

## **Fall Press Conference**

Gotthard Tunnel, November 19, 2003

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Chairman of the Executive Board, CEO

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Valid only as spoken.

Ladies and Gentlemen,

For HOCHTIEF, the first nine months of 2003 have shown a positive development. We have achieved important and sustained successes. We have systematically promoted our Group's evolution to one of the leading international service-providers – and I should like to emphasize the term **service-provider**. And we have given our share price a vigorous and highly regarded boost.

Let us take a look at the development of our share price: from a starting point of 13 euros, the HOCHTIEF share has risen at times this year to a peak of over 22 euros. That corresponds to an **increase of around 70 percent**. Taking just the reporting period into consideration, i.e. up to September 30, the climb was around 20 percent. This means that we have outperformed the DAX 30 (rise of

13 percent) and the index of particular relevance for HOCHTIEF, the DJ STOXX Construction (rise of 6 percent).

The steady growth in the value of our share is based on the positive development of our business: in the period under review, HOCHTIEF's **operating earnings** rose to over EUR 204 million. The figure for the corresponding period last year was around EUR 164 million. This means a renewed rise of almost 25 percent. Dr. Vater will later provide you with more details on our Interim Report.

This positive performance is due to the systematic implementation of HOCHTIEF's corporate strategy. In the first nine months of 2003, we have taken important steps on our path towards transforming our company. The market is watching attentively as we transform HOCHTIEF from a construction group into a leading international provider of construction-related services. Our strategy is understood and appreciated. The significant progress made in the first nine months is being rewarded. I would like to now outline this briefly.

## **Back in the black: HOCHTIEF Construction**

Since the second quarter of this year, following deep-seated restructuring measures, **HOCHTIEF Construction Services Europe** – which mainly comprises our German and European construction activities – has been **back in the black**. This means that our tradition-rich core business has been restored to health and has regained its strength. To achieve this, the division pursued with great discipline a demanding restructuring program. At the end of the reporting

period in September 2003, it made a positive contribution to our consolidated earnings. HOCHTIEF Construction Services Europe – that is to say including HOCHTIEF Construction AG as the management company – has achieved the breakeven according to plan. The entrepreneurial basis for stable and profitable business has been laid.

This success was a feat of strength: within just two years we have accomplished an earnings swing of around EUR 150 million – an achievement unparalleled in Germany. We have made far-reaching incisions and changes of direction. Ten projects in all – for instance a committee to review all bids and an advisory client council – were initiated in order to master the turnaround. Since the start of the construction crisis in Germany, we have, moreover, downsized our payroll in Germany by about two-thirds and moved forward to a sound and solid new basis. With this, the personnel reductions have practically been completed. The path to longterm success is open. We will continue along it systematically. Here are some examples:

- 1. We are creating transparent and cost-effective organizational structures.** For example by introducing internal service centers and slimming down the structures in our Corporate Centers. An extensive cost-reduction program is looking at savings on a substantial scale.
- 2. We are about to introduce rating and coaching for subcontractors.** For our industry, this is a completely new measure. Actively managing our

subcontractor portfolio helps to lower overall risks and thus ultimately leads to improved financing terms for borrowings on the capital markets.

**3.** We have given ourselves a **new gearing**. Teams of highly qualified experts such as the “**Competence Center** Healthcare Properties” bring our engineers and other specialists into contact at an early stage with the other parties involved in a project. For a year now, we have had a physician working for our company for the first time. In this way, the knowhow of all concerned is brought together and bundled right from the bidding and planning phase. This generates genuine added value for the client.

**4.** We have initiated and successfully launched the innovative **business model “PreFair”**. This is a two-phase partnership model aimed at countering the ruinous price-based competition so prevalent in Germany. Thanks to early cooperation between all those involved in a project – the client, HOCHTIEF Construction, the architects and specialized planners – project risks can already be identified in the preconstruction phase. And at this point it is still possible to influence up to 90 percent of the costs. Operating from this calculable basis, HOCHTIEF Construction submits fixed-price bids and splits any subsequent savings with the client. This, ladies and gentlemen, is real construction industry innovation.

Just a few words on future growth fields: the German market is better than its reputation. We can definitely see growth segments and opportunities if we

engage in an active, ongoing process of adaptation to changing conditions. We have for example identified **building stock renovation** as an important growth factor. The annual work-done volume in the non-residential sector is around EUR 6 billion, of which some EUR 3 billion is in the commercial property segment. A large proportion of German properties are more than 25 years old. The demands made on the modernization of these buildings are on the increase. For us, this creates an important market.

But in other areas as well – for example in the technically challenging field of **tunneling**, as here with the Gotthard Tunnel, we see definite growth potential. In the period up to 2010, we are planning to increase our contract volume in this field by around 12 percent. In addition to Germany, other prime addresses for the acquisition of major new contracts are Austria, Switzerland, Poland and the Czech Republic.

Now a look at the other corporate divisions:

### **Positive result: HOCHTIEF Airport**

In the period under review, our division HOCHTIEF Airport achieved **significantly positive earnings**, at around EUR 27 million. The figure in the corresponding period last year was some EUR 8 million. So this represents an increase of more than 200 percent.

This out-of-the-ordinary increase is due – alongside the one-off effect of the writing-back of a special item at Düsseldorf Airport – to the remuneration for our services in connection with the planned privatization of Berlin's airports and the construction of Berlin Brandenburg International.

In addition, HOCHTIEF Airport's holdings in airport companies developed very positively during the reporting period. Sydney Airport, for instance, posted a rise in earnings in its most recent quarter of 18 percent all told. This is the fruit of an ongoing process of optimization and the creation of flatter hierarchies. At Hamburg Airport, passenger figures have improved to an above-average extent compared with the prior year period. Düsseldorf International Airport has initiated measures aimed at further optimization and cost-reduction. At Athens Airport, which just a few weeks back was accoladed as the best airport in its category, the focus has been on preparing for the Olympic Summer Games in 2004, when some 500,000 additional passengers are expected.

For all four airports, the general outlook is extremely positive. Since the mid-90s, passenger volumes in global aviation have, overall, exhibited constant growth. Even the impact of SARS and the events of 9/11 in the years 2001 and 2002 have not deflected the medium-term curve. Up to 2020, passenger growth averaging 3.4 percent per annum is forecast.

As one of the leading players, HOCHTIEF Airport will continue and intelligently optimize its strategic involvement in this market. As an example I would like to mention the **on-placement of around 5 percent of our shares in Sydney**

**Airport**, where we took the increased value of our shareholding into account and realized a profit of around EUR 12 million. That corresponds to an increase of 24 percent on the original purchase price. The cash obtained in this way will be used directly to further strengthen our market position in the airport sector. The transaction does not influence our leading role in the management of Sydney Airport.

HOCHTIEF Airport, ladies and gentlemen, has thus taken a path which HOCHTIEF as a group will pursue more and more frequently in the future: **developing and optimizing objects** on the basis of our international knowhow **with the subsequent profitable disposal** of the then higher-value shareholdings.

Now I should like to turn to our division HOCHTIEF Development:

## **Stable progress: HOCHTIEF Development**

Our division HOCHTIEF Development has **bucked the industry trend** in the period under review by demonstrating remarkable **stability**. It generated good operating earnings, of around EUR 21 million. The planned reduction compared with the prior-year figure of about EUR 88 million has to be seen against the background of the sale of the stake in Monachia in 2002.

In the period under review, HOCHTIEF Development brought a number of projects to a positive conclusion. HOCHTIEF Project Development, for instance, sold to investors the BMW Group's sales and aftersales training academy still under construction in the Unterschleissheim district of Munich and also the first construction phase of the MainOffice complex in Offenbach. In Warsaw, work was commenced on the construction on the Rondo ONZ hotel and office complex in a prime inner-city location. This represents the successful continuation of the expansion we had already begun in the future EU member states of Eastern Europe.

Just a few days after the end of the report period, shield driving work on the second tube of the Herren Tunnel infrastructure project in Lübeck was completed. This means that work on one of the first privately financed and operated infrastructure projects in Germany is running according to plan. Once the Herren Tunnel is finished in the middle of 2005, HOCHTIEF, in conjunction with a partner, will operate it for a period of 30 years.

HOCHTIEF Facility Management has been commissioned by a large German insurance company to handle portfolio management for key parts of the company's property holdings. It also concluded a longterm contract for the management of an office complex in Luxembourg.

Against the background of this positive progress at HOCHTIEF Development, we expect that in the business year 2003 this division will once again make a positive contribution to our consolidated earnings.

And now a look at our international construction services companies:

### **Defying the market trend: HOCHTIEF Americas**

In the past nine months, our US subsidiary **The Turner Corporation** has been highly successful. As the dominant No. 1 in the world's biggest construction market, Turner has been able to deploy its established strengths in the international arena as well. It underlined its great consulting competence with projects of international renown such as the Taipei 101 Tower, the tallest building on earth.

In its home market, despite an initially difficult business environment, Turner has performed very well. It has secured important new contracts, for example in the construction of schools and other educational facilities. The surprising turnaround of the US construction sector in September then overcame the previous downward market trend. In a month-on-month rise of 1.3 percent in construction volume, it is on its way back to health with a vigor and to an extent not anticipated by economists.

Turner reacted in timely and strategically perfect manner to this market development: With the majority acquisition of the assets of the J.A. Jones subsidiary Tompkins Builders as of October 30, it further expanded its own strong market position. Tompkins Builders is one of the few gems in the property of the bankrupt Holzmann subsidiary J.A. Jones. With a construction volume of around USD 275 million in 2002, established strengths in the field of government, commercial and healthcare buildings and a closely knit clientele in Washington D.C., Tompkins ideally supplements Turners own positioning. The new subsidiary will have a direct positive effect on earnings. So in the context of the now burgeoning market upturn, the prospects for Turner are excellent.

The earnings and orders figures in the first nine months of this year are, however, distorted by the ongoing weakness of the US dollar. The average exchange rate in the period January through September was around 17 percent below that of last year. The negative change in a performance comparison is due decisively to this factor.

## **Outstanding orders and earnings situations: HOCHTIEF**

### **Asia Pacific**

Our subsidiary **Leighton Holdings** is the No.1 in the highly profitable Australian market. Leighton is also represented extremely strongly in its Asian markets. In the past few months in particular, the company has secured a number of exciting projects. Its subsidiary Thiess Pty gained new contracts in the mining segment worth over one billion euros. These will produce profits significantly in

the double-digit million range. As a contract miner, Thies now produces around sixty million tons of bituminous coal a year – twice the entire output in Germany.

Leighton Asia has also won several important new contracts in recent weeks. These include, for instance, the contract to design and build a highway in Malaysia and a key transport infrastructure facility in Hong Kong, the Eagle's Nest Tunnel. In addition, Leighton was commissioned to build a freeway within the framework of the Perth Metrorail Project in Australia. As a result, Leighton's order backlog as of September 30, 2003, was over EUR 5.7 billion – a new record. Ladies and gentlemen, it is difficult to imagine a better starting position than that.

So what, ladies and gentlemen, is behind this positive development in both the domestic and the international markets? What is it – beyond the realm of figures and new contracts – which predestines HOCHTIEF in the eyes of shareholders for a leading position in this industry? What is the foundation of our success?

The answer lies within the company itself.

In the past few years, HOCHTIEF has become a **learning and breathing group**. We generate around 84 percent of our business outside Germany. This means that we are a multinational corporation, whose strength is in the breadth of its positioning. – We have only just begun to bring this strength to bear. It is the origin of our recent successes, including those in the stock market. I should

now like to tell you a little more about the “inner sources of strength” behind this transformation:

## **Groupwide integration and networking**

Drawing on the diversity of its positioning, HOCHTIEF is actively giving itself a leading edge on its competitors:

- We are systematically **networking all the capabilities** within the Group.
- We are actively **combining all our competencies** for the benefit of our clients.
- We are opening up new business fields that supplement existing ones by boosting **cooperation between all disciplines and Group companies**.

Now, following applying the synergy potential in our internal optimization, we are on the threshold to applying these synergies externally as well. One example of the logical rollout of this concept: just a few weeks back we created the **HOCHTIEF Automotive Group**, as a joint international project with HOCHTIEF, Turner, Leighton, Aecon and Concor as the partners. The goal of this initiative is to deploy the combined capabilities and expertise of all Group companies to provide an integrated service for the automotive industry. Over 200 successful construction and facility management projects have given us a deep insight into the way automotive manufacturers think. It is now time to bundle this varied competence and communicate it in a focused manner, as an integrated offer,

geared optimally to the requirements of our clients. We will tell you more about this at a later date.

I come now to the second important source of transformation at HOCHTIEF:

## **The strengthening of the services sector**

Ladies and gentlemen, HOCHTIEF already generates 29 percent of its work-done volume in the **services sector**. By 2007, we plan to increase this figure to 50 percent. Here, we are growing in many different fields, such as facility management, project development, public-private partnership, contract mining and with our PreFair contracts. The best example of organic, service-generated growth from existing business is **HOCHTIEF Airport**. Here, we are the only company in the industry to have completed the evolution from builder to shareholder and operator through to consultant. This accumulated competence will now be offered to other airports.

In view of these facts and figures, ladies and gentlemen, I look forward expectantly to the moment when HOCHTIEF is perceived consistently by the general public as an **"international construction services provider" and no longer as a "construction group"**. Within the Group, we have long laid the groundwork for this: our employees have internalized the paradigm switch and are actively promoting it. Building is and remains our core business but it is now rounded out and evenly matched by services which cover the complete process of design and planning, financing and construction through to the operation of

properties. In this way, we offer problem-solving competence from one single source and are growing in future-proof and profitable fields.

Ladies and gentlemen, I should like to sum up what I have said:

HOCHTIEF operates as a **multi-competent company**: design, financing and building through to the operating of properties and facilities – those are the services we offer. We have the capability to handle major projects of the utmost complexity, as the example of the Gotthard Tunnel shows. And we are offering our clients **advanced competence** on the basis of ongoing international learning. This predestines us for the role of an **international pacemaker in our industry** and ensures the systematic growth of the value of our company. Our guidelines along this path are HOCHTIEF's four strategic goals:

- Strengthening our internationality
- Expansion in existing profitable business fields, particularly in services
- Extending our leadership in innovation
- Intensive utilization of our global network

Thank you for your attention, Dr. Vater will now give you more details on our figures for the first nine months of this year.