For further information on HOCHTIEF and our addresses, business units, subsidiaries and associates, please visit our website.

This quarterly report is a translation of the original German version, which remains definitive. The report is also available from the HOCHTIEF website.

Bacht 05/04