

Business Results Press Conference, April 10, 2003

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Chairman of the Executive Board

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HOCHTIEF – Building value on sound foundations

Ladies and Gentlemen,

On behalf of my Executive Board colleague Dr. Vater and myself, I should like to welcome you at the Zollverein Colliery to this press conference on our business results.

The colliery is more than a backdrop for events of different kinds. It is a symbol of Essen and of the industrial transformation in the Ruhr District. It is part of the World Cultural Heritage. And it is part of the history of HOCHTIEF: between 1928 and 1932, our company built the signature feature here, Pit 12. So this year we are continuing our tradition of holding our press conferences in places that have a link with HOCHTIEF.

For **HOCHTIEF, 2002 was a successful year overall**. Thanks chiefly to its international alignment, our company was able to set itself off from the negative trend in the German construction industry. All divisions continued to develop positively; the only exception being the International division, with our Dutch associated company Ballast Nedam.

“HOCHTIEF – Building value on sound foundations” – that is the motto under which I have placed my remarks this year. Just why this is a fitting description of HOCHTIEF is made clear by the following facts:

- Last year, we achieved a **consolidated result after taxes** of **EUR 90 million**, more than 15 percent up on the year before. **Consolidated net income**, after minority interests, rose by over 80 percent to **EUR 43 million**.
- It is important to note that this improvement was **earned operationally**. Our **operating earnings** grew by 19 percent to **EUR 157 million**.
- We want our shareholders to participate in this success. At the General Shareholders' Meeting, the Executive Board and Supervisory Board will propose an increase in the **dividend to 55 cents**, which is ten percent more than in our business year 2001.
- **New orders and order backlog rose** again in 2002, **by 1.8 percent in each case**. This creates a good basis for the current business year.
- The restructuring program at **HOCHTIEF Construction** is producing results. Despite the adverse impact of an old project toward the end of the reporting period, its **losses were significantly reduced compared with the previous year** and the order backlog was stepped up. From today's viewpoint we will, as previously announced, achieve the break-even this year.
- HOCHTIEF has further **extended its position in airport management** and strengthened its competitive stature. Last year, we expanded our stake in Hamburg Airport to 49 percent. In addition, HOCHTIEF AirPort GmbH acquired 15 percent of the stock capital of Sydney Airport.

- In the field of privately financed public-sector infrastructure, HOCHTIEF has once again broadened its market position, putting it ahead of all its German competitors. **Worldwide**, we are **involved in 17 public-private partnership projects**, including nine toll-based routes with a total length of around 700 kilometers.
- In 2002, HOCHTIEF **generated 84 percent of its work-done volume outside its difficult home market**. This is a level that no other German construction company gets anywhere near.
- Our American subsidiary **Turner** last year posted the **best operating results in its over 100 year-long history**.
- HOCHTIEF's Australian subsidiary **Leighton** Holdings Limited is not only performing well but also currently has a **record order backlog of AUD 10 billion**, equivalent to over EUR 5.5 billion.
- The only drop of bitterness, albeit a large one, is the development of our Dutch associated company **Ballast Nedam**, which ended the 2002 business year with a loss of EUR 143 million. We have been able to absorb this substantial burden in our 2002 balance sheet.

In 2002, we underpinned our stature:

HOCHTIEF is the largest German construction company. In the USA – the world's biggest construction market – and in Australia, we are **market leaders**, and we also have a leading position in Southeast Asia. In Europe, our company comes in fourth place, **worldwide** it is the **Number Five**.

These developments are evidence that our corporate strategy, aligned as it is to profitable growth, is bearing fruit. Our **leadership in innovation**, combined with systematic transfer of knowhow across the borders of countries and divisions is paying off.

So you see, ladies and gentlemen, that HOCHTIEF is indeed **building value on sound foundations**. That is also shown by the way our share has performed. Against the background of the severe slump on the stock markets, the price of the HOCHTIEF share has remained stable; in 2002, it outperformed the C-Dax Construction Index by 18 percentage points.

But even this performance fails to reflect the true value of our company. On the stock exchange, the HOCHTIEF share currently trades at around EUR 12. But our book value is far higher.

HOCHTIEF's strategy and objectives can be summed up succinctly in three statements:

- 1. We will continue to strengthen our international orientation.**
- 2. We will, from today's viewpoint, achieve the break-even at HOCHTIEF Construction this year.**
- 3. We will expand in our profitable business areas, especially in the field of services.**

I should like to use these three points as a guide to some details of FY 2002 and above all to give you an insight into the future of HOCHTIEF.

1. HOCHTIEF will continue to strengthen its international orientation

Our presence in the different local markets all around the world – above all in Australia and the USA – gives us two key advantages. On the one hand, it enables us to offer those of our clients who themselves operate internationally services from one single source. And on the other hand, by balancing out regional economic fluctuations, we can limit our risk. 84 percent of our work-done volume is generated outside Germany. Moreover, HOCHTIEF is the only company in this industry worldwide to be strongly represented on all the continents.

I mentioned it at the start: the only negative piece of news comes from **Ballast Nedam**. Our associated company in the Netherlands ended the 2002 business year with marked losses, caused by its export business, the costs of restructuring measures – above all in the United Kingdom – and contributions to its pension fund. In our financial statements, we have taken all identifiable risks from this financial participation into account.

The far-reaching program of restructuring at this company provides, among other things, for Ballast Nedam to gradually withdraw from international operations in order to concentrate on its healthy and profitable business in the Dutch market. There have also been management changes.

The contributions to our earnings generated in Australia and the USA continue to be most gratifying. At the beginning of 2002, in order to strengthen our partnership with the **Australian Leighton Group**, we created the Asia Pacific division and transferred all our Asian activities to that. For years now, Leighton has been by far the foremost construction services group on the Australian continent. And Leighton also has an outstanding position in Asia. To an even greater extent than HOCHTIEF itself, Leighton concentrates on the field of services. Nowadays, only just on 50 percent of its work-done volume comes from construction.

What better way could there be to highlight this outstanding position than by pointing to some of the prestigious contracts that Leighton has recently acquired?!

For example, it has been commissioned, together with partners, to plan, finance, build and subsequently operate the **Western Sydney Orbital**, a 40 kilometer long toll route through the very busy parts of Australia's biggest city. The investment volume totals EUR 1.24 billion, of which construction work accounts for EUR 830 million. The highway is scheduled to open in 2007, after which Leighton and its partners will operate it for a period of 30 years. The Western Sydney Orbital is the ninth toll-based highway in which HOCHTIEF is involved.

Also in Sydney, Leighton is developing a large property project: the **Kens office complex**. This comprises two 33-floor office towers. Construction will commence this year and be completed in January 2006. The EUR 333 million complex has already been let, to the Westpac Banking Corporation, making this the biggest-ever preletting in Australia.

In February this year, Leighton Asia gained its largest-ever contract. The consortium in which it is a partner has been commissioned to carry out a project in **Hong Kong harbor** involving the reclamation of around 18 hectares of land. Leighton Asia's share in the project is EUR 212 million.

One outstanding example of the numerous projects being realized on the basis of cooperation between different parts of our Group is the **Parramatta Rail Link** in Sydney. From 2010, this will connect several of the city's suburbs. Here, HOCHTIEF Construction AG and the Leighton subsidiary Thiess are working together. The contract awarded to the two companies concerns a 13 kilometer section of the link, two tunnels and four underground stations. The volume is almost EUR 490 million.

All these projects help to contribute to Leighton's present record backlog of EUR 5.5 billion that I mentioned earlier.

The company's full order books fill it with optimism about the future. Leighton is confident that in the coming years it will continue to contribute substantially to HOCHTIEF's consolidated earnings. Among the chief factors that help to ensure bright prospects are the plans to expand the rail network in Australia on a massive scale, which will also include building new lines. The forecasts for Asia are also positive.

The Asia Pacific division once again posted very good earnings. Any consideration of the fact that these were, though, below last year's level, needs to take into account that they have been affected by a write-down undertaken by Leighton in connection with its interest in telecommunications service-provider NextGen Networks. This is reflected in HOCHTIEF's IAS consolidated financial statements by a charge of EUR 26 million.

In 2002, 25 percent of our consolidated work-done volume was generated in the Asia-Pacific region, another 53 percent in America. As the biggest single construction market in the world, the USA is by far our most important sales market, and here our subsidiary **Turner** is the Number One in the field of General Building.

For Turner, 2002 was another **record-breaking year**. Its operating earnings of almost USD 97 million were the best in the company's history. New orders, at close on USD 7 billion, were on the same high level as the year before, while the order backlog was up by almost USD 700 million. After conversion into euros, however, this substantial growth is transformed into a fall compared with 2001.

Turner's good business performance is due above all to its greater concentration on growth segments and its resultant larger market share.

Recently, the company's **airport construction** division has been heavily involved in the installation of airport security systems. Following the attacks of September 11, 2001, the relevant US authority ordered 447 commercial airports around the country to be fitted out with explosives detectors. As a partner of Boeing and Siemens, which are installing the detectors, Turner was commissioned to complete all the necessary facility modifications and other site preparations in these airports. Its share of this contract is worth USD 128 million.

In the **office buildings** segment, Turner has underlined its unrivalled leading position with many technically very demanding projects. Anyone who has ever been to Manhattan can imagine what is involved in erecting a 25-story office tower in a gap between other structures measuring just 30 by 60 meters! The grounds are flanked on one side by a luxury condominium and on the other by the entrance to Queens Midtown tunnel. Turner not only succeeded in meeting all the design and construction challenges but was even able to complete the job one month ahead of schedule.

Although no sustained boost in growth in the United States is to be expected this year, **Turner remains optimistic about the future**. Its confidence is based partly on its long years of market leadership in building construction in the USA but partly also on the ability it demonstrated so impressively in 2002 to respond rapidly to changing market requirements and new demands on the part of clients.

Ladies and Gentlemen,

What else does our international alignment give us – in addition to satisfied clients, a well-spread risk situation and excellent contributions to our earnings? The answer is: a chance to learn. Best practice solutions developed in one or other of our corporate units can be transferred to the other divisions – and in this way we provide mutual impulses, enabling us to steadily and continuously improve the quality of what we offer.

So our goal for the future is not primarily to become even more international but rather to strengthen the existing network and utilize it even more intelligently.

2. From today's viewpoint, HOCHTIEF Construction will achieve the break-even this year

The **turnaround** at **HOCHTIEF Construction** is the result of hard, systematic and persistent work by our building people – but would have been impossible so quickly and on such a lasting basis without the transfer of knowhow from the United States. In 2002, we reduced our prior-year losses in this division by the significant margin of EUR 56 million, despite the fact that the result was adversely affected to a considerable degree by an older project in Cologne. We are advancing in the right direction and have made good progress.

In 2001, we had already fundamentally extended and tightened up our **risk management system** and have now optimized this further by combining it with the risk management procedures that have been in place successfully at Turner for some years. Quality before quantity is the motto. And we are reaping the rewards. Our new projects are proceeding positively and according to plan. Our **“PreFair”** contractual model is also decisively based on the experience of our American subsidiary. At its core is the early initiation of a dialog with the client in a spirit of trust. In this way we are also succeeding in opening up attractive product market segments, for example shopping centers. Here, one client alone – the ECE Group, Europe's largest shopping malls developer – has recently entrusted us with four new projects with a total volume of more than EUR 250 million.

At HOCHTIEF Construction – as you will know, ladies and gentlemen – we are currently implementing a restructuring program bigger than any other in the recent history of HOCHTIEF. And it is impacting right in every respect. We have cut back our geographical presence and are concentrating on high-earnings markets and segments. In this process, reducing the number of **employees in Germany** to around **a third** of the former total was unavoidable. In this way, we responded earlier than all our competitors to the challenges of a completely changed marketplace and have created **assured jobs for more than 8,000 people**. In the future, too, there will be a structural downsizing in some few places, but in others there will be a structural increase in jobs.

HOCHTIEF **Construction** has significantly stepped up the proportion of its **international projects**. As well as the Parramatta Rail Link in Sydney that I referred to earlier, I should like to draw your attention to three projects in particular:

In **South Africa**, HOCHTIEF is cooperating with our associated company Concor in constructing a **deep-water port** northeast of Port Elizabeth; this is a EUR 142 million project. Technical leadership is in the hands of HOCHTIEF.

One totally outstanding and truly spectacular project is the **Gotthard Base Tunnel in Switzerland**. This is a venture that is gigantic in every respect: the building of the world's longest rail tunnel, all of 57 kilometers in length. In the next few years, some EUR 7 billion will be expended on this project. The tunnel boring machine biting its way through the rock is more than 400 meters long. HOCHTIEF and its four partners are building around 30 kilometers of the tunnel, in a contract worth around EUR 1 billion.

We are also demonstrating our leadership in innovation in another major tunnel project: a 2.5 kilometer long twin-tube **tunnel** currently being built **under the Thames** in London. The hole-through for the first tube came a few weeks back. The project will be finished by summer 2004.

The good orders situation is the reason we view the present business year for HOCHTIEF Construction with optimism: we will be returning to working at full capacity. The attractive, strongly growing markets in Central and Eastern Europe will also help to step up sales revenues and earnings and utilize part of our domestic capacities.

3. HOCHTIEF will expand especially in the services sector

20 percent of HOCHTIEF's consolidated work done now comes from the field of services, such as project development, facility management, airport management and contract mining. If we include cost-plus-fee contracts, the figure is actually 29 percent. By 2007, we aim to increase this proportion to about 50 percent.

One key point of focus for us in the future will be **public-private partnership** projects. It is a fact that without private enterprise, many important public-sector projects can no longer be realized, because no money is available to finance them. A study by Arthur Andersen has impressively shown that placing such public-sector infrastructure projects in the hands of private companies can generate efficiency gains of around 17 percent.

HOCHTIEF is now involved in a total of **17 PPP projects**, including nine **toll routes with an aggregate length of some 700 kilometers** and an investment volume in excess of EUR 4.7 billion. HOCHTIEF's share of this is EUR 1.2 billion, thus giving us a leading worldwide position in this field. **In Germany** we are **Number One**. Here, too, we benefit from expertise acquired abroad.

PPP projects mobilize private capital. They create jobs – through their own efforts rather than thanks to subsidies. Private enterprise is ready and waiting; we could set to work at once. What we need is a clear statement by policy-makers in favor of PPP projects and a reduction of the present bureaucratic and tax obstacles.

The plans so far announced by the public authorities do not go far enough. The German government's program for improving the highway and major trunk road networks is an important first step. But there are considerably more areas where private companies could become active: schools, universities, hospitals, prisons. It is shameful that up to now more or less the only reference projects which German companies can point to are abroad.

One important PPP project area in which HOCHTIEF has long been established are **airports**. In 2002, we underpinned our position as one of the world's leading airport operators by increasing our interest in **Hamburg Airport** and by acquiring a 15 percent stake in **Sydney Airport**. This latter step represented the start of a new development, because what was in demand in this case was not just our money and a substantial participation but our knowhow in operating airports. Consultancy is the segment of the airport business which will evolve more and more strongly in the future. As a consequence of this, we have bought a 49 percent stake in **Transport and Logistics Consultancy**, TLC, in the United Kingdom, thus enabling us to include air cargo and passenger baggage logistics in our wide range of services. Among TLC's clients are BAA, the British Airports Authority, and British Airways.

For **Senai Airport** in Malaysia, HOCHTIEF last year developed a comprehensive cargo and passenger concept. This consultancy contract has since been expanded: the airport owner has invited us to operate the project as well. A letter of intent has already been signed.

All our expertise in the airport business was unfortunately not enough to cope with the balancing act which would have been demanded by the completely unrealistic notions put forward by the public authorities in connection with **Berlin Brandenburg International Airport**. The relevant talks were brought to an end by demands which involved such incalculable risks that they cast doubt on the feasibility of financing the project. If the contract award process is finally abandoned, we expect fair compensation for the costs we have already incurred.

The end of the privatization procedure will not impact negatively on our balance sheet, since this project has not been taken into consideration in our business planning.

HOCHTIEF **Project Development** has established itself as Germany's leading inner-city property developer. Not even the difficult situation in the property sector, caused above all by the discussion on tax amendments, was able to halt its progress. In all, the company is at present planning and implementing 40 office and hotel projects with a total **investment volume** of **EUR 1.7 billion**. **Leases** have already been signed for **more than 81 percent** of the rental premises under construction and **56 percent** of the total space involved has **already been sold**.

One of the company's future-oriented developments is the Helfmann-Park in Eschborn, near Frankfurt, where a former HOCHTIEF brickworks provides a site with an area of more than 100,000 square meters. By 2005, we will be erecting seven office properties and a hotel here. The first two construction phases have already been completed, and the new head office of Eurohypo is at the shell structure stage. One special feature of this development is that all three of these construction phases have already been marketed in their entirety, i.e. they are fully let and have been sold to final investors. For this reason we are optimistic that, despite the difficult situation in the property sector, we will also be able to finish and substantially market this complete quarter by 2005.

The services area **Facility Management** also remains on a growth trajectory; for some years it has posted the highest growth rates within the Group. In 2002, it stepped up its sales revenues by more than 25 percent. When it comes to outsourcing facility management services, potential clients increasingly realize the advantage of a complete package deal. One consequence is that companies place not merely individual projects but entire locations or even their whole property portfolio into the hands of a single vendor. This trend will become even more marked in the future. Part of HOCHTIEF Facility Management's strategy, in addition to expanding its position in Germany, is opening up markets abroad. That includes Central and Eastern Europe, Greece, the Benelux states, Austria, Switzerland and the United Kingdom. The company will continue to grow strongly in this present year and will steadily establish itself as one of the largest European service providers in the field.

The earnings of the Development division, which includes project development and facility management, will remain gratifying in 2003.

Outlook: Higher net income anticipated in 2003

Ladies and Gentlemen,

Now just a few words on the development of our business in the current year. In the first two months of 2003, our **order backlog continued to grow**, rising by 1.5 percent on the corresponding period last year. New orders were at last year's level. In comparison with January and February 2002, our work-done volume dropped by twelve percent, but the fall was due entirely to new currency parities.

Right now, no-one can say whether the negative development of the financial markets, with its impact on the valuation of investments in securities, will continue, how currency exchange rates will evolve, or what repercussions the war in Iraq will have. On the assumption that we do not suffer any extraordinary adverse effects as a result of these special factors, we expect for **2003** as a whole, **new orders, order backlog and sales revenues to register a percentage increase on last year in the upper single-digit range**. We anticipate that **consolidated net income will also be up on the prior year, and by a greater rate than the increase in volume**.

Under these premisses, I should like to end by once again summing up our goals for 2003:

- We will improve our earnings.
- We will, from today's viewpoint, achieve the break-even at HOCHTIEF Construction.
- We will extend our international network.
- We will further strengthen our services areas.

We have geared our company up to achieving these ambitious goals. Since the beginning of this year, our reorganization has been completed for the time being. Our structures are clearcut, hard and fast. Our reporting is transparent. We believe that with our strategy we will significantly increase the value of our company. I think I have shown that HOCHTIEF is indeed building value on sound foundations.

I should now like to ask Dr. Vater to present the details of our annual financial statements.