

# HOCHTIEF

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**SUCCESSFUL WITH A UNIQUE INTERNATIONAL NETWORK**

**COMPREHENSIVE ANALYSIS OF HOCHTIEF**

**April 2002**

# HOCHTIEF

**contractor based in Germany -**

**but not a German contractor**

- **Most international contractor worldwide**
- **Expanding service activities**
- **Leanest construction organization among all listed competitors within the German market**
- **Leading Project Developer and Facility Manager,**
- **One of the largest Mining Contractors,**
- **An important telecommunication and traffic infrastructure player,**
- **One of the leading Airport Managers**

# AN INTERNATIONAL LEADER

## 1. INTERNATIONAL CONSTRUCTION MARKETS AND ITS MAJOR PLAYERS (Global Work Done)

RANK	FIRM
1	Vinci, France
2	Taisei Corp., Japan
3	Bouygues, France
4	Bechtel, U.S.A.
<b>5</b>	<b>HOCHTIEF</b>

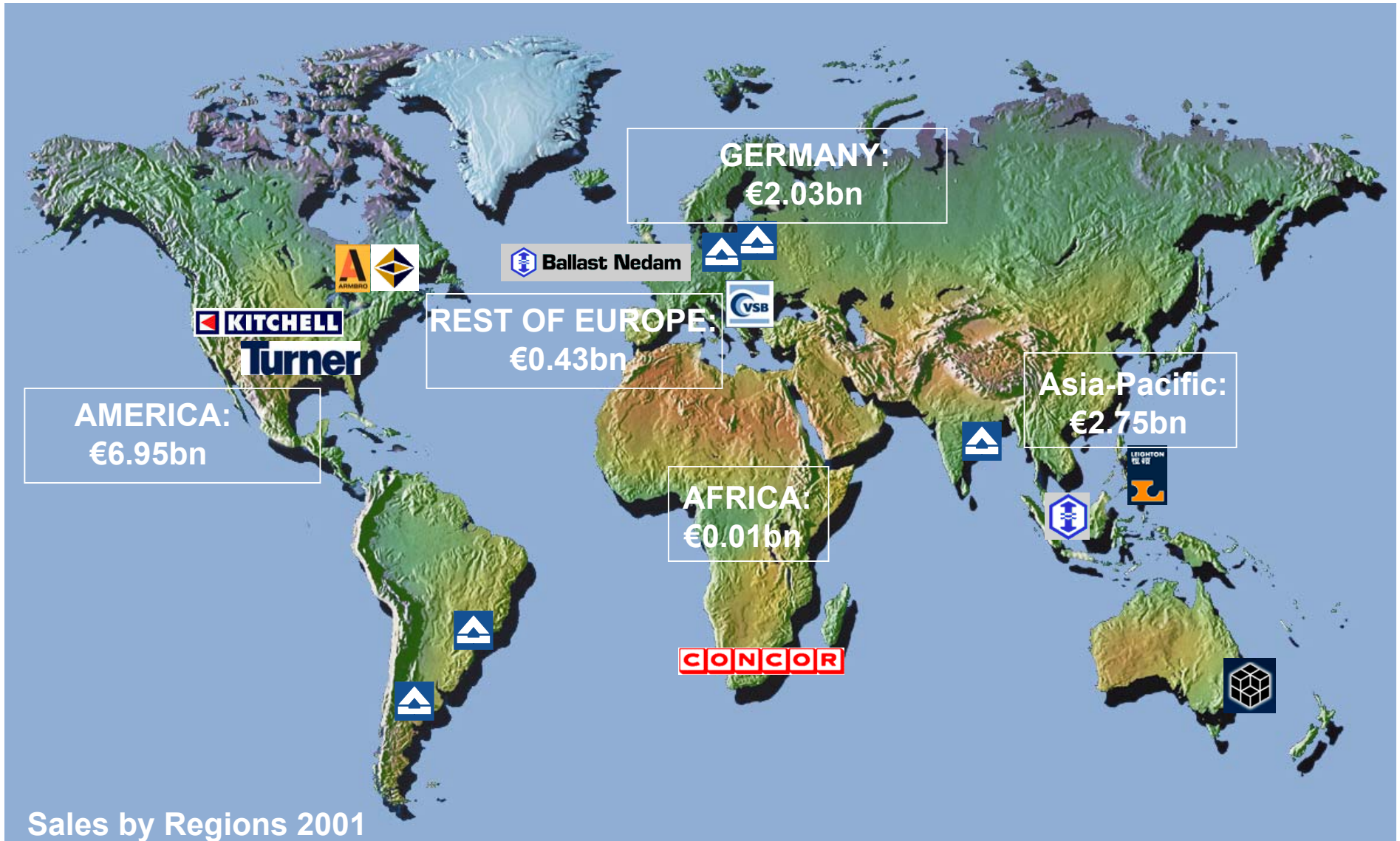
## 2. WORLD'S MOST INTERNATIONAL CONSTRUCTION GROUPS (International Work Done)

RANK	FIRM	2000		
		INTL	REVENUE TOTAL	NEW CONTRACTS
<b>1</b>	<b>HOCHTIEF</b>	<b>9,107.0</b>	<b>12,033.0</b>	<b>13,095.0</b>
2	Skanska AB, Sweden	8,640.0	10,808.0	13,868.0
3	Bechtel Group Inc., U.S.A.	6,811.0	12,390.0	13,276.0
4	Vinci, France	6,324.0	16,126.0	16,549.0
5	Bouygues, Guyancourt, France	5,664.0	12,656.0	13,724.0



Source: ENR 2001: Top 225 International Contractors 2000

# HOCHTIEF GROUP



Sales by Regions 2001

## HOCHTIEF AG (Holding)

Construction AG		Americas	Asia Pacific	HTI	Airport	Development
<b>Building</b> Germany	HOCHTIEF UK United Kingdom	Turner USA	Leighton Holding Australia	Ballast Nedam Netherlands	Athens International Airport	HOCHTIEF Project Development
<b>Civil</b> Germany & International	HOCHTIEF Lux. Luxembourg	Kitchell USA	Leighton Contractors Australia	HOCHTIEF Polska	Airport Partners Düsseldorf	HOCHTIEF Facility Management
	Durst Bau Austria	AECON Canada	Leighton Properties Australia	HOCHTIEF CZ / VSB	Hamburg Airport Partners	Debausie Real Estate Management
	STREIF Logistics	HOCHTIEF do Brasil	Thiess Australia	Concor South Africa		
		HOCHTIEF Construcciones Argentina	John Holland Australia			
			Leighton Asia Hong Kong			

## 2001 Highlights: Positioned for Further Growth

- Restructuring of loss making domestic construction business
- Focus on profitable regions and service businesses continues
  - Position in North America strengthens
  - Full consolidation of Leighton Holdings
  - HT Airport one of the world's leading airport management groups
  - HT Development plays a leading role amongst German project developers; successful expansion into Eastern Europe
  - Profitable mining and telecoms infrastructure business through Leighton
- Shift in Group risk profile
  - Services activities contribute already 15% to Group work done (HTC - Building: 9%)
  - Turner (lower risk construction contracts): >55% Group work done

## ACTION TAKEN AGAINST THE DOWNWARD TREND IN GERMANY



## STRATEGIC OUTLOOK

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### Reorganising European construction activities

- Consolidation of HT Construction business
  - Integration of European units into HT Construction AG
  - Strict risk management processes
  - New contract structures
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### Expansion in existing profitable businesses

- Organic growth of Turner (U.S.A.) and Leighton (Australia/Asia Pacific)
  - Internationalisation of HTD (Real Estate/FM)
  - Continued development of sector specific Facility Management products /services
  - Growth in worldwide PPP sector presence
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### Maintain lead in innovation and expand new businesses

- Airport Consulting services
  - Creation of construction sector e-Business platform
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### Global Networking

- Leverage potential synergies across the Group's global network
  - Enlarge repeat client base through Key Account Management
  - International Management Committee
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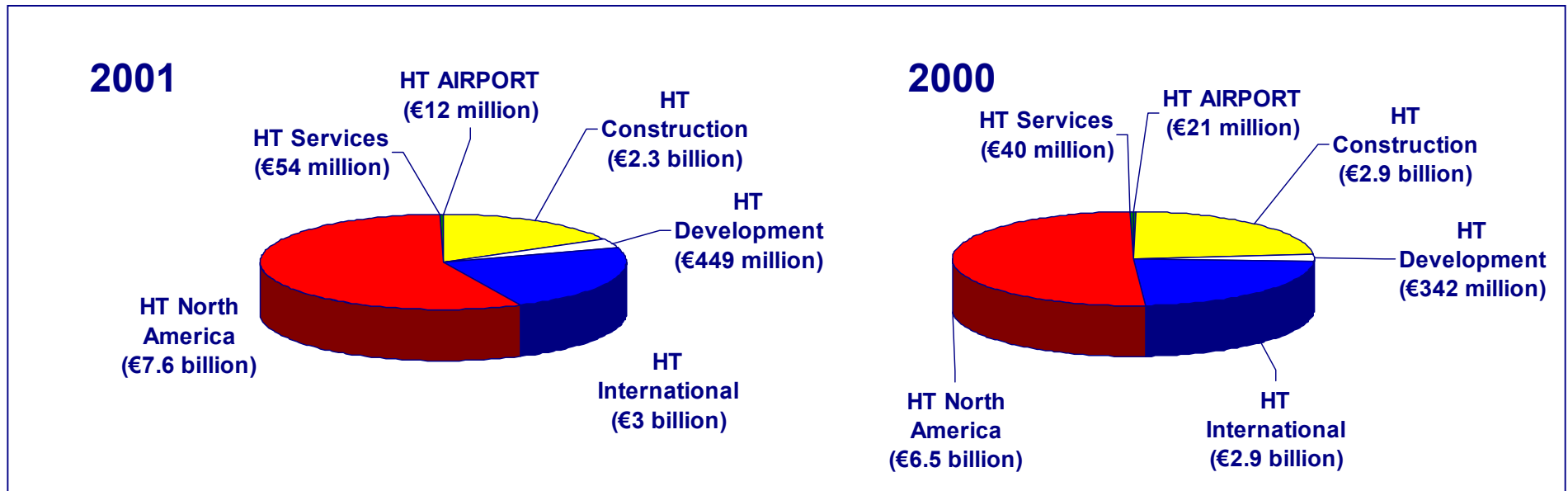
## 2002 DEVELOPMENTS TO DATE

- **RWE re-organised its direct and indirect stake in HOCHTIEF  
→ deconsolidation beginning FY 2002**
- **Sale of Monachia Grundstücks AG realising profits of €157 million**
- **Increase Hamburg airport stake by 4% up to 40%**
- **HOCHTIEF Facility Management moved into the Hungarian market  
managing more than 800 buildings**

## FINANCIAL HIGHLIGHTS: HOCHTIEF KEY FIGURES OF FY 2001

€ millions	2001	2000	Change%	
New Orders	14,660	13,790	+6.3	<b>New Orders</b>
				<b>International €12.12m (+ 6.1%)</b>
				<b>Domestic €2.54m (+ 7.3%)</b>
Work done	13,390	12,730	+5.2	
Sales	12,171	9,586	+27	<b>Work Done</b>
Operating earnings	131	199	-34.2	<b>International €10.94m (+10.7%)</b>
Operating margin (%)	0.98	1.56	-37.2	<b>Domestic €2.45m (-13.8%)</b>
EBITDA	322	179	+80	<b>Operating Earnings:</b>
EBITDA margin (%)	2.4	1.4	+71.4	<b>Down due to domestic developments</b>
Net income	24	123	-80.5	
Earnings per share	0.38	1.90	-80	<b>Net Income:</b>
Dividend per share	0.50	0.85	-41.2	<b>fell back markedly and influenced</b>
Capex	556	493	+12.8	<b>mainly by German building segment</b>
Cash flow	160	220	-27.3	
ROCE (%)	8.2	13.3	na	<b>Dividend down to €0.50,</b>
				<b>arising out of released reserves</b>

## WORK DONE MIX



North America with another major increase (+ 17.2 %) in work done; now accounts for 57% of total

HOCHTIEF International up to €3.02bn (+ 4 %)

International activities within the group now represent more than 80% of total

## CONSOLIDATED STATEMENT OF EARNINGS

€ millions	2001	2000	Change%
Sales	12,171	9,586	+27
Materials	-9,890	-8,125	+22
Personnel costs	-1,639	-1,175	+39
Depreciation and amortisation	-266	-125	+113
<b>Earnings from operating activities</b>	<b>-18</b>	<b>-79</b>	<b>+77</b>
Net income from participating interests	55	104	-47
Net investment and interest income	41	180	-77
<b>Earnings before taxes</b>	<b>78</b>	<b>205</b>	<b>-62</b>
Income taxes	0	-78	-100
<b>Earnings after taxes</b>	<b>78</b>	<b>127</b>	<b>-39</b>
Minority shareholders' interests	-54	-4	n/a
<b>Consolidated net income</b>	<b>24</b>	<b>123</b>	<b>-81</b>
Earnings per share (EUR)	0.38	1.90	-80

**Leighton effects positive on:**

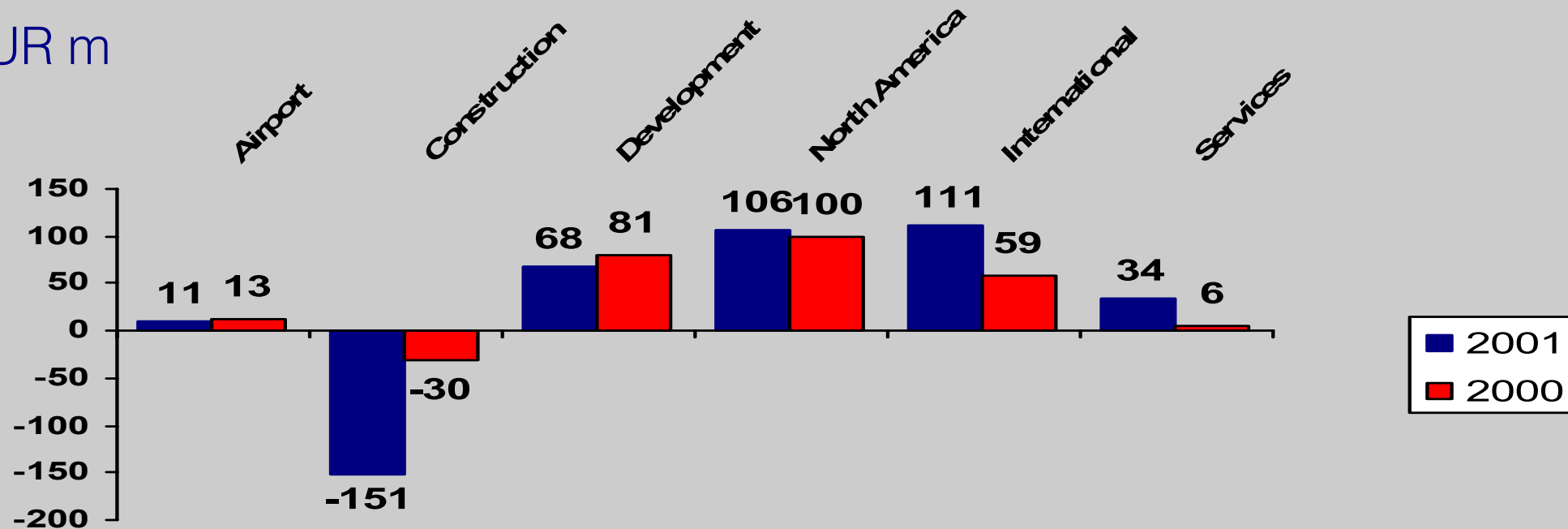
- Sales
- Materials
- Personnel costs
- Depreciation/Amortisation

**HT Construction effects negative on:**

- Sales
- other operating expenses
- operating earnings

# OPERATING EARNINGS BY DIVISIONS 2001

EUR m

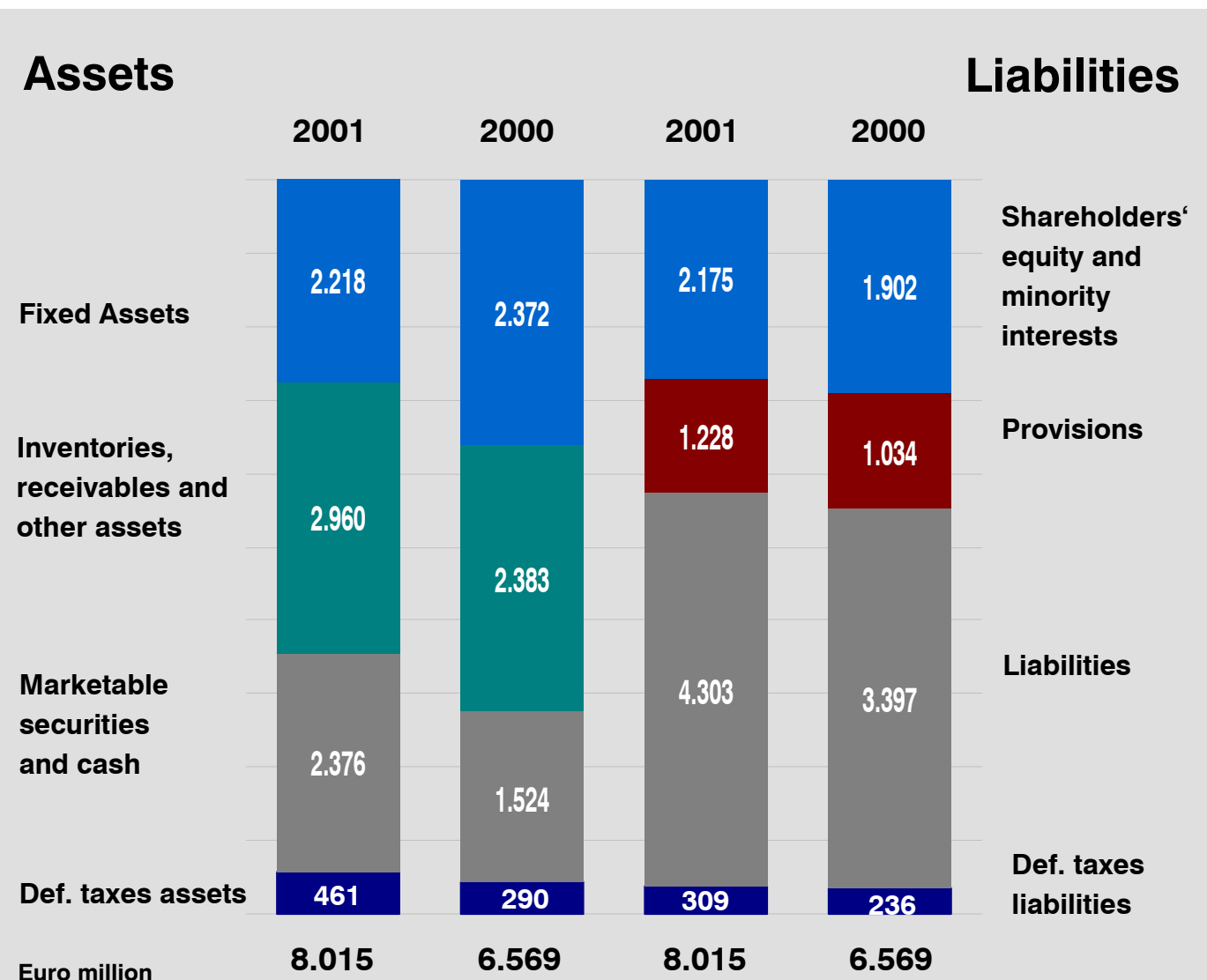


**Development:** Down due to fewer sales and more investments

**North America:** Best results in its history

**International:** Boosted by Leighton

# CONSOLIDATED BALANCE SHEET



**Equity Ratio:**

**2001: 27.1 %**

**2000: 29.0 %**

**Key Leighton effects:**

- Total Assets up  
>21%

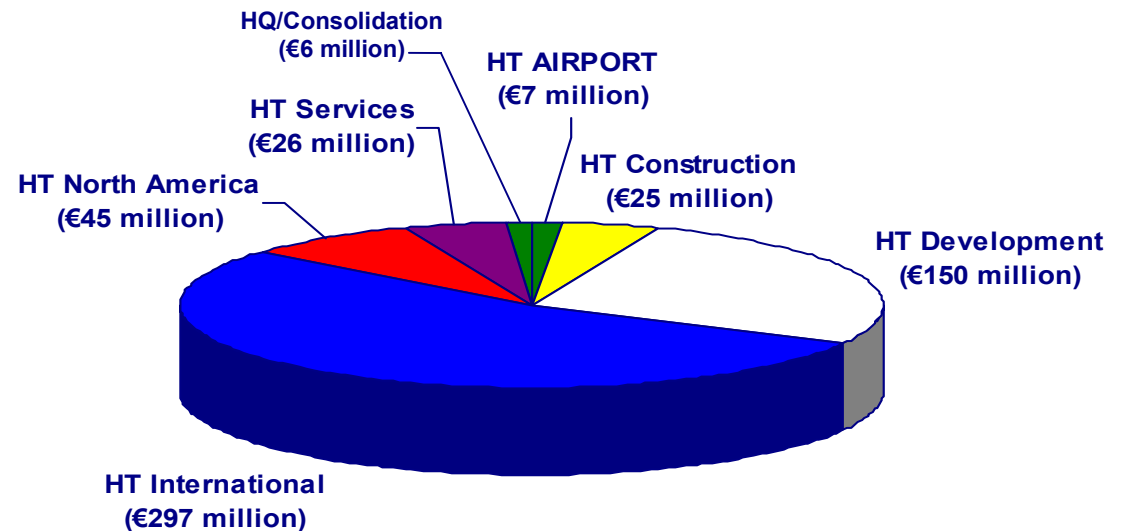
- Liabilities up  
>26%

- Cash and cash  
equivalents up  
>50%

**Shift of €550m from Fixed  
Assets into Current Assets**

## CAPEX IN 2001: €556 m, up from €493 m in 2000

- €491 million used to acquire property, plant and equipment (up 239%)
- Largely from first time consolidation of Leighton (€252 m)
- Debausie (German Real Estate subsidiary) invested €94 m (up 135%), of which €78 m purchase cost of Hamburg office property
- Investments in financial assets €65 m (down 81% due to €288 m investment in Hamburg Airport in 2000)



## CASH FLOW ANALYSIS

(€ millions)	2001	2000
<b>Cash flow</b>	<b>160</b>	<b>220</b>
Net cash used in/provided by operating activities	233	-33
Net cash used in investing activities	-316	-267
Net cash provided by financing activities	187	261
<b>Net change in cash and cash equivalents</b>	<b>104</b>	<b>-39</b>
Cash and cash equivalents at year end	860	427

**Cash flow remains positive with €160m in spite of lower earnings**

**Decline to previous year figures of €220m due to drop in earnings of the HT Construction division**

## HT AIRPORT: A TURBULENT YEAR FOR THE INDUSTRY

(€millions)	2001	2000	Change%	
Work done	12	21	-42.9	➤ Improved results in all airports in which HTA has a stake despite September 11
Operating earnings	10.8	13.1	-17.6	➤ Lower work done due to postponement of acquisition projects
Operating margin (%)	90	62	+44.2	➤ Athens significantly exceeding expectations
EBITDA	-0.4	8.9	n/a	➤ New terminal opened at Dusseldorf airport, another in progress
EBITDA margin (%)	-3	42	n/a	➤ Sydney airport decision postponed -- process to start again in April 2002, HTA-consortium one of three preferred bidders
Depreciation/amortisation	0.5	0.6	-16.7	➤ Berlin planning initiated in April 2002
Cash flow	-3.5	2.2	-259.1	➤ Privatisation projects in Mexico, Portugal and Eastern Europe
				➤ Strategic investment in the Hamburg airport company stepped up 4% up to 40%, ongoing negotiations on further increase
				➤ Consultancy activities further expanded, e.g. new contract for the Senai Air Cargo hub in Malaysia

**HT Airport benefits from its international airport network and its experience in consultancy services, e.g. business planning, financial structuring, aviation and non-aviation airport operations**

## HT CONSTRUCTION: Negative results - the worst is over

(€ millions)	2001	2000	Change%	
Work done	2,269	2,948	-23	➤ Capacity reduction 1,540 in 2001
Operating earnings	-151	-30	-400	➤ Ongoing German capacity reductions of approx. 1,100 in 2002 (provisions in 2001 accounts)
Operating margin (%)	-6.7	-1.0	n/a	➤ €100 million annual cost savings, partly in FY 2002 and fully from FY 2003 on
EBITDA	-135.9	-4.7	n/a	➤ €40 million restructuring costs fully absorbed in 2001
EBITDA margin (%)	-6.0	-0.2	n/a	➤ Recent projects wins
Depreciation/amortisation	13.7	25.2	-45.6	➤ Westfalenstadium, Dortmund, sales of €32m
Cash flow	-80	-30	-266	➤ 56,000 capacity Monchengladbach stadium, sales of €67m
				➤ Gotthard Base Tunnel, HT share is 30 km out of 57 km in toto, completed by 2014, HT sales-share about €270m
				➤ Plus 5 important wins in last few weeks of 2001, totalling €300m

**Success in winning new contracts shows that HTConstruction is, despite the continuing slowdown in the German construction market, on the right track and will return to profitability in 2003**

## HT DEVELOPMENT: Managing the Property and Infrastructure Lifecycle

(€millions)	2001	2000	Change%	
Work done	449	342	31.3	<ul style="list-style-type: none"> <li>➤ Significant increase in sales from HTD</li> <li>➤ Amongst leading German project developers for office buildings, hotels and shopping malls</li> </ul>
Operating earnings	67.6	81.1	-16.6	<ul style="list-style-type: none"> <li>➤ Successful strategy in infrastructure project development group-wide more than 700km of toll-roads worldwide</li> </ul>
Operating margin (%)	15.1	23.7	-36.3	<ul style="list-style-type: none"> <li>➤ Expansion into Poland, Czech Republic and Hungary</li> </ul>
EBITDA	66.6	80.9	n/a	<ul style="list-style-type: none"> <li>➤ Major projects include</li> </ul>
EBITDA margin (%)	14.8	23.7	n/a	<ul style="list-style-type: none"> <li>➤ largest single leases for Deutsche Bank and DGZ-Deka Bank</li> </ul>
Depreciation/amortisation	8.8	10.9	-19.3	<ul style="list-style-type: none"> <li>➤ 30km Santiago de Chile toll-road, total investment €500 million, HTD to plan, build and operate the BOT Project</li> </ul>
Cash flow	14.5	65.9	-77.9	<ul style="list-style-type: none"> <li>➤ Facility Management made further progress               <ul style="list-style-type: none"> <li>➤ boosting sales by 30% in recent years</li> <li>➤ developed an innovative package of business activities and services</li> <li>➤ pilot project in the dynamic trade fair segment with a 10 year contract for Berlin trade fair company</li> </ul> </li> </ul>

HT Development is to continue to grow in 2002 and to maintain its favorable earnings development of the past few years

## HT NORTH AMERICA: Once again excellent results

(€millions)	2001	2000	Change%	
Work done	7,588	6,476	+17.2	➤ Exceeded our expectations with continued growth in both, sales and profitability
Operating earnings	106	100	+6.0	➤ Turner number 1 in general building in the U.S.
Operating margin (%)	1.4	1.5	n/a	➤ Turner's success has its reasons <ul style="list-style-type: none"> <li>➤ unique nationwide network with 42 offices</li> <li>➤ special segment groups</li> <li>➤ excellent customer satisfaction level</li> <li>➤ almost 70% of repeat clients</li> </ul>
EBITDA	125	111	n/a	
EBITDA margin (%)	1.6	1.7	n/a	
Depreciation/amortisation	38.9	52.7	-26.2	➤ Kitchell and Aecon also performing well
Cash flow	54.9	48.8	+12.5	➤ Development of eTechnologies Group -- in a \$30 billion market
				➤ Completed the following projects: <ul style="list-style-type: none"> <li>➤ San Diego Convention Center, sales of €200m</li> <li>➤ Bear Stearns HQ in NYC, a 111,000 square meter/ 46 stories high rise building in Manhattan</li> <li>➤ Westchester Medical Center, NY, volume €110m</li> </ul>

**Even when we consider the outlook for the U.S. construction market continues to be difficult, we remain optimistic. Turner is in a unique and strong position with an increased and healthy market share**

## HT INTERNATIONAL: Leighton leading contractor in high growth region

(€millions)	2001	2000	Change%	
Work done	3,021	2,903	+4.1	<ul style="list-style-type: none"> <li>➤ Leighton figures fully consolidated from FY 2001 on</li> <li>➤ Continued growth in Asia Pacific -- by far #1 in Australia and in the southeast Asian region</li> </ul>
Operating earnings	110.7	58.9	+87.7	<ul style="list-style-type: none"> <li>➤ Successful diversification into service sectors beyond traditional construction work</li> </ul>
Operating margin (%)	3.6	2.0	+80.0	
EBITDA	265.1	-13.1	n/a	<ul style="list-style-type: none"> <li>➤ &lt;50% of total sales arising out of construction business</li> </ul>
EBITDA margin (%)	8.8	-0.5	n/a	<ul style="list-style-type: none"> <li>➤ Significant projects include               <ul style="list-style-type: none"> <li>➤ 8,400km fiber-optic cable will be Australia's 1st independent high-speed Internet network, completion in 2003</li> <li>➤ Siemens KWU thermal power plant, Vietnam</li> <li>➤ 31,500 s/m distribution center for Proctor&amp;Gamble, Thailand</li> <li>➤ 65km railroad link with 12 bridges, volume €50m, Indonesia</li> </ul> </li> </ul>
Depreciation/amortisation	180.0	9.0	n/a	<ul style="list-style-type: none"> <li>➤ Leighton's order backlog at new record level with €4.4 bn</li> <li>➤ Within HT International the Asia-Pacific region remains of key growth for both, Leighton Holdings Ltd. and HOCHTIEF</li> </ul>
Cash flow	210.2	10.5	n/a	

**Beginning 2001 HOCHTIEF secured majority stake in Leighton to strengthen its long-term interest in the Australian services group and in a growing and continuing profitable region**

## HT SERVICES: Major steps forward within 2001

(€millions)	2001	2000	Change%	
Work done	54	40	+35	<ul style="list-style-type: none"> <li>➤ HT Services now encompasses two different companies:               <ul style="list-style-type: none"> <li>➤ Streif Baulogistik (construction logistics)</li> <li>➤ Verbau (insurance broker)</li> </ul> </li> </ul>
Operating earnings	34.2	5.6	>500	<ul style="list-style-type: none"> <li>➤ Streif Baulogistik is successfully positioned as service provider</li> </ul>
Operating margin (%)	63.3	14.0	>400	<ul style="list-style-type: none"> <li>➤ Established innovative logistics services, including just-in-time materials flow, on-site power supply, waste disposal and all kind of construction equipment including maintenance and repair work</li> </ul>
EBITDA	49.2	26.1	+88.5	
EBITDA margin (%)	91.1	65.3	+39.5	<ul style="list-style-type: none"> <li>➤ More than 30% of sales from outside HOCHTIEF group within 2002 share will further increase</li> </ul>
Depreciation/amortisation	17.2	19.5	-11.8	
Cash flow	43.2	31.8	+35.8	<ul style="list-style-type: none"> <li>➤ Moving into european markets, e.g. Poland, Austria, Luxembourg</li> <li>➤ Verbau Insurance broker now open for external clients</li> <li>➤ offers high-performance, affordable insurance coverage</li> <li>➤ stepping into international markets to cover the entire international HOCHTIEF network</li> </ul>

**HT Services is rapidly identifying market trends and translating them into made-to-measure customer solutions. This will keep them one step ahead of the competition.**

# HOCHTIEF City

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# Back up

## GROUP OBJECTIVES TARGETS

- Become a Top 3 global construction Group by work done
- Maintain position as “most international” construction/services company
- Continuing focus on profitable services businesses
- Returning the German building construction business to profitability in 2002/3 -- and keeping it profitable
- Further streamline existing businesses and adding new profitable businesses

## GROUP OBJECTIVES ALREADY ACHIEVED

- Most international construction group world-wide
- #1 position in Germany (HTC)
- #1 position in the U.S. (Turner)
- #1 position in Australia/Asia Pacific (Leighton)
- One of the worlds leading Airport Manager (HTA)
- #1 Developer in Germany (HTD)

## HT CONSTRUCTION: CONSOLIDATION IN A STILL DIFFICULT ENVIRONMENT

- The German construction sector is cyclical, still has overcapacities, has low growth prospects and low margins  
-- typically up to 4%
- The German building business has seen a steady decline in output, and is expected to continue shrinking in 2002
- In civil engineering the decline will be less severe
- HOCHTIEF is by far the market leader in Germany and is well positioned for an upturn

## CONSTRUCTION: COMPREHENSIVE RESTRUCTURING PROGRAMME IN 2001

Radical restructuring programme established

AIM: Return to profitability in 2003

Priority is and will be PROFITABILITY

- Foundation of HOCHTIEF Construction AG
- Cut workforce by 1,540 personnel in 2001
- Cost reduction of €100 million per year from 2002
- Overhead reduction of 20% by 2001
- Significantly improved risk profile -- establishment of contract review committee
- Focus on areas of expertise -- high rise (50% of Frankfurt's major projects)
  - hotels
  - shopping centres
  - sports/leisure
- Transfer of "best practice" processes from Turner
- Closer working practices with clients -- Key Account Managers

## RISK REDUCTION: TIGHTER CONTROLS

- Within the construction sector there are major risks associated with projects
  - Calculation risks
  - Financial risks
  - Legal risks
  - Project management risks
  
- HOCHTIEF Construction has therefore created a central Contract Review Committee
  - pre-committee prepares each bid case in detail
  - Monday meetings involving all board members and other HOCHTIEF professionals (e.g. lawyers, technical experts)
  - all potential risks considered, analysed and assessed
  - final decision and approval lies with the Committee



**Should lead to pricing power if competitors adopt similar practices**