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PHILIPP HOLZMANN
Aktiengesellschaft



Annual Report **1995**



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Report of Supervisory Board

During the preceding year the Supervisory Board met together with the Board of Management in two regular meetings and, after the elections following the Shareholders' Meeting on 29th June 1995, for a constitutional meeting.

In these and in a large number of individual discussions during the course of the year with the Board of Management, plus the regular written quarterly reports, the business development was repeatedly discussed in the light of the general recession which is severely affecting the construction industry. Measures to combat the negative effects on the company earnings were discussed.

In the second half of the year the situation on the real estate sector continued to worsen. For this reason real estate project development received particular attention and critical analysis. The KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was commissioned by the Board of Management, in agreement with the Supervisory Board, to provide an expertise on the real estate and property assessment with a view to future marketing of the same. The results of this report and the consequences drawn therefrom by the Board of Management were presented to the Supervisory Board. The Supervisory Board has approved the measures introduced in consequence.

It was agreed that both real estate project development and the acquisition of holdings should be marked by extreme caution.

The Supervisory Board also received regular reports from the Board of Management concerning further developments in the current cartel proceedings.

After examination of each case and on the basis of detailed documentation, decisions were taken in the meetings on those business occurrences which because of legal or



Hermann Becker, Prof. Dipl.-Ing.
Chairman of Supervisory Board

statutory requirements require the agreement of the Supervisory Board. The Chairman's Committee and the Personnel Committee each met on one occasion. In addition individual occurrences were notified in writing to the Supervisory Board for their information and approval even if these did not require the formal agreement of the Supervisory Board.

The annual financial statement and the consolidated financial statement as of 31st December 1995, together with the combined Management Report of the Philipp Holzmann Group and the Philipp Holzmann AG were prepared by the Board of Management, following which they were audited by the KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and certified without qualification by the auditors. The auditors' reports of the KPMG were handed to the members of the Supervisory Board and the Board of Management convened before the Annual Report meeting in order to provide any explanations which might be required. In the

Annual Report meeting of the Supervisory Board the KPMG reported on the audit which had been carried out. The Supervisory Board approved the result of this audit.

The Supervisory Board has itself examined the Annual Report for the year ending 31st December 1995 and the Management Report and approved the same.

The Supervisory Board also approved the Financial Statement produced by the Board of Management which is hereby authorised.

Senator E.h. Michael Westphal (63) has requested after 43 years' service with the Philipp Holzmann Group to be released from his obligations. With effect from 14th May 1996 he will be leaving the Board of Management and entering on his wellmerited retirement.

In its meeting today the Supervisory Board appointed Mr. Rainer Klee, Dipl.-Wirtsch.-Ing. (49), as a regular member of the Board of Management for a period of five years with effect from 1st July 1996. He will assume the duties of Mr. Westphal.

Frankfurt, 13th May 1996

The Supervisory Board

Chairman

Dear Shareholders,

In the fiscal year 1995 we were able to put into effect the company strategy directed towards operations on the world market. By contrast, however, we were not able to achieve all the objectives we had set ourselves within Germany. The business development of some of our participations has not yet shown the desired success. The lull in demand for business properties and the drop in prices have severely affected our real estate project development operations.

Business development in the year 1995

In spite of the weakened economy we were able to attain the anticipated increase in output. The 14 billion DM mark was slightly exceeded. At 15.6 billion DM new orders improved over the previous year.

In 1995 we decided to purchase the remaining 50 per cent of the Vebau Group in order to be in a position to assume the full managerial responsibility for its real estate project development companies. We were already involved in its liabilities by reason of the cooperation which has existed since 1984.

Because of the negative developments on the real estate project development market the Board of Management, in agreement with the Supervisory Board, commissioned the KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft to provide an independent report on the development of real estate projects and other areas connected with this. After presentation of this audit report the Board of Management decided to institute a comprehensive programme for risk avoidance in the real estate project development business, taking over losses and depreciations as well as specifying precautionary measures, which in total has deducted some 460 million DM from the overall earnings.

This produced for the Phillip Holzmann AG an annual loss of 355 million DM which has been made up in full by drawing on profit from retained earnings.

Without the above measures the annual result of the parent company after tax would have enabled the payment of a dividend to our shareholders as planned, but due to this development it will regrettably not be possible to pay dividends in this year.

Tightening up the Group and saving costs

The increasingly sharp competition within Germany requires cost savings both in the head office and the profit centres. For this reason we are grouping the ten main branches in the German construction business into five regionally responsible independent units.

The tightening up of our holdings business in the hands of a small number of leadership companies which began in 1995 is now being continued for the business sector General Construction.

This aim will also be supported by a leaner Group headquarters which provides only those services which are required by all the units within the Group and are necessary for Group leadership.

The market for services around buildings and industrial facilities is acquiring increasing significance. We are therefore combining the know how with which we have already been so successful in Germany and the USA in a new fourth business sector "Services".

Position in the world market

Abroad we achieved an overall output of 4.4 billion DM. This unusually high performance, which includes an contract backlog worth 5.7 billion DM, puts us clearly at the head of the German construction industry as far as foreign building is concerned. The proportion of 42 per cent of the overall contract backlog in the Group is a sign of further growth in this area. The figures show that we have become stronger abroad and put into effect our objectives for the extension of foreign business.

In the USA we have been successful in increasing both output and yields.

In China and Thailand the volume of construction has increased and our engagement in India is beginning to bear fruit.

As ever our company has been extremely successful in South Africa.

Construction market and competition

Because of the cases of corruption in German industry and the offences against the cartel law, the Board of Management, together with the heads of our branches and the managers of the German subsidiaries, has revised the ethical principles of company management and made these a constituent part of all work agreements.

Together with three other leading construction companies who are quoted on the stock exchange and who together with us are responsible for 75 000 jobs in Germany, we have formulated six principles for commercial conduct in Germany, presented them in a joint letter to the relevant ministries both on a Federal and Länder level and undertaken to observe them. Other companies in our branch have been requested to add their names to this declaration. We hope in this way to promote a future development in which fair competitive conditions exist. Official reaction to this declaration was extremely favourable.

Attempted increase of the Hochtief AG holding

The Federal Cartel Office disallowed on 25th January 1995 Hochtief AG's attempt to increase its holding in the Philipp Holzmann AG from 20 to 35 per cent. The Hochtief AG appealed against this ruling to the Court of Appeals in Berlin. The Philipp Holzmann AG is independently represented in this dispute.

We submitted our reply at the end of March this year and are convinced that the restriction imposed will be confirmed by the Court of Appeals.

The first hearing is scheduled for 6th November 1996.

Outlook

The high contract backlog of 13.6 billion DM promises further expansion of our business. Our expectations are mainly directed towards South-East Asia and China, but also to the USA. The initial industrial growth in a number of East European countries also points to market chances for us there. We are also currently preparing our re-entry into the growth market of Latin America.

In spite of the uncertainties attendant on Germany as a commercial location today and the drop in output due to the weather in the first quarter, we will do all in our power to achieve a positive result for the business year 1996.

The fact that we have not achieved all our remediation objectives only encourages us to increase our efforts in this respect. We shall begin tightening up the parent company organisation in the second half of 1996. After this has been achieved we can then begin to specify and pursue our long-term objectives.

The real estate project development will continue to form part of our construction business and provide profits from the sale of property. After the remedial measures have been undertaken we will pursue this aspect of our business with due caution. We will continue to make use of our stock of real estate sites for this purpose. However financial engagement on our part will, as already decided in 1994, only be provided in the event of contractually fixed interest by the investors. Under these preconditions the major city development projects in Frankfurt am Main can now be taken in hand.

We are aware that the loss this year and the non-payment of dividends must represent a bitter disappointment for you, our shareholders. We are however convinced that the measures we have taken are such as to maintain your confidence in the future of the Philipp Holzmann AG.

Frankfurt am Main, May 1996

yours sincerely,
Walter Hoyer

Chairman of the Board of Management

Report of the Board of Management

General Review

Contrary to the original prognosis the growth of the German economy slackened off in 1995 in particular in the second half of the year. This applied also to the construction industry, since equipment and building investments in West Germany dropped considerably by comparison with the previous year. The construction industry still occupies a leading position in Europe, but it has lost its momentum as the driving force behind the economy.

Nevertheless the growth countries in Asia and the good economic situation in the USA are opening up new opportunities for the technically sophisticated orders which we are in a position to fulfil.

Growth in output according to plan

Thanks to its advanced technologies and personnel resources, Philipp Holzmann has, in spite of the depressed market, performed better than the average for the German construction industry. This success is due equally to the branches of the parent company and the holding companies both inland and abroad.

We have increased the Group output by 8 per cent to 14.1 billion DM. 19 per cent of this is attributable to our share of services rendered as part of construction joint ventures (Philipp Holzmann AG: 37 per cent). New orders increased by 11 per cent to a new record of 15.6 billion DM and thus lay 1.5 billion DM above the output achieved.

As a result the contact backlog increased by 10 per cent to 13.6 billion DM.

Further growth of domestic business

The inland output of the Group increased by 7 per cent to 9.7 billion DM. Here the Länder in Western Germany were over-represented with a growth of 9 per cent. In the Philipp Holzmann AG the inland output increased by 10 per cent overall to 4.1 billion DM as a result of the large construction demand in the new German Länder. The new orders of

	1995	1994
Inland Output	Per cent	
Residential construction	20	16
Commercial construction	55	59
Public construction	25	25
Building	76	75
Civil engineering	24	25

the Group in Germany increased by 9 per cent to 10.2 billion DM.

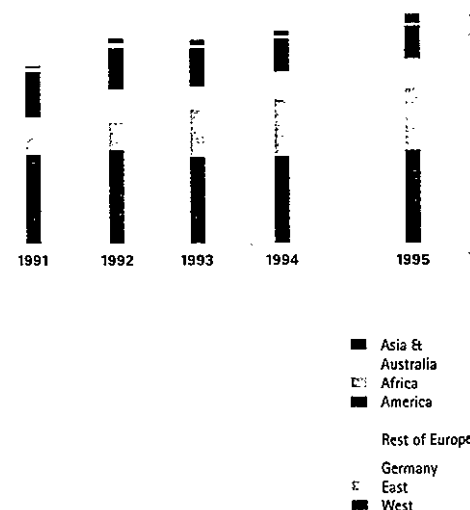
Foreign business on the increase

One of our strategic objectives is to extend our foreign business. This has been marked by further successes: The foreign output of the Group increased by 9 per cent to 4.4 billion DM and its share of the overall output amounted to 31 per cent even in the face of the considerable growth of inland business over the last few years.

Philipp Holzmann is thus the German construction company with the biggest amount of foreign business. This development will continue over the next few years, since the

Output by region

Group
billion DM



Overall Business 1995

	Output			New orders		Contract backlog of 31/12	
	Per cent	Million DM	Change	Million DM	Change	Million DM	Change
Philipp Holzmann AG	30.1	4 242	+ 12.1 %	4 820	+ 20.6 %	4 662	+ 14.1 %
Subsidiaries	69.9	9 852	+ 5.9 %	10 753	+ 7.2 %	8 920	+ 7.7 %
Business sectors*							
General Construction	66.5	9 794		10 268		8 932	
Construction of Transportation Systems and Extraction of Construction Materials	10.9	1 594		1 743		628	
Energy and Environment Technology	9.9	1 450		1 416		1 509	
Services	12.7	1 872		2 872		2 761	
Regions							
Western Germany	41.4	5 834	+ 9.4 %	5 986	+ 11.3 %	4 521	+ 3.7 %
Eastern Germany	27.5	3 874	+ 3.8 %	4 174	+ 6.6 %	3 410	+ 9.4 %
Germany as a whole	68.9	9 708	+ 7.1 %	10 160	+ 9.3 %	7 931	+ 6.0 %
Europe (excl. Germany)	11.8	1 666	+ 11.3 %	1 419	- 19.6 %	1 390	- 13.2 %
America	14.4	2 032	± 0.0 %	3 178	+ 35.9 %	2 991	+ 47.1 %
Others	4.9	688	+ 39.0 %	816	+ 11.6 %	1 270	+ 1.0 %
Philipp Holzmann worldwide	100.0	14 094	+ 7.7 %	15 573	+ 11.0 %	13 582	+ 9.8 %

* Figures in the business sectors including intragroup transactions.

foreign portion of the contract backlog has risen to 42 (1994: 40) per cent. The increase in output is mainly due to Thailand and China, but France, the United Kingdom, Spain and the USA have also played a considerable role.

The contract for the planning, construction, financing and operation of

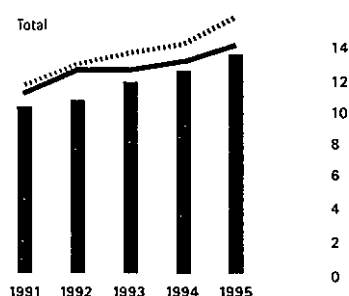
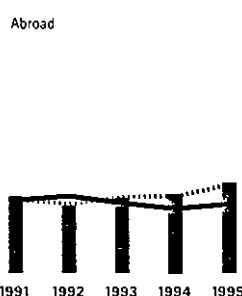
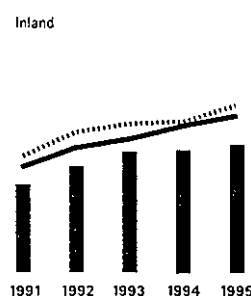
the Birecik dam in Turkey deserves particular mention. Here Philipp Holzmann is the leader of an international consortium. The volume of the project overall, including equipment and financing, amounts to 2.3 billion DM, the construction volume to 827 million DM (of which our share is 340 million DM).

Growth in Europe and the USA as well

Output in the markets of the European Union increased, although the success as far as new orders are concerned was unequally distributed.

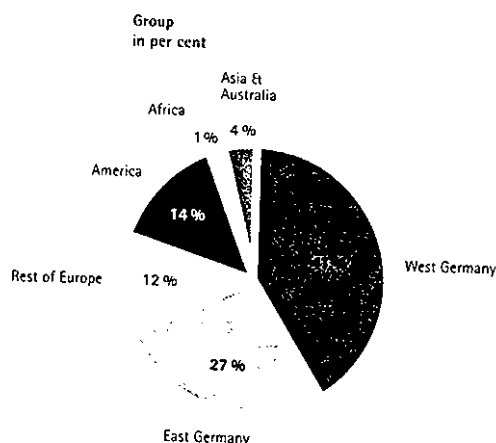
Output
New orders
Contract backlog

Group
billion DM



— Output
... New Orders
■ Contract backlog

Output 1995 by region



The increase of new orders in Spain and the United Kingdom was matched by a corresponding decrease in France.

The increase in the output of our US companies by 8 per cent to 1.4 billion dollars (2.0 billion DM) was also satisfactory. As a result of the lower exchange rate for the dollar the overall figures presented here do not reveal the real growth of our business in the USA. The new orders amounting to 2.1 (1994: 1.5) billion dollars include the taking over of a contract backlog in 1995 worth 439 million dollars. New business also showed a positive development with an increase of 4 per cent. The increases are mainly due to the engineering companies and the service sector, so that we were able to conclude the year 1995 with a high contract backlog of 2.1 billion dollars which includes the annual portion of our five year long-term contracts.

Extension of our strategic positions

As ever our interest is directed to the growth markets in Asia. Philipp Holzmann (Thai) Ltd. was able to further expand its business in 1995. This company is also the initiator of our activities in the neighbouring countries, in particular in India and Malaysia, where we have in the meantime founded local companies with experienced partners. We are now also represented in Vietnam and Indonesia and we are investigating opportunities in the Philippines.

China continues to be an interesting market, in which we further extended the position we have occupied there since 1980.

Our interests in Africa are well represented by Nord France S.A. and the South African holdings of the Steinmüller Group.

We have carried out successful projects in the markets of Eastern Europe such as Poland, Hungary and the Czech Republic. In these countries we are already represented, either alone or with partners, by a number of companies.

Provision for risks in the real estate project development business

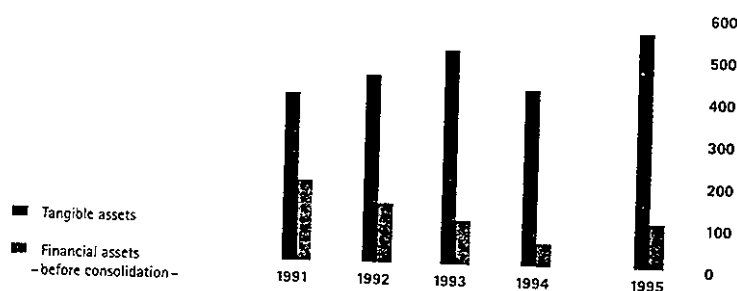
We have had a 50 per cent involvement since 1984 via our subsidiary SOFITEC, S.A., Basel, in the Vebau Group (Vebag AG, Athena Grundstücks AG and R.E.I. Real Estate Investment AG), which is active in real estate project developments. In the year under review we increased our participation to 100 per cent through the purchase by SOFITEC of the previous partner ImmoFin Invest Holding AG. In this way these four Swiss companies and their largely German subsidiaries, among them the Vebau Bau- und Verwaltungs GmbH, Frankfurt am Main, were incorporated in the consolidation scope of the Philipp Holzmann Group.

In agreement with the Supervisory Board, in November 1995 the Board of Management commissioned KPMG Deutsche Treuhand Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft to carry out an investigation of the real estate project development business.

This special report was requested in order to provide an up-to-date, independent assessment of the real estate project developments and the divisions, subsidiaries and joint ventures involved therein in the light of the steady decline in real estate rents and prices. This investigation

Investments

Group million DM



also concerned those companies which have so far not been consolidated.

The evaluation of this special report led to our current risk assessment in the real estate development business of the Vebau Group.

We have also re-assessed those joint real estate development ventures of the Philipp Holzmann AG with partners, who suffered from the deterioration of the market conditions as a result of delays in planning and the obtaining of building permits.

As a result we made the decision to recognize the losses, writedowns and remedial measures in the Vebau Group and Philipp Holzmann AG, amounting in total to 460 million DM.

Financial and earnings position

Throughout the business year **finances** were determined by the parent company. Our internal Group payments netting assigns funds in accordance with the financial requirements of all operational companies in the Group. This has led to an increased tying-up of funds in this area.

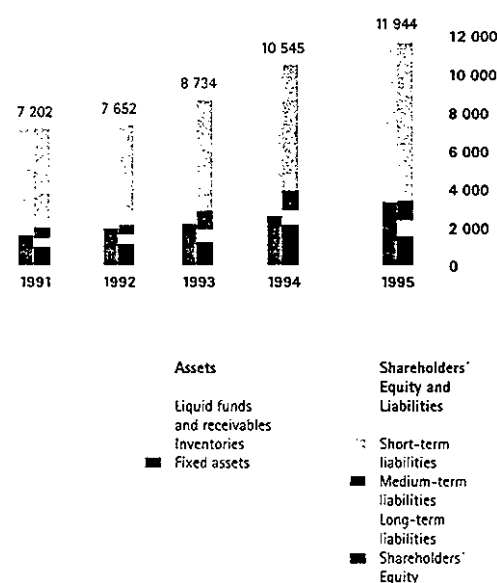
Both the financial position and the capital structure of the Group have worsened as compared with the previous year. Decisive in this development were the increased receivables and delayed sales in the real estate project development field.

Overall investments of the Group increased to 767 (1994: 581) million DM. The investments in tangible assets at 577 (1994: 422) million DM continued at a high level. In addition 184 (our share: 56) million DM have been invested in non-consolidated companies. As a result of first-time consolidations the fixed assets of the Group increased by a further 448 million DM.

The **net current assets** of the Group - our inventories after deduction of progress payments, down-payments and receivables from customers, less liabilities to suppliers and the balances from offsets with joint ventures, affiliated companies and participations - increased in proportion to the expansion of our business.

Balance Sheet Structure

Group
million DM

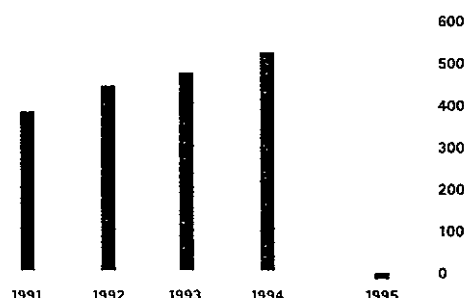


The increase in our negative balance from **securities, liquid funds and amounts due to banks** to 2.3 billion DM is mainly due to the first-time consolidation of the Vebau Group and is reflected in the application of funds to real estate project development amounting to 1.6 billion DM. The acquisition of real estate sites tied up 1.1 billion DM of funds.

The net interest income of the parent company increased to 28.7 million DM. This is also a result of the capital increase undertaken at the end of October 1994. Within the Group there was a net interest expense of 1.8 million DM.

Cash flow

Group
million DM



Consolidated cash flow statement

	1995 TDM	1994 TDM
Net loss/income	- 442 758	+ 120 008
Net depreciation of fixed assets	+ 388 743	+ 373 713
Increase of provisions for pension plans	+ 27 564	+ 26 784
Cash flow	- 26 451	+ 520 505
Increase/decrease of other provisions	+ 175 197	- 30 873
Other non-cash items	- 7 329	+ 3 937
Net income from disposal of fixed assets	- 53 276	- 56 300
Changes in inventories, trade accounts receivables and other current assets	- 111 594	- 192 971
Changes in trade accounts payable and other liabilities	- 442 312	+ 118 544
Cash used for/provided by Operating Activities	- 465 765	+ 362 842
Proceeds from disposal of fixed assets	+ 188 353	+ 164 620
Purchases of fixed assets	- 747 206	- 528 963
Cash used for Investing Activities	- 558 853	- 364 343
Capital increase 1994	-	+ 778 934
Dividends paid 1994/1993	- 59 231	- 43 064
Increase/repayment of loans	+ 557 377	- 158 739
Increase in liquid funds from changes in scope of consolidation	+ 26 851	+ 71 495
Cash provided by Financing Activities	+ 524 997	+ 648 626
Decrease/increase in Liquid Funds	- 499 621	+ 647 125
Effect of exchange-rate changes on liquid funds	- 4 640	- 8 104
Other effects of non-assignable cash flows	- 15 285	- 8 199
Liquid funds as of 1/1	2 253 294	1 622 472
Liquid Funds as of 31/12	1 733 748	2 253 294

As carried out for the first time in 1994, this year too we have produced a **consolidated cash flow statement** on the basis of the joint principles of the main committee of the "Institut der Wirtschaftsprüfer" and the working party "Statement of changes in financial position" of the Schmalenbach Gesellschaft/Deutsche Gesellschaft für Betriebswirtschaft e.V., which have also been used to produce the cash flow as calculated by us and published for years now.

The consolidated cash flow statement shows that the net investments for fixed assets have largely been financed by increasing our bank obligations. The reduction in liquid funds by around 520 million DM results from a reduction in other outside capital and from loss financing.

This reduction in liquidity and the total liquid fund's should be seen in connection with the tying-up of cash funds in the project development field.

The **shareholders' equity** of the Group was reduced to 1.6 million DM and the equity ratio to 13.8 per cent.

In view of the market position we are not dissatisfied with the **operating result** of those buildings and projects completed by Philipp Holzmann AG. With the exception of a few companies our holdings have produced an acceptable result, without having however attained the desired objectives. Before taking into account the losses, value corrections and provisions on the real estate project development side, the Philipp Holzmann AG did in fact show a positive result which would have enabled a dividend to be paid.

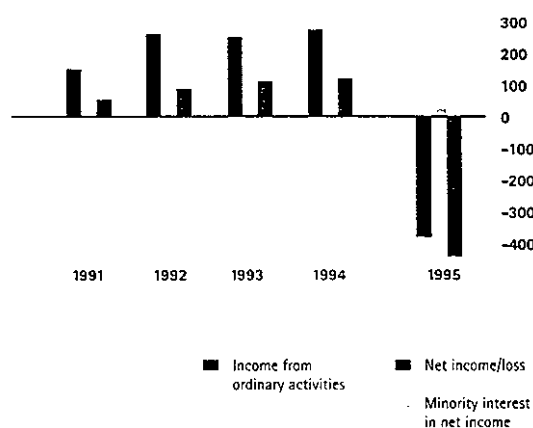
Shareholders' Equity and Equity Ratio
million DM per cent

Group



Net Income

Group
million DM



The measures undertaken for real estate project development led to a **net loss** for the year of Philipp Holzmann AG of 355 million DM which was made up in full by drawing from other retained earnings.

In view of the developments we have reported on and in order to consolidate the position of the Group, the Board of Management has decided that no payment of dividend should be proposed in the General Shareholders' Meeting.

Results and strategies in the four business sectors

Thanks to the good profit margins of orders from the previous year, and in spite of the losses of our subsidiaries Philipp Holzmann Held & Francke Bau AG and Franki Grundbau GmbH, in the business sector **General Construction**, we were able to achieve a satisfactory result.

The main branches of the Philipp Holzmann AG were particularly closely involved in this positive outcome. Our subsidiary Nord France S.A. has turned the corner and this applies also to Stahlbau Lavis GmbH. The result in the USA was improved once more. Thanks to the successful output of our British holding the business in European countries outside Germany was on the whole positive.

In the business sector **Construction of Transportation Systems and Extraction of Construction Materials** the result was, in spite of the positive contribution of our quarries and aggregate mixing plants, unfortunately a negative one because of the desolate market situation and some weaknesses of

our own in road construction. This was further affected by the restructuring measures. We have in the meantime undertaken radical changes in the management. The measures adopted will continue to take effect during 1996 and we hope that road construction will thereby in the long term be placed on a solid foundation.

In **Energy and Environment Technology** we were able to further improve on the excellent results of previous years. The groundwater cleaning business was successful but on the other hand soil remediation continued to produce losses. Nevertheless our successful energy technology operations made a decisive contribution to the overall positive result.

A number of the companies in the business sector **Services** which are in the start-up phase have suffered initial losses. However these losses have been more than compensated for by the results of the operator business in the infrastructure sector.

Reorganisation of the Group

In order to streamline the Group structure and save costs we have commenced in 1996 with reorganisation of the management of the ten **main branches of the Philipp Holzmann AG** into five direction groups. In future these will bear independent responsibility for their business operations and for the construction companies located in the regions covered by them. In this way similar types of activity will be grouped together and the effectiveness of our organisation and its efficiency operation increased. The headquarters in Frankfurt am Main will then only concern itself with central requirements for the Group as a whole and can therefore operate with leaner structures.

The re-opened main branch in Dresden will now be responsible for the **construction business in Saxony**. It has taken over the network of branches and the participations of the Philipp Holzmann-Held & Francke Bau AG in this Land.

As part of the rearrangement in our inland real estate project development business we have founded the **Philipp Holzmann BauProjekt AG**, Frankfurt am Main, with a capital of 5 million DM. The company is responsible for property and real estate project developments within Germany. It will operate in close cooperation with the companies in the Group. This company will also bring the old projects of the Philipp Holzmann AG, division HOG - Gesamtprojekte, and the Vebau Group to conclusion. It will take over real estate project development for the complete stock of inland real estate sites.

Within the business sector Construction of Transportation Systems and Extraction of Construction Materials the legal reorganisation of the companies now grouped under **Deutsche Asphalt GmbH** was completed in the year under review. For this purpose we have increased the equity capital of Deutsche Asphalt by 20 to 40 million DM. Together with Dromex, the leading Polish road construction company, we have formed Dromex Construction Sp.Z.O.O. and Dromex Quarry Sp.Z.O.O. with their headquarters in Warsaw.

In the energy and environment technology sector we have added to our spectrum of services in the town water supply field by the acquisition of an interest in **Rompf Klärwerkeinrichtungen GmbH & Co. KG**, Driedorf.

Owing to the losses in preceding years we decided to increase the capital of **Stahlbau Lavis Offenburg GmbH** to 24 million DM.

The leading company for our Dutch business will be **Philipp Holzmann Nederland B.V.** with its headquarters in Amsterdam. In addition to Hillen & Roosen the Dubbers Malden Groep B.V. will also be owned 100 per cent by this company.

Besides wood, large aerated concrete building blocks are coming to play an increasing role in house construction in the USA. For this reason Philipp Holzmann U.S.A. Inc. has obtained a 40 per cent participation in **Hebel Southeast, L.P.**, Atlanta, Georgia.

In mid-1995 we signed the foundation contracts for **Holzmann (Malaysia) Sdn. Bhd.** together with the Malaysian Ekran Group in order to take advantage of the booming economy there.

Market adjustments

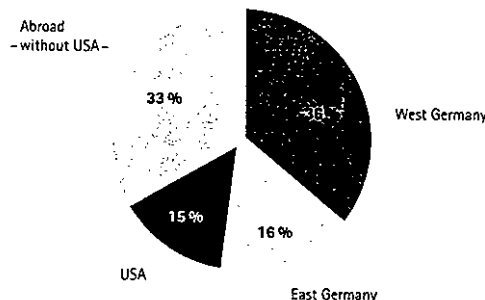
On 1st January 1996 we created a fourth business sector "Services" as part of our strategic concept, which for some years now has dictated a policy of diversification. We have thus reacted to the increasing significance of this type of business in the construction, plant and infrastructure market, since services "all around buildings and plants" are increasingly in demand.

Employees

On an annual average the number of our employees increased by 10 per cent to 47,355. This includes both wage earners and salaried staff. The increase is largely attributable to business in the USA and Thailand.

Employees 1995 by region

Group 31/12/1995
in per cent



Research and development

In the business sector General Construction we have developed a novel type of foundation pile (PH-pile) with high load-bearing capacity. It can be rammed in position with extremely low environmental impact and adapts well to the type of substrate.

Demands for environmental compatibility in tunnel construction have led us to develop a new type of gunning concrete which sets adequately fast even without accelerators.

As part of the planning for the Transrapid route from Hamburg to Berlin we are engaged in producing a low-distortion bearing structure in composite construction for the track.

Steinmüller continues to work on the reduction of CO₂ emissions and on the development of high-temperature resistant materials and the welding technologies for them.

In the services field we have created new financing models for plants and equipment for water cleaning and recovery, together with power generation.

Further we have laid the basis of an integrated planning system in order to improve system compatibility.

Second environment report

Two years ago we issued our first environment report 1992/1993, in which we reported on our comprehensive measures and work in the field of environment protection. Environment protection continues to represent an extremely important aspect of our company policy. We understand under this to be the removal and avoidance of environmental damage, together with the application of environment-friendly process technologies.

The second environment report of the Group covering the last two years is now appearing together with the Annual Report 1995. It is proof of our endeavour to take our environment obligations seriously.

Outlook

Since German reunion the construction industry has been a reliable pillar of growth and the motor of the German economy. However as a result of the weakening economy in Western Germany and reduced growth in the East, it must be feared that 1996 will mark a reduction in the volume of building in Germany for the first time for many years. This will mean a considerable degree of competitive and economic pressure on the construction companies which can only be combatted by saving costs. We have already instituted the necessary measures.

The high contract backlog of 13.6 million DM at the start of 1996, including 42 per cent foreign orders, represents a good basis for a further growth of business in this coming year.

Our presence in the international markets will positively affect our growth abroad.

We see chances for a moderate degree of growth in the USA and some West European countries. The Eastern European countries Poland, Hungary and the Czech Republic are developing into interesting markets.

We hope to take advantage of the booming growth markets in South-East Asia, China and India to promote our own growth in the business sectors General Construction, Energy and Environment Technology and Services.

Our strategic objective is to produce 10 per cent of the Group output in these regions by the year 2000.

Latin America is once again well on the way to developing into a significant economic region, where we hope to establish links with the

Philipp Holzmann tradition of construction there before the Second World War.

Philipp Holzmann AG has begun the year 1996 with optimism and will continue to work towards achieving its business objectives. As far as real estate project development is concerned, we consider that there are feasible marketing chances for those projects now completed or under construction after the risk avoidance and remedial measures have taken effect.

We are also considering whether and how those sites forming part of the fixed assets of the Philipp Holzmann AG could be utilised in real estate project developments. To these can be reckoned also the real estate reserves of the subsidiary companies which could be employed for entrepreneurial purposes.

The profits of our subsidiaries will also be improved by the reorganisation and restructuring of some of our companies and the sale of others which are unsuccessful and do not fit into our business sectors.

For this reason, taken all in all, in spite of the otherwise negative economic prognosis we continue to look forward optimistically to the future, even though the unusually hard and long Central Europe winter has severely hindered both construction work and the construction material business in the first quarter of 1996. We are confident that these reverses can be made up in the course of the current year.

Personnel

In 1995 the average number of employees worldwide in the Philipp Holzmann Group was 47 355 (1994: 43 264). Of these 54 per cent were employed within Germany and 46 per cent abroad. As far as Germany is concerned, at the end of 1995 the split between our personnel in the Western part and in the New German Länder worked out to 70:30. Our foreign business is conducted by 21 854 employees, round one-third of whom are in the USA.

The rise in the number of employees in the Group over the previous year (+ 4 142) resulted from an increase in the volume of our foreign business. For the first time our American subsidiaries have included also those employees in associated partnerships (joint ventures), primarily on the services sector.

Inland the number of employees remained practically unaltered.

We employ people from many countries both in Germany and abroad and will do all in our power to ensure that the spirit of friendly and helpful cooperation within the Group is maintained. Today almost 2 700 employees of many nationalities work together harmoniously with their German colleagues in our companies and on our construction sites in Germany.

Employees – annual average		Change in
		per cent
Philipp Holzmann AG	11 311	+ 14,0
Subsidiaries	36 044	+ 8,1
Business Sectors		
General Construction	31 216	
Construction of Transportation Systems and Extraction of Construction		
Materials	5 784	
Energy and Environment		
Technology	5 224	
Services	5 131	
Philipp Holzmann worldwide	47 355	+9,5

We continue to regard vocational training as a highly important measure in maintaining technical competence in our central activity of general construction. In 1995 a total of 560 young people were trained within the Philipp Holzmann AG. This is 17 per cent more than in the pre-

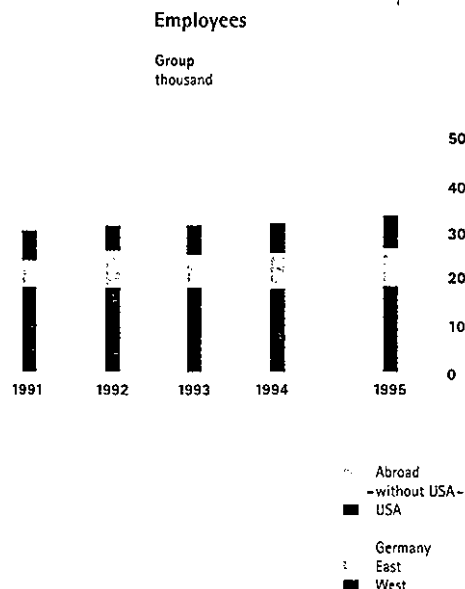


vious year. The number of apprentices increased by almost 25 per cent to 418. We have thus achieved our objective of raising the number of apprentices to over 10 per cent of all blue-collar workers employed in the company. This is necessary in order to ensure that we can in future too continue to draw on our own reserve of skilled workers.

Human Resources Development

Human resources development and career planning have been further extended within the Philipp Holzmann Group. In accordance with our leadership principles we have introduced as a basic instrument for personnel motivation and assessment the individual interview. In these interviews open and fair information on the output and behaviour of the individual employee is to be seen as an aid to unbiased assessment and the personal development of the employee in his work. Deliberate successor planning to pick out potential high-flyers and provide them with appropriate training is also a material plank in the company's personnel strategy. Our objective continues to be to ensure that the leading positions within the company are as far as possible occupied by people who have grown up with Philipp Holzmann.

Our cooperation with universities, polytechnics and other institutes is also designed to help us pick out qualified people for leading positions within our company at an early stage.



In the long term the German construction industry is going to require increasing numbers of qualified people with a good foundation of basic knowledge in addition to their more specialised training if it is to cope successfully with the new challenges of the future. The objective in training must be to produce people who can look beyond the narrow horizons of their special field and appreciate also the wider technical, commercial, ecological and political implications of their activity. For this reason Philipp Holzmann AG has founded a Chair at the Private University Witten/Herdecke for industrial management studies in the civil engineering and heavy plant construction fields.

Here business graduates can deepen both their theoretical and practical knowledge in international sandwich courses organised in cooperation with the companies in the Group. The two-year university course, which is also open to students of other universities and colleges, culminates in a qualification certificate for advanced management studies in the fields of civil engineering and heavy plant construction.

For more than 15 years now we have worked in close cooperation with the Department of Management/Construction in Biberach Technical College.

Expansion of our training centre

Civil engineers, business managers, bricklayers and all other trades and vocational groups can extend and deepen their knowledge at our training centre in Neu-Isenburg near Frankfurt am Main – the only training centre operated by a German construction company. Theoretical studies here are complemented by intensive practical training under realistic conditions. In 1995 more than 2 000 employees took part in around 100 seminars.

The overnight accommodation capacity of the training centre has been extended and extra funds made available for further seminars in addition to the already varied range on offer.

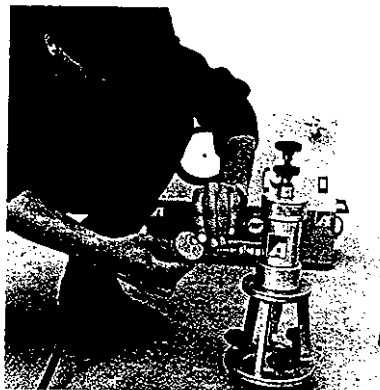
Prizes of the Wilhelm Holzmann Foundation

On 4th July 1995 the 54th annual award of prizes by the Wilhelm Holzmann Foundation, which was instituted in 1942, took place. This time no prizes were awarded in the business sector Construction of Transportation Systems and Extraction of Construction Materials. Instead there were two first prizes in our main business sector General Construction. The two prizes awarded for particular successes in real estate and infrastructure project

development indicate the considerable importance attached to this field of activity. From 1996 onwards we shall also be regularly including the new business sector Services in the competition for prizes.

A first prize in General Construction was awarded for the project "City Line – Stage M 1 in Cologne" for the detailed planning and control of the construction operations in this complex project on a technically difficult site combined with innovations in process technology. These measures led to a reduction in building time of almost a year together with significant cost savings. Another first prize was awarded for the first time to a team from the New German Länder for the partial project "Redevelopment of the Charlotten-Viertel in Halle". This real estate development





Company Health Insurance Funds

The Health Insurance Fund (BKK) of Philipp Holzmann AG celebrated its centenary on 1st May 1995. The idea and objective of the BKK as a provider of social benefits for insured members and company alike was stressed in the celebrations of this event and the message was transmitted also to the companies of the Group and the employees on our construction sites. Works meetings, counselling campaigns and advisory courses concentrating on the subject of health were held in our branches everywhere throughout the Federal Republic.

The increase in membership of 3.7 per cent to a total of 10 373 by the end of 1995 is a most welcome sign of this interest. The greater part of this growth came from within the New German Länder.

In spite of the increase in expenditure, particularly on hospitalisation costs, the BKK has been able to maintain its contribution rates unaltered for the past five years at 12.9 per cent in Western Germany and 11.9 per cent in the new Länder. They are thus well below the average for all health insurance funds in Germany.

The Health Insurance Fund (BKK) of L. & C. Steinmüller GmbH has been able to maintain its very competitive contribution rate of 11.0 per cent up to 31st December 1995. In spite of the reduction in numbers in the parent company the membership has slightly increased, as ever more salaried staff recognise the benefits of such a company health insurance scheme.

Although expenditure was considerably increased over the previous year, overall the BKK is still below the average for all health insurance funds in Germany. This comparatively low expenditure, which is attributable to the BKK's efforts over many years to improve the general health of its members, puts the BKK in a highly advantageous competitive position.

Up till now our two health insurance funds have been exclusively reserved for the employees of the companies in question and their families. The new legal ruling on membership of health insurance funds and the free choice of members will undoubtedly present the BKKs with new challenges whose effects are difficult to foresee.



Vote of thanks to our employees

We should like to express our thanks to all our employees for their high motivation, commitment and loyalty, revealed in the output achieved over the year. This applies also to their representatives at company and Group level, whose sensible and responsible cooperation has been of great assistance in the difficult economic situation we are experiencing today.

Research and Development

The Philipp Holzmann Group is a growth-oriented company whose success in the world market depends upon its continuous efforts to develop innovations and keep abreast of technical progress.

Research and development must be primarily oriented in the direction of applied science, so that they can be speedily transformed into technical and economical success. Naturally we also undertake basic research and pursue long-term development trends. In the course of this we practise intensive cooperation with universities, polytechnics and other research institutes.

As in the past, we are in the fortunate position of being able to report development successes from all our business sectors.

General Construction

New pile foundation system

For the anchoring of quay walls, sheet piling and excavation sidings, where very high tensional forces are exerted on the underlying soil, we have developed and registered a patent for a new type of pile foundation, the "Philipp Holzmann pile" (PH pile). Its advantages are:

- High retention and thus load-bearing capability with only slight deformation of the underlying substrate;
- Low environmental impact when driving piles into ground;
- Easy adaptation of pile to different soil conditions;
- Adaptation of pile retention to the tensile forces which have to be accepted.

The system has already proved its worth in the extension of a quay wall at Bremerhaven.

Gunning concrete without accelerator

In the past accelerators were used to ensure fast setting of gunned concrete, but these substances were not always environmentally compatible. Today it is imperative that environmental compatibility is ensured when lining tunnels or stabilising mountain slopes, for example, and this means new mixes for gunning concrete must be developed.

Our newly developed gunning concrete consists of low-gypsum cement without accelerating agents, but still sets adequately fast for most requirements and attains the desired final strength.

The new material has already been used in a tunnel entrance shaft and has proved most successful.

Biological cleaning of contaminated building rubble

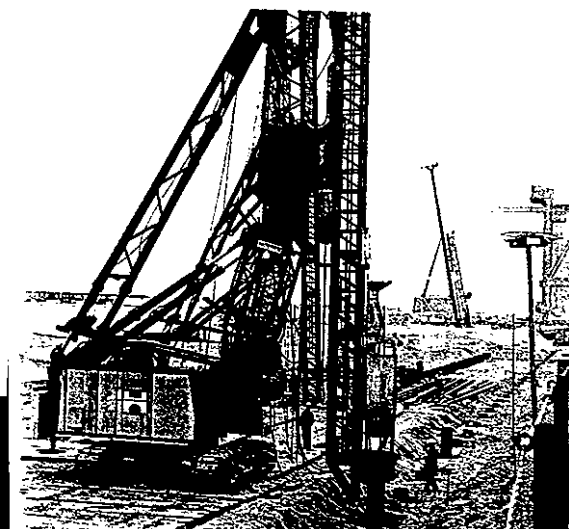
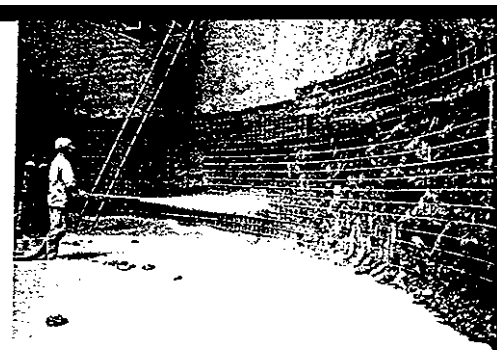
Building rubble is often heavily contaminated, e.g. when it comes from an old garage or petrol station. Together with our subsidiary hutech we are therefore investigating processes for the microbiological cleaning of contaminated rubble.

Since the rubble itself possesses practically no adapted microflora, it is necessary to add a mixed culture, e.g. grass cuttings. In exhaustive tests we are investigating the effect of various substrates on the microbiological decay rate of the pollutants in question.

Robots on the building site

In Japan attempts are being made to initiate the use of robots on building sites. There are a number of reasons why the Japanese in particular are interested in this, such as the very high wage rates there, the absence of any foreign civil engineering competition and the wide acceptance of unified "standard" buildings with only slight architectural variety. Such buildings can of course be mass-produced and therefore provide suitable preconditions for the automation of building operations.

In Europe however, and in Germany in particular, the client is by and large far more interested in having a building which is individually tailored to his particular requirements. This makes the use of robots difficult and in most cases quite uneconomical. For this reason robotisation only has a chance in Germany in the short and medium term (apart from a



few modular assembly systems using large building blocks) if we decide to simplify the type and design of our buildings and settle for just a few architectural forms.

It is another matter where earth-moving and tunnel construction are concerned. However even here worldwide competition has conclusively demonstrated that German construction machines, equipment and process technologies are fully competitive with anything from Japan.

We do however consider that there are openings for partial automation as far as system assembly is concerned. For example, large facade elements and roof zones with integrated building systems components can be assembled at ground level and then lifted in one piece as "turnkey" assemblies and set in position.

Construction of Transportation Systems and Extraction of Construction Materials

Transrapid

The Federal German Cabinet has decreed that a track for the German maglev monorail system "Transrapid" shall be constructed over the 284 km route between Berlin and Hamburg. This will enable the journey time between the two cities to be reduced to under an hour. Together with its subsidiary Stahlbau Lavis, Philipp Holzmann AG is engaged in the development of the elevated track for the monorail. Our efforts are directed towards the development of a composite structure which is capable of accepting the stresses imposed by braking and acceleration forces,

satisfying the demands on tolerances and providing an adequate service life. Composite structures have advantages over pure concrete designs in that as far as distortion is concerned they are only slightly affected by the effects of creep and shrinkage, which in the case of concrete are extremely difficult to predict, and therefore offer better preconditions for high speeds.

Permanent way with planting

Basing on its successfully introduced "solid track" for permanent ways, our subsidiary Deutsche Asphalt has now developed a variant in which the track itself is planted with greenery.

Beside the optical and ecological advantages, such a solid track is less noisy than traditional systems. In this business year the so-called "green track" was laid for the first time as part of the local transport network in Berlin.

Energy and Environment Technology

Reduction of CO₂ emissions in power generation

Steinmüller has continued the development of processes designed to reduce the carbon dioxide emissions in relation to the amount of energy produced and thus make better use of the energy in fossil fuels.

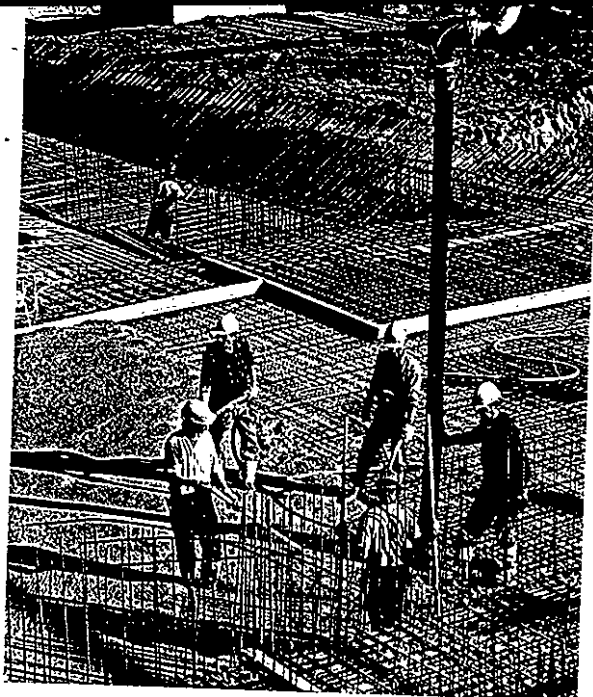
For the further development of combustion processes for power generation, it will be necessary to raise the temperatures and pressures currently employed in steam production (600°C and 300 bar). New high-temperature materials which are capable of resisting these severer conditions will be required.

Steinmüller, together with partners,



is therefore exploring the possible applications and processing methods, including new welding technologies, for these advanced materials. The research is being sponsored by the European Union.

In addition Steinmüller is pursuing the development of alternative power generation technologies. Jointly with partners the company has developed a Dish-Stirling solar unit for the performance range between 10 kilowatts and 20 megawatts. Within this range the plant is especially suited to so-called "island networks" for the provision of power to remote settlements. The technical problems of this development are very largely solved and now the construction of three prototypes is being planned.



project was successfully completed on time and within the planned budget.

The second prize went to a team from the J. A. Jones Construction Company in the USA for modernising and raising the height of the Theodore Roosevelt Dam in Arizona.

The first prize in the business sector Energy and Environment Technology went to a working party involved on the Emster Effluent Disposal Project, one of the successful cooperation models with fund financing now being established in the New German Länder. The prize was awarded above all for the setting-up of an operating company and the working out of an appropriate table of charges for sewer construction and effluent treatment.

Wage settlements

For the new **minimum rate law** for foreign workers in the building industry the employers' associations and trade unions have agreed upon a sliding minimum wage rate of DM 15.30 in Western Germany and DM 14.08 in Eastern Germany, with a stepwise improvement to DM 18.60 and DM 17.11 respectively. Agreement was achieved only by relinquishment of the employers' plan to hold out for an interim settlement before the law came into force. This sacrifice will in particular affect those long-term projects secured in 1995 and inevitably lead to losses here.

We welcome the agreement achieved by both sides in the collective bargaining on **bad-weather money**. Here the trade unions showed great understanding for the difficult situation in the building industry.

The moderate **wage settlement** represents a first attempt to improve the situation in the building industry. Nevertheless further decisive measures to reduce incidental wage costs are vital in order to make Germany an attractive industrial location once more and assist in harmonising competition in the European construction market.

Personnel costs

At 3.3 billion DM the personnel and social costs lay 3 per cent above the previous year. These include voluntary social payments, pensions, payments to long-service employees on anniversaries, support in cases of need and other outlays.

Within the Group 8 per cent of our employees have been with their companies for longer than 25 years and 19 per cent are in the 10 to 24 year bracket.

Employee shares

In the year under review employee shares were issued for the eighth time. 10 467 employees who have been with the Group for at least five years were entitled to purchase shares. Making use of the maximum tax allowance for capital formation, each was entitled to purchase one share at DM 400 or two shares at DM 1 100. The increasing interest in the scheme is revealed by the proportion of employees taking advantage of the offer; 10.5 per cent as against 8.6 per cent in 1994. The proportion of our capital held by employee shareholders remains unaltered at 0.5 per cent.

2 000 company shares were purchased for issue in 1996.



Financial Statements

Consolidated Group

Consolidated Balance Sheet as of 31st December 1995

Assets

	Note	thousand DM	31/12/1995 thousand DM	31/12/1994 thousand DM
Fixed assets	(6)			
Intangible assets		173 140		167 403
Tangible assets		2 493 063		1 817 761
Financial assets		<u>540 320</u>		<u>530 498</u>
			3 206 523	2 515 662
Current assets				
Inventories	(7)			
Construction work in progress, other work and products finished and in progress, land and buildings held for sale		8 005 855		6 919 595
Progress payments received		<u>-5 229 119</u>		<u>- 5 088 139</u>
		2 776 736		1 831 456
Other inventories		<u>190 822</u>		<u>150 805</u>
			2 967 558	1 982 261
Receivables and other assets	(8)		4 025 149	3 787 906
Securities	(9)		588 777	644 670
Liquid funds	(9)		1 144 971	1 608 624
Prepaid expenses and deferred charges	(10)		11 343	5 446
			11 944 321	10 544 569

Shareholders' Equity and Liabilities

	Note	thousand DM	31/12/1995 thousand DM	31/12/1994 thousand DM
Shareholders' Equity	(11)			
Subscribed capital		219 375		219 375
Capital reserve		1 289 790		1 438 340
Retained earnings		1 038		309 967
Consolidation adjustment		31 504		34 271
Minority interests		92 860		79 772
Unappropriated profit		<u>-</u>		<u>59 231</u>
			1 634 567	2 140 956
Special reserves with an equity portion	(12)		27 227	18 870
Provisions	(13)		2 290 961	2 088 200
Liabilities	(14)		7 988 992	6 295 976
Deferred income			2 574	567
			11 944 321	10 544 569

Consolidated Profit and Loss Statement

Year ended 31st December 1995

	Note	thousand DM	1995 thousand DM	1994 thousand DM
Sales	(16)	11 274 667		10 583 588
Increase				
in construction work in progress,				
other work and products finished and in progress				
land and buildings held for sale		336 734		468 919
Own work capitalised	(17)	104 792		58 288
Other operating income	(18)	404 831		391 133
Cost of materials	(19)	- 7 526 826		- 6 861 370
Personnel expenses	(20)	- 3 252 847		- 3 157 947
Depreciation of intangible and tangible fixed assets	(21)	- 378 681		- 367 919
Other operating expenses	(22)	- 1 363 928		- 850 786
Income from participations	(23)	30 766		35 759
Net interest	(24)	- 1 798		488
Amortisation of financial assets and of securities classified as current assets	(25)	- 12 788		- 23 371
Results from ordinary activities			- 385 078	276 782
Taxes	(26)		- 57 680	- 156 774
Net loss (1994: net income)	(27)		- 442 758	120 008
Loss (1994: profit) brought forward from previous year			- 8 237	16 077
Transfer from retained earnings and reserves			484 982	16 786
Transfer to retained earnings			- 13 536	- 80 882
Minority interests in net income			- 23 635	- 25 237
Minority interests in net loss			3 184	12 479
Unappropriated profit			0	59 231

Philipp Holzmann AG
Balance Sheet as of 31st December 1995

Assets

	Note	thousand DM	31/12/1995 thousand DM	31/12/1994 thousand DM
Fixed assets	(6)			
Intangible assets		3 958		3 184
Tangible assets		438 578		254 167
Financial assets		<u>1 068 655</u>		<u>994 280</u>
			1 511 191	1 251 631
Current assets				
Inventories	(7)			
Construction work in progress				
land and buildings held for sale		1 900 392		1 772 984
Progress payments received		<u>-1 330 948</u>		<u>-1 347 748</u>
		569 444		425 236
Other inventories		<u>35 372</u>		<u>32 303</u>
			604 816	457 539
Receivables and other assets	(8)		2 896 520	2 473 371
Securities	(9)		325 293	336 869
Liquid funds	(9)		545 744	1 130 483
			5 883 564	5 649 893

Shareholders' Equity and Liabilities

	Note	thousand DM	31/12/1995 thousand DM	31/12/1994 thousand DM
Shareholders' Equity	(11)			
Subscribed capital		219 375		219 375
Capital reserve		1 438 340		1 438 340
Retained earnings		64 394		419 080
Unappropriated profit		<u>-</u>		<u>59 231</u>
			1 722 109	2 136 026
Special reserves with an equity portion	(12)		20 723	15 082
Provisions	(13)		1 231 465	1 127 073
Liabilities	(14)		2 909 267	2 371 712
			5 883 564	5 649 893

**Profit and Loss Statement,
Year ended 31st December 1995**

	Note	thousand DM	1995 thousand DM	1994 thousand DM
Sales	(16)	3 010 805		2 824 712
Increase in construction work in progress, land and buildings held for sale		127 407		75 466
Own work capitalised	(17)	17 236		7 931
Other operating income	(18)	126 684		104 312
Cost of materials	(19)	- 2 195 077		- 1 846 220
Personnel expenses	(20)	- 827 775		- 778 949
Depreciation of intangible and tangible fixed assets	(21)	- 67 564		- 71 122
Other operating expenses	(22)	- 714 841		- 278 936
Income from participations	(23)	64 637		128 775
Net interest	(24)	94 052		65 325
Amortisation of financial assets and of securities classified as current assets	(25)	- 38 144		- 8 548
Results from ordinary activities			- 402 580	222 746
Taxes	(26)		47 894	- 104 284
Net loss (1994: net income)	(27)		- 354 686	118 462
Transfer from retained earnings			354 686	-
Transfer to retained earnings			-	- 59 231
Unappropriated profit			0	59 231

Notes to the Consolidated Financial Statements and the Financial Statements of Philipp Holzmann AG

Changes in Fixed Assets

Group

	Acquisition or manufacturing costs			
	1/1/1995	Changes*	Additions	Disposals in thousand DM
Intangible assets				
Franchises, industrial property rights and similar rights, as well as licences to such rights	18 053	+ 830	6 835	644
Goodwill				
- stated in individual financial statements	2 700	+ 224	813	12
- resulting from capital consolidation	330 132	-	49 048	1 447
Advance payments	1 615	-	1 501	56
	352 500	+ 1 054	58 197	2 159
Tangible assets				
Land, land titles and buildings, including buildings on third party land	1 548 519	+ 507 387	267 361	32 898
Technical equipment and machinery	1 565 734	+ 84 167	125 555	103 618
Other equipment, factory and office equipment	632 648	- 14	116 889	85 290
Advance payments and tangible assets under construction	80 990	+ 1 885	66 803	2 303
	3 827 891	+ 593 425	576 608	224 109
Financial assets				
Investments in affiliated companies	62 464	- 14 628	32 119	5 429
Loans to affiliated companies	1 537	+ 8 549	14 530	15
Investments in associated companies	93 652	- 10 600	21 803	2 822
Participations	266 058	+ 1 884	26 982	9 605
Loans to participations	126 875	- 800	31 134	73 252
Investments in long-term securities	12 502	+ 847	5 313	4 219
Other loans	6 615	+ 505	178	3 495
	569 703	- 14 243	132 059	98 837
	4 750 094	+ 580 236	766 864	325 105

* refer to Explanations, Note (6)

Philipp Holzmann AG

	Acquisition or manufacturing costs		
	1/1/1995	Additions	Disposals in thousand DM
Intangible assets			
Franchises, industrial property rights and similar rights, as well as licences to such rights	2 813	1 168	194
Advance payments	1 500	1 000	-
	4 313	2 168	194
Tangible assets			
Land, land titles and buildings, including buildings on third party land	247 066	164 493	19 697
Technical equipment and machinery	288 909	23 699	24 468
Other equipment, factory and office equipment	171 614	40 907	30 145
Advance payments and tangible assets under construction	39 963	31 520	-
	747 552	260 619	74 310
Financial assets			
Investments in affiliated companies	890 218	166 947	50 891
Participations	226 995	155	11 552
Other loans	-	1	1
	1 117 213	167 103	62 444
	1 869 078	429 890	136 948

Depreciations										Book value		
Transfers	31/12/1995	1/1/1995	Changes*	Current year in thousand DM	Disposals	Transfers	31/12/1995	31/12/1995 in thousand DM	31/12/1994 in thousand DM			
+	412	25 486	11 480	+	337	4 452	435	+	53	15 887	9 599	6 573
-		3 725	1 260	+	72	258	-	-		1 590	2 135	1 440
-		377 733	172 357	-		46 720	1	-		219 076	158 657	157 775
-	311	2 749	-	-		-	-	-		-	2 749	1 615
+	101	409 693	185 097	+	409	51 430	436	+	53	236 553	173 140	167 403

+	39 116	2 329 485	502 799	+	92 038	49 518	16 010	+	3 395	631 740	1 697 745	1 045 720
+	21 646	1 693 484	1 094 067	+	39 256	165 524	89 838	-	4 805	1 204 204	489 280	471 667
+	5 200	669 433	413 033	+	735	109 540	80 741	+	1 357	443 924	225 509	219 615
-	66 063	81 312	231	-		552	-	-		783	80 529	80 759
-	101	4 773 714	2 010 130	+	132 029	325 134	186 589	-	53	2 280 651	2 493 063	1 817 761
+	3 660	78 186	7 551	+	49	1 105	-	+	229	8 934	69 252	54 913
-		24 601	-	-		-	-	-		-	24 601	1 537
-		102 033	7 854	-	119	2 532	-	-		10 267	91 766	85 798
-	2 774	282 545	21 760	+	1	8 272	2 888	-	229	26 916	255 629	244 298
-	65 233	18 724	-	-		-	-	-		-	18 724	126 875
-	886	13 557	1 243	+	50	269	114	-		1 448	12 109	11 259
+	65 233	69 036	797	-		1	1	-		797	68 239	5 818
-		588 682	39 205	-	19	12 179	3 003	-		48 362	540 320	530 498
-	5 772 089	2 234 432	2 234 432	+	132 419	388 743	190 028	-		2 565 566	3 206 523	2 515 662

Transfers	31/12/1995	1/1/1995		Depreciation		31/12/1995	Book value	
				Current year in thousand DM	Disposals		31/12/1995 in thousand DM	31/12/1994 in thousand DM
+	252	4 039	1 129	1 208	8	2 329	1 710	1 684
-	252	2 248	-	-	-	-	2 248	1 500
-		6 287	1 129	1 208	8	2 329	3 958	3 184
+	30 395	422 257	163 937	5 407	11 477	157 867	264 390	83 129
-		288 140	226 801	24 109	23 515	227 395	60 745	62 108
+	250	182 626	102 647	36 840	29 466	110 021	72 605	68 967
-	30 645	40 838	-	-	-	-	40 838	39 963
-		933 861	493 385	66 356	64 458	495 283	438 578	254 167
+	325	1 006 599	113 951	35 458	4 659	144 750	861 849	776 267
-	325	215 273	8 982	-	515	8 467	206 806	218 013
-		-	-	-	-	-	-	-
-	1 221 872	122 933		35 458	5 174	153 217	1 068 655	994 280
-	2 162 020	617 447		103 022	69 640	650 829	1 511 191	1 251 631

General Disclosures

(1) Legal Basis and Formal Presentation

The consolidated financial statements and the financial statements of the Philipp Holzmann AG are prepared in accordance with the accounting principles laid down in the Commercial Code. In all cases figures are given in thousand DM.

To facilitate presentation, the notes on the consolidated financial statements of the Group and the financial statements of the Philipp Holzmann AG are given here together. If not otherwise noted, the information given applies to both statements.

The balance sheet format has been supplemented by the following items relating specifically to the construction business: "Construction work in progress", "Land and buildings held for sale", "Progress payments received" (shown as a deduction on the assets side) and "Receivables from and liabilities payable to joint ventures":

The profit and loss statement is presented in the "total cost" format. To the extent permitted by law, we have combined these items as shown in the balance sheet and the profit and loss statement in the interests of improved clarity. Further details are stated and explained separately in the notes.

The table "Changes in fixed assets" gives the original acquisition or manufacturing costs. These costs are offset against the related accumulated depreciation of the respective items to provide a better general picture. Assets of minor value are fully depreciated and written off as disposals in the year of acquisition.

Where companies included for the first time in the consolidated financial statements, among them with effect from 31.12.1995 the consolidated companies of the Vebau group, significantly affect the comparison with previous years, additional details on the related items are provided.

(2) Companies included in the Consolidation

In addition to the Philipp Holzmann AG, there are 100 domestic and 163 foreign affiliated companies included in the consolidated financial statements. Thirteen companies are treated as associated companies under the terms of § 311 of the Commercial Code. Further, seven joint ventures for project devel-

opment in which we hold a 50% participation as partners in the sense of the Civil Code have been included according to the quota consolidation method and six project joint ventures fully consolidated.

The fiscal year for all consolidated companies is the calendar year.

Not included in the consolidation as laid down by § 295, Section 1 of the Commercial Code were welfare funds and, as set forth in § 296, Section 2 of the Commercial Code, those companies of minor importance for the net financial position and results of the consolidated Group even when combined.

The Annual Report includes on pp. 74 and 75 lists showing full details of all holdings as required by § 285, No. 11 Commercial Code. As required by § 313 of the Commercial Code, these will be deposited with the Commercial Register of the Frankfurt am Main District Court.

(3) Principles of Consolidation

The book value method at the time of acquisition or first inclusion in the consolidated financial statements is applied to capital consolidation by setting off the book values of the participations against the proportional equity capital of the consolidated companies. Positive differences arising on consolidation are allocated to the associated balance sheet items of the subsidiaries, remaining amounts are either capitalised and amortised as goodwill resulting from capital consolidation, or offset against reserves. Negative differences are transferred to the consolidation adjustment or used to make up reserves.

Associated companies are consolidated using the equity method in accordance with the principles applied for capital consolidation.

The joint ventures for project development are quota consolidated according to § 310 of the Commercial Code, whereby the financial statement items were transferred in proportion to our participation.

Receivables, liabilities, expenses, income and profit from the intercompany movement of goods and services are eliminated.

(4) Accounting Principles and Valuation Methods

The financial statements of Philipp Holzmann AG and the domestic and foreign affiliated companies included have been prepared in accordance with uniform accounting principles and valuation methods. In doing so, values have been stated prudently, taking into account all foreseeable losses and only including profits realised at the balance sheet date. This applies to foreign companies as well. The financial statements of foreign companies have been adjusted in form and content in order to comply with Group policy.

Intangible assets acquired for consideration are capitalised at acquisition costs and amortised over a short period using the linear method. Goodwill resulting from consolidation has been capitalised unless offset against reserves. Scheduled amortisation is charged over the anticipated useful life in subsequent fiscal years, unless a shorter period of amortisation is considered appropriate.

Tangible assets are valued at the acquisition or manufacturing costs, less scheduled depreciation calculated on the basis of the maximum amounts allowed for tax purposes. Extraordinary depreciations are undertaken when and to the extent that a lower value is deemed more appropriate. Special amortisation allowed for tax purposes has been applied in differing degrees by subsidiary companies as considered appropriate, particularly in the New Länder. In order to achieve uniformity of valuation the special reserves provided in § 4 of the Economic Aid Act have not been included. The additions to fixed assets have been reduced to the extent that they benefit from investment grants. The cost of production of fixed assets does not include any administrative costs or interest on loans.

Moveable fixed assets are depreciated using the declining balance method, with a transition to the linear method where this increases the amount of the depreciation. Assets of minor value are written off in full in the year of acquisition.

Investments in affiliated companies and investments in participations are valued at the acquisition costs, less any amortisation charges. **Associated companies** are valued by the equity method. **Investments in long-term securities** are quoted either at the cost or market value at the time of acquisition or the minimum year-end market value since the date of purchase, whichever is the lower.

Construction work in progress, other work and products finished and in progress and land and buildings held for sale have been valued on the basis of their acquisition or manufacturing costs to be capitalised. These include wages and salaries, materials, subcontracted work, other outside services, general operating overheads that are to be charged in accordance with tax regulations, linear depreciation of the construction and transport equipment utilised and acquisition costs for land. The interest on debt incurred during the construction phase of our project development business has been included in the costs of manufacturing. Where the costs determined for each individual item exceed the anticipated income from the client, the valuation is reduced accordingly. **Raw materials and supplies** are stated at cost of acquisition or manufacturing or at the lower value required by commercial law or allowed under the terms of the income tax law. Adequate allowance has been made for possible sales risks through appropriate valuation adjustments.

In the case of **receivables** and **other assets**, allowance has been made for possible credit risks. The general provisions for doubtful receivables which cover the general credit risk inherent in receivables from our own business and joint ventures are deducted from the related asset items. Unpaid security retentions withheld by clients and receivables which remain outstanding beyond the agreed payment period have been discounted on the basis of the estimated time until collection.

Securities included in current assets are stated at the acquisition costs or the minimum yearend market value since acquisition, whichever is the lower.

Pension provisions and provisions for similar obligations have been calculated according to actuarial principles and cover the full current value of the commitments entered into.

Other provisions have been established on the basis of prudent appraisal of all recognisable risks.

Liabilities have been stated at the amount repayable.

(5) Foreign Currency Translation

In the consolidated financial statements, assets and liabilities were valued at the year-end rates and expense and income items at average rates. Translation differences are offset against other expenses and income. Subject to the principle of unequal treatment of losses and income, assets and liabilities of the parent

company and the other consolidated companies in foreign currencies are translated in the individual financial statements using the spot rate as of the balance sheet date. Expenses and income in foreign currencies are also converted at the spot rate as of the balance sheet date.

Explanatory Notes and Statutory Disclosures concerning Items in the Balance Sheet

(6) Fixed Assets

The changes in fixed assets in the Group and the parent company are set out on pages 60 and 61. They show the original acquisition and manufacturing costs and the relevant accumulated depreciation of the individual items. The column "Changes" shows the adjustments made resulting from changes in the scope of consolidation as well as currency differences resulting from translations at the new year-end rates.

The **goodwill** resulting from the capital consolidation stated in the consolidated financial statements originates mostly from companies included in the consolidation in previous years. Additions were created by the consolidation of new companies for the first time, in particular the Vebau group.

The increase in **tangible assets** from around 1.8 billion DM to 2.5 billion DM is largely due to the increase in real estate with business premises, factories and other buildings. The parent company has new office buildings in Bad Soden, Dresden, Leipzig and Zwickau. 416 million DM of the increase is attributable to the companies of the Vebau group with business properties primarily in Frankfurt am Main, Galluspark, and Böblingen.

The majority of tangible assets are held by the parent company, the Vebau group, INTECH and imbau.

Companies not included in the consolidated financial statements are shown as **investments in affiliated companies**. **Associated companies** are those included in the consolidated financial statements using the equity method.

(7) Inventories

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in thousand DM		in thousand DM	
Construction work in progress	4 516 792	4 599 869	1 424 858	1 467 279
Other work and products finished and in progress	1 229 308	1 134 082	-	-
Land and buildings held for sale	2 259 755	1 185 644	475 534	305 705
	8 005 855	6 919 595	1 900 392	1 772 984
Progress payments received	- 5 229 119	- 5 088 139	- 1 330 948	- 1 347 748
	2 776 736	1 831 456	569 444	425 236

As in previous years, the major portion of **construction work in progress** is accounted for by J.A. Jones and the parent company. The **other work and products finished and in progress** principally concern the Steinmüller and the Scheu + Wirth Group. **Land and buildings held for sale** concern our project development business. The inclusion for the first time of the Vebau group in the consolidated financial statements was, with 828 million DM, largely responsible for the big increase in comparison with the prior year.

Other Inventories

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in thousand DM		in thousand DM	
Raw materials and supplies	103 984	99 808	14 903	15 405
Advance payments made	86 838	50 997	20 469	16 898
	190 822	150 805	35 372	32 303

Other inventories mainly affect the parent company and domestic subsidiaries.

(8) Receivables and Other Assets

	Group		Philipp Holzmann AG		
	1995	1994	1995	1994	1994
	Amount due beyond one year in thousand DM		Amount due beyond one year in thousand DM		
Trade account receivables	1 712 208	77 745	1 601 932	392 693	413 666
Receivables from joint ventures	529 929	6 831	623 818	363 769	396 838
Receivables from affiliated companies	139 349	3 689	108 385	1 402 729	987 051
Receivables from participations	162 508	126 389	249 114	94 582	79 888
Other assets	1 481 155	288 097	1 204 657	642 747	513 694
	4 025 149	502 751	3 787 906	2 896 520	2 473 371

Trade account receivables result from the invoicing of business, not including joint ventures. **Receivables from joint ventures** arise from our services as partner and from current clearing accounts with joint venture construction sites. **Receivables from affiliated companies** and **receivables from participations** represent working capital loans included in the balance sheet of the Philipp Holzmann AG, balances on current clearing accounts and taxes payable via the parent company, plus value-added tax on goods and services settled at the end of the year. As before, we again provided the required funding for the activities of our subsidiaries. Just under 90 per cent of the receivables from affiliated companies were from consolidated companies. **Other assets** consist principally of value-added tax on advance payments and progress payments, input value-added tax claims, imputed corporation and capital gains tax; receivables from project financing; prepayments to construction industry benefit funds; accrued interest on fixed-interest securities and on time deposits; and other miscellaneous receivables.

(9) Securities and Liquid Funds

In November 1995 1 136 **own shares** with a nominal value of 56 800 DM, representing 0.03 per cent of the capital stock, were acquired at a share price of 535.40 DM and sold to our employees as employee shares. The share price was 400 DM for one share and 550 DM each if two shares were purchased.

At the end of the year 2 000 own shares purchased in December with a nominal value of 100 000 DM and representing 0.05 per cent of the capital stock appeared in the balance sheet at a value of 1.0 million DM. They were offered in March 1996 as employee shares.

Included in **other securities** are marketable fixed interest securities, equities and shares in investment funds. The main Group items relate as in previous years mainly to the parent company and Steinmüller. According to § 280, Section 3 of the Commercial Code, the amount of write-ups not effected because of tax considerations amounts to 3.6 million DM for the Group and Philipp Holzmann AG. This amount resulted from increases in the value of securities which had been written down in previous years.

Liquid funds comprise mainly deposits in banks as well as cash on hand, deposits with the Federal bank and postal giro accounts. They also include any bank balances with a company which has a participating interest in our company. The amount shown in the balance sheet principally concerns the parent company, Steinmüller, and other domestic Group companies and is invested mainly in interest-bearing time deposits. The reduction as compared with the previous year's figure is attributable to the parent company and is due to the financing requirements of our day-to-day business and of our related companies.

(10) Prepaid expenses and deferred charges

The prepaid expenses and deferred charges in the consolidated financial statements include deferred expenses and a discount (disagio) of 706 000 DM.

(11) Shareholders' Equity

The **subscribed capital** of our company amounts to 219 375 000 DM. It is divided into:

201 000 shares of 1000 DM
27 200 shares of 100 DM
313 100 shares of 50 DM

The shares are bearer shares; there are no other classes of shares. The Deutsche Bank AG holds more than 25 per cent of our capital stock.

In a letter with identical wording, RWE AG and Hochtief AG, notified us on 14th June 1995 that in accordance with § 20, para 1 AktG (German Stock

Corporation Law), and also with extreme precaution in accordance with § 20, para 3 AktG, more than one-quarter of the shares in our company were in their possession. This notification was in the nature of a precautionary measure for the event that shares were allotted to them which currently could not be taken up for cartel reasons.

In the General Shareholders' Meeting on 29th June 1995 the shareholders authorised an **approved capital** of 30 000 000 DM. Accordingly the Board of Management is entitled, subject to the approval of the Supervisory Board, to increase the capital stock once or in several instalments by the issue of new shares for cash up to a total of 30 000 000 DM on or before 28th June 2000. Under the terms of this authorisation shares of a total value not exceeding 1 000 000 DM may be reserved for employees and are then not available for purchase by ordinary shareholders.

Retained Earnings

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in thousand DM		in thousand DM	
Legal reserve	-	782	782	782
Reserve for own shares	1 038	-	1 038	-
Reserve for foreign risks	-	30 950	-	30 950
Other retained earnings	-	278 235	62 574	387 348
	1 038	309 967	64 394	419 080

The parent company's **reserve for foreign risks** amounting to 31.0 million DM was, after the original reason for the reserve no longer existed, liquidated together with 323.7 million DM from **other retained earnings** in order to make up the annual loss of 354.7 million DM.

A **reserve for own shares** equal in value to the shares in our possession was formed by deducting this sum from the other retained earnings.

Within the Group, as part of the consolidation measures and to make up the annual loss, the retained earnings were liquidated with the exception of the reserves for own shares and the amount of around 149 million DM withdrawn from the capital reserves.

As a result of the first-time inclusion of majority holdings, the acquisition of additional company shares and the first-time inclusion of companies according to § 310 of the Commercial Code in the consolidated financial statements, credit differences arising on consolidation amounted to 49.0 million DM and debit differences to 27.8 million DM.

(12) Special Reserves with an Equity Portion

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in thousand DM		in thousand DM	
Reserve pursuant to § 6b Income Tax Act	24 225	13 453	-	-
Reserve pursuant to foreign legislation	1 972	2 623	-	-
Reserve pursuant to § 2 GDR Investment Law	731	2 375	-	-
Special reserve for investment grants	261	330	-	-
Accumulation reserve pursuant to § 3, Section 2 GDR, Tax Reform Act 1990	-	51	-	-
Reserve pursuant to § 1 GDR Investment Law	38	38	-	-
Reserve pursuant to § 4, Section 1, 1 Regional Assistance Act 1991	-	-	20 723	15 082
	27 227	18 870	20 723	15 082

Special reserves relating to the subsidiaries were subsequently disclosed. The options in valuation methods were used within the Group with a corres-

ponding effect on deferred taxes. The reserve pursuant to foreign legislation relates to investments of the Austrian subsidiaries.

(13) Provisions

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in thousand DM		in thousand DM	
Provisions for pensions and similar obligations	477 984	450 420	285 848	274 005
Provisions for taxes	349 200	375 910	264 560	328 263
Other provisions	1 463 777	1 261 870	681 057	524 805
	2 290 961	2 088 200	1 231 465	1 127 073

The **provisions for taxes** made by the parent company have been reduced by around 64 million DM after liquidation of a part no longer required as reserve following a tax audit and as a result of the annual loss. The Group tax provision is also below the previous year's figure. Here however the reduction is lower as a result of the balances of successful subsidiaries and deferred taxes. The latter, after setting off tax assets and tax liabilities, amounted to 32.6 million DM.

Other provisions principally relate to project completion costs including warranty risks, future losses on current contracts, personnel expenses, jubilee contributions, lease guarantees, contract penalties, litigation and various other risks. The increases under this heading for the parent company and the Group are primarily due to provisions for risks arising out of the project development business.

(14) Liabilities

	Group			Philipp Holzmann AG		
	1995	Of which due within one year in thousand DM	1994	1995	Of which due within one year in thousand DM	1994
Liabilities to banks	3 248 820	2 211 330	1 421 865	673 599	373 599	269 734
Advance payments received on account of orders	1 372 370	1 178 428	1 436 976	458 713	458 713	438 945
Trade accounts payable	1 603 418	1 554 426	1 432 764	411 565	393 537	280 897
Liabilities to joint ventures	692 377	675 956	566 823	539 148	524 148	436 771
Notes payable	61 137	60 908	57 983	-	-	-
Liabilities to affiliated companies	78 847	77 774	19 887	406 386	406 386	116 434
Liabilities to participations	82 024	82 024	321 700	25 845	25 845	227 199
Other liabilities	849 999	789 004	1 037 978	394 011	393 987	601 732
	7 988 992	6 629 850	6 295 976	2 909 267	2 576 215	2 371 712

Group liabilities of 259.5 million DM are due after more than five years (Philipp Holzmann AG: 0.4 million DM). Of this total, 205.8 million DM represents amounts due to banks, 1.2 million DM trade accounts payable (Philipp Holzmann AG: 0.4 million DM), 1.0 million DM liabilities to affiliated companies and 51.5 million DM other liabilities.

Liabilities to financial institutions of the parent company and the Group arise in connection with the financing of assets as well as with the project development business. The increase of this heading for the parent company is attributable to higher accounts receivable and the financing of the project development business. The first-time consolidation of the Vebau group has caused a Group increase of 1.2 billion DM. This balance sheet position includes loans from

a company with a participating interest in our company. **Advance payments received on account of orders** comprise prepayments by clients for services not yet provided and progress payments received, insofar as they exceed the capitalised production costs of construction and other work in progress. **Trade accounts payable** consist of obligations in relation to suppliers and subcontractors. **Liabilities to joint ventures** principally relate to the parent company. They result from current clearing accounts and the transfer to us of our share of excess liquid funds in the joint venture arising from advance payments received. **Notes payable** concern mainly a foreign company. **Liabilities to affiliated companies and liabilities**

to participations result from the exchange of services with domestic and foreign companies and cash funds passed on to the parent company.

Other liabilities consist mainly of obligations in connection with the payroll, liabilities from completed joint ventures, sales taxes and other taxes due, plus various other obligations. Of the Group total, taxation accounts for 200.9 (1994: 249.5) million DM and social security contributions for 113.8 (1994: 107.0) million DM. For Philipp Holzmann AG, these figures are 101.8 (1994: 139.1) million DM and 25.5 (1994: 18.2) million DM respectively.

(15) Contingent Liabilities and Other Financial Obligations

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in thousand DM		in thousand DM	
Guarantees	1 049 108	2 181 009	3 137 503	2 949 122
- thereof related to affiliated companies -	(102 660)	(45 192)	(2 667 703)	(1 253 220)
Contingent liabilities from notes payable	1 899	1 967	-	-
Contingent liabilities from pledges for indebtedness of others	54 460	25 945	485	510
Contractual guarantees	443	20	-	-
	1 105 910	2 208 941	3 137 988	2 949 632

Liabilities from guarantees of the parent company are assumed for obligations, including possible future obligations, of subsidiaries and participations. They are used for Group financing, the financing of joint venture projects and financial support for the business activities of subsidiaries and participations. The volume documents the financing of the Group by the parent company. The guarantees of the Group correspond in content to those of the parent company, reduced by the guarantees assumed for consolidated companies. The reduction as compared with the previous year is primarily due to the first-time consolidation of the Vebau group, as a result the liabilities covered by the guarantees are included in the Group financial statement.

Liens or similar rights to secure liabilities have been granted for a total of 695.0 million DM in the Group. The total of indirect obligations from pensions and welfare funds in the Group which are not shown in the balance sheet amounts to 110.1 million DM after tax and in Philipp Holzmann AG to 11.9 million DM; the total of other financial obligations amounts to 256.5 million DM in the Group and 32.9 million DM in the parent company. This results from procurement commitments, leasing and other contracts, annual payments arising from tenancy and rental obligations, as well as envisaged contributions to the PSV (= fund for the assurance of pension obligations) and other contributions.

Derivative transactions are only concluded on the basis of business which is to be hedged. The amount is negligible in comparison to the financial volume.

Explanatory Notes and Statutory Disclosures on the Items in the Profit and Loss Statements

(16) Sales

Annual Output

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in million DM		in million DM	
Domestic				
Commercial construction	5 003	5 050	2 800	2 525
Public construction	2 259	2 164	796	777
Residential construction	1 812	1 374	486	400
Plant construction	634	478	-	-
	9 708	9 066	4 082	3 702
Foreign				
America	2 032	2 032	-	-
Europe	1 667	1 497	24	20
Africa	145	157	-	-
Asia and Australia	542	338	193	151
	4 386	4 024	217	171
	14 094	13 090	4 299	3 873
incl. for participations			58	87

Sales continue to consist of the revenues from construction, engineering and production services performed by Group companies, supplies and services to joint ventures, income transferred from joint ventures, sales of materials and merchandise and rental income. Within the Group and parent company sales increased as a result of the growth in annual output while at the same time work in progress inventories also increased. The proportion of expenses and income relating to joint ventures is not included in the profit and loss statements. The major portion of

sales is accounted for by Philipp Holzmann AG, J.A. Jones, Steinmüller, imbau, Nord France, Philipp Holzmann-Held & Francke and Deutsche Asphalt.

As before, in order to present the information more clearly we have broken down the annual output in the reporting year instead of the sales. The domestic output is divided up by construction sectors and the foreign output by regions. The consolidated figures include the proportional output of all affiliated companies and participations. The output of joint ventures is also shown proportionally to our share.

(17) Own Work Capitalised

This item includes, as in the previous year, self-constructed buildings listed under fixed assets and factory and office equipment, principally for domestic subsidiaries and the parent company.

(18) Other Operating Income

Other operating income consists of book profits from the disposal of fixed assets and the sale of securities, releases of amounts included in special reserves with an equity portion (Group 2.5 million DM, Philipp Holzmann AG 1.1 million DM) and releases of provisions, payment of damages and reimbursement of costs, payments of written off receivables, exchange rate profits, ancillary revenues and miscellaneous income.

(19) Cost of Materials

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in thousand DM		in thousand DM	
Cost of raw materials, supplies and goods purchased for sale	2 211 258	2 031 665	403 920	262 575
Cost of services purchased	5 315 568	4 829 705	1 791 157	1 583 645
	7 526 826	6 861 370	2 195 077	1 846 220

Cost of raw materials, supplies and goods purchased for sale represent the materials used at our construction sites and in our workshops and factories. **Services purchased** mainly represent work by subcontractors, repairs performed by third parties,

outside transportation costs for machinery and construction site equipment and plant, equipment leases, planning and design costs and other outside services. The cost of materials for the parent company and the Group has increased in proportion to the higher annual output.

(20) Personnel Expenses and Employees

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in thousand DM		in thousand DM	
Wages and salaries	2 650 387	2 582 390	688 491	639 514
Social security payments and expenses for pension plans and other fringe benefits	602 460	575 557	139 284	139 435
	3 252 847	3 157 947	827 775	778 949

Growth in **expenses for wages and salaries** was experienced both in the parent company and in our subsidiaries. Besides the rises awarded as a result of free collective bargaining with the trade unions the increase in the number of employees has played a role.

Social security payments and expenses for pension plans and other fringe benefits contain employer's social security contributions, contributions to employees' accident insurance, allocations to pension plans, retirement benefits, contributions to the PSV (= fund for the assurance of pension obligations) and other fringe benefits. Pension costs were 86.7 (1994: 75.2) million DM for the Group and 27.7 (1993: 31.8) million DM for Philipp Holzmann AG.

Number of Employees

(Proportion of all participations in annual average)

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
Blue-collar workers				
Domestic	16 440	16 843	4 827	4 652
Foreign	15 696	12 310	2 967	1 967
	32 136	29 153	7 794	6 619
Salaried staff				
Domestic	9 061	8 709	3 106	2 967
Foreign	6 158	5 402	411	333
	15 219	14 111	3 517	3 300
	47 355	43 264	11 311	9 919

(21) Depreciation

Amortisation of intangible and depreciation of tangible fixed assets in the Group and the parent company concern mainly technical equipment and machinery, particularly construction equipment, but also factory and office equipment. The methods of depreciation are explained under the general disclosures in the notes. Additional depreciation allowances for tax purposes amounted to 938 thousand DM in the Group and 95 thousand DM for the Philipp Holzmann AG. The effect of the special depreciation for tax purposes on the annual results in the year under review and previous years is only of minor importance.

(22) Other Operating Expenses

Other operating expenses include administrative costs that are not shown under other expense items, rental costs, lease payments, advertising and other services, insurance premiums, fees, commissions, contributions to associations and other organisations, other personnel expenses, the balance of the amounts allocated to and utilised from general provisions, losses on the disposal of fixed and current assets, write-downs on current assets as well as transfers to special reserves with an equity portion (Group 901 000 DM, Philipp Holzmann AG 6.7 million DM). In the parent company in particular, but also in the Group at large, the effects of the risk provision for the project development business have been felt.

(23) Income from Participations

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in thousand DM		in thousand DM	
Income from profit and loss transfer agreements	912	486	900	768
Income from affiliated companies	8 728	7 202	79 773	122 250
Transfer of losses	- 9 504	-12 718	-32 142	-6 298
Income from participations	30 557	40 736	12 898	9 053
Taxes charged to controlled subsidiaries	73	53	3 208	3 002
	30 766	35 759	64 637	128 775

The parent company has taken over the profit of Holzmann Anlagen GmbH and the losses of Philipp Holzmann-Held & Francke Bau AG and Wohn- und Geschäftsbauten GmbH under the existing **profit and**

loss transfer agreements. The income from participations of the parent company reflects the lower contribution of the subsidiary companies in the year under review.

(24) Net Interest

	Group		Philipp Holzmann AG	
	1995	1994	1995	1994
	in thousand DM		in thousand DM	
Income from other securities and loans included within long-term financial assets	2 657	2 095	-	-
Other interest and similar income	180 867	167 109	160 165	121 846
Interest and similar expenses	- 185 322	-168 716	-66 113	-56 521
	- 1 798	488	94 052	65 325

Other interest and similar income consists principally of interest on bank balances, fixed-interest securities, funds, loans for working funds and short term loans, as well as dividends on shares held as current assets. It relates principally to the parent company and the Steinmüller Group. In the Group, 12.6 (1994: 6.4) million DM was received from non-consolidated companies; Philipp Holzmann AG received 63.6 (1994: 44.1) million DM from affiliated companies. The parent company interest income reflects its financing function for the Group as a whole. **Interest and similar expenses** principally concern the parent company, joint ventures for project development and

many domestic and foreign companies. In the Group, 7.0 (1994: 1.8) million DM was paid to non-consolidated companies. The parent company paid 8.7 (1994: 5.5) million DM respectively. The parent company's net interest income has further improved.

(25) Amortisation of financial assets and of securities classified as current assets

Expenses under this item for the parent company primarily resulted from the amortisation of three subsidiaries and from write-downs to the lower year-end rates for securities.

Auditor's Opinion

The accounting records, the financial statements and the consolidated financial statements, which we have audited in accordance with professional standards, comply with the legal regulations. The financial statements and the consolidated financial statements present, in compliance with required accounting principles, a true and fair view of the net worth, financial position and results of Philipp Holzmann AG, Frankfurt am Main, and Philipp Holzmann Group. The Board of Management's general review covering both Philipp Holzmann AG and Philipp Holzmann Group is in agreement with the financial statements and the consolidated financial statements.

Frankfurt am Main, 25th April 1996

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Zielke
Wirtschaftsprüfer

Dr. Klockmann
Wirtschaftsprüfer

Equity Interests of Philipp Holzmann AG pursuant to § 285 No. 11 Commercial Code (Major Shareholdings)

Business Sector General Construction		Equity Interest	Shareholders' Equity	Results of last fiscal year
		in per cent		in thousand DM
Franki Grundbau GmbH	Düsseldorf	74.9	4 008	5
HIG Holzleimbau Industrie GmbH	Dülmen	75.0	-12 360	-2 640
Philipp Holzmann Bau GmbH Erfurt	Erfurt	100.0	17 921	1 576
Philipp Holzmann-Held & Francke Bau AG	Munich	100.0	34 000	EAV
Held & Francke Baugesellschaft mbH	Hamburg	100.0	85	-950
imbau Industrielles Bauen GmbH	Frankfurt am Main	100.0	76 800	16 800
imbau Sachsen Baugesellschaft mbH	Dresden	100.0	5 482	4 552
INTECH Verwaltungsgesellschaft mbH	Berlin	100.0	45 248	15 080
INTECH Baugesellschaft mbH	Berlin	100.0	25 096	5
Gebrüder Kemmer GmbH	Berlin	100.0	2 657	769
Lömpel-Bautenschutz GmbH & Co. KG	Arnstein	100.0	1 208	484
Stahlbau Lavis Offenbach GmbH	Offenbach am Main	100.0	16 814	1 229
Zeidler & Wimmel GmbH & Co.	Kirchheim/Ufr.	100.0	2 074	846
Zenker-Fenster GmbH & Co. KG	Höxter	100.0	8	0
Dubbers Malden Groep B.V.	Malden	Netherlands 100.0 ¹⁾	4 590	340
Euroga B.V.	Soest	Netherlands 100.0 ¹⁾	553	2 598
Hillen & Roosen B.V.	Amsterdam	Netherlands 100.0 ¹⁾	12 547	-664
Philipp Holzmann Ibérica, S.A.	Madrid	Spain 100.0	12 977	-1 784
Philipp Holzmann Österreich G.m.b.H.	Wien	Austria 100.0	20 066	-3 174
Ed. Ast & Co. Baugesellschaft m.b.H.	Kalsdorf	Austria 100.0	9 286	-3 639
Held & Francke Baugesellschaft m.b.H.	Linz	Austria 100.0	2 906	-3 210
Philipp Holzmann (Thai) Ltd.	Bangkok	Thailand 49.0	4 662	979
JOTSA, S.A.	Madrid	Spain 50.0 ¹⁾	31 961	1 427
Nord France-Gruppe	Monthéry	France 91.75	14 981	97
Tilbury Douglas Plc	Twyford	United Kingdom 29.5	168 308	24 855
Philipp Holzmann USA, Inc.	Wilmington, Del.	USA 100.0	153 314	12 524
J.A. Jones, Inc.	Charlotte, N.C.	USA 100.0	98 215	8 787
William L. Crow Construction Company	New York, N.Y.	USA 100.0 ⁴⁾		
J.A. Jones Construction Company	Charlotte, N.C.	USA 100.0 ⁴⁾		
Metric Constructors, Inc.	Charlotte, N.C.	USA 100.0 ⁴⁾		
Tiber Construction Co., Inc.	Fairfax, Va.	USA 100.0 ⁴⁾		
Chas.H.Tompkins Co., Inc.	Washington, D.C.	USA 100.0 ⁴⁾		

Business Sector Construction of Transportation Systems and Extraction of Construction Materials		Equity Interest	Shareholders' Equity	Results of last fiscal year
		in per cent		in thousand DM
Deutsche Asphalt GmbH	Frankfurt am Main	100.0	48 777	-26 194
Deutsche Asphalt Berlin GmbH	Berlin	100.0	4 303	EAV
Deutsche Asphalt Leipzig GmbH	Leipzig	100.0	500	EAV
Holzmann Naturstein GmbH	Frankfurt am Main	100.0	3 677	1 981
Asphaltnischerwerke Garbsen und Leer GmbH & Co.KG	Hanover	100.0	12 278	2 718
Richard Denecke Straßen- und Tiefbau GmbH & Co.KG	Bernburg	100.0	4	-496
Splitt- und Schotterwerk Hamelspringe				
Berneburg GmbH & Co. KG	Bad Münder	100.0	1 383	633
Straßenbau Berneburg Hans Berneburg GmbH & Co. KG	Hanover	100.0	11 408	-252
Asphaltnischerwerke Anklam-Vorpommern GmbH	Anklam	50.0 ¹⁾	964	661
Möller GmbH Bernsen	Hannover	100.0	1 009	EAV
Straßenbau Neustrelitz GmbH	Neustrelitz	100.0	5 934	-427
Haniel Baustoff-Industrie				
Zuschlagstoffe Haldensleben GmbH	Haldensleben	40.0 ¹⁾	24 735	7 800
Sächsische Quarzporphyr-Werke GmbH	Röcknitz	83.0 ¹⁾	40 064	10 060
Scheid Straßenbaugesellschaft mbH	Limburg	100.0	9 759	-183
Adrian Basalt GmbH & Co.	Enspel	50.0	³⁾	³⁾
AWS Asphaltwerke Südthüringen GmbH & Co. KG	Meiningen	100.0	369	331
Diabaswerk Nessegrund GmbH	Schnellbach	75.0	-1 360	-1 426
Schotterwerk Isselbach GmbH	Görgeshausen	50.0 ¹⁾²⁾	389	1 065
Scheid-Bau GmbH Südthüringen	Meiningen	100.0	1 008	1 970

**Business Sector Construction of Transportation Systems and
Extraction of Construction Materials**
(continuation)

		Equity Interest	Shareholders' Equity	Results of last fiscal year
		in per cent		in thousand DM
Josef Skiplol Straßenbaustoffe GmbH & Co. KG	Kindsbach	100.0	17 824	566
Hartstein-, Asphalt- und Betonwerk GmbH	Kirchheimbolanden	100.0	762	262
Ferdinand Kloos GmbH & Co. KG	Langenthal	100.0	941	171
Steinbruchbetriebe Rammelsbach GmbH	Rammelsbach	100.0	465	-686
Josef Möbius Bau-Gesellschaft (GmbH & Co.)	Hamburg	50.0	20 039	4 005
Rea Construction Company	Charlotte, N.C.	USA 100.0 ¹⁾		

Business Sector Energy and Environment Technology

		Equity Interest	Shareholders' Equity	Results of last fiscal year
		in per cent		in thousand DM
Harbauer GmbH & Co. KG	Berlin	100.0	139	100
Scheu + Wirth AG	Regensburg	50.1	10 000	0
Steinmüller Verwaltungsgesellschaft mbH	Gummersbach	74.9	134 267	16 617
Hugo Petersen Gesellschaft für verfahrenstechnischen Anlagenbau mbH & Co. KG	Wiesbaden	74.9 ¹⁾	5 968	2 968
Steinmüller-Instandsetzung Kraftwerke Gesellschaft für Energie- und Umwelttechnik mbH	Peitz	74.9 ¹⁾	3 000	-12 210
L. & C. Steinmüller GmbH	Gummersbach	74.9 ¹⁾	73 236	13 236
L. & C. Steinmüller (Afrika) (Pty) Ltd.	Rivonia	South Africa 38.2 ¹⁾	40 355	17 398
L. & C. Steinmüller Construction (Pty) Ltd.	Rivonia	South Africa 38.2 ¹⁾	4 799	205
Steinmüller Mining and Piping Systems (Pty) Ltd.	Rivonia	South Africa 38.2 ¹⁾	7 266	6
NEM B.V.	Leiden	Netherlands 37.5 ¹⁾	10 950	4 565
Rompf Klärwerkeinrichtungen GmbH & Co. KG	Driedorf	100.0	6 969	969

Business Sector Services

		Equity Interest	Shareholders' Equity	Results of last fiscal year
		in per cent		in thousand DM
CONCEPT BAU Projektentwicklung und Wohnungsbau GmbH	Munich	100.0	2 867	1 788
Frankfurter Immobiliengesellschaft mbH	Frankfurt am Main	66.7	468	-1 131
Garten und Heim GmbH	Cologne	99.8	11 351	751
G.E.O.S. Freiberg Ingenieurgesellschaft mbH	Freiberg (Sachsen)	100.0	2 802	0
GiP Gewerbe im Park GmbH	Düsseldorf	75.2	14 176	4 176
Holzmann Anlagen GmbH	Frankfurt am Main	100.0	1 000	EAV
Philipp Holzmann BauProjekt AG	Frankfurt am Main	100.0	4 278	-722
HSG Holzmann Technischer Service GmbH	Frankfurt am Main	100.0	-565	652
IMS Ingenieurgesellschaft mbH	Hamburg	100.0	1 910	512
Terrassenhaus-Bau GmbH	Berlin	99.8 ¹⁾	973	333
Wohn- und Geschäftsbauten GmbH	Frankfurt am Main	100.0	100	EAV
Zenker Hausbau GmbH + Co	Michelstadt	100.0	³⁾	³⁾
SOFITEC Société Financière et Technique S.A.	Basel	Switzerland 100.0	2 892	18
Vebag AG	Zug	Switzerland 100.0	4 458	52
Athena Grundstücks AG	Zug	Switzerland 100.0	806	2 345
R.E.I. Real Estate Investment AG	Zug	Switzerland 100.0	-1 327	-1 986
Zenker Hausbau Gesellschaft m.b.H. & Co.	Veitsch	Austria 100.0	³⁾	³⁾
J.A. Jones Applied Research Company	Charlotte, N.C.	USA 100.0 ¹⁾		
J.A. Jones Management Services, Inc.	Charlotte, N.C.	USA 100.0 ¹⁾		
Jones Capital Corporation	Charlotte, N.C.	USA 100.0 ¹⁾		
Queens Properties, Inc.	Charlotte, N.C.	USA 100.0 ¹⁾		
Lockwood Greene Engineers, Inc.	Spartanburg, S.C.	USA 80.0 ¹⁾	40 508	6 235
Regent Partners, Inc.	Atlanta, GA	USA 100.0 ¹⁾	20 794	9 899

¹⁾ Indirect holdings

²⁾ Figures for 1994

³⁾ The exception rule of § 286, 1 (2) German commercial code was used

⁴⁾ Contained in the partially consolidated financial statements of J.A. Jones, Inc.

EAV = Profit and loss transfer agreement

Balance Sheet (Group) - 31/12 -	1995	1994	1993	1992	1991
Fixed assets	3 206	2 516	2 308	2 004	1 727
Inventories		2 968	1 982	1 278	1 464
1 648					
Liquid funds and receivables	5 770	6 047	5 148	4 184	3 827
Shareholders' equity	1 645	2 149	1 339	1 020	966
Liabilities	10 299	8 396	7 395	6 632	6 236
long-term	754	680	620	508	495
medium-term	1 100	1 109	901	668	540
short-term	8 445	6 607	5 874	5 456	5 201
Balance sheet total	11 944	10 545	8 734	7 652	7 202
Coverage of fixed assets by shareholders' equity (in per cent)	51.3	85.4	58.0	50.9	55.9
Equity ratio (in per cent)	13.8	20.4	15.3	13.3	13.4

Financial Data (Group)

Sales	11 275	10 584	11 604	10 326	7 910
Results from ordinary activities	- 385	277	258	269	146
Net loss/income	- 443	120	106	91	51
Investments	685	486	632	603	604
tangible assets	577	422	517	451	405
financial assets-before consolidation-	108	64	115	152	199
Amortisation of tangible assets	325	340	312	267	224
Cash flow	- 26	521	471	445	389
Dividends paid	-	59	43	34	31

Financial Data per Share (in DM)

Shareholders' equity (31.12.)	374.93	489.80	419.76	362.67	343.47
Result (net loss/income) ²⁾	- 100.91	35.40	35.07	32.36	23.37
Cash flow ²⁾	- 6.03	153.71	155.84	158.22	178.24
Dividend	0.00	13.50	13.50	12.00	11.00

The Philipp Holzmann Share on the German Stock Exchanges

Stock exchange turnover (million DM)	2 562	4 122	4 343	3 644	4 354
- Number (thousand)	3 911	4 561	4 550	3 505	3 475
Share prices (DM per share)					
- Low	481	767	817	760	976
- High	855	1 099	1 140	1 230	1 565
- Year-end	525	852	985	819	1 017
Number of shares outstanding as of 31/12 (thousand)	4 387.5	4 387.5	3 189.9	2 812.5	2 812.5
Market capitalisation	2 303	3 738	3 142	2 303	2 860

Values in million DM, if not noted otherwise.

The figures regarding output, new orders, contract backlog and employees show the worldwide activities of all companies in the Holzmann Group with the respective share of the holdings.

¹⁾ including contract backlogs taken over/deducted by changes among holdings
1995: 980, 1994: 72, 1993: -18, 1992: 460, 1991: 341 million DM

²⁾ Shareholders' equity or number of shares taking into account date of capital increases in 1994 respectively 1993