General Shareholders' Meeting 2013

May 7, 2013

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Chairman of the Executive Board

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Guten Morgen, meine Damen und Herren!
Good morning, dear shareholders!

Please allow me to speak English today – a German translation is available over the headphones placed at your seats. On behalf of the Executive Board I would like to welcome you to our General Shareholders' Meeting.

I am glad to welcome you as HOCHTIEF's CEO. It is an honor and a pleasure for me to work for this outstanding company.

As you have just seen in our film, 2013 is a special year for HOCHTIEF: In **140 years**, our company has realized landmarks all over the world. It is a globally renowned brand. It stands for quality, performance and innovation. Examples from this great history are displayed outside – please take a look at 140 HOCHTIEF years!

The film confirms what my first impression of HOCHTIEF was six years ago – when I became Member of the Supervisory Board: The company has excellent engineering skills. As a civil engineer myself, I am not easily impressed. But our projects have impressed me – all over the world.

My colleague Peter Sassenfeld and I want to continue with the HOCHTIEF success story. But we have to be honest with our shareholders, our employees and ourselves: HOCHTIEF's self-perception has been better than our performance in many areas. We want to restore HOCHTIEF to its former strength. To do that, we will first have to expand the right business. Infrastructure is our real expertise. We will also have to do our work more efficiently. After all, you are rightly expecting returns for your shares! And finally, we have to put an end to nasty surprises like profit warnings. That's why we are improving our risk management. To sum up: Key levers for success are doing the right business, doing it efficiently and managing risks properly. Let me come back to our strategy in a moment.

I should like to start with some positive news that came in only a few hours ago. I am delighted to announce that HOCHTIEF AirPort has been sold to the Canadian pension fund managers "Public Sector Pension Investment Board (PSP Investments)". With retroactive economic effect as of January 1, 2013, PSP Investments will take over all shares in HOCHTIEF AirPort and the airport assets held by it in Athens, Budapest, Düsseldorf, Hamburg, Sydney, and Tirana. The transaction proceeds are approximately EUR 1.1 billion. Closing is expected in the second half of 2013. The transaction is subject to certain conditions precedent, including approval by the competent authorities if required and other required approvals.

With this sale, we have implemented a decision which HOCHTIEF already took several years ago. As you are aware, several attempts were made in recent years but came to nothing. The reasons for selling remain valid and in line with our strategic direction: We generate the greatest value for our shareholders by combining our employees' expertise with our equity in the best possible way in order to carry out infrastructure projects. We had a substantial part of our capital tied up in our airport holdings without being able to use it for growing our core business. We have developed HOCHTIEF AirPort to one of the big international players in the airport management and it consistently generated solid earnings. However, the cross-selling potential with our core business is very limited. Additionally, there are better owners for HOCHTIEF AirPort – like pension funds, who have different earnings expectations.

Since I have held the office of Chairman of the Executive Board, we have negotiated with numerous interested parties on a number of different sales models as well as terms and conditions. The price we have now attained – and the transaction will not have a significant impact on our P&L – is fair and in the result of a very competitive tendering process. It takes into account all opportunities as well as risks for the buyer and enables us to significantly reduce debt and invest in growth. The transaction will further strengthen HOCHTIEF's financial and competitive position.

I am also very pleased with the solution we have achieved for another reason: PSP Investments has announced that it will expand business with the airport holdings and is counting on the expertise of HOCHTIEF AirPort employees to do so. So with the sale we have secured jobs and I believe that we will be able to arrive at a similar outcome with the other areas of activity that are no longer part of our core business. But more about that later.

First, let us look at the **key figures from 2012**: 2012 was a solid year and we succeeded in making a turnaround.

- **New orders** amounted to almost EUR 31.5 billion, exceeding the prior year figure by more than 24 percent.
- **Work done** approached EUR 30 billion – this is the **highest figure** in the company's history so far.
- The **order backlog** stood at almost EUR 50 billion, another record high. Our forward order book guarantees capacity utilization for more than 20 months.
- The good order books and growth in business volumes were reflected in **sales**: We increased the figure by 9.6 percent to EUR 25.5 billion.
- HOCHTIEF generated a 10.3 percent **Return on Net Assets (RONA)** in 2012.
- We have substantially improved our **profit before taxes** to EUR 546 million.

- The **consolidated net profit** reached EUR 158 million after the 2011 net loss of EUR 160 million.
- **Net debt** was significantly improved within the last quarter of fiscal 2012 from a negative EUR 1.99 billion to a negative EUR 944 million.

Please note: HOCHTIEF has been applying the new IAS standard 19R since January and adjusted the figures for 2012 in all new financial reporting. This is why figures from the quarterly report 2013 deviate from data included in the Annual Report.

We have **overcome the problems** that put us in the red in past years. HOCHTIEF is back on track.

Now let's have a look at our **three divisions**, HOCHTIEF Americas, Asia Pacific and Europe. I am happy to tell you that all divisions have contributed to profit before taxes.

Let us start with **HOCHTIEF Americas**. I am very pleased to welcome Peter Davoren, CEO of Turner Construction, and John DiCiurcio, CEO of Flatiron. Please stand up!

The HOCHTIEF Americas division did well in a difficult market environment. More than 8,000 employees generated work done of EUR 8.04 billion, profit before taxes of EUR 63 million and a Return on Net Assets of 10.5 percent. In a weak market, the civil engineering activities remained clearly below expectations. There were problems with single projects, too. We have tackled the internal difficulties in the meantime. A new management team is in place, and Flatiron is developing well.

Building construction fully met the earnings forecasts. Turner's acquisition of a majority stake in the Canadian construction company Clark Builders strengthened the market position further.

The HOCHTIEF Americas division began the year with a large order backlog. After a decline in 2012, the outlook in the markets of importance for HOCHTIEF Americas has now improved. For 2013, we expect profit before taxes to increase to between EUR 80 and 100 million.

For **HOCHTIEF Asia Pacific**, we welcome Hamish Tyrwhitt, CEO of Leighton Holdings.

Leighton substantially improved the operating performance again. With 56,000 employees, work done amounted to EUR 18.22 billion, profit before taxes was at EUR 411 million, and RONA came to 13.6 percent.

However, the projects Airport Link and Victorian Desalination Plant still had negative effects on earnings. Both projects were completed and handed over to the clients in 2012. It becomes clear from these projects that size and complexity are risk factors, especially when the focus is on volume growth, as in the past. Risk management is therefore on top of our agenda!

Leighton's emphasis now lies on higher operating margins in the core business, on balance sheet strength, and on sustainable growth. The strategic reorientation is making good progress. Leighton has divested non-core assets: Thiess Waste Management was sold in 2012 and the sale of a majority stake in telecommunications assets Nextgen Networks, Metronode and Infoplex was agreed just this March.

The division's outlook for 2013 is good: Leighton expects to deliver operating profit after taxes of AUD 520 to 600 million in 2013, subject to market conditions and unforeseen circumstances.

Talking about Leighton and having met the CEO, I would like to add a remark about the recent board changes: We regret the resignation of three independent board members at Leighton in March this year – saying there has been a breakdown in relations with the major shareholder HOCHTIEF. The cooperation of

HOCHTIEF and Leighton has always been a success story throughout the last decades. Both companies have worked on the basis of informal governance principles which we lived over the last years. HOCHTIEF has at no time given the Leighton independent directors any cause to believe that it intends to depart from these principles.

We are therefore pleased that two independent board members have taken leadership roles: Bob Humphris has been elected Chairman of the Company. Paula Dwyer has been appointed Deputy Chairman. Their immediate priority is to identify and appoint additional independent directors with the capability to contribute to the further development of Leighton. We as HOCHTIEF are committed to Leighton's strategic objectives and totally support the CEO, Hamish Tyrwhitt, and his management team.

At **HOCHTIEF Europe**, we have recently had changes on the Executive Board of HOCHTIEF Solutions AG. Until suitable candidates will take over the posts of CEO and CFO, Mr. Sassenfeld as CFO and I as CEO will perform these functions on an interim basis. Please now meet board member Nikolaus Graf von Matuschka.

HOCHTIEF Europe had more than 15.000 employees in 2012. Work done was at EUR 3.33 billion, profit before taxes at EUR 29 million, and RONA amounted to 6.9 percent.

The division’s 2012 earnings in 2012 were heavily affected by the impact of the **Elbe Philharmonic Hall**. HOCHTIEF and the City of Hamburg signed a binding contract in April 2013. HOCHTIEF will realize the project, and total cost will amount to EUR 575 million. We benefit from the agreement reached in that the structural problems in the project are now resolved as well as all ongoing litigation, including evidentiary proceedings. The collaboration with the architects in the new constellation is going very well. We'll soon see progress on the site and comply with all obligations with respect to cost, schedule and quality.

Let us come back to HOCHTIEF Europe:

- The **Classic Building Construction** segment of HOCHTIEF Solutions fell short of expectations – not only because of the Elbe Philharmonic Hall. We have already reduced the business volume over the past years, but not all units work profitably.
- In the **Real Estate Solutions** business, project sales were postponed – we have not had the expected success in sales.
- In the **Services Solutions** business, earnings were stable, as predicted.
- The **PPP Solutions** unit successfully extended its activities to the Netherlands. We are part of the consortium that will build, upgrade and operate an important highway section between Amsterdam and Almere. The project has a total volume of over EUR 1 billion. HOCHTIEF holds a 20 percent stake in the consortium.
- The **Infrastructure Solutions** segment has contributed to earnings, but the margins are still below expectations.

All in all, the Europe division's EBT returned to the black in 2012. Compared to 2012, we expect an improvement of the operative result already in 2013. But the division's earnings situation is not at all satisfying yet. In a moment, I will tell you how we can improve our performance.

Strategically, HOCHTIEF Europe will focus on constructing and delivering infrastructure projects, with the priority on improving cost-efficiency. The process of selling the services business, as announced, has been successfully initiated. Tied-up capital is to be reduced by implementing partnerships with other investors in the real estate segment. I will explain these points in detail later. Another focus in 2013 will be on improvements on the cost structure.

All these measures will improve the profitability of the HOCHTIEF Europe division sustainably. Compared to 2012 we expect an improvement of the recurring operative result already in 2013.

Let us look at the performance of the **HOCHTIEF share** – an important factor for our shareholders. The price of the HOCHTIEF share fell by EUR 0.77 over the course of 2012. However, the development of the share price in the last months was encouraging. And the clear majority of the analysts who cover HOCHTIEF recommend to buy our share.

The financial market trusts in HOCHTIEF. This has been confirmed only recently in March with the placement of a corporate bond for EUR 750 million at very favorable conditions for us: Our offer was oversubscribed more than five times!

As to the **dividend**, we will propose a distribution of EUR 1.00 per share today. This equals a payout ratio of 48.7 percent. It is our policy to let all shareholders participate adequately in the earnings development.

Fiscal 2013 started well, although **new orders** in the first quarter at EUR 5.55 billion were down on the very strong 2012 figure (Q1 2012: EUR 7.69 billion).

- **Work done** was at EUR 6.50 billion and 2 percent higher than in the prior-year period (Q1 2012: EUR 6.36 billion).
- The **order backlog** at EUR 50.69 billion, was at the same high level as in the prior-year period (Q1 2012: EUR 50.26 billion).
- At EUR 5.50 billion, **sales** almost matched the prior-year level (Q1 2012: EUR 5.57 billion).
- **Operating earnings** increased to EUR 189.1 million (Q1 2012: minus EUR 46.1 million).
- **Profit before taxes** reached EUR 123.3 million(Q1 2012: loss before taxes of EUR 92.1 million)
- Finally, **consolidated net profit** stood at EUR 43.5 million (Q1 2012: consolidated net loss of EUR 34.8 million).

Our **Group outlook for 2013** is positive:
For 2013 we continue to anticipate that new orders, work done, and the order backlog of the Group will normalize.

Furthermore, we increased our operating profit expectation: When publishing the full year figures 2012 HOCHTIEF had guided a ten to twenty percent year-on-year increase of profit before taxes and consolidated net profit, respectively, for 2013. This is equivalent to approximately EUR 601 to 656 million profit before taxes and EUR 174 to 190 million consolidated net profit.

We now expect a stronger earnings increase in 2013 with profit before taxes reaching EUR 670 to 750 million and consolidated net profit of EUR 210 to 250 million.

This guidance is before adjustment for the sale of HOCHTIEF Airport, which is expected to be closed with retroactive economic effect as of January 1, 2013. After the airport transaction we have to deduct HOCHTIEF AirPort's operating earnings: This new guidance implies a profit before taxes range of EUR 600 to 680 million and consolidated net profit of EUR 180 to 220 million for 2013.

The earnings guidance range is purely operational. It does not include non-operative items such as restructuring charges and effects from disposals. The airport transaction is expected to generate no significant extraordinary earnings impact. The airport transaction is expected to improve the Group's cash position significantly by approximately EUR 1.1 billion. Through operating improvements and disposals, the Group therefore expects to attain a net financial assets and net cash position already by the end of 2013 or 2014 at the latest.

As I mentioned at the beginning, we have done a **strategic review** of all businesses and the administration support functions. We have screened all activities for strategic relevance, margins, the earnings quality, size and growth potential. I am sure you will agree that our work must generate adequate returns. This is what all shareholders expect from us – in Germany, in the U.S., in Qatar, in Spain – everywhere. Our key objectives are to increase profitability and to reduce net debt.

A **package of measures** is underway:

1. We increase the efficiency, lower costs and streamline the organizational structures.

The margins in our Europe and Americas division have been rather low. We see room for improvement especially by streamlining complex structures. For example, we plan to align our U.S. companies Turner and Flatiron more closely. There are many opportunities for them to work together even more efficiently.

Last but not least, the highly complex structures of HOCHTIEF Solutions AG will be simplified. This will save costs and also means to get closer to our clients. Moreover, we plan to rescale our classic building business in Europe.

2. We implement simpler and more efficient tools for avoiding or managing risks.

Single but large loss-making projects in all divisions have severely weakened the profitability of HOCHTIEF over the past years. We don't like risks that can't be controlled, and I am sure that none of you does!

The handling of risks begins with the evaluation of markets and projects. Risk management is a priority on our agenda. With all my experience, I want to develop a best-in-class risk management at HOCHTIEF.

We have defined clearer and stricter criteria for all construction phases: It starts with the selection of the right countries, segments, and projects. The next step is to define the right project types and teams. We are currently improving project control methods Group-wide.

Let me add one more thing: We are engineers. We want to create things, we want to see them grow and to complete them. It is not in our interest to hunt for change orders, or to argue with our clients. On the contrary: We want to serve our clients' needs. And if problems come up, we will find solutions together with our clients, early on. This is and will be our approach.

3. We focus on countries, market segments and projects where we are competitive and will earn money.

Infrastructure construction is a core competency of HOCHTIEF. Over the last year, I have met many great project teams. I am impressed with their qualification and experience. We have such great potential at HOCHTIEF! I am convinced: If we concentrate all our energy on this expertise and on the relevant markets, we will be highly successful!

Nearly every country on Earth has a great need to change, to redevelop or expand their transport systems and energy production. We also see future opportunities in social infrastructure like schools, hospitals, offices and homes. The investment needs over the next decades amount to several trillions of euros. There is plenty to do! We will choose countries with solid conditions regarding size, fair competition, good margins. And we will concentrate on infrastructure projects demanding our expertise, as construction contracts or PPP projects. For the future, we see HOCHTIEF as the leading global infrastructure contractor achieving profitable and sustainable growth.

The base has been built. Leighton holds a leading position in Australia. We have strongly developed our situation in North America over the past years. In Europe, the highly developed markets offer great chances – for example the UK, the Netherlands, Scandinavia, and Germany. We will be active in these countries. Germany will remain HOCHTIEF’s home market. But the view of and on HOCHTIEF has become international: HOCHTIEF is a *global* company today.

We have changed our European division’s business over the last years, the volume in building construction was reduced, and new markets like Scandinavia have been developed. In the HOCHTIEF Group, the division’s share in sales is less than twelve percent today. But the projects we can do in Europe are attractive and lucrative! We plan to rely on local companies with local managements in Europe, as Leighton does.

4. Concentrating our energies on the infrastructure market, we will sell our non-core assets.

A focus on infrastructure means that we will exit certain businesses. Leighton has sold Thiess Waste Management in 2012 and agreed on the sale of its telecommunications business this March.

We have completed the sale process of our airports.

In Europe, we have defined our real estate and services business as non-core business. We are in the process of selling our facility and energy management activities.

We are looking for strategic partners for our property development units. These businesses tie up considerable amounts of capital – strategic alliances are one possibility to reduce this capital commitment.

The search for investors oriented in the long term has started successfully some weeks ago. As in past change projects, we consider the interests of our employees at all times: We are seeking strategic partners and investors who will expand and continue the business together with the employees.

Our non-core assets are going to be sold as quickly as possible depending on the market conditions. The sales proceeds will be used for the future benefit of our company and shareholders, that is for:

- investments in our core business,
- the reduction of net debt,
- and the adequate participation of shareholders in our success.

Let me add some details on the core business: Infrastructure construction is our core talent, a business we excel at! That is where we have unique know-how. That is where your average local construction company cannot compete. That is where the margins are. Infrastructure is what we will concentrate on with 140 years of HOCHTIEF experience.

Meine Damen und Herren, I have a clear target: Huge losses with millions of euros like those we have seen at HOCHTIEF shall not happen anymore. Yes, there are risks. But they can be controlled with the right tools. This is a matter of systems and culture – and as I told you, we are building up a new risk management and the mindset of our teams.

As for PPP: Of course these projects tie up capital. But PPP is in line with our financial target to reduce net debt: We will recycle the invested capital early and intelligently. When projects are finished and operating, we will continue recycling the tied-up capital and use it for new projects. PPP grants much higher margins than classic building.

We have started with all the above mentioned measures. This means reorganizing HOCHTIEF. Such a profound change will take two to three years.

Meine Damen und Herren, let me **summarize**:

- 2013 will be a year of transition. But HOCHTIEF is on track for a successful year.
- Our new strategy stands for long-term, sustainable success.
- Infrastructure and PPP are our core business.
- The Group's profitability will be increased, and net debt will be reduced.
- HOCHTIEF will be the leading global infrastructure contractor achieving profitable and sustainable growth.
- Our shareholders will participate in our success.

This can only be achieved with our **shareholders' and employees' support**. Our employees have made our success possible. I want to say thank you for their great work, for their commitment and their readiness to look ahead. Our employees will realize future achievements. I am looking forward to continue working with them!

There have been a lot of changes lately, including changes at management level. HOCHTIEF is in a renewal process. This includes organizational as well as cultural changes. HOCHTIEF has excellent talents and leaders in its own ranks, and we have filled most positions with our own managers.

Looking ahead, I am very positive. We will have achieved many of our goals already by the end of this year. We are geared to long-term success: I want HOCHTIEF to stand for excellence in infrastructure, for attractive margins and a sustainable growth that you and all of us can rely on.

For me, HOCHTIEF is a jewel. I am looking forward to make it shine! And I will be glad if you accompany us on this way!

Thank you very much for your attention.

I now come to the **resolution proposals to the General Shareholders' Meeting**:

Under **item 6** of the agenda, the Executive Board and the Supervisory Board submit an **anticipatory resolution regarding holdings of treasury shares** which is largely identical with the resolutions adopted in the past years. It has to be newly adopted because the authorization granted last year is limited to a term of 18 months. The plan now is to extend this term to 5 years so that the General Shareholders' Meeting does not have to deal with this issue again every year. This possibility arises from a change made some time ago to the German Stock Corporations Act. We are asking the General Shareholders' Meeting to accordingly renew the authorization issued last year to acquire and use our own shares.

Under **item 7** of the agenda, the Supervisory Board proposes to elect Dr. Frenzel, Dr. Garcia Sanz and Dr. Wicke **to the Supervisory Board as shareholder representatives**. The three gentlemen have already been appointed as members of the Supervisory Board by the Essen District Court. Now it is planned to have this appointment confirmed by a vote of the General Shareholders' Meeting.

Under **item 8** of the agenda, the Executive Board and the Supervisory Board propose a **change to the Articles of Association** with regard to the attendance fee for the participation of the Supervisory Board members in the meetings of the Supervisory Board and its committees. With this new regulation, the importance of the committee meetings shall be taken account of.