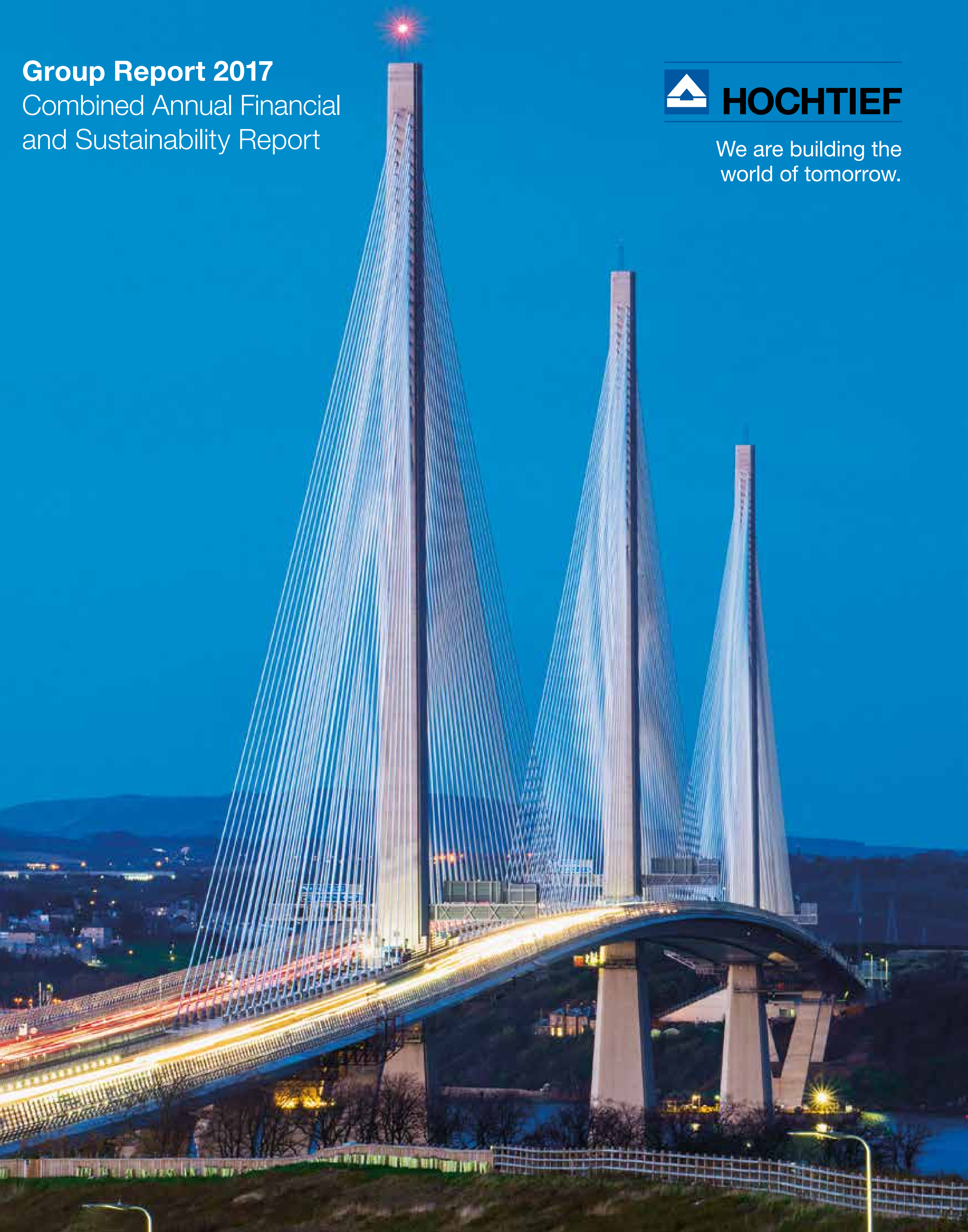
Group Report 2017
Combined Annual Financial and Sustainability Report

HOCHTIEF

We are building the world of tomorrow.



Group Report 2017
Combined Annual Financial and Sustainability Report

This combined Group Report 2017 contains HOCHTIEF's financial and sustainability reporting for 2017. By combining our Annual Financial and Sustainability Report, we aim to give our stakeholders a comprehensive overview of the Group as a whole. In providing this transparent, 360-degree reporting, we bring out the close relationship between economic, environmental, and community aspects, together with their influence on the success of our business.

Information on this Report

Covering the period January 1 to December 31, 2017, the Group Report follows on from the report published in February 2017. Where data relates to a different reporting period, this is explicitly indicated. The information in the Group Report 2017 includes the Australian company UGL, which was acquired in its entirety at the end of 2016. Any limits of coverage are indicated in all instances.

The next Group Report will appear in February 2019.

In the information on sustainability issues, we address relevant focus areas that are the outcome of a materiality analysis across all stakeholders. For further information, please see inside this Report and www.hochtief.com/gr2017.

The Group Management Report is prepared in accordance with the German Commercial Code (HGB) and the Notes to the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS) as well as with requirements that for the first time include the German CSR Directive Implementation Act. With regard to sustainability aspects and reporting quality, the Group Report follows the Global Reporting Initiative (GRI)[1]. This Group Report also serves as our report on progress in implementing the UN Global Compact principles. HOCHTIEF's Group Report 2017 is published as the required annual Communication on Progress (COP) on the Global Compact website.

The United Nations Sustainable Development Goals (SDGs) have been evaluated in light of HOCHTIEF's business model and sustainability focus areas, and selected SDGs assigned to the existing focus areas. The SDGs material to HOCHTIEF have been integrated into the Group Report.

An explanation of the technical terms used can be found in the glossary at the end of this Group Report.

[1] For further information on GRI and UN Global Compact, please see pages 261 to 263.

www.unglobal-compact.org

For further information please see the chart on page 34 and www.hochtief.com/interview-eb

Cover:
The Queensferry Crossing bridge is an engineering masterpiece and an important addition to Edinburgh's infrastructure. Officially opened in September 2017, the world's longest cable-stayed bridge—spanning 2,600 meters—has significantly eased traffic north of the Scottish capital.

Visual concept:
In the photo spreads, the Group Report invites you to take a more in-depth look at current HOCHTIEF projects. Each is devoted to one of our sustainability focus areas as a way of underlining our projects' contribution to the world of tomorrow. They also illustrate how closely our projects are embedded in communities—because building is people business. To learn more about our projects, please see the Segment Reporting section and www.hochtief.com.

This symbol indicates content supplementary to the Group Report, available on the HOCHTIEF website at www.hochtief.com as well as on the Internet pages of our Group companies and subsidiaries. We additionally indicate the corresponding links.

Wherever you see this symbol, you will find links to websites whose URLs are indicated on the relevant pages.

Transparency, sustainability, and innovation: Fundamental values at HOCHTIEF

Our aspiration and our responsibility are reflected in memberships and voluntary commitments. In 2017, our Company was once again successfully rated in established sustainability rankings and included in indexes. Here is a selection:

Commitments

Transparency International
Member since 1999

International Labour Organization (ILO)
Agreement since 2000

WE SUPPORT

United Nations Global Compact
Participant since 2008

Code of Responsible Conduct for Business
Commitment since 2010

The SUSTAINABILITY Code Signatory 2016

German Sustainability Code
Compliance declaration since 2013

Wirtschaft macht KLIMASCHUTZ
Active participation since 2017

Memberships

B.A.U.M. e. V.
Bundesdeutscher Arbeitskreis für Umweltbewusstes Management e.V.
Member since 2002

ENCORD
European Network of Construction Companies for Research and Development
Founding member 1989

Stifterverband für die Deutsche Wissenschaft
Member since 1951

Gründungsmitglied der DGNB
Deutsche Gesellschaft für Nachhaltiges Bauen
German Sustainable Building Council
Founding member 2008

MITGLIED IM FÖRDERVEREIN BUNDESSTIFTUNG baukultur
Member since 2016

Sustainability rankings/Indexes

MEMBER OF Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Dow Jones Sustainability Indices
Listing 2017, third-best result in construction industry worldwide

ROBECOSAM Sustainability Award Silver Class 2017

ROBECOSAM Sustainability Award Industry Mover 2017

CDP DRIVING SUSTAINABLE ECONOMIES

CDP
Climate Change Rating score: B (2017)
Supplier Engagement Rating score: B- (2017)

FTSE4Good Index
Listing since 2015 in the FTSE4Good Index which comprises companies that excel in matters of sustainability within their sector

Member 2016/2017 STOXX ESG LEADERS INDICES
Listed since September 2016

2016 CSR Rating SILVER ecovadis

EcoVadis
Member with "Silver" status since 2016

You can find further information at
www.hochtief.com/commitments


Cornell Tech, USA

HOCHTIEF Americas Division

The HOCHTIEF Americas division combines our construction activities in the U.S. and Canada. Headquartered in New York, our subsidiary Turner is one of the leading general builders in the U.S. market. The company enjoys top positions in several different segments and is the number one green builder. In addition, Turner is a forerunner when it comes to Building Information Modeling and lean construction methods.

Through its subsidiary, Edmonton-based Clark Builders, Turner also operates in the Canadian building construction market.

HOCHTIEF's civil engineering operations in the U.S. and Canada are conducted by Flatiron based in Broomfield, Colorado. Flatiron is one of the top providers in the North American transportation infrastructure market.

Through construction contractor E.E. Cruz, we provide transportation infrastructure services with a focus on the New York metropolitan area.

For further information on the HOCHTIEF divisions, please go to
www.hochtief.com.

The Group at a glance in 2017


Christchurch Convention and Centre, New Zealand


Metro Prague, Czech Republic

HOCHTIEF Aktiengesellschaft
Corporate headquarters (strategic and operational management holding company)

HOCHTIEF Asia Pacific Division

With its majority stake in the CIMIC Group, which is part of the HOCHTIEF Asia Pacific division, HOCHTIEF has a firm foothold in the Asia Pacific market. CIMIC is a leading infrastructure, mining, services and public-private partnerships (PPP) provider: The CIMIC Group's operating companies rank among the top players in their sectors.

CPB Contractors, which includes the employees and projects of Leighton Asia, is one of the leading construction companies in the Asia-Pacific region. With its mining services, Thiess is the largest contract miner in the world. Sedgman specializes in mineral processing. UGL offers end-to-end, outsourced engineering, asset management, and maintenance services. Pacific Partnerships develops and invests in PPP projects that are carried out by the CIMIC Group's operational units. EIC Activities is the Group's engineering and consulting arm. CIMIC also holds stakes in HLG Contracting, Devine, and the services organization Ventia.

HOCHTIEF Europe Division

The core business in Europe is organized under the HOCHTIEF Europe division, with the operating companies conducting their activities under the HOCHTIEF Solutions AG roof. This structure lets us combine the advantages of operating more like a small- or medium-sized enterprise with the know-how and service range of an internationally experienced construction group.

HOCHTIEF Infrastructure combines infrastructure activities with HOCHTIEF Building's construction business. HOCHTIEF Engineering delivers engineering services, including services for virtual construction (HOCHTIEF ViCon). HOCHTIEF PPP Solutions operates in public-private partnerships (PPP). The focus here is on the transportation as well as social and urban infrastructure segments. Group company synexs provides cutting-edge facility management services. HOCHTIEF Projektentwicklung is also part of this division.

For contracts under PPP models, HOCHTIEF delivers financing, design, and operation and acts as a partner in charge of construction.

Technical expertise and skill in executing large-scale projects rank among the company's particular strengths and form the basis for its strong reputation.

HOCHTIEF is building the world of tomorrow.

HOCHTIEF is one of the world's most relevant building and infrastructure construction groups. The company's business activities focus on complex projects in the fields of transportation, energy, and social and urban infrastructure as well as contract mining and services. Our success operating in these segments is shaped by our expertise in developing, financing, building, and operating gained in 144 years of experience. Thanks to our global network, HOCHTIEF is on the map in the world's major markets.

Our expert staff create value for clients, shareholders, and HOCHTIEF alike. We set ourselves apart from the competition by way of innovative, one-of-a-kind solutions combined with our end-to-end project and engineering know-how. That way, we enhance our company's profitability and ensure sustainable growth.

At all times, we are aware of our responsibility to our clients, business partners, shareholders, and employees, as well as to our social and natural environment. With an eye toward our long-term success, we nurture the relationship between business, the environment, and social responsibility.

Shared values:
HOCHTIEF employees at the opening of the new office of HOCHTIEF Nederland near Amsterdam.

Contents

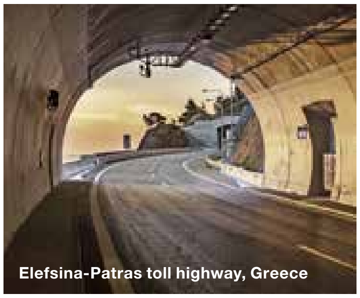

Tata Innovation Center, USA


New Champlain Bridge, Canada


Bad Cannstatt Tunnel, Germany

Emu Downs Solar Farm, Australia

Prague State Opera, Czech Republic



Elefsina-Patras toll highway, Greece

1) All figures are nominal unless otherwise indicated

2) Operational earnings are adjusted for deconsolidation effects and other one-off impacts

2016—EBITDA and EBIT adjusted

The HOCHTIEF Group: Key Figures[1)]

(EUR million)	2017	2016	Change yoy
Sales	**22,631.0**	19,908.3	**13.7 %**
Operational profit before tax/PBT[2)]	**865.8**	677.5	**27.8 %**
Operational PBT margin[2)] (%)	**3.8**	3.4	**0.4**
Operational net profit[2)]	**452.3**	361.2	**25.2 %**
Operational earnings per share (EUR)[2)]	**7.04**	5.62	**25.3 %**
EBITDA	**1,294.4**	996.5	**29.9 %**
EBITDA margin (%)	**5.7**	5.0	**0.7**
EBIT	**904.1**	715.6	**26.3 %**
Profit before tax/PBT	**823.6**	620.7	**32.7 %**
Net profit	**420.7**	320.5	**31.3 %**
Earnings per share (EUR)	**6.55**	4.98	**31.5 %**
Net cash from operating activities	**1,372.1**	1,173.4	**16.9 %**
Net operating capital expenditure	**251.8**	187.3	**34.4 %**
Free cash flow from operations	**1,120.3**	986.1	**13.6 %**
Net cash (+)/net debt (-)	**1,265.8**	703.9	**79.8 %**
New orders	**30,443.5**	24,813.5	**22.7 %**
Order backlog	**44,644.2**	43,087.6	**3.6 %**
Employees (end of period)	**53,890**	51,490	**4.7 %**

Dear Shareholders and Friends of HOCHTIEF,

Picture:
Marcelino Fernández Verdes, Chairman of the Executive Board

I am very pleased to report to you the **solid performance** that HOCHTIEF has achieved in 2017. The Group has enhanced its balance sheet strength and significantly increased cash flow, sales and profits. The year also saw the successful consolidation of the acquisition made in late 2016 of services company UGL.

Over the last five years, the balance sheet has been transformed from a net debt position of EUR 0.9 billion at the end of 2012 to net cash of almost EUR 1.3 billion. The Group generated a consolidated net profit in 2017 of EUR 421 million compared with EUR 155 million in 2012 and this strong increase has been accompanied by a solid level of cash generation. Free cash flow from operations of EUR 1.1 billion in 2017 compares with close to zero in 2012.

Focusing on the current year's performance, the **proposed dividend for 2017 of EUR 3.38 per share represents an increase of 30%** compared with 2016, reflecting the Group's strong profit performance and HOCHTIEF management's focus on shareholder remuneration. Since we reinstated the dividend in May 2013, the compound annual growth rate has averaged 28%.

HOCHTIEF has delivered strong profit growth in 2017. **Nominal net profit rose by 31%** to EUR 421 million with the Americas, Asia Pacific and Europe divisions all contributing to this positive profit development. Earnings per share were 32% higher at EUR 6.55.

Operational net profit, which excludes one-off impacts, rose to EUR 452 million, up EUR 90 million or 25% year on year. This result is at the top end of the guidance range HOCHTIEF communicated a year ago of EUR 410-450 million.

Sales also developed positively with growth of 14% to 22.6 billion, exceeding the revenue level of 2013 for the first time. This top-line expansion was accompanied by increased margins. As a percentage of sales, the Group's operational PBT margin was 3.8% in 2017 up 40 basis points year on year.

Focusing on cash-backed profits is a key priority for the Group's teams around the world. **Net cash from operating activities** increased by EUR 200 million, or 17%, to **EUR 1.4 billion**, driven by higher sales, increased margins and a further improvement in working capital management. We achieved an outstanding EBITDA cash-conversion rate of 106%. All three divisions increased their level of cash flow generation during the year.

The Group's enhanced balance sheet position is the result of the strong cash flow performance. HOCHTIEF ended 2017 with almost **EUR 1.3 billion of net cash**, over EUR 560 million higher year on year. Moreover, if we adjust for dividend payments and foreign exchange impacts, net cash would stand at EUR 1.8 billion. Our strong balance sheet and positive business outlook were recognized in May 2017 when rating agency S&P assigned a BBB investment-grade debt rating for the Group, subsequently reaffirmed in October 2017.

Our year-end **order book of almost EUR 45 billion** is at its highest level since 2012 and has increased by 12% year on year on an exchange rate adjusted basis. Over half of our order book is for projects located in the Asia Pacific region with a further 40% in Americas and just under 10% in Europe. At over EUR 30 billion, **new orders were EUR 5.6 billion higher** year on year, an increase of 23%. Notwithstanding this strong order book expansion, our disciplined approach to risk management remains firmly in place supported by our in-house engineering expertise.

Our businesses remain flexible, allowing management to quickly adapt to varying market conditions. Backed by the Group's strong balance sheet, this flexibility, combined with the Group's deep presence in its core regional markets and its engineering expertise, leaves HOCHTIEF well positioned to take advantage of potential future opportunities. We maintain our disciplined approach to capital allocation with our focus on value creation and sustainable shareholder remuneration.

In total our teams have **identified a pipeline worth around EUR 500 billion** of relevant projects coming to our markets in North America, Asia-Pacific and Europe in 2018 and beyond.

As a consequence of the positive Group outlook we expect to achieve an **operational net profit in 2018 in the range of EUR 470–520 million**. This represents an increase of 4-15% on 2017, with all our divisions driving this further improvement in our Group performance.

Throughout the Group, we act on the basis of a positive corporate culture and share common objectives. Clear guiding principles and a shared vision ensure that we work towards the same long-term global goals.

We have actively pursued the further development of our Group:

CIMIC has integrated UGL after completing the acquisition in January 2017. UGL is a leading provider of end-to-end outsourced engineering, asset management, and maintenance services in the segments of rail, transportation, technology, energy, resources, water, renewable energy, and defense. CIMIC's improved position in the service segment was already evident through a series of new orders awarded to UGL in the reporting year.

Overall, the year was marked by attractive new orders and the successful completion of projects in all three HOCHTIEF divisions. These included the opening of Queensferry Crossing in Scotland, the longest cable-stayed bridge in the world. HOCHTIEF was the leader in a consortium that built the 2.7-kilometer bridge over the Firth of Forth near Edinburgh. Our outstanding construction projects included Wilshire Grand Center in Los Angeles—at 335 meters, the tallest building on the U.S. west coast—which was executed by Turner and opened in 2017.

Such accomplishments are only made possible by our teams' professionalism. To ensure this, we bring dedicated, skilled employees together in the right combination for each project. On behalf of the Executive Board, I wish to thank each and every employee for their strong performance.

In order to master the challenges of today and tomorrow, we consider it important to highlight the long-term opportunities HOCHTIEF offers specialists, especially young engineering talent—who are our future managers and executives. In 2017, we once again hired numerous young professionals. We are initiating them into the tasks involved in operating project work intensively and developing their skills in many different ways. HOCHTIEF offers them and the entire workforce attractive employment and interesting opportunities for development in a sustainably operating company. This is why we support the principles of the United Nations Global Compact on labor standards, environmental protection, and anti-corruption.

HOCHTIEF will continuously expand its position as an innovation leader in the construction industry. We mainly focus on further developing BIM technology which we are already using on a large scale today. Our goal is to interlink virtual planning and optimization of infrastructure with the opportunities of automation technology, industry 4.0 and artificial intelligence. This will generate enormous efficiency increases.

We take a 360-degree approach to our projects, which also means involving our clients, partners, subcontractors, and suppliers at an early stage. This enables us to harmonize financial, environmental, and social aspects. We also support the United Nations' Sustainable Development Goals. In our project work, we enact a wide variety of measures to make sure the impact of our construction activities on the environment and on communities is responsible. This includes avoiding or reducing carbon emissions, about which you will find a wealth of information and facts in this combined Annual Financial and Sustainability Report.

Our sustainability achievements were again recognized by independent third parties in 2017: The Dow Jones Sustainability Index listed HOCHTIEF for the twelfth time running, and CIMIC was listed again as well. Likewise, the CDP climate ranking awarded HOCHTIEF a positive assessment for its sustainability performance. We aim to cement our industry-leading position in sustainability and innovation and expand it in a targeted manner.

We are actively developing our Group as a global infrastructure provider. We will continue building the world of tomorrow.

Marcelino Fernández Verdes

Report of the Supervisory Board

Dear Shareholders,

Pedro López Jiménez, Chairman of the Supervisory Board

The Supervisory Board performed all tasks required of it by law and the Company's Articles of Association throughout 2017. Those tasks relate to advising the Executive Board in its management of the Company and overseeing the Executive Board's activities. As the Executive Board provided the Supervisory Board continuously, comprehensively, and promptly with information on all key aspects of business development, both in writing and verbally, the Supervisory Board was consequently involved in all decisions of fundamental importance. The Supervisory Board was also kept fully informed about the current earnings situation, risks, and risk management.

In the four ordinary and three extraordinary meetings held in 2017, the Supervisory Board made the decisions necessary on the basis of comprehensive reports and proposed resolutions provided by the Executive Board. Both in its plenary and committee meetings, the Supervisory Board had sufficient opportunity to consider the proposals in detail. In the case of particularly significant or urgent projects and transactions, the Executive Board also notified the Supervisory Board outside of meetings. The Supervisory Board adopted all resolutions as required by law and the Articles of Association, where necessary by written procedure. To ensure that events of exceptional importance to the situation and development of the Group were addressed on a timely basis, the Chairman of the Supervisory Board maintained constant contact with the Chairman of the Executive Board. With two exceptions, all members of the Supervisory Board took part in all Supervisory Board meetings. The adjacent table provides an overview of meeting attendance by each member.

Both the shareholder representatives and the employee representatives met separately on a regular basis to prepare for the Supervisory Board meetings. On individual topics, the Supervisory Board consulted without the attendance of the Executive Board.

Main points of discussion. The Supervisory Board addressed a large number of topics in the 2017 reporting year. A notable focus was on the takeover bid for 100% of shares in Abertis Infraestructuras, S.A., the world's largest toll road operator. Other topics were also discussed in detail. In addition, Supervisory Board meetings once again addressed the process of developing and embedding the Group-wide corporate culture geared to rigorous risk management and sustained financial performance.

Additional topics covered by the Supervisory Board in its meetings included the following:

At the meeting on February 27, 2017, the Supervisory Board primarily considered the Annual Financial Statements and Consolidated Financial Statements for 2016. The Supervisory Board likewise addressed the Compliance Declaration pursuant to Section 161 of the German Stock Corporations Act, as well as the agenda and proposed resolutions for the May 2017 Annual General Meeting. Also discussed here was the outcome of the selection procedure for the future auditors. Executive Board remuneration was another topic of this meeting, as were operational planning and both financial and balance sheet budgeting for the years 2017 to 2019. In this connection, the Executive Board explained the main differences relative to previous budget figures and targets. The Supervisory Board appraised the Executive Board's budget planning and noted it with approval.

At the meeting of March 29, 2017, remuneration and the remuneration system together with contract matters relating to the Executive Board were discussed and the necessary resolutions adopted.

Attendance at meetings in 2017 by Supervisory Board member[1]	Supervisory Board	Human Resources Committee	Audit Committee
Pedro López Jiménez (Chairman)	7/7	2/2	
Matthias Maurer (Deputy Chairman)	7/7		4/4
Angel García Altozano	7/7		4/4
Beate Bell	7/7	2/2	
Christoph Breimann	7/7		
Carsten Burckhardt	7/7		3/4
José Luis del Valle Pérez	7/7	2/2	4/4
Dr. rer. pol. h. c. Francisco Javier Garcia Sanz	3/7		
Patricia Geibel-Conrad	7/7		4/4
Arno Gellweiler	7/7	2/2	
Luis Nogueira Miguelsanz	6/7		4/4
Nikolaos Paraskevopoulos	7/7		
Sabine Roth	7/7		4/4
Nicole Simons	7/7	2/2	
Klaus Stümper	7/7	2/2	4/4
Christine Wolff	7/7	2/2	

[1] Attendance = number of meetings attended by Supervisory Board member/total number of meetings during tenure

In the Supervisory Board meeting on May 10, 2017, the Executive Board reported on the performance of the business in the first quarter as well as on the upcoming Annual General Meeting. Executive Board matters were also considered. Furthermore, the Chairman of the Audit Committee provided information on the report submitted to the Committee by the Chief Compliance Officer.

At the meeting on August 28, 2017, the Executive Board gave information about its preliminary considerations regarding a potential takeover bid for Abertis Infraestructuras, S.A. The Executive Board reported that an analysis and review process would be started in order to determine whether such takeover bid is feasible, and would—if the need arose—submit the topic to examination by the Supervisory Board.

The Supervisory Board meeting on September 20, 2017 considered the course of business in the first half year. In addition, the Supervisory Board addressed the target for the percentage of women on the Executive Board and implementation of the revised recommendations of the German Corporate Governance Code, notably with regard to the composition of the Supervisory Board, and adopted the related resolutions. The Executive Board also reported on further developments in the aforesaid M&A project. This included reporting on the status of the analyses, among other things with regard to the strategic, financial, and legal implications in the event of the project going ahead. Following deliberation on the matter, the Executive Board once again indicated that the status of the project required further analyses, and that it would only be possible to decide in the weeks that followed whether a proposal for a resolution on the project would be submitted to the Supervisory Board.

At the extraordinary meeting on October 18, 2017, the Executive Board reported comprehensively on the project for submission of a takeover bid for Abertis Infraestructuras, S.A. This meeting was preceded by separate discussions with the employee and shareholder representatives. The Executive Board described the organization of the project and named the external consultants involved. Also described were the structure of the transaction and planned steps involved in the transaction, as well as the probable time plan. In particular, a comparison was provided of the opportunities and risks inherent in the transaction. This was followed by a presentation of the analyses and reports available to the Executive Board in order to assess the transaction's financial and legal implications. The financing of the transaction and its effects on the Company's rating were also covered. Numerous further questions were discussed in the course of the Supervisory Board's wide-ranging consultations. The Supervisory Board then adopted all necessary resolutions with regard to submission of a voluntary public takeover bid for 100% of the shares in Abertis Infraestructuras, S.A.

The final Supervisory Board meeting of the reporting year was held on November 7, 2017. At that meeting, the Supervisory Board discussed the course of business in the first nine months of the year. It also notably included a presentation by the Executive Board and discussion by the Supervisory Board on further developments in the takeover project.

During the course of the year—as in previous years—the Supervisory Board concerned itself with the recommendations of the German Corporate Governance Code. On this topic, pursuant to Section 3.10 of the Code, it prepared a joint report together with the Executive Board. That report is published in conjunction with the Declaration on Corporate Governance on the Company's website and in the Group Report.

For further information, please see: www.hochtief.com/corporate-governance

In connection with the CSR Directive Implementation Act, the Supervisory Board specifically consulted on non-financial Group reporting. The Supervisory Board engaged the auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, to provide limited assurance on the non-financial Group report.[1)]

[1)] The outcome of the verification is provided on page 266 of this report. The placement of non-financial information and explanatory notes on policies, outcomes, and risks in this Group Report is shown in the table on page 139 in the Non-Financial Report.

The Supervisory Board has set up four committees, whose members are listed on pages 246 and 247. These are tasked with preparing topics and resolutions for Supervisory Board meetings. In some cases, the committees also exercise decision-making powers delegated to them by the Supervisory Board. Informing the Supervisory Board on a regular basis about the committees' consultations and resolutions is the responsibility of the committee chairpersons.

The **Audit Committee** met four times in 2017. Topics of intensive discussion were the quarterly reports, the half-year financial statements, the Annual Financial Statements, and the Consolidated Financial Statements. In each instance, the Committee discussed the reports and financial statements with the Executive Board prior to publication. The Audit Committee provided the Supervisory Board with a recommendation for the latter's proposal to the Annual General Meeting regarding the appointment of auditors and prepared the audit engagement letter for issuance, including the agreement on audit fees. Ahead of this, the Committee had presided over the selection procedure for the future auditors. It also considered the proposal for the focal points of the audit. Additionally, the Audit Committee addressed the Group's risk management system, the internal control system in relation to financial reporting, and questions of internal auditing. The Chief Compliance Officer reported to the Committee with an in-depth presentation on the development of the compliance organization, individual compliance cases, and measures taken in consequence. Other topics covered in the reporting year included the adoption of a resolution on guidelines for ensuring the auditors' independence.

There were two meetings of the **Human Resources Committee** in 2017. Notable topics of the meetings were details of Executive Board remuneration and the structure of the Executive Board remuneration system. The Human Resources Committee also prepared personnel-related decisions for the Supervisory Board.

The **Nomination Committee** and the **Mediation Committee** pursuant to Section 27 (3) of the Codetermination Act (MitbestG) were not convened in 2017.

Conflicts of interest. Under the rules of the German Corporate Governance Code and the Supervisory Board's Code of Procedure, members of the Supervisory Board are required to disclose any conflicts of interest without delay. With one exception, no such disclosures were made in 2017.

Dr. Garcia Sanz had already given notice in the past of his membership of the governing body of CAIXA Holding, S.A. The latter is a major shareholder in the target company of the above-mentioned takeover bid by HOCHTIEF. For this reason, Dr. Garcia Sanz, in consultation with the Chairman of the Supervisory Board and in order to avoid potential conflicts of interest, refrained from taking part in all meetings of the Supervisory Board and dispensed with being sent information relating to the aforementioned takeover project.

Annual Financial Statements 2017. The Annual Financial Statements prepared for HOCHTIEF Aktiengesellschaft by the Executive Board in accordance with the German Commercial Code (HGB), the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS), and the combined HOCHTIEF Aktiengesellschaft and Group Management Report for 2017 have been audited and issued with an unqualified auditors' report. The audit was performed by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, the auditors appointed by the Annual General Meeting on May 10, 2017 and instructed by the Supervisory Board to perform the audit of the Annual Financial Statements and Consolidated Financial Statements. The bookkeeping system was included in the audit. In addition, Deloitte GmbH Wirtschaftsprüfungsgesellschaft provided limited assurance on the non-financial Group report.

The audits have been performed by the same auditors since the 2006 Annual Financial Statements. The key audit partners responsible for carrying out the audit are changed in accordance with statutory requirements. In the reporting year, the key audit partners are Dr. Reichmann and Mr. Bedenbecker. Dr. Reichmann has been responsible for the assignment since 2017 and Mr. Bedenbecker since 2011.

It was determined by the auditors that the Executive Board possesses a suitable early warning system for risk. The above-mentioned statements, the Group Report, the proposal for the use of net profit, and the auditors' reports were sent to all members of the Supervisory Board in good time prior to the meeting of the Audit Committee and the Supervisory Board's financial statements meeting on February 21, 2018. Also submitted was the separate non-financial Group report. In addition, the Executive Board provided verbal explanations at the same meetings.

In those meetings, the auditors explained the main findings of the audit and were available to provide further information. The Audit Committee had scrutinized the statements and reports prior to the Supervisory Board's meeting and subsequently recommended that the Supervisory Board approve the financial statements. The Supervisory Board examined the Annual Financial Statements, the Consolidated Financial Statements, the combined Company and Group Management Report, the separate non-financial Group report, and the proposal for the use of net profit. It raised no objections.

Having regard to the Audit Committee's consultations, the Supervisory Board approved the results of the auditors' audit of the Annual Financial Statements and Consolidated Financial Statements. The Supervisory Board has approved and thus adopted the Annual Financial Statements and has approved the Consolidated Financial Statements. It concurs with the proposal on the use of net profit submitted by the Executive Board.

Report in accordance with Section 312 of the Stock Corporations Act (AktG). The report on relationships with affiliated companies prepared by the Executive Board in accordance with Section 312 of the Stock Corporations Act (AktG) was audited by the auditors. This report, and likewise the audit report, went out to all members of the Supervisory Board in good time ahead of the latter's financial statements meeting. The key audit partners took part in the Supervisory Board's discussions on these documents and reported on the main findings of the audit. In accordance with Section 312 of the Stock Corporations Act, the Supervisory Board examined the report and found it to be in order.

The auditors granted the certification pursuant to Section 313 (3) AktG as follows:

"Based on our dut audit and assessment we confirm that

1. the facts in the report are stated accurately,

2. the consideration given by the entity for the transaction specified in the report was not unreasonably high."

The Supervisory Board noted the auditors' audit findings with approval. On completion of its examination, the Supervisory Board raises no objections to the declaration issued by the Executive Board at the end of the report regarding relationships with affiliated companies.

The Supervisory Board expresses its thanks and appreciation to the Executive Board, the Group company management teams, and all employees for their work, dedication, and loyal contribution to the Group's success in 2017.

Essen, February 2018
On behalf of the Supervisory Board

Pedro López Jiménez
Chairman

We are building the world of tomorrow.
The Executive Board of HOCHTIEF Aktiengesellschaft (from left):
Nikolaus Graf von Matuschka, Peter Sassenfeld, Marcelino Fernández Verdes (Chairman of the Executive Board) and José Ignacio Legorburo

Executive Board

Marcelino Fernández Verdes, Chairman of the Executive Board
Born in 1955, Marcelino Fernández Verdes has been a member of the Executive Board of HOCHTIEF Aktiengesellschaft in Essen since April 2012. In November 2012, he was appointed Chairman of the Executive Board of HOCHTIEF Aktiengesellschaft and assumed responsibility for the HOCHTIEF Americas and Asia Pacific divisions. From March 2014 to October 2016, he was Chief Executive Officer (CEO) of HOCHTIEF's Australian Group company CIMIC, and has been Executive Chairman at CIMIC since June 2014. In May 2017, he became member of the Board of Directors of HOCHTIEF's majority shareholder, Grupo ACS, as CEO.

Marcelino Fernández Verdes studied construction engineering at the University of Barcelona and has held a variety of positions in the construction industry since 1984. In 1994 he became General Manager of OCP and in 1997, General Manager of ACS Proyectos, Obras y Construcciones, and then took over as Chairman and CEO in 2000. Following the merger between Grupo ACS and Grupo Dragados in 2003, Fernández Verdes took office as Chairman and CEO of Dragados S.A. He served as Chairman and CEO of Construction, Environment and Concessions at ACS Actividades de Construcción y Servicios S.A. from 2006. Fernández Verdes was appointed to the Executive Committee of the ACS Group in 2000, and to the Board of Directors of ACS Servicios y Concesiones, S.L. (Chairman and CEO) in 2006.

Peter Sassenfeld, Chief Financial Officer
Born in 1966, Peter Sassenfeld has been a member of the Executive Board of HOCHTIEF Aktiengesellschaft in Essen since November 2011. As Chief Financial Officer (CFO) of the company, he is responsible for the corporate departments Mergers & Acquisitions, Controlling, Finance, Capital Markets Strategy/Investor Relations, Accounting and Tax, and Insurance. Since July 2015, Sassenfeld has also been Chief Financial Officer (CFO) of HOCHTIEF Solutions AG.

Sassenfeld studied business administration at Saarland University. After his studies, he first performed various management functions at Mannesmann in Germany and abroad. Later he managed the worldwide mergers and acquisitions activities at the Bayer Group in Leverkusen. From October 2005, Sassenfeld worked for the Krauss-Maffei Group in Munich and from February 2007 as CFO of KraussMaffei AG. In May 2010, he took over as CFO of Ferrostaal AG in Essen.

Nikolaus Graf von Matuschka
Born in 1963, Nikolaus Graf von Matuschka has been a member of the Executive Board of HOCHTIEF Aktiengesellschaft in Essen since May 2014 and the company's Labor Director since November 2015. He is responsible for the activities in the PPP, real estate, and facility management segments in the Europe division and is additionally in charge of Sustainability/Corporate Responsibility within the HOCHTIEF Group.

Nikolaus Graf von Matuschka has held various management positions at HOCHTIEF since 1998, most recently as a member of the HOCHTIEF Solutions Executive Board starting in February 2013. In May 2014 he was appointed Chief Executive Officer (CEO) of HOCHTIEF Solutions. Previously, he was directly responsible for several segments and regions of HOCHTIEF's European business. Graf von Matuschka has earned various qualifications in business administration, including two degrees from the University of Applied Sciences Utrecht.

José Ignacio Legorburo
Born in 1965, José Ignacio Legorburo has been a member of the Executive Board of HOCHTIEF Aktiengesellschaft in Essen since May 2014. On the Board, he holds the post of Chief Operating Officer (COO). He is responsible for the Group companies Infrastructure and Engineering in the Europe division.

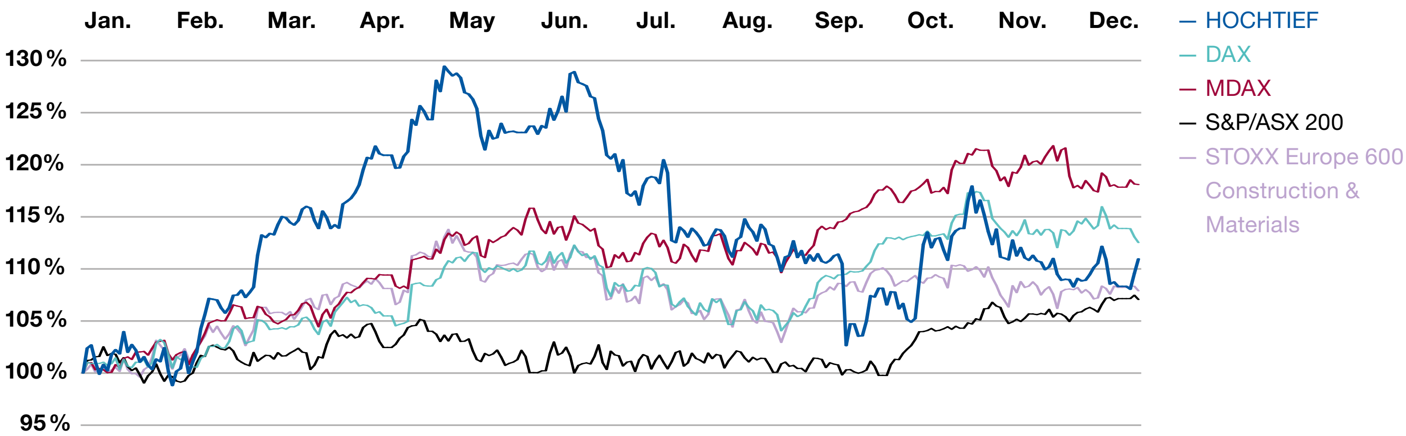
In May 2014, Legorburo was appointed as a Member of the Executive Board and Chief Operating Officer (COO) of HOCHTIEF Solutions. He has over 25 years' experience in the European construction sector. Most recently, he headed the ACS construction subsidiary Dragados as European Managing Director and expanded its business within Europe, with a particular focus on the UK. He was also responsible for other units at ACS, such as the building division of the construction company Vias. Previously, he worked as a civil engineer, project manager, and later Managing Director in the ACS Group from 1989. Legorburo studied civil engineering at the University of Madrid.

REDUCING EMISSIONS

This building is set to improve medical care for members of the U.S. military and their families in the region around Fort Irwin, California. Turner erected the Weed Army Community Hospital in line with the strict standards necessary for LEED Platinum certification. Its positive energy balance: The building consumes net zero energy and has a net zero carbon footprint. Highly advanced environmental and technical features mean the hospital can remain fully operational for over two weeks in the event of a power outage. This is made possible by a two-megawatt solar field, a water tank capable of holding over two million liters, sewage storage capacity of nearly 1.8 million liters, and some 190,000 liters of diesel fuel storage.

HOCHTIEF on the capital markets

Performance of international stock indices in 2017



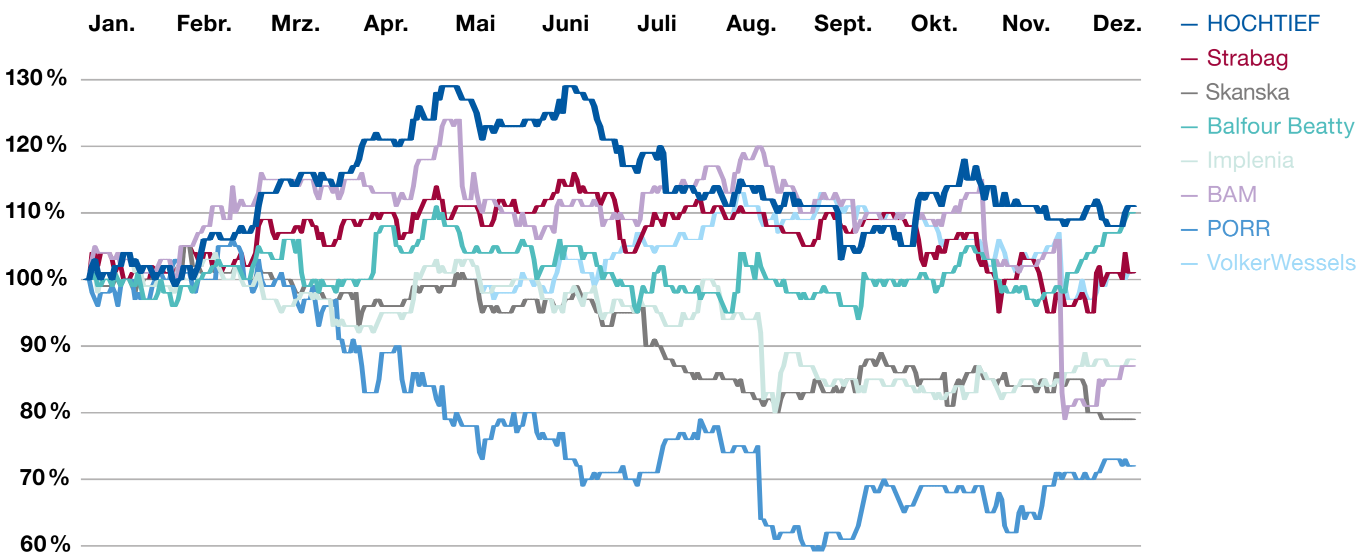
HOCHTIEF completed another successful year on the capital markets in 2017. The share price performed very positively, reaching an all-time high of EUR 172.20 in May, and ended 2017 at EUR 147.60. This represents an 11% gain for the year as a whole compared with the EUR 133.05 closing price in December 2016. Including the dividend of 2.60 EUR per share paid in July, shareholders have received a total return of 13% during 2017.

The HOCHTIEF stock price performance was in line with that of the DAX (+13%), the leading German stock market index and compared with its sector peers, HOCHTIEF was one of the best performing stocks.

The share price of our Australian Group company CIMIC delivered a very healthy performance in the reporting year. CIMIC stock gained 47% over the course of 2017 to close the year at AUD 51.45. It substantially outperformed the Australian SAP/ASX 200 index, which rose by 7%.

For further information, please see www.hochtief.com/investor-relations

Indexed share price performance of Peer Group 2017



HOCHTIEF's transformation process is now largely completed. The Group has significantly strengthened its balance sheet, restructured and streamlined Group operations and focused on its core activities of Construction, Services, PPPs and contract mining. We continue to foster a Group-wide corporate culture that emphasizes sustained cash-based profitability and disciplined risk management.

The successful delivery on our strategic objectives means that HOCHTIEF is now well positioned to make use of attractive growth opportunities and to continue efficiently deploying capital in the interests of shareholders. On October 18, 2017, HOCHTIEF announced an offer to acquire Abertis Infraestructuras, S.A., one of the world's leading toll road operators.

Stock market

Stock indices performed well during 2017 as growth appeared to take hold on an increasingly global scale whilst government bond yields remained at historically low levels despite a pick-up in inflation. In terms of foreign exchange, the euro and other major currencies strengthened against the U.S. dollar.

Germany's DAX index (12,918 points) and MDAX (26,201 points) had risen by around 13% and 18% respectively by the end of the year. The STOXX Europe 600 Construction & Materials, a European construction stocks index, added 8%. The U.S. S&P 500 gained 30% and the Australian S&P/ASX 200 rose by 7%.

HOCHTIEF stock: Key figures

		2017	2016
Number of shares	million	64.3	64.3
Market capitalization[1]	EUR million	9,490.7	8,555.1
High	EUR	172.20	136.80
Low	EUR	131.45	77.76
Close	EUR	147.60	133.05
Shares traded (average per day on Xetra)		80,413	115,751
Shares traded	EUR million	12.1	13.1
Dividend per share	EUR	3.38[2]	2.60
Total dividends	EUR million	217[2]	167
Earnings per share (operational)[3]	EUR	7.04	5.62

[1] As of year-end

[2] Proposed dividend

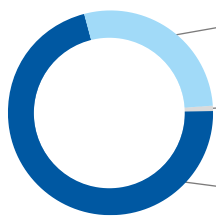
[3] Excluding one-off impacts and adjusted for sold assets

Key data on HOCHTIEF stock

ISIN	DE 0006070006
Stock symbol	HOT
Index	MDAX
Ticker symbol	Reuters: HOTG.DE Bloomberg: HOT GY/HOT GR
Trading segment at Frankfurt	Prime Standard

Ownership structure

HOCHTIEF's total stock outstanding was unchanged at 64.3 million shares as of year-end 2017. Of this total, ACS (Actividades de Construcción y Servicios, S. A.) held 46,118,122 shares and HOCHTIEF held 44,287 shares of treasury stock.



*ACS ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A., Madrid

Shareholder remuneration

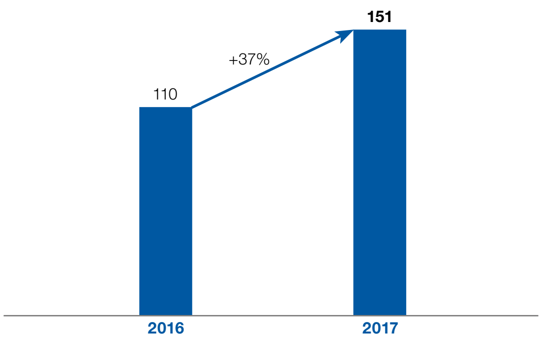
HOCHTIEF is committed to remunerating its shareholders in a sustainable and attractive manner. We once again delivered on this in the reporting year with a significantly increased dividend. At the Annual General Meeting for 2017, to be held in May 2018, the Executive Board and Supervisory Board will be proposing a dividend of EUR 3.38 per share. This represents a substantial rise of 30% on the prior year (2016: EUR 2.60 per share). Over the last five years, the compound average growth rate of the HOCHTIEF dividend per share has been around 28%.

In February 2018, CIMIC announced a final dividend of AUD 0.75 per share, giving a total 2017 dividend of AUD 1.35 per share—an increase of 23% on the prior year. Before that, on December 14, 2017, the Board of the CIMIC Group approved a further buyback program to repurchase up to 10% of the group's shares over a twelve-month period from December 29, 2017. The buyback is to be funded with existing cash holdings and working capital facilities.

Analysts

The strong operational development of our Group and the strategic opportunity of the potential takeover of Abertis met with a positive assessment from the analysts covering HOCHTIEF during 2017. Their average target price rose by 37% to EUR 151 per share at the year-end (2016: EUR 110). Current ratings and the average target price of our analysts are available on our website (www.hochtief.com/investor-relations).

Analysts' average target price (EUR)



Capital markets communication

Transparent and timely communication with the markets is a key priority for HOCHTIEF management and our Capital Markets Strategy/Investor Relations department. During 2017, we once again participated in a series of international investor conferences and conducted several roadshows. We presented our quarterly results to the market via conference calls as of each reporting date. Discussions with analysts and investors focused on implementing our corporate strategy, further enhancing earnings quality, and our takeover bid for Abertis. We report on all activities on a timely basis on our website and provide a wide range of additional information (www.hochtief.com/investor-relations).

HOCHTIEF in key sustainability indices

As in previous years, HOCHTIEF qualified for inclusion in several major sustainability indices in 2017. For the twelfth year in a row, the Group was included in the internationally recognized Dow Jones Sustainability Index (DJSI) Europe. CIMIC, likewise, was once again listed in the Dow Jones Sustainability Australia Index. HOCHTIEF was awarded RobecoSAM Silver Class in the Construction and Engineering category of the RobecoSam Sustainability Yearbook 2017. The prestigious Silver Class features the best 5% participating companies. HOCHTIEF was also named RobecoSAM Industry Mover as the company that made the greatest progress in its industry compared with the prior year. Australian subsidiary CIMIC secured Bronze status.

The company's shares are also listed in the FTSE4Good and the STOXX ESG Leaders Index. We are likewise longstanding participants in the Carbon Disclosure Project (CDP)[1)], where we were listed once more in 2017. CDP represents more than 800 institutional investors with some USD 100 trillion in funds under management and its indices are used as an assessment tool by many investors.

[1)] See glossary.

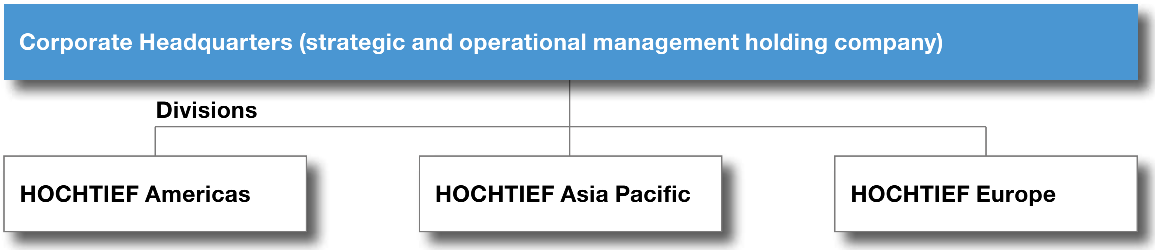
Tata Innovation Center: Built by Turner, the Tata Innovation Center at Cornell Tech graduate school in New York has just opened its doors and been awarded LEED Silver certification.

SPRINGBOARD FOR BRIGHT IDEAS

Success in business is built on good ideas: The Tata Innovation Center at Cornell Tech graduate school gives students a springboard for realizing their plans. Businesses are available to help conceptualize commercial startups. The center whose key architectural motif is transparency also provides exhibition space for art projects. At the same time, innovation plays a pivotal role for the HOCHTIEF Group: In order to meet clients' changing needs while acting responsibly in our use of natural resources, the HOCHTIEF companies draw on sustainable products and services as well as on trend-setting construction and design methods—such as Building Information Modeling (BIM).

Combined Management Report
Group Structure and Business Activities

Group structure 2017



Group structure 2017

HOCHTIEF delivers its services on all continents. The operating companies are organized under the three divisions HOCHTIEF Americas, HOCHTIEF Asia Pacific, and HOCHTIEF Europe. This structure reflects the Group's operating focus: HOCHTIEF is present in growth regions and key markets.[1)]

HOCHTIEF's strategic and operational management holding company directs the Group with the focus on leadership and control. Responsibility for the strategic, organizational, and operational development of the entire Group lies with the Executive Board and the Group corporate departments, which make up the control level. The holding company comprises the corporate departments Legal, Corporate Governance/Compliance, Auditing, Risk Management/Organization/Innovation, Human Resources, IT, Mergers and Acquisitions, Communications, Controlling, Finance, Capital Markets Strategy/Investor Relations, Accounting and Tax, and Insurance.

Business activities of the HOCHTIEF Group[2)]

As an international construction group, HOCHTIEF focuses primarily on projects in the segments of transportation infrastructure, energy infrastructure, social and urban infrastructure, mining services, and other services. These activities are based on longstanding experience in development, financing, construction, and operation. HOCHTIEF capabilities in engineering likewise contribute to efficient and successful project execution. This benefits the Group as well as clients and additional stakeholders.

In its operating activities, HOCHTIEF places the focus on complex infrastructure projects, in many cases delivered on the basis of concession models. Managing public-private partnership (PPP) projects end to end generates clear added value. Close cooperation between our companies and departments combined with active internal knowledge transfer lay the foundation for wide-ranging efficiency gains.

We also benefit from constructive and productive collaboration with external partners selected on the basis of transparent criteria. These partners have to follow our high standards, such as the conditions of our Code of Conduct for Business Partners.

[2)] For further information on the divisions' business activities, please see pages 3 and 4 as well as pages 72 to 85.

[1)] For further information, please see pages 3 and 4 as well as pages 26 and 27.

We place our priorities on flexibility, innovation, and excellent quality in order to serve our customers as a long-term, reliable partner. For the design and implementation of every single one of our unique projects, we deliver tailor-made solutions.

Sustainability is an integral part and principle of our corporate strategy, and a key requirement for all activities. Our future-focused approach is based on the interplay between economic, environmental, and social aspects of our work.

As one of the most international companies in the construction industry, HOCHTIEF generates approximately 96% of work done outside of its German home market. Geographically, our activities are focused on the markets in North America, Australia, Europe, and the Asia-Pacific region. This global presence allows HOCHTIEF to exploit diverging regional market opportunities.

Key performance indicators at HOCHTIEF

The key performance indicators used in managing the HOCHTIEF Group are operational net profit and net cash/net debt, subject to capital allocation, as these, different to the volume-oriented figures used last year, sales and oder backlog, best reflect our focus on cash-backed profits.

Financial performance indicators

- Net cash/Net debt
- Operational net profit

Non-financial performance indicator

- Lost time injury frequency rate (LTIFR)[1)]

[1)] See glossary.

HOCHTIEF around the world:
A selection of the many companies and projects in our divisions shows HOCHTIEF's global presence with the Group structure from 2017.

HOCHTIEF Americas

Turner (USA, Canada)
Flatiron (USA, Canada)
E.E. Cruz (USA)
Clark Builders (Canada)

(Selection of the most important activities)

HOCHTIEF Asia Pacific

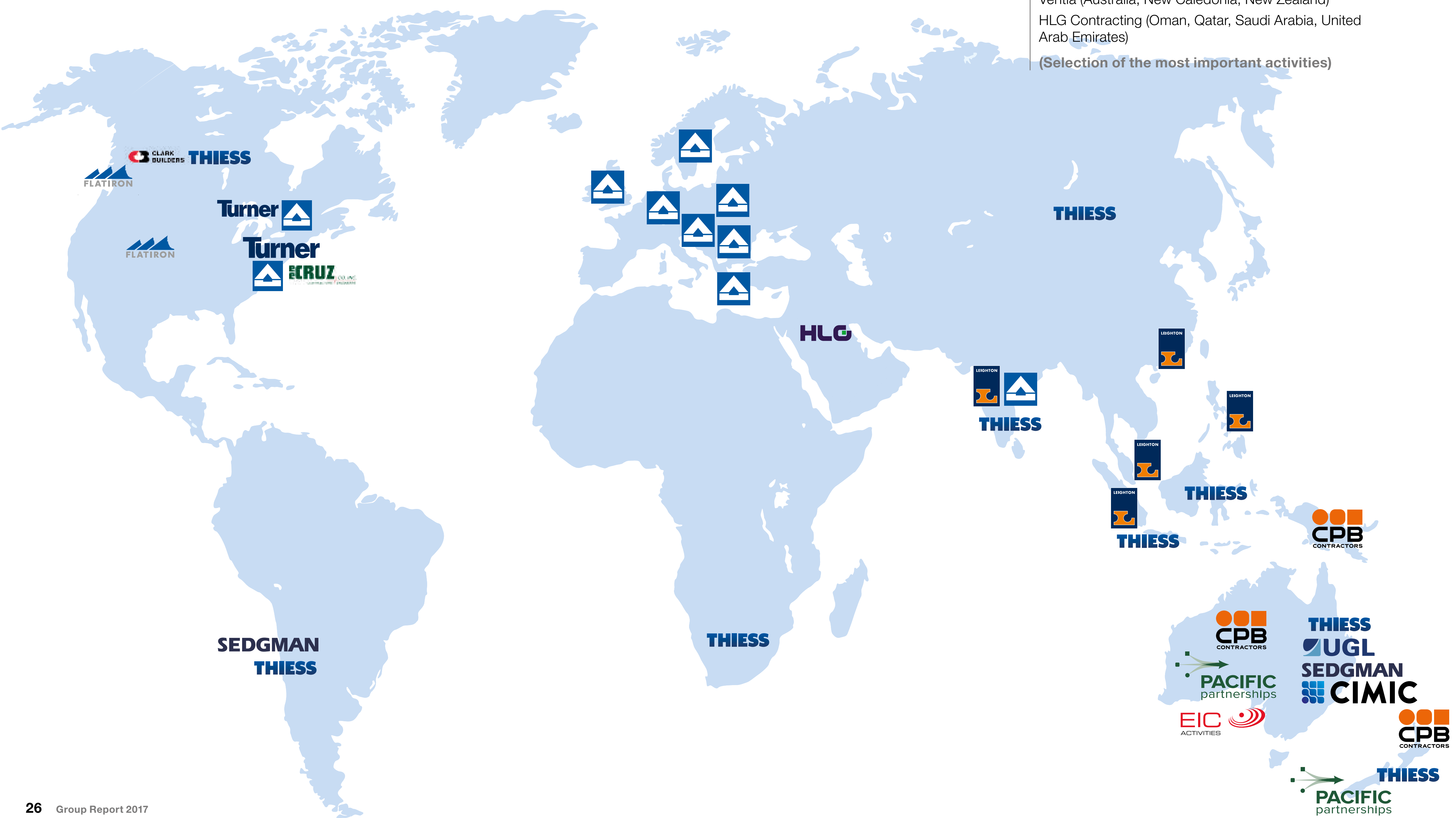
CIMIC (Australia)
Thiess (Australia, Canada, Chile, India, Indonesia, Mongolia, New Zealand, South Africa)
Sedgman (Australia, Canada, Chile, China, South Africa)
CPB Contractors (Australia, New Zealand,
Papua New Guinea)
UGL (Australia, Hong Kong, New Zealand, South-east Asia)
Leighton Asia, India and Offshore (Hong Kong, India, Indonesia, Iraq, Macao, Malaysia, Philippines, Singapore, Thailand)
Pacific Partnership (Australia, New Zealand)
EIC Activities (Australia)
Leighton Properties (Australia)
Broad Construction (Australia)
Ventia (Australia, New Caledonia, New Zealand)
HLG Contracting (Oman, Qatar, Saudi Arabia, United Arab Emirates)

(Selection of the most important activities)

HOCHTIEF Europe

HOCHTIEF Solutions (Germany)
HOCHTIEF Infrastructure (Austria, Czech Republic, Denmark, Germany, Greece, Netherlands, Norway, Poland, Slovakia, Sweden, UK)
HOCHTIEF Engineering (Australia, Germany, India, Netherlands, Switzerland, USA)
HOCHTIEF PPP Solutions (Canada, Germany, Greece, Ireland, Netherlands, UK, USA)
HOCHTIEF ViCon (Australia, Germany, UK)
HOCHTIEF Projektentwicklung (Germany)
synexs (Germany)

(Selection of the most important activities)



The companies featured here by way of example illustrate HOCHTIEF's national and international lineup. Some activities are carried out through branches, offices or separate companies. For more on the corporate divisions, turn to fold-out pages 3 and 4 and the segment reporting on pages 72 to 85. Alongside HOCHTIEF Aktiengesellschaft, the consolidated financial statements take in 452 fully consolidated companies, 152 equity-accounted companies, and 67 joint operations included proportionately. This organizational presentation goes together with legal information given in the list of subsidiaries, associates and other companies.

For the address and contact information of our subsidiaries and associates as well as their branches and offices, please see our website.

For further information, please see www.hochtief.com/subsidiaries2017

For further information, please see www.hochtief.com

PAVING THE WAY

New transportation infrastructure opens up fresh opportunities for mobility. Despite this, the process of building new or extending existing routes creates construction sites that result in temporary inconveniences, such as noise, dust, and road closures. As part of our project work, we do our best to minimize the effects, although sometimes we cannot eliminate them completely. To ensure that we involve all those affected as fully as possible, we inform stakeholders about current construction work at an early stage and engage them in the process. That's exactly what CPB Contractors is doing with Melbourne's CityLink Tulla Widening project to upgrade a section of the freeway leading to the airport. Regular information events are staged in addition to meetings for residents within the project's core area. Community managers not only address residents directly but also make use of public communication channels. In this way, obstacles can be overcome before construction gets under way.

Strategy

Positioned for the future

HOCHTIEF is a global infrastructure group with leading positions across its activities of construction, services, contract mining and greenfield[1)] public-private partnership development in Australia and North America as well as in Europe.

Our strategy is to further strengthen HOCHTIEF's position in core markets by focusing on market growth opportunities while sustaining cash-backed profitability and a rigorous risk management approach. Our businesses are flexible, allowing management to quickly adapt to varying market conditions. Active and disciplined capital allocation is a high priority and we intend to continue focusing on sustainable shareholder remuneration as well as potential growth opportunities. The company's long-term success is driven by the interplay of economic, ecological and social aspects, which is why we take on a holistic approach when delivering our projects and services to the benefits of all stakeholders.

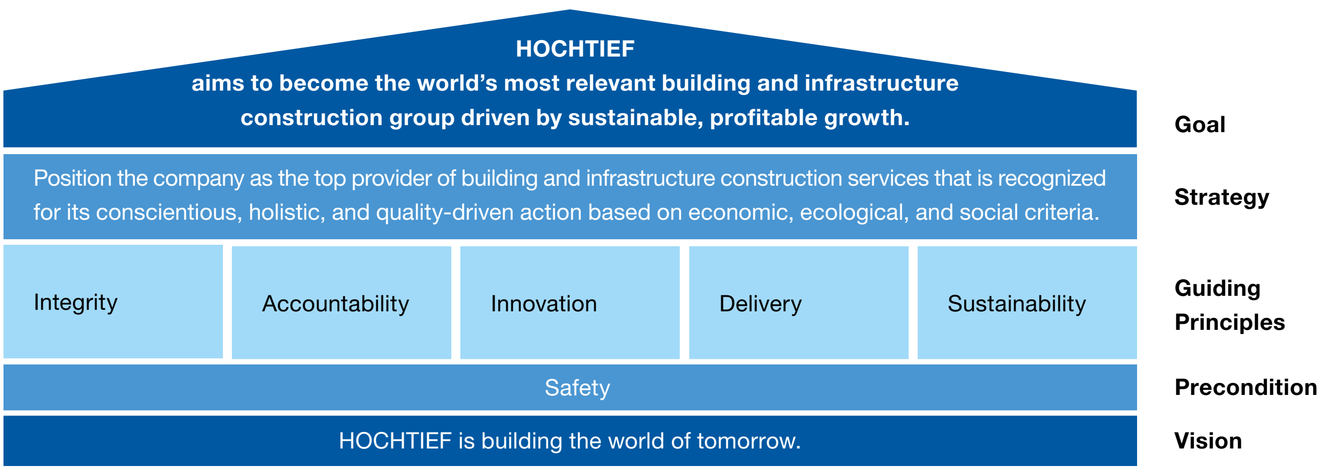
Our business activities are based on a common corporate culture with shared values. The HOCHTIEF vision embodies what we aspire to and the responsibility we live up to as a Group: "HOCHTIEF is building the world of tomorrow." HOCHTIEF's projects are active contributions to the benefit of society. The Group's values are represented by five guiding principles that apply to all employees: integrity, accountability, innovation, delivery, and sustainability—all underpinned by the precondition of safety. This applies to all work areas at HOCHTIEF, both operational and strategic.

This is the foundation on which our workforce makes HOCHTIEF's success possible. Our outstanding experience, technical excellence, and innovative solutions enable us to realize projects that our customers find compelling. Successful human resources management is therefore a top priority throughout the Group. At the same time, we engage in active and open stakeholder dialog. We aim to continue our established, trust-based working relationships with trading partners, inform the public, further enhance the reputation of HOCHTIEF, and enter into dialog with prospective new investors.

For more than 140 years, HOCHTIEF's core competency has been construction. It has made the Company a globally leading provider of infrastructure services. Public-private partnership (PPP) projects, engineering, mining, and services round out the portfolio and make HOCHTIEF a provider spanning the full life cycle. We operate worldwide with a focus on attractive markets, concentrating above all on the segments of transportation infrastructure, energy infrastructure, social and urban infrastructure, mining services, and other services. Our outstanding project management and engineering expertise give us a leading market and technology edge in these segments.

To consolidate and further extend that position, we pursue a range of strategic initiatives, which we continued unaltered throughout the reporting year. The most important of these initiatives are set out in the following.

1) See glossary.



Our services and market segments

Our services	Market segments
• Development • Financing • Construction • Maintenance and operation	Transportation infrastructure Energy infrastructure Social and urban infrastructure Mining services Services

Position our core activities to successfully address megatrends

The core processes of construction—delivering buildings and infrastructure—and resource extraction are crucial to the economy and society. In particular, infrastructure has to be adapted to new requirements. This does not only apply to industrialized and emerging economies, but also to developing economies.

Megatrends such as globalization, digitalization, demographic change, and climate change drive demand—for instance, for:

- New, more efficient transportation routes
- Climate-friendly, versatile, smart buildings
- Resources and related infrastructure
- Conversion of energy infrastructure
- Realignment in existing industries

New business segments also emerge in the construction industry in this process. For all of these challenges, we provide specific solutions which are in demand in our core markets and which we continue to develop on an ongoing basis in line with market needs.[1)]

[1)] For further information, please see the Markets section on pages 37 to 43 and the Segment Reporting section starting on page 72.

To meet the various requirements, we approach our projects from a 360-degree perspective, keeping the entire life cycle in focus. The value chain spans design, finance, and operation, at the same time encompassing dismantling, refurbishment, and revitalization. The outcome is an efficient process that extends far beyond project management as such.

Various business models, and most notably the public-private partnership model, provide the basis for our project activities in which we establish long-term customer and trading partner relationships. HOCHTIEF has evolved into a globally leading provider of greenfield concession projects. At the same time, HOCHTIEF's success is principally based on our outstanding core competency, construction. In order to systematically leverage and sharpen this competitive edge, we take on a PPP project only if we are also tasked with delivering part of the construction work.

Focus on the segments of transportation, energy, social and urban infrastructure, mining services, and other services

HOCHTIEF profits in particular from its expertise in complex infrastructure projects with demanding requirements in terms of design, execution, and operation. We are able to meet quality, timing, and budget needs as well as develop and deliver innovative solutions. Added value is generated when there is a successful economic outcome for everyone involved.

Transportation infrastructure

Drawing on our expertise in the construction of transportation routes and systems, we are well placed to deliver transportation infrastructure maintenance and upgrading projects. Numerous countries have a substantial need here—partly due to investment backlogs stretching back many years—and now have to newly create or adapt their capacity. Many have launched national programs, to which the Group contributes and from which HOCHTIEF stands to benefit.

Especially in view of limited public-sector planning and management capacity, we meet demand here with our combination of design and construction services coupled with our proven PPP capabilities. Concession models of this kind enable the public sector to implement projects despite tight resources.[2)]

[2)] For further information, please see the Markets section starting on page 37.

Energy infrastructure

We have many years' experience in delivering efficient energy generation assets and also contribute to the remodeling of energy infrastructure. Our capabilities thus include services relating to power plant design, construction, and decommissioning.

Given the unabated strong demand for energy and in light of the growing demand for energy from renewable sources, we see further potential in this business segment. Investment in the expansion of renewable energy is rising worldwide. In absolute figures, according to studies, the G20 group of countries alone need to invest some USD 700 billion annually in the period between 2014 and 2035 in order to transform the energy sector to meet the two-degree target—the target of international climate policy for limiting global warming (Allianz Climate Solutions/NewClimate Institute/Germanwatch).

Social and urban infrastructure

HOCHTIEF offers design, construction, and refurbishment capabilities for built structures in many regions of the world. Our broad spectrum includes office buildings, healthcare and educational properties, sports and production facilities as well as shopping malls and residential buildings. In all projects, we deliver on clients' individual requirements. Our strong presence in regional markets, lean structures, and efficient processes enable us to operate on competitive terms.

There continues to be great potential in market development in this sector.[1)] Green building is another unbroken trend. HOCHTIEF is among the most experienced players here and, through U.S. subsidiary Turner, was once again rated top green building contractor in 2017 in the ranking published by Engineering News-Record (ENR). In building construction projects delivered on a PPP basis, a sustainable, 360-degree approach in analysis and execution is standard practice at HOCHTIEF right across the design-finance-build-operate capability range.

Mining services

Resources such as iron ore, coal, copper, and gold remain in strong global demand.[2)] We pursue the commercial opportunities in this business through the Thiess company of our Group company CIMIC, which is the largest contract miner with a diversified portfolio. Thiess has also made a name for itself over the years as a versatile mining services provider. For instance, alongside resource extraction, capabilities include designing, building, and operating processing plants for coal, industrial and precious metals, industrial minerals, and iron ore.

Services

A range of different services strategically complement HOCHTIEF's capability portfolio. One notable addition to the services business was UGL, acquired by CIMIC in late 2016 and fully integrated in 2017. The company provides comprehensive end-to-end engineering, construction, and operation services to the rail, transportation, communications and technology systems, energy, resources, water, and defense sectors. HOCHTIEF's portfolio also includes facility management services for building and plant maintenance and operation.

Profitability through process standardization

Across the segments of construction, public-private partnerships, engineering, and services relevant to the core business of construction constitute a uniform overall structure throughout the HOCHTIEF Group. In addition, there is also the mining business with its own specific requirements. The transformation process necessary to standardize structures across the entire HOCHTIEF Group has been completed. This also includes improvements to bring internal reporting up to uniform standards and increased decision-making authority at operational level. Today, HOCHTIEF is marked by high efficiency, profitability, liquidity, and strong risk management. Our focus now is on further expanding these advantages as well as maximizing profitability and earnings quality through a process of ongoing reviews.

[2)] For further information, please see the Markets section starting on page 37.

[1)] For further information, please see the Markets section starting on page 37.

Focus on sustained cash-backed profitability

Achieving sustainable profits which are backed by cash generation is a consistent element of HOCHTIEF's strategy. In 2017 the Group again delivered on this objective achieving a high EBITDA cash conversion rate of 106%.

HOCHTIEF generated a strong level of net cash from operating activities of almost EUR 1.4 billion in 2017, nearly EUR 200 million higher than in the previous year, with all divisions contributing to this increase. Cash inflow from working capital remained substantial at EUR 333 million. Net capital expenditure of over EUR 250 million, a EUR 65 million increase year on year, was a consequence of greater contract mining and tunneling work in Australia and is partly reflected in the 14% growth in Group revenues to EUR 22.6 billion. Free cash flow from operations, which is after working capital and capital expenditure, exceeded EUR 1.1 billion in 2017, a 14% increase on the 2016 level. As a result of this strong cash generation, the year-end balance sheet for 2017 shows a net cash position of almost EUR 1.3 billion, an improvement of over EUR 560 million compared with December 2016.

HOCHTIEF's focus on cash-backed profitability and disciplined risk management will remain a key feature of the Group's performance in the future and will allow the company to continue to focus on remunerating shareholders in a sustainable manner.

Abertis takeover bid

On October 18, 2017, HOCHTIEF submitted a EUR 18.6 billion offer for a 100% takeover of Abertis Infraestructuras, S.A., the world's largest toll road operator.

Abertis, which will continue to be headquartered in Spain, is the international market leader in toll roads, managing more than 8,600 kilometers in 14 countries in Europe, the Americas and Asia. It is the first operator in countries such as Spain, Chile and Brazil, and has a significant presence in France, Italy and Puerto Rico.

The combination of Abertis and HOCHTIEF would create a highly diversified infrastructure business focused on developed markets, and would benefit from increasing global infrastructure investment and PPPs.

Both entities are highly complementary and the balanced exposure to key markets of HOCHTIEF and Abertis will result in a strong and resilient cash flow generation of the combined group.

The credit facility for financing the planned takeover was successfully syndicated with a consortium of international banks in November 2017.

Diversification and optimization of financing instruments

Improving the financial structure is an ongoing strategic goal for HOCHTIEF. Diversifying the available financing instruments and notably expanding long-term debt financing sources outside of the traditional banking market is key to attaining that goal.

Continuous improvement in risk management

Effective risk management calls for ongoing review. That is why we work continuously to adapt and improve our risk management processes[1] and, in doing so, contribute toward enhancing profitability. We focus on selected, attractive markets and constantly assess market opportunities with a view to aligning our activities accordingly.

In our construction projects, effective risk management is a key success factor. This is why we apply uniform standards in project control and execution methods. These management instruments are continually adapted and improved throughout the Group.

Differentiation through innovation

As construction requirements and conditions differ from project to project, the solutions we deliver are invariably unique and made to measure. They are built on superior technical expertise, excellent processes, and our great capacity to innovate.[2] Drawing on its outstanding engineering expertise, HOCHTIEF raises the

[1] For further information, please see the Opportunities and Risks Report on pages 121 to 134.

[2] For further information, please see the Research and Development section on pages 99 to 103.

bar in the market and attains a leading technological position with products and services designed with sustainability in mind. The Group is already well placed in both green building and building information modeling (BIM), backed by many years' experience using innovative techniques for efficient project delivery.

HOCHTIEF: an attractive place to work

HOCHTIEF and its Group companies are attractive employers—a reputation we aim to maintain and further enhance, particularly with regard to the growing shortage of trained professionals. A skilled and dedicated workforce is critical to our business success. In future years, too, HOCHTIEF aims to offer its 53,890 employees challenging and fulfilling jobs with safe, fair working conditions. Our human resources management is geared to finding the right people for each project and securing their lasting loyalty to the Group. We are committed to ongoing training and invest in individual development.

Occupational safety and health have top priority in all our activities. We work continuously to optimize safety. In addition, we have established the lost time injury frequency rate (LTIFR) as a non-financial performance indicator. Our target remains to further reduce LTIFR.[1)]

Sustainable action[2)]

HOCHTIEF delivers on its responsibility as a corporate citizen. To this end, we have a clearly defined sustainability strategy that supplements and is derived from our corporate strategy. Our sustainability strategy is presented on the following pages.

[1)] For further information, please see the Occupational Safety and Health section on pages 110 to 113 and the CR program on page 152.

[2)] For further information, please see the Sustainability Strategy section on pages 34 and 35.

Sustainability strategy

The HOCHTIEF sustainability strategy is derived from the Group's corporate strategy. We see sustainability as a systematic approach to harmonizing economy, ecology, and social responsibility across the depth and breadth of all our business activities with the aim of safeguarding the company's viability going forward. A 360-degree outlook ensures an ongoing dialog and the continued cultivation of topics in conjunction with central departments as well as the operational units. To this end, how the company and its circumstances are perceived both internally and externally plays an important role.

As an international construction group, our activities have a direct impact on the environment and society. With this in mind, we place equal weight on profitability and responsibility. Our understanding of results-oriented operations encompasses such touchstones as integrity, fair and safe working conditions as well as climate and resource protection while maximizing performance for our clients and HOCHTIEF. We want to create, preserve, and grow values. This mindset is deeply rooted in our corporate vision—"HOCHTIEF is building the world of tomorrow"—and our Group's guiding principles, which explicitly include sustainability as a precondition.

HOCHTIEF's main sustainability focus areas and related overarching objectives, taking into account aspects of the German Act Implementing the EU Non-Financial Reporting Directive and the Sustainable Developement Goals (SDGs)

Focus area: Corporate citizenship
In line with our focal sponsorship activities—firstly, educating and promoting young talent, and secondly, shaping and maintaining living spaces—we aim to demonstrate social responsibility, especially wherever our company operates or can offer added value by virtue of its capabilities. In addition, we aim to continue building on our longstanding commitment to Bridges to Prosperity.

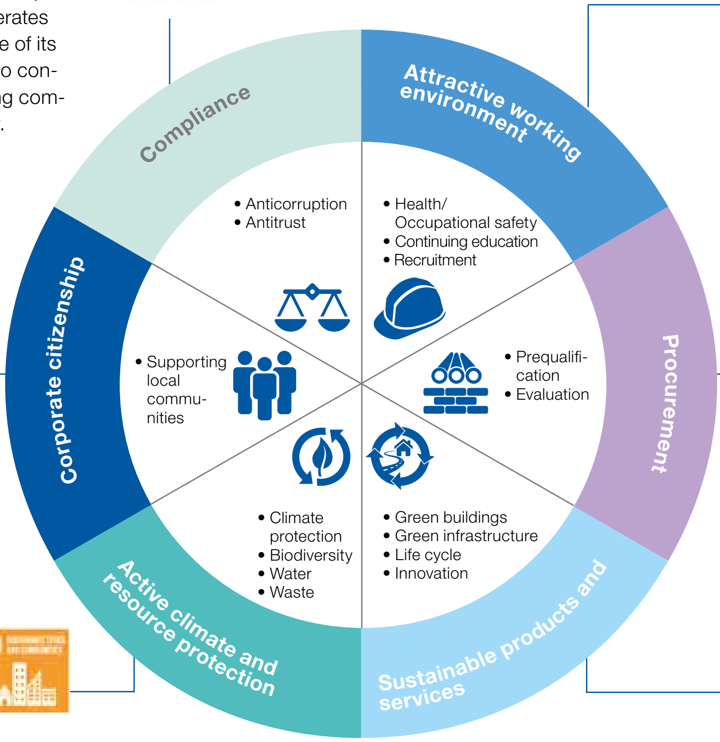
Social issues

Focus area: Compliance
We aim to set standards.

Anticorruption

Focus area: Attractive working environment
We aim to further strengthen our position as a sought-after employer.

Employee-related issues, social issues, human rights*



Focus area: Procurement
As a partner to subcontractors, we aim to redouble our efforts to ensure fair, transparent procurement processes and further step up purchases of products and materials with a sustainability label.

Environmental issues, social issues, human rights*, anticorruption

Focus area: Active climate and resource protection
We aim to conserve natural resources. We aim to reduce carbon emissions both independently and together with our clients and partners.

Environmental issues

Focus area: Sustainable products and services
We aim to execute our projects responsibly. For this reason, we take a 360-degree approach to our projects and ensure a high level of quality throughout.

Environmental issues, social issues

*interdisciplinary topics at HOCHTIEF

Legend

Aspects of the German Act Implementing the EU Non-Financial Reporting Directive

Sustainable Development Goals

Our aim is to go on effectively deepening the penetration of Corporate Responsibility (CR) issues throughout the Group. We intend to fully integrate CR into financial reporting and are working toward high standards of data quality to that end. In the long term, a thorough sustainability control system is to pave the way for enhanced CR management.

Our responsible actions are aligned with the HOCHTIEF model. With our expertise, we make a meaningful contribution to meeting global challenges, such as climate protection and resource conservation, through sustainable buildings and infrastructure. We support the United Nations Sustainable Development Goals (SDG). In the reporting year, we evaluated the 17 goals in light of our business model and our focus areas before allocating selected goals to our existing focus areas (see chart on page 34). Those SDGs that are relevant to HOCHTIEF are integrated into our CR program.

HOCHTIEF employs innovative approaches, developing new products and services in implementing its projects. The result is tailor-made, resource-conserving solutions. Our 360-degree approach to getting projects done paves the way for a high level of quality throughout. This in turn lets us tap market potential, effectively minimize risks, and manage the impact of our business activities in the best possible way. In the long term, we aim to be a leading provider of green building solutions.

CR organizational structure

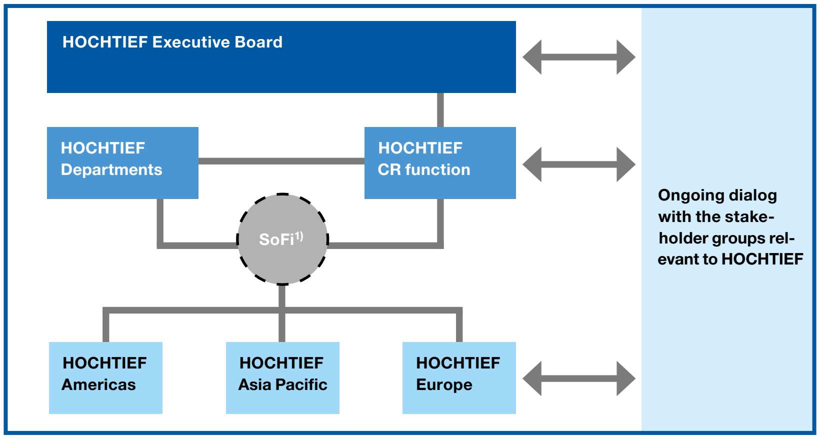
The principle of sustainability is coordinated by the Corporate Responsibility organization, which ensures HOCHTIEF's own contribution in this regard. This is laid down in our CR directive, which defines Group-wide standards. The work of both the CR function and the CR bodies (CR Committee, Sustainability Competence Team) is geared toward the ongoing strategic and operational fine-tuning of sustainability at HOCHTIEF. In order to measure progress, data is captured via the Group-wide SoFi software.

An integral part of the CR organization is stakeholder management—systematically collating and strategically incorporating stakeholders' needs. We actively engage in dialog to assess suggestions and requirements in order to make sure the focus areas we have been working on are both relevant and valid.

Focus areas and materiality insights

The selection of key sustainability focus areas is subject to annual internal and external review with regard

CR data capture and reporting at HOCHTIEF

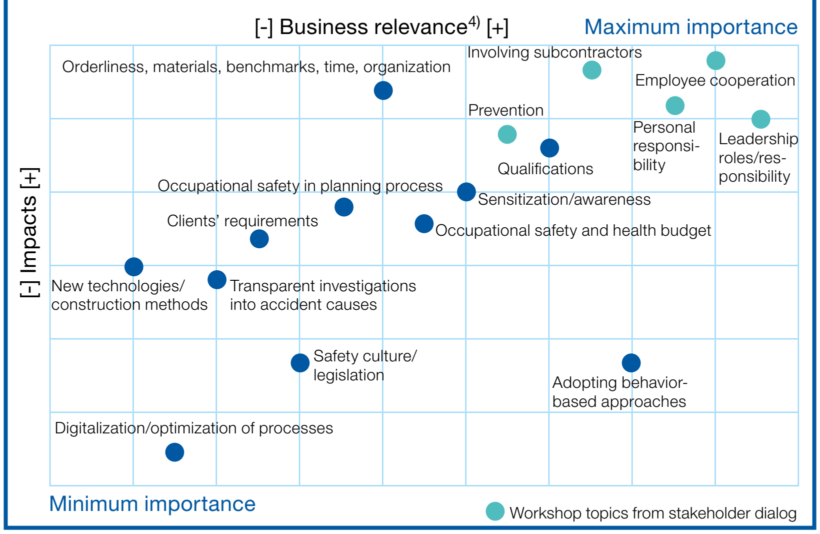


to business relevance, impacts, and stakeholder interests.[2] Within the scope of our CR program, specific goals are targeted for each of our six focus areas. In our analysis during the reporting year, we spotlighted occupational safety as part of the "Attractive working environment" focus area. In previous years, the results of our annual materiality analyses consistently upheld our selection of focus areas. This is why we chose the focus topic of occupational safety, which is of such importance to HOCHTIEF. The aim was to work with occupational safety specialists, subcontractors, and public agencies to identify measures that generate added value for HOCHTIEF and the industry as a whole.

[1] Sustainability data is pooled using the SoFi software.

[2] See overview below.

Materiality matrix[3] on the occupational safety focus topic
The key topics prioritized according to HOCHTIEF and its stakeholders' interests



[3] For the 2016 materiality analysis, which fundamentally remains valid, please see www.hochtief.com/sustainability under "Materiality". In 2017, a materiality analysis was performed on the focus topic of occupational safety out of the CR focus area "attractive working environment".
[4] Internal assessment by OSHEP, CR and Corporate Communications

DRIVING INNOVATION

The John R. Oishei Children's Hospital in Buffalo, New York, is a medical center for women and children. Turner completed construction of the innovative, cutting-edge clinic in 2017. To ensure that the construction phase proceeded rapidly and without a hitch, Turner made use of lean construction processes and Building Information Modeling. The facility comprises 174 beds for patients, seven operating theaters, three special C-section rooms, 30 emergency department beds, as well as ten observation and 18 radiology rooms. A pedestrian bridge connects the complex to the Buffalo General Medical Center.

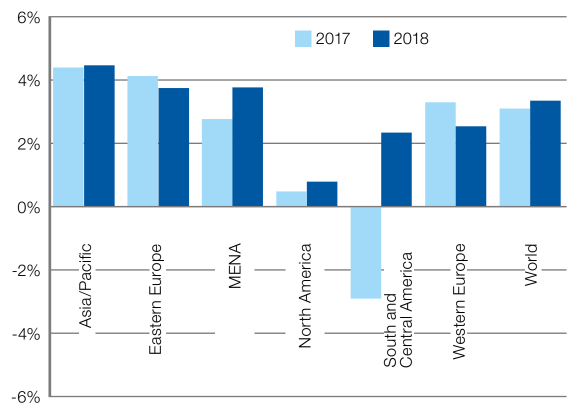
Markets and operating environment

Increase in total construction sector investment by region

According to IHS estimates, global construction industry investment reached EUR 8.1 trillion (USD 9.7 trillion) in 2017 (measured in 2010 U.S. dollars). That marks a 3.1% rise on 2016. The positive trend will continue in 2018 with a projected increase of 3.4%, meaning that global investment is expected to exceed EUR 8.3 trillion (USD 10 trillion) for the first time.[1)]

All three construction segments (residential construction, [other] building construction, and infrastructure) recorded positive growth rates in 2017 with a mean value of just over 3%. Growth is expected to accelerate further in 2018. The strongest rise is in infrastructure expenditure (3.9% and 5.1%, respectively).

Increase in total construction sector investment by region[2)]



[2)] Percentage change on prior year, measured in 2010 U.S. dollars; IHS Markit, Global Construction Outlook, as of: January 2018

[1)] IHS Markit, Global Construction Outlook, Exec. Summary, October 2017

Growth in HOCHTIEF's regional construction markets[3)]

	2017					2018 E				
Region	Building construction (excl. residential construction)	Residential construction	Civil engineering (incl. transportation infrastructure)	Transportation infrastructure	Overall market	Building construction (excl. residential construction)	Residential construction	Civil engineering (incl. transportation infrastructure)	Transportation infrastructure	Overall market
Germany	4.3	8.3	5.5	6.8	**6.9**	4.4	4.8	4.7	5.4	**4.7**
UK	0.0	1.4	-1.1	-1.8	**0.4**	-0.6	0.7	0.0	-0.9	**0.0**
Norway	-1.3	6.4	3.6	11.5	**2.4**	0.4	3.5	4.3	4.3	**2.5**
Austria	4.0	3.6	4.1	0.4	**3.9**	4.7	3.3	2.6	0.8	**3.6**
Sweden	2.5	8.3	2.1	2.4	**5.2**	2.7	4.9	2.6	2.5	**3.8**
Denmark	3.0	5.3	0.8	-1.1	**3.5**	2.2	2.7	0.3	-1.7	**1.9**
Netherlands	3.0	8.0	1.9	3.1	**5.0**	3.4	3.2	2.2	3.2	**3.0**
Western Europe	**2.0**	**4.5**	**2.4**	**2.2**	**3.3**	**1.9**	**3.0**	**2.3**	**1.9**	**2.5**
Poland	15.0	9.5	12.5	14.0	**12.9**	7.5	6.0	7.1	6.8	**7.0**
Czech Republic	6.5	3.0	-5.9	-4.3	**0.0**	2.9	2.3	3.7	4.4	**3.1**
Eastern Europe	**6.3**	**0.2**	**4.3**	**8.3**	**4.1**	**4.1**	**3.0**	**3.8**	**5.1**	**3.7**
Australia[4)]	8.7	2.0	8.4	30.6	**5.8**	19.3	-0.6	2.0	24.6	**4.7**
Chile	-1.0	-0.5	-0.1	-1.0	**-0.3**	2.1	1.3	2.7	2.0	**2.3**
Canada	-3.7	5.7	7.2	10.9	**3.1**	0.3	2.0	5.6	8.5	**2.4**
Peru	-4.4	-1.4	-0.3	1.0	**-1.3**	1.8	0.5	7.3	7.6	**2.0**
USA	-2.0	6.6	-7.3	-5.8	**0.3**	-1.2	0.9	1.6	1.9	**0.2**
World (74 countries)	**1.7**	**3.6**	**3.9**	**5.6**	**3.1**	**2.5**	**2.4**	**5.1**	**7.0**	**3.4**

[3)] Percentage change on prior year, measured in 2010 U.S. dollars

IHS Markit, Global Construction Outlook, as of: January 2018

www.ihs.com

[4)] Year Ended December, current prices: Source Macromonitor: Australia Construction Outlook, January 2018

Regionally speaking, Asia-Pacific heads the global growth table in 2017 and 2018 (with just under 4.5% each year).[1)]

Transportation infrastructure

Trend in the markets and market segments served by HOCHTIEF[2)]

Transportation infrastructure is globally the fastest-growing infrastructure segment with 5.6% growth in 2017 and close to 7% expected in 2018.

In Western Europe, the reporting period brought stable growth rates of 2.2%, just under 2% growth is expected for 2018.

Germany is in the leading group in Western Europe in terms of growth. Efforts to reduce the investment backlog in transportation infrastructure are showing results. This segment thus grew by 6.8% in 2017; the growth rate is expected to remain high at 5.4% in 2018. In roadbuilding, this mainly relates to investment in bridge maintenance, bridge construction, and highway upgrading.

In the **United Kingdom**, there was a downturn as projected in 2017. However, the rate of decline is expected to slow down in 2018. Most investment in the years through to 2020 will be in new build projects.

Robust growth is indicated for the **Netherlands** in 2017 and 2018. Central government investment spending will focus on roadbuilding in 2017 to 2019. A further EUR 2 billion has recently been added to this measure in order to meet increases in road traffic.[3)]

In **Eastern Europe**, **Poland** in particular has reversed the 2016 trend and shows strong growth figures for 2017 and 2018. An optimistic outlook for the years ahead is also supported by updates published in the third quarter of 2017 for the National Roads 2014–2023 program as well as the National Railway Program.

The transportation infrastructure market in the **USA** declined in 2017. This is mainly due to the fact that initiatives announced by the Trump government have so far been delayed. The related uncertainty is reflected in the figures.[4)] Nevertheless, the market volume remained at a very high level, totaling EUR 95.7 billion (USD 114.8 billion) in 2017. The USA—followed by China—thus ranks second among the countries with the highest investments in the field of transportation infrastructure. The market is expected to already recover in 2018 with growth of almost 2%.

Canada shows consistently high growth of more than 10% in 2017 and an expectation of 8.5% in 2018. More than EUR 100.1 billion (USD 120 billion) is expected to flow into Canadian infrastructure over the next ten years, with transportation infrastructure tipped to profit most from this.[5)]

In **Australia**, the transportation infrastructure sector is the outperformer in the entire construction industry. The sector grew by over 30% in 2017. Growth of over 80% is expected in the period from 2016 to 2020, mainly driven by large urban road and rail projects.[6)] In Australia's federal budget for 2017 to 2018, a total of EUR 48.9 billion (AUD 75 billion) is earmarked for road and railway projects.[7)]

Public-private partnership (PPP) transportation infrastructure projects

The **German** Bundestag passed a resolution on August 14, 2017 to set up an infrastructure company that will have central responsibility for designing, building, operating, maintaining, and financing federal freeways from

1) IHS Markit, Global Construction Outlook (as of January 2018)

2) Source unless otherwise specified: IHS Markit, Global Construction Outlook, as of January 2018 and Euroconstruct, November 2017

4) IHS Markit, Country Report United States, January 2018

5) IHS Markit, Global Construction Outlook, Exec. Summary, October 2017

6) Macromonitor: Australian construction outlook, June 2017 and November 2017

7) Based on Commonwealth of Australia data, Budget 2017-18: Stronger growth to create more and better paying jobs, May 2017, page 8, accessed June 6, 2017

3) Coalition agreement 2017–2021 of October 10, 2017

2019. The company is expressly allowed to award contracts on a public-private partnership basis.[1] Expenditure of EUR 9 billion is earmarked for this purpose in the current budget for the years ahead, in addition to ongoing tenders.[2]

In the **Netherlands**, PPP projects with a construction contract value of some EUR 2 billion are planned in the transportation infrastructure segment for 2018 and 2019.[3]

In a series of three PPP road projects in **Norway**—following the submission of tenders for the Rv3/25 project—the second project, the Rv555 Sotrasambandet, is to be put out to tender in spring 2018. The tendering procedure for the third project, E10/Rv85 Tjeldsund-Langvassbukt, is scheduled to begin in early 2019.[4]

For 2018, the **Czech** Ministry of Transport plans to launch a market tender for a first pilot PPP road project, the D4 Haje-Mirotice, based on the design-build-finance-operate business model.[5]

Since 2011, the **United Kingdom Government** has published a regularly updated pipeline of infrastructure projects. The Analysis of the National Infrastructure and Construction Pipeline issued by the Infrastructure and Projects Authority on December 7, 2017, sets out more than EUR 518 billion (GBP 460 billion) of committed spend but also takes into account government plans to sustain investment long term, as demonstrated by the decision to give the National Infrastructure Commission a fiscal remit of 1.0 to 1.2% of GDP. This means that an overall estimate for the next decade will see around EUR 676 billion (GBP 600 billion) of public and private investment in infrastructure. The UK government aims to invest over EUR 271 billion (GBP 240 billion) in the pipeline from 2017/2018 to 2020/2021, including EUR 88.5 billion (GBP 78.5 billion) allocated to transportation infrastructure.[6]

The **U.S.** PPP market has signs of further progress. Four infrastructure projects, including a major transportation project in Colorado which had been under procurement for over two years, reached financial close in 2017 with a total volume of around EUR 4.8 billion (USD 5.765 billion). Eight other projects with a total investment amount of around EUR 6.1 billion (USD 7.375 billion) were in the bid phases or preferred bidder stages at the end of 2017.[7]

Canada remains the leader in the North American PPP market in volume and number of transactions. PPPs continue to play a major part in infrastructure development in the country whose deal flow is in very good shape.[8] Infrastructure Ontario released its 2017[9] market update showing 15 social infrastructure projects and 17 civil infrastructure projects with a value of EUR 10.5 billion (CAD 15.8 billion). Of the 32, three are Light-Rail-Transit (LRT) projects that are in excess of EUR 0.7 billion (CAD 1.0 billion) each. Twenty-seven contracts with a total volume of EUR 3.7 billion (USD 4.44 billion) reached financial close in the third quarter of 2017.[10] Planning for 2018 indicates that capital spending will continue to rise, since a range of major projects such as the Hurontario LRT (ON), Hamilton LRT (ON), and Surrey LRT (BC) are expected to reach the market.

A relatively low cost of capital, strong demand for infrastructure assets, and additional privatization promise numerous new greenfield and brownfield projects[11] in **Australia** during the next five years. New PPP contracting models will also make for greater flexibility in allocating traffic volume risk between the public and private sector. The transportation sector is fundamentally one of the main focuses for PPP projects.[12]

[1] Infrastructure Company Establishment Act (InfraGG) of August 14, 2017; entered into force August 18, 2017

[2] Act on the Adoption of the Federal Budget for the Fiscal Year 2017 (Haushaltsgesetz 2017)/part X

[7] Source for figures: InfraAmericas

[3] Procurement budget June 2017 Rijkswaterstaat / Voortgangsrapportage DBFM(O) 2016/2017, Ministry of Finance

[8] InfraAmericas

[9] Infrastructure Ontario

[4] Inframation News, August 2017

[5] Inframation News, September 2017

[10] InfraAmericas

[11] See glossary.

[12] Inframation Deals Australia January 2018 and Macromonitor: Australian Construction Outlook, November 2017

[6] Analysis of the National Infrastructure and Construction Pipeline

Energy infrastructure

Performance of the energy markets by country and region[1)]

In **Western Europe**, the positive trend from 2016 continues. Growth rates were just under 2.5% in 2017 and are expected to pick up pace to over 3% in 2018.

Although **Germany's** growth rates are similar to those of Western Europe as a whole, investment in conventional power generation continues to be small to date. Investment in electricity grids cannot completely make up for this. It is also likely that the urgently needed upgrade and expansion of the power grid will be delayed beyond 2025 due to red tape, planning hurdles, and public protests.

Austria's market for energy infrastructure grew strongly in 2017, at just under 10%. Growth of almost 6% is anticipated for 2018. The drivers here include investment in electricity grids over the coming years.

The energy infrastructure market in the **USA** is moving in step with the transportation infrastructure market, contracting in 2017. However, a recovery with growth of over 2% is expected for 2018.

The **Australian** market (excluding mining) shows mixed trends. The oil and gas sector is subject to ongoing declining investment in 2017/2018. In contrast, the power and utilities subsector is holding its own, growing by more than 17% in 2017 and with slightly under 7% growth expected for 2018.[2)]

Social and urban infrastructure

Performance of the building construction markets by country and region[3)]

The **Western European** building construction market (excluding residential construction) grew by 2.0% in the reporting year. Growth was thus slightly higher (by 0.3 percentage points) than in the previous year. About the same level of growth (1.9%) is expected for 2018. Building construction (excluding residential construction) in **Germany** grew strongly by 4.3%. This marks a significant increase on the prior-year growth rate. Companies are increasingly investing in new construction projects. Reasons include the economic upturn in Europe coupled with favorable financing terms. Experts believe that this growth can be maintained in 2018 and will even increase slightly to 4.4%. Office buildings (5.3%) and institutional properties (6.5%) see a particularly positive development.

In **Eastern Europe**, strong growth of 6.3% was recorded again after the decline in 2016. Growth rates in **Poland** (15.0%) were particularly high. First and foremost, this can be put down to a significant year-on-year increase in EU funding for the construction of government and commercial buildings (excluding residential construction). Growth is expected to also remain high in the Polish market in 2018.

Following high prior-year growth rates (4.8%), the building construction sector (excluding residential construction) in the **USA** contracted by 2.0% in the reporting year. A slight decrease is also expected for 2018—though slightly smaller, at 1.2%, especially due to the recovery of the industrial property market. At EUR 324.5 billion (USD 389.2 billion), the level continues to be very high.

1) Source unless otherwise specified: IHS Markit, Global Construction Outlook, as of: January 2018 and Euroconstruct November 2017

3) Source unless otherwise specified: IHS Markit, Global Construction Outlook (as of January 2018) and Euroconstruct, November 2017

2) Macromonitor: Australia Construction Outlook, Januar 2018

In **Canada**, the decline in building construction (excluding residential construction) continued, with a reduction of 3.7%. Experts only project a return to a growth of 0.3% for 2018. Successfully stopping the slowdown in the office properties segment is a key factor for this better prospect.

The **Australian** commercial/industrial construction market is growing strongly. Growth was 8.7% in the reporting period and is expected to accelerate sigificantly once more in 2018. Geographically speaking, growth in the next few years will be mainly driven by the economically strong regions of New South Wales and Victoria.[1)]

PPP social and urban infrastructure projects

In **Germany**, a total of 193 building construction projects worth some EUR 6.3 billion have been carried out on a PPP basis since 2002. At the beginning of 2017, 48 projects were at the tendering stage and an estimated 100 building construction projects—mainly in the education, administration, safety, and leisure segments—were at the preparation and design stage.[2)]

For 2018, we continue to expect a rise in demand[3)] as the need for investment in public infrastructure is unabated. This is due to an enormous repair backlog and also new challenges such as schools expansion (due to changes such as fast-track secondary schooling and inclusive education), secure facilities, offices, and town halls.

In **Poland**, a total of 16 tenders were published during the reporting year on a PPP basis and under the Concessions Act. Thirty-nine projects were at the negotiating phase. Six PPP contracts and concessions were signed in 2017. A national PPP policy and PPP pipeline have been drawn up and adopted by the government. These measures set the direction for how the Polish PPP market is to evolve over the years ahead.[4)]

Over 370 social infrastructure projects have been completed in the **UK** since 2010. The investment pipeline contains 184 social infrastructure projects, programs and other investments with a total value of EUR 48.6 billion (GBP 43.1 billion) to 2020/2021.[5)]

In the **U.S.**, two projects with a total volume of around EUR 200 million (USD 240 million) are currently under procurement.[6)]

PPP projects continue to play a significant role in **Canada**. A key part of the government's current PPP plans is the continued provision of considerable funds for new infrastructure. Ontario has had a stable pipeline of social infrastructure projects in the past. The latest update to current projects announced in November 2017[7)] includes seven new hospitals and four justice facilities with a combined value of over EUR 3.7 billion (CAD 5.50 billion).

Project plans in British Columbia's were delayed due to the recent provincial election but will bring two major healthcare projects and a courthouse, with a combined volume of EUR 1.3 billion (CAD 2 billion) to the market in 2018.[8)]

The market for social PPP infrastructure projects in **Australia** continues to be stable, for example in areas such as prisons and social housing. In New South Wales (NWS)—among other projects—a PPP-based, 600-bed prison is being constructed in the city of Grafton. In NSW, PPP projects in social housing are being evaluated by the Premier's Innovation Initiative.[9)]

[5)] Analysis of the National Infrastructure and Construction Pipeline

[6)] InfraAmericas

[1)] Macromonitor: Australia Construction Outlook, November 2017 and January 2018

[7)] Infrastructure Ontario

[2)] Partnerschaft Deutschland, as of November 30, 2017

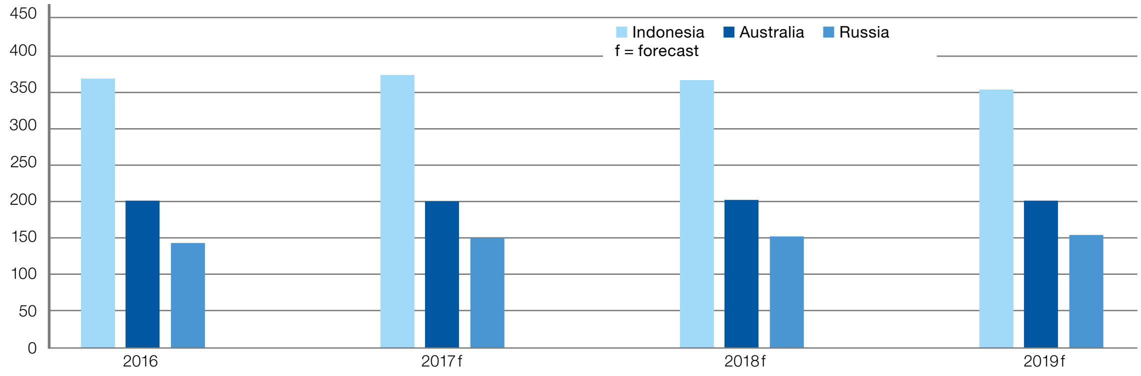
[3)] Source: State of North Rhine-Westphalia Ministry of Finance and Bundeskongress Öffentliche Infrastruktur

[8)] Partnershipsbc

[9)] Inframation Deals Australia

[4)] PPP platform of the Polish Ministry of Infrastructure and Development, as of January 2018

Top three exporters of thermal coal (million t)



Contract mining

Performance of the resources markets by country and region[1)]

Global growth in demand for resources caused Australian export revenues to rise to a record EUR 139.5 billion (AUD 214 billion) in 2017–2018.

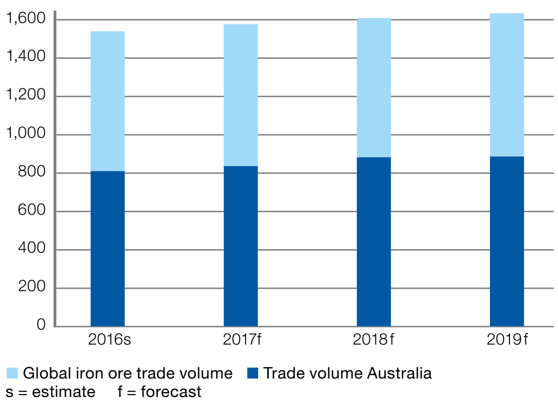
Through companies Thiess and Sedgman of our Australian CIMIC Group, HOCHTIEF is able to profit from this growth as a leading provider of mining services in the contract mining and mineral processing sectors.

Some 80% of all Australian thermal coal output is exported, making Australia the world's second largest exporter. Indonesia, where the CIMIC Group is active, will remain at the top of the biggest export countries in the next few years. Prices for thermal coal remain at a relatively high level, reaching over EUR 75 (USD 90) per metric ton in September 2017. This trend, combined with stronger demand globally, shows the market's unbroken attractiveness.

Growth in global iron ore trade stood at 2.4% in 2017 and is expected to climb by 2% in 2018. Australia continues to dominate this market with a share of over 50%. Growth in Australia even outstrips global growth significantly, meaning that its share in 2018 will rise to just under 55%. This underscores the positive prospects for mining services in this sector.

[1)] Source unless otherwise specified: Australian Government, Office of the Chief Economist, Resources and Energy Quarterly, December 2017

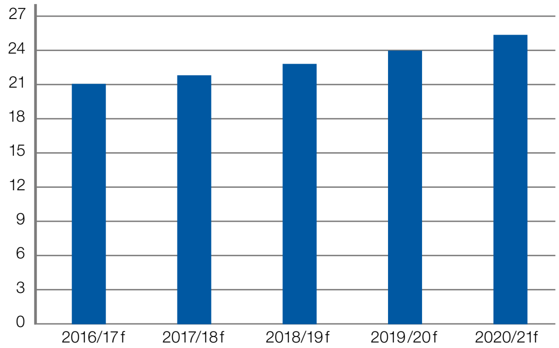
Iron ore trading volumes (million t)



Services business

The **Australian**[1] services market as a whole is estimated to total about EUR 25.7 billion (AUD 39.5 billion) in 2017/2018 and is expected to grow steadily over the years ahead. CIMIC's services activities comprise engineering, construction, maintenance, and operation services in the rail, transportation, technology, energy, resources, water, renewable energy, and defense sectors. The external market—meaning the portion relevant to private-sector entities such as our CIMIC subsidiary UGL—is expected to run to EUR 14.2 billion (AUD 21.8 billion) in 2017/2018. That corresponds to a share of 55% on the market as a whole. The external market is expected to grow 5.2% annually by 2020/2021 and thus to significantly exceed growth in the market as a whole. The main growth drivers are the mining, transportation infrastructure, oil and gas sectors. This shows the excellent prospects for HOCHTIEF to profit from this market growth over the long term through CIMIC's subsidiary UGL.

External services market in Australia (AUD bn)[3]



[3] Year Ended June, constant prices 2013–14

[1] Source unless otherwise specified: BIS Oxford Economics (2016) *Maintenance in Australia 2016 to 2032*

In **Germany**[2], HOCHTIEF returned to the facility management (FM) services market via subsidiary synexs in 2016. According to the latest Lünendonk study, the external FM market grew to just under EUR 53 billion in 2016, marking an increase of more than 4%. With regard to revenue growth, too, the outlook for FM providers in Germany remains very positive. An annual increase of about 5% is thus expected annually from 2018 onwards.

[2] Source unless otherwise specified: Lünendonk study 2017 "Facility-Service-Unternehmen in Deutschland" (facility services companies in Germany)

Order and Work Done in 2017
Sustained strong new orders and significant growth in work done

HOCHTIEF once again substantially increased new orders in 2017. Work done likewise grew in conjunction with continued focus on the core business.

New orders: Substantial increase with balanced contract spread

The Group's nominal new orders were once again above the prior year, with a 23% increase from EUR 24.81 billion in 2016 to EUR 30.44 billion in 2017.[1)]

[1)] Percentages calculated on EUR million basis.

The HOCHTIEF Americas division set a new record in new orders for what is already the fourth year in a row. New orders were received in the amount of EUR 15.38 billion, marking an increase of 13% on 2016. This continued strong performance is notably due to successful contract bidding by Turner, making it possible to further extend the very good market position.

The HOCHTIEF Asia Pacific division, too, once again secured large construction contracts in the infrastructure segment and long-term contract mining contracts. With the integration of UGL fully completed in the reporting year, the services business also contributed significantly to the substantial rise in new orders by 45% to EUR 13.00 billion, compared with EUR 8.95 billion in the prior year.

New orders in the HOCHTIEF Europe division totaled EUR 1.96 billion and were thus below the prior-year level of EUR 2.10 billion, which included unusually large contracting orders.

Work done: Positive performance at higher level

Group work done increased relative to the EUR 22.29 billion prior-year figure by 10% to EUR 24.52 billion.

The HOCHTIEF Americas division notched up a new record for the fifth consecutive year with EUR 11.63 billion and 5% growth on the prior year.

A major share of the positive performance for HOCHTIEF as a whole was accounted for by the Asia Pacific division. Group company UGL in particular contributed to the substantial improvement here. Work done rose to EUR 10.89 billion in 2017, equivalent to an increase of 20% year on year.

The 3% decrease in work done in the HOCHTIEF Europe division to EUR 1.89 billion is a result of the ongoing transformation within the division and of focusing on the core business.

International work done accounted for approximately 96% of Group work done. Based on the figures published in the 2016 Annual Report, HOCHTIEF was once again among the leaders in the annual Top 225 International Contractors ranking published by trade magazine Engineering News-Record, occupying second place.

Order backlog: Solid springboard for further positive growth in work done

The Group order backlog increased to EUR 44.64 billion. Year on year, the order backlog consequently went up by EUR 1.56 billion, representing growth of 4%.

With an order backlog of EUR 17.52 billion, the HOCHTIEF Americas division was up 10% on the already high prior-year figure.

The order backlog in the HOCHTIEF Asia Pacific division amounted to EUR 23.47 billion and was thus at the prior-year level of EUR 23.30 billion.

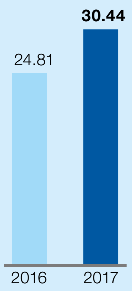
At EUR 3.66 billion, the order backlog in the HOCHTIEF Europe division is 6% down on the EUR 3.89 billion prior-year figure.

Based on current Group work done on a full-year basis, the Group order backlog represents a large forward order book of 22 months. This highly favorable position in terms of orders and work done is supplemented by a very strong tender pipeline in our key markets for 2018 and beyond.[1)]

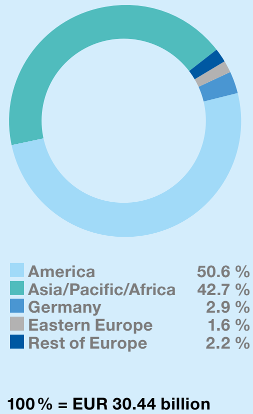
[1)] For further information, please see the Markets section starting on page 37.

New orders

EUR billion

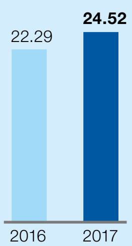


New order by region

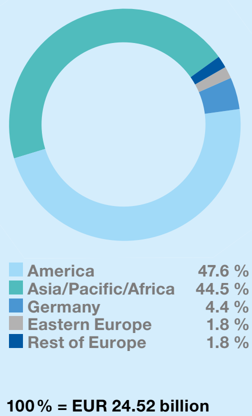


Work done

EUR billion

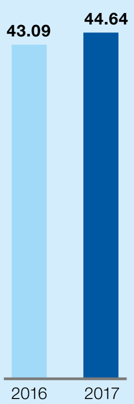


Work done by region

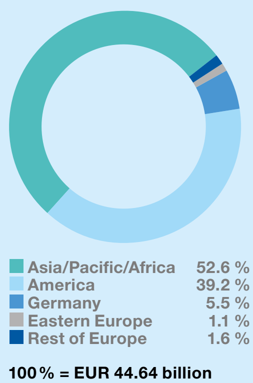


Order backlog

EUR billion



Order backlog by region



ENCOURAGING DIALOG

The new ista headquarters in Essen provide offices for some 470 employees that come complete with a feel-good factor. HOCHTIEF designed and built the cutting-edge office property, which is seeking DGNB gold certification, in close consultation with the client and eventual occupants. Dubbed Silberkuhlsturm (silver pit tower), the building completed in November 2017 features flexible floorplans and an interior concept defined by openness and transparency. Not only the open-plan offices and communication areas, but also meeting points and the contemporary tea kitchens invite people at all levels to engage in teamwork. Even on the two roof terraces.

Value creation 2017

Value added analysis shows how HOCHTIEF generates added value while quantifying how the various public and private stakeholder groups benefit as a result.

In the 2017 reporting year, HOCHTIEF continued to rigorously pursue its strategic path in order to further increase profitability and liquidity. Sustainability in our activities resulted in a renewed listing in the Dow Jones Sustainability Index (DJSI). This commitment to sustainability further enhances our attractiveness to customers as well as on the capital and labor markets.

Net value added as a percentage of Group performance was 22.5% in 2017, above the prior-year level. The HOCHTIEF Group once again distributed the lion's share of net value added in 2017 to employees, as in past years. This large proportion of value added means that we can continue offering attractive employment on fair terms. Distributions to minority shareholders accounted for EUR 161.8 million of value added in 2017. The increase relative to the prior year relates to the higher dividend.

At 4.7% (EUR 241.1 million), the proportion of value added distributed to public authorities in 2017 was once again on a par with the prior year.

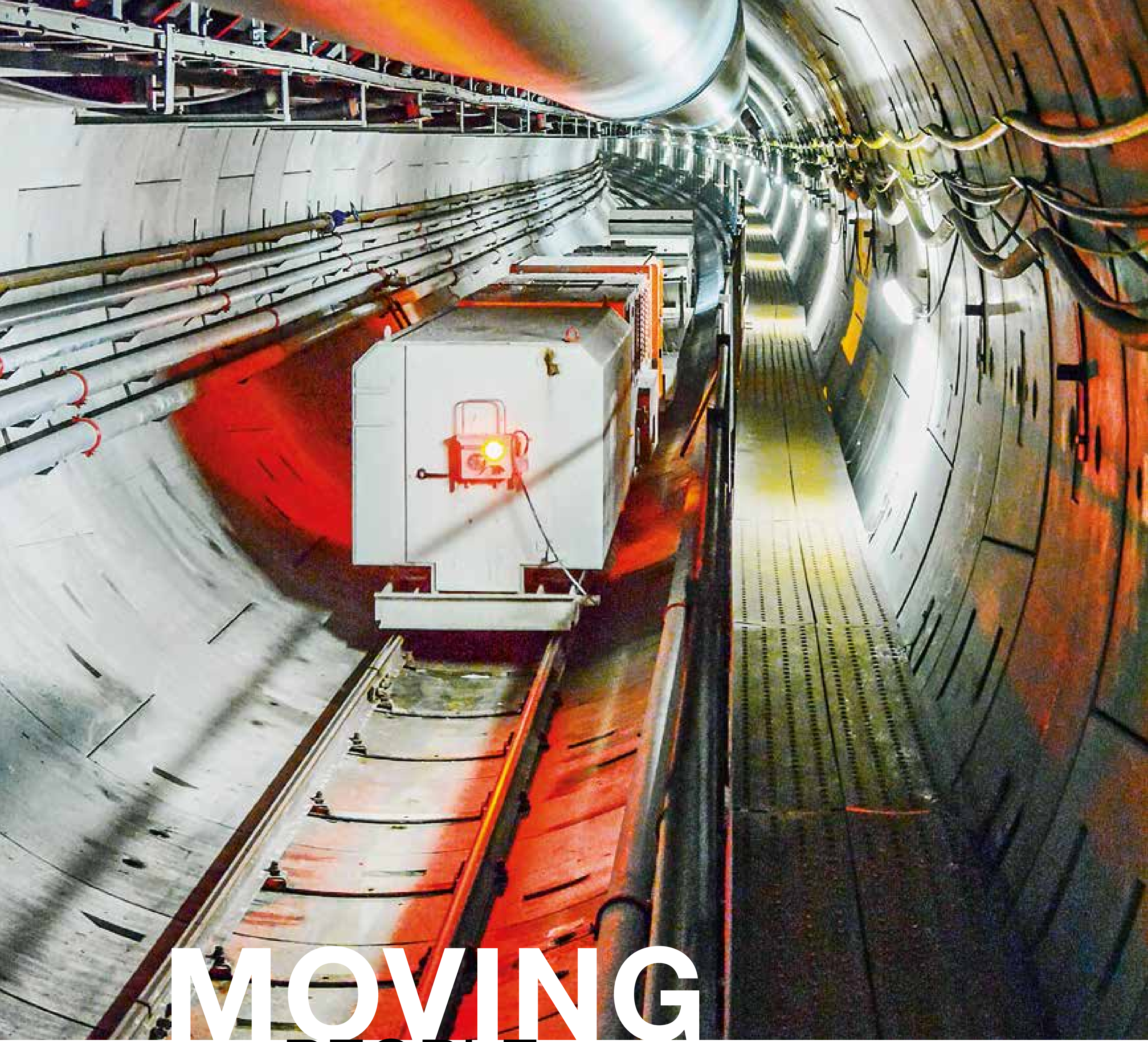
In today's difficult, low-interest market environment, HOCHTIEF's favorable credit standing makes it an enduringly attractive investment opportunity for lenders and equity investors. The proportion of value added distributed to lenders in 2017 was EUR 158.2 million—a further decrease on the prior year due to the reduction in debt. HOCHTIEF aims to afford shareholders their commensurate share in the Group's positive earnings performance. The correspondingly higher dividend in 2017 resulted in a significant increase in the portion distributed to our shareholders and the Group itself, to EUR 420.7 million or 8.2% of net value added.

Sources of value added

	2017		2016	
	EUR million	%	EUR million	%
Sales	22,631.0	99.5	19,908.3	98.6
Changes in inventories	(53.6)	-0.2	(93.0)	-0.5
Other operating income	171.4	0.8	372.5	1.8
Corporate performance	**22,748.8**	**100.0**	**20,187.8**	**100.0**
Materials	(16,229.4)	-71.3	(14,778.2)	-73.2
Other operating expenses	(1,239.1)	-5.4	(1,208.1)	-6.0
Other investment expenses	(37.2)	-0.2	(38.5)	-0.2
Input costs	**(17,505.7)**	**-77.0**	**(16,024.8)**	**-79.4**
Investment and interest income	87.1	0.4	87.4	0.4
Net income from participating interests	176.6	0.8	114.9	0.6
Gross value added	**5,506.8**	**24.2**	**4,365.3**	**21.6**
Depreciation and amortization	(395.6)	-1.7	(287.7)	-1.4
Net value added	**5,111.2**	**22.5**	**4,077.6**	**20.2**

Distribution of value added

	2017		2016	
	EUR million	%	EUR million	%
Employees	4,129.4	80.8	3,295.1	80.8
Lenders	158.2	3.1	161.8	4.0
Non-controlling interests	161.8	3.2	113.0	2.8
Public authorities	241.1	4.7	187.2	4.6
Group and shareholders	420.7	8.2	320.5	7.9
Net value added	**5,111.2**	**100.0**	**4,077.6**	**100.0**



MOVING PEOPLE

Expanding Copenhagen's infrastructure, especially its local public transport system, is an ambitious large-scale project. It includes building a subway ring, parts of which have already been completed, to further ease the city's strained traffic situation. As part of a joint venture, HOCHTIEF is responsible for constructing the Nordhavn connector. The work includes building two tunnel tubes approximately 1,600 and 1,800 meters long, plus the Nordhavn subway station, to be delivered on a turnkey basis by 2020. Space constraints due to the construction site's downtown location pose logistical challenges. But HOCHTIEF is right on track: In the reporting year, excavation of the second tunnel was also successfully completed. In the future, driverless trains will glide through the tunnels, transporting several thousand people at three-and-a-half-minute intervals.

Financial Review

Overview

HOCHTIEF's financial performance in 2017 has continued the very positive development seen in the last years. The Group once again delivered strong gains in sales and profit. At the same time, we made progress in cash generation and further increased our order backlog. At the end of 2017, HOCHTIEF's net cash position marked a strong improvement on the prior year to EUR 1.3 billion. Consequently, we have strengthened our position once again in 2017.[1)]

Sales growth across all divisions

Sales generated from January to December 2017 came to EUR 22.6 billion, up 14% on the prior-year figure (EUR 19.9 billion). In addition to organic growth, a notable factor here was the sales contribution from UGL, the Australian services company acquired by CIMIC at the end of 2016. Sales growth was broadly based overall, with improvements across all divisions.

Sales

(EUR million)	2017	2016	Change
HOCHTIEF Americas	11,838.9	10,905.8	8.6%
HOCHTIEF Asia Pacific	9,077.0	7,303.0	24.3%
HOCHTIEF Europe	1,609.0	1,596.5	0.8%
Corporate	106.1	103.0	2.9%
HOCHTIEF Group	**22,631.0**	**19,908.3**	**13.7%**

The HOCHTIEF Americas division focuses on the American construction market, primarily in the U.S. and Canada, providing a broad portfolio of building and infrastructure construction products and services through our subsidiaries Turner and Flatiron. Turner strengthened its leading position in the U.S. building construction market and consolidated its excellent market standing in the offices, education, IT, healthcare, and hotel segments. It also leads in green building. Flatiron, our civil engineering subsidiary, primarily specializes in infrastructure projects in the road, rail, and energy sectors. In total, the HOCHTIEF Americas division generated sales in the amount of EUR 11.8 billion, exceeding the prior-year figure (EUR 10.9 billion) by 9%, adjusted for foreign exchange rate effects the increase would have even amounted to 12%.

The HOCHTIEF Asia Pacific division increased sales in 2017 relative to the prior-year period (EUR 7.3 billion) by a strong 24% to EUR 9.1 billion. This mainly reflected the pronounced upward trend at our Australian Group company CIMIC, which comfortably exceeded prior-year sales of AUD 10.8 billion with AUD 13.4 billion in 2017. CIMIC benefited here from sales contributed by UGL, which were included in the CIMIC Group on a full-year basis for the first time in 2017 (consolidated from November 24, 2016). Organic growth in CIMIC's core activities also had a positive effect on sales performance. As the average Australian dollar exchange rate stayed virtually unchanged relative to the prior year, exchange rate effects were of minor significance at divisional level.

The HOCHTIEF Europe division focuses on the core business segments of infrastructure and building construction, public-private partnerships (PPP), and engineering services in selected European markets. To these are added non-core activities in real estate development. In 2017, the HOCHTIEF Europe division generated sales of EUR 1.6 billion, marking a slight increase on the prior year. Sales increased further notably in our major core business of construction.

In markets outside of Germany, the HOCHTIEF Group recorded sales of EUR 21.8 billion in 2017. The proportion of sales generated internationally in relation to total sales stood at 96%, slightly higher than in the prior year (95%).

Strong profit growth driven by increased sales and improved margins

The HOCHTIEF Group's earnings figures developed very positively in 2017, showing dynamic profit growth compared with the prior year. This was rooted in our operational units' profitability improvements resulting from the transformation and realignment of our business model.

[1)] The performance of the HOCHTIEF Asia Pacific division reflects HOCHTIEF's stake in CIMIC (72.7% at the end of December 2017, unchanged year on year) as well as associated financing and holding costs, and the impact of variations in the AUD/EUR exchange rate.

Operational Statement of Earnings

(EUR million)	2017	2016 (restated)	Change
Profit from operating activities	**764.9**	**628.5**	**21.7%**
+ Share of profits and losses of equity-method associates and joint ventures	115.2	75.1	
+ Net income from other participating interests	61.3	39.8	
– Net income from long-term loans to participating interests	(37.3)	(27.8)	
Operational earnings (EBIT)	**904.1**	**715.6**	**26.3%**
+ Ordinary depreciation and amortization	390.3	280.9	
EBITDA	**1,294.4**	**996.5**	**29.9%**
+ Investment and interest income	87.1	87.4	
– Investment and interest expenses	(204.9)	(210.1)	
+ Net income from long-term loans to participating interests	37.3	27.8	
– Ordinary depreciation and amortization	(390.3)	(280.9)	
Profit before tax	**823.6**	**620.7**	**32.7%**
– Income taxes	(241.1)	(187.2)	
Profit after tax	**582.5**	**433.5**	**34.4%**
– Non-controlling interest (minority interest)	(161.8)	(113.0)	
Consolidated net profit	**420.7**	**320.5**	**31.3%**

Profit from operating activities in 2017 came to EUR 765 million, 22% above the prior-year figure (EUR 629 million).

Net income from equity-method associates and joint ventures improved by EUR 40 million on the prior year (EUR 75 million) to EUR 115 million. This increase was primarily due to higher earnings contributions from joint ventures. **Net income from other participating interests** came to EUR 61 million—a rise of EUR 21 million on the prior-year figure (EUR 40 million). This mainly reflected higher income from long-term loans to participating interests.

EBIT showed a clearly positive trend, increasing by 26% from EUR 716 million in the prior year to EUR 904 million in 2017.

Net investment and interest income/expenses improved compared with the prior year (negative EUR 123 million) by EUR 5 million to a negative EUR 118 million. Alongside lower interest expenses, a marginal increase in interest income also played a part here. HOCHTIEF successfully refinanced a EUR 1.7 billion long-term syndicated credit facility ahead of schedule in August 2017. A core element of the Group's long-term financing strategy, this facility was secured at considerably more favorable terms.

Group divisions make further progress in earnings performance

HOCHTIEF once again delivered a very positive earnings performance in 2017. All Group divisions made progress, contributing to the Group's success with significant improvements. After increasing **nominal profit before tax (PBT)** to EUR 621 million in the prior year, HOCHTIEF delivered further substantial growth in the reporting year, with a rise of 33% to EUR 824 million.

Profit before tax (PBT)

(EUR million)	2017	2016	Change
HOCHTIEF Americas	254.0	203.8	24.6%
HOCHTIEF Asia Pacific	578.9	431.9	34.0%
HOCHTIEF Europe	32.5	18.7	73.8%
Corporate	(41.8)	(33.7)	-24.0%
Group nominal PBT	**823.6**	**620.7**	**32.7%**
One-off items	**42.2**	**56.8**	**-25.7%**
Restructuring	7.9	21.7	-63.6%
Investments/Divestments	13.4	(158.3)	–
Impairments	10.5	186.4	-94.4%
Other	10.4	7.0	48.6%
Group operational PBT	**865.8**	**677.5**	**27.8%**

The HOCHTIEF Americas division delivered a positive performance on all fronts in 2017. Nominal PBT rose by 25% year on year to EUR 254 million. On sales of EUR 11.8 billion, the PBT margin increased by 20 basis points to 2.1% for 2017. Profits and margins expanded at both Turner and Flatiron.

The HOCHTIEF Asia Pacific division's nominal PBT advanced by 34% year on year to EUR 579 million. This strong increase was partly driven by sales growth of 24% due to both the contribution from services company UGL (acquired in Q4 2016) as well as organic growth in the core markets in which CIMIC operates. Furthermore, margins expanded. The divisional PBT margin rose 50 basis points to 6.4%. All of the CIMIC Group's core businesses of construction, contract mining and services achieved increased profits.

The positive trend in the performance of the HOCHTIEF Europe division continued during 2017. PBT increased by EUR 14 million year on year to EUR 33 million. On sales of EUR 1.6 billion, the division's profitability also progressed significantly with the PBT margin expanding to 2.0% compared with 1.2% in 2016.

Operational PBT—meaning nominal PBT adjusted for one-off items and asset disposals—increased in the reporting period by 28% to EUR 866 million. The sum total of **one-off items** adjusted out of nominal PBT went down by 26% year on year to EUR 42 million.

Income tax expense came to EUR 241 million in 2017 (2016: EUR 187 million). The 29% increase relative to the prior year is consistent with the improvement in PBT. As in the prior year (30%), the effective tax rate of 29% was at a normal level.

The strong earnings performance is also evident in **profit after tax**. The HOCHTIEF Group's profit after tax came to EUR 582 million in 2017, up 34% on the prior-year figure (EUR 433 million).

HOCHTIEF likewise recorded substantial growth in **consolidated net profit**. At EUR 421 million, this was 31% higher than the prior-year figure (EUR 320 million). Non-controlling interests totaled EUR 162 million and—as in the prior year (EUR 113 million)—mostly related to the CIMIC Group. With the shareholding in CIMIC unchanged, the increase primarily related to the higher consolidated net profit at CIMIC and the larger profit share, related to non-controlling interests, of joint ventures in the HOCHTIEF Americas division.

Consolidated net profit

(EUR million)	2017	2016	Change
HOCHTIEF Americas	162.6	128.1	26.9%
HOCHTIEF Asia Pacific	275.4	217.4	26.7%
HOCHTIEF Europe	23.7	12.5	89.6%
Corporate	(41.0)	(37.5)	-9.3%
Group nominal net profit	**420.7**	**320.5**	**31.3%**
One-off items	**31.6**	**40.7**	**-22.4%**
Restructuring	6.1	18.4	-66.8%
Investments/ Divestments	13.0	(107.1)	–
Impairments	7.9	122.4	-93.5%
Other	4.6	7.0	-34.3%
Group operational net profit	**452.3**	**361.2**	**25.2%**

The HOCHTIEF Americas division raised consolidated net profit relative to the prior year (EUR 128 million) by 27% to EUR 163 million.

After EUR 217 million in the prior year, the HOCHTIEF Asia Pacific division improved consolidated net profit by 27% in 2017 to EUR 275 million. This strong increase is chiefly attributable to the CIMIC Group's high-margin growth and larger earnings contribution.

The HOCHTIEF Europe division sustained the positive trend in consolidated net profit. Having achieved turnaround with a figure of just under EUR 13 million in the prior year, the division nearly doubled consolidated net profit in the reporting year to EUR 24 million.

The Corporate (Corporate Headquarters/Consolidation) expense slightly increased to a negative EUR 41 million in 2017 (2016: negative EUR 37 million) and included costs in connection with the planned takeover of Abertis.

After one-off items and deduction of taxes and non-controlling interests, **operational consolidated net profit** came to EUR 452 million—representing an increase of 25% compared with the prior year (EUR 361 million).

Cash flow

The high quality of our earnings in 2017 is also reflected in our cash flow performance. Alongside risk control, a prime focus when pursuing new orders in our operating business is on the cash-based profitability of contracts. We also continue to apply consistent and targeted working capital management.

Our **net cash from operating activities** was once again at a high level in 2017, with a further improvement on the prior year. At EUR 1.4 billion, up by EUR 199 million, we exceeded the prior-year figure (EUR 1.2 billion) by 17%. A substantial portion of the improvement related to the strong increase in net cash from operating activities pre net working capital change. As a result of the cash-based earnings improvement, HOCHTIEF raised this figure by EUR 250 million relative to the prior year (EUR 789 million) to over EUR 1 billion. The cash inflow from the change in net working capital was once again significantly positive in 2017. In this connection, as a result of efficient working capital management, the change in net working capital accounted for large cash inflows of EUR 333 million, as it did in the prior year (EUR 385 million).

Cash required for **gross operating capital expenditure** amounted to EUR 357 million in 2017, which was EUR 84 million higher than the prior-year figure (EUR 273 million). This primarily related to higher capital expenditure at CIMIC as a result of the larger volume of contracts in the mining business and the procurement of project-specific equipment for infrastructure construction (tunneling equipment). The majority of this, comprising EUR 296 million (2016: EUR 199 million), was accounted for by the HOCHTIEF Asia Pacific division. Receipts from **operating asset disposals** mainly resulted from the sale of project-specific assets at CIMIC, and increased relative to the prior year (EUR 85 million) by EUR 21 million to EUR 106 million. The cash outflow for **net operating capital expenditure** amounted to EUR 252 million, EUR 65 million more than in the previous year (EUR 187 million).

Free cash flow from operations, up EUR 134 million to EUR 1.1 billion (2016: EUR 986 million), underscores the financial strength and the cash-based improvement of our operating business.

Other investments/divestments in 2017 accounted for a cash outflow of EUR 152 million, mainly relating to increases in long-term loans as well as to the granting of loans to joint ventures under CIMIC and the HOCHTIEF Europe division. The EUR 12 million prior-year figure was primarily the balance of the net cash outflow for purchases of shares in the Australian companies UGL and Sedgman versus the cash inflow from the sale of the stake in Nextgen.

Free cash flow (excluding changes in marketable securities) amounted to EUR 968 million in 2017 (2016: EUR 974 million).

Cash flow from investing activities—a cash outflow of EUR 392 million (2016: EUR 66 million)—in the HOCHTIEF Group Statement of Cash Flows comprised payments for net operating capital expenditure (EUR 252 million) and for other investments/divestments (EUR 152 million) plus changes in marketable securities. In this last item, disposals from the securities portfolio in 2017 resulted in a slight cash inflow of EUR 11 million (2016: EUR 133 million).

The cash outflow under **cash flow from financing activities**, at EUR 465 million in 2017, was significantly smaller than in the prior year (EUR 1.1 billion). Debt repayment led to a cash outflow of EUR 2.1 billion (2016: EUR 936 million). This was countered by a cash inflow from new borrowing in the amount of EUR 1.9 billion (2016: EUR 682 million). The other main factor reducing cash was the dividend payout of EUR 261 million (2016: EUR 225 million) to HOCHTIEF shareholders and non-controlling interests mainly relating to CIMIC's minority shareholders. In the prior year, an additional EUR 366 million was used for stock buyback programs at HOCHTIEF Aktiengesellschaft and CIMIC. There were also cash outflows of EUR 277 million in 2016 from purchases of shares in subsidiaries—notably at CIMIC for the takeovers of UGL and Sedgman.

Cash flow components

(EUR million)	2017	2016	Change
Net cash from operating activities pre net working capital (NWC) change	1,038.9	788.6	250.3
Net working capital change	333.2	384.8	(51.6)
Net cash from operating activities	**1,372.1**	**1,173.4**	**198.7**
Gross operating capital expenditure	(357.4)	(272.6)	(84.8)
Operating asset disposals	105.6	85.3	20.3
Net operating capital expenditure	(251.8)	(187.3)	(64.5)
Free cash flow from operations	**1,120.3**	**986.1**	**134.2**
Other investments (-)/divestments (+)	(151.8)	(11.9)	(139.9)
Free cash flow (w/o change in current marketable securities)	**968.5**	**974.2**	**(5.7)**

HOCHTIEF had EUR 3.1 billion in cash and cash equivalents at the December 31, 2017 balance sheet date, providing it with an adequate and solid liquidity position. This marked growth of EUR 247 million relative to the 2016 year-end figure (EUR 2.8 billion). Adjusting for the negative impact from foreign exchange rate movements, cash and cash equivalents would have increased by another EUR 267 million.

Statement of Cash Flows for the HOCHTIEF Group (Summary)[1]

(EUR million)	2017	2016
Net cash from operating activities	**1,372.1**	**1,173.4**
Net operating capital expenditure	(251.8)	(187.3)
Other investments (-)/ divestments (+)	(151.8)	(11.9)
Change in current marketable securities	11.2	133.0
Cash flow from investing activities	**(392.4)**	**(66.2)**
Cash flow from financing activities	**(465.4)**	**(1,135.6)**
Net cash increase in cash and cash equivalents	**514.3**	**(28.4)**
Cash and cash equivalents at year-end	**3,094.9**	**2,847.4**

[1] The full Consolidated Statement of Cash Flows appears on page 162, in the Consolidated Financial Statements and Notes section of this Group Report.

Balance sheet

HOCHTIEF closed 2017 with a clearly positive net cash position and has a strong and well-structured balance sheet. **Total assets** in the HOCHTIEF Group stood at EUR 13.3 billion at the end of 2017 (December 31, 2016: EUR 14.1 billion). The majority of changes in the balance sheet during the reporting year relate to exchange rate effects from movements in the U.S. dollar and the Australian dollar. Both currencies—especially the U.S. dollar—have depreciated against the euro since the beginning of 2017.

Consolidated Balance Sheet

(EUR million)	**Dec. 31, 2017**	Dec. 31, 2016 (restated)
Assets		
Non-current assets		
Intangible assets, property, plant and equipment, and investment properties	2,161.2	2,511.8
Financial assets	650.7	776.5
Other non-current assets and deferred taxes	1,148.4	1,323.4
	3,960.3	**4,611.7**
Current assets		
Inventories, trade receivables and other current assets	5,864.8	6,154.6
Marketable securities, cash and cash equivalents	3,523.7	3,310.8
	9,388.5	**9,465.4**
	13,348.8	**14,077.1**
Liabilities		
Shareholders' equity	**2,534.1**	**2,571.1**
Non-current liabilities		
Provisions	716.5	863.5
Other non-current liabilities and deferred taxes	2,246.4	1,705.1
	2,962.9	**2,568.6**
Current liabilities		
Provisions	728.6	821.6
Other current liabilities	7,123.2	8,115.8
	7,851.8	**8,937.4**
	13,348.8	**14,077.1**

Non-current assets totaled EUR 4.0 billion as of the December 31, 2017 reporting date. This represented a decrease of EUR 651 million on the 2016 year-end figure (EUR 4.6 billion). Intangible assets, at EUR 1.2 billion in total, showed a decrease of EUR 130 million, mainly due to exchange rate effects. The majority of intangible assets—EUR 1.0 billion—related to goodwill recognized on initial consolidation of fully consolidated subsidiaries. Property, plant and equipment amounted to EUR 960 million, down EUR 218 million on the prior-year figure. Most property, plant and equipment in the HOCHTIEF Group was accounted for by the CIMIC Group, at EUR 798 million (December 31, 2016: EUR 929 million). The decrease here was mostly due to exchange rate changes. Financial assets fell by EUR 126 million to EUR 651 million, first and foremost as a result of equity-method adjustments and exchange rate effects. Most of non-current financial receivables in the amount of EUR 836 million related to loans by CIMIC to Group companies and loans by the HOCHTIEF Europe division for PPP projects. Deferred tax assets went down—mainly due to changes in temporary differences at CIMIC—by EUR 149 million to EUR 156 million.

Current assets amounted to EUR 9.4 billion at the end of 2017. This represented a marginal decrease of EUR 77 million on the 2016 year-end figure (EUR 9.5 billion). Inventories were reduced during 2017 by sales of real estate developments in the HOCHTIEF Europe division's real estate business. Total inventories consequently went down by EUR 134 million to EUR 425 million. Trade receivables were influenced on the one hand by the strong growth in our operating business through 2017. On the other hand, the operational increase was more than offset by working capital management and exchange rate effects, as the majority of our trade receivables relate to subsidiaries in the USA and Australia.

The net outcome was a EUR 207 million reduction in trade receivables over the reporting year to EUR 4.8 billion. Other receivables and other assets went down by EUR 38 million to EUR 412 million. This mainly related to the reimbursement of claims held by the HOCHTIEF Europe division in connection with asset disposals. The EUR 35 million decrease in marketable securities to EUR 429 million was primarily due to exchange rate effects. Cash and cash equivalents increased by EUR 247 million over the course of the year and stood at EUR 3.1 billion as of the 2017 year-end. Our good, solid liquidity position has thus continued to improve. Assets held for sale primarily relate to plant and equipment at CIMIC. They went down by EUR 12 million to EUR 21 million.

The HOCHTIEF Group's **shareholders' equity** stood at EUR 2.5 billion as of December 31, 2017 or EUR 2.9 billion if adjusted for exchange rate effects. With a nominal decrease of EUR 37 million, equity thus showed virtually no change relative to the end of the prior year (EUR 2.6 billion). The increase in equity from profit after tax (EUR 582 million) and other items (EUR 26 million) was countered by exchange rate effects (EUR 384 million) and dividend payments (EUR 261 million). As a result, the equity ratio (equity to total assets) improved slightly compared with the prior year (18%) to 19%.

The change in **non-current liabilities**—which went up by EUR 394 million to EUR 3.0 billion in 2017—was primarily determined by the increase in financial liabilities. This mostly related to a promissory note loan issue launched by HOCHTIEF Aktiengesellschaft. The transaction, for a principal amount of EUR 500 million, served to refinance a corporate bond issue that matured and was paid back to bondholders in March 2017. Pension provisions decreased by EUR 72 million to EUR 368 million. The main effects here were the higher return on plan assets covering future pension obligations and an increase in the discount rate used to measure the defined benefit obligation.

Current liabilities decreased substantially in the reporting year. As of December 31, 2017, current liabilities stood at EUR 7.9 billion, more than EUR 1 billion below the figure as of December 31, 2016 (EUR 8.9 billion). A major factor here was redemption of the HOCHTIEF Aktiengesellschaft bond issue that matured and was repaid in March 2017. Borrowing at CIMIC was also repaid. In total, current financial liabilities consequently went down in 2017 by EUR 811 million to EUR 236 million. Trade payables—which mostly relate to Turner and CIMIC—decreased by EUR 143 million to EUR 6.4 billion, mainly due to exchange rate effects. Current provisions were likewise reduced, going down by EUR 93 million to EUR 729 million. The decrease notably related to tax provisions and personnel provisions at CIMIC.

Our strong cash flow performance had a clearly positive impact on **net cash**. The HOCHTIEF Group's net cash position reached EUR 1.3 billion as of December

Net cash (+)/net debt (-)

(EUR million)	Dec. 31, 2017	Dec. 31, 2016	Change
HOCHTIEF Americas	972.4	844.2	128.2
HOCHTIEF Asia Pacific	578.5	265.1	313.4
HOCHTIEF Europe	210.6	44.6	166.0
Corporate	(495.7)	(450.0)	(45.7)
Group	**1,265.8**	**703.9**	**561.9**

31, 2017 and thus grew by EUR 562 million relative to the 2016 year-end (EUR 704 million). This strong growth was driven by the significantly improved net cash from operating activities of EUR 1.4 billion. That figure was countered by decreases due to exchange rate effects (EUR 291 million), net operating capital expenditure (EUR 252 million), dividend payouts by HOCHTIEF Aktiengesellschaft and CIMIC (EUR 240 million), and other items (EUR 27 million). The improvement was driven by all of the Group's operating divisions. The HOCHTIEF Asia Pacific division performed particularly strongly, with an increase of EUR 313 million. Adjusting for exchange rate effects (a negative EUR 291 million) and the cash outflows for dividends (EUR 240 million), the net cash position would have climbed by EUR 1.1 billion to EUR 1.8 billion. Overall, with this strong performance, we have further reinforced our balance sheet strength.

Securing Group liquidity long-term and optimizing the financial structure

Financial events 2017—HOCHTIEF Aktiengesellschaft

HOCHTIEF Aktiengesellschaft completed two refinancings in 2017 and was assigned a BBB investment grade rating by rating agency Standard & Poor's (S&P). In addition, a financing facility was successfully syndicated with a group of international banks in connection with a takeover offer for Abertis Infraestructuras, S.A.

In March 2017, HOCHTIEF Aktiengesellschaft launched a promissory loan note issue for EUR 500 million. The entire proceeds from the issue were used to refinance a 2012 bond issue for the same amount that matured in March 2017. The notes have staggered terms of five, seven, and ten years with significantly improved terms and conditions.

In May 2017, S&P assigned HOCHTIEF Aktiengesellschaft a BBB rating. This is the first debt rating for HOCHTIEF. The rating agency emphasized HOCHTIEF's strong balance sheet, the Group's positive business performance, and the improvement in its financial leverage over the past five years. This solid investment grade rating will contribute toward further optimizing the Group's financing.

With the external BBB rating from S&P obtained in May 2017, HOCHTIEF Aktiengesellschaft successfully refinanced its existing syndicated credit and guarantee facility[1] in August 2017 at significantly improved terms and, in doing so, secured the Group's strategic financing with regard to revolving credit and guarantee facilities for the long term. The new syndicated facility for a total of EUR 1.7 billion with a term to August 2022 and extension options of up to two more years consists of a guarantee facility tranche totaling EUR 1.2 billion and a credit facility tranche for EUR 500 million that can be drawn on a revolving basis. As before, one of HOCHTIEF Aktiengesellschaft's most important financing instruments is the syndicated credit and guarantee facility. The guarantee facility tranche, drawings on which stood at EUR 796 million as of the reporting date, permits the furnishing of guarantees for ordinary activities, mainly of the HOCHTIEF Europe division. Drawings on the credit facility tranche are made flexibly as needed and were zero throughout the entire year due to the good liquidity position during 2017.

In October, the Executive Board and Supervisory Board of HOCHTIEF Aktiengesellschaft resolved to submit a voluntary public tender offer for all outstanding shares in Abertis Infraestructuras, S.A., headquartered in Madrid (Spain). Abertis Infraestructuras, S.A. is a Spanish stock exchange-listed group that operates various toll road and telecommunications businesses in Europe, the Americas, and Asia. HOCHTIEF Aktiengesellschaft submitted the offer document to the Spanish Securities Market Commission, CNMV, on October 18, 2017. The total consideration offered amounts to approximately EUR 18.6

[1] See glossary.

billion or EUR 17.1 billion excluding shares of treasury stock held by Abertis Infraestructuras, S.A. The facility is for a total of EUR 15 billion and was underwritten by J.P. Morgan before submission of the Abertis offer. In November 2017, the credit facility for financing the planned takeover was successfully syndicated at very competitive rates to a group of national and international banks.

Other financing

HOCHTIEF Aktiengesellschaft also has bilateral, short-term credit facilities to furnish operational units with sufficient cash resources to finance day-to-day business. These facilities, which total around EUR 144 million, have to be renewed annually. Of such facilities, 56% have been confirmed in writing by the banks for up to a year. The terms are very favorable due to the HOCHTIEF Group's good credit standing. Drawings on these short-term credit facilities were zero as of the reporting date.

HOCHTIEF Aktiengesellschaft's syndicated guarantee facility is supplemented with bilateral guarantee facilities totaling some EUR 16.47 billion as of the 2017 year-end. This includes a bank guarantee in the amount of the EUR 15 billion credit line provided for the financing of the takeover and furnished by HOCHTIEF Aktiengesellschaft to the Spanish Securities Market Commission, CNMV, in the context of the takeover offer submitted in October 2017 for all outstanding shares in Abertis Infraestructuras, S.A. Here again, the favorable terms accord with the HOCHTIEF Group's ongoing good credit standing. The various borrowing instruments secure long-term, broadly diversified funding for the Group on borrowing terms and conditions that continue to be attractive. None of the borrowing instruments taken out by HOCHTIEF is secured and all are pari-passu, with all lenders having equal seniority.

The syndicated and bilateral facilities are supplemented with project-related borrowing as needed. Such borrowings are each negotiated and agreed on the basis of a specific project, can be put to flexible use, and are repaid out of the proceeds at the latest when the project is sold. If at all, loans are secured against project assets themselves and, in almost all cases, any recourse to the HOCHTIEF Group is expressly precluded.

As in the prior year, there are loans in place for the HOCHTIEF Americas and HOCHTIEF Asia Pacific divisions on a local basis. The U.S. bonding facility is very important in this regard. This covers a total of some EUR 6.1 billion (USD 7.3 billion) and, as before, represents the cornerstone of our funding for the U.S. business. Both the Turner and the Flatiron groups use this facility for bonding purposes[1]. The local surety bonding facility continues to be backed by a Group guarantee from HOCHTIEF Aktiengesellschaft. Flatiron additionally maintains bilateral arrangements with banks as well as a syndicated credit and guarantee facility in the amount of EUR 233 million (CAD 350 million). These facilities are primarily used in Canadian activities, where bank guarantees are frequently required rather than surety bonds.

[1] See glossary.

With the exception of the March 2012 corporate bond and the short-term credit and guarantee facilities, which have to be renewed annually, HOCHTIEF Aktiengesellschaft had no Group borrowing arrangements falling due in 2017. The next long-term Group borrowing arrangement to fall due does so in May 2019. The May 2014 corporate bond issue has a principal amount of EUR 500 million and a five-year initial term.

As in 2017 and prior years, HOCHTIEF Aktiengesellschaft will additionally continue to keep a close watch on the financial and capital markets and take advantage of any opportunities to maintain, optimize, and further diversify the Group's secure long-term financing.

Financial events 2017—CIMIC Group Ltd.

CIMIC continues to have a good standing in the international capital market. One indicator of this is the improved classification of CIMIC Group Limited in the investment grade rating segment. External rating agency S&P upgraded CIMIC's rating by one level from BBB- to BBB. In August 2017, rating agency Moody's likewise raised the rating by one level from Baa3 to Baa2. The rating agencies gave the continued strong liquidity and solid market position in the Australian infrastructure construction and contract mining business as the reason for their decisions.

As before, borrowing activities are carried out by the holding company on a bilateral or syndicated basis. The HOCHTIEF Asia Pacific division, whose operating activities are conducted by the CIMIC Group, successfully refinanced and expanded its existing syndicated working capital cash facility in September 2017 as part of its long-term financing strategy. The new syndicated working capital cash facility is for EUR 1.7 billion (AUD 2.6 billion), split across two tranches of three and five years. It replaces the existing EUR 652 million (AUD 1 billion) facility, which matured in December 2017, as well as a portion of the CIMIC Group's bilateral cash facilities and some maturing U.S. dollar debt. The refinancing was heavily oversubscribed due to a strong response from lenders in Australia and Asia, allowing the facility to be upsized.

Summary assessment of the business situation by the Chairman of the Executive Board

HOCHTIEF increased its earnings significantly in 2017 and improved operational net profit (excluding one-off impacts) to EUR 452 million, raising it EUR 90 million or 25% year on year. This result is at the top end of the guidance range HOCHTIEF communicated a year ago of EUR 410–450 million. We want to offer our shareholders a sustainable and attractive remuneration and will propose to the Annual General Meeting an ordinary dividend of EUR 3.38 per share.

Our businesses are flexible, allowing us to quickly adapt to varying market conditions. With its broad geographic set-up, solid financial position and a high degree of flexibility, HOCHTIEF is well positioned to take advantage of future opportunities in our regional markets. In total, our teams have identified a pipeline worth around EUR 500 billion of relevant projects coming to our markets in North America, Asia-Pacific and Europe in 2018 and beyond. As a consequence of the positive Group outlook, we expect to achieve an operational net profit in 2018 in the range of EUR 470–520 million.

HOCHTIEF will continuously expand its position as an innovation leader in the construction industry and cement its strong industry position in sustainability.

Report on relations with affiliated companies in accordance with Section 312 of the German Stock Corporations Act (AktG)

As there is no control agreement with our major shareholder ACS Actividades de Construcción y Servicios S. A., the Executive Board of HOCHTIEF Aktiengesellschaft is required to prepare a report on relations with affiliated companies in accordance with Section 312 of the German Stock Corporations Act (AktG). This report concludes with the following statement from the Executive Board:

“There was a reportable transaction under terms customary to the market at HOCHTIEF Aktiengesellschaft in relation to the controlling company or its affiliates in the reporting period January 1 to December 31, 2017. No actions were undertaken or refrained from at the instruction or in the interest of the controlling company or its affiliates.”

PROTECTING NATURE

HOCHTIEF is working in a joint venture to expand a section of the A7 highway—one of Germany's most important traffic arteries—stretching from Hamburg to the Bordesholm junction in Schleswig-Holstein. As part of the expansion, HOCHTIEF is building noise protection tunnels (in Schnelsen and Stellingen). Their covers will feature parks and garden plots, for example, joining neighborhoods which the highway had previously separated. Not only people but also animals stand to benefit; the plans include two green bridges, which have already been partially built, that let red deer and other fauna cross the highway safely.

HOCHTIEF Aktiengesellschaft (Holding Company): Financial Review of Financial Statements under German GAAP (HGB)

HOCHTIEF Aktiengesellschaft heads the Group's divisions as a strategic operational management holding company. Comprising the control level, it is responsible for the entrepreneurial goals, fundamental strategic direction, enterprise policies, and organization of the HOCHTIEF Group. HOCHTIEF Aktiengesellschaft's profits are mostly determined by net income from participating interests, by net investment and interest income, as well as by revenues and expenditure relating to its function as a holding company.

The annual financial statements of HOCHTIEF Aktiengesellschaft are prepared in accordance with the German Commercial Code (HGB) and Stock Corporations Act (AktG). There are no recognition and measurement changes relative to the prior year. The 2017 Annual Financial Statements and Combined Management Report of HOCHTIEF Aktiengesellschaft and the Group are published in the Bundesanzeiger (Federal Official Gazette).

HOCHTIEF Aktiengesellschaft Statement of Earnings (Summary)

(EUR million)	2017	2016
Sales	66.4	68.8
Changes in the balance of construction work in progress	(0.2)	(0.6)
Other operating income	235.8	51.7
Materials	(13.1)	(14.2)
Personnel costs	(32.5)	(25.1)
Depreciation and amortization	(2.7)	(3.2)
Other operating expenses	(78.2)	(115.7)
Net income from financial assets	297.6	380.1
Net interest income	(50.1)	(56.7)
Profit before tax	**423.0**	**285.1**
Income taxes	(0.3)	4.9
Profit after tax	422.7	290.0
Other taxes	(6.5)	(0.5)
Net profit/(loss) before changes in reserves	**416.2**	**289.5**
Net profit brought forward	0.1	10.1
Changes in retained earnings	(199.0)	(132.4)
Income from capital reduction	–	12.8
Appropriation to the capital reserve	–	(12.8)
Distributable profit	**217.3**	**167.2**

Earnings

HOCHTIEF Aktiengesellschaft's sales of EUR 66 million (2016: EUR 69 million) related to the performance of its functions as holding company and mainly comprised remuneration for administration and other services as well as rental income. Other operating income, at EUR 236 million, was significantly higher than the prior-year figure (EUR 52 million). A notable factor here was income of EUR 204 million from reversal of the writedown on the carrying amount of the investment in HOCHTIEF Solutions AG. Other operating expenses amounted to EUR 78 million and were thus down EUR 38 million on the prior year (EUR 116 million). This primarily related to writedowns of receivables in 2016.

Amounting to EUR 298 million (2016: EUR 380 million), net income from financial assets in 2017 mainly comprised income from profit/loss transfer agreements and expenses from transfer of losses. Income from profit/loss transfer agreements totaled EUR 312 million and exceeded the prior-year figure (EUR 245 million) by EUR 67 million. Expenses from transfer of losses decreased by EUR 8 million to EUR 16 million. This mainly reflected the turnaround at HOCHTIEF Solutions AG. Whereas there were still expenses from transfer of losses in the prior year, the Company had income from profit/loss transfer agreements in the reporting year. Due to lower interest expenses, net interest income improved compared with the prior year (negative EUR 57 million) by EUR 7 million to a negative EUR 50 million.

HOCHTIEF Aktiengesellschaft's net profit before changes in reserves amounted to EUR 416 million in 2017 and was thus substantially higher than in the prior year (2016: EUR 290 million).

Balance sheet

In keeping with its function as a holding company, HOCHTIEF Aktiengesellschaft's balance sheet is dominated by financial assets and receivables from affiliated companies. These items accounted for 93% of total assets as of the December 31, 2017 reporting date (December 31, 2016: 88%).

HOCHTIEF Aktiengesellschaft's financial assets as of December 31, 2017 mostly related to shares in affiliated companies. These stood at EUR 2.9 billion, up EUR 255 million on the prior-year figure (EUR 2.6 billion). Most of the additional amount was accounted for by the reversal of the writedown on the carrying amount of the investment in HOCHTIEF Solutions AG. The largest items in shares in affiliated companies comprised the carrying amounts of the investments in HOCHTIEF Asia Pacific GmbH, HOCHTIEF Americas GmbH, HOCHTIEF Solutions AG, and HOCHTIEF Insurance Broking and Risk Management GmbH.

Receivables and other assets went up, primarily in connection with intra-Group financial management, by EUR 47 million to EUR 619 million.

The increase in prepaid expenses by EUR 23 million to EUR 32 million mainly related to borrowing costs to finance the planned takeover of Abertis Infraestructuras, S.A.

Marketable securities reported under current assets stood at EUR 1 million, as in the prior year.

Cash and cash equivalents decreased—mostly due to liquidation of holdings at banks—by EUR 193 million to EUR 148 million.

HOCHTIEF Aktiengesellschaft Balance Sheet (Summary)

(EUR million)	Dec. 31, 2017	Dec. 31, 2016
Non-current assets		
Intangible assets and property, plant and equipment	23.5	26.6
Financial assets	2,879.4	2,625.9
	2,902.9	**2,652.5**
Current assets		
Inventories, receivables and other assets, and prepaid expenses	665.0	595.4
Cash and cash equivalents, and marketable securities	149.2	342.4
	814.2	**937.8**
Excess of plan assets over obligations	**17.9**	**18.8**
Total assets	**3,735.0**	**3,609.1**
Shareholders' equity	1,682.2	1,431.7
Provisions	101.4	92.9
Liabilities	1,951.4	2,084.5
Total liabilities	**3,735.0**	**3,609.1**

HOCHTIEF Aktiengesellschaft's subscribed capital is divided into 64,300,000 no-par-value shares. Deducting the amount of capital stock represented by treasury stock still held, subscribed capital stands at EUR 164 million.

In accordance with Section 58 (2a) AktG, the Executive Board transferred part of the amount of the reversal of the writedown on the carrying amount of the investment in HOCHTIEF Solutions AG—EUR 199 million—from net profit for the year to other retained earnings.

Equity came to the equivalent of 45% of total assets. The equity ratio (equity to total assets) consequently improved by five percentage points compared with the prior year (40%).

Liabilities went down relative to the prior year-end by EUR 133 million to EUR 2.0 billion. The majority of this related to bonds, at EUR 1.3 billion. These decreased by EUR 521 million compared with the prior year due to redemption of the bearer bond issue maturing in March 2017. To refinance this bond issue, HOCHTIEF Aktiengesellschaft launched a EUR 500 million promissory loan note issue on the capital market. The EUR 125 million (2016: EUR 263 million) in amounts due to affiliated companies largely related to intra-Group financial management.

Out of the total figure for bonds as of December 31, 2017, a carrying amount of EUR 508 million relates to a bearer bond issued in May 2014 with a nominal coupon of 2.625% and maturing in May 2019. In addition, a bearer bond issued in March 2013 is accounted for with a carrying amount of EUR 773 million. The bond matures in March 2020 and carries a coupon of 3.875%.

HOCHTIEF Aktiengesellschaft's net profit before changes in reserves for 2017 was EUR 416 million. Deducting the appropriation to retained earnings (EUR 199 million) and adding in profit carried forward (EUR 0.1 million), distributable profit stands at EUR 217 million.

Executive Board proposal for the use of net profit
The Executive Board proposes a resolution on the use of net profit as follows:

The distributable profit of HOCHTIEF Aktiengesellschaft for 2017 in the amount of EUR 217,334,000.00 will be used to pay a dividend of EUR 3.38 per eligible no-par-value share for the capital stock of EUR 164,608,000.00, divided into 64,300,000 no-par-value shares.

The dividend is payable on July 6, 2018.

The amount that would have been payable on shares of treasury stock held by the Company as of the day of the Annual General Meeting and that, under Section 71b of the German Stock Corporations Act (AktG), are not eligible for a dividend will be carried forward. As of the date of preparation of the annual financial statements, February 20, 2018, HOCHTIEF Aktiengesellschaft held a total of 44,287 shares of treasury stock, which would mean an amount of EUR 149,690.06 to be carried forward. The number of no-par-value shares with dividend entitlement for 2017 may change in the run-up to the Annual General Meeting. In any such event, while the distribution of EUR 3.38 for each no-par-value share with dividend entitlement for 2017 will stay the same, an adjusted proposal for the appropriation of net profit will be made to the Annual General Meeting.

Disclosures pursuant to Sections 289a (1)/315a (1) of the German Commercial Code
The information on the composition of subscribed capital pursuant to Section 289a (1) 1 and Section 315a (1) 1 of the German Commercial Code is included in the Notes to the Financial Statements/the Notes to the Consolidated Financial Statements.

Disclosures pursuant to Section 298 (2) sentence 2 of the German Commercial Code
The disclosures pursuant to Section 160 (1) No. 2 of the German Stock Corporations Act are contained in the Notes to the Annual Financial Statements of HOCHTIEF Aktiengesellschaft.

The Executive Board is unaware of any restrictions on voting rights or on transfers of securities within the meaning of Section 289a (1) 2 and Section 315a (1) 2 of the German Commercial Code.

Holdings of more than 10% of voting rights within the meaning of Section 289a (1) 3 and Section 315a (1) 3 of the German Commercial Code: On May 11, 2015, we were notified by ACS, Actividades de Construcción y Servicios, S.A., Madrid, Spain, pursuant to Section 25a (1) of the German Securities Trading Act (WpHG), that its voting share in HOCHTIEF Aktiengesellschaft pursuant to Sections 21 and 22 WpHG amounted to 60.70% on May 8, 2015.

The share of HOCHTIEF shareholder ACS was 71.72% as of December 31, 2017.

There are no shares with special control rights. The Executive Board is not aware of any employee shares where the control rights are not exercised directly by the employees.

For further information, please see www.hochtief.com/stock-buyback

Appointment and replacement of members of the Executive Board/changes to the Articles of Association: The appointment and replacement of Executive Board members is governed by Sections 84 and 85 of the German Stock Corporations Act (AktG) and Section 31 of the Codetermination Act (MitbestG) read in conjunction with Sections 9 (2) and 7 (1) of the Company's Articles of Association. Statutory rules on the amendment of the Articles of Association are contained in Section 179 et seq. and Section 133 AktG. In instances where the Act requires a majority of the capital stock represented at the time of the resolution in addition to a majority of votes cast, Section 23 (3) of the Articles of Association provides that a simple majority will suffice unless there is a mandatory requirement stipulating a different majority. Under Section 15 of the Articles of Association, the Supervisory Board is authorized to make amendments that only affect the wording of the Articles of Association.

Executive Board authorization to issue new shares: Pursuant to Section 4 (5) of the Articles of Association, the Executive Board is authorized, subject to Supervisory Board approval, to increase the capital stock by issuing new no-par-value bearer shares for cash and/or non-cash consideration in one or more issues up to a total of EUR 82,000 thousand by or before May 9, 2022 (Authorized Capital I). Detailed provisions are contained in the stated section of the Articles. Pursuant to Section 4 (4) of the Articles of Association, the Company's capital stock has been conditionally increased by up to EUR 46,080 thousand divided into up to 18 million no-par-value bearer shares (conditional capital). Detailed provisions are contained in the stated section of the Articles.

On October 17, 2017 the Executive Board resolved on and on October 18, 2017 the Supervisory Board approved in principle the issuance of up to 32,031,250 new shares from Authorized Capital I against contributions in cash and in kind and to partially exclude shareholder subscription rights for the purposes of the acquisition of Abertis. The issuance of the new shares will be consummated if and when the acquisition is completed.

Authorization to repurchase shares: By resolution of the Annual General Meeting of May 11, 2016, the Company is authorized to repurchase its own shares in accordance with Section 71 (1) 8 of the German Stock Corporations Act (AktG). Said authorization expires on May 10, 2021. It is limited to 10% of the capital stock at the time of the Annual General Meeting resolution or at the time of exercising the authorization, whichever figure is smaller. Exercised directly by the Company or by a company in its control or majority ownership or by third parties engaged by the Company or engaged by a company in its control or majority ownership, the authorization allows the share repurchase to be executed in one or more installments covering the entire amount or any fraction. The repurchase may be effected through the stock exchange or by public offer to all shareholders, or by public invitation to all shareholders to tender shares for sale, or by issuing shareholders with rights to sell shares. The conditions governing the repurchase are set forth in detail in the resolution.

By resolution of the Annual General Meeting of May 11, 2016, the Executive Board is authorized, subject to Supervisory Board approval, in the event of a sale of treasury shares effected by way of an offer to all shareholders, to issue subscription rights to the shares to holders of warrant-linked and/or convertible bonds issued by the Company or by any subordinate Group company. Subject to Supervisory Board approval, the Executive Board is also authorized to sell treasury shares other than through the stock exchange and other than by way of an offer to all shareholders, provided that the shares are sold for cash at a price not substantially below the current stock market price for Company shares of the same class at the time of sale.

The HOCHTIEF Aktiengesellschaft Executive Board is also authorized, subject to Supervisory Board approval and the conditions set out in the following, to offer and transfer treasury shares to third parties other than through the stock exchange and other than by way of an offer to all shareholders. Such transactions may take place in the course of acquisitions of business enterprises in whole or part as well as in the course of mergers. They are also permitted for the purpose of obtaining a listing for the Company's shares on foreign stock exchanges where it is not yet listed. In addition, the shares may be offered for purchase by employees or former employees of the Company or its affiliates. Holders of bonds which the Company or a Group company subordinate to it issues or has issued under the authorization granted at the Annual General Meeting of May 12, 2011 (agenda item 8) may also be issued with the shares upon exercising the warrant and/or conversion rights and/or obligations attached to the bonds.

On condition that they be held for at least two years after transfer, the shares may also be transferred to (current or past) members of the Executive Board of the Company and to (current or past) members of the executive boards and general management of companies under its control within the meaning of Section 17 of the German Stock Corporations Act (AktG), as well as to current or past employees of the Company or of a company under its control within the meaning of Section 17 AktG. Such transfers are only permitted for the purpose of settling the transferees' variable compensation entitlements. Further conditions of transfer are detailed in the resolution. Where shares are issued to members of the Executive Board of the Company, the decision to issue the shares is taken solely by the Supervisory Board.

Shareholders' statutory subscription rights to such shares are barred pursuant to Sections 71 (1) 8 and 186 (3) and (4) of the German Stock Corporations Act (AktG) to the extent that the shares are used in exercise of the authorizations set out above.

Subject to Supervisory Board approval, the Executive Board is additionally authorized to retire treasury stock without a further resolution of the Annual General Meeting being required for the share retirement itself or its execution.

The conditions governing awards of subscription rights and the sale, transfer, and retirement of treasury stock are set forth in detail in the Annual General Meeting resolution.

By a further resolution of the Annual General Meeting of May 11, 2016, the Company is authorized to acquire treasury shares in accordance with Section 71 (1) 8 AktG using equity derivatives as well as to exclude shareholders' rights to sell shares and subscription rights. This is not intended to increase the volume of shares that may be purchased; instead, it merely opens the way for other alternatives to purchase treasury shares within and against the upper limit set in the aforementioned authorization to acquire treasury shares. The Executive Board has been authorized to acquire options which, when exercised, entitle the Company to acquire shares of the Company (call options). The Executive Board has been further authorized to sell options which, when exercised by their holders, require the Company to acquire shares of the Company (put options). Additionally, the shares can be acquired using a combination of call and put options or forward purchase agreements. The conditions governing the use of equity derivatives to acquire treasury shares and the exclusion of shareholders' rights to sell shares and subscription rights are set forth in detail in the Annual General Meeting resolution.

Change-of-control clauses in connection with loan agreements and financing instruments:
HOCHTIEF Aktiengesellschaft issued a corporate bond on March 20, 2013. The bond issue is for a principal amount of EUR 750 million, matures in March 2020, and has a coupon of 3.875% p.a. Another corporate bond was issued on May 28, 2014. This second HOCHTIEF bond issue is for a principal amount of EUR 500 million, matures in May 2019, and has a coupon of 2.625% p.a. The bond terms include change-of-control clauses entitling each holder to require early redemption of the bonds held at their principal amount together with interest accrued, provided that the holder submits a completed exercise notice within 68 days of the issuer[1)] publishing the put event notice. A change of control is defined in this context as the acquisition of control within the meaning of Section 29 (2) of the German Securities Acquisition and Takeover Act (WpÜG) over HOCHTIEF Aktiengesellschaft by a party or group of parties acting in concert within the meaning of Section 30 (2) WpÜG—excluding shareholder ACS (ACS Actividades de

[1)] See glossary.

Group Management Report

Construcción y Servicios, S.A.) and its affiliates—or entering into a profit and loss transfer agreement, control agreement or other intercompany agreement within the meaning of Sections 291 and 292 of the German Stock Corporations Act (AktG) to the extent that the agreement results in the issuer becoming a controlled company. Comprehensive ring-fencing clauses for dealings and transactions with ACS were also built into the bond documentation.

In March 2017, HOCHTIEF Aktiengesellschaft issued a promissory loan note issue for EUR 500 million. The issue terms likewise include change-of-control clauses requiring HOCHTIEF Aktiengesellschaft to repay the loan with interest by then accrued if it and the lender concerned do not reach agreement on the loan's continuation within 60 bank working days of announcement of a change of control and the lender demands early repayment in writing within ten bank working-days of the 60 bank working-day period expiring. A change of control is deemed to have occurred if, within the meaning of Section 29 (2) WpÜG, a party (except a member of the ACS Group), or group of parties (except members of the ACS Group) acting in concert within the meaning of Section 30 (2) WpÜG, acquires control of HOCHTIEF Aktiengesellschaft, or if a profit and loss transfer agreement, control agreement or other intercompany agreement within the meaning of Section 291 or 292 AktG is entered into between a member of the ACS Group and HOCHTIEF Aktiengesellschaft as controlled company.

HOCHTIEF Aktiengesellschaft entered into a syndicated **credit and guarantee facility**[1] for a total of EUR 1.7 billion with an international banking syndicate on August 9, 2017. Set to run until August 2022, the syndicated facility comprises a EUR 1.2 billion guarantee facility tranche and a EUR 500 million credit facility tranche. The facility includes change-of-control clauses. Lenders may each withdraw from their credit exposure early subject to satisfaction of an agreed condition precedent if negotiations with the borrower to continue the facility have failed, such negotiations having given consideration to the credit standing of the party taking control, the risk of any change in corporate strategy, and the risk of the lenders being restricted in any way in provision of the facility. The condition precedent is satisfied if a party, or group of parties acting in concert, secures control of the borrower within the meaning of Section 29 (2) WpÜG. Lenders may give notice of termination of their credit exposure within 70 days of it becoming known to HOCHTIEF Aktiengesellschaft that the condition precedent has been satisfied, subject to a minimum of ten days to consider the options available. As before, the change-of-control clauses outlined do not apply to shareholder ACS and its affiliates.

The EUR 15 billion credit facility entered into by HOCHTIEF Aktiengesellschaft with an international banking syndicate in November 2017 to finance the planned takeover of Abertis Infraestructuras, S.A. includes change-of-control clauses substantively identical to those described above for the syndicated credit and guarantee facility for a total of EUR 1.7 billion arranged in August 2017.

HOCHTIEF Aktiengesellschaft also extended a global credit facility for an initial amount of EUR 175 million with a German bank on November 29, 2017. The agreement contains a provision under which, in the event of a change of control, HOCHTIEF Aktiengesellschaft must repay the loan early if it and the lender do not reach agreement on the loan's continuation within 60 days of announcement of the change of control, and the lender demands early repayment within ten days of the 60-day period expiring. In this context, a change of control is defined as a party, or group of parties acting in concert within the meaning of Section 30 (2) WpÜG, acquiring control of HOCHTIEF Aktiengesellschaft within the meaning of Section 29 (2) WpÜG. The outlined change-of-control

[1] See glossary.

clauses for the foregoing loans do not apply to shareholder ACS and its affiliates, in exchange for which comprehensive ring-fencing clauses have been agreed with lenders with regard to dealings and transactions with ACS. The ring-fencing includes an undertaking by HOCHTIEF Aktiengesellschaft not to enter into any contractual agreement with ACS that would weaken HOCHTIEF's credit standing; this would include any control agreement with ACS. Lenders have a special right of termination should any such contracts nevertheless be entered into.

Alongside the above-mentioned loan agreements, HOCHTIEF agreed a EUR 125 million (USD 150 million) **bilateral guarantee facility** with a foreign bank on October 17, 2014. In addition, HOCHTIEF concluded a EUR 25 million guarantee facility with a German bank on November 28, 2014. The two facilities remain in force and feature an identical change-of-control stipulation, corresponding with the definition in the syndicated credit and guarantee facility, under which each creditor has the right to demand early repayment of the amount granted. HOCHTIEF furthermore arranged a EUR 78.05 million guarantee facility with a foreign insurance company on August 12, 2014. The agreement remains in force and includes a change-of-control provision under which the creditor has the right to demand early repayment of the amount granted if HOCHTIEF Aktiengesellschaft is the subject of a merger or takeover and HOCHTIEF Aktiengesellschaft is not the acquirer.

To secure a EUR 6.1 billion (USD 7.3 billion) bonding line provided by six U.S. surety companies, a general counter indemnity continued to exist between HOCHTIEF Aktiengesellschaft and the surety companies for a corresponding amount as of the reporting date. As before, this general counter indemnity contains a change-of control provision giving the surety companies the right, if an agreed condition precedent is satisfied, to demand from HOCHTIEF Aktiengesellschaft up to EUR 334 million (USD 400 million) by way of security; under the agreed terms, this sum is reduced by the amount of any bank guarantees already provided as security for the bonding facility. The condition precedent is satisfied if a party, or group of parties acting in concert within the meaning of Section 30 (2) WpÜG (with the exception of shareholder ACS and its affiliates), acquires in total 30% or more of all shares in HOCHTIEF Aktiengesellschaft. The security payment must then be made within 30 bank working days of notification that it is required.

Further agreements conditional on a change of control: A change in majority ownership by direct or indirect acquisition of HOCHTIEF Aktiengesellschaft is defined in the D&O insurance policy[1] as a material change in risk circumstance of which the insurer must be notified within a specified period. Material change in risk circumstances entitle the insurer to demand a premium adjustment. In the event that the parties are unable to agree on the size of the premium adjustment, the insurance cover lapses in relation to the risk-related circumstance.

[1] See glossary.

Above and beyond the mandatory disclosures under Sections 289a (1) 8/315a (1) 8 of the German Commercial Code, other Group companies are party to further agreements that are conditional upon a change of control. The following is a non-exhaustive presentation: In the PPP segment, project contracts frequently accord the client substantial rights that make it difficult to effect a change of ownership structure in the project company. As of the balance sheet date, there are no agreements with members of the Executive Board or employees providing for compensation in the event of a takeover offer.

Explanatory report by the Executive Board of HOCHTIEF Aktiengesellschaft pursuant to Section 176 (1) of the German Stock Corporations Act (AktG) on the disclosures pursuant to Sections 289a (1) and 315a (1) of the German Commercial Code (HGB) as of the balance sheet date December 31, 2017.
The Executive Board provides the following explanatory notes on disclosures provided in the combined Group and HOCHTIEF Aktiengesellschaft Management Report and required under Sections 289a (1) and 315a (1) of the German Commercial Code:

Our disclosures relate to the situation in fiscal year 2017 up to the time the combined Management Report was prepared. The disclosures consist of information on the Company's subscribed capital, on restrictions on the transfer of securities, direct and indirect holdings exceeding 10% of voting rights, statutory rules, and rules contained in the Company's Articles of Association about the appointment and replacement of Executive Board members as well as about amendment of the Articles of Association, powers of the Company's Executive Board including, in particular, any powers in relation to the issuing or buying back of shares, and any significant agreements to which the Company is a party that are conditional upon a change of control of the Company following a takeover bid.

The structure of the Company's subscribed capital and rights attaching to no-par-value bearer shares in the Company are determined, among other things, by the Company's Articles of Association. The shareholding held by ACS, Actividades de Construcción y Servicios, S.A. is known from the published voting rights notification of May 11, 2015.

Restrictions on voting rights attaching to those shares may result from the provisions of the German Stock Corporations Act (AktG). For example, there are circumstances in which shareholders are prohibited from voting (Section 136 AktG). The Company also has no voting rights with regard to treasury stock (Section 71b AktG). With one exception, no agreements are known to us that may result in restrictions on voting rights or on the transfer of securities. Insofar as the Company has transferred securities to Executive Board members for the purpose of settling their variable compensation entitlements, these securities are subject to a two-year lock-up period. The information in accordance with Section 289a (1) 3 and Section 315a (1) 3 of the German Commercial Code on direct or indirect shareholdings exceeding 10% of voting rights is included in the Notes to the (Consolidated) Financial Statements. The information provided on appointment and replacement of Executive Board members conforms to the substance of the German Stock Corporations Act and the Company's Articles of Association, as does the information on amendment of the Articles of Association.

The Executive Board's powers in relation to the issuing or buying back of shares are based in their entirety on authorizations granted by resolution of the Annual General Meeting in 2016 and 2017 relating to conditional and authorized capital as well as other matters, including the authorization to repurchase and utilize the Company's own shares. The information provided on these powers conforms to the authorizations granted by resolution of the Annual General Meeting.

Among others, HOCHTIEF Aktiengesellschaft has entered into loan and financing agreements that comprise change-of-control clauses with right of termination. If the lenders would exercise their right of termination in case of such change of control, the corresponding borrowing needs of HOCHTIEF Aktiengesellschaft and the HOCHTIEF Group would have to be met by other means.

By way of an additional disclosure for informational purposes, in supplement to the mandatory disclosures under the stated sections of the German Commercial Code, other Group companies are party to further agreements that are conditional upon a change of control. The following is an abridged and non-exhaustive presentation:

In the PPP segment, project contracts frequently accord the client substantial rights that make it difficult to effect a change of ownership structure in the project company.

The remaining disclosures required under Sections 289a (1) and 315a (1) of the German Commercial Code relate to circumstances that do not apply to HOCHTIEF Aktiengesellschaft. We do not therefore cover these points in detail in the combined Group and HOCHTIEF Aktiengesellschaft Management Report. There are no limitations on voting rights, no restrictions on the exercise of voting rights attached to employee shares, no agreements between the Company and members of the Executive Board or the Company's employees providing for compensation in the event of a takeover bid, and no securities carrying special rights with regard to control of the Company.

Essen, February 2018

Marcelino Fernández Verdes

Peter Sassenfeld

José Ignacio Legorburo Escobar

Nikolaus Graf von Matuschka

New Champlain Bridge: HOCHTIEF PPP Solutions is designing, building, financing, and operating the new Champlain Bridge in Montréal together with partners, including Group subsidiary Flatiron.

TEAMWORK FOR A NEW LANDMARK

HOCHTIEF is part of the Signature on the Saint-Lawrence consortium which is responsible for the design, construction, financing, operation, maintenance and rehabilitation of the New Champlain Bridge Corridor Project, as part of a public-private partnership with the Government of Canada. As one of the most important transport arteries on the U.S.-Canadian border, the actual Champlain bridge is used by as many as 60 million commuters annually. Whether we cooperate with other companies as part of a consortium, with subcontractors or with colleagues on a project team—teamwork is vital to the success of our projects at HOCHTIEF. In this, we champion safety, transparency, and diversity.

Divisional Reporting
HOCHTIEF Americas Division

Group Management Report

For further information, please see:
www.turnerconstruction.com
www.flatironcorp.com
www.eecruz.com
www.clarkbuilders.com

The HOCHTIEF Americas division brings together the activities of our subsidiaries Turner, Flatiron, E.E. Cruz, and Clark Builders. These four companies are active primarily in the U.S. and Canada. With each company focusing on projects in its own expert areas of building and infrastructure construction services, their activities span market segments such as office properties, sports facilities, transportation infrastructure, water treatment and storage, and dams. Thanks to a steady, in-depth exchange of information and experience between the companies, they are able to generate synergies.

The market leader in a variety of segments, Turner is an internationally active construction services provider headquartered in New York. The company specializes in carrying out large-scale projects and generally takes on the role of construction manager. Turner harnesses innovative technologies and methods to complete its projects. Key tools notably include Building Information Modeling (BIM) and lean construction methods, which allow efficient, high-quality delivery of construction processes to the satisfaction of clients and users. Turner once more numbered among the leading general builders in the U.S. in 2017, according to Engineering News-Record (ENR). What's more, the company yet again took the number one spot for the construction of green buildings. In the sustainable building segment, Turner recorded sales of approximately EUR 4.7 billion for the reporting year (2016: EUR 4.3 billion)—equivalent to a share of around 43% in total sales. On top of its position as one of the premier general builders, the company scored highly for office, educational, and hotel properties, as well as data centers and healthcare construction.

Active in the Canadian market for traditional building construction, Clark Builders specializes in delivering institutional and commercial buildings as well as educational and sports facilities in the west and north of the country.

Flatiron is in high demand as a partner in the construction of transportation infrastructure projects and operates, for example, in the water treatment and storage sector. Flatiron, too, puts in an impressive performance in many of the ENR rankings, especially in the construction of transportation infrastructure such as highways and bridges, water supply networks, and dams.

Our subsidiary E.E. Cruz focuses on the transportation infrastructure market and on foundation and geotechnical projects in the states of New York and New Jersey.

Expertise provided by internal engineering units at Turner and Flatiron ensures end-to-end support internally and for E.E. Cruz projects.

Thanks to its subsidiaries, HOCHTIEF is on a strong footing in North America. The companies have made a very good name for themselves in their markets and their reputations as attractive employers and innovative businesses extend well beyond the industry.

This standing is reflected in the HOCHTIEF Americas division's orders situation that continued its very positive trend in 2017. Pent-up demand for transportation infrastructure construction and maintenance work is increasingly evident in the awarding of contracts for project activities. Equally, demand for both public and private building construction projects remains vast.

Expectations remain good for our core markets.[1)] In Canada especially, where infrastructure spending is expected to top USD 120 billion over the course of the next ten years, the transportation infrastructure sector is set to grow substantially. For the USA, experts anticipate a market recovery in 2018 after the projected growth rates were not attained in 2017. The USA currently holds second place in the country ranking in terms of investment in transportation infrastructure. Public-private partnership projects will retain their major importance in Canada and become increasingly significant in the USA. The North American building construction market is expected to maintain a high level despite an expected contraction.

[1)] For further information, please see the Markets section starting on page 37.

This chapter is part of Focus Area Sustainable Products and Services

Project highlights

Transportation infrastructure

As part of a joint venture in the state of Colorado worth more than EUR 600 million, Turner and Flatiron are joining forces on the Denver International Airport expansion project which stands to increase the airport capacity by approximately 50%. The project includes expanding two concourses by approximately 60,000 square meters of concourse space and 16 new aircraft gates among other improvements. Construction will begin in the first quarter of 2018.

Flatiron was awarded the contract to design and build the Rodanthe Bridge in North Carolina. Valued at some EUR 136 million, the span is just short of 3.9 kilometers and is scheduled for completion in 2020. In order to cut down on construction time and protect the ecologically sensitive Outer Banks group of islands, Flatiron made a series of alternative proposals. By erecting temporary bridge structures, Flatiron can avoid using cargo barges, which muddy the waters.

In Texas, expanding a section of the Tarrant County State Highway 199 in Fort Worth is another project on the Flatiron books. Slated for completion in 2019, the contract comprises six freeway lanes as well as ramp structures and bridges.

The Texas Department of Transportation has also contracted Flatiron to increase the number of lanes on a section of the US 67 highway from four to six to meet increased traffic volumes. It is expected that the construction work will be concluded in the third quarter of 2019. Flatiron is also working for this client on expanding a section of Interstate Highway 10 in San Antonio. Together, the projects will have a contract value of EUR 124 million.

For the construction of a bridge over the Peace River in addition to portions of Highway 2 in Alberta, Flatiron has entered into a partnership. Worth a total of about EUR 100 million, the project should draw to a close in October 2020. The project is creating hundreds of jobs in the region. In the future, it is expected to reduce gridlock and ensure that traffic flows more safely and smoothly.

Turner, as part of a joint venture, is undertaking a EUR 174 million project at San Diego International Airport in California to add capacity for handling international travel. A federal inspection services station will be housed on the site. Thanks to the expansion, the airport will be able to process an additional 100,000-plus passengers from 2019 onwards.

Water treatment and storage segment

As part of a joint venture, Flatiron is carrying out upgrades to Lake Isabella Dam in Kern County, California, with a view to improving safety. The project is slated for completion by early 2021. At a total contract value of around EUR 216 million, the dam is being raised by almost five meters.

Flatiron continues to expand its presence in the state of Washington with work secured near Seattle on the Sunset and Heathfield Pump Stations, which are expected to be finished by 2020. The company will also complete the construction of a Wet Weather Treatment Station in King County. The new facility is anticipated to be fully operational by late 2022. The contract is valued at EUR 85 million.

Flatiron's involvement in the Marin Wet Weather Flow project entails improvements to the wastewater treatment plant in Sausalito, California, including expanding capacity and securing operational safety. Completion is scheduled for early 2019.

Social and urban infrastructure

Educational properties segment

Turner was awarded the approximately EUR 80 million contract to construct the Lindner College of Business at the University of Cincinnati in Ohio. Slated for completion in the third quarter of 2019, this state-of-the-art, four-story new build encompasses 160 offices, a 150-seat lecture hall, a 240-seat auditorium, research labs, and exam as well as tutoring areas. The complex promises to provide students with an ideal learning environment.

Our subsidiary is also responsible for extensive renovations to Stratford High School in Connecticut valued at some EUR 84 million. While modernizing and expand-

More project highlights: www.hochtief.com/clientportal

ing the existing structures, the Turner experts are placing great emphasis on ensuring an effective and sustainable energy supply.

Also on the Turner order books is the approximately EUR 120 million contract to upgrade the entire Coolidge Senior High School in Washington D.C. by August 2019. Going forward, the facility will optimally serve students' learning needs.

Office properties segment

Biomed has engaged Turner to build the Gateway of Pacific campus in the south of San Francisco. Comprising two new buildings with 13 and six floors respectively, the facility will set new standards not only in laboratory space but also offices. Features such as photovoltaic panels, rainwater capture, gray water collection, and a high-efficiency heating and cooling system will ensure that the campus meets the high standards needed to achieve LEED Platinum certification.

Turner is targeting completion of the new North American headquarters for LG Electronics in Englewood Cliffs, New Jersey, by 2019. The project including the construction of two office buildings with three and four floors respectively as well as parking facilities should be eligible for LEED Gold certification at a minimum. In addition to conserving the surrounding woodlands and wetlands, some 1,500 new trees are to be planted.

Hotels segment

Turner's renovation work on the Great Wolf Lodge Resort and its waterpark in Key Lime Cove, Gurnee, Illinois, is due for completion by 2019. The waterpark is being enlarged and modernized. The hotel will incorporate more than 400 rooms once the renovations are done.

In the reporting year, Turner successfully wrapped up work on the Wilshire Grand Center in Los Angeles. With its 73 stories, it is the tallest building west of the Mississippi and a new landmark. Certified as LEED Gold, the property houses a hotel with 900 luxury rooms, stores, and offices.

Healthcare properties segment

Turner is carrying out construction of the Behavioral Health Pavilion at the Nationwide Children's Hospital in Columbus, Ohio. This will be the U.S.'s largest behavioral health treatment and research center for children and adolescents. The building will feature a rooftop outdoor play area. In addition, Turner is building a central, three-story power supply station with a boiler, refrigeration plants, and emergency generators.

At the Henry Ford Cancer Institute in Detroit, Michigan, Turner is managing construction of the Brigitte Harris Cancer Pavilion valued at EUR 138 million. Featuring a large glass facade, the six-story cancer facility will enhance precision diagnostics and offer therapeutic and treatment options for a diverse range of cancers. During the construction phase, the project will create 300 jobs. After completion in 2020, it will provide around 70 permanent positions within the center.

Sports and event facilities segment

As part of a joint venture, Turner is building the Jacob K. Javits Convention Center in New York valued at some EUR 1.4 billion. Turner has a 50% share in the contract. One of the most important convention centers in the U.S., the project is based on a detailed sustainability concept and aims to achieve LEED Silver certification. Among the environmentally friendly features are the highly efficient, almost three-hectare glass facade, energy-efficient lighting, a green roof as well as advanced recycling methods. Thanks to its pixelated glass panels, the bird-friendly facade is designed to reduce bird collisions by 90%. E.E. Cruz is also involved in this project.

Mixed-use developments segment

Turner is managing the 12th and Broadway construction project in Nashville, Tennessee. The 27-story highrise will house 360 apartments as well as retail outlets.

HOCHTIEF Americas division's key figures

The HOCHTIEF Americas division delivered a positive performance on all fronts in 2017. **Operational PBT** rose by 21% year on year to EUR 258 million, exceeding the top end of the FY 2017 guidance range of EUR 235–250 million. On sales of EUR 11.8 billion, the operational PBT margin increased by 20 basis points to 2.2% versus 2.0% reported for 2017. Profits and margins expanded at both Turner and Flatiron.

The cash generation profile has steadily improved during the year. **Net cash from operating activities** of almost EUR 450 million was EUR 15 million higher year on year. The underlying improvement is significantly greater taking into account that 2016 benefited from the initial implementation of working capital measures.

As a consequence of the strong cash flow performance, divisional **net cash** ended December 2017 at EUR 972 million, up by almost EUR 130 million year on year or over EUR 300 million if one adjusts for the strength of the euro versus the U.S. dollar during the 12-month period.

The trend in securing new work was very positive. HOCHTIEF Americas' **new orders** for 2017 as a whole rose by 13% to stand at a new record level of EUR 15.4 billion.

The **order backlog** also reached a new all-time high of EUR 17.5 billion at the end of the year up 10% on December 2016 and, when adjusted for exchange rate effects, the underlying increase of 25% highlights the strength of the business.

HOCHTIEF Americas Division: Key Figures[1)]

(EUR million)	2017	2016	Change yoy
Operational profit before tax/PBT[2)]	258.4	213.9	20.8%
Operational PBT margin[2)] (%)	2.2	2.0	0.2
Operational net profit[2)]	165.2	134.9	22.5%
Profit before tax/PBT	254.0	203.8	24.6%
Net profit	162.6	128.1	26.9%
Net cash from operating activities	449.1	433.8	3.5%
Gross operating capital expenditure	30.4	36.8	-17.4%
Net cash (+)/net debt (-)	972.4	844.2	15.2%
Divisional sales	11,838.9	10,905.8	8.6%
New orders	15,381.5	13,659.3	12.6%
Work done	11,630.3	11,122.2	4.6%
Order backlog (year on year)	17,517.1	15,896.8	10.2%
Employees (end of period)	10,460	9,490	10.2%

[1)] All figures are nominal unless otherwise indicated
[2)] Operational earnings are adjusted for deconsolidation effects and other one-off impacts

HOCHTIEF Americas Outlook

We expect further growth at HOCHTIEF Americas in 2018 with **operational profit before tax** in the range of **EUR 270–300 million, up 5–16% year on year** compared with EUR 258 million in 2017.

EXTRACTING RESOURCES

When moving large quantities of earth in mining, safety plays a key factor. This is certainly true at Rocky's Reward nickel mine in Western Australia, which Thiess has successfully operated since 2015. The HOCHTIEF company is responsible for delivering turnkey mining services, including mine planning, explosives, drill and blast services, removal of the upper soil layers, ore mining, and technical support. The team believes safe projects are successful projects and commit to team meets before every shift to discuss the day's tasks with a focus on safety issues, changes in plan, and instructions. These preventative measures contribute to the company's safety objective to keep everyone safe, every day. This objective underpins everything they do—for their people, clients, stakeholders, and communities.

HOCHTIEF Asia Pacific Division

This chapter is part of Focus Area Sustainable Products and Services

The CIMIC Group leads the HOCHTIEF Asia Pacific division's activities. Its companies conduct business in Australia, Asia, the Middle East, North and South America, New Zealand, as well as Africa.

For further information, please see www.cimic.com.au

CIMIC is a world-leading infrastructure, mining, services and public private partnerships group with businesses in construction, mining and mineral processing, operation and maintenance services, public-private partnerships and engineering.

Serving the market for complex and demanding projects, CPB Contractors and Leighton Asia bundle general construction services in the Group.

Thiess offers the widest range of in-house surface and underground mining services capabilities across Australia, Botswana, Canada, Chile, Indonesia and Mongolia, including fully-resourced, end-to-end solutions, to targeted services, to supporting client in-house teams. Fully acquired in 2016, Sedgman is a global minerals processing specialist and the market leader in this sector for design, construction, and management services.

Public-private partnership (PPP) projects are led by Pacific Partnerships. The company develops, builds, manages and invests in infrastructure concession assets, leveraging CIMIC Group's financial strength and operating company capabilities. Pacific Partnerships offers clients seamless value for money solutions for the finance, design, construction, operations and maintenance of key infrastructure.

UGL is a company that delivers comprehensive engineering as well as build, maintain and operate services to the rail, transportation, technology, energy, resources, water, renewables and defense sectors. CIMIC took over the company at the end of 2016 and fully integrated it into the Group in the course of 2017.

As CIMIC's engineering and technical services business, EIC Activities' expertise mitigates risk and provides a competitive advantage for winning and delivering profitable projects that also generate value for clients.

CIMIC also holds interests in construction company HLG Contracting (45%) and service company Ventia (47%).

In July 2017, CIMIC sold its 23.64% stake in Macmahon for a profit.

CIMIC has very good prospects on its markets:[1] Driven mainly by large urban road and rail projects, growth of more than 80% is expected for the Australian transportation infrastructure market from 2016 to 2020. In Australia's federal budget for 2017/2018, a total of AUD 75 billion is earmarked for road and rail projects.

Actively engaged in sustainable building practices, CIMIC aims to be at the forefront of green construction in terms of certified projects. This also includes informing clients about the opportunities and advantages that green construction offers. Clients are increasingly demanding sustainability and it has become a firm feature in tenders. Notably public authorities look for the added value that such factors as sustainable processes in procurement bring to a project, the local community, and economy, not to mention the environment. In this regard, CIMIC can capitalize on its excellent market position and experience gained through many certified building construction and civil engineering projects. The Group also champions innovative projects and fresh approaches that enhance project safety, efficiency, and sustainability.

CIMIC was once again listed on the Dow Jones Sustainability Australia Index in 2017. Furthermore, the company successfully participated in the Carbon Disclosure Project (CDP)[2].

[1] For further information, please see the Markets section starting on page 37.

[2] See glossary.

In recognition of its Building Information Modeling (BIM) expertise in the virtual design and construction of projects, CIMIC was awarded the BSI Kitemark for Design and Construction from the British Standards Institution (BSI) in the reporting year. The process involved assessing CIMIC's performance when conducting BIM projects as well as client satisfaction and supply chain management.

More project highlights: www.hochtief.com/clientportal

Project highlights

2017 once again saw the CIMIC Group companies generate a large number of new orders while making good headway with existing work.

Transportation infrastructure

CPB Contractors has achieved contractual close on Victoria's West Gate Tunnel in a 50:50 joint venture. The design and construct contract will generate revenue to CPB Contractors of approximately EUR 1.6 billion. Major construction work is expected to start in early 2018 with the project scheduled to open to traffic in 2022. Works include, among others, widening the West Gate Freeway from eight lanes to 12 between the M80 Ring Road and Williamstown Road. The team will ensure opportunities for local workers, and providing a value-for-money procurement program that includes indigenous business and social enterprises.

Leighton Asia is expanding Terminal 1 as well as Carpark 4 at Hong Kong International Airport. The project with a contract value of approximately EUR 197 million is scheduled to be completed in 2019. In November, the company won an additional contract at Hong Kong Airport: Together with a partner, Leighton Asia is building the Terminal 2 foundation and substructure works, which will earn the CIMIC company EUR 174 million of the total EUR 249 million contract value. Work is slated for completion at the end of 2021.

As part of a joint venture, CPB Contractors has been awarded the contract to build a new takeoff and landing runway at Brisbane Airport, which will be operational by 2020. The contract is worth a total of around EUR 269 million (CPB share: EUR 135 million). The airport operator expects to be able to increase annual departures and landings from 227,000 at present to as many as half a million by 2045. Due to the proximity to Moreton Bay and the Brisbane River, water conservation measures form an essential part of the environmental management plan. A monitoring program has been put in place to ensure there is no deterioration in water quality.

CPB Contractors and its two joint venture partners are engaged in digging twin 15.5-kilometer tunnels under Sydney Harbor and the central business district (CBD) as well as performing the associated civil engineering work with a view to completing this second section of the Sydney Metro project by mid-2021. With a total price tag of EUR 1.9 billion, this is currently one of Australia's biggest public infrastructure projects. CPB Contractors has already successfully completed the first phase. The project aims to first and foremost engage workers and businesses from the region.

In addition, CPB Contractors has been commissioned to carry out major civil engineering work on a 34-kilometer section of the Pacific Highway in New South Wales by 2020. Valued at some EUR 244 million, the project is part of the Woolgoolga to Ballina upgrade—Australia's biggest regional transportation infrastructure project. Here, too, subcontractors and workers from the region are given preference. In order to limit the impact on wildlife movements, several fauna connectivity structures are in the pipeline.

Furthermore, CPB Contractors is responsible for the important NorthLink Stage 3 roads project, which is due to be completed in 2019. Valued at approximately EUR 124 million, this major project will in the future alleviate traffic pressure in the CBD and industrial district to the north of Perth. Right from the planning phase, residents and stakeholders were actively engaged. The project is targeting certification by the Infrastructure Sustainability Council of Australia (ISCA).

In New South Wales, CPB Contractors is not only expanding a twelve-kilometer section of the M1 Pacific Motorway but also reconstructing a further nine kilometers of the highway. When concluded in 2019, the project will have generated in the region of EUR 103 million. A new drainage system on the existing highway means road safety for drivers will be improved when it rains.

As part of a joint venture, CIMIC company UGL has been granted a seven-year extension to its initial eight-year agreement to operate and maintain the Melbourne suburban train network. At the end of that period, there is an option to renew the contract for a further three years. Worth around EUR 1.3 billion, the contract is testimony not only to the successful partnership with the client but also their trust in UGL. Top priority under the agreement is the train service's uptime and the safety of the more than 415,000 passengers who commute via metro every working day.

Mining services

Thiess has been awarded a number of contracts, including an extension at the Solomon Hub in Western Australia worth EUR 436 million where 72 million tons of iron ore will be extracted there annually until 2020. This extension reflects Thiess' successful partnership with the client.

In New South Wales, Australia, at the Mount Pleasant Coal Mine, Thiess secured a new contract to deliver tailored, total mine solutions until 2021. This will bring in revenue of EUR 357 million.

In Queensland, Australia, the company secured an extension at Jellinbah Plains valued at around EUR 126 million until September 2020. Thiess has a longstanding involvement with the Blackwater community and plays an active role in many social projects, including the Sisters in Mining program.

In East Kalimantan, Indonesia, Thiess secured a new contract for the Gunung Bara Utama coal mine, an expansion contract at Sangatta coal mine, as well as an extension of the agreement on the Mahakam Sumber Jaya coal mine, which will now run until March 2021. Together, these will earn a total income of approximately EUR 492 million.

Social and urban infrastructure

Public buildings segment

At a cost of approximately EUR 300 million, Leighton Asia aims to complete construction of the East Kowloon Cultural Center in Hong Kong by 2020. Works include construction of a three-story building, three studios with between 120 and 250 seats, a 1,200-capacity auditorium, and a 550-seat theater. The project will revitalize eastern Kowloon.

Commercial properties segment

In Hyderabad, India, Leighton Asia is building the subcontinent's first Ikea retail outlet by 2018 under a contract worth around EUR 50 million.

Educational properties segment

Two CIMIC companies have signed up to cooperate on a PPP school project in New Zealand that will generate around EUR 73 million. Among other works, four new primary schools will be built—three in Auckland and one in Hamilton—with a further two to be relocated. The overall project is scheduled for completion by 2019 and operation has been granted for 25 years. The team is not only implementing innovative planning methods and cost-efficient construction techniques but also working closely with local businesses.

Renewable energy segment

For a combined contract value of around EUR 80 million, UGL has been commissioned to design, build, operate and maintain the Collinsville Solar Farm in Queensland and the White Rock Solar Farm in New South Wales. With its significant contribution to expanding the use of renewable energy, the Collinsville Solar Farm will support Queensland's energy needs going forward. The farm will generate power for some 15,000 households.

Water and sanitation segment

By mid-2023, Leighton Asia will complete construction of a significant section of the sewerage system in Singapore. The tunnel project's value comes to around EUR 317 million. All in all, the company is contracted to build 7.9 kilometers of sewer tunnels with a diameter of six meters, as well as shafts, hydraulic structures, and other facilities.

HOCHTIEF Asia Pacific Division: Nominal Figures[1]			
(EUR million)	2017	2016	Change yoy
Profit before tax/PBT	578.9	431.9	34.0%
PBT margin (%)	6.4	5.9	0.5
Net profit	275.4	217.4	26.7%
Net cash (+)/net debt (-)	578.5	265.1	118.2%
Divisional sales	9,077.0	7,303.0	24.3%
Order backlog (year on year)	23,465.5	23,302.0	0.7%
Employees (end of period)	37,781	35,396	6.7%

[1] All figures are nominal unless otherwise indicated

HOCHTIEF Asia Pacific division's key figures

The performance of the **HOCHTIEF Asia Pacific division** reflects HOCHTIEF's stake in CIMIC (72.7% at the end of December 2017, unchanged year on year) as well as associated financing and holding costs, and the impact of variations in the AUD/EUR exchange rate.

HOCHTIEF Asia Pacific's nominal **profit before tax (PBT)** advanced by 34% year on year to EUR 579 million. This strong increase was partly driven by sales growth of 24% due to both the contribution from services company UGL (acquired in Q4 2016) as well as organic growth in the core markets in which CIMIC operates. Furthermore, margins expanded. The divisional PBT margin rose 50 basis points to 6.4%. All of the Group's core businesses of construction, contract mining and services achieved increased profits.

The company delivered a strong cash generation performance. HOCHTIEF Asia Pacific ended December 2017 with a **net cash** position of almost EUR 580 million, up by over EUR 310 million during the year. The division's **order book** of EUR 23.5 billion is 6% higher year on year, if adjusted for exchange rate effects, reflecting further organic growth.

CIMIC's key figures

Net profit after tax (NPAT) at CIMIC increased by 21% in 2017 to AUD 702 million. This result was at the top end of the guidance range indicated by the company at the start of 2017 of AUD 640-700 million. **PBT** of AUD 959 million was 30% higher year on year. The PBT margin remained solid at 7.1% up 30 basis points on the 6.8% reported for 2016 with revenues which rose by 24% year on year to AUD 13.4 billion. All the core businesses achieved higher sales and higher margins.

CIMIC achieved another strong **cash flow** performance during 2017. Cash flow from operating activities of AUD 1.5 billion was 27%, or AUD 322 million higher, year on year. The company is maintaining its focus on managing working capital and generating sustainable cash-backed profits. Net capital expenditure was increased by almost 70% to AUD 305 million reflecting increased mining and tunneling activity.

The result of this strong cash generation was that CIMIC ended 2017 with a **net cash** position of AUD 910 million, an increase of AUD 501 million since the end of 2016. During the year, rating agency S&P increased its credit rating on CIMIC to BBB from BBB-, a reflection of the company's sound financial position and performance.

During 2017, **work in hand** continued to expand reaching a year-end level of AUD 36 billion, up 6% yoy with an increase for the core businesses of 15%. Whilst maintaining bidding discipline, new work of AUD 18.4 billion was secured, an increase of 37% year on year.The construction work in hand advanced 15% during the period to AUD 14.9 billion whilst the mining-related portion also grew by 4% to AUD 10.4 billion. The services backlog of AUD 6.7 billion grew by 35% year on year and represents almost 20% of CIMIC's total December 2017 order book.

A solid **project pipeline** with AUD 110 billion of tenders relevant to CIMIC has been identified for 2018 with a further AUD 285 billion currently earmarked thereafter.

HOCHTIEF Asia Pacific Outlook

CIMIC announced its **NPAT (net profit after tax)** guidance for 2018 in the range of **AUD 720–780 million**, subject to market conditions, compared to the AUD 702 million reported for 2017, up 3–11%.

TAMING FLOODS

As the threat of flooding grows in the wake of climate change, the hanseatic city of Hamburg is ensuring it isn't caught unawares. HOCHTIEF is involved in several projects to this end. With Lot 1 of the flood prevention measures in Niederhafen completed, HOCHTIEF is scheduled to conclude work on Lot 2 (Am Johannisbollwerk) by the spring of 2018. The flood barrier has been refurbished over a length of some 310 meters and raised to a height of 8.40 meters. A popular promenade runs across its length, which connects the St. Pauli Landing Stages with the Speicherstadt historic warehouses and HafenCity. Embedded in the wall is a parking garage. After successively removing the old walls, HOCHTIEF installed temporary elements to ensure the city's uninterrupted protection against flooding and storm surges.

HOCHTIEF Europe Division

For further information, please see www. hochtief- solutions.com

The activities of the HOCHTIEF Europe division are brought together within HOCHTIEF Solutions AG, which spearheads the operating subsidiaries. Our European business combines the entrepreneurial attributes of a small or mid-size player with the benefits of HOCHTIEF's expertise, service portfolio, risk management, and financial strength as an international construction group.

HOCHTIEF Infrastructure, HOCHTIEF PPP Solutions, and HOCHTIEF Engineering offer infrastructure and building construction projects, public-private partnerships (PPPs), and engineering. Focus areas include transportation, energy, and social/urban infrastructure. HOCHTIEF Infrastructure is organized into the Infrastructure and Building units. Another company, synexs, provides facility management services in Germany.

At present, HOCHTIEF Infrastructure focuses primarily on transportation projects and construction activities in its core markets of Germany, Poland, the Czech Republic, Austria, the UK, Scandinavia, and the Netherlands. Construction projects receive the support of a special unit, the Technical Competence Center (TCC), whose seasoned experts develop made-to-measure engineering solutions and contribute their expertise from the bid phase through to project management. Similar services are provided in building construction by the Technical Office in the Building unit.

HOCHTIEF Engineering is divided into four business lines: Infrastructure; Energy, Industrial and Special Services; Virtual Design and Construction (ViCon); and Construction and Project Management Services. All business lines provide engineering services for both in-house and external construction projects. HOCHTIEF ViCon is among the leading service providers in virtual construction and Building Information Modeling (BIM), with locations in Germany and the United Kingdom. The company provides consulting, services, and industry solutions for virtual construction, enabling clients to exploit the full benefits of BIM in their projects.

Working on public sector contracts, HOCHTIEF PPP Solutions delivers design, finance, build, and operate services for transportation and social infrastructure. The company applies an integrated approach that optimizes and monitors PPP projects throughout their entire life cycle.

Prospects for the construction business in HOCHTIEF's home market of Germany are highly favorable.[1] The Western European transportation infrastructure market shows stable growth, with gains of just under 2% forecast for 2018. Germany will see growth of about 5.4%, notably with the expectation of new public-private partnership projects. Experts also project further increases for the building construction market, with a gain to 4.4% being anticipated for Germany in 2018. Rapid growth upward of 4% is also expected to be attained in Eastern Europe. Based on these expectations, we anticipate the trend to remain favorable and have set our sights on healthy returns from attractive, high-quality projects. Similarly with regard to activities in our other key European markets—notably the United Kingdom and the Netherlands—we envision good business prospects going forward. We have also positioned ourselves very well for upcoming projects in Scandinavia.

[1] For further information, please see the Markets section starting on page 37.

Project highlights

More project highlights: www.hochtief.com/ clientportal

We secured a large number of attractive new contracts at the HOCHTIEF Europe division in 2017.

Transportation infrastructure

One of the most significant new projects for the division in the reporting year is the Zuidasdok contract in the Netherlands with a total contract value of EUR 990 million. In a joint venture with two partners, HOCHTIEF will undertake the design and construction work to widen the A 10 urban freeway as well as upgrade and expand Amsterdam Zuid railway station by 2028. It is one of the biggest infrastructure projects in the Netherlands today. The A 10 is to be widened to four lanes in each direction for through traffic plus two lanes each way for local traffic, as well as being moved underground in the Zuidas zone. Amsterdam Zuid railway station is to be expanded

This chapter is part of Focus Area Sustainable Products and Services

into a high-capacity public transport hub. The contract includes smart construction logistics, noise-reducing construction methods, and aesthetic integration of the Amsterdam Zuid station extensions. HOCHTIEF will deliver on the client's exacting requirements, which include specific aspects with regard to the neighborhood and the environment. The construction phase commences in 2019. Until then, the team's focus is on groundwork as well as refining the project design and planning.

North of Frankfurt am Main in Germany, under contract to the German rail company, Deutsche Bahn, HOCHTIEF is widening an initial section of the S6 urban rail link between Frankfurt-West and Bad Vilbel. Along a length of approximately 13 kilometers, the S6 service is to gain its own track, with the previously dual-track section upgraded to four tracks. Necessitated by significant growth in passenger numbers in the region, it enables increasing volumes of traffic to be shifted to environment-friendly rail transport. Noise barriers will be built along the line.

In Sweden, HOCHTIEF has signed the contract to build a section of the Stockholm Bypass. Including road and bridge building, the FSE 101 Vägar broar Vårby backe project will connect to European route E4.

In a consortium with two partners in Germany, HOCHTIEF is to design, finance, build, operate, and maintain more than 47 kilometers of the A6 freeway between the Wiesloch/Rauenberg access point and the Weinsberg interchange in the federal state of Baden-Württemberg. Over a distance of 25.5 kilometers, the road is to be widened to six lanes. This includes renovating a 1.3-kilometer bridge across the Neckar valley between Heilbronn/Untereisesheim and Neckarsulm. Work by the construction consortium—with HOCHTIEF as the lead engineering company—commenced in early 2017. The project volume totals around EUR 1.3 billion, the construction volume approximately 600 million.

HOCHTIEF CZ won two contracts to expand the D1 freeway between Brno and Prague. The work will include upgrades to two exits. Together with consortium partners, the unit is also restoring the historic Negrelli Viaduct, the longest rail bridge in the Czech Republic.

HOCHTIEF (UK) Construction is to deliver a section of the Combwich Wharf Development in the southwest of England. A power station expansion project requires large quantities of material to be transported by water, in turn necessitating expansion of the infrastructure.

2017 also saw the completion and handover of major transportation projects. The Queensferry Crossing bridge built by HOCHTIEF in a joint venture has already noticeably eased the traffic situation north of Edinburgh. The Elefsina-Patras and Maliakos-Kleidi toll highways constructed by consortia including HOCHTIEF PPP Solutions and HOCHTIEF Infrastructure opened to traffic in Greece—more than 400 kilometers of highway on total.

Social and urban infrastructure

Office and commercial properties segment

A major design-refurbish-operate contract has been awarded to HOCHTIEF on a PPP basis in Berlin by the German Federal Ministry of Health. A joint venture including HOCHTIEF has been commissioned by the Institute for Federal Real Estate to refurbish a landmarked building complex in the German capital's Mitte district. Following completion, the partners will also maintain and operate the complex under a public-private partnership for 25 years. One of the buildings will be used by the German Federal Ministry of Health. Each of the two joint venture partners holds a 50% stake. The ministry is expected to move into its new official building by the end of 2020. Encompassing two historic, currently vacant buildings, the PPP project in Mauerstrasse, Berlin-Mitte, is to be built and operated using sustainable approaches and techniques in order to secure certification from the German Assessment System for Sustainable Building (BNB). The modernized buildings will meet high user standards as regards architectural quality, functionality, energy efficiency, and landmark conservation.

HOCHTIEF Polska has been selected as general contractor to deliver the Business Garden office development comprising a 15-story and five seven-story buildings in Wrocław, Poland. The client is targeting LEED Platinum certification for the business park, which will make it one of the most sustainable properties in Europe.

Work on the Lister Dreieck office building in Hanover is scheduled for completion by the end of 2018. The project targets DGNB (German Sustainable Building Council) gold certification. Intended as a future workplace for employees of the Deutsche Bahn rail group, the building's design is based on a communication-friendly floorplan with open-space office areas. The contract value is approximately EUR 53 million.

In Berlin, HOCHTIEF is conducting the building work on the Bundesallee precinct as general contractor. The project comprises three office buildings offering flexible layouts along with residential properties. Berliner Volksbank will use the premises as its base in the German capital from 2019, while most of the apartments have been sold to an institutional investor.

As part of a joint venture, HOCHTIEF is erecting Fuhle 101 in Hamburg. Slated for completion in September 2019, this five-story building in a prime location will house retailers, restaurants, a hotel, and offices.

In Hamburg, HOCHTIEF has converted the old Spiegel publishing house tower into a paragon of green architecture. The Height 1 office block secured DGNB gold certification in 2017. In terms of ecological criteria—such as environmental footprint and the deployment of pollutant-free materials—the building attained a score well above the average. Another project awarded DGNB gold certification was the new Connect development in Wiesbaden.

Cultural facilities segment

HOCHTIEF CZ has been selected to carry out a 27-month full refurbishment of the Prague State Opera. The work—which has already started—includes both the historical sections of the building and the more modern office wing.

With substantial involvement on the part of HOCHTIEF Polska, the Gdansk Museum of the Second World War was completed in March 2017 following a good two years under construction. An architectural highlight, the building is expected to attract up to 400,000 visitors a year. Rising to some 40 meters at its highest point, the museum's seven-story concrete tower in the shape of an inclined prism with a trapezoid base truly stands out. The museum is divided into three zones covering the past, present, and future. Located deep inside the building is the past—a permanent exhibition 14 meters below ground.

Residential segment

HOCHTIEF has been awarded the contract to build the Height 5 residential development in Hamburg. This is the last building of the Hamburg Heights complex on former Spiegel island—one of the city's most important urban development projects. Height 5 is to be handed over ready for occupancy in late 2018, with 51 exclusive residential units.

In Munich, HOCHTIEF has been selected as general contractor to deliver the Schwabinger Carré II residential and retail building by September 2019. The project comprises two building sections with seven upper stories, a ground floor, and three basement levels. It includes a total of 105 regular and 95 studio apartments.

In Frankfurt, HOCHTIEF is to build the Living Lyon project by April 2019—an eight-story complex with space for over 120 residential units. The client and HOCHTIEF worked together from as early as the design phase to optimize the commercial parameters.

HOCHTIEF Polska secured the contract to erect an additional building in the Dom w Dolinie Trzech Stawów residential precinct in Katowice by 2019. The company has already delivered two previous phases of the same project.

Commercial properties segment

HOCHTIEF Polska has been commissioned to build production facilities, warehousing as well as office, staff, and technical amenities for automotive supplier Hengst in the south-west of Poland. The project was completed within a few short months.

Sports and event facilities segment

Work continues to schedule on the Mercedes Platz project in Berlin—a new sports, culture, retail, and hotel precinct that HOCHTIEF has been building as general contractor since 2016. The topping-out ceremony for the EUR 200 million project was celebrated 16 months after groundbreaking. In the project, HOCHTIEF is deploying a special hollow body ceiling technology that makes for lean ceiling thicknesses with wide support spans and increased load-bearing capacities. This makes for a total weight reduction of 11,400 kilonewtons, saves 455 cubic meters of concrete, and cuts carbon emissions by 97 metric tons. Completion is slated for the fall of 2018.

HOCHTIEF Europe division's key figures

The positive trend in the performance of HOCHTIEF Europe continued during 2017. **Operational PBT** was EUR 45 million and increased by EUR 9 million year on year which was at the top end of the guidance range of EUR 40–45 million provided at the beginning of last year. On sales of EUR 1.6 billion, the division's profitability also progressed significantly with the PBT margin expanding to 2.8% compared with 2.3% in 2016.

HOCHTIEF Europe delivered a strong level of cash flow. Over the last twelve months, positive **net cash from operating activities** of EUR 107 million was generated by the division, an increase of EUR 45 million on the comparable figure for 2016. The increase was helped by working capital improvements in construction and a high level of divestments at the Real Estate business where capital employed has been reduced by almost EUR 1.1 billion since the end of 2013.

As a consequence of the strong cash flow performance, the **divisional balance sheet** registered a substantial year-on-year improvement. Net cash at the end of 2017 stood at over EUR 210 million, an increase of EUR 166 million compared with December 2016.

New orders for 2017 remained at a very healthy level reaching almost EUR 2.0 billion, moderately exceeding the level of work done during the year. The divisional **order backlog** at the end of December stood at EUR 3.7 billion and represents nearly two years of work.

HOCHTIEF Europe Outlook

Looking forward we expect further growth in divisional **operational profit before tax** to **EUR 55–65 million** for 2018, an **increase of EUR 10–20 million** compared with EUR 45 million in 2017.

HOCHTIEF Europe Division: Key Figures[1)]

(EUR million)	2017	2016	Change yoy
Operational profit before tax/PBT[2)]	45.0	36.1	24.7%
Operational PBT margin[2)] (%)	2.8	2.3	0.5
Operational net profit[2)]	36.2	30.4	19.1%
Profit before tax/PBT	32.5	18.7	73.8%
Net profit	23.7	12.5	89.6%
Net cash from operating activities	106.6	61.9	72.2%
Gross operating capital expenditure	18.9	36.2	-47.8%
Net cash (+)/net debt (-)	210.6	44.6	372.2%
Divisional sales	1,609.0	1,596.5	0.8%
New orders	1,962.0	2,097.5	-6.5%
Work done	1,893.9	1,949.6	-2.9%
Order backlog (year on year)	3,663.6	3,890.6	-5.8%
Employees (end of period)	5,448	6,414	-15.1%

[1)] All figures are nominal unless otherwise indicated
[2)] Operational earnings are adjusted for deconsolidation effects and other one-off impacts

Bad Cannstatt Tunnel: As part of a joint venture, HOCHTIEF is building the shell construction for the Bad Cannstatt long-distance and commuter rail node.

LAYING THE GROUNDWORK FOR PARTNERSHIPS

Compliance is a key component of our work on all HOCHTIEF projects. HOCHTIEF expects employees at all of its companies not only to abide by the law and adhere to internal regulations but also to demonstrate fairness and honesty in all their business activities. Managerial staff and employees have a responsibility to meet compliance requirements. This includes open dealings with all partners involved in our projects.

Corporate Governance and Compliance

Corporate Governance Report

Corporate governance relates to the principles and regulatory framework for the management and supervision of business enterprises. The Executive Board and Supervisory Board of HOCHTIEF are bound by the principles of responsible, transparent business management and control geared to long-term financial sustainable success. They attach great importance to the standards of good corporate governance. This serves to strengthen the confidence of investors, customers, employees, and the general public in HOCHTIEF.

In the following, the Executive Board reports jointly with and on behalf of the Supervisory Board on corporate governance at HOCHTIEF in accordance with the German Corporate Governance Code ("the Code").

In February 2018, the Executive Board and Supervisory Board published the annual Compliance Declaration pursuant to Section 161 of the German Stock Corporations Act (AktG). The declaration is reprinted verbatim at the end of this section. We provide comprehensive information on our corporate governance practices online. There you will find our Code of Conduct, all past compliance declarations as well as the current Declaration on Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code (HGB).

For further information, please see: www.hochtief.com/corporate-governance

Under Section 5.4.1 of the Code, the Supervisory Board is required not only to state concrete objectives for its composition and prepare a profile of skills for the entire Supervisory Board, but also to provide information in the Corporate Governance Report on the implementation status of those objectives and fulfillment of the skills profile for the entire Supervisory Board.

In 2017, the Supervisory Board adopted objectives for the composition of the Supervisory Board and also a skills profile for the entire Supervisory Board. The objective is for the Supervisory Board to be composed such that it is able to provide professional control and advice for the Executive Board. In addition, the Supervisory Board is to be composed in such a way that its members as a group possess the knowledge, ability, and expert experience required to properly complete its tasks. Key objectives in this connection include a suitable degree of diversity, international expertise, independence, avoidance of potential conflicts of interest, an age limit for members of the Supervisory Board, and a general limit for the duration of Supervisory Board membership.

With its current composition as the outcome of the Supervisory Board elections in spring 2016, the Supervisory Board complied with the requirements of the above-mentioned concept of diversity in 2017.

- Since the Supervisory Board elections in spring 2016, the Supervisory Board comprises five women and eleven men.
- The Supervisory Board has several members who hold a degree in construction engineering. In addition, the Supervisory Board includes members with degrees in business or law and a German public auditor.
- Six shareholder representatives on the Supervisory Board have many years' experience in the construction industry or related sectors; six employee representatives on the Supervisory Board have many years' experience in the construction industry from employment within the HOCHTIEF Group.
- All eight shareholder representatives on the Supervisory Board have lived and/or worked abroad.
- Of the eight shareholder representatives on the Supervisory Board, six are of foreign nationality or have a foreign second nationality (Spanish/Polish).
- In the current composition of the Supervisory Board, one in two shareholder representatives is independent within the meaning of the German Corporate Governance Code.
- With regard to the employee representatives on the Supervisory Board, the Supervisory Board assumes that merely holding office as employee representative on the Supervisory Board does not raise doubt as to fulfillment of the independence criteria under the Code.
- No member of the Supervisory Board has held office on the Supervisory Board for an uninterrupted period exceeding 15 years.
- No member of the Supervisory Board holds a board office or acts in an advisory capacity at a major competitor of the HOCHTIEF Group.

This chapter is part of Focus Area Compliance

- The Supervisory Board does not include any former members of the Executive Board, with the exception of one member of the Supervisory Board who was formerly, for a brief period within the meaning of Section 105 (2) AktG, acting deputy to an absent member of the Executive Board.

Pursuant to Section 5.4.1 of the Code, the Corporate Governance Report is also required to provide information about what the Supervisory Board regards as the appropriate number of independent Supervisory Board members representing shareholders, and the names of those members:

The Supervisory Board considers the appropriate number of independent Supervisory Board members representing shareholders to be a number that corresponds to the ownership structure. In the current composition of the Supervisory Board, half of the shareholder representatives are independent within the meaning of the Code. The independent members in this connection are Ms. Bell, Ms. Geibel-Conrad, Ms. Wolff and Dr. Garcia Sanz.

Compliance

Compliance organization

We live compliance. Responsibility for compliance at HOCHTIEF Aktiengesellschaft lies at the very top, with the Chairman of the Executive Board. He is supported in this capacity by the Chief Compliance Officer and the Corporate Compliance and Legal department. HOCHTIEF's divisions each have a similar organizational structure headed by a compliance officer. Regular reporting—and any ad-hoc reporting in case of special need—is made directly to the Chief Compliance Officer, who in turn reports once annually to the Supervisory Board Audit Committee. The Chief Compliance Officer is additionally responsible for ensuring implementation of the Group-wide compliance program, early detection of compliance risks, and the development of countermeasures. Compliance managers serve as points of contact for employees within each company and help in implementing and fine-tuning the compliance program. They report to the compliance officers responsible.

Each division has its own compliance committee, which includes representatives from the various functional departments (human resources, audit, and procurement). The compliance committees each meet at least once on a quarterly basis. They advise and support the compliance organization in integrating its program into workflows and business processes.

HOCHTIEF's compliance system is geared to prevention. A special focus is on preventing corruption and antitrust violations. Responsibility for addressing compliance violations in other areas lies with the relevant organizational function, such as the competence center for occupational safety, health, and environmental protection (OSHEP Center)[1)] or the HOCHTIEF Data Security Officer.[2)] The aim is to inform employees about corruption issues and give them greater security in dealing with competitors.

The HOCHTIEF compliance program

Compliance is an integral part of our guiding principles. We expect our employees to embrace HOCHTIEF's vision and to comply with the Code of Conduct in their day-to-day work. As a fixed element of our corporate culture, the Code of Conduct applies in all HOCHTIEF companies. It incorporates key statutory requirements as well as obligations under voluntary commitments that we have pledged to comply with and support—such as the UN Global Compact and the ILO Core Labour Standards.

We established a binding code of conduct containing our compliance requirements as early as 2002 and have continuously developed it since. This HOCHTIEF Code of Conduct is binding for the employees of HOCHTIEF Aktiengesellschaft and the HOCHTIEF Europe division. The companies in the HOCHTIEF Americas and HOCHTIEF Asia Pacific divisions have adopted these standards in their own codes of conduct. Available in 13 languages, the HOCHTIEF Code of Conduct helps employees deal correctly with antitrust issues, business partners, and potential conflicts of interest. The Code provides guidance on what constitutes bribery or corruption, the rules on donations and sponsor-

[1)] For further information, please see pages 110 to 113.

[2)] For further information, please see the Opportunities and Risks Report on page 130.

ship funding, and how to handle certain types of information where inside knowledge, confidentiality, or data privacy is involved. It also addresses topics such as health and environmental protection; company assets including the documentation of transactions, dealing with company-owned property and assets, and insider rules; and principles of social responsibility[1)] such as respecting human dignity, rejecting child labor and forced labor, upholding equal opportunities and bans on discrimination, the right to organize, and the right to collective bargaining.

[1)] For further information, please see fold-out page 3 and page 138 et seq.

Group directives and work instructions provide employees across all divisions with guidance on applying the Codes of Conduct in their day-to-day work.

Focus area indicator Compliance

Aspect: Fighting corruption: Number of Compliance training courses
See GRI index.

HOCHTIEF also calls upon business partners, customers, and suppliers to comply with the Group's high standards. To support this, HOCHTIEF has published its Code of Conduct for Business Partners, which is likewise available in 13 languages.

Compliance.
Save Your Business!

HOCHTIEF's system geared to prevention adopts appropriate measures to guard against compliance violations. Upholding our compliance requirements is the responsibility of managerial staff and employees alike. No business deal is worth endangering the high degree of trust enjoyed by HOCHTIEF and the excellent reputation of our Group.

In all divisions, key groups of business associates such as joint venture partners and consultants undergo careful selection in an established process and are approved by Compliance—always with a view to building successful long-term business relationships. Their integrity and reliability are analyzed, in part with the aid of external databases. We document this selection process in a business partner compliance due diligence.

Focus area indicator Compliance

Aspect: Antitrust law: Security in dealing with competitors
See GRI Index.

During the reporting year, we additionally analyzed our long-established anti-terror measures, fine-tuned existing processes, and revised the binding instructions for employees involved in verification. This is to ensure that HOCHTIEF only pays individuals and entities that do not appear on international sanctions lists.

We keep employees informed about the compliance program, points of contact, and internal directives using in-house media. These also list the available training packages. Classroom training and electronic learning programs devoted to conveying and exploring compliance issues in-depth are highly popular. Training was once again provided by Compliance for employees in Germany and internationally during the reporting year. A total of 27,172 employees participated in such training in 2017, comprising 18,870 in the HOCHTIEF Asia Pacific division, 7,619 in the HOCHTIEF Americas division, and 683 in the HOCHTIEF Europe division (including the holding company).

Number of Compliance training courses

	2017	2016
HOCHTIEF Americas	7,619	5,401
HOCHTIEF Asia Pacific	18,870	9,624*
HOCHTIEF Europe	683	1,720
HOCHTIEF Group	**27,172**	**16,745**

*excl. UGL

Our long-term goal is to ensure that every employee within the Group receives Compliance training at least once. We also aim to ensure that our employees feel secure in dealing with antitrust law matters.

All HOCHTIEF employees are expressly called upon to report any compliance shortcomings. HOCHTIEF employees who wish to report a matter but do not wish, or are unable, to go directly to their superior can use the whistleblower systems that are firmly established in all divisions. Hotlines and e-mail addresses are available for this purpose. The information reported is escalated to compliance officers or Corporate Compliance. For whistleblowers' protection, all information is treated in confidence as a matter of course. Whistleblowers may also remain anonymous from the outset if desired.

Outside stakeholders such as customers and business partners are likewise able to report issues to Compliance; the contact details are to be found on the HOCHTIEF website.

Corporate Compliance or Corporate Auditing launches compliance investigations on an ad-hoc basis wherever a violation of compliance rules is suspected. The Auditing function additionally monitors the compliance processes and directives. During the reporting year, 53 compliance-related reviews were conducted.

The compliance organization regularly analyzes the implementation on the basis of self-assessments and interviews. HOCHTIEF Europe's annual compliance spot check evaluates the role of compliance in daily work. For the first time in November 2017, an analysis of this kind was also performed at Flatiron as part of the company's Ethics and Compliance Week. A compliance project audit was additionally developed and introduced during the reporting year. Based on a risk matrix, Corporate Compliance—in collaboration with Corporate Auditing—audits HOCHTIEF projects with regard to fulfillment of compliance requirements. Quick checks on compliance and human rights have also been developed for Corporate Auditing to use in identifying potential risks as part of its audit activities.

In the event of identified breaches of the law and internal directives, we pursue their investigation without compromise and with the highest priority. The compliance officer responsible prepares measures tailored to the matter in question and submits them to management for approval. It goes without saying that we take care to guard against anonymous false accusations.

Responsibility for any disciplinary action that may be necessary—which can include dismissal—lies with the relevant superior or management. In the event of an identified breach of the rules, the compliance officer responsible checks whether the prevailing requirements and processes are sufficient. If necessary, the compliance officer revises the requirements or initiates appropriate action.

We firmly believe that ethical values and commercial performance are mutually interdependent. For this reason, we attach utmost importance at HOCHTIEF to ensuring that our compliance culture is lived and breathed throughout the Group. This is critical to our long-term success.

Compensation report

Executive Board compensation for 2017

The Executive Board compensation system is geared toward sustainable, long-term management of the company. Total compensation for members of the Executive Board is set by the Supervisory Board. The compensation system for the Executive Board is also decided and regularly reviewed by the Supervisory Board. The Supervisory Board's Human Resources Committee prepares the relevant motions for resolution by the full Supervisory Board.

The compensation for the Executive Board members for 2017 comprises

1. a fixed compensation
2. fringe benefits
3. a variable compensation
4. a pension plan.

1. The fixed compensation is paid in equal monthly amounts.

2. The fringe benefits comprise amounts to be recognized for tax purposes for private use of company cars and other non-cash benefits.

3. The variable compensation is computed on the basis of the following equally weighted components: adjusted free cash flow, consolidated net profit absolute, and consolidated net profit delta as compared to the prior year. Target attainment for all three components can range between zero and 200% of the budgeted figure. The Supervisory Board has the right to adjust overall target attainment with regard to the financial targets upward or downward according to its assessment of the attainment of the agreed strategic targets.

   The resulting variable compensation is settled in three parts as follows:

   a. Cash settlement (short-term incentive component)
   b. Transfer of shares of HOCHTIEF Aktiengesellschaft in the net amount, subject to a two-year retention period (long-term incentive component[1] I)
   c. Grant of an annual long-term incentive plan (long-term incentive component II).

4. All members of the Executive Board have company pension plans in the form of individual contractual pension arrangements that provide for a minimum pension age of 65. The amount of the pension is determined as a percentage of fixed compensation, the percentage rising with the number of years in office. The maximum amount the Executive Board member can receive is 65% of his final fixed compensation. Surviving dependents receive 60% of the pension.

[1] See glossary.

Benefits granted	Fernández Verdes Chairman of the Executive Board Date joined: April 15, 2012				Legorburo Member of the Executive Board Date joined: May 7, 2014				von Matuschka Member of the Executive Board Date joined: May 7, 2014				Sassenfeld Chief Financial Officer Date joined: November 1, 2011			
	2016	2017			2016	2017			2016	2017			2016	2017		
(EUR thousand)		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum
Fixed compensation	1,069	1,225	1,225	1,225	318	328	328	328	371	382	382	382	637	656	656	656
Fringe benefits	50	40	40	40	16	16	16	16	26	26	26	26	33	20	20	20
Total	**1,119**	**1,265**	**1,265**	**1,265**	**334**	**344**	**344**	**344**	**397**	**408**	**408**	**408**	**670**	**676**	**676**	**676**
One-year variable compensation	1,379	1,610	0	1,610	371	382	0	382	424	437	0	437	743	765	0	765
Multi-year variable compensation																
Long-term incentive component I[1]	1,167	1,274	0	1,274	371	382	0	382	424	437	0	437	743	765	0	765
Long-term incentive component II[2] (5-year term)	1,166	1,274	0	1,274	372	382	0	382	424	437	0	437	742	765	0	765
Total	**4,831**	**5,423**	**1,265**	**5,423**	**1,448**	**1,490**	**344**	**1,490**	**1,669**	**1,719**	**408**	**1,719**	**2,898**	**2,971**	**676**	**2,971**
Pension expenses (service and interest cost)	1,742	1,916	1,916	1,916	233	276	276	276	288	333	333	333	534	628	628	628
Total compensation	**6,573**	**7,339**	**3,181**	**7,339**	**1,681**	**1,766**	**620**	**1,766**	**1,957**	**2,052**	**741**	**2,052**	**3,432**	**3,599**	**1,304**	**3,599**

[1] Transfer of shares with two-year retention period
[2] Granted as long-term incentive plan/Value at grant date

Benefits allocated	Fernández Verdes Chairman of the Executive Board Date joined: April 15, 2012		Legorburo Member of the Executive Board Date joined: May 7, 2014		von Matuschka Member of the Executive Board Date joined: May 7, 2014		Sassenfeld Chief Financial Officer Date joined: November 1, 2011	
(EUR thousand)	2017	2016	2017	2016	2017	2016	2017	2016
Fixed compensation	1,225	1,069	328	318	382	371	656	637
Fringe benefits	40	50	16	16	26	26	20	33
Total	**1,265**	**1,119**	**344**	**334**	**408**	**397**	**676**	**670**
One-year variable compensation	1,379	1,379	371	371	424	424	743	743
Multi-year variable compensation								
Long-term incentive component I[1]	1,167	1,167	371	371	424	424	743	743
Long-term incentive component II	707	0	0	0	139	68	1,019	66
Total	**4,518**	**3,665**	**1,086**	**1,076**	**1,395**	**1,313**	**3,181**	**2,222**
Pension expenses (service and interest cost)	1,916	1,742	276	233	333	288	628	534
Total compensation	**6,434**	**5,407**	**1,362**	**1,309**	**1,728**	**1,601**	**3,809**	**2,756**

[1] Transfer of shares with two-year retention period

Arrangements in the event of termination of contract

If their contract is not extended, Executive Board members receive a severance payment equaling one year's fixed annual compensation. For the severance award to be payable, an Executive Board member must be in at least the second term of office as a member of the Executive Board and be under the age of 65 on expiration of the contract. In case of early termination of Executive Board mandates, severance payments will not exceed the value of two years' annual compensation (severance cap) and compensation will not be payable for more than the remaining term of the contract.

The present value of pension benefits for current and former Executive Board members is EUR 100,999 thousand (2016: EUR 104,427 thousand).

Payments to former members of the Executive Board and their surviving dependents were EUR 5,443 thousand (2016: EUR 4,471 thousand). Pension obligations to former members of the Executive Board and their surviving dependents totaled EUR 86,464 thousand (2016: EUR 90,698 thousand).

Executive Board compensation for past years

A past service cost of minus EUR 1,504 thousand was incurred in connection with the extension of Mr. Fernández Verdes' contract.

In 2017, the Supervisory Board adopted a Long-term Incentive Plan 2017 (LTIP 2017) for the members of the Executive Board to satisfy the long-term incentive component II from 2016. This comprises grants of performance stock awards (performance-linked phantom stocks). The terms of the 2017 performance stock awards provide that, after the three-year waiting period, those entitled have, for each performance stock award and for a further two-year exercise period, a monetary claim against the Company equal to the closing price of HOCHTIEF stock on the last day of stock market trading prior to the exercise date plus a performance bonus. The size of the performance bonus is relative to adjusted free cash flow. The value of all entitlements to performance stock awards under Long-term Incentive Plan 2017 is capped so that the amount of compensation stays appropriate in the event of extraordinary, unforeseeable developments. Mr. Fernández Verdes was granted 5,449 performance stock awards worth EUR 1,166 thousand at the grant date. Mr. Legorburo was granted 1,734 performance stock awards worth EUR 372 thousand at the grant date. Mr. von Matuschka was granted 1,981 performance stock awards worth EUR 424 thousand at the grant date. Mr. Sassenfeld was granted 3,467 performance stock awards worth EUR 742 thousand at the grant date. Additional information on the plans is provided in the Notes to the Consolidated Financial Statements on pages 197 to 199.

The long-term incentive plans granted to Executive Board members in the last few years resulted in the following expense:

(EUR thousand)		Expenses under long-term incentive plans
Fernández Verdes	2017	2,392
	2016	2,763
Legorburo	2017	434
	2016	343
von Matuschka	2017	647
	2016	640
Sassenfeld	2017	1,374
	2016	1,705
Executive Board total	**2017**	**4,847**
	2016	**5,451**

Executive Board compensation in relation to offices held at Group companies

For his services in Australia as Executive Chairman of CIMIC in 2017, Mr. Fernández Verdes received a lump-sum expense allowance of EUR 337 thousand[1] and fringe benefits in the amount of EUR 4 thousand[1]. The stock appreciation rights granted by CIMC to Mr. Fernández Verdes in 2014 led to an expense in the amount of EUR 6,415 thousand.

Further compensation for the holding of office on the boards of other companies in which HOCHTIEF has a direct or indirect interest is either not paid out to the Executive Board members or is set off against their Executive Board compensation.

Supervisory Board compensation

Supervisory Board compensation is determined at the Annual General Meeting and is governed by Section 18 of the Company's Articles of Association. Compensation for 2017 is shown in the table below.

[1] The euro amount depends on the exchange rate.

(EUR)	Fixed compensation (without VAT)	Attendance fees (without VAT)	Total compensation (without VAT)
Pedro López Jiménez	195,000	17,000	212,000
Ángel García Altozano	130,000	22,000	152,000
Beate Bell	97,500	17,000	114,500
Christoph Breimann	65,000	14,000	79,000
Carsten Burckhardt	97,500	20,000	117,500
José Luis del Valle Pérez	97,500	25,000	122,500
Patricia Geibel-Conrad	97,500	22,000	119,500
Dr. rer. pol. h.c. Francisco Javier Garcia Sanz	65,000	6,000	71,000
Arno Gellweiler	97,500	17,000	114,500
Matthias Maurer	130,000	22,000	152,000
Luis Nogueira Miguelsanz	97,500	20,000	117,500
Nikolaos Paraskevopoulos	97,500	14,000	111,500
Sabine Roth	97,500	22,000	119,500
Nicole Simons	97,500	17,000	114,500
Klaus Stümper	97,500	25,000	122,500
Christine Wolff	97,500	17,000	114,500
Supervisory Board total	**1,657,500**	**297,000**	**1,954,500**

Compliance Declaration pursuant to Section 161 of the German Stock Corporations Act

After due appraisal, the Executive Board and Supervisory Board of HOCHTIEF Aktiengesellschaft submit their compliance declaration as follows:

HOCHTIEF Aktiengesellschaft complies with the recommendations of the Government Commission on the German Corporate Governance Code dated February 7, 2017 and published on April 24, 2017 by the German Ministry of Justice and Consumer Protection in the official section of the electronic Bundesanzeiger (Federal Official Gazette). In addition, HOCHTIEF Aktiengesellschaft has complied with these recommendations, both in the above-mentioned version and in the preceding version of May 5, 2015, since publication of the last Compliance Declaration in February 2017. The following exceptions apply:

- Since 2012, Section 5.3.2, paragraph 3, of the Code has contained a recommendation that the Chairman of the Audit Committee should be independent. To comply with this recommendation, the Supervisory Board would have had to vote out of office the current Chairman of the Audit Committee, Mr. Ángel García Altozano. The Supervisory Board is of the opinion that it is in the interests of the Company for Mr. García Altozano to remain Chairman of the Audit Committee despite his business relations with ACS, Actividades de Construcción y Servicios, S.A. This assessment is based on the fact that Mr. García Altozano has been a member of the Audit Committee since 2007 and its Chairman since May 2010. In its decision, the Supervisory Board took into account Mr. García Altozano's considerable expertise and experience from having held leading positions in international companies.

- Section 5.4.1 paragraphs 2 to 4 of the Code contains detailed recommendations on the composition of the Supervisory Board and the selection of candidates when the Supervisory Board makes proposals to the Annual General Meeting concerning the election of new members to the Supervisory Board. In the previous Compliance Declaration of February 2017, as a precautionary measure we declared a partial departure from these recommendations (in the 2015 version). These recommendations have been reworked and supplemented in this year's revision of the Code. The Supervisory Board has adopted several resolutions in order to comply with these recommendations. This relates to future proposals to the Annual General Meeting for new elections to the Supervisory Board as well as annual reporting in the Corporate Governance Report on the implementation status of these recommendations. HOCHTIEF Aktiengesellschaft will therefore henceforth comply with the recommendations in Section 5.4.1 paragraphs 2 to 4 of the Code.

- The Code's recommendations on election recommendations to the Annual General Meeting contained in Section 5.4.1 paragraphs 6 to 8 of the Code (disclosure of the personal and business relations of each individual candidate with the enterprise, the executive bodies of the enterprise and with any shareholder holding a material interest in the enterprise) are as in prior years not applied. In practice, there is currently still legal uncertainty regarding what relations the Code recommendations require to be disclosed in each individual instance and in what scope. The Supervisory Board will watch developments in this regard and re-examine the question of applying the Code recommendations in the next fiscal year.

With regard to the recommendation given in Section 4.2.3, paragraph 2, sixth sentence of the Code—that the amount of compensation be capped, both overall and for variable compensation components—we note that the contracts with the members of our Executive Board, as well as providing for a fixed salary, include caps on the amounts of all variable compensation elements. Supplementary to this, the Supervisory Board has reserved the right, in addition to the fixed annual salary and the variable compensation components, to grant at its own discretion a one-off payment for exceptional performance. The contracts also provide for normal fringe benefits (private use of company car, accident insurance, etc.). There is no cap on the amount of any one-off payment for exceptional performance or on the value of fringe benefits because it does not appear necessary for such amounts to be capped in accordance with the letter and spirit of the Code recommendation and, in our legal appraisal, the Code recommendation does not extend to this. For the same reason, such payments and benefits are not covered by any cap on the amount of overall compensation.

Essen, February 2018

HOCHTIEF Aktiengesellschaft

For the Supervisory Board	For the Executive Board	
Pedro López Jiménez	Marcelino Fernández Verdes	Peter Sassenfeld

PAVING THE WAY FOR LASER FLASHES

An X-ray laser that promises scientists groundbreaking revelations. This is a project like no other in the world: HOCHTIEF has built a tunnel system to accommodate the European XFEL X-ray laser deep under the city of Hamburg, 36 meters underground. Every millimeter of its 3.4 kilometers had to be built precisely to specification, as the high-tech equipment does not tolerate deviations. The HOCHTIEF team completed the tunnel system ahead of schedule and under budget, so the world's largest and most powerful X-ray laser was up and running in 2017. It produces ultra-short light flashes—27,000 per second. Designed to help scientists tap into new research possibilities and gain insights into previously unseen processes, the laser is to make atomic details of viruses and cells visible. This is expected to yield new findings for fields such as cancer research.

Research and Development

This chapter is part of Focus Area Sustainable Products and Services

Innovative power adds value

Most of the infrastructure projects we carry out for our clients worldwide are unique and require us to develop and implement project-specific proposals. This is why innovation is elementary to our business success. Our strong position in this arena is based on the powerful innovating drive of our workforce as well as our Group-wide research and development (R&D) activities. We continuously build and hone our technical know-how, which has earned us an outstanding reputation among customers. Our innovative solutions enhance the quality and efficiency of our projects and services.

Innovation is one of our guiding principles: We work tirelessly to improve and, with a self-critical process of reflection, seek options for optimization. Aside from its economic benefits, our innovative power also takes us a long way toward achieving our environmental and social goals, and is a major factor in sustainability at HOCHTIEF.

The overarching strategic goals of our innovation management are the competitive positioning of the HOCHTIEF companies and the long-term marketability of our services. Within this, our innovation strategy aids the goal of improving operating efficiency on a sustained basis. HOCHTIEF places the emphasis here on forward-thinking solutions integrated into our contracting work, with digitalization playing a key role in our innovation projects. The use of virtual reality tools on construction sites therefore is one of HOCHTIEF's long-term goals.

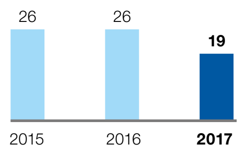
Group-wide innovation system

Our innovative capacity is firmly rooted in the established Group units and activities dealing with innovation (see diagram). HOCHTIEF Innovation Management has been restructured and is now part of the Risk Management, Organization and Innovation corporate department newly created in the reporting year. The team is responsible both for Group-wide innovation management and for that of our European subsidiary HOCHTIEF Solutions. All Group companies can apply for project-specific funding via the corporate innovation budget. In a defined, transparent process, an Innovation Committee comprising representatives of the operational units and the holding company decides what projects to fund and develop.

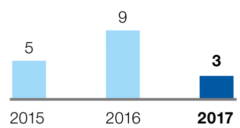
The innovation managers within the HOCHTIEF holding company consult on an ongoing basis with subsidiaries and, as needed, with supporting functions at the HOCHTIEF holding company in order to create transparency and generate synergies. The knowledge transfer takes place within the Innovation Committee, at events, through collaboration on projects, and in web conferences.

For further information on R&D and innovation projects, please see www.hochtief.com/rd

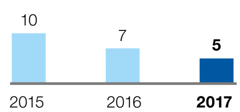
Number of R&D projects



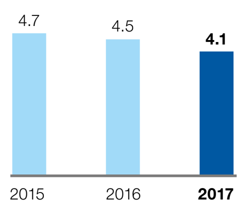
Number of R&D projects completed



Number of R&D projects started

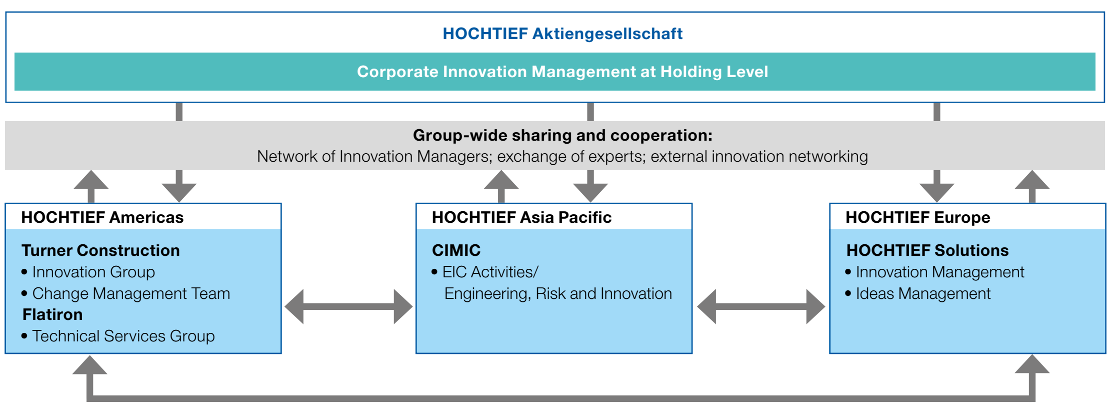


Investment volume of R&D projects (EUR million)



The statistics in the charts only relate to innovation projects of Group Innovation Management at holding company level.

Innovation organization



At our U.S. subsidiary Turner, the Innovation Group is responsible for identifying and supporting the development and implementation of innovative practices across the company. With a focus on structured problem solving, the group works toward improvements at Turner and the industry in North America. Among the innovative practices developed are Virtual Design and Construction, Augmented Reality and lean construction practices that serve to improve efficiency and quality of service.

At our Australian Group company CIMIC, systematically driving ahead improvements and the development of innovative solutions is the task of EIC Activities. The team gives all CIMIC companies access to the Group's collective experience, technical capabilities and leading edge technology applications. EIC Activities brings together engineering experts, technical solutions, lean practices and global industry developments—equipping tender and project teams with more levers to mitigate risk, add value to projects and drive performance.

Tools

We deploy a variety of tools across the Group to ensure that employees' suggestions can be captured and evaluated easily and transparently. Employees at the European units can submit suggestions through the Ideas Room. In 2018, this is to be replaced by a new application that employs a more collaborative approach in order to encourage participation.

Our U.S. subsidiary works with the Turner Learning Tree, a web-based knowledge management platform that allows employees to publish their best practice solutions. In addition, Turner conducts an annual Innovation Summit. The Summit brings together a wide cross-section of participants from across the company. They share ideas and innovations as well as learn about cutting-edge practices and new developments. In this way, they gain an up-front overview of new trends in our business that may impact the construction industry in the years ahead.

Our Australian Group company CIMIC has launched a Webinar Wednesday series to encourage in-house knowledge transfer and collaboration among employees. The regular seminars on technical topics are broadcast live throughout the Group and remain available for subsequent viewing on the CIMIC intranet. These webinars consist of a presentation and a question-and-answer session to share information on best practices and new technologies.

Awards and events

HOCHTIEF Innovation Award

In 2017, we bestowed the first HOCHTIEF Innovation Award as a way to foster the effective exchange of best practices in the Group and recognize innovative work. All employees, individually or in teams, were eligible to apply by submitting a specific measure that had already been implemented. The competition was held in two stages: first among the HOCHTIEF Group companies, i.e. Turner, Flatiron, the CIMIC companies, and the HOCHTIEF Solutions companies. In all, 230 submissions were received. A panel of judges evaluated the entries at company level and chose the winners in various categories based on Group-wide uniform criteria. In the second stage, a Group panel headed by the Chairman of the Executive Board judged the entries. The panel emphasized that improvements were vital especially to core processes in order to make projects profitable. Three entries received Merit Awards (the projects are described on the following pages):

- Maintenance service efficiency program for haul trucks (Thiess)
- Smart construction logistics—central logistics management (HOCHTIEF Engineering/HOCHTIEF ViCon)
- Use of virtual reality tools (Turner)

Awards for the best ideas

The best entries submitted to the Ideas Room were recognized by the HOCHTIEF Solutions AG Executive Board at the annual Ideas Management meeting. Once again, the broad spectrum of prize-winning ideas clearly

Award-winning suggestions: At the Ideas Management annual meeting, the Executive Board honored the best input from HOCHTIEF Solutions (left).

An innovative centralized logistics management system features a visual user interface, enabling intuitive operation by HOCHTIEF Solutions subcontractors (right).

highlighted HOCHTIEF employees' innovative acumen. Winning entries included innovative financing and optimized rental models, new engineering solutions, and marketing ideas. In-house events at the Group companies devoted to all aspects of innovation also help to raise awareness and foster ongoing work in this area.

Examples of innovative projects

Standardized bridges

Existing bridges in Germany and many neighboring European countries have suffered damage and are in need of extensive repair. As all-in measures for expansion, maintenance, and operation, PPP projects as well as design-and-build models are key pillars in the rapid and sustainable refurbishment of transportation infrastructure within short periods of time. Due to the large number of new bridges and structural engineering works required, HOCHTIEF is pursuing an innovation project geared to exploring how to develop and establish a standardized bridge construction method. Standardized construction has significant advantages over building each bridge on a case-by-case basis. Quality, for instance, can be improved, while bid preparation, planning, and work preparation are curtailed and overall costs cut in all phases.

Central logistics management

With the development of a system for central logistics management, which takes into account both the construction and bidding phases in the form of visualizations, HOCHTIEF Solutions has succeeded in winning additional contracts. Thanks to the visual design, subcontractors find using the central logistics management system easy and intuitive. The concept lends itself to major projects around the globe.

Enhanced safety through innovative technology

With the help of technology previously only used in mines, CPB Contractors was able to significantly enhance the safety of the 250 tunnelers working on the WestConnex M4 East project. Using a shock and vibration-resistant WLAN network, Mine Site Technology is able to locate all personnel and vehicles underground. While the system is used on a daily basis for general safety and communication purposes, it is also valuable in emergencies. As a result, the technology has set new safety standards for underground construction projects.

Virtual reality tools create added value

Turner leverages the benefits of 3D modeling in almost every new construction project it undertakes. In combination with virtual reality tools, 3D models help the client as well as everyone else involved in the project to visualize the project in its current state so that making decisions is much easier. Thanks to the new technology, planning and executing construction work are more efficient while simultaneously saving costs and time. Turner is also using the technology to facilitate safety training.

Efficient servicing of trucks

Australian Group company Thiess has rolled out a service efficiency program based on Lean Management/5S for servicing mining vehicles. As a result, truck servicing durations at the Solomon Hub mine

With semi-permanent LED lighting and sprinkler systems, CPB Contractors not only assured efficient 24-hour operations but also secured savings as well as a 90% reduction in emissions (left).

Thanks to an innovative technology developed by Flatiron, the precise location can be targeted in watercourses before pouring concrete (right).

Focus Area indicator Sustainable Products and Services

Aspect: BIM as a future-oriented work method
See GRI index.

have been reduced by 50% to six hours. A reduction in open flame work and in manual processes also improves safety—and available truck working time has been increased by an additional 4,000 hours.

Innovative lighting and dust suppression

On construction sites with around-the-clock operations, continuous, good-quality lighting is essential. The Australian Group company CPB Contractors made use of semi-permanent LED lighting instead of mobile lighting towers on one of its projects. This improved visibility in the relevant area, allowing work to continue uninterrupted 24 hours a day. Instead of relying solely on the usual water carts for dust suppression, the company installed a temporary sprinkler system that was supplied with rainwater. Considering the cost, environmental, and safety benefits they offer, the solutions CPB Contractors developed for this construction site will be a viable option for all projects requiring night works.

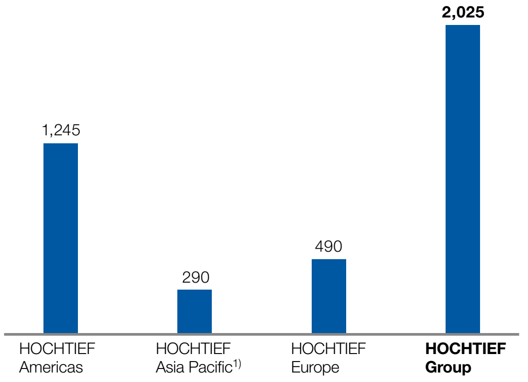
Innovative foundation concept

It is extremely difficult to precisely position precast concrete elements into a hole excavated in a riverbed. This is why our U.S. subsidiary Flatiron developed a special process for the construction of the New Champlain Bridge in Montreal, Canada. Using hydraulic jacks fixed to the precast footings and a custom catamaran barge, the exact location can be targeted before pouring the concrete. Since the entire process is executed from above the water line, no divers or remotely operated vehicles are required. This method is consequently more efficient and affordable as well as safer. The process is suited to any project where heavy elements need to be placed in the water.

Innovation focus: BIM

Building Information Modeling (BIM) is the way of the future for efficient building. This digital planning technique relies on actively networking all those involved with the help of a 3D computer model, which can incorporate additional information such as schedules and budgets. All parties work in one model so that they can quickly respond to changes in planning—which helps make risk management more effective, especially with complex projects. Thanks to coordinated communications and organization, project operations can be adapted to suit current circumstances while downtime and collisions are avoided. Furthermore, BIM helps in the designing of optimally integrated logistic concepts, ensuring that unnecessary transportation and the greenhouse gases this produces are eliminated. Based on the model, project participants can also calculate the carbon footprint as well as possible savings.

Number of HOCHTIEF Group projects delivered using BIM up to 2017



[1)] The comparatively low number of BIM projects in the HOCHTIEF Asia Pacific division is a result of, among others, the special nature of the business: At CIMIC, fewer projects are completed than in other divisions but the projects are larger. (including GIS data)

The Australian Group company Thiess implemented the industry's first maintenance service program for trucks.

HOCHTIEF recognized this potential early on and founded the company HOCHTIEF ViCon GmbH, which specializes in these methods. It is our aim to grow expert BIM skills throughout the Group. This is why the HOCHTIEF Academy together with ViCon will further expand their course offerings in this area in 2018.

Our U.S. subsidiary Turner hardly undertakes any projects without using BIM. In Australia, too, demand for BIM is on the rise: In December 2017, the CIMIC companies CPB Contractors, Leighton Asia, UGL, Sedgman, Pacific Partnerships, and EIC Activities were the first companies in Australia and Asia to earn the Kitemark certification for their exceptional services using BIM in planning and construction. Awarded by the British Standards Institution (BSI), the distinction serves as an international benchmark in the field of digital engineering services and project execution. At HOCHTIEF in Europe, BIM carries significant weight as an innovation focus. HOCHTIEF ViCon collaborates with several German universities on training future BIM users. Furthermore, company employees sit on the committee that is working with the federal government to create the phased BIM plan for Germany. Ever greater numbers of clients, especially from the public sector, are requesting BIM applications—which opens up opportunities for HOCHTIEF to win them over with its many years of market experience.

We want to intensify the use of BIM within the Group even further and use this technology on all large-scale projects in the long term.

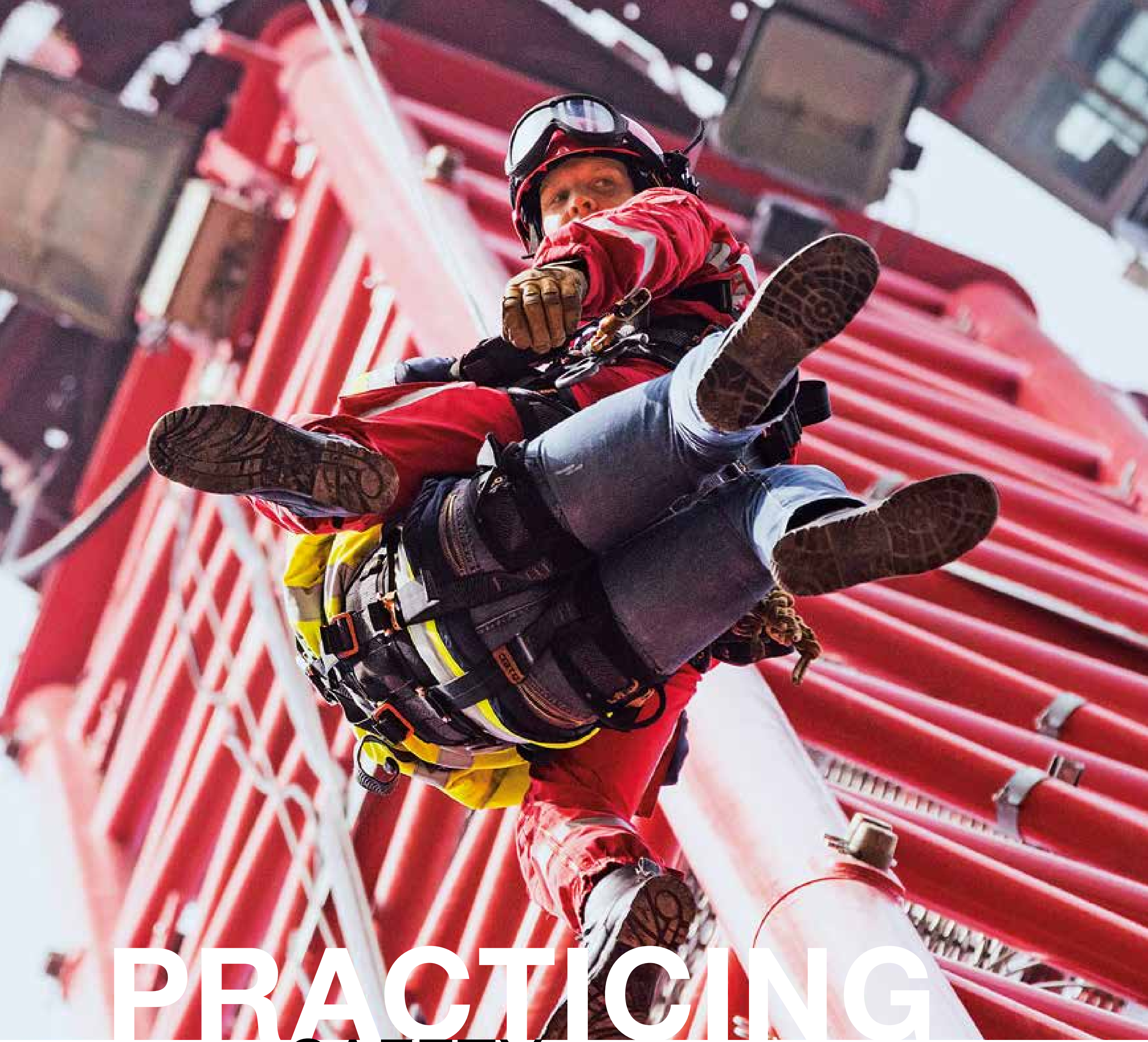
Number of employees provided with BIM or similar training in 2017

Division	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe	**HOCHTIEF Group**
Employees	65	650	104	**819**

Networks and collaboration

HOCHTIEF is one of the founding members of ENCORD (European Network of Construction Companies for Research and Development). European companies share information about research, development, and innovation via this platform. Here we benefit from best-practice exchange on issues such as infrastructure construction, occupational safety and health, lean construction, virtual construction, and the environment.

As a member of the European Construction Technology Platform (ECTP), HOCHTIEF is also actively involved in maintaining the high technical standards of the European construction industry. The approximately 200 members of the ECTP comprise a range of construction industry stakeholders. ECTP champions construction-related research and innovation to meet societal needs and environmental challenges in urban development and spatial planning. This exchange, coupled with the resulting global cooperation network, is a key factor in our Group's capacity to innovate.



PRACTICING SAFETY

Safety and health protection are the top priorities in all HOCHTIEF's activities—so our employees and those of our subcontractors can get home safe and sound at the end of each day. To keep this issue at the forefront of everyone's minds, numerous initiatives, from Occupational Safety Day through health and safety inspections all the way to healthcare fairs, are held during the course of the year. In 2017, a rescue-at-heights training session was conducted in Frankfurt in collaboration with the city's fire department. The drill on the HOCHTIEF Marienturm project in Frankfurt was an impressive demonstration of how fast a person can be rescued from a height of 60 meters—provided that all those involved are thoroughly trained and the process can proceed in a controlled manner. This is yet another area that highlights the vital importance of good organization at construction sites.

This chapter is part of Focus Area Attractive Working Environment

Employees
The foundation of our success

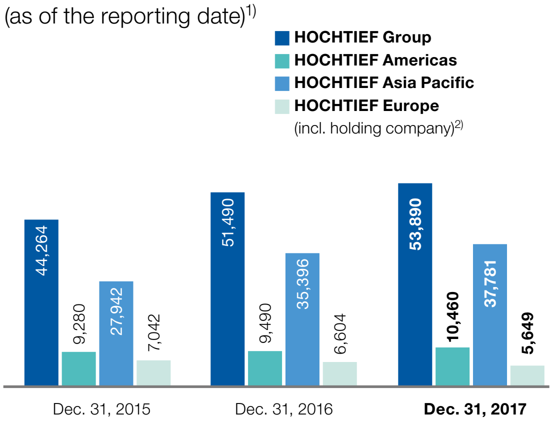
Human resources strategy

Our business segments' success is built fundamentally on our employees' expertise, skills, dedication, and teamwork in a spirit of trust. This is why our human resources strategy has for many years focused on selectively developing staff members, entrusting them with responsibility, and giving them the space to innovate. We provide a safe working environment coupled with attractive and commensurate remuneration. Finding and retaining the best talent for our teams is crucial and our top-level goal. We want our employees and the labor market to view us as an attractive employer.

Our regular duties include conducting periodic risk surveys in all operating companies and departments, evaluating them, and developing measures based on the results. In view of the strained labor market, recruiting sufficient numbers of high-caliber specialists is currently a major challenge. We successfully meet this challenge by reaching out to candidates in a variety of ways.

Our guiding principles—integrity, accountability, innovation, delivery, sustainability, and safety—not only serve as a reliable touchstone for our actions but also allow us to quickly assimilate new organizations and staff into the HOCHTIEF Group when, for instance, we acquire businesses. The absorption of companies such as UGL and Sedgman into the HOCHTIEF Asia Pacific division in 2016 is a testimony to how these principles provide both a framework and roadmap. Within a short period, CIMIC succeeded in integrating 7,500 employees into the Group. Established processes, existing organizational structures, and comparable corporate governance principles provided a sound basis for this to succeed. In addition to extending the scope of the business segments beyond our existing core competencies, the successful integration demonstrated that our corporate culture is open to change and expansion.

Number of employees at HOCHTIEF by division
(as of the reporting date)[1)]



Footnotes to chart:
[1)] Total workforce: All persons who are employed by a fully consolidated HOCHTIEF Group company as of the reporting date (except for the Executive Board). Employees are counted per capita.
[2)] The holding company had 167 employees as of the reporting date.

Number of employees

Year-end 2017, we employed 53,890 staff worldwide, which represents an increase to employee numbers of 4.7% on the previous year.

Total number of employees in the HOCHTIEF Group by gender and employment type (reporting date Dec. 31, 2017) **and number of new hires and departures** (2017 total)

	HOCHTIEF Group	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe (incl. holding company)
Employees (total workforce)	**53,890**	**10,460**	**37,781**	**5,649**
– of which men	46,663	8,181	34,261	4,221
– of which women	7,227	2,279	3,520	1,428
– women in management positions (%)	12.1%	10.4%	11.9%	14.1%
white-collar workers (incl. apprentices)	**24,647**	**8,068**	**12,198**	**4,381**
– of which men	18,410	5,844	9,585	2,981
– of which women	6,237	2,224	2,613	1,400
blue-collar workers (incl. apprentices)	**29,243**	**2,392**	**25,583**	**1,268**
– of which men	28,253	2,337	24,676	1,240
– of which women	990	55	907	28
New hires	**26,686**	**1,347**	**23,511**	**1,828**
Departures	**25,363**	**1,706**	**21,011**	**2,646**

Across the Group, 26,686 new salaried/office employees and waged/industrial employees were hired by HOCHTIEF in the reporting year. Over the same period, 25,363 employees left the company.

Staff turnover was significantly reduced to 10.3% (2016: 13.5%), once again bringing it in line with our targeted range of 8–12%. Outside of Germany, staff turnover rates are not comparable because many employees are hired on a project basis. Reflecting reliability and continuity at HOCHTIEF, 73% (2016: 75%) of the workforce was in permanent positions as of the December 31, 2017 reporting date.

Focus area indicator Attractive Working Environment

Aspect: Recruiting: Meeting demand for skilled labor
See GRI index.

Winning the right employees for HOCHTIEF

Especially in light of the growing skills shortage in the construction industry, our goal remains hiring excellent employees, helping them to grow, and earning their lasting loyalty. We aim to reliably meet the Group's demand for skilled labor in the long term. Over the reporting year, we achieved this by making contact with potential candidates at universities as well as at trade and career fairs. In Germany alone, we recruited 69 (2016: over 70) young engineers in 2017. By increasing our advertising directly within schools, we aim to get young people excited about training for technical and industrial careers—positions which are still difficult to fill. Our vocational programs that allow candidates to complete a degree at the same time—for example, a Bachelor of Arts—are especially popular.

Apprenticeships at HOCHTIEF

Commercial/administrative careers:
Industrial administrator
Office communications administrator
Bachelor of Arts (Industrial administrator)

Technical careers:
Technical drafter
Bachelor of Engineering

Industrial careers:
Carpenter
Concretor
Conduit builder
Construction equipment operator
Mechatronics technician
Electronics technician specializing in industrial engineering
Electronics technician specializing in energy and building technology

In the reporting year, 30 young people in Germany started an apprenticeship with us. With 94 trainees in our employ on December 31, 2017 (2016: 86), our training quota increased to 2.8%.

We are especially interested in university students and graduates around the world. Our cooperation with tertiary institutions is not just limited to Australia but also extends across North America and our various sites and companies in Europe. Various intern retention programs help us to stay in close contact with students.

Our positive image as an employer both in Germany and abroad is backed up by respected rankings. In 2017, HOCHTIEF was once again rated as a preferred employer by engineers in Germany. CIMIC has made the 2017 LinkedIn list of Top Companies in Australia. Our stronger presence on social media has helped raise the profile of our employer brand. Turner, HOCHTIEF Polska, and CIMIC among others maintain accounts on XING, LinkedIn, YouTube, Twitter, and Instagram as part of their employer branding measures. In addition to traditional job advertisements on careers portals, we are making increased use of active sourcing methods, which involve personally reaching out to potential candidates. In Germany, for instance, we actively make contact with individuals on the external labor market via social networks in order to get them excited about working at HOCHTIEF. At the same time, this helps us build up a pool of potentially interested candidates that we may draw on as required.

Our recruitment measures have yielded fruit and we have succeeded in bringing new people on board at various companies' sites. Through our acquisitions notably of UGL and Sedgman, we have expanded our portfolio of jobs, providing new career directions for potential employees. Furthermore, these additions open up new growth opportunities for our existing employees.

Selectively developing and fostering employees

HOCHTIEF relies on selective further training to qualify employees for current and future tasks. For this purpose, we offer employees—both young and seasoned—a variety of avenues for growth, directly at the workplace and through an extensive, needs-based continuing education program. With our further training opportunities, we aim to identify and nurture talent in both specialist and managerial career paths. Thanks to our continuing education facilities such as the HOCHTIEF Academy and Turner University, we ensure that all employees—from trainees through specialists to managerial staff—have the opportunity to further enhance their technical, methodological, and personal skills. In 2017, our employees spent an average of 24 hours on further training. We thus substantially exceeded our target (13 hours). In the years ahead, we aim to maintain at a high level the average number of further training hours per employee per year. Current offerings include entry-level programs for technically-minded new talent, which took on special prominence in 2017 as both our German and international companies hired many young engineers. The programs aim to optimally prepare them for their future roles, particularly on the operational side. Against this backdrop, advancing our engineers through a series of inter-company and inter-site workshops is of particular importance.

In 2017, we harmonized the project management career path—from young engineers to full-fledged project managers—in a variety of countries, including Australia and Germany. In this way, we have made for a better transnational understanding of a project manager's skill sets.

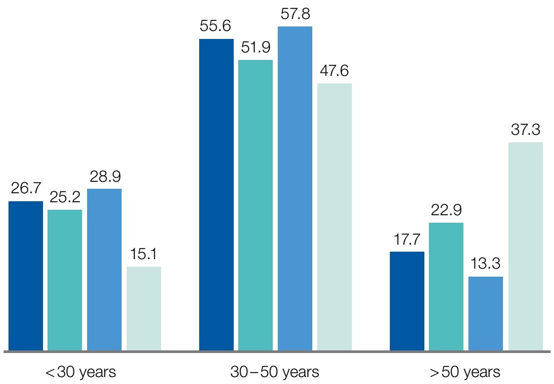
Ideally, we want to fill management and specialist positions from within our own ranks now and in future and, in this way, open up interesting and uniquely attractive career paths for our employees. Our goal is to help develop our employees' potential as fully as possible. The starting point for achieving this are the Group-wide employee interviews that have been a firm feature of our management culture for years. They involve employees meeting with their immediate superiors for an intensive dialog conducted in the spirit of partnership. Key topics of discussion include feedback on their working relationship, planning further education and training, as well as highlighting development and career opportunities. Jointly charting career prospects also ties in with our objective of retaining employees in the long term by earning their loyalty to the Group through professional development planning.

This year, we offered new events, such as a series of courses for site managers that complements the existing project management training. Additionally, HOCHTIEF Engineering and HOCHTIEF Infrastructure launched a joint initiative for design and project managers in early 2017. Participants in the course gain new knowledge about planning, coordination, and management processes. In the reporting year, our subsidiary Flatiron also rolled out a learning series with respect to project man-

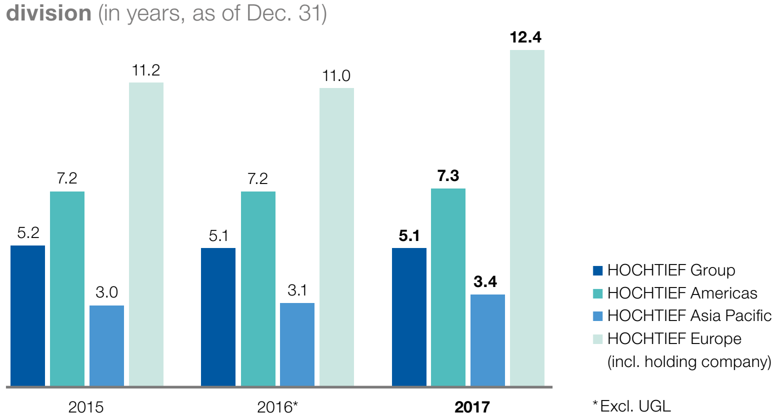
Focus area indicator Attractive Working Environment

Aspect: Further training: Average number of further training hours per employee
See GRI index.

Age structure in the HOCHTIEF Group in 2017
(%, as of Dec. 31, 2017)

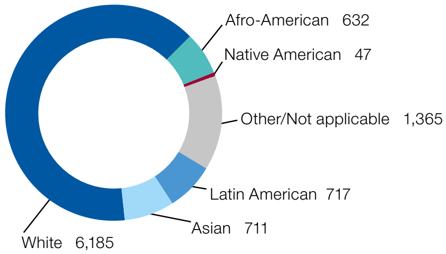


Tenure of employment in the HOCHTIEF Group by division (in years, as of Dec. 31)



*Excl. UGL

Employees by ethnic group in North America
(as of Dec. 31, 2017)



agement and leadership. Furthermore, CIMIC updated its leadership program, which was attended by managerial staff from Australia and Hong Kong.

Appreciating diversity

Diversity is a hallmark of our Group and our employees; it is also a key element of our competitive strength. It allows us as a team to come up with the best solutions around the world. HOCHTIEF signed the Charta der Vielfalt (diversity charter) as a clear signal of our commitment to the principles of diversity, tolerance, mutual regard, and fairness. At our company, people who are in many ways different from one another in terms of age, gender, nationality, religion, or social background work together. In order to assure this diversity going forward and raise awareness about its value, we took part in numerous initiatives and activities throughout 2017. In the U.S., Turner benefited from activities including its participation in the annual external Diversity Conference, which particularly helped the company to recruit women. CIMIC was involved in a special development program in Australia to facilitate the integration of people with disabilities into the labor market. Furthermore, CIMIC staged round-table discussions with female employees in Australia to gain a better understanding of their needs.

We take demographic change and its multifaceted impact into account with a broad age structure. Seasoned employees collaborate successfully with younger staff members on national and international projects. Mixing youth and maturity helps us bring our projects to fruition.

Employing people with disabilities poses special challenges for us, notably in the field of operations. Unfortunately, it is not always possible to appoint people with disabilities to these roles. When conducting job interviews with people with severe disabilities, a disability officer is always present. People with severe disabilities comprised 3.5% of the HOCHTIEF workforce in Germany as of December 31, 2017. Since this falls below the statutory 5% quota, we pay a compensatory levy.

Compliance with human rights standards

We value each and every employee, so we take government regulations concerning employee rights very seriously. Respect and fairness are the hallmarks of our workplace culture of trust—and we expect the same of our business partners and clients. These rules on conduct are defined in our Code of Conduct[1], which is binding for all parties involved at HOCHTIEF. It is checked regularly to ensure that it is up to date.

We are committed to respecting human rights worldwide. To reflect this, we have pledged to abide by ILO[2] standards and signed the UN Global Compact.

Communication with employees and workforce codetermination are important to us. This occurs either directly in open and constructive dialog between employees and superiors or through elected representatives. Many staff receive additional support from unions to which some of them belong. In Germany, some 96.9% of the workforce are represented by works councils, and a European works council is responsible for the European units. Employees are also represented by unions at subsidiaries, with 22.2% at the HOCHTIEF Americas division and 67.2% at the HOCHTIEF Asia Pacific division.

Work-life balance

People need to recharge their batteries and enjoy free time just as much as they need fulfilling jobs, so the working conditions at our companies give our employees the personal space to plan their lives. HOCHTIEF offers a wealth of measures and programs to help them do that, some of which are tailored to specific jobs and employees' individual needs. Working hours serve as the point of departure, and we offer part-time models, the option of working from home, and flextime. The latter helps people strike a good balance between their job and personal or family needs. Flextime can give working parents, for example, the same access to career opportunities others have, and is also enabling a growing number of employees to care for close relatives while still fulfilling their professional duties. In 2017, a company collective bargaining agreement was established in Germany giving the employees it covers the

[1] For further information, please see the Compliance section on pages 89 to 91.

[2] For further information, please see page 89.

option of telecommuting: Employees can work from home two days per month, as long as this is compatible with their tasks.

Our employees' satisfaction is important to us, and so is their health. They can take advantage of targeted preventive health measures to check, improve, and protect their physical well-being. These include checkups, health screenings, and vaccinations at some locations. In addition, "Fit for work—fit for life," the health program we launched in 2016 to focus on our employees' well-being, has been continued in 2017. It gives staff tips for dealing with stress and increasing their awareness of health-related issues. Our qualification program also offers further work safety and health seminars.

A total of 141 employees (42 men and 99 women) claimed parental leave in Germany in 2017. Of these, 74 (36 men and 38 women) terminated their parental leave and 64 (33 men and 31 women) returned to work, corresponding to a quota of 86.5%.

Part-time positions/Proportion of employees who return to work after parental leave in Germany

	2017	2016
Proportion of part-time workers (Dec. 31)	12.3	11.1
Proportion of employees who return to work after parental leave	86.5	75.3

Employee survey gauges opinion

We care what our employees think. In early 2017, we published the findings of the Dialog@HOCHTIEF employee survey. Over half the staff in Germany took part in the survey. The results clearly showed that our performance in many aspects is good and, in some cases, significantly better than at other business enterprises; however, the findings also indicated potential for improvement in some areas. We earned excellent grades for collaboration and teamwork, for example. The survey pinpointed room for improvement in communication and innovation. These findings, along with our employees' above-average marks for commitment, are a good indication that our "top employer" human resources strategy is proving effective.

Brief, in-depth surveys were held at some subsidiaries in 2017 in order to gather additional information on employee satisfaction and deploy specific measures; these companies included HOCHTIEF PPP Solutions and some areas of HOCHTIEF Infrastructure.

Competitive salaries

We reward our employees' good work with performance-based pay. In combination with our social benefits, this is designed to afford our employees and their families an adequate standard of living. Economic efficiency, competitiveness, attractiveness, and fairness are the principles underlying HOCHTIEF's compensation policy. Compensation is individually geared to the relevant market and company needs.

By regularly verifying our principles underpinning both the fixed and variable remuneration components, we are in a position to pay competitive salaries. Objective compensation classification is supported by internal analyses and external benchmarks, which also enables us to additionally fulfill the requirements of the German Corporate Governance Code.

For each employee, independent of gender, compensation is chiefly calculated according to the nature of the position, qualifications, responsibilities, and experience.

Pensions

Ensuring that employees are well looked after also in their golden years is important to us. To provide cover over and above statutory pension schemes, we offer our employees a variety of pension options at many locations—such as insurance options or deferred compensation. The options offered are in accordance with the local legal framework and pension systems in each country.

Thanks to employees and employee representatives

Loyalty, commitment, and skill are the hallmarks of our staff. Our employees are the driving force behind the success of HOCHTIEF. This is why the company's management wishes to express its sincere gratitude to all our staff and employee representatives for their hard work and dedication.

Occupational safety and health
In-depth information on this subject appears on the following pages.

Occupational safety and health

Generally, our data concerning occupational health and safety refer to HOCHTIEF and its business partners for whom HOCHTIEF is liable.

HOCHTIEF assigns top priority to the health of both its own employees and the employees of contractual partners and subcontractors. Safety cuts across our Group's guiding principles and is a constant focus in our day-to-day business. As working on construction sites harbors risks, we are continuously enhancing the content and organization of our safety culture on the basis of a Group directive. In this way, we aim to minimize workplace-related risks that can lead to illness or occupational accidents. Our overarching objective is for projects to be accident-free. Every accident—on site or in the office—is one accident too many. This is why safety is enshrined in our Code of Conduct and why the lost time injury frequency rate (LTIFR) is given prominence within our Company as a non-financial key performance indicator. During the year, we brought occupational safety into even sharper focus as a key topic in stakeholder dialog in order to further enhance our occupational safety culture on an ongoing basis. The evaluation of the materiality analysis building on that enables us to identify risks and the potential for development. Occupational safety was also a category in our Group-wide HOCHTIEF Innovation Award 2017.

Organization

The organization of occupational safety, health, and environmental protection (OSHEP) at HOCHTIEF is based on a directive that defines Group-wide OSHEP standards. As required by law, the directive is expanded upon by the divisions locally. Responsibility for revising and implementing these stipulations lies with the OSHEP Center, our internal competence center for occupational safety.

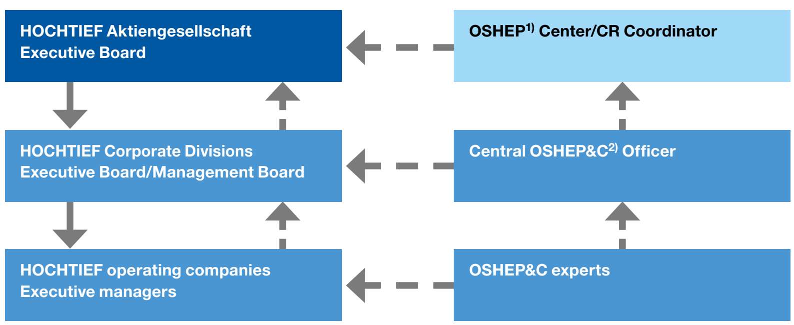
Regular training is an integral part of our continuing education program. The OSHEP Center coordinates occupational safety matters at Group level and reports to the Executive Board. Additional occupational safety officers ensure that statutory and Group standards are implemented in the operating units. All divisions have appointed central occupational safety contacts, who consult regularly with Group-level managers.

Supplementary to our cross-cutting standards, a number of companies have implemented further processes and structures to integrate occupational safety and health into all project phases. Their management systems are based on standards such as BS OHSAS 18001, an international standard for the assessment and certification of occupational health and safety management systems. In 2017, 87.1% (2016: 84.8%) of active HOCHTIEF employees worked in units certified to such standards.

Early risk identification

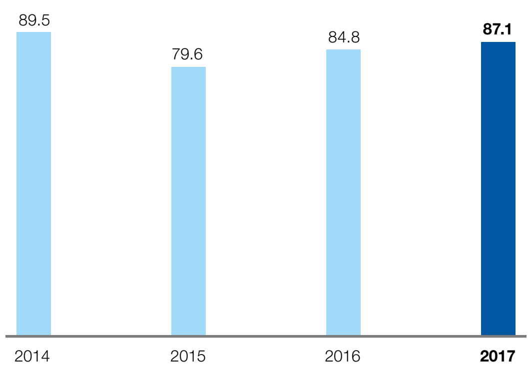
A shared understanding of our occupational safety and health standards is of great importance in our projects. To foster this understanding, all those involved are re-

Structure of occupational safety and health at HOCHTIEF



1) Occupational safety, health, and environmental protection
2) Occupational safety, health, environmental and climate protection

Proportion of units in the HOCHTIEF Group certified in accordance with occupational safety management systems (e.g. BS OHSAS 18001), relative to number of employees (%)



This chapter is part of Focus Area Attractive Working Environment

quired to sign the HOCHTIEF Code of Conduct before construction begins. We also apply high performance standards in relation to occupational safety, health, and environmental protection in subcontractor selection.

As each of our projects is unique, all invariably require made-to-measure occupational safety planning. Our safety experts advise project teams from early in the bid phase. Working in collaboration, they develop prevention plans showing the potential hazards on the project. This enables risks in the later execution phase to be given consideration as early as possible in the planning phase. Our experts then continue to ensure ongoing identification and assessment of potential risks during the construction phase. In the course of this, they infer suitable action to be taken and modify safety plans as appropriate. In addition to the human compponent, occupational safety performance has a significant impact on the commercial success of a project.

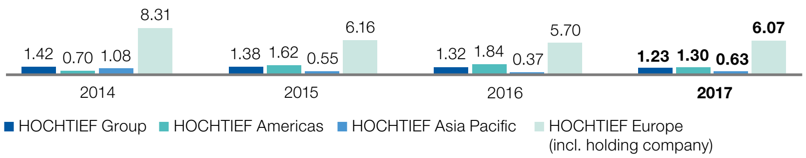
Monitoring the effectiveness of occupational safety and environmental protection measures is a key element of any control system. While project activities are ongoing, this monitoring is carried out by the units' safety experts. The OSHEP Center is assisted by HOCHTIEF's audit department in monitoring the overarching occupational safety and environmental protection requirements. Structures and measures are reviewed in the course of a check by Corporate Auditing.

Work-related accidents and illnesses

As safety is our central guiding principle with cross-cutting relevance for the entire Group, the lost time injury frequency rate (LTIFR) is a non-financial key performance indicator at HOCHTIEF that is reported monthly to the Executive Board. The rate captures the number of accidents per million hours worked and, in accordance with the standards of the International Labour Organization (ILO), factors in accidents involving at least one lost day. A good LTIFR reflects a company's occupational safety performance and thus may give the company a decisive edge over the competition. The **LTIFR** was 1.23 in 2017 (2016: 1.32). We already exceeded our target of attaining an LTIFR of 1.35 in 2016. In light of the positive trend, we are confident that we will be able to improve the LTIFR further. For the short term, the currently attained LTIFR serves as our guideline. Our long-term goal is to reduce the LTIFR throughout the Group to 0.9. To further improve it over the long term, we aim to involve our subcontractors in the best way possible so as to foster the safety of all project members. Accordingly, occupational safety was a major focus of both

Lost time injury frequency rate (LTIFR) in the HOCHTIEF Group (as of Dec. 31, 2017)

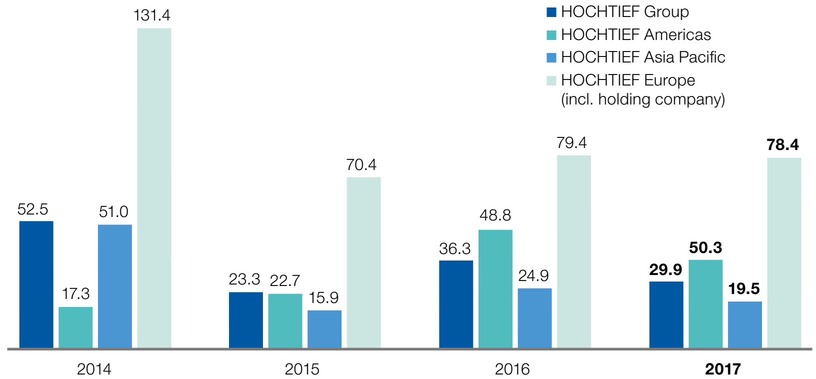
Accidents per million man-hours (Lost Time Injury Frequency Rates LTIFR); Under ILO standards, accidents are counted from the first working day lost.



Severity rate in the HOCHTIEF Group

Computation of the severity rate

Number of days lost due to accidents per million hours worked = severity rate



The variation is largely a factor of cultural differences in the handling of injuries and different, country-specific insurance systems.

Number of fatal accidents in the HOCHTIEF Group (as of Dec. 31, 2017)

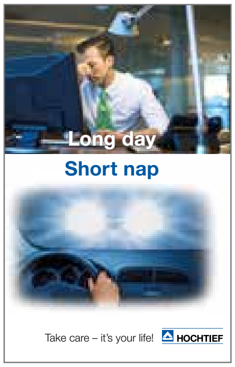
Division	2014	2015	2016	2017
HOCHTIEF Americas	0	0	0	0
HOCHTIEF Asia Pacific (incl. subcontractors)	3	1	3	0
HOCHTIEF Europe (incl. holding company)	0	1	0	0
HOCHTIEF Group total	**3**	**2**	**3**	**0**

Focus area indicator Attractive Working Environment

Aspect: Occupational safety and health

See GRI index.

Group Management Report



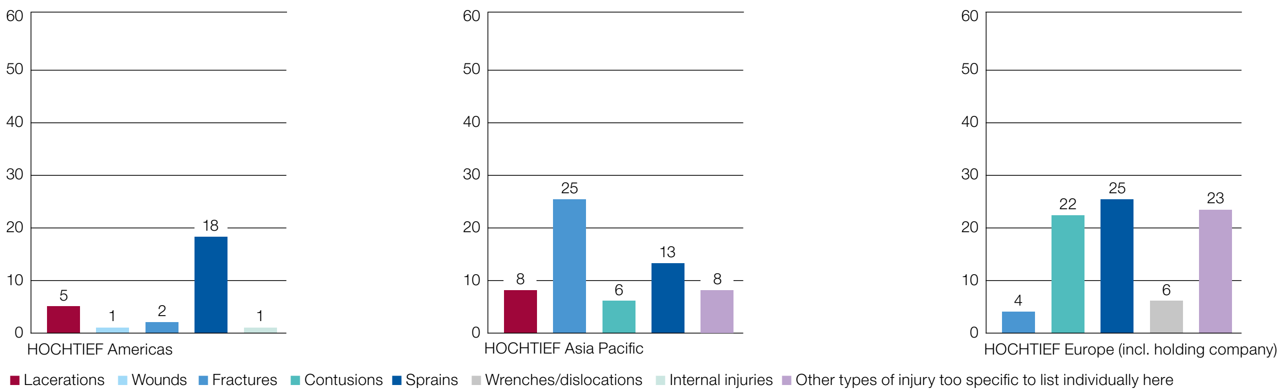
Motif from the new poster compaign on occupational safety.

our materiality analysis and our stakeholder dialog in 2017. The analysis of the findings is intended to result in real change on the ground. Linguistic and cultural diversity among construction site workers, for example, has been picked out as an area requiring action. We have also determined how important it is for senior management to show commitment to—and lead by example on—occupational safety matters in day-to-day site operations. Our continuing education program is to be supplemented with additional training on prevention.

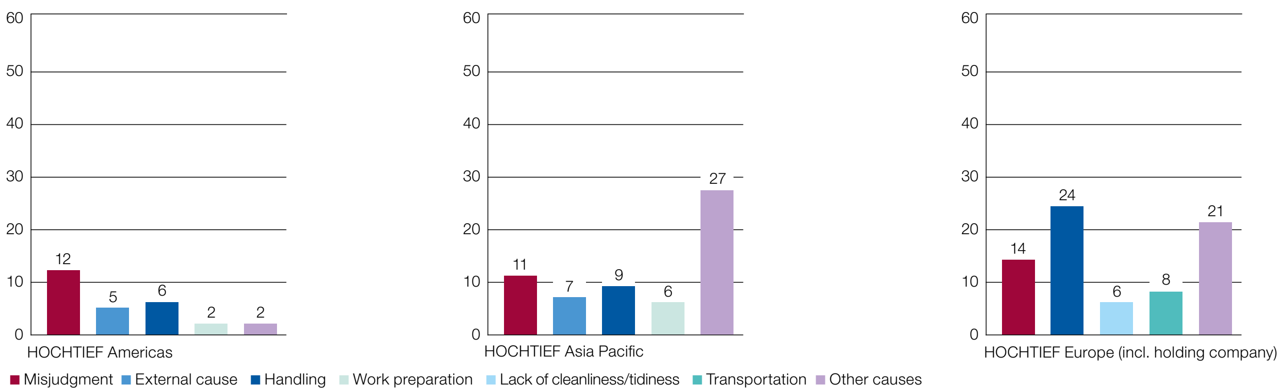
Accidents and near misses are recorded in a structured reporting system. In this context, all companies define occupational accidents on the basis of the International Labor Organization (ILO) code of practice, Recording and Notification of Occupational Accidents and Diseases. In order to identify the causes, or potential causes, of accidents and develop countermeasures, we subject them to detailed analysis. In this analysis, management is brought on board as appropriate according to accident severity. In Germany in the reporting year, we started to conduct feedback interviews after an accident is reported. These are intended to be an opportunity for the manager and employee to take an in-depth look at the circumstances surrounding the occupational accident. More and more frequently, we follow behavioral prevention approaches to avoid risk situations over the long term.

Despite extensive preventive and safety measures, accidents do happen—in some cases with severe or fatal consequences. Our deepest condolences go to the families of employees who have lost their lives. We will continue to do everything we can to prevent such accidents and cooperate closely with the authorities to exhaustively shed light on all incidents.

Significant types of injury in the HOCHTIEF Group by number (as of Dec. 31, 2017)



Causes of accidents in the HOCHTIEF Group by number (as of Dec. 31, 2017)



Statistics are also kept on the occupational disease rate (ODR) at HOCHTIEF in order to infer improvements from the information and the dialog with the accident insurers. The ODR at HOCHTIEF Europe (including the holding company) was 1.25 in 2017. This represents hours lost due to occupational diseases per million hours worked. Due to the different legal framework in the USA and Australia, this figure can so far only be determined for the HOCHTIEF Europe division. Project-oriented hiring policies also make it harder to trace causes, especially for occupational diseases that emerge in later life.

To promote health and wellbeing, HOCHTIEF employees may obtain advice on physical and mental health questions from occupational health physicians. The operating companies each structure this provision in their own way, such as with health fairs, targeted campaigns such as "Fit for Work, Fit for Life" or as part of the continuing education program.

Promoting a culture of occupational safety through continuing education

Regular training is needed to keep occupational safety the focus of attention on construction sites and in the office environment. We sharpen our employees' awareness of their responsibility not only for their own safety, but also for that of their coworkers. With this in mind, we have established a Group-wide occupational safety and health culture which provides the framework for individual approaches in the various companies in line with statutory requirements, social welfare systems, and cultures. Almost all of our country-level subsidiaries have developed programs of their own. These address both the physical and mental health of employees.

Project highlights

The Building L.I.F.E. (Living Injury Free Every Day) program is standard day-to-day practice at Turner in the HOCHTIEF Americas division. The approach includes integrating safety from the planning stage. Turner also organized another Safety Stand-Down in 2017, with workers at over 1,000 Turner construction sites downing tools to discuss safe behavior. The program at Flatiron includes safety stand-downs and safety weeks.

At CIMIC, safety programs in the operating companies center around the Safety Essentials with binding core processes, control points, and checklists. A wide variety of campaigns round out the programs. These also address mental health issues—as with the "R U OK?" Day, which aims to prevent feelings of loneliness and isolation by bringing people together to talk.

Occupational safety initiatives at HOCHTIEF (UK) Construction were conducted under the banner "Getting everyone home healthy and safe every day." 2017 also saw the company join the UK-wide initiative "Stop. Make a Change." In Germany, the OSHEP Center organized the annual Occupational Safety Day, with a wide array of events at various locations. This is staged in similar form by all HOCHTIEF Europe companies.

Procurement

Further information on the subject of procurement is available on the Internet at www.hochtief.com/procurement

HOCHTIEF spent EUR 16.2 billion on the procurement of materials—such as concrete, steel and wood—and subcontractor services—such as the services of crafts trades operating as subcontractors for HOCHTIEF—in the reporting year[1], corresponding to approximately 66% of Group work done. Effective and efficient procurement processes thus represent a key success factor for our Group. Sustainability plays a vital role at HOCHTIEF and is firmly rooted in our strategy. This also extends to procurement, which has been one of the six sustainability focus areas since 2016.[2]

[1] For further information on main materials used, please see page 149.

[2] For further information, please see page 34.

Objectives for the procurement of materials and services

Across all divisions, it is crucial to choose the right partners—subcontractors and suppliers—with a view to attaining our economic, ecological, and social standards. We want to work with partners who act sustainably and meet the benchmarks we set for materials and services. This includes high-quality goods and services, irreproachable behavior on the part of our partners' employees as well as sustainable manufacturing and work processes.

HOCHTIEF procurement objectives

- Procurement manages the procurement process for each project within the operational units and thus plays a key part in ensuring successful project outcomes.

- Procurement ensures that bids match the products and services put out to tender, that they are comparable technically and financially and, in particular, that they meet the environmental, safety, and health standards HOCHTIEF expects of subcontractors and suppliers in project execution.

- Procurement enables fair competition between multiple bidders in accordance with HOCHTIEF's compliance rules for our employees and those of our contractual partners by ensuring that the procurement process is transparent and sustainable.

In our choice of contractual partners, we aim to ensure that everything is proper and correct in purchasing. We counteract compliance risks that may arise, for instance, from infringement of laws by suppliers. In addition, we aim to minimize quality risk (quality of materials, products, or services), price risk (e.g. higher payment demands, exchange rate risk, or commodity price risk), supply risk (e.g. supply of incorrect quantities), and contractor default risk (e.g. default due to insolvency, force majeure, or changes in the legal or political framework).

We have also set ourselves the clear goal of further enshrining sustainability in procurement and transparency in the HOCHTIEF supply chain within our procurement processes. In the long term, we intend to define the CR performance of our subcontractors as a metric and to establish this as a selection criterion in prequalification. Especially in light of the Group's large procurement volumes, we aim high when it comes to choosing our contractual partners.

In pursuing these goals, we set our sights on creating maximum value with minimal risk.

Measures designed to achieve our goals

Our end-to-end, multistage **subcontractor and supplier management** procedure lets us assess our contractual partners' performance and identify risks early on. This has been tried and tested over many years.

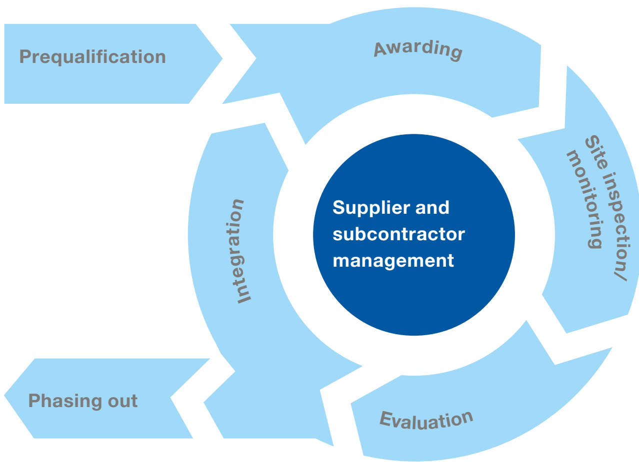
A comprehensive **prequalifying procedure** has been established in all divisions. This usually consists of supplier self-disclosure information along with internal and external information (e.g. from rating agencies) about the company and HOCHTIEF's assessment of this infor-

This chapter is part of Focus Area Procurement

mation. With this procedure, new contractual partners must provide proof that their products and services meet our economic, ecological, and social requirements. As part of prequalification, all new subcontractors and suppliers are required to fully commit to observing the HOCHTIEF Code of Conduct for Business Partners. This includes committing to uphold human rights and comply with labor, social, and environmental standards. By signing, subcontractors and suppliers also undertake to hold their contractors to the Code of Conduct. Each new order renews the commitment to the Code of Conduct.

In 2015, the non-financial performance indicator of lost time injury frequency rate (LTIFR)[1)] was introduced. It was also made a mandatory performance indicator in the prequalification process in Europe. This reflects the high priority we give occupational safety and health on our construction sites. It also lets us actively improve risk management in procurement.

Furthermore, we consider it essential to ensure respect for human rights at every link in the supply chain—our procurement volume and hence the procurement of deliverables provided by third parties for HOCHTIEF corresponds to about two-thirds of Group work done. As a result, numerous people are involved directly or indirectly in our project activities. We subject subcontractors and suppliers from countries with a heightened risk of human rights infringements to special scrutiny. Supplier self-disclosure information expanded to include human rights—which we assess specifically—is our way of ensuring that potential contractual partners' behavior fulfills our requirements for compliance with human rights standards.



Our prequalification process also counters compliance risks. For example, we ask about convictions or pending lawsuits involving corruption, money laundering, and antitrust violations. Among other things, HOCHTIEF Europe also performs separate business partner due diligence on, for example, subcontractors from countries that have a corruption value classified as critical in Transparency International's Corruption Perceptions Index. In the reporting year, some 92% of our subcontractors and suppliers were prequalified. We work continuously to further improve this figure.

On the 2017 Dow Jones Sustainability Index, HOCHTIEF yet again ranked among the top companies in the construction industry in the category supply chain management, demonstrating that we are on the right track. Additionally, HOCHTIEF participated in climate ranking CDP's Supplier Engagement Rating for the first time, earning a score of B-. With a view to enhancing sustainability and transparency in our supply chain even further, we initiated a project with rating company EcoVadis in the reporting year. In 2018, the EcoVadis analysts will

[1)] For further information, please see the Occupational Safety and Health section on pages 111 and 112.

Focus area indicator Procurement

Aspect prequalification: Percentage of prequalified business partners in percent
See GRI index.

Focus area indicator Procurement

Aspect evaluation: Number of evaluations
See GRI index.

evaluate roughly 100 of our strategic partners, specifically homing in on various sustainability criteria, including environmental protection, labor and human rights, fair business practices, and supply chains.

Where risks are identified, this can additionally lead to special supplier development measures. Prequalified companies submit bids within our projects. This provides an effective basis for competition in **contract award**. We work together here with our contract partners to define the requirement profiles, quality of service, and costs as well as the relevant deadlines in binding contracts. Our sustainability requirements—such as regulations on occupational safety and environmental protection, ethical principles as well as reporting on energy consumption and emission levels—are also incorporated.

HOCHTIEF aims to promote local economies around its construction sites. For this reason, we give preference to local subcontractors and suppliers based in the vicinity of our project sites. This lets us secure jobs and strengthen long-term economic development in the regions where we are active. Moreover, it keeps transportation routes short and ensures lower carbon emissions. In 2017, around 70% of our procurement volumes across the entire HOCHTIEF Group were contracted to partners from the respective regions.

Project teams at HOCHTIEF construction sites are responsible for **monitoring** the subcontractors and suppliers. This involves checking material supplies as well as reviewing the contractually agreed works and services. Strong emphasis is placed on adhering to work safety directives alongside properly disposing of or recycling waste. We also keep a strict watch to ensure that all contract partners comply with all minimum wage requirements.

After subcontractors have delivered goods or services, the HOCHTIEF project teams also conduct structured **evaluations** of our contract partners. This applies equally to all our partners, whether they are new or longstanding subcontractors or suppliers. In the HOCHTIEF Europe and Asia Pacific divisions, these evaluations comprise not only economic aspects (including change orders) but also environmental factors (such as the handling of hazardous materials and waste and awareness of resource conservation) as well as social issues (for instance, observing work safety directives, human rights, and fair pay). The evaluations are conducted both with the help of established IT systems and manually within the project framework.

Visits to suppliers, audits, and an analysis of external information provide for additional transparency. We attach great importance to on-site subcontractor and supplier audits. The audits are performed either by outside partners or internal Group units.

Positive results qualify subcontractors and suppliers for further projects, ensuring they are included in future tender processes. In 2017, some 735 evaluations were carried out centrally in Germany for the main goods and services provided by our subcontractors, suppliers, and planners (500 evaluations in 2016). We intend to further increase the number of subcontractor, supplier, and business partner evaluations and, over the long term, to implement corrective action plans. Our goals include further enhancing supply chain transparency and, in the longer term, additionally to include non-tier 1 suppliers in our supplier management by way of prequalification and evaluations.

If, however, contractual partners fail to live up to HOCHTIEF's standards and receive a negative evaluation from the project teams, they are either supported with suitable supplier development measures (see also under EcoVadis) or tagged in the system accordingly and **phased out** by excluding them from future selection processes.

Organizational structure of procurement

Procurement staff form a professional purchasing network. Central cross-divisional, Group-wide purchasing units support the decentralized procurement teams, which operate in a similar way to a small or medium-sized company and are integrated into ongoing projects.

Decentralized procurement at project level

As a rule, purchasing at HOCHTIEF is processed directly in association with our projects. This is why subcontractor and supplier management is conducted on a predominantly project-specific and local basis. Since our construction projects are all unique, each new project entails a change in location and different team members. Accordingly, each project also brings with it a different set of challenges in selecting subcontractors and suppliers. Our project procurement staff pick suitable contract partners with the benefit of detailed knowledge of regional, national, and international markets as well as project expertise. Since, in contrast to other industries, our projects are executed at varying locations, we must continually seek out new business partners. While we consistently set store by partnering with companies from the respective regions, we also engage supraregional subcontractors and suppliers with whom we have worked successfully in the past.

View current examples of HOCHTIEF project highlights in sustainable procurement online.

Centralized procurement at Group and division levels

All three divisions have a central procurement unit. Each of them is tasked with ensuring adherence to all purchasing directives and compliance requirements. By keeping constantly in touch with one another, they are also able to offer mutual support where necessary in selecting and managing international suppliers.

The central procurement units oversee and assist project purchasing in the relevant division. Furthermore, responsibility for purchasing at Group level falls to HOCHTIEF Solutions AG. It takes the lead on propagating best practices from all divisions and institutes strategic initiatives to further develop procurement as a whole.

In the wake of the ongoing realignment process launched in 2014, procurement has also been restructured. This meant a new procurement directive was introduced at HOCHTIEF Europe and HOCHTIEF Asia Pacific. The aim of the directive is to safeguard transparency, fair competition, the application of proper procedures, and sustainability when purchasing materials and services. Through the additional application of consistent language and uniform binding rules for the purchase of materials and services, we are also able to ensure proven, risk-minimizing processes. The delegations of authority (DoA), for example, involve harmonized approval processes and responsibilities. These guidelines are firmly anchored in our certified management system (to ISO 9001 or equivalent).

Procurement activities: countries

Once again in 2017, HOCHTIEF bought materials and services predominantly from subcontractors and suppliers in countries with high human rights standards, in compliance with UN conventions. Only very few of the countries where we source materials do not follow the UN conventions. In such countries, we aim to use our requirements to set new benchmarks.

Further information on the Internet at www.hochtief.com/sustainability

EXPANDING HORIZONS

The more goods are transported by ship rather than truck, the lower the greenhouse gas emissions and the lighter the volume of road traffic. This is why a number of waterways in Germany are currently being upgraded and modernized. The Moselle River is a case in point. HOCHTIEF is working on a second lock chamber in Trier that will be larger than the existing one, to be completed by 2019. Due to water traffic bottlenecks, upgrading the infrastructure on the Moselle is a top transport policy priority as it will offer major benefits for the economy and the environment. The project is on schedule—good news for improving tomorrow's carbon footprint. Plus, the captains of the river barges are looking forward to the inauguration, which will mean less waiting in line on the Moselle and more going with the flow.

Looking ahead

General economic environment for 2018[1)]

According to the International Monetary Fund (IMF), global economic growth amounted to 3.7% in 2017 and was thus higher than in the prior year. The IMF expects the economic recovery to continue and forecasts growth of 3.9% for 2018. In the markets and regions relevant to HOCHTIEF, the growth outlook for 2018 remains positive. In total, we have identified a pipeline worth approximately EUR 150 billion of relevant projects coming to our markets in North America, the Asia-Pacific region, and Europe in 2018, with around a further EUR 350 billion in 2019 and beyond. HOCHTIEF remains very well positioned with its global presence and capabilities. The outlook for 2018 and beyond holds good business prospects for our Group. Based on our positive performance in 2017, we anticipate that we will be able to further improve our key performance figures.

The HOCHTIEF Group's strategic focus[2)]

We will continue to systematically pursue our strategy and associated strategic initiatives. Our aim is to strengthen our market position in the Group's core markets and to generate the best possible profitability in each case. To this end, we focus on innovation and the continuous onward development of systems and processes. We are constantly adapting to the market environment. The sustainability strategy[3)] derived from our corporate strategy will additionally help us attain our ambitious goals and allow all stakeholders to share in our business success.

Assessment of the current business situation by the Executive Board[4)]

HOCHTIEF looks back on a very successful year in 2017 in which we were able to significantly increase sales and profits and made substantial progress in terms of cash generation.

While new orders and the order backlog were already at a high level in the prior year, we were able to achieve a further significant improvement in 2017 as expected. New orders grew to EUR 30.3 billion (up 23% on the prior year) and the order backlog to EUR 44.6 billion, which marks a 4% increase on the already very large prior-year figure. Work done also developed positively, increasing by 10%.

HOCHTIEF can report a significant improvement across all key performance indicators for 2017. Sales (EUR 22.6 billion, up 14%), EBIT (EUR 904 million, up 26%), nominal profit before tax (PBT) (EUR 824 million, up 33%) and nominal consolidated net profit (EUR 421 million, up 31%) all show substantial growth year on year as expected. With an operational consolidated net profit of EUR 452 million, HOCHTIEF reached the upper end of the guidance range (EUR 410–450 million) and was 25% above the prior-year figure. All divisions contributed to this positive performance. We benefit here from our concentration on their respective core business segments. Furthermore, as expected, our strong and systematic focus on cash generation and on further improving working capital management resulted in a further 17% rise in net cash from operating activities in 2017 and another 14% increase in free cash flow compared with the prior year. Net cash consequently went up by 80% year on year to EUR 1.26 billion.

Reflecting the very high priority attached to occupational safety at HOCHTIEF, the lost time injury frequency rate (LTIFR)[5)] was established as a non-financial key performance indicator in 2015. During the reporting year, we improved on this measure from what was already a very low level in previous years, reducing the LTIFR by another 7% to 1.23, as expected.

[1)] For further information, please see the Markets and Operating Environment section on starting on page 37.

[2)] For further information, please see the Strategy section on pages 29 to 33.

[3)] For further information, please see the Sustainability Strategy section on pages 33 to 35.

[5)] See glossary.

[4)] For further information, please see the Financial Review section on page 49 et seq.

Overall assessment of future developments

The positive outlook for 2018 is also reflected in our expectations for HOCHTIEF's key performance indicators. For the HOCHTIEF Group, we additionally expect an operational net profit in the range of EUR 470–520 million for 2018. This represents an increase of 4–15% on 2017, with all our divisions likely driving this further improvement in our Group performance. We aim for a solid increase in our net cash position, subject to capital allocation. Once again in 2018, we will maintain our focus on safety as the precondition unterlying HOCHTIEF's guiding principles. In this way, we want to further improve the lost time injury frequency rate (LTIFR) and achieve a target of 0.9 over the long term.

Dividend

HOCHTIEF retains its policy of affording shareholders their commensurate share in the success of the business. The Executive Board and Supervisory Board of HOCHTIEF Aktiengesellschaft are proposing to distribute an ordinary dividend of EUR 3.38 per share for 2017. This represents a payout ratio of approximately 50% and an increase of 30% on 2016.

Opportunities and Risks Report

As an international construction group, HOCHTIEF generates the majority of work done, and value created, in projects that differ in nature, volume, duration, complexity, and engineering requirements. Consequently, a key success factor for a group such as HOCHTIEF is a functioning opportunity and risk management system tailored to its business activities.

HOCHTIEF's risk management system embraces all layers of the organization and defines directives, responsibilities, processes, and custom-designed instruments. It targets early detection, assessment, and management of opportunities and risks together with the identification of suitable measures to exploit opportunities as well as for effective risk reduction.

HOCHTIEF keeps constant track of developments in the regions and markets relevant to the Group and gives due account to such developments in relevant planning. If influencing factors in a project or segment develop differently than previously assumed, this could have an impact on HOCHTIEF's key performance indicators and possibly alter the growth figures predicted for 2018 and beyond.

Group-wide risk and opportunity management/ early warning system

Numerous individual components make up the Group-wide risk management system. The framework for Group-wide risk management is provided by directives. Group-wide procedures also contribute toward minimizing risk. They include standards on occupational safety and health, social standards, and rules on conduct and compliance such as the Code of Conduct. Individual systems, processes, and organizational instructions that allow for the identification, assessment, and management of opportunities and risks supplement risk and opportunity management in the divisions and operational units. A new corporate department, Corporate Risk Management, Organization and Innovation, was established in 2017. Its responsibilities include analyzing risk matters, further improving divisional risk management, monitoring the implementation of action taken, and promoting the use of future-oriented technologies.

We consider HOCHTIEF to be generally very well placed to avoid and manage long-term risks. A risk is defined as any contingency with a potential negative impact on the attainment of qualitative or quantitative business goals, particularly HOCHTIEF's earnings, liquidity, and reputation. This includes financial, market, human resources, investment, project, and contract risks, internal risks, as well as environmental and social risks that have a direct or indirect impact on HOCHTIEF's business activities. In our assessment, we generally also take into account risks that arise from our products and services for our stakeholders and the environment. As part of risk management, we also analyze opportunities that present themselves for our projects and markets.

All divisions have also further adapted to the market environment in preceding years and continuously improved their own risk management.

In 2016, risk management in the HOCHTIEF Europe division was fundamentally restructured under HOCHTIEF Infrastructure GmbH with the aim of improving process execution efficiency. Since then, it has been subdivided into five groups: Project Acquisition and Implementation (assisting operational units in all aspects of bid preparation); Project Risk Management (supporting operational units in risk monitoring); Dispute Resolution and Litigation (providing project management for dispute handling); the Technical Quality Control Group (reducing technical risks and improving project execution); and Quality Management (QM; development, documentation, and further improvement of processes for our operating business; internal and external QM audits; continuous improvement process [CIP]; best practices; and lean construction).

Subsidiaries Turner and Flatiron in the HOCHTIEF Americas division are also embedded in HOCHTIEF's risk management system. The central role in risk management at Turner is played by the Risk Management Steering Committee, which coordinates and oversees all risk-related issues. A specially developed risk matrix enables Turner to identify and—where necessary—control potential risks from an early stage. Business unit-level risk analyses are also compiled on a quarterly basis and the findings aggregated into a risk memorandum. In risk management, Flatiron primarily focuses on project and contract risks, conducting systematic analysis and assessment of all projects with a view to risks right from the bid phase. Risks are identified at an early stage in all significant projects and the current status of the risk situation coordinated and assessed in monthly meetings at top management level. Establishment of the Turner Engineering Group and the Flatiron Technical Services Group as in-house engineering centers of excellence has additionally contributed to avoiding project risks within both companies.

In the HOCHTIEF Asia Pacific division, CIMIC lays down directives for risk management. This includes defining the risk management system as well as the identification, assessment, and treatment of risks with the potential to materially impact the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group. The risk management system at CIMIC corresponds to the business profile, and includes risks in areas such as the contract mining business. It is mostly embedded within existing processes and aligned to corporate objectives, both short and longer term. Given CIMIC's activities, markets and broad geographic footprint, certain risk factors have the potential to affect the achievement of its business objectives. As in all other divisions, risk management at CIMIC is in line with the HOCHTIEF Group directive on risk reporting.

Risk culture

HOCHTIEF pursues the continuous improvement of risk management as a key strategic goal and considers this a task for every member of the workforce.[1] The importance of risk management, and HOCHTIEF's strategic approach, are communicated among other things in dialog events between the Executive Board and the employees. Initial and further training on risk management is provided in-house and we place great importance on all employees participating on a regular basis. HOCHTIEF has a system of fixed and variable remuneration which is regularly reviewed. A key element of this system comprises risk-based metrics and targets for employee performance measurement on the basis of individual performance agreements tailored to each employee's job profile and responsibilities. The Group provides a wide array of systems and tools enabling employees to pinpoint potential risks for HOCHTIEF, escalate them, and take counteraction.

We attach top priority to occupational safety and health protection for our employees. Safety is a precondition underlying all of our Group guiding principles. Project hazard assessments serve to identify safety risks on project sites and in our offices as well as to counter those risks either preventively or with targeted action. Underscoring the importance of safety, the lost time injury frequency rate (LTIFR) has featured as a non-financial key performance indicator since 2015. Our focus is on proactively avoiding work accidents and workplace-related illness. Regular action days, intranet and poster campaigns as well as training raise employee awareness of issues around occupational safety, health, and environmental protection. This applies in equal measure to the contractual partners and subcontractors for whom we are legally responsible.[2] In 2017, the subject of occupational safety was given in-depth focus with a web dialog and a stakeholder day as part of the CR materiality analysis. The numerous suggestions generated by both events are distilled into specific measures for further improvement.[3]

[1] For further information, please see the Employees section starting on page 105.

[2] For further information, please see the Occupational safety section starting on page 110.

[3] For further information, please see the Sustainability Strategy section on pages 34 and 35.

Risk and opportunity reporting

Risk reporting is uniformly governed by a Group-wide directive accessible to all employees. It encompasses risk reporting and communication, describes the structure and procedures for risk reporting, and lays down the Group-wide risk reporting framework. The risk reporting process supplements operating risk management as part of the Group-wide processes for managing risk. This ensures a reliable information process. The outcome is reliable risk documentation for information purposes, thus ensuring that the Executive Board and management can be kept informed about the current risk situation at all times as the basis for developing countermeasures.

Risks evaluated at the level of operational units are reported to Divisional Controlling and incorporated into the planning and forecasting process. In a multi-stage process, the operating and holding companies consult with the responsible member of the Executive Board (or designee) as well as with Divisional Controlling to assess their risk exposures. The latter then submits its list of risks relevant to risk reporting to Corporate Controlling. This is done using a standardized risk report form containing information on the potential impact of a risk on earnings and liquidity in the current and two subsequent years, the risk category, the possible time scale, the probability of occurrence, and any measures already taken to avert and reduce the risks identified. Corporate Controlling takes the information collated in the bottom-up risk reporting process and aggregates the risk situation to Group level. Material risks from other parts of the Group are also incorporated here. The individual reports are then discussed with the responsible management. Finally, a risk report prepared by Corporate Controlling documents the entire risk reporting process for the Executive Board. This approach involves managers at almost all levels of the corporate hierarchy.

Opportunities are defined at HOCHTIEF as success factors capable of impacting positively on business outcomes. Opportunity management is primarily a function of strategic management and the decentralized continuous improvement process. To spot opportunities early and ensure that the Group is ready to act on them, we keep a very close watch on our markets and their development. Notable current opportunities include acquisitions and increased levels of investment in our core markets.

Scenarios, correlations, and sensitivities

Risk scenarios are additionally compiled on a case-by-case basis to present potential impacts on HOCHTIEF and correlations between risks, as well as to perform sensitivity analyses. Consequently, the risk situation is continuously monitored and—independently of the regular updates—material changes are reported without delay (internal ad-hoc reporting). The Investment Committee is a key element of risk management at HOCHTIEF in this connection, enabling potential risks to HOCHTIEF associated with planned capital expenditure, divestments, and investments requiring approval to be assessed and, where applicable, avoided before being put into effect. This serves to provide a framework of standard criteria and processes and thus to ensure that all decisions are made on the basis of identical approved principles. The type and scope of risk analysis are determined by transaction volume.

Corporate Auditing integral to risk management

Another key role in the risk management system at HOCHTIEF is performed by Corporate Auditing[1]. This is an independent internal audit function tasked with monitoring business processes and risk management with regard to compliance with the law, regulations, directives, internal control systems, and corporate objectives. To this end, Corporate Auditing has extensive and unrestricted powers of information and examination within the Group. It is an independant internal institu-

[1] For further information, please see the Compliance section on pages 89 to 91.

tion which performs audits on behalf of the HOCHTIEF Executive Board in the business segments, Group companies, project companies, and third-party entities for which it has contractual auditing powers, and which supports the Executive Board in this regard and in its managerial role with independent analyses, assessments, and recommendations.

Corporate Auditing aims to protect corporate assets, to assess the reliability of the risk management and monitoring systems, and to contribute toward improving those systems as well as toward cost efficiency in internal business processes. Ad-hoc special audits supplement the risk-based audit program. To document the observance of human rights, a basic check on human rights was established for project audits in 2017.

Our Group companies Turner and CIMIC additionally have their own independent audit units. Audit findings are used to further optimize risk management and notably risk early detection and control. The processes operated by Corporate Auditing follow international auditing standards and are subject to regular independent quality assessments. Corporate Auditing reports to management and the Executive Board on each audit and, in summary form, to the Audit Committee of HOCHTIEF.

HOCHTIEF Insurance Broking and Risk Management Solutions as an essential part of Group-wide insurance and risk management

This unit comes directly under the HOCHTIEF holding company. It coordinates insurance-based risk management for all divisions of the HOCHTIEF Group worldwide.

Its main objectives are:

- to protect the consolidated balance sheet by organizing and implementing a Group-wide insurance-related risk management,
- to reduce the total cost of risk by providing own insurance resources,
- to support local risk management by providing aggregated information obtained by collecting and analyzing data as part of a Group-wide insurance reporting.

As the company's inhouse insurance broker, HOCHTIEF Insurance Broking and Risk Management Solutions assists in the risk analysis and risk management of the Group's operating companies and ensures that the manifold projects and activities in the HOCHTIEF Group have adequate insurance cover specific to the individual requirements.

This chiefly includes insurance solutions, both for transportation infrastructure projects and for social and urban infrastructure projects, that protect against risk both before and during the construction phase as well as in the operating phase.

The comprehensive, primarily international insurance concepts focus on the provision of proper insurance cover for property damage and financial losses that can occur due to a number of factors, principally the increase in climate-related damage and environmental risks. In the case of property damage caused by natural hazards or extreme weather conditions, cover is increasingly provided through builders' risk insurance and all-risk property insurance. Liability risks that might arise from unintended environmental damage, for instance, are minimized through the Group liability insurance program. In addition to HOCHTIEF Group units, insurance cover can also be provided for external companies, notably project partners, owners, and end users.

To optimize the Group's risk and cost structure, additional products and services are also provided to HOCHTIEF Group units and external customers by the insurance companies Builders Reinsurance S.A. and Builders Direct S.A., as well as by consulting company Independent (Re)insurance Services S.A. In the reporting year, the two insurance companies were once again awarded a rating of A- (Excellent) in an financial strength rating by the renowned rating agency A.M. Best.

Internal control and risk management system in relation to the financial reporting process

Proper and reliable financial reporting is of key significance in making management decisions as well as in providing information for the public. Risks associated with the Group financial reporting process are dealt with in a variety of ways at the HOCHTIEF Group. IFRS Guidelines ensure uniform accounting recognition and measurement throughout the Group. These are updated annually. There are also annually updated German Commercial Code (HGB) accounting guidelines for German Group companies. Subsidiaries—in close consultation with Corporate Accounting—are responsible for adhering to the Group-wide accounting policies in their financial statements.

Accounting for financial instruments is carried out in consultation with the Corporate Finance department in order to guarantee the reliability and accuracy of the figures used in this connection. The measurement of derivative financial instruments is additionally supported by a treasury management tool established throughout the industrial and banking sectors. HOCHTIEF also makes use of external service providers—for example, for the assessment of pension obligations.

The correct performance of capital, liability, expense, and income consolidation as well as interim profit elimination is aided by IT-supported preparation of the consolidated financial statements and systems for validating the figures generated. If there is nonetheless any need for clarification in specific instances, the matters are investigated and remedied by Corporate Accounting. The consolidation system utilized by the Group is access-protected. This ensures that employees are only able to access the data of relevance to them. The consolidation system is regularly reviewed by Corporate Auditing.

Classification of opportunities and risks

The term "risk" primarily refers to events with potential impacts on profit before tax and on liquidity. Individual risks are classified into risk categories for a transparent presentation of the risk structure. Risk assessment and reporting serve to quantify risks, after accounting for any action taken, with regard to potential impact and probability. In the following, risks are classified according to expected value as "low," "medium," or "high." Expected value is defined as probability of occurrence times impact on financial position and financial performance. The term "opportunity" similarly relates primarily to opportunities with potential impacts on profit before tax and on liquidity as a result of opportunities being identified and exploited at an early stage.

Opportunity and risk situation in the HOCHTIEF Group

The overall risk exposure for the HOCHTIEF Group is determined by taking the sum total of the expected individual risk exposures and aggregating at Group level by divisions and the stated categories. Opportunities are primarily established by closely observing markets and identifying available market potential in all segments served by the Group.

The overall risk identified at HOCHTIEF principally relates to the risk categories covered in the following.

Market risk

The HOCHTIEF Group's economic performance is closely tied to macroeconomic trends and business cycles in the countries and regions where HOCHTIEF operates. We therefore closely monitor world economic and geopolitical developments in the regions and markets important to HOCHTIEF. HOCHTIEF's operations focus on attractive markets spanning all continents. We already

Elements of project risk management at HOCHTIEF

boast leading market and technology positions in our chosen segments worldwide. From this base, we continue to see good opportunities to further bolster our market position and core business in line with our goals and to grow profitably in the long term.

Changes in the geopolitical situation may have negative long-term impacts on the global economy and notably lead to decreased public investment spending. This may reduce the long-term growth outlook in the markets important to HOCHTIEF and/or impair future business development. With its global presence in all key markets with its prestigious local operations, HOCHTIEF can offset potential regional fluctuations and respond flexibly to risks of this kind.

The recovery of the U.S. economy since the global financial crisis continued in 2017. Despite the delay to the investment program initiated by the U.S. government, the current economic data and market forecasts give us reason to be confident that HOCHTIEF will be able to further consolidate and further expand its already strong position there. The transportation infrastructure, commercial building construction, and public-private partnership (PPP) segments are expected to benefit in this connection. We continue to also see large potential for PPP road and bridge building as well as rail infrastructure projects in the Canadian market.

The picture is similarly positive for HOCHTIEF in the Asian and Australian markets. Here, too, the outlook for the transportation infrastructure segment in particular is distinctly positive. In combination with its strong PPP capabilities, the HOCHTIEF Asia Pacific division is very well placed through our Group company CIMIC to continue delivering sustained profitable growth. In addition, demand for resources is increasing worldwide. This is likely to drive an expansion of resource extraction in the Australian market especially and have a substantial positive impact on our activities in contract mining and mineral processing. Increasing internationalization in this segment means that CIMIC is additionally well positioned for a positive trend of this kind.

The political uncertainties in Europe may have negative effects on the European economic region. Brexit in particular could have as yet unforeseeable consequences for the UK and European Union economies and hence an impact on HOCHTIEF. Furthermore, rising political populism and protectionism in some countries outside and within the European Union could have an adverse effect on contract awards. Given the slight decrease in the still large investment spending backlog and the numerous state investment programs in connection with PPP projects in individual European countries, we see very good opportunities, notably in the transportation infrastructure segment, which we intend to continue capitalizing upon.

A rise in the oil price may have a negative impact on our operating costs. In our contract mining activities especially, this risk is continuously watched and assessed. The resulting higher operating costs may have adverse implications for the projects concerned. HOCHTIEF therefore seeks to allocate this long-term risk equitably in cooperation with clients and to bring about a fair balance of interests. This places HOCHTIEF in a position to reduce the risk to a negligible level.

Overall, we do not see any significant market risk for HOCHTIEF and therefore classify such risk as low.

Financial risk

Coordinating financial requirements within the Group and safeguarding its long-term financial independence at all times is a central task in the financial management process. HOCHTIEF achieves this goal with sound Group financing secured for the years ahead and by limiting financial risk.

Financial activities in the HOCHTIEF Group are conducted on the basis of a Group-wide financial directive. The general financial directive is supplemented with functional, operating-level work instructions. In addition, a strict separation of responsibilities is maintained within the Group between financing and trading activities on the one hand and the corresponding control and settlement activities on the other. All trading transactions are compulsorily subject to dual control at minimum. Compliance with all directives and requirements is regularly checked by the internal audit function.

Potential financial risks are tracked and monitored via the monthly reporting system. This includes cash budgeting with a long-term planning horizon (18 months) and thus provides the basis for coordinating and securing finance requirements at Group level. In addition to known amounts due under existing Group financing arrangements, cash budgeting also includes budgeting for cash inflows and outflows. The impacts of specified stress scenarios on the cash position are also presented.

The financial covenants on credit facilities are monitored continually and are rated non-critical as before. No financial covenants are featured in the respective documentation to HOCHTIEF Aktiengesellschaft's main financing instruments, comprising two corporate bond issues, a promissory loan note, and a syndicated credit and guarantee facility.

In light of our efficient financial management, we assess our overall financial risk as low.

Employees

All employees contribute decisively to HOCHTIEF's business success. In this connection, our human resources strategy delivers a valuable contribution to the HOCHTIEF corporate strategy. While competition for good employees has become significantly fiercer, HOCHTIEF is successful in meeting its demand for qualified staff. It nonetheless remains our goal to continue enhancing our positive image and attractiveness as an employer for different target groups and skill profiles. Furthermore, we want to develop and make optimum use of our workforce potential. If we are able to exceed our expectations in this regard with a significant and lasting increase in workforce qualification levels, this will have a positive impact on our business performance.

For early detection of potential personnel risks, we have established risk management in the human resources function based on our risk guide. Since January 2014, a systematic survey has captured major risk categories such as skill, motivation, staff turnover, and succession risk together with the potential impacts on HOCHTIEF. The risk management classification scheme in human resources is regularly reviewed for new risks and adapted as necessary.

Based on the most recent surveys, we classify personnel risk as low.

Risk arising from pension obligations

HOCHTIEF switched over some years ago from defined benefit pension plans to defined contribution arrangements, where the costs to the company are predictable.

Largely covered by plan assets and pension liability insurance, pension obligations at HOCHTIEF are backed by sound asset holdings. Plan assets comprise a range of different asset classes based on balanced strategic portfolio allocation as well as the matching of portfolio structure to pension durations and the expected development of pension obligations. This puts HOCHTIEF in a position to offset capital market movements that affect the value of plan assets and any pension plan deficit. Changes in measurement parameters such as the discount factor or life expectancies can also lead to an increase in the pension obligations as measured on actuarial principles. Regular sensitivity analyses are performed in this connection to avoid any risks at an early stage.

There are no material risks with regard to HOCHTIEF's pension obligations. The associated risk is therefore classified as low.

Risks arising from projects, investments, legal disputes, regulatory proceedings, and third-party claims

Project and contract risks are a key risk management category in our mainstream construction business. Engineering risks resulting from factors such as complex geology in construction projects thus feature among the challenges of our business. We address these risks with the engineering expertise and longstanding contracting experience of our expert workforce. Costing and pricing risks are inherent in all projects and the appraisal of project-specific change orders also harbors risks that are continuously monitored. Risks that require monitoring—such as a changed demand situation—also arise in our non-construction businesses such as contract mining, public-private partnerships, and services.

As an international construction group, HOCHTIEF also faces numerous legal risks. Compliance is a key element of our guiding principles. However, as an international construction group, our normal business operations expose us to a number of risks in connection with lawsuits, claims, and regulatory proceedings, even if it is our aim to avoid court cases wherever possible. The outcome of legal disputes and regulatory proceedings is in most cases difficult to predict. By involving our legal departments at an early stage prior to legal proceedings, assigning specialized in-house teams to accompany such proceedings, and mandating experienced law firms, we ensure that process risks are mitigated wherever possible. In addition to the costs and expenses arising from proceedings themselves, the possibility of adverse rulings cannot be ruled out in individual cases. Provisions for ongoing litigation are recognized on the basis of estimated risk. We consider these accounting provisions to be sufficient.

In the ILM project—a joint venture building an overland power transmission line in Canada—arbitration proceedings continue with the client in respect of contract claims due to cost increases. A decision is expected in the course of 2018. In the North East Anthony Henday project, a joint venture for construction of a section of the ring road around Edmonton, Canada, Flatiron has launched arbitration proceedings against the client for compensation in respect of additional costs. The proceedings are expected to continue through to 2020.

Since 2015, CIMIC's CPB Contractors together with its consortium partners, Saipem SA and Saipem Portugal Comércio Maritimo LDA, has been in negotiations with Chevron Australia Pty Ltd (Chevron) in relation to collection of contract debtors from the Gorgon LNG Jetty and Marine Structures Project (Gorgon Contract). On February 9, 2016, the Consortium formally issued a Notice of Dispute to Chevron in connection with the Gorgon Contract. Following a period of prescribed negotiation, the parties have entered a private arbitration as prescribed by the Gorgon Contract. Since December 2016, the arbitration has continued in accordance with the contractual terms. The Arbitrators have been appointed and have made orders for the conduct of the proceedings and it is anticipated that the hearings will be in 2019 with a determination thereafter.

In connection with this project, CIMIC recognized an amount of AUD 1.15 billion as a contract debtor (approximately 50% of the total entitlement) as of the end of 2017. There are also additional projects in which claims exist against the client. Pursuing and enforcing these claims is a top priority. CIMIC recognized a contract debtors portfolio provision in the amount of EUR 458 million (AUD 675 million) in 2014. This remained unchanged at the end of 2017.

In the HOCHTIEF Europe division, the Global Tech I offshore project involves risk relating to changes not yet approved by the client as well as to a compensation claim asserted by the client. The client pulled out of the contract in 2014. Out-of-court dispute resolution proceedings remain underway.

Included in the Group's consolidated statement of financial position at December 31, 2017 is the equity-accounted investment in HLG at a carrying value of AUD 245.6 million and loans (including interest) receivable from HLG totaling AUD 1.05 billion. The assessment of the recoverable amount of the Group's investment in and loans receivable from HLG involves significant judgment in respect of assumptions such as discount rates, current work in hand, future contract wins and the recoverability of certain legacy contract receivables, as well as economic assumptions such as growth rate and foreign currency exchange rates.

We cannot preclude the eventuality that it may be necessary to recognize impairment losses on our subsidiaries and associated companies in isolated cases in the future, both in the consolidated financial statements and in the annual financial statements of HOCHTIEF.

Allegations of unfair practices in international business raised against the then Leighton Group by the Australian media in 2013 led to investigations which are still ongoing. The CIMIC Group takes these allegations seriously and is cooperating fully with the Australian Federal Police in the investigation: CIMIC had actively informed the authorities.

Based on the foregoing, we classify the risk arising from projects, investments, legal disputes, regulatory proceedings, and third-party claims as moderate overall.

Compliance

The aim of our compliance system[1] is to prevent corruption and antitrust infringements from the outset. This is put into effect through regular workforce training as well as the adoption of suitable processes and systematic controls. It is thus the job of the compliance organization to put organizational precautions in place so as to secure compliance with prevailing law on the part of the company, its decision-making bodies, and the workforce.

[1] For further information, please see the Compliance section on pages 89 to 91.

We therefore rate the risks in connection with compliance as low.

Procurement

HOCHTIEF's procurement management ensures that capable operating partners—both subcontractors and suppliers—are selected. By maintaining a constant watch over the market and close contact with subcontractors, suppliers, and institutions, we ensure that we can quickly spot changes on the procurement market and respond accordingly. Although HOCHTIEF generates a high volume of sales with individual trading partners and certain services can only be provided by a handful of business partners, the company is not critically or solely dependent on any one client or supplier. With our detailed prequalification system for business partners and by evaluating projects already completed, we maintain a comprehensive overview of our partners' capabilities, both technical and commercial. This minimizes default risk and opens the way to alternatives, enabling us to meet customer needs with the best possible solution.

We classify HOCHTIEF's procurement risk overall as low.

Regulatory environment
As a result of our business activities and significant international presence, HOCHTIEF has to contend with risks arising from regulatory changes, particularly in the areas of tax and environmental protection. Such risks can affect our key performance indicators and impact our earnings situation, notably in the case of projects lasting several years. HOCHTIEF continuously monitors national and international regulatory initiatives as well as any potential resultant changes which could affect the company in the various markets.

We currently do not consider there to be any significant regulatory risks for HOCHTIEF and therefore classify the risk as low.

Information security and data protection
HOCHTIEF counters IT risks with a professional risk management department and by working closely with capable service providers. IT service categories are clearly set out in service certificates forming part of our service contracts. Compliance with technical availability and data security requirements is ensured by stipulating measurable targets. We take care to ensure that the relevant business systems maintain high availability levels. The deployment of cutting-edge hardware and software coupled with digital and physical access control protect data from unauthorized access. Key data is kept in separate fire compartments inside certified data centers. Regular external penetration tests verify the ability of our firewall systems to withstand cyber attacks. Confidential data and files—for data storage and e-mail, for example—are protected by technical and organizational measures such as the use of encryption systems. We are also vigilant with regard to cyber crime, adapt our systems to the latest threats on an ongoing basis, and provide corresponding staff awareness training.

Our IT security directive, which applies to the HOCHTIEF Europe division as well as the HOCHTIEF Americas division, is continuously refined with the support of experts and verified by audits both in Germany and internationally. Our Group company CIMIC in the HOCHTIEF Asia Pacific division uses its own information and communication systems as well as corresponding directives, which are in line with the applicable HOCHTIEF directives. This ensures that requirements are met with regard to data security, confidentiality, and availability.

In addition, our service providers cooperate with the Group's Data Security Officer to ensure that personal data are processed solely in accordance with statutory requirements. HOCHTIEF has not had any notable IT incident. Due to the measures taken, and despite the general risk situation, we estimate the overall probability of a security incident to be low.

Natural and social environment
HOCHTIEF's business activities have a direct impact on the environment. At the same time, the Group's business success is inextricably linked to environmental conditions.

In particular, our construction projects can be held up by exceptional weather conditions such as heavy rain, floods, storms, and extreme cold. This can not only lead to reduced productivity but also endanger the safety of employees, subcontractors, passers-by, and local residents, as extreme weather conditions increase the risk of construction site accidents. In this context, HOCHTIEF therefore provides ongoing training on occupational safety. Our use of cutting-edge equipment and methods additionally contributes to protecting against the elements and ensuring work safety. Project teams monitor current weather conditions and prepare employees and subcontractors accordingly. The cost risk associated with any damage that can still occur in a construction project due to unusual or exceptional weather events is assessed at project level and generally transferred to insurers. In light of the ongoing controls and the fact that potential impacts are accounted for, we do not consider there to be any significant risk to HOCHTIEF and see ourselves well positioned to prevent long-term environmental and social risks.

HOCHTIEF must comply with growing numbers of statutory requirements in areas such as emission levels and energy efficiency in the markets it serves. Such regulations can drive up operating costs in our projects. However, with the resources and know-how to meet ever more exacting requirements, we offer an extensive range of energy-efficient building construction and civil engineering solutions. Consequently, also in this connection, we do not consider there to be any material risk to HOCHTIEF.

Foresighted planning taking in all aspects is essential to responsible management of the short and long-term impacts of our contract work. Our risk management also takes into account environmental and social risks with a direct or indirect bearing on HOCHTIEF's business activities, and likewise actual or potential risks to our stakeholders and the environment—air, water, and soil purity, health, species conservation, etc.—as a result of our products and services.

Climate risks are regarded as part of project risks at HOCHTIEF because they can significantly affect project activities in the execution and operation phases. Needs-based analysis is performed by project teams in collaboration with specialists from the OSHEP Center. Scenarios are compiled as an aid to impact assessment.

Environmental incidents and near-misses are recorded and analyzed in a reporting system at HOCHTIEF. This analysis provides important information about risks and enables us to prevent potential environmental damage by adopting suitable countermeasures.

The tracking of CR performance indicators using sustainability software adapted to HOCHTIEF's requirements enables plausibility checking and enhances the meaningfulness of environmental and social data. This, too, contributes to safeguarding against risk.

While climate change poses many challenges and also dangers to the environment, it also holds opportunities for the construction industry. These include constructing renewable energy power plants and related transport links, repairing infrastructure projects damaged in extreme weather, building dikes and dams, and erecting energy-efficient tall buildings.

Opportunities from systematically pursuing the strategy/sustainability strategy

HOCHTIEF maintains its strategy of becoming the most relevant building and infrastructure construction group driven by sustainable, profitable growth. Moreover, we regard the interplay between business, the environment, and social responsibility as an integral part of our long-term success and foster these three elements in our business activities. We implement our strategic principles and continue to develop them on an ongoing basis. Our strategic initiatives are:

- Focus on core business of construction
- Focus on cash-based profitability
- Continuous improvement in risk management
- Differentiation through innovation
- HOCHTIEF: an attractive place to work
- Sustainable action

HOCHTIEF has substantially improved across its key performance indicators over the last several years. We aim to fully exploit the room for improvement that still remains. The related initiatives will deliver additional positive outcomes and have a positive effect on HOCHTIEF's business activities.

The same applies to our sustainability strategy, which is derived from the corporate strategy and based around HOCHTIEF's guiding principles. Our sustainability focus areas and the related overarching objectives are the basis of our sustained business success. A key element of our 360-degree approach in this context is stakeholder involvement in HOCHTIEF's business conduct. Active stakeholder management seeks to anticipate issues of relevance to us, utilize business opportunities and market potential, and mitigate risk. We were early movers in supporting systematic implementation of the sustainability concept and are now reaping the benefits: Green building—in both building construction and infrastructure—is a key driver of our successful business activities today and promises further growth opportunities to come. This potential can have a positive medium-term impact on our key performance indicators.

Opportunities based on successful research and development

The business success of HOCHTIEF and its effective contribution to sustainability are closely bound up with our capacity to innovate. HOCHTIEF clients value the project-specific alternative proposals and the technical expertise that enables us to successfully execute our ambitious projects.

The organizational framework for innovation at HOCHTIEF provides the basis to generate value with and for innovation. Innovation will remain important at HOCHTIEF into the future. It helps us further improve the quality of our work and enhance our competitiveness, especially in competitive markets. If HOCHTIEF further improves in the area of innovation, this will have a correspondingly positive impact on our business success as well as with regard to exercising our environmental and social responsibility.

Regulatory risk

Complex large-scale projects can involve legal and regulatory risks. Provisioning has been made for all risks known to HOCHTIEF associated with legal disputes that are nearing conclusion or are anticipated, legal claims, and official procedures relating to individual large-scale projects.

Abertis takeover bid

On October 18, 2017, HOCHTIEF submitted a EUR 18.6 billion offer for a 100% takeover of Abertis Infraestructuras, S.A. Abertis, which will continue to be headquartered in Spain, is the international market leader in toll roads, managing more than 8,600 kilometers in 14 countries in Europe, the Americas and Asia. It is the first operator in countries such as Spain, Chile and Brazil, and has a significant presence in France, Italy and Puerto Rico.

Based on what we consider to be compelling strategic considerations, the offer is designed to afford major advantages to both companies and all of their stakeholders.

Opportunities relating to the takeover

Bringing together HOCHTIEF Aktiengesellschaft and Abertis Infraestructuras, S.A. will create an integrated infrastructure group with a unique global strategic orientation and the expectation of substantial synergies.

The value creation potential expected is very significant. This reflects expectations of a substantial increase in concession projects and investment, expectations of additional earnings from operation and maintenance of a growing concessions portfolio, and expectations of improved margins as a result of the new business model. In our view, the business combination will have significantly greater financial strength, enabling substantially increased investment while safeguarding a sustained strong balance sheet position.

The HOCHTIEF Group is well positioned worldwide as a developer of greenfield PPP projects. Its focus here is on higher-growth markets in the USA, Canada, Australia, and in Europe. This expertise can be leveraged to even better effect when combined with the brownfield experience contributed by Abertis. The planned transaction brings together two companies from the infrastructure sector with an excellent complementary fit. Combining HOCHTIEF and Abertis is also highly attractive for their respective shareholders as the enhanced financial strength makes it possible to generate a higher shareholder remuneration.

Risks

In view of the size and importance of the planned takeover, material risks in connection with it are set out below. Ahead of any takeover offer, the risk profile of a takeover is identified and evaluated on the basis of the information available. The following is a non-exhaustive presentation of the material risks.

Preconditions for the takeover and risk of the takeover offer

The takeover is subject to various preconditions and stipulations. These include, among others, that the takeover offer be accepted by at least 50% plus one share in Abertis and the granting of necessary official approvals. At the present time, it cannot be ruled out that the planned takeover may be delayed or fails to materialize. This will be the case if any or all of the stipulations are not met. Even if the takeover fails to materialize, HOCHTIEF must meet the cost of preparing it.

Risks of non-attainment of strategic or operating objectives

The positive assessment of the takeover is based at the present time, among other aspects, on assumptions made on the basis of publicly available information. These may prove to be inaccurate in retrospect and thus have an impact on HOCHTIEF's accounting goodwill or on the expected synergies.

Change in risk profile

HOCHTIEF's risk profile will change in the event of a takeover of Abertis. Additional or increased risks cannot be conclusively described and assessed at the present time. As stated by rating agency S&P, however, a takeover of Abertis would in principle improve the business risk profile of HOCHTIEF. The greater geographic diversification that HOCHTIEF's attractive infrastructure markets in the USA, Canada, and Australia would open up for Abertis is one of the factors that would lead to enhanced stability of profitability and cash flow generation. S&P has consequently upgraded its assessment of the business risk profile from satisfactory to strong.

Financial risk

Financial risks associated with the takeover primarily relate to potential exchange rate fluctuations, liquidity risks, interest rate fluctuations, and the refinancing of existing facilities.

Risk relating to the financing of the planned acquisition

The financing of the planned takeover involves certain risks, essentially relating to the necessary refinancing of the acquisition financing and an increased debt level.

HOCHTIEF announced in November 2017 that the credit facility for financing the planned takeover of Abertis had been successfully syndicated at competitive rates. The facility is for a total of EUR 15.0 billion and was underwritten by J.P. Morgan before submission of the Abertis offer.

In light of the factors that will lead to a high degree of stable profitability and cash flow generation, S&P decided to upgrade its assessment of the business risk profile from satisfactory to strong. The affirmed BBB rating was placed on negative outlook, which is usual for M&A transactions of this kind.

Other risks

Other risks of the planned takeover include regulatory risks, such as due to the resulting geographic positioning in new markets, risks of litigation by minority shareholders, and political risks relating among other things to the political situation in South America and Spain. There is also a dependency on securing new concessions.

Executive Board's overall assessment of opportunities and risks

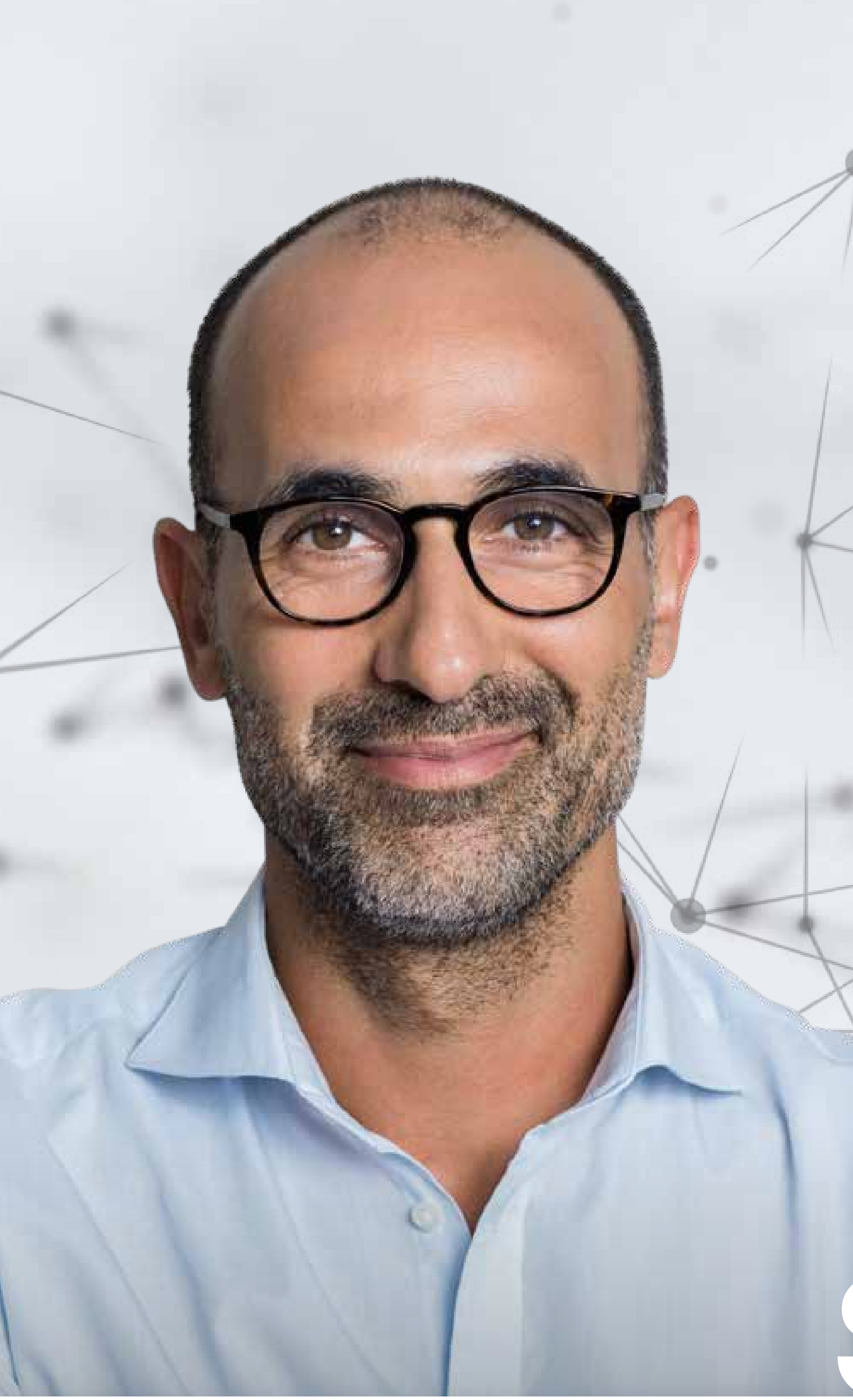
The Group's overall risk position did not change significantly in 2017. HOCHTIEF will continue to work intensively to optimize its risk position even further. The risk management approach is kept under constant review and adjusted as necessary to preclude any volatility in HOCHTIEF's key performance indicators.

Systematic implementation of our uniform Group-wide strategy helps HOCHTIEF exploit opportunities as they arise. We expect to be able to counter potential risks and thereby avoid or reduce the negative impact on our business activities.

From the current perspective, based on their probability and potential impact on HOCHTIEF, the risks described in the foregoing report do not cast any doubt over the HOCHTIEF Group's ability to continue as a going concern. Based on our analyses and the sound development of the business in 2017, we continue to assess HOCHTIEF's risk-bearing capacity as good.

Forward-looking statements

This Group Report contains forward-looking statements. These statements reflect the current views, expectations and assumptions of the Executive Board of HOCHTIEF Aktiengesellschaft concerning future events and developments relating to HOCHTIEF Aktiengesellschaft and/or the HOCHTIEF Group and are based on information currently available to the Executive Board of HOCHTIEF Aktiengesellschaft. Such statements involve risks and uncertainties and do not guarantee future results (such as profit before tax or consolidated net profit) or developments (such as with regard to possible future divestments, planned investments or acquisitions, general business activities or business strategy). Actual results (such as profit before tax or consolidated net profit), dividends and other developments (such as with regard to possible future divestments, planned investments or acquisitions, general business activities or business strategy) relating to HOCHTIEF Aktiengesellschaft and the HOCHTIEF Group may therefore differ materially from the expectations and assumptions described or implied in such statements due to, among other things, changes in the general economic, sectoral and competitive environment, capital market developments, currency exchange rate fluctuations, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, the conduct of other shareholders, and other factors. Any information provided on dividends is additionally subject to the recognition of a corresponding unappropriated net profit in the published separate financial statements of HOCHTIEF Aktiengesellschaft for the fiscal year concerned and the adoption by the competent decision-making bodies of HOCHTIEF Aktiengesellschaft of appropriate resolutions taking into account the prevailing situation of the Company. Aside from statutory publication obligations, HOCHTIEF Aktiengesellschaft does not assume any obligations to update any forward-looking statements.



Emu Downs Solar Farm: UGL has built and is now operating the APA Group's 20-megawatt Emu Downs Solar Farm in Western Australia.

SOLAR POWER FOR CLEAN ENERGY

Renewable energy is the natural solution to securing the power supply. And it's the way of the future wherever wind, water, or sun are strong enough. This is the case at the APA Group's Emu Downs Solar Farm in Western Australia, where electricity is produced from sunlight over an area of 70 hectares. CIMIC company UGL is a proven expert in designing and building large-scale solar farms. In its building and operating projects, HOCHTIEF protects the climate and resources in addition to offering a variety of services related to alternative energy sources.

Non-financial Group Report

HOCHTIEF is an international construction group and provides services on all continents. Its activities focus on projects in the segments of transportation infrastructure, energy infrastructure, social and urban infrastructure, mining services, and other services. These activities are based on longstanding experience in development, financing, construction, and operation as well as HOCHTIEF's engineering expertise. In its operating activities, the Group concentrates on complex infrastructure projects, frequently delivered on the basis of concession models.[1)]

The Group has a long track record of successfully managing corporate responsibility (CR) matters. It built up its CR organizational structure in the 1990s. The spectrum of topics it handles has been growing ever since, and today comprises widely varying aspects of core areas such as compliance, employees, occupational safety, procurement, research and development, environment, and corporate citizenship. Our understanding of sustainability is based on the concept of systematically reconciling economy, ecology, and community in all our business activities.[2)] The Group Report delves into the wide range of topics in detail.

Established internal standards enable us to cover more recent requirements as well, such as those arising from the CSR Directive Implementation Act that first took effect for the 2017 year. The information required under the Act on environmental, social, and employee-related issues as well as compliance with human rights standards and combating corruption and bribery is provided in full in this Group Report. The page references in the table indicate precisely where policies, processes, and risks relating to the individual key topics are presented in the Group Report.

In this context, we recognize those topics as key which are directly relevant to the Company, i.e. to the development and performance of the business and the Company's environment. Consequently, stakeholders' needs are also taken into account. We assess the materiality of the topics through a regular review and evaluation in terms of business relevance, effects, and stakeholder interests.[3)]

You will find a detailed report of the risks and opportunities significant for HOCHTIEF in the Opportunities and Risks Report starting on page 121. At the present time, we see no significant risks likely to have a substantial negative impact on the sustainability aspects listed above. Likewise, we currently anticipate no noteworthy risks arising from negative deviations from our major stakeholders' expectations.

We work to improve our existing processes on an ongoing basis. Accordingly, we will continue to examine and revise all corporate responsibility matters in detail. As we do so, we will also pay particularly close attention to the effects of our business activities and their management as well as the appropriate engagement of all stakeholders.

In accordance with Section 315b (3) No. 2a of the German Commercial Code (HGB), this non-financial Group report is published together with the Group Management Report. It is based on the Global Reporting Initiative (GRI) standards.[4)]

HOCHTIEF Aktiengesellschaft is not subject to the preparation requirement under Section 289b (1) HGB and does not publish a separate non-financial report in addition to the non-financial Group report.

[3)] More further information, please see page 35.

[1)] For detailed information, please see the Group Structure and Business Activities section starting on page 24.

[2)] For detailed information, please see the sections Sustainability Strategy starting on page 34 and Sustainability at HOCHTIEF starting on page 140.

[4)] For the GRI index in accordance with the GRI standards, please see page 261 et seq.

Placement of content required under the CSR Directive Implementation Act in this Group Report

		Page
Non-financial Group Report		
Non-financial aspects in relation to business activities		
Business model		24–27, 29–33
Environmental matters (policies/processes)		
	Climate protection	
	Biodiversity	144–151
	Water	144–151
	Waste	144–151
	Green building	151
	Green infrastructure	151
	Life cycle	29, 30, 140, 148
	Innovation	99–103
Employee issues (policies/processes)		
	Occupational safety/Health	110–113, 115
	Continuing education	106–107
	Recruitment	106
Social matters (policies/processes)		
	Supporting local communities	142–143
Anti-corruption matters (policies/processes)		
	Anticorruption	89–91
	Antitrust	89–91
Respect for human rights (policies/processes)		
	Respect for human rights Prevention of human rights abuses	90, 91, 108, 115, 116, 141
	Prequalification (Procurement)	114–117
	Evaluations (Procurement)	114–117
Risk management related to non-financial aspects		130–131

Sustainability at HOCHTIEF
Solutions-oriented project business

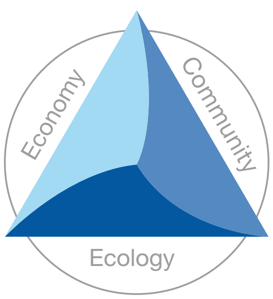
Vision and strategy: the cornerstone of sustainability

Sustainability is a fundamental part of the HOCHTIEF vision, our Group guiding principles, and HOCHTIEF's corporate strategy[1], from which the sustainability strategy is derived. Established, binding rules and guidelines ensure Group-wide implementation of our standards. We comply with and go beyond statutory requirements.

[1] For further information, please see the Strategy and Sustainability Strategy sections on pages 29 to 35.

Each of our infrastructure projects is a unique product with individual conditions. HOCHTIEF embraces a 360-degree management approach, ensuring a comprehensive project process that integrates all phases of construction projects and takes the entire life cycle into consideration. During each project, HOCHTIEF fosters partnership-based dialog with everyone involved. This continuous exchange of expectations and demands is in itself a key contribution to minimizing risk. Offerings such as the PreFair collaborative contracting model support this dialog for project optimization.

[2] For further information, please see the Employees section on pages 105 to 113.



Management of construction work impacts

Wherever construction projects are carried out, impacts on the existing fabric are unavoidable. Built structures also have a long-term impact due to their long life expectancy. Our project activities thus influence the social and natural environment. We interact with employees and trading partners from a variety of cultures and make allowance for this in our diversity strategy, which welcomes diversity and supports the Diversity Charter. It is our intention that our activities should be of maximum benefit for and have minimum impact on society and the environment. Also, it goes without saying that we are under obligation to take remedial action without delay in the event of any situation that needs to be rectified.

Depending on our projects' nature and scale, our work results in environmental impacts including land use, excavation, changes to the water supply due to lowering of the water table and re-routing of surface water, the consumption of energy, water, and resources, as well as the generation of noise, vibrations, emissions, wastewater, and other wastes. We address these effects in the context of project management tailored to each contract. Social benefits arise, for instance, through job creation and community engagement in the areas around our projects. A responsible corporate citizen and employer, HOCHTIEF contributes as a matter of principle to developing society by creating value.

With our solutions-oriented, future-focused approach, we make an active contribution to creating a safe and beneficial living environment for current and future generations while conserving the natural world—both during the course of our project activities and after completion. Foresighted planning that takes in all aspects is therefore essential to responsible management of the impacts of our business activities.

Project planning at HOCHTIEF encompasses factors such as environmental protection, energy efficiency or environmental footprint, fair working conditions, and occupational safety and health[2]. A balanced interplay of economic, environmental, and social factors is our objective in every phase of the project and decision-making process. Keeping sight of long-term interdependencies and determinants also plays an active part in effective risk management. Certified, sustainable projects based on standards such as LEED, DGNB, BREEAM, Green Star, Greenroads, or ISCA, which include systematic management of impacts, provide the optimum conditions for such responsible project management. These integrate diverse sustainability aspects and necessitate a construction and operating process for buildings and infrastructure projects that is efficient, keeps pollution levels low, conserves resources, and is user-friendly. HOCHTIEF welcomes and supports this development.

For responsible process management, we combine the vertical approach—in operational project activities—with a horizontal dimension. Continuous exchange among the various specialist departments whose responsibilities touch upon CR issues is thus standard practice at HOCHTIEF. In the long term, we aim for more intensive employee involvement in such issues by providing CR and sustainability training for the entire workforce.

This chapter is part of Focus Area Corporate Citizenship

Observance of human rights

HOCHTIEF is committed to the respect and observance of human rights and to active prevention of human rights violations.[1)] Social values and principles are an inherent part of our corporate culture and our internal standards.[2)] The obligation to observe human rights is fundamentally and bindingly enshrined in the HOCHTIEF Code of Conduct and in the HOCHTIEF Code of Conduct for Business Partners.[3)] This also is a contribution toward risk management in the Group.

HOCHTIEF identifies key areas of responsibility for the observance of human rights in the functions of compliance (anti-corruption), human resources, procurement, corporate responsibility (CR) and internal audit. Responsibility in all cases relates both to our own employees and to subcontractors. Issues of special relevance to HOCHTIEF notably include the aspects of complaint mechanisms, forced labor, child labor, discrimination, freedom of assembly, health, and occupational safety. The various functions accordingly address the issues involved, evaluate risks, specify measures to be taken, and closely consult with each other on a continuous basis. A joint working group with representatives from the various functions coordinates the common approach. The objective is to rule out human rights violations in all processes of project activities where HOCHTIEF is able to exert influence.

To identify potentially sensitive areas for human rights violations at an early stage, HOCHTIEF has deployed a human rights quick check in project audits by the internal audit function since 2017. The findings are processed by the responsible functions in order to identify potential measures to be taken.

Quality management

Sound quality management paves the way for ensuring the high quality of our activities well into the future. HOCHTIEF Solutions, for example, operates on the basis of the DIN EN ISO 9001 quality management system. This means HOCHTIEF Europe attains a 94% certification rate (expressed as a share of sales) under the standard. At Turner, the Quality Gold Star program has been used since 2015, with project teams implementing site-specific quality planning. Regular audits and continuous improvement contribute to optimizing HOCHTIEF's quality assurance processes.

Stakeholder management

HOCHTIEF's business activities are influenced by diverse internal and external stakeholder groups. Our stakeholder management serves the purpose of systematically surveying and giving strategic consideration to stakeholder needs within sustainable, responsible business practices and of our corresponding public positioning. By means of a differentiated process, stakeholder groups and their representatives are identified (see box), integrated into the network, and motivated to actively contribute by providing feedback. Objectives here include ongoing dialog and a long-term connection to HOCHTIEF.[4)] We define our CR focus areas from an analysis of key issues.

The target group-specific activities and formats include:

- Communication at construction sites
- Employee feedback
- Public relations
- Capital market communications
- Trade shows, congresses, and events
- Market studies
- Customer surveys/customer satisfaction analyses
- Image and reputation polls
- Corporate responsibility stakeholder dialog
- Quality assessments/audits

Customer orientation

Customer satisfaction is fundamental to our business. Our companies document customer feedback using tools such as surveys and databases, analyzing the resulting data. Across the Group, the repeat customer rate stood at some 74% in 2017, testifying to a high level of customer satisfaction.

We measure HOCHTIEF's reputation in regular surveys, in which we constantly achieve very good scores.

HOCHTIEF's reputation values (%)

2014	2015	2016	2017[5)]
87	85	84	**87**

Feedback from internal stakeholders is obtained by means of employee surveys. Such feedback provides important pointers regarding employee satisfaction and commitment, and exposes leverage points for improvement processes—also an important contribution to HOCHTIEF's reputation as an attractive employer.

[1)] HOCHTIEF signed the standards of the International Labor Organization (ILO) in 2000 and the UN Global Compact on supporting and respecting human rights in 2008.

[2)] The Group's expectations are incorporated in the HOCHTIEF Vision, the Corporate Principles and the Code of Conduct.

[3)] For further information, please see www.hochtief.com/sustainability

[4)] For further information, please see the Sustainability Strategy section on pages 34 and 35.

HOCHTIEF's stakeholder groups

Analysts
Associations/NGOs
Bankers
Clients
Employees
Government/public authorities
High school and college/university students, recent graduates
Investors
Journalists
Neighbors/local residents
Scientific institutions
Shareholders
Subcontractors
Suppliers
Universities/colleges

[5)] 87% of people surveyed by market research institute YouGov in Germany in the reporting year rated HOCHTIEF's reputation as excellent/very good/good.

Corporate citizenship at HOCHTIEF

Focus area indicator Corporate Citizenship

Aspect: Taking responsibility for local communities
See GRI index.

Our business activities have both a positive and negative impact on our natural and social environments. That is why our efforts to do good are always project-based, focusing on the people in the areas where we do construction work. We also take into consideration the opinions and suggestions offered by all parties we identify as having a stake in our activities but also harmonizing those various interests. As a result of our decentralized activities, we create a tailored program for each of our projects with a view to engaging with all stakeholders who are directly or indirectly affected in the construction process as well as to increasing the social benefits of our projects. This includes, for instance, incorporating communication with residents as an established part of our process management. We aim to support local communities, both in the direct vicinity of our projects and in regions where we do not do business.

We see ourselves as a corporate citizen and take responsibility. This way, volunteering, financial resources, donations in kind, and passing on our expertise often enhance the project work we perform. We have identified key areas for sponsorship: "Educating and promoting young talent" and "Shaping and maintaining living spaces." At some of our companies, social sponsorship also includes giving employees time off to participate in charitable activities.

For further information, please sse www.hochtief.com/community

Bridges to Prosperity

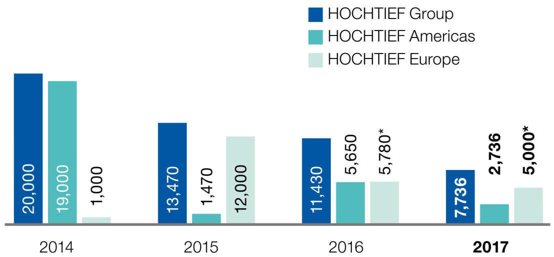
In the reporting year, HOCHTIEF collaborated with the non-governmental organization Bridges to Prosperity (B2P) to jointly build footbridges in remote areas of impoverished countries. This aligns with our sponsorship focus of shaping and maintaining living spaces.

www.bridgestoprosperity.org

For further information, please see ww.hochtief.com/b2p

Spanning rivers that rise or even swell massively in the rainy season, the bridges built together with B2P give the local population a safe way to access educational facilities, medical treatment, and markets now. HOCHTIEF and its companies have been working with B2P since 2010, and the initiative has successfully expanded throughout the Group. We completed three bridges in the reporting year.

Number of people who benefit from B2P bridges constructed by HOCHTIEF



*incl. HOCHTIEF Asia Pacific

For each project, a team of employees travels to the region to build a footbridge within two weeks. They also train the local populace so they can perform repairs themselves later. That is how we ensure sustainable growth and knowledge transfer.

The HOCHTIEF employees involved can expand their networks, and their long-term ties to the company are reinforced. So far, 244 employees have worked on B2P projects. Local helpers, subcontractors, and suppliers in the areas where these projects are built also profit from our engagement. They receive fair pay and specialized training to maintain the bridges in the future.

In 2017, Flatiron completed two bridges in Nicaragua; HOCHTIEF and CIMIC together built one in Rwanda. Documenting our commitment and tracking the key figures are intended to make the sustainable social benefits measurable. We plan to continue the Group's commitment in this regard on a long-term basis.

Added value for the population:
According to Bridges to Prosperity's estimates, the 23 footbridges built by HOCHTIEF have meant:

- 12,453 children have safe access to educational facilities (12%)
- 24,906 people have easier access to medical care (24%)
- 103,800 locals have benefited from the 23 bridges HOCHTIEF has built so far

This chapter is part of Focus Area Corporate Citizenship

New paths: In cooperation with the organization Bridges to Prosperity, three new pedestrian bridges were built in 2017 in remote areas of Nicaragua and Rwanda (left).

New ideas: Sponsored by HOCHTIEF, the "1, 2, 3 Kultummel" exhibition at Berlin's Labyrinth Children's Museum invited visitors to engage with different cultures and outlooks (right).

In the reporting year, HOCHTIEF also collaborated with the organization Architects for Society to support the development of Hex House, a standardized solar house which will provide people in need of shelter, for example following natural disasters, with a dignified home. We want to continue this engagement too.

Donations and sponsorship: Organization and reporting

A Group directive specifies how HOCHTIEF defines and distributes donations and sponsorship activities. It describes responsibilities, reporting processes, and duties. The HOCHTIEF Group's donations and sponsorship activities are the responsibility of the Corporate Communications department, which is in charge of overall coordination and reporting. It develops the strategic focus in close consultation with the Executive Board.

The members of the executive boards and general management of the operating companies are responsible for their donation and sponsorship budgets, and monitor appropriate disbursement and amounts. Their focus on where to donate money and what programs to sponsor is at all times aligned with the Group directive. Each initiative is documented and reported to Corporate Communications at regular intervals.

The Group-wide budget for donations and sponsorship came to some EUR 4.98 million in the reporting year.

Footbridges constructed by HOCHTIEF and B2P, by country

	Number of realized projects
HOCHTIEF Americas (Flatiron, Turner, E.E. Cruz)	
Honduras:	1
Guatemala:	1
El Salvador:	2
Nicaragua:	13
HOCHTIEF Europe and HOCHTIEF Asia Pacific	
Rwanda:	6
HOCHTIEF Group:	**23**

No donations to political parties

HOCHTIEF's business units and companies do not make any direct or indirect donations to political organizations, parties, or individual politicians. (Excerpt from our Code of Conduct. The Code of Conduct can be found in full on the Internet at www.hochtief.com/codeofconduct).

You can find a selection of community projects in which our companies were involved in 2017 at www.hochtief.com.

Environmental protection: Responsibility for climate and resources

Our core business has environmental effects: Building construction, transportation infrastructure projects, and the mining business all impact the soil, water, air, and climate and affect biodiversity. In light of this, environmental protection is afforded top priority throughout the HOCHTIEF Group. In order to prevent negative effects wherever possible and carry out our work in the best possible manner, we flank our activities with extensive environmental protection measures, often exceeding the stringent requirements of lawmakers and clients. Here, we concentrate on the actual construction process and the effects for which we are directly responsible. In 2018, within the framework of a pilot project, we will exemplarily perform a quantitative evaluation of the environmental and social effects of construction projects.

We aim to optimize our environmental and social performance and further improve our risk management. This is why, in our environmental protection programs, we consider not only the area where our building sites are located, but also the wider vicinity. Our teams deploy individual measures to minimize the risks of environmental damage and other impacts on the surrounding area. They work in close harness with specialists who are brought on board as early as the planning stage. We examine whether materials can be used multiple times or endeavor to recycle to the highest possible quality standards. This lets us make an active contribution to reducing emissions that are harmful to the environment and climate.

We express our environmental indicators listed below in relation to Group work done in the year in question—EUR 24.52 billion in 2017 (coverage[1]). The volume, type, location, and scope of the projects we have in progress during the year affect these indicators. The amount of greenhouse gases produced usually changes relative to the change in Group work done. We monitor and assess this interdependence continuously.

Our goal is to define a base year for our indicators by 2020 in order to set concrete reduction goals on this basis.

[1] See glossary.

Organizational structure of environmental protection in the HOCHTIEF Group

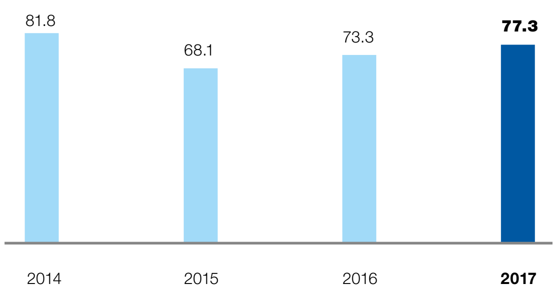
The Center for Occupational Safety, Health and Environmental Protection (OSHEP Center) is responsible for environmental protection within the HOCHTIEF Group. It specifies how environmental protection matters are coordinated and organized by way of a Group directive.[2] As this issue is of the utmost importance, the head of the OSHEP Center reports directly to the Group Executive Board. Our environmental protection policy, which is applicable to the entire Group and part of the Group directive, describes our environmental protection culture and forms the basis of our project work.

[2] See chart on page 110.

Managerial staff implement statutory and internal requirements with the support of the OSHEP Center. During the project planning and execution phases, the OSHEP experts are on hand to provide advice on implementing environmental standards so as to ensure that the procedures put in place are legally watertight. Environmental and climate protection issues are enshrined in the organizational structure of the HOCHTIEF divisions, each of which is responsible in its own right. Additionally, the internal auditing function reviews compliance with the requirements on specific projects worldwide.

In the operational units, environmental protection is integrated into the project processes. The management systems put in place for this purpose meet international standard ISO 14001. The proportion of environmental management systems within the Group in the reporting year stood at 77.3%.

Proportion of units in the HOCHTIEF Group certified in accordance with environmental management systems, relative to number of employees (%)



This chapter is part of Focus Areas Active Climate and Resource Protection

Involving employees

Adequate occupational safety, health, and environmental protection call for all project members to be well informed and trained. We consider it important that our employees are familiar with and develop their understanding of environmental issues. To this end, we involve them and raise their awareness—for example, by aligning organizational structures with employees' needs. Continuing education tailored to the requirements in question includes training in the form of in-project instruction and presentations.

HOCHTIEF's environmental and occupational safety experts also undergo regular training and advise the project teams on implementing environmental protection measures. There is a continuous exchange of information through internal and external working groups and networks.

Early risk identification

Our aim is for projects to succeed without incident from an environmental protection standpoint, too. Environmental protection issues are therefore already a factor under consideration when investment decisions are made. As early as the planning phase, our experts identify and assess the relevant environmental risks in close consultation with the project teams and develop preventive measures that are implemented during the construction process. Throughout every project, HOCHTIEF executives firmly set their sights on complying with fundamental statutory requirements and standards so as to pave the way for an accident-free construction process.[1]

Environmental damage

We classify environmental damage into three categories, which in some cases are broken down in greater detail in the individual corporate units:

- Category 1: Severe potential damage with irreversible or long-term assumed impacts
- Category 2: Minor to medium potential damage
- Category 3: Negligible incidents without substantial potential damage, and near-misses

Any significant damage caused in the course of construction projects must be reported through the crisis information system. Cases of environmental damage are generally captured and assessed using a reporting system so that they can be analyzed and revisited in detail. We take the same approach with near-misses concerning the environment, as these provide important insights into processes that entail risk. Appropriate measures are taken with a view to preventing potential environmental damage.

Number of environmental damage incidents in the HOCHTIEF Group[2]

	2015	2016	2017
Category 1	0	0	**0**
Category 2	0	6	**12**

Fines

In 2017, two monetary fines of EUR 10,138 each were levied against HOCHTIEF for violations of environmental regulations.[3] Both cases arose at subsidiaries of CIMIC and relate to instances in connection with projects where waste water made its way into rivers.

Environmental protection topics at HOCHTIEF

We give consideration to environmental aspects during HOCHTIEF's project activities through our CR focus areas Active Climate and Resource Protection and Sustainable Products and Services.

Hazardous substances management

Handling hazardous materials and products containing hazardous materials entails risks to people and the environment. This is why it is of paramount importance to handle them correctly and responsibly. As statutory and internal requirements differ from country to country, the HOCHTIEF Europe division stores requirements relating to hazardous substances lists using an online program, where employees can also view workplace-specific instructions, additional information on individual hazardous materials, and safety data sheets.

[2] Minor instances of environmental damage and low-severity Category 3 incidents are dealt with under the auspices of the relevant company and are not reported Group-wide. The figures in the table also include incidents for which only a warning was issued.

[3] The internal reporting limit is EUR 10,000.

You can find examples of environmental protection topics in practice on our website at hochtief.com/sustainability.

[1] For further information, please see the Opportunities and Risks Report section on pages 130 and 131.

Focus area indicator
Active Climate and
Resource Protection

Aspect: Waste
See GRI index.

Waste management

As construction processes typically produce large quantities of waste, we at HOCHTIEF are very keen to handle materials responsibly, particularly the mineral portion of construction waste. Partly in light of the growing scarcity of resources, this is a key concern. As a rule, we place emphasis on avoiding waste in the first place, reducing unavoidable waste, and recycling as much as possible.[1]

[1] At HOCHTIEF, the term recycling covers both recycling and reuse. HOCHTIEF's recycling rate is the volume of all recycled and reused waste as a percentage of total waste.

[2] See glossary.

The total quantity of waste increased significantly in the reporting year. Fluctuations in waste quantities are normal due to the strong variation in our contracting business, with major infrastructure projects in particular leading to large volumes of waste. What is crucial for us is to ensure responsible disposal. Large-scale tunnel construction projects at CIMIC companies were notable in contributing to the increase during the reporting year.

We provide for projects to sort waste by type wherever possible after demolition or earthwork operations. This is essential to enable materials to be reused to a high standard of quality. In addition, we plan consumption of material volumes in detail, developing waste disposal concepts early on so as to ensure that material flows are efficient and environmentally friendly, especially in large-scale infrastructure projects. We take care to reuse materials for the same project wherever possible so as to avoid transportation and waste disposal haulage. This often results in cost savings—and when we save on journeys, it also reduces the amount of fuel and CO_2 emissions. This is where lean management processes[2] come into play as part of our construction management activities.

To reduce the impact on the environment and cut waste disposal costs, we are placing ever greater emphasis on recycling waste. The Group-wide recycling rate was 90.6% in 2017 (2016: 74.3%). Our projects are all very different and can vary considerably in terms of the volume, composition, and contamination of the waste they generate. The annual recycling rate must be examined against this backdrop. Our aim at all times is to recycle to high quality standards. In the long term, we aim to attain a constant recycling rate (including recovery) of at least 85% each year.

Waste management has a significant effect on our projects, as the growing scarcity of resources in some areas can impact directly on a construction project. The waste disposal and recycling methods are often mandated by requirements in the relevant countries, particularly in the case of hazardous waste. For non-hazardous construction waste, such as demolition rubble or uncontaminated excavated material, the companies doing the work can usually decide for themselves how to recycle the material while ensuring that they are legally compliant. On construction sites, project-specific disposal logistics plans are developed to govern material flows.

Waste volume by type in the HOCHTIEF Group (t)

	Waste volume total	Waste volume hazardous	Waste volume non-hazardous	Group Coverage[3]
2017	**8,860,189**	**123,481**	**8,736,708**	95%
2016	2,143,758	48,729	2,095,029	98%
2015	3,897,625	308,375	3,589,250	100%
2014	3,747,136[3]	150,373	3,596,763	100%

Waste volume by disposal method in the HOCHTIEF Group (t)

	Waste volume total	Thereof: recycled/ reused	Thereof: landfilled/ disposed	Recycling rate	Group Coverage
2017	**8,860,189**	**8,024,991**	**835,198**	**90.6**%	95%
2016	2,143,758	1,592,591	551,167	74.3%	98%
2015	3,897,625	3,192,247	705,378	81.9%	100%
2014	3,747,136[3]	2,622,995	1,124,141	70.0%	100%

[3] Figures adjusted on basis of more precise renewed survey by HOCHTIEF Asia Pacific division after 2014 reporting year.

Biodiversity conservation

In the area around our projects and beyond, we endeavor to protect and conserve biodiversity and reduce the negative impact of our work. Environmental appraisals prior to construction, always in consultation with the competent authorities, are therefore a matter of course and also include aspects of species protection. Detailed environmental plans are developed for the construction phase, containing at least the regulatory requirements and mandatory measures. This applies especially where projects are in the vicinity of protected areas. In the event of changes to the planning, the project managers immediately adjust the environmental measures to match.

The environment is impacted not just by the construction business, but by the mining business as well. CIMIC therefore focuses not only on excavating resources with as little impact as possible, but also on subsequent renaturation measures. In 2017, CIMIC companies rehabilitated a total of 1,032 hectares of land following mining activities—an area equal to roughly 1,444 football fields or 195 Great Pyramids.

Rehabilitation of mining area in 2017 (ha)

Region	Reshaped	Top-soiled	Seeded
Australia/ Pacific	192.1	69.7	42.0
Asia	369.3	358.5	0.0
Total	**561.4**	**428.2**	**42.0**

Water management

The protection and responsible use of water resources are key factors for us, as construction projects often require large quantities of water or impact the groundwater. To ensure that work is performed in an efficient, environmentally compatible, and responsible manner, each project team devises tailored water conservation plans. Groundwater and drinking water use during the course of a project, disposal of used and waste water, infiltration, water pollution, and water treatment are key aspects here.

Water consumption by source in the HOCHTIEF Group (m^3)

	2015	2016[1]	**2017[1]**
Municipal water supplies	3,691,980	3,598,315	577,274
Fresh surface water	2,392,950	765,599	3,221,417
Fresh ground water	752,070	3,292,075	1,676,121
Wastewater	–[2]	–[2]	2,182,595
Rainwater	–[2]	–[2]	248,574
Water reused	5,098,000	5,425,000	4,052,000
Total water consumption	**11,935,000**	**13,080,989**	**11,957,981**
Group Coverage	46%	50%	52%

[1] Notionally applying at HOCHTIEF Europe the percentage distribution of sources used at HOCHTIEF Asia Pacific.
[2] Not tracked in the reporting period.

Notably projects that are to be certified to standards such as DGNB, LEED, or ISCA require responsible water management, above all in water-poor regions, where water is also recycled or used multiple times. For example, during construction of the Sydney Metro project, which is being carried out by CPB Contractors as part of a consortium, water consumption is to be reduced by at least 10% compared with conventional methods. At the same time, at least a third of the water used during construction is to come from non-potable sources.

Focus area indicator Active Climate and Resource Protection

Aspect: Biodiversity
See GRI index.

As water is a particularly important issue in the Asia-Pacific region, CIMIC operates active water management at project level and systematically captures water consumption data. The company regularly participates in the CDP water ranking and achieved a B score in 2017.

At CIMIC in the HOCHTIEF Asia Pacific division, a total of 35% of all water used in the reporting year was taken from reused water.

Focus area indicator Active Climate and Resource Protection

Aspect: Water
See GRI index.

Handling hazardous building fabric

HOCHTIEF takes the responsible handling of hazardous materials and contaminants extremely seriously because of the risks to people and the environment. The issue is addressed systematically and reliably throughout every phase of a project.

In demolition, conversion, and revitalization projects, critical component substances pose a particular challenge once in place. It must be ensured that these materials are identified and removed in a safe and environmentally compatible manner before construction activity begins. The project teams are trained in this area and made more aware of the issue on a regular basis. It becomes an issue especially when materials have been used which, although approved at the time of construction, pose a health risk according to more recent scientific findings. It is therefore also important for us to keep abreast of and communicate current research and statutory requirements. In order to ensure that we recycle to the highest possible standard of quality, we endeavor to sort construction waste into highly segregated streams.

Refurbishment

Numerous HOCHTIEF projects are dedicated to converting, modernizing, revitalizing, or refurbishing existing buildings. In these projects, no new surfaces are sealed and existing material can be recycled and subsequently reused. This helps save on transportation, waste volumes as well as resources. Depending on the type of the original building, the rebuilding work results in a better operating energy footprint.

Focus area indicator Sustainable Products and Services

Aspect: Life cycle
See GRI index.

In the reporting year, for example, the German Sustainable Building Council (DGNB) awarded the Height 1 office building in Hamburg the DGNB certificate in gold. This striking project—certification of the former Spiegel high-rise under the existing buildings scheme was a complex matter—boasts an excellent overall performance score of 72.5%. The building scored well above average notably on ecological quality, which includes the extent to which materials are free from hazardous substances.

Increasing energy efficiency and climate protection

Focus area indicator Active Climate and Resource Protection

Aspect: Climate Protection
See GRI index.

The challenge posed by climate change places demands especially on the business sector. As building is one of the most energy- and emissions-intensive activities, HOCHTIEF believes that it bears a particular responsibility. HOCHTIEF has joined with other businesses in pledging its commitment to the goal to limit global warming to 2°C or, if possible, 1.5°: At the 22nd World Climate Conference in 2016, we signed the declaration that calls for clearly defined targets for individual sectors. To underscore this even further, HOCHTIEF joined with a number of other large businesses active in Germany in signing the B.A.U.M. Code for sustainable business practices in the reporting year, which also includes climate protection. HOCHTIEF is an active participant in the "Wirtschaft macht Klimaschutz" dialog forum initiated on behalf of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety in 2017 and is also engaged in the initiative's steering committee. The aim is to create a broad network of German businesses geared to protecting the climate as well as to develop and implement joint strategies and practical measures for climate protection in the corporate sector. In this way, we aim to contribute to shaping climate-friendly operating processes.

In 2017, the non-governmental organization CDP once again recognized the HOCHTIEF Group for its contribution to protecting the climate and reducing pollutants. HOCHTIEF achieved a B score in the climate ranking and thus, according to the CDP criteria, attains Management status. In the long term, we aim to improve our rating to an A score.

Specifically making the work carried out by the construction sector more sustainable calls for innovative models and measures. In 2017, for example, HOCHTIEF started an innovation project for closed-loop cycles (Cradle to Cradle®) that is based on the infinite circulation of materials in cycles: The aim is for resources to be returned to their original cycle after use and reused. This is to be achieved among other things by optimizing the selection of building materials according to environmental standards. We pursue the goal of developing and, in the long term, establishing viable work methods around the circular economy approach.

Climate change is not just a global challenge;[1)] it also presents opportunities for HOCHTIEF, as the demand for sustainable infrastructure is growing. Sustainable building construction and infrastructure projects account

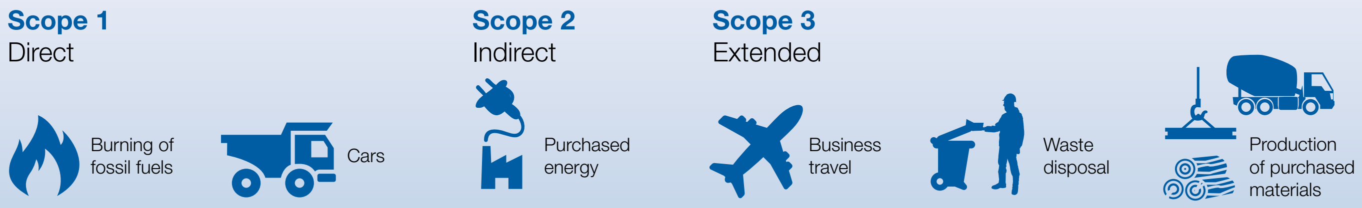
[1)] For further information, please see the Opportunities and Risks Report on pages 130 and 131.

Classification of greenhouse gas emissions

Scope 1 includes all direct sources of emissions that are owned or controlled by the company (such as carbon emissions from HOCHTIEF vehicles).

Scope 2 includes all indirect emissions from the company's consumption of energy (electricity, district heating).

Scope 3 includes all extended emissions that arise in the company's value chain and thus similarly fall within its scope of responsibility (such as carbon emissions from use of materials by HOCHTIEF subcontractors).



for a significant portion of HOCHTIEF's business activities. We are one of the leading providers in these market segments and have set our sights on further expanding our portfolio of sustainable products in building construction and civil engineering worldwide. HOCHTIEF is also ideally placed to counter the consequences of climate change, such as in flood protection or in water supply and disposal.

Greenhouse gas emissions: data collection Scope 1, Scope 2, Scope 3

In order to achieve our climate targets and reduce the production of harmful greenhouse gases, we calculate the following indicators that include the energy consumption and emissions of the main corporate units. These data are largely based on material-specific cost categories and a calculation of average prices. The indicators listed relate solely to materials and services purchased by the HOCHTIEF Group. In the HOCHTIEF Asia Pacific division, the indicators comply with the statutory requirements of the National Greenhouse and Energy Reporting Act 2007.

Nature, scope, and location of the construction projects ongoing during the year have a direct impact on energy consumption levels and the emissions inferred from them. However, projects are not comparable with one another. Using a tunneling machine to bore through hard rock,

Main materials used within the HOCHTIEF Group in 2017

	Asphalt (t)	Concrete (m^3)	Wood (m^3)	Steel (t)
HOCHTIEF Americas	–[1]	1,035,900	1,168,859[2]	138,061
HOCHTIEF Asia Pacific	345,000	1,430,000	22,667	196,000
HOCHTIEF Europe	–[1]	699,108	12,424	129,219
HOCHTIEF Group	**345,000**	**3,165,008**	**1,203,950**	**463,280**
Group Coverage	45%	100%	95%	100%

[1] HOCHTIEF will continue its efforts to improve data quality in order to achieve a consistent, standardized basis of calculation across the Group.
[2] Volume computed on the basis of average Europe prices

Main energy consumption within the HOCHTIEF Group in 2017

	Gasoline (MWh)	Diesel (MWh)	Electricity (MWh)
HOCHTIEF Americas	14,058	637	9,906[3]
HOCHTIEF Asia Pacific	5,260	8,569,000	145,000
HOCHTIEF Europe	13,186	160,663	342,384[4]
HOCHTIEF Group	**32,504**	**8,730,300**	**497,290**
Group Coverage	100%	100%	95%

[3] Including district heating and district cold (852 MWh)
[4] Including district heating (6,737 MWh)

Business travel within the HOCHTIEF Group in 2017

	Train (km)	Plane[5] (km)	Rental car (km)
HOCHTIEF Americas	2,000,000	65,666,774	2,300,000
HOCHTIEF Asia Pacific	–[6]	68,143,837	5,218,873
HOCHTIEF Europe	3,452,502	9,629,003	523,986
HOCHTIEF Group	**5,452,502**	**143,439,614**	**8,042,859**
Group Coverage	51%	100%	95%

[5] For a detailed list of air travel broken down by short, medium, and long-haul flights, please see www.hochtief.com/sustainability.
[6] Category not applicable

Greenhouse gas emissions[1] in the HOCHTIEF Group

Scope 1 (t/CO_2)	2014	2015	2016	2017
HOCHTIEF Americas	2,432[2]	1,148,432[2]	12,186	3,692
HOCHTIEF Asia Pacific	3,191,000[3]	1,913,000	1,964,000	2,202,000
HOCHTIEF Europe	54,711	38,628	31,356	46,278
HOCHTIEF Group	**3,248,143**	**3,100,060**	**2,007,542**	**2,251,970**
Group Coverage	79%	95%	100%	100%

Scope 2[4] (t/CO_2)	2014	2015	2016	2017
HOCHTIEF Americas	6,620[2]	37,112[2]	6,057[2]	5,034
HOCHTIEF Asia Pacific	219,000[3]	93,000	89,000	128,000
HOCHTIEF Europe	74,867	80,762	112,451	191,964
HOCHTIEF Group	**300,487**	**210,874**	**207,508**	**324,998**
Group Coverage	96%	95%	95%	95%

Scope 3[5] (t/CO_2)	2014	2015	2016	2017
HOCHTIEF Americas	3,648,726	1,086,608	1,440,197	835,092
HOCHTIEF Asia Pacific	4,731,000[3]	3,497,000	2,666,000[6]	1,653,000
HOCHTIEF Europe	286,488	449,472	391,571	453,300
HOCHTIEF Group	**8,666,214**	**5,033,080**	**4,495,768**	**2,941,392**
Group Coverage	75%	74%	80%	85%

[1] Sources for carbon conversion factors: GHG Protocol, DEFRA and Germany's Federal Environmental Agency, NGER
[2] Data are based on assumptions and projections.
[3] including John Holland and Ventia, reporting periods July 1 to June 30
[4] Calculated on basis of local emission factors.
[5] For a detailed breakdown of Scope 3, please see www.hochtief.com/sustainability.
[6] restated

for example, is much more energy-intensive than a building construction site operating on softer soil.

Our aim in data collection is a uniform level of detail in the division companies so as to be able to better compare and fully understand the data. To this end, consumption figures are to be recorded also on a project-related basis from 2018 onward. Data quality was further improved in the reporting year due to the greater detail level in data collection. As a result, comparability with the prior-year figures is limited in some cases.

For further information, please see: www.hochtief.nl

Practical examples

Our aim is to reduce greenhouse gases. In our projects, we therefore use energy as efficiently as possible and resources sparingly. In order to further reduce the materials and energy required, we collect the data to show us where consumption is particularly high. We then capture and analyze the causes with a view to developing measures to reduce requirements.

This is done both internally at HOCHTIEF, within the project processes for which we are responsible, and in close cooperation with clients and partners. The most important products in our portfolio include sustainable buildings and infrastructure projects. On account of lower carbon emissions, these have a positive impact on the climate, environment, and society because they are constructed efficiently and in a way that conserves natural resources. In addition, they are operated efficiently later on.

Within our Innovation Award, a competition we run throughout the Group, we have also defined an Energy and Environmental Protection category with a view to discovering innovative solutions and forward-looking approaches to environmental and climate-related issues. The awards have shown that enhancements to existing processes always go hand in hand with improvements in safety and sustainability.

LED lighting is being used more and more in construction projects, too. Besides the fact that the lights save energy when in operation, their longer life is a major plus point that has a positive impact on costs. HOCHTIEF's major office locations in Germany and selected CIMIC locations have been using green power since as far back as 2010.

Several HOCHTIEF units are working intensively to meet the 2°C target, among them HOCHTIEF Nederland, employing a wide array of measures.

HOCHTIEF stipulates strict criteria for choosing company cars. In 2017, the CO_2 emissions of company cars in Germany averaged 122 grams per kilometer (2016: 124 grams of CO_2 per kilometer). Increasingly, new models with low CO_2 emissions are selected when replacing company cars. This also improves overall cost-efficiency.

In the reporting year, Flatiron was once again awarded Platinum-level Green Fleet certification by the Association of Equipment Management Professionals for its low-emissions, fuel-efficient construction site and company vehicle fleet.

For seven years now, Turner has regularly analyzed the workplace situation of its employees in the in-house Green Zone competition. The Green Zone designation is awarded to various categories when there have been measurable processes to improve the health and working conditions of Turner employees on construction sites and at office locations. Examples of influencing factors include recycled paper, connections to public transportation, the use of biodegradable cleaning supplies, and automatic lighting controls. In 2017, the competition had 279 entrants, 178 of whom were awarded Green Zone status.

CO_2 reductions through sustainable construction

More than 30% of global CO_2 emissions are caused by buildings, mainly during their operation and use. This means that sustainable projects have a key role to play. Sustainable buildings and infrastructure projects certified by organizations such as the Infrastructure Sustainability Council of Australia (ISCA), the U.S. Green Building Council, or the German Sustainable Building Council (DGNB) are constructed efficiently and in a way that conserves natural resources, have a smaller carbon footprint, and save water. The project life cycle assessments that HOCHTIEF prepares for green buildings and also for PPP projects show that these produce lower greenhouse gas emissions than comparable, uncertified buildings. HOCHTIEF actively promotes sustainable building.

Sustainable building proves effective as early as the construction process. Resources are conserved, materials are sustainably produced, mostly recycled, or reused, regional suppliers are engaged, and a well-coordinated logistics setup ensures that transportation routes are short and efficient. Supply chains are subject to stricter controls that also cover social and environmental aspects. Green buildings produce lower CO_2 emissions and use less energy and water in the subsequent operating phase.

In the case of infrastructure projects, there are also more and more public-sector clients who attach great importance to sustainable models and approaches that are often aligned with certifications. The public purse benefits from monetary savings. Here, too, construction companies have a major influence on low-impact construction methods, but operations and maintenance work can also be carried out more efficiently. For instance, LED lights are finding increasing use in tunnel lighting.

We aim to further expand our portfolio of sustainable projects in the long term. Capable employees trained to supervise the certification process enable us to achieve this aim. A total of 196 accredited auditors were employed across the HOCHTIEF Group in 2017.

Focus area indicator Sustainable Products and Services

Aspect: Green Building Number of accredited auditors
See GRI index.

Sales through green building

HOCHTIEF handled projects worth some EUR 7.6 billion in the green building and green infrastructure segments in 2017 (2016: EUR 7.1 billion).

Our North American company Turner leads the U.S. market in green building and generated sales of around EUR 4.7 billion in this segment in 2017 (2016: EUR 4.3 billion).

Focus area indicator Sustainable Products and Services

Aspect: Green Building Number of certified projects
See GRI index.

In Australia, our company CPB Contractors is the leader in sustainable infrastructure. Sales in this segment reached some EUR 1.7 billion in the reporting year (2016: EUR 1.2 billion).

Number of green buildings of HOCHTIEF

Buildings[1]	2014	2015	2016	**2017**
HOCHTIEF Americas[2]	410	522	546	605
HOCHTIEF Asia Pacific[3]	50	57	63	65
HOCHTIEF Europe[4]	35	42	55	79
HOCHTIEF Group	**495**	**621**	**664**	**749**

[1] Cumulative number of certified (since 2000) "green" buildings constructed by HOCHTIEF by the year-end
[2] LEED, other
[3] Green Star, LEED, other
[4] DGNB, LEED, BREEAM, other; including precertifications

Number of green infrastructure projects of HOCHTIEF

Infrastructure projects[1]	2014	2015	2016	**2017**
HOCHTIEF Americas[2]	1	1	1	1
HOCHTIEF Asia Pacific[3]	6	12	16[4]	19
HOCHTIEF Europe[5]	3	7	7	7
HOCHTIEF Group	**10**	**20**	**24**[4]	**27**

[1] Cumulative number of certified and registered (since 2013) "green" infrastructure projects constructed by HOCHTIEF by the year-end
[2] Greenroads
[3] ISCA, Greenroads
[4] restated
[5] CEEQUAL

CR Program

In our CR program, we present the aspects and objects that we link with our six sustainability focus areas. For each focus area, we have derived an overarching objective, specified subject areas on significant issues in progress, and adopted long-term goals and measures. We have updated our CR program as part of the onward development of our reporting.

Sustainable corporate responsibility and CR management

Subject area	Goals by 2030	Status as of December 31, 2017
Sustainability evaluation	• Full integration of CR into financial reporting • Installation of sustainability control and management system	• 46 users of SoFi sustainability software Group-wide (2016: 30 users) • Material, energy, and water consumption data collated via HOCHTIEF Europe project control system (from Q1 2018)
Green building capabilities	• Become established as leading provider of green building solutions	• Active interconnection of in-house and external partners for development of green infrastructure • Publication of Really Green Construction brochure (September 2017)

Focus Area: Compliance
Overarching objective: We aim to set standards.

Subject area	Goals by 2030	Status as of December 31, 2017
Anti-corruption	• Ensure compliance training for all employees	• Group-wide training for 27,172 employees (2016: 16,745)
Antitrust law	• Security in dealing with competitors	• Targeted antitrust law training rolled out at HOCHTIEF Europe

Focus Area: Attractive working environment
Overarching objective: We aim to further strengthen our position as a sought-after employer and, over the long term, make a name for ourselves among the most attractive employers in the industry.

Subject area	Goals by 2030	Status as of December 31, 2017
Occupational safety and health	• Reduce lost time injury frequency rate (LTIFR) Group-wide to 0.9	• LTIFR: 1.23 (2016: 1.32)
Further training	• Maintain average number of further training hours per employee (2015 comparative figure: 13 hours)	• Further training hours per employee: 24 (2016: 12)
Recruitment	• Meet Group-wide requirements for skilled labor	• 69 young engineers recruited in Germany (2016: >70)

Focus Area: Procurement
Overarching objective: As a partner to subcontractors, we aim to redouble our efforts to ensure fair, transparent procurement processes and further step up purchases of sustainable products and materials.

Subject area	Goals by 2030	Status as of December 31, 2017
Prequalification	• Subcontractor CR performance defined as metric and established as selection criterion in prequalification	• Pilot project launched for evaluation with EcoVadis at HOCHTIEF Europe
Evaluation	• Increased number of subcontractor, supplier, and business partner evaluations and implementation of corrective action plans	• Evaluations at HOCHTIEF Europe: 735 (2016: 500); this includes corrective action plans

Focus Area: Sustainable products and services
Overarching objective: We aim to develop sustainable products and services for transportation infrastructure, energy infrastructure, social and urban infrastructure, and mining. For this reason, we take an integrated approach to our projects and ensure top quality from end to end.

Subject area	Goals by 2030	Status as of December 31, 2017
Green building und green infrastructure	• Group-wide expansion of sustainable project portfolio	• Cumulative figures as of Dec. 31, 2017: Certified green buildings (LEED, DGNB, Green Star, BREEAM, other certificates): 749 (2016: 664) Certified and registered green infrastructure projects (ISCA, CEEQUAL, Greenroads): 27 (2016: 25) • Accredited auditors in HOCHTIEF Group (Dec. 31, 2017): 1,396 (LEED: 1,290, DGNB: 3, Green Star: 15, ISCA: 35, other: 53)
Innovation	• BIM used in all large-scale projects	• Current innovation focus; BIM projects delivered in HOCHTIEF Group as of Dec. 31, 2017: 2,025 (2016: 1,562) • BIM training 2017: 819 employees trained (2016: 390)

Focus Area: Active climate and resource protection
Overarching objective: We aim to conserve natural resources and enhance resource protection. We work actively to save CO_2 emissions ourselves and jointly with our clients and business partners.

Subject area	Goals by 2030	Status as of December 31, 2017
Climate protection, water, biodiversity	• Reduction targets/target quotas defined relative to a base year (by 2020)	• Data quality improved thanks to increased use of SoFi with 46 users
	• CDP A rating in Climate Change Disclosure	• CDP rating—Climate Change Disclosure program: B (2016: B, DACH region Sector Leader Industrials) • Participation in CDP Water Disclosure program
Waste	• Recycling rate constantly ≥85%	• Recycling rate: 90.6% (2016: 74.3%)

Focus Area: Corporate citizenship
Overarching objective: We aim to get involved in the community wherever our company is at work or can offer added value by virtue of its capabilities.

Subject area	Goals by 2030	Status as of December 31, 2017
Supporting local communities	• Continued Group commitment to Bridges to Prosperity NGO	• 3 projects (2 in Nicaragua, 1 in Rwanda) involving all HOCHTIEF divisions (2016: 3 projects)
	• Continued commitment to Architects for Society NGO's Hex House project	• Support for implementation of Hex House in Hamburg

Other/future topics (selection)

Topic	Goal
Integration of CR	• CR/sustainability training provided for all employees
Employee satisfaction	• Average duration of service maintained (comparative 2014 figure: 5.4 years)
Diversity	• Labor market potential enhanced through workforce diversity
Life cycle management	• Expansion of circular economy products and services in capability range
Connecting on climate protection	• Creating climate-friendly processes across industry

Prague State Opera: HOCHTIEF CZ takes a leading role in the overall refurbishment of the Neo-Renaissance-style Prague State Opera.

SETTING THE STAGE FOR CRAFTSMANSHIP

Our work on large-scale projects makes extensive use of materials and services. This is why efficient procurement with clearly defined processes and quality standards is instrumental. Furthermore, the multifaceted demands on procurement also encompass dedicated solutions for our clients, as is the case with the Prague State Opera. Here, our renovating of the historic spaces, including restoration work on the ceiling paintings, calls for expert craftsmanship.

HOCHTIEF Group Consolidated Financial Statements as of and for the year ended December 31, 2017


Los Angeles Stadium, USA

Consolidated Statement of Earnings

(EUR thousand)	Note	2017	2016
Sales	(2)	22,630,950	19,908,328
Changes in inventories		(53,552)	(93,030)
Other operating income	(3)	171,439	372,477
Materials	(4)	(16,229,440)	(14,778,229)
Personnel costs	(5)	(4,119,809)	(3,285,214)
Depreciation and amortization	(6)	(395,621)	(287,721)
Other operating expenses	(7)	(1,239,080)	(1,208,075)
Profit from operating activities		**764,887**	**628,536**
Share of profits and losses of equity-method associates and joint ventures	(8)	115,215	75,117
Net income from other participating interests	(8)	61,338	39,803
Investment and interest income	(9)	87,091	87,415
Investment and interest expenses	(9)	(204,912)	(210,160)
Profit before tax		**823,619**	**620,711**
Income taxes	(10)	(241,132)	(187,217)
Profit after tax		**582,487**	**433,494**
Thereof: Attributable to non-controlling interest	(11)	[161,751]	[113,011]
Thereof: Attributable to HOCHTIEF shareholders (net profit)		[420,736]	[320,483]
Earnings per share (EUR)			
Diluted and basic earnings per share	(33)	6.55	4.98

Consolidated Statement of Comprehensive Income

*Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016. Please see Note 1 for explanatory notes on the adjustment.

(thousand EUR)	Note (25)	2017	2016 (restated)*
Profit after tax		**582,487**	**433,494**
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(383,501)	96,990
Changes in fair value of financial instruments			
Primary		(19,259)	(17,800)
Derivative		6,057	(895)
Share of other comprehensive income of equity-method associates and joint ventures		(8,714)	(16,174)
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		39,947	(59,103)
Other comprehensive income (after tax)		**(365,470)**	**3,018**
Total comprehensive income after tax		**217,017**	**436,512**
Of which: Non-controlling interest		[71,091]	[115,646]
Of which: HOCHTIEF Group		[145,926]	[320,866]

Consolidated Financial Statements and Notes

Consolidated Balance Sheet

(EUR thousand)	Note	Dec. 31, 2017	Dec. 31, 2016 (restated)*
Assets			
Non-current assets			
Intangible assets	(12)	1,191,858	1,322,259
Property, plant and equipment	(13)	959,854	1,177,551
Investment properties	(14)	9,488	12,007
Equity-method investments	(15)	577,171	704,897
Other financial assets	(16)	73,528	71,562
Financial receivables	(17)	835,518	818,579
Other receivables and other assets	(18)	153,785	180,741
Non-current income tax assets	(19)	3,328	19,695
Deferred tax assets	(20)	155,754	304,384
		3,960,284	**4,611,675**
Current assets			
Inventories	(21)	424,942	559,168
Financial receivables	(17)	144,183	55,985
Trade receivables	(22)	4,818,231	5,025,260
Other receivables and other assets	(18)	411,936	450,297
Current income tax assets	(19)	44,516	31,152
Marketable securities	(23)	428,759	463,424
Cash and cash equivalents	(24)	3,094,924	2,847,426
Assets held for sale	(1)	20,983	32,719
		9,388,474	**9,465,431**
		13,348,758	**14,077,106**
Liabilities and Shareholders' Equity			
Shareholders' equity	(25)		
Attributable to the Group			
Subscribed capital		164,608	164,608
Capital reserve		818,177	817,427
Retained earnings		844,150	645,960
Of which: Deduction for treasury stock		[3,252]	[3,829]
Accumulated other comprehensive income		(256,155)	18,655
Distributable profit		217,334	167,180
		1,788,114	**1,813,830**
Non-controlling interest		**745,988**	**757,279**
		2,534,102	**2,571,109**
Non-current liabilities			
Provisions for pensions and similar obligations	(27)	367,751	440,246
Other provisions	(28)	348,751	423,256
Financial liabilities	(29)	2,183,235	1,633,321
Other liabilities	(30)	30,333	36,841
Deferred tax liabilities	(20)	32,848	34,917
		2,962,918	**2,568,581**
Current liabilities			
Other provisions	(28)	728,590	821,603
Financial liabilities	(29)	235,561	1,046,934
Trade payables	(31)	6,366,009	6,509,474
Other liabilities	(30)	498,332	555,341
Current income tax liabilities	(32)	23,246	4,064
		7,851,738	**8,937,416**
		13,348,758	**14,077,106**

*Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016. Please see Note 1 for explanatory notes on the adjustment.

Consolidated Statement of Cash Flows

(EUR thousand)	Note (37)	2017	2016
Profit after tax		582,487	433,494
Depreciation, amortization, impairments, and impairment reversals		369,441	286,540
Changes in provisions		(33,518)	(81,797)
Changes in deferred taxes		119,235	83,054
Gains/(losses) from disposals of non-current assets and marketable securities		(30,070)	(6,766)
Other non-cash income and expenses (primarily equity accounting) and deconsolidations		29,138	66,152
Changes in working capital (net current assets)		333,153	384,812
Changes in other balance sheet items		2,224	7,902
Cash flow from operating activities		**1,372,090**	**1,173,391**
Intangible assets, property, plant and equipment, and investment properties			
Purchases		(357,373)	(272,575)
Proceeds from asset disposals		105,583	85,327
Acquisitions and participating interests			
Purchases		(65,540)	(260,965)
Proceeds from asset disposals/divestments		69,122	172,900
Income tax payments in connection with divestments		(39,878)	(21,546)
Changes in cash and cash equivalents due to changes in the scope of consolidation		–	163,986
Changes in marketable securities and financial receivables		(104,343)	66,701
Cash flow from investing activities		**(392,429)**	**(66,172)**
Payment for repurchase of treasury stock		–	(79,656)
Payments received from sale of treasury stock		1,326	1,284
Payments for repurchase of treasury stock at CIMIC		–	(286,731)
Payments for the purchase of additional shares in subsidiaries		(19,804)	(276,598)
Payments from equity to non-controlling interests		–	(1,162)
Payments into equity from non-controlling interests		13,564	–
Other financing activities		(18,798)	(12,644)
Dividends to HOCHTIEF's and non-controlling interests		(260,852)	(225,375)
Proceeds from new borrowing		1,926,387	681,803
Debt repayment		(2,107,217)	(936,495)
Cash flow from financing activities		**(465,394)**	**(1,135,574)**
Net change in cash and cash equivalents		**514,267**	**(28,355)**
Effect of exchange rate changes		(266,769)	67,074
Overall change in cash and cash equivalents		**247,498**	**38,719**
Cash and cash equivalents at the start of the year		2,847,426	2,808,707
Cash and cash equivalents at year-end		**3,094,924**	**2,847,426**

Consolidated Statement of Changes in Equity

Note 25 (EUR thousand)	Subscribed capital of HOCHTIEF Aktiengesellschaft*	Capital reserve of HOCHTIEF Aktiengesellschaft*	Retained earnings	Accumulated other comprehensive income			Distributable profit	Attributable to HOCHTIEF shareholders	Attributable to non-controlling interest	Total
				Remeasurement of defined benefit plans	Currency translation differences	Changes in fair value of financial instruments				
Balance as of Jan. 1, 2016	177,432	804,163	1,005,415	(287,527)	286,791	19,008	138,619	2,143,901	1,002,847	3,146,748
Dividends paid	–	–	–	–	–	–	(128,473)	(128,473)	(88,409)	(216,882)
Profit after tax	–	–	–	–	–	–	320,483	320,483	113,011	433,494
Currency translation differences and changes in fair value of financial instruments***	–	–	–	–	84,269	(24,783)	–	59,486	2,635	62,121
Changes from remeasurement of defined benefit plans	–	–	–	(59,103)	–	–	–	(59,103)	–	(59,103)
Total comprehensive income	–	–	–	(59,103)	84,269	(24,783)	320,483	320,866	115,646	436,512
Transfer to retained earnings	–	–	163,449	–	–	–	(163,449)	–	–	–
Other changes not recognized in the Statement of Earnings**/***	(12,824)	13,264	(522,904)	–	–	–	–	(522,464)	(272,805)	(795,269)
Balance as of Dec. 31, 2016/ Jan. 1, 2017* **	**164,608**	**817,427**	**645,960**	**(346,630)**	**371,060**	**(5,775)**	**167,180**	**1,813,830**	**757,279**	**2,571,109**
Dividends paid	–	–	–	–	–	–	(167,044)	(167,044)	(93,808)	(260,852)
Profit after tax	–	–	–	–	–	–	420,736	420,736	161,751	582,487
Currency translation differences and changes in fair value of financial instruments	–	–	–	–	(291,762)	(22,995)	–	(314,757)	(90,660)	(405,417)
Changes from remeasurement of defined benefit plans	–	–	–	39,947	–	–	–	39,947	–	39,947
Total comprehensive income	–	–	–	39,947	(291,762)	(22,995)	420,736	145,926	71,091	217,017
Transfer to retained earnings	–	–	203,538	–	–	–	(203,538)	–	–	–
Other changes not recognized in the Statement of Earnings	–	750	(5,348)	–	–	–	–	(4,598)	11,426	6,828
Balance as of Dec. 31, 2017	**164,608**	**818,177**	**844,150**	**(306,683)**	**79,298**	**(28,770)**	**217,334**	**1,788,114**	**745,988**	**2,534,102**

* 5,009,434 shares of treasury stock were retired in 2016. This reduced the subscribed capital of HOCHTIEF Aktiengesellschaft by EUR 12,824 thousand; HOCHTIEF Aktiengesellschaft's capital reserve increased correspondingly by EUR 12,824 thousand.

** Other changes not recognized in the Statement of Earnings during 2016 include minus EUR 398,662 thousand for acquisitions by CIMIC, minus EUR 286,731 thousand for the purchase of treasury stock by CIMIC and minus EUR 79,656 thousand for the purchase of treasury stock by HOCHTIEF Aktiengesellschaft.

*** Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016. Please see Note 1 for explanatory notes on the adjustment.

Notes to the consolidated financial statements

1. Accounting policies

General information

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with supplementary provisions of German commercial law applicable under Section 315e (1) of the German Commercial Code (HGB). There have been no changes to the accounting policies during the reporting year.

Alongside the Consolidated Statement of Earnings, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, and the Consolidated Statement of Cash Flows, the Consolidated Financial Statements also include a Consolidated Statement of Changes in Equity. Segment reporting is provided in these Notes.

For purposes of understandability, various items are combined in the Balance Sheet and in the Statement of Earnings. These items are broken down into their constituents and commented on elsewhere in these Notes. The Statement of Earnings is presented using the nature of expense method.

The Consolidated Financial Statements are presented in euros.

As an independent listed group, HOCHTIEF Aktiengesellschaft, Essen, Germany, Court of Registration: Essen District Court, HRB 279, publishes its own consolidated financial statements, which are also included in the consolidated financial statements of ACS Actividades de Construcción y Servicios, S.A., Madrid, Spain (ACS). The consolidated financial statements of HOCHTIEF Aktiengesellschaft are published in the Bundesanzeiger (Federal Official Gazette) and the consolidated financial statements of ACS in the register of the Comisión Nacional del Mercado de Valores.

The Consolidated Financial Statements relate to the year 2017, comprising the reporting period from January 1 to December 31, 2017.

The Executive Board of HOCHTIEF Aktiengesellschaft released the financial statements for publication on February 20, 2018. They will be approved at the Supervisory Board meeting on February 21, 2018.

Scope of consolidation

The Consolidated Financial Statements generally include HOCHTIEF Aktiengesellschaft as well as all German and foreign subsidiaries that are controlled directly or indirectly. This generally goes hand in hand with a majority shareholding. Ten companies are fully consolidated by virtue of contractual arrangements. Associates and joint ventures are accounted for using the equity method. Companies in which HOCHTIEF Aktiengesellschaft holds a majority of voting rights but over which it exercises joint control by contractual arrangement with other parties are likewise accounted for using the equity method unless classified as joint operations.

Holdings in subsidiaries or associated companies or joint ventures deemed to be of minor overall significance from a Group perspective are not consolidated and are accounted for in accordance with IAS 39.

A number of the subsidiaries included in the Consolidated Financial Statements make partial use of the exempting provisions in either Section 264 (3) or Section 264b of the German Commercial Code. A list of the companies that make use of these exemptions is included in Note 44.

The Consolidated Financial Statements as of and for the year ended December 31, 2017 include HOCHTIEF Aktiengesellschaft and a total of 51 German and 401 foreign consolidated companies as well as four special-purpose investment funds (Spezialfonds). The number of consolidated companies decreased by 33 compared with the previous year. The number of special-purpose investment funds stayed the same. A total of one German and 27 foreign companies were consolidated for the first time in the reporting year. The additions were in the HOCHTIEF Americas division (16), the HOCHTIEF Asia Pacific division (11), and the HOCHTIEF Europe division (1). A total of five German and 56 foreign companies were removed from the consolidated group. The companies removed from the consolidated group related to the HOCHTIEF Americas division (34), the HOCHTIEF Asia Pacific division (16), and the HOCHTIEF Europe division (11). An entity is generally added to or removed from the consolidated group at the time the equity stake in the entity is acquired or disposed of.

Thirty-two affiliated companies of minor overall significance to the Group's financial position and results of operations were not consolidated. Their combined sales represented less than 1% of consolidated sales.

Eighteen domestic and 134 foreign associates were accounted for using the equity method. This number declined by a total of 20 companies, with 14 companies added and 34 removed. The additions were in the HOCHTIEF Americas division (7), the HOCHTIEF Europe division (4), and the HOCHTIEF Europe division (3). The removals related to the HOCHTIEF Asia Pacific division and the HOCHTIEF Americas divisions (17 each). Due to their minor overall significance, a further eleven companies were not accounted for using the equity method.

A total of 67 joint operations from the HOCHTIEF Asia Pacific division are included in the Consolidated Financial Statements in relation to the interest in these joint operations. In the reporting year, eleven entities were added and seven removed.

Acquisition—UGL Limited

On October 10, 2016, the CIMIC Group, through its subsidiary CIMIC Group Investments No. 2 Pty Limited (CGI2), acquired 13.84% of the issued shares in the Australian services company UGL Limited (UGL) and announced in a takeover offer its intention to acquire the shares in UGL that it did not already own at a price of AUD 3.15 per share. CIMIC's holding was increased to over 50% and UGL consolidated effective November 24, 2016. The holding was subsequently further increased and the acquisition completed on January 20, 2017, with CIMIC thus obtaining 100% ownership.

The Group's 2016 consolidated financial statements included provisional fair values for assets and liabilities acquired in the business combination. Purchase price allocation was completed in the second quarter of 2017. Relative to December 31, 2016, the acquisition date fair value of trade payables increased by EUR 41.1 million, while deferred tax assets rose by EUR 12.3 million. Goodwill increased by EUR 14.4 million and equity decreased by EUR 14.4 million.

Consolidation policies

The financial statements of German and foreign companies included in the Consolidated Financial Statements are prepared in accordance with uniform Group accounting principles. All business combinations are accounted for using the acquisition method. Business combinations are measured at the acquisition date by allocating the consideration given to the acquired subsidiary's net assets measured at fair value. Transaction costs arising in connection with such acquisitions are recognized directly as expense. All assets, liabilities, and contingent liabilities of an acquired subsidiary that satisfy the recognition criteria are measured at full fair value regardless of any non-controlling interest. In accordance with the optional treatment under IFRS 3, non-controlling interest is measured at the acquisition date at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's net identifiable assets. Intangible assets are recognized separately from goodwill if they are separable from the reporting entity or arise from contractual or other legal rights. Any remaining positive difference is recognized as goodwill. Goodwill is not subjected to scheduled amortization, but is tested instead for impairment in accordance with IAS 36 on an annual basis and whenever there are indications that the value may be impaired. A remaining negative difference arising from the initial measurement is recognized in profit and loss. On divestment, a pro rata share of the divesting division's goodwill is taken into account when measuring disposal proceeds.

Income, expenses, receivables, and liabilities between consolidated companies are eliminated. Unrealized intercompany profits and losses are eliminated unless they are of minor significance. Any impairment losses recognized for consolidated companies that are included in the consolidated financial statements are reversed.

The same policies apply to equity-method investments. These include the Group's associates and joint ventures. Any goodwill is part of the carrying amount of an investment. Like other goodwill, goodwill on equity-method investments is not subject to scheduled amortization. Reductions in carrying amount due to impairment are included in the share of profits and losses of equity-method associates and joint ventures. The financial statements of all equity-method investments are prepared in accordance with uniform Group accounting policies.

Non-current assets held for sale

In view of the intention to sell, mining assets of PT Thiess Contractors Indonesia (HOCHTIEF Asia Pacific division) are accounted for in accordance with IFRS 5 as assets held for sale. Accordingly, the assets are classified presented separately in the balance sheet. The table below shows the major classes of assets held for sale.

(EUR thousand)	**Dec. 31, 2017**	Dec. 31, 2016
Property, plant and equipment	20,431	30,230
Inventories	552	2,489
Total assets	**20,983**	**32,719**

Currency translation

For currency translation purposes, the following exchange rates have been used for the main Group companies outside the euro area:

	Annual average		Daily average at reporting date	
(All rates in EUR)	2017	2016	2017	2016
1 U.S. dollar (USD)	0.88	0.91	0.83	0.95
1 Australian dollar (AUD)	0.68	0.67	0.65	0.69
1 British pound (GBP)	1.14	1.22	1.13	1.17
100 Polish złoty (PLN)	23.57	22.86	23.94	22.67
100 Qatari riyal (QAR)	23.88	24.88	22.73	25.99
100 Czech koruna (CZK)	3.80	3.70	3.92	3.70
100 Chilean pesos (CLP)	0.14	0.14	0.14	0.14

In their separate financial statements, Group companies disclose transactions denominated in foreign currency using the average exchange rate on the day of recording the transaction. Exchange gains or losses up to the reporting date on the measurement of foreign currency-denominated monetary assets or liabilities are included in other operating income or other operating expenses at the average exchange rate on the reporting date. Currency translation differences relating to a net investment in a foreign company are accounted for in accumulated other comprehensive income until the company is sold. This includes foreign currency receivables from fully consolidated Group companies for which settlement is neither planned nor likely to occur in the foreseeable future and which therefore resemble equity.

Financial statements of foreign companies are translated by applying the functional currency approach. As all companies outside the euro zone operate autonomously in their own national currencies, their balance sheet items are translated into euros using the average exchange rate prevailing on the reporting date in accordance with official requirements. The same method is used to translate the shareholders' equity of equity-method foreign associates following equity-method adjustment. Differences from the previous year's translated amount are recognized in other comprehensive income and are reversed to income or expense on sale of the equity interest. Goodwill of commercially independent foreign Group entities is translated at the exchange rate prevailing on the reporting date. Income and expense items are translated into euros using the annual average exchange rate.

Accounting policies

Intangible assets are reported at amortized cost. All intangible assets have a finite useful life with the exception of company names recognized as assets on initial consolidation and of goodwill. Intangible assets include concessions and other licenses with useful lives of up to 30 years. These are amortized according to the pattern of consumption of economic benefits. They also include future earnings from additions to the order backlog arising from business acquisitions; these are amortized over the period in which the corresponding work is billed. Intangible assets further encompass software for commercial and engineering applications, which is amortized on a straight-line basis over three to five years, and entitlements to various financing arrangements with banks amortized over a maximum of seven years in accordance with the term of the arrangement. Estimated useful lives and depreciation methods are reviewed annually.

Company names and goodwill are not subject to scheduled amortization. They are tested instead for impairment in accordance with IAS 36 on an annual basis and whenever there are indications that they may be impaired. The company names recognized in the HOCHTIEF Americas and HOCHTIEF Asia Pacific divisions were classified as intangible assets with an indefinite useful life as they do not have a product life cycle and are not subject to technical, technological, or commercial depletion or any other restriction.

Capitalized development costs are reported in intangible assets and amortized on a straight-line basis over five years.

Property, plant and equipment is stated at its cost less accumulated depreciation. Only amounts directly attributable to an item of property, plant or equipment are included in its cost. Borrowing costs are included in cost in the case of qualifying assets. Property, plant and equipment is normally depreciated on a straight-line basis, except in the contract mining business, where depreciation is mostly recognized on an activity basis.

Items of property, plant, machinery, and equipment typically encountered in the HOCHTIEF Group are depreciated on a straight-line basis over the following Group-wide uniform useful lives:

	No. of years
Buildings and investment properties	20–50
Technical equipment and machinery; transportation equipment	3–10
Other equipment and office equipment	3–8

Estimated useful lives and depreciation methods are reviewed annually.

Items of property, plant and equipment classified as finance leases are recognized at fair value or the present value of the minimum lease payments, whichever is lower, and are depreciated on a straight-line basis over their estimated useful lives or over a shorter contract term if applicable.

Investment properties are stated at cost less accumulated depreciation. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in the Notes. The fair values are measured using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. As with property, plant and equipment, investment properties are normally depreciated using the straight-line method.

Impairment losses are recognized for intangible assets (including goodwill), property, plant and equipment, or investment properties if their recoverable amount falls below their carrying amount. The recoverable amount of an asset or cash-generating unit is defined as fair value less cost of disposal or value in use, whichever is higher. Impairment testing may require assets and, in some cases, liabilities to be grouped into cash-generating units. For goodwill, impairment testing is performed on cash-generating units corresponding to the HOCHTIEF divisions that feature in segmental reporting. For any asset that is part of an independent cash-generating unit, impairment is determined with reference to the recoverable amount of the unit. If the recoverable amount of a cash-generating unit falls below its carrying amount, the resulting impairment loss is allocated first to any goodwill belonging to the unit and then to the unit's other assets, normally pro rata on the basis of the carrying amount of each asset. Except in the case of goodwill, impairment charges are reversed (up to a maximum of amortized cost) when the impairment ceases to exist.

A **joint arrangement** is an arrangement in which two or more parties have joint control. The parties to a joint arrangement classify it as a joint operation or a joint venture depending on their respective rights and obligations. In a joint operation, the parties have direct rights to the assets and direct obligations for the liabilities relating to the arrangement. Each party recognizes assets, liabilities, revenues, and expenses, in relation to its interests in a joint operation, relative to the HOCHTIEF Group's rights and obligations. In a joint venture, where the parties have rights to the net assets arising from the arrangement, the parties each account for their interests in the joint venture using the equity method.

Equity-method investments are stated at cost, comprising the acquired equity interest in an associate or joint venture plus any goodwill. The carrying amount is increased or decreased annually to recognize the Group's share of after-tax profits or losses, any dividends, and other changes in equity. The full carrying amount is tested for impairment in accordance with IAS 36 whenever there are indications that it may be impaired. If the recoverable amount of an equity-method investment is less than its carrying amount, an impairment loss is recognized for the difference. Any subsequent reversal of an impairment loss is recognized in profit or loss.

All **other financial assets**, comprising interests in non-consolidated subsidiaries, other participating interests, and non-current securities, are classed as available for sale and are measured at fair value where a fair value can be reliably estimated. In the case of publicly listed financial assets, fair value is determined as the market price. If there is no active market, fair value is calculated using the most recent market transactions or a valuation method such as the discounted cash flow method. In cases where fair value cannot be measured reliably, financial assets are reported at cost (less any impairments). Initial measurement is performed as of the settlement date. Unrealized gains or losses are accounted for, after adjusting for deferred taxation, in other comprehensive income and are reversed to income or expense on disposal of the asset. If there is objective evidence of impairment, the carrying amount of an asset is reduced and the impairment loss recognized as an expense. Such evidence includes a significant or prolonged decline in fair value below cost.

Long-term loans are stated at amortized cost. Loans yielding interest at normal market rates are reported at face value, and non-interest-bearing and low-interest-bearing loans are discounted to present value. Discounting is always done using a risk-adjusted discount rate.

Receivables and other assets are measured at amortized cost using the effective interest rate method (accounting for factors such as premiums and discounts). An impairment loss is recognized if there is any objective material evidence that a financial asset may be impaired. Objective evidence for impairment includes, for example, downgrading of a debtor's credit rating and related interruptions in payment or potential insolvency. Impairment losses are recognized according to actual credit risk. "Receivables" comprise financial receivables, trade receivables, and other receivables. Sales are shown net of VAT and other taxes and expected reductions such as trade discounts and rebates. Sales of goods are recognized when:
- The significant risks and rewards of ownership of the goods have been transferred to the buyer
- The HOCHTIEF Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the HOCHTIEF Group.

Revenue from transactions involving the rendering of services is recognized by reference to the stage of completion. Revenue under construction contracts is recognized as described in the following.

Construction contracts are accounted for using the percentage of completion (POC) method. Cumulative work done to date, including the Group's share of net profit, is reported under sales on a pro rata basis according to the percentage completed. The percentage of completion is measured by reference to the stage of completion; that is, as the ratio of performance delivered up to the end of the reporting period to total contract performance. Construction contracts are reported in trade receivables and trade payables, as "Gross amount due from/to customers for/from contract work (POC)." If cumulative work done to date (contract costs plus contract net profit) on contracts in progress exceeds progress payments received, the difference is recognized as an asset and included in amounts due from customers for contract work. If the net amount after deduction of progress payments received is negative, the difference is recognized as a liability and included in amounts due to customers from contract work. Anticipated losses on specific contracts are accounted for on the basis of the identifiable risks. Construction contracts handled by construction joint ventures are also accounted for using the POC method. Trade receivables from construction joint ventures include pro rata entitlements to contract net profit. Anticipated losses are immediately recognized in full in contract net profit. Contract income on construction contracts undertaken by the Group independently or in construction joint ventures is recognized in accordance with IAS 11 as the income stipulated in the contract plus any claims and variation orders. Construction contract receivables are realized within one operating cycle at the HOCHTIEF Group. In accordance with IAS 1, they are therefore included in current assets even though they are not expected to be realized in full within twelve months of the balance sheet date.

The POC method is primarily used in the mainstream construction business, construction management, and contract mining.

Deferred taxes arising from temporary differences between the IFRS accounts and tax base of individual Group companies or as a result of consolidation are recognized as separate assets and liabilities. Deferred tax assets are also recognized for tax refund entitlements resulting from the anticipated use of existing tax loss carryforwards in subsequent years provided it is sufficiently certain that they will be realized. Deferred tax assets and liabilities are offset within each company or tax group. Deferred taxes are measured on the basis of tax rates applying or expected to apply in each country when they are realized. For domestic operations, as in the prior year, a tax rate of 31.5% is assumed, taking account of corporate income tax plus the German "solidarity surcharge" and the average rate of municipal trade tax faced by Group companies. For all other purposes, deferred taxes are measured on the basis of the tax regulations in force or enacted at the reporting date.

Inventories are initially stated at cost of purchase or production. Production cost includes costs directly related to the units of production plus an appropriate allocation of materials and production overhead, including production-related depreciation charges. Borrowing costs for inventories that are qualifying assets are capitalized as part of cost. Most materials and supplies are measured using first-in-first-out, the rest using weighted average. Inventories are written down to net realizable value if their recoverable amount is less than their carrying amount at the reporting date. Should the recoverable amount of inventories subsequently increase, the resulting gain must be recognized. This is done by reducing materials expense.

Marketable securities are primarily classed as available for sale and measured at fair value. They mainly comprise securities held in special-purpose and investment funds as well as fixed-income securities with a residual term of more than three months at the time of acquisition and where there is no intention to hold the securities to maturity. Initial measurement is performed as of the settlement date and includes any transaction costs directly attributable to the acquisition of the securities. Unrealized gains or losses are reported in other comprehensive income and are reversed to income or expense on disposal. If there is objective evidence of impairment, the carrying amount of an asset is reduced and the impairment loss recognized as an expense. Such evidence includes a significant or prolonged decline in fair value below cost.

Cash and cash equivalents consist of petty cash, cash balances at banks, and marketable securities with maturities of no more than three months at the time of acquisition that are subject to insignificant fluctuations in value only.

Non-current assets held for sale and associated liabilities are measured in accordance with IFRS 5 and presented separately in the current section of the Consolidated Balance Sheet. To be classed as assets held for sale, assets must be available for immediate sale and their sale must be highly probable. Assets held for sale can be individual non-current assets, groups of assets held for sale (disposal groups), or discontinued operations. A component of an entity is a discontinued operation if it represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a major line of business or geographical area of operations, or if it is a subsidiary acquired exclusively with a view to resale. Liabilities disposed of with assets in a single transaction are part of a disposal group or discontinued operation. Non-current assets held for sale cease to be depreciated or amortized, and are measured at their carrying amount or at fair value less costs to sell, whichever is lower. Gains or losses arising on the measurement of individual assets held for sale or of disposal groups are reported in the Statement of Earnings under profit or loss from continuing operations until their ultimate disposal. Conversely, gains or losses arising on the measurement of discontinued operations at fair value less costs to sell, profits or losses of discontinued operations, and gains or losses on their disposal are presented separately in the Statement of Earnings under profit or loss from discontinued operations.

Share-based payment transactions are measured in accordance with IFRS 2. Stock option plans are accounted for Group-wide as cash-settled share-based payment transactions. Provisions for obligations under the Long-term Incentive Plans and Top Executive Retention Plans are recognized in the amount of the expected expense that is or was spread over the stipulated waiting period. The fair value of stock options is measured using generally accepted financial models, the value of the plans being determined with the Black/Scholes option pricing model. The specific problem of valuing the plans in question is solved using binomial tree methods. The computations are performed by an outside appraiser.

Provisions for pensions and similar obligations are recognized for current and future benefit payments to active and former employees and their surviving dependants. The obligations primarily relate to pension benefits, partly for basic pensions and partly for optional supplementary pensions. Varying from one country to another, the individual benefit obligations are determined for the most part by length of service and pay scales. The Turner Group's obligations to meet healthcare costs for retired staff are likewise included in pension provisions due to their pension-like nature. Provisions for pensions and similar obligations are computed by the projected unit credit method. This determines the present value of future entitlements, taking into account current and future benefits already known at the reporting date plus anticipated future increases in salaries and pensions and, for the Turner Group, in healthcare costs. The computation is based on actuarial appraisals using biometric accounting principles. Plan assets as defined in IAS 19 are shown separately as deductions from pension obligations. Plan assets comprise assets transferred to pension funds to meet pension obligations, shares in investment funds purchased under deferred compensation arrangements, and qualifying insurance policies in the form of pension liability insurance. If the fair value of plan assets is greater than the present value of employee benefits, the difference is reported—subject to the limit in IAS 19—under other non-current assets.

Amounts ensuing from the remeasurement of defined benefit plans are recognized directly in equity in the period during which they arise. The current service cost is reported under personnel costs. The net interest component, comprising the interest element of the increase in pension obligations less the anticipated returns on plan assets (each calculated using the discount factor for the pension obligations), is reported in net investment and interest income.

Tax provisions comprise current tax obligations. Income tax provisions are offset against tax refund entitlements if they relate to the same tax jurisdiction and are congruent in nature and timing.

Other provisions account for all identifiable obligations as of the reporting date that result from past business transactions or events but are uncertain in their amount and/or settlement date. Provisions are stated at the estimated settlement amount, i.e. after making allowance for price and cost increases, and are not offset against any rights to reimbursement. For obligations with a settlement probability exceeding 50%, the amount set aside is calculated on the basis of the most likely settlement outcome. A provision can only be recognized on the basis of a legal or constructive obligation toward third parties. Non-current provisions are stated at the present value of the estimated settlement amount as of the reporting date and reported under non-current liabilities.

Liabilities are reported at amortized cost using the effective interest rate method (accounting for factors such as premiums and discounts). **Finance lease liabilities** are initially recognized at fair value at the inception of the lease or the present value of the minimum lease payments, whichever is lower.

Derivative financial instruments are measured at fair value regardless of their purpose and reported under other receivables and other assets or other liabilities. Initial measurement is as of the settlement date. All derivative financial instruments are measured on the basis of current market rates as of the balance sheet date. The recognition of changes in fair value depends on the purpose for which a derivative is held. Derivatives are only ever used in the HOCHTIEF Group for hedging purposes. Hedges are structured for maximum effectiveness. A cash flow hedge is a hedge of the exposure to variability in cash flows from a hedged item, as with the hedging of variable rate loans to counter variations in payment amounts due to interest rate changes. Unrealized gains and losses are initially recognized in equity, taking account of deferred taxes. The portion of the changes in value initially recognized in equity is reclassified to income or expense as soon as the hedged item is recognized in income or expense. If a hedged planned transaction subsequently results in recognition of a financial asset or a financial liability, gains or losses recognized in equity in the meantime are reclassified to income or expense in the period when the financial asset or financial liability affects income. If a hedged planned transaction subsequently results in recognition of a nonfinancial asset or liability, gains or losses recognized in equity in the meantime are taken out of equity and subtracted from or added to the initial cost of the asset or liability. In the cases described, only the portion of changes in value that are determined to be effective for hedging purposes are recognized in equity. The ineffective portion is recognized directly as income or expense. In the HOCHTIEF Group, only cash flow hedges are entered into. Derivatives are also used for economic hedging purposes where no hedge accounting is applied, and as call options. In such cases, changes in fair value are recognized in income or expense.

Contingencies, commitments, and other obligations are possible or current obligations, based on past transactions, that are unlikely to lead to an outflow of resources. These are disclosed separately and not included in the Balance Sheet unless assumed in the course of a business combination. The amounts stated for contingent liabilities reflect the extent of the liability as of the reporting date.

Judgments made by management in applying the accounting policies primarily relate to the following issues:

- Leases must be assessed to determine whether the substantial risks and rewards of beneficial ownership transfer to the lessee.
- Marketable securities may be grouped in different categories.
- Assets earmarked for sale must be assessed to confirm that they are available for immediate sale and their sale is highly probable. If the result of this assessment is positive, those assets and any liabilities to be disposed of in the same transaction must be reported and accounted for as assets held for sale and liabilities associated with assets held for sale.
- It is necessary to determine whether revenue, and notably construction revenue is accounted for under IAS 11 or IAS 18.

The decision made by the HOCHTIEF Group for general application in each instance is set out under Accounting Policies in these Notes.

Preparation of the IFRS Consolidated Financial Statements requires **Group management to make estimates and assumptions** that affect the reported amount of assets, liabilities, income and expenses, and disclosures of contingencies, commitments, and other obligations. The main estimates and assumptions relate to the following:
- Assessing projects on a percentage of completion basis, in particular with regard to accounting for change orders, the timing of profit recognition, and the amount of profit recognized.
- Estimating the economic life of intangible assets, property, plant and equipment, and of investment properties.
- Accounting for provisions.
- Testing goodwill and other assets for impairment.
- Testing deferred tax assets for impairment.

All estimates and assumptions are based on current circumstances and appraisals. Forward-looking estimates and assumptions made as of the balance sheet date with a view to future business performance take account of circumstances prevailing on preparation of the Consolidated Financial Statements and future trends considered realistic for the global and industry environment. Actual amounts can vary from the estimated amounts due to changes in the operating environment that are at variance with the assumptions and lie beyond management control. If such changes occur, the assumptions and, if necessary, the carrying amounts of affected assets and liabilities are revised accordingly.

Financial reporting standards applied for the first time in 2017

Adoption by the International Accounting Standards Board (IASB) of revised or new IFRS pronouncements has resulted in changes to accounting policies in those instances where the pronouncements have been adopted by the EU and their application is mandatory for the reporting period January 1 to December 31, 2017.

These changes relate to the following IFRS:
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The additional notes disclosures required by the amendments to IAS 7 are provided in an additional table in the Notes to the Consolidated Statement of Cash Flows. The amendments to IAS 12 did not require any changes in the HOCHTIEF Consolidated Financial Statements.

For explanatory notes on standards and interpretations that do not have to be applied for 2017, please see Note 38.

Explanatory Notes to the Consolidated Statement of Earnings

2. Sales

The EUR 22,630,950 thousand (2016: EUR 19,908,328 thousand) sales figure comprises contract sales recognized under the percentage of completion (POC) method in the mainstream construction business, construction management, and contract mining, plus products and services provided to construction joint ventures, and other related services. Sales recognized under the percentage of completion method came to EUR 18,786,407 thousand (2016: EUR 16,946,731 thousand). Contract mining sales accounted for EUR 2,138,818 thousand (2016: EUR 1,875,948 thousand). Secondly, the sales figure includes revenues from services such as construction planning, project development, logistics, asset management, and insurance and concessions business.

Sales figures provide only an incomplete view of work done during the year. For additional information, work done by the Group is presented below, including the Group's share of work done in construction joint ventures.

The Group's work done by divisions is as follows:

(EUR thousand)	2017	2016
HOCHTIEF Americas	11,630,329	11,122,207
HOCHTIEF Asia Pacific	10,889,222	9,112,779
HOCHTIEF Europe	1,893,944	1,949,649
Corporate	104,921	106,867
	24,518,416	**22,291,502**

3. Other operating income

(EUR thousand)	2017	2016
Income from reversal of provisions	45,921	44,615
Foreign exchange gains	34,348	23,279
Deconsolidation gains and gains from change in the method of consolidation	26,722	126,187
Income from disposal of intangible assets, property, plant and equipment, and investment properties	12,434	2,260
Income from derecognition of/reversals of impairments on receivables	3,234	54,386
Income from derivatives	–	50,579
Sundry other operating income	48,780	71,171
	171,439	**372,477**

Deconsolidation gains and gains from change in the method of consolidation in the reporting year relate to the HOCHTIEF Europe division. In the prior year, they mainly related to disposals in the HOCHTIEF Asia Pacific division and the HOCHTIEF Europe division as well as to remeasurement on first-time consolidation of a subsidiary in the HOCHTIEF Asia Pacific division. The item includes EUR 10,812 thousand (2016: EUR 13,585 thousand) in gains from remeasurement of retained investments in subsidiaries on loss of control in the reporting year.

The income from derecognition of and reversals of impairments on receivables in the prior year mainly related to the HOCHTIEF Europe division and the Corporate unit.

The income from derivatives in the prior year mainly related to gains on fair value measurement of a call option on the remaining 55% of shares in HLG Contracting LLC ("HLG Contracting").

Sundry other operating income includes income from insurance claims, and other income not accounted for elsewhere.

4. Materials

(EUR thousand)	2017	2016
Raw materials, supplies, and purchased goods	2,122,974	1,816,362
Purchased services	14,106,466	12,961,867
	16,229,440	**14,778,229**

5. Personnel costs

(EUR thousand)	2017	2016
Wages and salaries	3,617,782	2,853,781
Social insurance, pensions, and support	502,027	431,433
	4,119,809	**3,285,214**

Expenditure on pensions totaled EUR 189,130 thousand (2016: EUR 141,011 thousand). This mostly comprises new entitlements accrued during the year under defined benefit pension plans and payments into defined contribution pension schemes. Payments to state pension insurance funds are included in social insurance.

Employees (average for the year)

	2017	2016
Germany	3,397	3,454
International	50,839	42,585
	54,236	**46,039**

6. Depreciation and amortization

(EUR thousand)	2017	2016
Intangible assets	45,169	36,550
Property, plant and equipment	350,199	250,901
Investment properties	253	270
	395,621	**287,721**

Depreciation and amortization includes EUR 5,407 thousand in impairments in the HOCHTIEF Asia Pacific division (2016: EUR 6,733 thousand).

7. Other operating expenses

(EUR thousand)	2017	2016
Rentals and lease rentals	328,770	321,493
Insurance expenses	295,562	297,904
Organization and programming	84,166	79,103
Travel expenses	67,746	53,314
Court costs, attorneys' and notaries' fees	60,540	42,278
Technical and business consulting	56,993	70,109
Office supplies	46,274	31,310
Currency losses	34,415	26,116
Other taxes	28,065	9,514
Mail and funds transfer expenses	11,305	11,757
Impairment losses and losses on disposal of current assets (except inventories)	7,939	60,071
Sundry other operating expenses	217,305	205,106
	1,239,080	**1,208,075**

The insurance expenses mainly relate to project risk management in the Turner Group. Insurance coverage of Turner and other project stakeholders such as suppliers and clients is combined to minimize project execution risks to Turner and its clients. The insurance expenses are counterbalanced by insurance revenue reported in sales.

Sundry other operating expenses mostly comprise order processing, costs of materials for administrative purposes, costs of preparing the annual financial statements, losses incurred on disposal of property, plant and equipment, and other expenses not reported elsewhere.

Including personnel and material expenses, a total of EUR 4,123 thousand was expensed on Group-wide research and development projects by the central innovation management function in 2017 (2016: EUR 4,451 thousand).

8. Net income from other participating interests

Net income from other participating interests includes all income and expenses relating to equity-method investments and participating interests.

Net income from participating interests is made up as follows:

(EUR thousand)	2017	2016
Share of profits and losses of equity-method associates and joint ventures	**115,215**	**75,117**
Of which: Impairment	[(346)]	[–]
Result from non-consolidated subsidiaries	(1,714)	380
Of which: Impairment	[(3,725)]	[–]
Result from other participating interests	25,399	6,217
Of which: Impairment	[–]	[–]
Income from the disposal of participating interests	370	5,431
Expenses on disposal of participating interests	(11)	(125)
Income from long-term loans to participating interests	39,494	35,991
Expenses relating to long-term loans to participating interests	(2,200)	(8,091)
Net income from other participating interests	**61,338**	**39,803**
	176,553	**114,920**

The share of profits and losses of equity-method associates and joint ventures was EUR 4,272 thousand (2016: minus EUR 1,475 thousand) relating to associates and EUR 110,943 thousand (2016: EUR 76,592 thousand) relating to joint ventures.

Net income from other participating interests in the reporting year comprises reversals of impairments on participating interests in the HOCHTIEF Asia Pacific division in the amount of EUR 25,420 thousand (2016: EUR 1,036 thousand).

As in the prior year, net income from other participating interests related in its entirety to the HOCHTIEF Europe division.

Participating interests measured at cost—less impairments—and disposed of in the reporting year had a carrying amount of EUR 428 thousand (2016: EUR 1,786 thousand). Disposals resulted in a net gain on sale of EUR 359 thousand in 2017 (2016: net loss of EUR 94 thousand). As of the balance sheet date, there are no other plans to sell participating interests measured at cost.

The expenses relating to long-term loans to participating interests relate, as in the prior year, to an impairment of a loan in the HOCHTIEF Europe division.

9. Net investment and interest income and expense

(EUR thousand)	2017	2016
Interest and similar income	41,763	39,860
Other investment income	45,328	47,555
Investment and interest income	**87,091**	**87,415**
Interest and similar expenses	(158,166)	(161,793)
Interest component of increase in non-current provisions	(10,205)	(10,755)
Of which: Net interest expense on pension obligations	[(9,584)]	[(9,852)]
Other investment expenses	(36,541)	(37,612)
Investment and interest expenses	**(204,912)**	**(210,160)**
	(117,821)	**(122,745)**

Interest and similar income consists of interest on cash investments, interest-bearing securities, and other long-term loans, plus profit shares and dividends from securities. Interest and similar expenses represent all interest incurred. Net interest income—the balance of interest and similar income and expenses—is minus EUR 116,403 thousand (2016: minus EUR 121,933 thousand).

Interest income of EUR 41,687 thousand was recorded in 2017 for financial instruments not carried at fair value through profit or loss (2016: EUR 39,739 thousand). Interest expenses of EUR 158,166 thousand were recorded for financial instruments not carried at fair value through profit or loss (2016: EUR 161,793 thousand).

Net interest expense from pension obligations—an amount of EUR 9,584 thousand (2016: EUR 9,852 thousand)—consists of EUR 26,423 thousand (2016: EUR 31,760 thousand) in annual interest on the net present value of long-term pension obligations rolled over into the new year, offset against EUR 16,839 thousand (2016: EUR 21,908 thousand) in interest income on plan assets.

Investment and interest income and expenses not included in interest and similar income and expenses or in the interest component of increases in long-term provisions are reported as other investment income and expenses. These mostly comprise income and expenses relating to sales of securities and to derivatives as well as expenses relating to impairment losses on securities and on other long-term loans.

10. Income taxes

(EUR thousand)	2017	2016
Current income taxes	121,897	104,163
Deferred taxes	119,235	83,054
	241,132	**187,217**

Current income taxes include EUR 5,942 thousand net tax expense (2016: EUR 22,521 thousand net tax income) relating to prior periods.

Tax expense is derived from the theoretical tax expense. The theoretical tax rate applied to profit before tax is 31.5%, as in the prior year.

(EUR thousand)	2017	2016
Profit before tax	823,619	620,711
Theoretical tax expense, at 31.5%	259,440	195,524
Difference between the above and foreign tax rates	(21,249)	(6,741)
Tax effects on:		
Tax-exempt income	(11,214)	(46,731)
Non-tax-allowable expenditure	35,845	35,666
Equity accounting of associates and joint ventures, including impairment of associates and joint ventures	3,593	14,827
Unrecognized deferred tax assets for domestic tax loss carryforwards	7,444	25,429
Other	(32,727)	(30,757)
Effective tax charges	**241,132**	**187,217**
Effective rate of tax (percent)	29.3	30.2

The tax-exempt income mostly relates to income from participating interests (2016: gains on disposals of fully consolidated companies and of companies accounted for using the equity method).

The "Other" item includes losses from foreign Group companies for which no deferred taxes have been recognized as well as tax income from prior-year business transactions. This also includes the impact of the December 2017 U.S. tax reform, Public Law No. 115–97 (Tax Cuts and Jobs Act), mainly comprising non-cash measurement adjustments on deferred tax assets and liabilities in the net amount of minus EUR 16,188 thousand. These adjustments reflect the outcome of lower corporate tax, with the corporate tax rate applicable to HOCHTIEF Americas falling from 35% to 21% as of January 1, 2018. Also, as part of the tax reform, a "Base Erosion and Anti-Abuse Tax" (BEAT) and a "Global Intangible Low-Taxed Income" (GILTI) were introduced. Pending detailed appraisal of the expected impacts and any clarifications, HOCHTIEF does not currently expect that BEAT and GILTI will have a significant effect on our effective tax rate over the long term.

11. Non-controlling interest

The EUR 161,751 thousand (2016: EUR 113,011 thousand) non-controlling interest in consolidated net profit represents the balance of profits totaling EUR 162,344 thousand (2016: EUR 115,332 thousand) and losses totaling EUR 593 thousand (2016: EUR 2,321 thousand). The profits include EUR 121,871 thousand (2016: EUR 87,983 thousand) for non-controlling shareholders in the CIMIC Group.

Explanatory notes to the Consolidated Balance Sheet

12. Intangible assets

The table below shows the composition of and changes in intangible assets on the Consolidated Balance Sheet for 2017 and the previous year:

*Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016. Please see Note 1 for explanatory notes on the adjustment.

(EUR thousand)	Concessions, industrial property and similar rights and assets, and licenses in such rights and assets	Goodwill arising on consolidation*	Total
Cost of acquisition or production			
Jan. 1, 2017	426,746	1,109,786	1,536,532
Additions or disposals due to changes in the scope of consolidation	(69)	(2,719)	(2,788)
Additions	17,756	–	17,756
Disposals	(2,280)	–	(2,280)
Reclassifications	(487)	–	(487)
Currency adjustments	(29,070)	(85,072)	(114,142)
Dec. 31, 2017	412,596	1,021,995	1,434,591
Cumulative amortization			
Jan. 1, 2017	214,273	–	214,273
Additions or disposals due to changes in the scope of consolidation	(61)	–	(61)
Additions	45,169	–	45,169
Disposals	(636)	–	(636)
Reclassifications	26	–	26
Currency adjustments	(16,038)	–	(16,038)
Impairment reversals	–	–	–
Dec. 31, 2017	242,733	–	242,733
Carrying amounts as of Dec. 31, 2017	**169,863**	**1,021,995**	**1,191,858**
Cost of acquisition or production			
Jan. 1, 2016	351,616	707,171	1,058,787
Additions or disposals due to changes in the scope of consolidation	59,796	377,738	437,534
Additions	13,249	–	13,249
Disposals	(4,833)	–	(4,833)
Reclassifications	(2,428)	–	(2,428)
Currency adjustments	9,346	24,877	34,223
Dec. 31, 2016	426,746	1,109,786	1,536,532
Cumulative amortization			
Jan. 1, 2016	175,603	–	175,603
Additions or disposals due to changes in the scope of consolidation	4,625	–	4,625
Additions	36,550	–	36,550
Disposals	(4,123)	–	(4,123)
Reclassifications	(2,932)	–	(2,932)
Currency adjustments	4,550	–	4,550
Impairment reversals	–	–	–
Dec. 31, 2016	214,273	–	214,273
Carrying amounts as of Dec. 31, 2016	**212,473**	**1,109,786**	**1,322,259**

As in the prior year, intangible assets are not subject to any restrictions. Development costs in the amount of EUR 250 thousand (2016: EUR 313 thousand) were capitalized in the reporting year.

Intangible assets include EUR 43,728 thousand (2016: EUR 54,895 thousand) for company names recognized on initial consolidation, comprising EUR 39,818 thousand (2016: EUR 45,303 thousand) in the HOCHTIEF Americas division and EUR 3,910 thousand (2016: EUR 9,592 thousand) in the HOCHTIEF Asia Pacific division. The company names are not subject to systematic amortization, but are tested for impairment annually and if there is any indication of impairment. Impairment testing is performed in accordance with IAS 36 as described below for goodwill. The changes relative to the prior year relate to exchange rate adjustments and to a EUR 5,407 thousand impairment on the Devine name in the HOCHTIEF Asia Pacific division.

Goodwill recognized for consolidated companies on initial consolidation is allocated to cash-generating units at segment level for the purposes of impairment testing as described in the following. The cash-generating units correspond to the divisions used in segment reporting.

Annual impairment testing of goodwill at segment (division) level is performed at HOCHTIEF in the fourth quarter of each year. For the purpose of impairment testing, the recoverable amount of a division is compared with its carrying amount.

The recoverable amount for the HOCHTIEF Americas and HOCHTIEF Europe cash-generating units is measured separately for each unit as value in use. Value in use is the present value of future cash flows expected to arise from a cash-generating unit. It is determined from an internal Group perspective using the discounted cash flow method. This is applied on the basis of cash flow budgets derived as a rule from the three-year budget for the detailed planning horizon as approved by the Executive Board and current at the time of impairment testing. The forecasts incorporate past experience and expected future market developments. Cash flows are assumed to remain constant in subsequent years. Weighted average cost of capital (WACC) is used for cost of capital figures. Value in use is first measured on an after-tax basis by discounting the cash flows with an after-tax WACC determined separately for each cash-generating unit. The pretax discount rate is then found by iteration for the purposes of the Notes disclosures.

The discount rates used for cash-generating units in impairment testing are between 7.91% and 9.31% before tax (2016: between 9.44% and 9.66%).

The recoverable amount of the HOCHTIEF Asia Pacific cash-generating unit is measured at fair value based on CIMIC’s stock market valuation.

As in the prior year, comparison of the divisions’ recoverable amounts with their carrying amounts did not reveal any impairment of goodwill.

Changes in goodwill by division in 2017 were as follows:

(EUR thousand)	Jan. 1, 2017	Currency adjustments	Consolidation changes	**Dec. 31, 2017**
HOCHTIEF Americas	339,950	(41,160)	–	298,790
HOCHTIEF Asia Pacific	732,218	(43,912)	–	688,306
HOCHTIEF Europe	37,618	–	(2,719)	34,899
	1,109,786	**(85,072)**	**(2,719)**	**1,021,995**

13. Property, plant and equipment

(EUR thousand)	Land, similar rights and buildings, including buildings on land owned by third parties	Technical equipment and machinery, transportation equipment	Other equipment and office equipment	Prepayments and assets under construction	Total
Cost of acquisition or production					
Jan. 1, 2017	138,431	2,540,949	268,919	10,959	2,959,258
Additions or disposals due to changes in the scope of consolidation	(5,614)	–	(49,531)	–	(55,145)
Additions	2,778	305,456	21,538	9,778	339,550
Disposals	(22,184)	(450,011)	(30,057)	(6,119)	(508,371)
Reclassifications	240	68,869	467	(955)	68,621
Currency adjustments	(4,325)	(220,724)	(25,017)	(731)	(250,797)
Dec. 31, 2017	109,326	2,244,539	186,319	12,932	2,553,116
Cumulative amortization					
Jan. 1, 2017	68,863	1,555,238	157,606	–	1,781,707
Additions or disposals due to changes in the scope of consolidation	(562)	–	(15,439)	–	(16,001)
Additions	8,703	318,412	23,084	–	350,199
Disposals	(17,453)	(344,635)	(25,558)	–	(387,646)
Reclassifications	159	493	17	–	669
Currency adjustments	(1,994)	(118,575)	(15,092)	–	(135,661)
Impairment reversals	(1)	(4)	–	–	(5)
Dec. 31, 2017	57,715	1,410,929	124,618	–	1,593,262
Carrying amounts as of Dec. 31, 2017	**51,611**	**833,610**	**61,701**	**12,932**	**959,854**
Cost of acquisition or production					
Jan. 1, 2016	117,876	2,464,470	250,502	5,186	2,838,034
Additions or disposals due to changes in the scope of consolidation	6,294	111,453	(239)	–	117,508
Additions	19,594	187,147	44,859	8,715	260,315
Disposals	(9,588)	(404,385)	(31,509)	(3,229)	(448,711)
Reclassifications	2,016	113,447	(3,905)	(34)	111,524
Currency adjustments	2,239	68,817	9,211	321	80,588
Dec. 31, 2016	138,431	2,540,949	268,919	10,959	2,959,258
Cumulative amortization					
Jan. 1, 2016	68,296	1,502,685	148,830	2,711	1,722,522
Additions or disposals due to changes in the scope of consolidation	185	57,574	(213)	–	57,546
Additions	6,175	215,293	29,433	–	250,901
Disposals	(6,461)	(328,586)	(24,879)	(2,711)	(362,637)
Reclassifications	(310)	68,193	–	–	67,883
Currency adjustments	978	40,081	4,436	–	45,495
Impairment reversals	–	(2)	(1)	–	(3)
Dec. 31, 2016	68,863	1,555,238	157,606	–	1,781,707
Carrying amounts as of Dec. 31, 2016	**69,568**	**985,711**	**111,313**	**10,959**	**1,177,551**

Property, plant and equipment includes EUR 4,645 thousand (2016: EUR 41,247 thousand) in finance lease assets. The decrease relative to the prior year primarily relates to the reduction, in their entirety, of finance leases for technical equipment and machinery at CIMIC.

As in the prior year, no impairment losses were recorded on property, plant and equipment.

Property, plant and equipment in the HOCHTIEF Asia Pacific division in the amount of EUR 51,120 thousand (2016: EUR 868,458 thousand) is subject to restrictions. The decrease relative to the prior year relates to repayment of a loan at a CIMIC subsidiary and the associated release of restrictions on property, plant and equipment.

14. Investment properties

(EUR thousand)

Cost of acquisition or production	
Jan. 1, 2017	35,636
Additions	67
Disposals	(6,463)
Dec. 31, 2017	29,240
Cumulative amortization	
Jan. 1, 2017	23,629
Additions	253
Disposals	(4,130)
Dec. 31, 2017	19,752
Carrying amounts as of Dec. 31, 2017	**9,488**
Cost of acquisition or production	
Jan. 1, 2016	39,220
Additions	1
Disposals	(3,585)
Dec. 31, 2016	35,636
Cumulative amortization	
Jan. 1, 2016	25,124
Additions	270
Disposals	(1,765)
Dec. 31, 2016	23,629
Carrying amounts as of Dec. 31, 2016	**12,007**

As in the prior year, there were no impairment losses on investment properties in the reporting year.

The fair values of investment properties came to EUR 10,119 thousand as of December 31, 2017 (2016: EUR 13,518 thousand). These are measured as in the past using internationally accepted valuation techniques, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. As in the prior year, EUR 1,435 thousand of the total relates to fair value following independent external appraisals.

Rental income from investment properties in the reporting year totaled EUR 675 thousand (2016: EUR 866 thousand). Direct operating expenses totaling EUR 829 thousand (2016: EUR 878 thousand) consisted of EUR 202 thousand (2016: EUR 219 thousand) in expenses for rented and EUR 627 thousand (2016: EUR 659 thousand) in expenses for unrented investment properties.

As in the prior year, investment properties are not subject to any restrictions.

15. Equity-method investments

(EUR thousand)	Dec. 31, 2017	Dec. 31, 2016
Equity-method associates	31,886	57,040
Equity-method joint ventures	545,285	647,857
	577,171	**704,897**

Aggregated information on immaterial associates

The HOCHTIEF Group's associates are individually immaterial.

The table below shows the carrying amounts and the Group's share of items of the statement of comprehensive income in aggregate for individually immaterial equity-method associates:

(EUR thousand)	2017	2016
Carrying amounts	**31,886**	**57,040**
Profit before tax	**6,318**	**(1,428)**
Income taxes	(2,046)	(47)
Profit after tax	**4,272**	**(1,475)**
Other comprehensive income	–	(14,288)
Total comprehensive income	**4,272**	**(15,763)**

As in the prior year, profit from equity-method associates does not contain any impairment losses and investments in associates are not subject to any restrictions.

Material joint ventures

HLG Contracting's new shareholder structure as of November 30, 2016 marks an important step toward reaching its long-term strategic objectives in the region. This will allow HLG Contracting to continue to deliver leading projects for clients. A strategic review of the business is ongoing.

HLG Contracting continues to be accounted for by using the equity method. A call option to purchase the remaining 55% shareholding in HLG Contracting is still in place. This option has no current impact on the control of the company. The option is a derivative as defined by IAS 39 and is carried at fair value with any gain and loss recognized in profit or loss in the period. The fair value of the call option was unaltered at USD 54 million as of December 31, 2017, corresponding to EUR 45.1 million (2016: EUR 51.4 million).

HLG Contracting negotiated a syndicated four-year credit facility during the reporting period to refinance existing credit facilities.

The following tables show the Group's share of items in the balance sheet and statement of comprehensive income relating to the above-mentioned material equity-method joint venture:

(EUR thousand)	Dec. 31, 2017	Dec. 31, 2016
Non-current assets	451,293	537,805
Current assets	1,117,452	1,222,672
Of which: Cash and cash equivalents	[28,385]	[68,875]
Non-current liabilities	475,984	449,261
Of which: Financial liabilities	[384,904]	[348,630]
Current liabilities	932,673	1,060,103
Of which: Financial liabilities	[128,057]	[226,203]
Carrying amount of investment	**160,088**	**251,113**

(EUR thousand)	2017	2016
Sales	605,116	818,817
Depreciation and amortization	(8,547)	(7,363)
Other expenses	(636,234)	(842,813)
Interest income	–	394
Interest expense	(22,933)	(25,057)
Profit before tax	**(62,598)**	**(56,022)**
Income taxes	–	(788)
Profit after tax	**(62,598)**	**(56,810)**
Other comprehensive income	–	–
Total comprehensive income	**(62,598)**	**(56,810)**
Dividends received	–	–

Aggregated information on immaterial joint ventures

The table below shows the carrying amounts and the Group's share of items of the statement of comprehensive income in aggregate for individually immaterial equity-method joint ventures:

(EUR thousand)	2017	2016
Carrying amounts	**385,197**	**396,744**
Profit before tax	**206,882**	**152,034**
Income taxes	(33,341)	(18,632)
Profit after tax	**173,541**	**133,402**
Other comprehensive income	(8,714)	(1,886)
Total comprehensive income	**164,827**	**131,516**

Profit from immaterial equity-method joint ventures contained EUR 346 thousand (2016: EUR – thousand) in impairment losses.

Investments in joint ventures are pledged in the amount of EUR 43,601 thousand (2016: EUR 15,435 thousand).

16. Other financial assets

(EUR thousand)	Dec. 31, 2017	Dec. 31, 2016
Non-consolidated subsidiaries	5,124	6,965
Other participating interests	68,404	64,597
	73,528	**71,562**

EUR 3,725 thousand in impairment losses was recognized on non-consolidated subsidiaries in other financial assets in the reporting year (2016: EUR – thousand). As in the prior year, other financial assets are not subject to any restrictions.

17. Financial receivables

(EUR thousand)	Dec. 31, 2017 Non-current	Dec. 31, 2017 Current	Dec. 31, 2016 Non-current	Dec. 31, 2016 Current
Loans to non-consolidated subsidiaries and to participating interests	822,647	19,190	707,378	16,288
Financial receivables from non-consolidated subsidiaries	–	11,784	–	14,650
Financial receivables from participating interests	–	110,256	99,532	17,772
Interest accruals	–	2,646	–	3,169
Other financial receivables	12,871	307	11,669	4,106
	835,518	**144,183**	**818,579**	**55,985**

Loans to non-consolidated subsidiaries and to participating interests comprise loans to HLG Contracting in the amount of EUR 681,842 thousand (2016: EUR 615,145 thousand).

Financial receivables from equity-accounted companies total EUR 948,508 thousand (2016: EUR 839,487 thousand).

18. Other receivables and other assets

(EUR thousand)	Dec. 31, 2017 Non-current	Dec. 31, 2017 Current	Dec. 31, 2016 Non-current	Dec. 31, 2016 Current
Claims for damages and claims under guarantee	–	192,271	–	209,118
Prepaid expenses	1,821	66,693	1,761	76,922
Derivative receivables	50,603	5,783	65,553	1,727
Tax receivables (excluding income taxes)	–	10,583	–	7,730
Entitlements from sales of participating interests	–	6,490	–	25,025
Pension fund credit balances	5,464	–	2,575	–
Sundry other assets	95,897	130,116	110,852	129,775
	153,785	**411,936**	**180,741**	**450,297**

Claims for damages and claims under guarantee include EUR 163,012 thousand (2016: EUR 181,008 thousand), mainly in reimbursement claims under insurance policies held by the Turner Group.

Prepaid expenses consist of insurance premiums and prepayments for maintenance and services. They also include commission paid by HOCHTIEF insurance companies for insurance arranged by direct insurers. Such commission is reversed to expense over the lifetime of the policy.

As in the prior year, sundry other assets are not subject to any restrictions in the reporting year.

19. Income tax assets

The EUR 47,844 thousand (2016: EUR 50,847 thousand) in income tax assets comprises amounts receivable from domestic and foreign tax authorities. These consist of EUR 3,328 thousand (2016: EUR 19,695 thousand) classified as non-current assets and EUR 44,516 thousand (2016: 31,152 thousand) classified as current assets.

20. Deferred taxes

Deferred tax assets and liabilities break down as follows:

	Dec. 31, 2017		Dec. 31, 2016	
(EUR thousand)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets (restated)*	Deferred tax liabilities
Non-current assets	50,444	137,634	51,017	214,860
Current assets	256,797	310,898	341,855	251,022
Non-current liabilities				
Pension provisions	107,495	–	146,346	2,635
Other provisions	8,751	21,542	14,853	22,100
Sundry non-current liabilities	1,173	194	1,040	316
Current liabilities				
Other provisions	74,123	10	86,942	99
Sundry current liabilities	70,298	103,779	112,372	159,560
	569,081	**574,057**	**754,425**	**650,592**
Losses carried forward	127,882	–	165,634	–
Gross amount	**696,963**	**574,057**	**920,059**	**650,592**
Offsetting item	541,209	541,209	615,675	615,675
Reported amount	**155,754**	**32,848**	**304,384**	**34,917**

*Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016. Please see Note 1 for explanatory notes on the adjustment.

Deferred tax assets and deferred tax liabilities are offset within each company or tax group. The EUR 696,963 thousand (2016: EUR 920,059 thousand) gross amount of deferred tax assets includes the following tax refund entitlements arising from the expected future use of tax loss carryforwards and tax credits:

(EUR thousand)	**Dec. 31, 2017**	Dec. 31, 2016
Corporate income tax (or comparable foreign income tax)	109,798	147,550
German municipal trade tax	18,084	18,084
	127,882	**165,634**

There is adequate assurance that the tax loss carryforwards will be realized. German tax loss carryforwards for which no deferred tax assets have been recognized amount to EUR 766,764 thousand (2016: EUR 628,685 thousand) in respect of corporate income tax and EUR 1,174,471 thousand (2016: EUR 1,016,228 thousand) in respect of German municipal trade tax. The increase in loss carryforwards is mainly due to a change in case law regarding the use of losses after purchases of shareholdings under Section 8c of the German Corporation Tax Act (KStG).

No deferred tax assets have been recognized in relation to interest expense carryforwards in the amount of EUR 354,888 thousand (2016: EUR 350,816 thousand). The change in the interest expense carryforward figures relates to adjustments made on the basis of tax audits and ongoing changes.

Deferred tax assets are normally recognized for tax-deductible temporary differences if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

German Group companies that generated losses in the past year or previous years have EUR 50,128 thousand (2016: EUR 44,739 thousand) in deferred tax assets resulting from temporary differences or tax loss carryforwards deemed to be probable and were recognized on the balance sheet.

Deferred tax liabilities totaling a gross amount of EUR 574,057 thousand (2016: EUR 650,592 thousand) are entirely due to taxable temporary differences, mostly from adjustments to ensure uniform Group-wide compliance with IFRS valuation principles.

An amount of EUR 5,505 thousand (2016: EUR 482 thousand) was credited to equity for deferred tax relating to exchange differences from translation of foreign entity financial statements. An amount of EUR 13,637 thousand (2016: EUR 2,663 thousand) was credited to equity for deferred tax on amounts recognized in equity for changes in the fair value of derivative and non-derivative financial instruments. An amount of EUR 45,586 thousand was charged to equity (2016: EUR 25,323 thousand credited to equity) for deferred tax relating to actuarial gains and losses. As of the balance sheet date, deferred tax credited to equity in connection with the measurement of financial instruments amounted to EUR 1,352 thousand (2016: EUR 12,285 thousand charged to equity), while EUR 135,280 thousand (2016: EUR 180,866 thousand) was credited to equity in connection with actuarial gains and losses.

21. Inventories

(EUR thousand)	**Dec. 31, 2017**	Dec. 31, 2016
Raw materials and supplies	121,217	159,651
Work in progress	286,525	378,836
Finished goods	12,207	14,398
Prepayments	4,993	6,283
	424,942	**559,168**

Borrowing costs of EUR 8,473 thousand were capitalized under work in progress in accordance with IAS 23 (2016: EUR 9,345 thousand). The borrowing costs were determined on the basis of interest rates of between 1.50% and 3.73% (2016: between 1.50% and 7.44%).

Work in progress also includes properties under development that are subject to restrictions in the amount of EUR 103,249 thousand (2016: EUR 168,309 thousand).

22. Trade receivables

(EUR thousand)	Dec. 31, 2017	Dec. 31, 2016
Trade receivables		
Percentage of completion (POC)	4,421,698	4,727,466
Progress payments received	(2,302,462)	(2,398,802)
	2,119,236	**2,328,664**
From construction joint ventures	203,587	209,375
Other	2,487,742	2,464,835
	4,810,565	**5,002,874**
From non-consolidated subsidiaries	371	2,532
From participating interests	7,295	19,854
	4,818,231	**5,025,260**

The figure of EUR 2,119,236 thousand (2016: EUR 2,328,664 thousand) representing the gross amount due from customers for contract work (POC) less progress payments received relates to construction contracts where contract costs incurred (including shares of contract net profit) exceed progress payments received from customers. The combined total of POC contract costs (including net profit shares) reported under trade receivables and trade payables is EUR 5,050,890 thousand (2016: EUR 5,349,789 thousand). The combined total of progress payments received and offset against the gross amounts due to and from customers for contract work (POC) in the reporting year stands at EUR 3,796,667 thousand (2016: EUR 4,117,990 thousand).

Trade receivables include EUR 741,138 thousand (2016: EUR 719,491 thousand) in contractual retention amounts.

Trade receivables include no properties under development that are subject to restrictions (2016: EUR 39,447 thousand).

Receivables from equity-accounted companies total EUR 6,341 thousand (2016: EUR 13,227 thousand).

23. Marketable securities

Marketable securities totaling EUR 428,759 thousand (2016: EUR 463,424 thousand) mainly consist of securities held in special-purpose and general investment funds as well as fixed-income securities with maturities of more than three months on acquisition where there is no intention to hold the securities to maturity.

Marketable securities are primarily classified as available for sale. As before, the securities categorized in Level 2 of the fair value hierarchy were initially recognized as at fair value through profit or loss. As a result of measurement at fair value, the carrying amount increased by EUR 2,984 thousand (2016: EUR 9,084 thousand decrease).

Marketable securities are pledged in the amount of EUR 13,730 thousand (2016: EUR 13,812 thousand) as security for employee benefit entitlements under semi-retirement programs.

Outside of externally managed investments, direct investment activities are exclusively restricted to the purchase of bonds from top-class issuers with broad diversification to ensure that concentration risks relative to specific issuers are strictly avoided.

24. Cash and cash equivalents

Cash and cash equivalents total EUR 3,094,924 thousand (2016: EUR 2,847,426 thousand) and comprise cash in hand, cash at banks, and marketable securities with maturities at the time of acquisition of no more than three months. These are subject to an insignificant risk of changes in value. Cash and cash equivalents are subject to restrictions in the amount of EUR 174,444 thousand (2016: EUR 114,210 thousand) in relation to the sale of receivables and in the amount of EUR 21,960 thousand (2016: EUR 23,535 thousand) in relation to warranties.

25. Shareholders' equity

The Consolidated Statement of Changes in Equity is part of the Consolidated Financial Statements.

The Company's capital stock is divided into 64,300,000 no-par-value bearer shares and amounts to EUR 164,608,000.00. Each share accounts for EUR 2.56 of capital stock. As of December 31, 2017, HOCHTIEF Aktiengesellschaft held a total of 44,287 shares of treasury stock. These shares were purchased from October 7, 2014 onward for the purposes provided for in the resolutions of the Annual General Meeting of May 7, 2014 and that of May 6, 2015 and for all other purposes permitted under the German Stock Corporations Act (AktG). The holdings of treasury stock represent EUR 113,374.72 (0.069%) of the Company's capital stock.

The capital reserve comprises EUR 782,684 thousand constituting the premium on shares issued by HOCHTIEF Aktiengesellschaft as in the prior year together with EUR 2,981 thousand (2016: EUR 2,231 thousand) for the book gain on the sale of treasury stock, and the capital stock represented by the shares cancelled in 2016 (EUR 12,824 thousand) and 2014 (EUR 19,688 thousand).

Distributable profit is identical for HOCHTIEF Aktiengesellschaft and the HOCHTIEF Group. A dividend of EUR 167,044 thousand was paid out in the reporting year (2016: EUR 128,473 thousand).

The Executive Board is unaware of any restrictions on voting rights or on transfers of shares.

There are no shares with special control rights. The Executive Board is not aware of any employee shares where the control rights are not exercised directly by the employees.

Statutory rules on the appointment and replacement of Executive Board members are contained in Sections 84 and 85 and statutory rules on the amendment of the Articles of Association in Sections 179 and 133 of the German Stock Corporations Act (AktG). Under Section 7 (1) of the Company's Articles of Association, the Executive Board comprises at least two individuals. Section 23 (1) of the Articles of Association provides that resolutions of the Annual General Meeting require a simple majority of votes cast unless there is a statutory requirement stipulating a different majority. In instances where the Act requires a majority of the capital stock represented at the time of the resolution in addition to a majority of votes cast, Section 23 (3) of the Articles of Association provides that a simple majority will suffice unless there is a mandatory requirement stipulating a different majority.

Pursuant to Section 4 (5) of the Articles of Association, the Executive Board is authorized, subject to Supervisory Board approval, to increase the capital stock by issuing new no-par-value bearer shares for cash and/or non-cash consideration in one or more issues up to a total of EUR 82,000 thousand by or before May 9, 2022 (Authorized Capital I). Detailed provisions are contained in the stated section of the Articles.

On October 17, 2017, the Executive Board resolved, for the acquisition of Abertis, to issue 32,031,250 new shares from Authorized Capital I against cash or non-cash consideration and subject to partial exclusion of shareholders' subscription rights. The Supervisory Board gave its approval on October 18, 2017. The new shares will be issued if and when the acquisition is completed.

Pursuant to Section 4 (4) of the Articles of Association, the Company's capital stock has been conditionally increased by up to EUR 46,080 thousand divided into up to 18 million no-par-value bearer shares (conditional capital). Detailed provisions are contained in the stated section of the Articles.

Authorization to repurchase shares:

The Company is authorized by resolution of the Annual General Meeting of May 11, 2016 to repurchase its own shares in accordance with Section 71 (1) No. 8 of the German Stock Corporations Act (AktG). The authorization expires on May 10, 2021. It is limited to 10% of the capital stock at the time of the Annual General Meeting resolution or at the time of exercising the authorization, whichever figure is smaller. The authorization can be exercised directly by the Company or by a company in its control or majority ownership or by third parties engaged by the Company or engaged by a company in its control or majority ownership and allows the share repurchase to be executed in one or more installments covering the entire amount or any fraction thereof. The repurchase may be effected through the stock exchange or by public offer to all shareholders, or by public invitation to all shareholders to tender shares for sale, or by issuing shareholders with rights to sell shares. The conditions governing the repurchase are set forth in detail in the resolution.

By resolution of the Annual General Meeting of May 11, 2016, the Executive Board is authorized, subject to Supervisory Board approval, in the event of a sale of shares of treasury stock effected by way of an offer to all shareholders, to issue subscription rights to the shares to holders of warrant-linked and/or convertible bonds issued by the Company or by any subordinate Group company. The Executive Board is also authorized, subject to Supervisory Board approval, to sell shares of treasury stock other than through the stock exchange and other than by way of an offer to all shareholders provided that the shares are sold for cash at a price not substantially below the current stock market price for Company shares of the same class at the time of sale.

The HOCHTIEF Aktiengesellschaft Executive Board is further authorized, subject to Supervisory Board approval and the conditions set out in the following, to offer and transfer shares of treasury stock to third parties other than through the stock exchange and other than by way of an offer to all shareholders. Such transactions may take place in the course of acquisitions of business enterprises in whole or part and in the course of mergers. They are also permitted for the purpose of obtaining a listing for the Company's shares on foreign stock exchanges where it is not yet listed. The shares may also be offered for purchase by employees or former employees of the Company or its affiliates. Holders of bonds which the Company or a Group company subordinate to it issues or has issued under the authorization granted at the Annual General Meeting of May 11, 2016 (agenda item 8) may also be issued with the shares upon exercising the warrant and/or conversion rights and/or obligations attached to the bonds.

The shares may also, on condition that they be held for at least two years after transfer, be transferred to (current or past) members of the Executive Board of the Company and to (current or past) members of the executive boards and general management of companies under its control within the meaning of Section 17 of the German Stock Corporations Act (AktG), and to current or past employees of the Company or of a company under its control within the meaning of Section 17 AktG. Such transfers are only permitted for the purpose of settling the transferees' variable compensation entitlements. Further conditions of transfer are detailed in the resolution. Where shares are issued to members of the Executive Board of the Company, the decision to issue the shares is taken solely by the Supervisory Board.

Shareholders' statutory subscription rights to such shares are barred pursuant to Sections 71 (1) No. 8 and 186 (3) and (4) of the German Stock Corporations Act (AktG) to the extent that the shares are used in exercise of the authorizations set out above.

The Executive Board is also authorized, subject to Supervisory Board approval, to cancel shares of treasury stock without a further resolution of the Annual General Meeting being required for the cancellation itself or its execution. The conditions governing awards of subscription rights and the sale, transfer, and cancellation of treasury stock are set forth in detail in the Annual General Meeting resolution.

By a further resolution of the Annual General Meeting of May 11, 2016, the Company is authorized to acquire shares of treasury stock in accordance with Section 71 (1) No. 8 AktG using equity derivatives as well as to exclude shareholders' tender rights and subscription rights. This is not intended to increase the total volume of shares that may be purchased; instead, it merely opens the way for other alternatives to purchase shares of treasury stock within and against the upper limit set in the aforementioned authorization. The Executive Board has been authorized to acquire options which, when exercised, entitle the Company to acquire shares of the Company (call options). The Executive Board is further authorized to sell options which, when exercised by their holder, require the Company to acquire shares of the Company (put options). Moreover, the shares can be acquired using a combination of call and put options or forward purchase agreements. Additional details of the conditions for the use of equity derivatives in the acquisition of treasury stock and for the exclusion of shareholders' rights to sell and subscription rights are set out in the Annual General Meeting resolution.

In May 2017, 7,855 shares of treasury stock were transferred to members of the Executive Board of the Company at a price of EUR 168.85 per share on condition that the shares be held for at least two years after transfer. The transfer settled the transferees' variable compensation entitlements. The shares represent EUR 20,108.80 (0.012%) of the Company's capital stock.

The non-controlling interest in the shareholders' equity of consolidated Group companies totals EUR 745,988 thousand (2016: EUR 757,279 thousand); EUR 587,344 thousand (2016: EUR 611,191 thousand) of this relates to the CIMIC Group.

A Group company of HOCHTIEF Aktiengesellschaft, CIMIC Group Limited is based in Sydney, Australia. HOCHTIEF's Consolidated Financial Statements include non-controlling interests in CIMIC that are material to HOCHTIEF. The ownership interest in our Australian Group company CIMIC is unaltered, at 72.68% as of December 31, 2017. Summary financial information on the Group company is provided in the table below.

(EUR thousand)	2017	2016 (restated)*
Non-current assets	2,782,114	3,415,540
Current assets	3,455,079	3,476,862
Non-current liabilities	559,830	623,117
Current liabilities	3,489,682	4,014,285
Shareholders' equity	**2,187,681**	**2,255,000**
Of which: Non-controlling interest	[(14,214)]	[(6,708)]
Total non-controlling interest in equity	**587,344**	**611,191**
Sales	9,077,028	7,302,970
Profit before tax	**648,373**	**498,566**
Income tax	(181,580)	(126,603)
Profit after tax	**466,793**	**371,963**
Of which: Non-controlling interest	[(7,784)]	[(18,764)]
Total non-controlling interest in profit after tax	**121,871**	**87,983**
Cash flow from operations	920,839	758,792
Cash flow from investing activities	(292,507)	(189,673)
Cash flow from financing activities	(435,021)	(971,816)

*Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016. Please see Note 1 for explanatory notes on the adjustment.

Accumulated other comprehensive income is part of retained earnings. It includes amounts recognized in equity for changes in the fair value of derivative and non-derivative financial instruments and exchange differences from translation of foreign entity financial statements. Accumulated other comprehensive income also includes the Group's share of changes recognized directly in the other comprehensive income of equity-method associates and joint ventures, plus the portion of other comprehensive income from the remeasurement of defined benefit plans that will not subsequently be reclassified to profit or loss.

*Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016. Please see Note 1 for explanatory notes on the adjustment.

The changes in other comprehensive income are presented on a year-on-year basis in the following table:

(EUR thousand)	2017	2016 (restated)*
Currency translation differences		
Changes in other comprehensive income for the period	(383,525)	96,674
Amounts reclassified to profit or loss	24	316
	(383,501)	**96,990**
Changes in fair value of financial instruments – primary		
Changes in other comprehensive income for the period	(260)	(2,660)
Amounts reclassified to profit or loss	(18,999)	(15,140)
	(19,259)	**(17,800)**
Changes in fair value of financial instruments – derivative		
Changes in other comprehensive income for the period	6,057	(895)
Amounts reclassified to profit or loss	–	–
	6,057	**(895)**
Share of other comprehensive income of equity-method associates and joint ventures		
Changes in other comprehensive income for the period	(8,714)	(3,937)
Amounts reclassified to profit or loss	–	(12,237)
	(8,714)	**(16,174)**
Remeasurement of defined benefit plans	**39,947**	**(59,103)**
Other comprehensive income after tax	**(365,470)**	**3,018**

The income tax effects relating to changes in other comprehensive income are distributed as follows:

*Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016. Please see Note 1 for explanatory notes on the adjustment.

	2017			2016 (restated)*		
(EUR thousand)	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Currency translation differences	(383,501)	–	(383,501)	96,990	–	96,990
Changes in fair value of financial instruments – primary	(33,879)	14,620	(19,259)	(19,758)	1,958	(17,800)
Changes in fair value of financial instruments – derivative	7,040	(983)	6,057	(1,600)	705	(895)
Share of other comprehensive income of equity-method associates and joint ventures	(8,714)	–	(8,714)	(16,174)	–	(16,174)
Remeasurement of defined benefit plans	85,533	(45,586)	39,947	(84,426)	25,323	(59,103)
Other comprehensive income	**(333,521)**	**(31,949)**	**(365,470)**	**(24,968)**	**27,986**	**3,018**

26. Share-based payment

The following share-based payment plans were in force for managerial staff of HOCHTIEF Aktiengesellschaft and its affiliates in 2017:

Top Executive Retention Plan 2008

The Executive Board resolved in June 2008 to launch a Top Executive Retention Plan 2008 (TERP 2008) for selected managerial employees. This plan was based on stock awards and consisted of three tranches. The first tranche was granted in July 2008, the second in July 2009, and the third in July 2010.

The total term of the plan was ten years. The waiting period after the granting of each tranche was three years. The exercise period was between five and seven years, depending on the tranche.

The conditions stipulated that, after the waiting period, entitled individuals received for each stock award either a HOCHTIEF share or, at HOCHTIEF Aktiengesellschaft's discretion, a compensatory cash amount equal to the closing price of HOCHTIEF stock on the last stock market trading day before the exercise date. The gain was capped for each year of the exercise period. The cap rose annually up to a maximum gain at the end of the term. The maximum gain was set to EUR 160 per stock award for the first tranche, EUR 81.65 for the second tranche, and EUR 166.27 for the third tranche.

The first tranche was exercised in full in 2015, the third tranche in 2016, and the second tranche in 2017.

Long-term Incentive Plan 2010

The Long-term Incentive Plan 2010 (LTIP 2010) was launched by resolution of the Supervisory Board in 2010 and is open to Executive Board members and upper managerial employees of HOCHTIEF Aktiengesellschaft and its affiliates. Alongside grants of stock appreciation rights (SARs), LTIP 2010 also provided for grants of stock awards.

The SARs could only be exercised if, for at least ten consecutive stock market trading days before the exercise date, the ten-day average (arithmetic mean) stock market closing price of HOCHTIEF stock was higher relative to the issue price compared with the ten-day average closing level of the MDAX index relative to the index base (relative performance threshold) and, additionally, return on net assets (RONA) in the then most recently approved set of consolidated financial statements was at least 10% (absolute performance threshold). The relative performance threshold was waived if the average stock market price of HOCHTIEF stock exceeded the issue price by at least 10% on ten consecutive stock market trading days after the end of the waiting period. Provided that the targets were met, the SARs could be exercised at any time after a four-year waiting period except during a short period before publication of any business results. When SARs were exercised, the issuing entity paid out the difference between the then current stock price and the issue price. The gain was limited to EUR 27.28 per SAR.

The LTIP conditions for stock awards stipulated that for each stock award exercised within a two-year exercise period following a three-year waiting period, entitled individuals received at HOCHTIEF Aktiengesellschaft's discretion either a HOCHTIEF share or a compensatory cash amount equal to the closing price of HOCHTIEF stock on the last stock market trading day before the exercise date. The gain was limited to EUR 81.83 per stock award.

The plan ended for the stock awards in 2015 and for the SARs in 2017.

Long-term Incentive Plan 2012

The Long-term Incentive Plan 2012 (LTIP 2012) was launched by resolution of the Supervisory Board in 2012 and is open to Executive Board members and upper managerial employees of HOCHTIEF Aktiengesellschaft and its affiliates. The plan conditions differ from those of LTIP 2010 in two points:

1. Return on net assets (RONA) as per the most recently approved Consolidated Financial Statements must be at least 15%.

2. The waiting time for stock awards was extended from three to four years and the total term of the plan accordingly from five to six years.

The gain is limited to EUR 25.27 per SAR and EUR 75.81 per stock award.

Long-term Incentive Plan 2013

The Long-term Incentive Plan 2013 (LTIP 2013) was launched by resolution of the Supervisory Board in 2013 and is open to Executive Board members. The plan conditions differed from those of LTIP 2012 in only one point:

The performance target for RONA was replaced with a performance target for adjusted free cash flow. The number of SARs that could be exercised depended on attainment of the planned value range for adjusted free cash flow. This value range was set in the business plan for each exercise year.

The gain was limited to EUR 24.61 per SAR and EUR 73.83 per stock award. The plan was exercised in full in 2017.

Long-term Incentive Plan 2014

The Long-term Incentive Plan 2014 (LTIP 2014) was launched by resolution of the Supervisory Board in 2014 and is open to Executive Board members. The plan conditions do not differ in any material respect from those of LTIP 2013.

The gain is limited to EUR 30.98 per SAR and EUR 92.93 per stock award.

Long-term Incentive Plan 2015

The Long-term Incentive Plan 2015 (LTIP 2015) was launched by resolution of the Supervisory Board in 2015 and is open to Executive Board members. The plan conditions do not differ in any material respect from those of LTIP 2014.

The gain is limited to EUR 31.68 per SAR and EUR 95.04 per stock award.

Long-term Incentive Plan 2016

The Long-term Incentive Plan 2016 (LTIP 2016) was launched by resolution of the Supervisory Board in 2016 and is open to Executive Board members. The plan conditions differ from those of LTIP 2015 solely in that the waiting period was shortened from four to three years and a total term of the plans accordingly to six years (SARs) and five years (stock awards).

The gain is limited to EUR 41.54 per SAR and EUR 124.62 per stock award.

Long-term Incentive Plan 2017

The Long-term Incentive Plan 2017 (LTIP 2017) was launched by resolution of the Supervisory Board in 2017 and is open to Executive Board members and selected managerial employees. The plan is based on performance stock awards.

The conditions stipulate that for each performance stock award (PSA) exercised within a two-year exercise period following a three-year waiting period, entitled individuals receive from the issuing entity a payment entitlement equal to the closing price of HOCHTIEF stock on the last stock market trading day before the exercise date, plus a performance bonus. The size of the performance bonus depends on the adjusted free cash flow of the last complete year before the exercise date.

The gain is limited to EUR 514.62 per PSA.

The conditions of all plans stipulate that on the exercise of SARs or stock awards—and the fulfillment of all other requisite criteria—HOCHTIEF Aktiengesellschaft normally has the option of delivering HOCHTIEF shares instead of paying out the gain in cash. Where the entitled individuals are not employees of HOCHTIEF Aktiengesellschaft, the expense incurred on exercise of SARs or stock awards is borne by the affiliated company concerned.

The quantities granted, expired, and exercised under the plans so far are as follows:

	Originally granted	Outstanding at Dec. 31, 2016	Granted in 2017	Expired in 2017	Exercised/ settled in 2017	Disposal/ sale	**Outstanding at Dec. 31, 2017**
TERP 2008/Tranche 2	359,000	2,900	–	–	2,900	–	0
LTIP 2010 – SARs	353,200	2,000	–	2,000	–	–	0
LTIP 2012 – SARs	457,406	262,906	–	–	260,081	–	2,825
LTIP 2012 – stock awards	82,991	1,550	–	–	925	–	625
LTIP 2013 – SARs	38,288	38,288	–	–	38,288	–	0
LTIP 2013 – stock awards	9,297	9,297	–	–	9,297	–	0
LTIP 2014 – SARs	86,907	86,907	–	–	–	–	86,907
LTIP 2014 – stock awards	20,453	20,453	–	–	–	–	20,453
LTIP 2015 – SARs	96,801	96,801	–	–	–	–	96,801
LTIP 2015 – stock awards	20,262	20,262	–	–	–	–	20,262
LTIP 2016 – SARs	93,235	93,235	–	–	–	–	93,235
LTIP 2016 – stock awards	17,850	17,850	–	–	–	–	17,850
LTIP 2017 – performance stock awards	–	–	19,081	–	–	–	19,081

Provisions recognized for the stated share-based payment plans totaled EUR 12,365 thousand as of the balance sheet date (2016: EUR 15,574 thousand). The total expense recognized for the stated plans in 2017 was EUR 5,299 thousand (2016: EUR 5,537 thousand). The intrinsic value of plans exercisable at the end of the reporting period was EUR 119 thousand (2016: EUR 7,052 thousand).

27. Provisions for pensions and similar obligations

Defined benefit plans

Under defined benefit plans, the Company's obligation is to provide agreed benefits to current and former employees. The main pension obligations in Germany consist of direct commitments under the current 2000+ pension plan and deferred compensation plans. The 2000+ plan in force since January 1, 2000 takes the form of a modular defined contribution plan. The size of the annual pension component depends on employee income and age (resulting in an annuity conversion factor) and a general pension contribution reviewed by HOCHTIEF Aktiengesellschaft every three years and adjusted as necessary. The future pension amount is the sum total of the pension components earned each year. In isolated instances, length-of-service and final salary pension arrangements are in existence for executive staff, although except at Executive Board level such arrangements have no longer been offered since 1995. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension, and in almost all cases are granted as a life-long annuity.

Up to December 31, 2013, employees in Germany additionally had the option of deferred compensation in a company pension plan. The deferred compensation was invested in selected investment funds. The pension amount is based on the present value of acquired fund units at retirement, subject to a minimum of the deferred compensation amount plus an increment that is guaranteed by HOCHTIEF and ranges from 3.50% down to 1.75% p.a. There is a choice at retirement between a lump sum payment and an annuity for five or six years.

Outside of Germany, there are defined benefit plans at Turner in the USA and HOCHTIEF (UK) in the United Kingdom. The plan at Turner was frozen as of December 31, 2003, and no new entitlements can be earned under it. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension. There is a choice at retirement between a life-long annuity and a lump-sum payment. Commitments at Turner also include post-employment benefits in the form of medical care for pensioners. HOCHTIEF (UK) has a length-of-service, final salary pension plan. For each year of service, 1/75th of the eligible final salary is granted as a monthly pension. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension.

Defined benefit obligations in the HOCHTIEF Group are made up as follows:

		Dec. 31, 2017	
(EUR thousand)	Germany	USA	UK
Active members	119,864	80,884	10,822
Final salary	[18,702]	–	[10,822]
Not final salary	[101,162]	[80,884]	–
Vested benefits	157,757	39,090	17,467
Retirees	497,150	90,180	16,706
Similar obligations	96	53,383	–
Total	**774,867**	**263,537**	**44,995**
Duration in years (weighted)	**14.0**	**9.6**	**18.1**

		Dec. 31, 2016	
(EUR thousand)	Germany	USA	UK
Active members	128,813	94,097	15,249
Final salary	[17,861]	–	[15,249]
Not final salary	[110,952]	[94,097]	–
Vested benefits	184,463	44,877	19,177
Retirees	505,168	109,053	14,849
Similar obligations	95	60,470	–
Total	**818,539**	**308,497**	**49,275**
Duration in years (weighted)	**14.6**	**8.7**	**19.0**

Plan assets

Germany

There are no statutory or regulatory minimum funding requirements for pension plans in Germany. Domestic pension obligations are fully funded. The funded plans take the form of a contractual trust arrangement (CTA). The transferred assets have been administered since January 1, 2015 by an external trustee and serve exclusively to fund domestic pension obligations. The transferred cash is invested in the capital market in accordance with investment principles set out in the trust agreement and the investment guidelines. Investment decisions are not made by the trustee but by an investment committee.

The investment guidelines and decisions are based on the findings of an asset liability matching (ALM) study compiled by outside specialists at regular intervals of three to five years. This uses Monte Carlo simulation to model the development of the pension liabilities and other key economic factors over a very long forward horizon and in numerous combinations. Based on the ALM study, a range of criteria are then applied to determine the optimum asset allocation in order to ensure that pension liabilities can be met in the long term.

To assure an optimum conservative risk structure, we have also established risk overlay management using the services of an external overlay manager who is given a fixed annual risk budget and works fully autonomously in a clearly structured risk overlay management process. HOCHTIEF aims to ensure full funding of pension obligations and to fund new vested benefits on the basis of current service cost annually or at least on a timely basis. The companies pay in additional amounts from time to time in the event of any shortfall. Pension commitments in Germany in excess of the contribution assessment ceiling applied in the statutory pension insurance scheme are additionally covered using pension liability insurance. Pension liabilities from deferred employee compensation offered up to December 31, 2013 were funded by the purchase of retail fund units. Funding of the obligations served by HOCHTIEF Pension Trust e. V. as of December 31, 2017 is about 56% (2016: 55%); the figure for Germany as a whole is about 62% (2016: 60%). It should be noted in this connection that pension obligations have increased significantly in recent years due to the low level of market interest rates and that the funding ratio is expected to significantly increase again when interest rates recover.

USA

The frozen defined benefit obligations in the Turner Group are likewise managed in a pension fund. Plan assets are administered in trust by BNY Mellon and serve exclusively to fund the plan. Investment decisions are not made by the trust but by a special committee.

The investment of plan assets is based on a regularly compiled ALM study. The investment objectives are to maximize the funding ratio and reduce volatility in the funding ratio. With the pension obligations fully funded, high-risk investments in equities are to be reduced in favor of fixed-interest bonds. These ideally perform in line with plan liabilities, thus ensuring full funding. There is no statutory minimum funding requirement, but low funding levels result in higher contributions to the Pension Benefit Guarantee Corporation, and limits to lump-sum payments, hence maximum funding is aimed for. The funding of obligations covered by Turner's pension fund as of December 31, 2017 is about 100% (2016: 86%); funding at Turner overall is about 79% (2016: 69%).

UK

Funding of plan assets at HOCHTIEF (UK) is likewise on a trust basis. Statutory minimum funding requirements apply. If funding is insufficient to make up a funding shortfall, an additional restructuring plan is drawn up. Plan funding is reviewed at least once every three years. Funding of pension obligations at HOCHTIEF (UK) is about 74% (2016: 69%).

Defined benefit obligations are covered by plan assets as follows:

Coverage of defined benefit obligations by plan assets

	Dec. 31, 2017		Dec. 31, 2016	
(EUR thousand)	Defined benefit obligations	Plan assets	Defined benefit obligations	Plan assets
Uncovered by plan assets	54,552	–	61,858	–
Partially covered by plan assets	961,696	648,497	1,046,057	667,669
Not fully covered by plan assets	**1,016,248**	**648,497**	**1,107,915**	**667,669**
Fully covered by plan assets	67,151	72,615	68,396	70,971
Total	**1,083,399**	**721,112**	**1,176,311**	**738,640**

Actuarial assumptions

The size of pension provisions is determined on an actuarial basis. This necessarily involves estimates. Specifically, the actuarial assumptions used are as follows:

	2017			2016		
(Percent)	Germany	USA	UK	Germany	USA	UK
Discount factor*	2.00	3.68	2.55	1.75	4.04	2.65
Salary increases	2.75	–	2.00	2.75	–	2.30
Pension increases*	1.75	–	3.27	1.75	–	3.53
Health cost increases	–	5.00	–	–	5.00	–

*Weighted average

The discount factors are derived from the Mercer Pension Discount Yield Curve (MPDYC) model, taking into account the company-specific duration of pension liabilities. Salary and pension increases ceased to be taken into account in the USA (Turner Group) in 2004 due to the changeover in pension arrangements.

Mortality assumptions are based on published country-specific statistics and experience. The following mortality tables were used in the actuarial calculation of pension obligations:

Germany	Heubeck Richttafeln 2005 G
USA	RP 2014 mortality table projected generationally with MP2017 RP 2017 mortality table projected generationally with MP2017 (Healthcare costs)
UK	S2PxA CMI_2016 [1,25 %] year of birth

The present value of defined benefit obligations and the market value of plan assets have changed as follows:

Changes in the present value of defined benefit obligations

	2017			2016		
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Defined benefit obligations at start of year	**818,539**	**357,772**	**1,176,311**	**759,459**	**339,509**	**1,098,968**
Current service cost	7,928	2,004	9,932	5,943	1,764	7,707
Past service cost	(1,504)	–	(1,504)	–	–	–
Interest expense	13,991	12,432	26,423	18,495	13,265	31,760
Remeasurements						
Actuarial (gains)/losses arising from changes in demographic assumptions	–	(15,098)	(15,098)	–	3,537	3,537
Actuarial (gains)/losses arising from changes in financial assumptions	(27,979)	9,771	(18,208)	81,203	14,565	95,768
Actuarial (gains)/losses arising from experience adjustments	1,320	(801)	519	(8,060)	1,326	(6,734)
Benefits paid from Company assets	(330)	(2,879)	(3,209)	(442)	(3,264)	(3,706)
Benefits paid from funds assets	(37,040)	(16,176)	(53,216)	(38,004)	(16,055)	(54,059)
Employee contributions	–	132	132	–	162	162
Effect of transfers	(58)	–	(58)	(55)	–	(55)
Currency adjustments	–	(38,625)	(38,625)	–	2,963	2,963
Defined benefit obligations at end of year	**774,867**	**308,532**	**1,083,399**	**818,539**	**357,772**	**1,176,311**

Changes in the market value of plan assets

	2017			2016		
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Plan assets at start of year	**491,451**	**247,189**	**738,640**	**506,877**	**244,857**	**751,734**
Interest on plan assets	8,560	8,279	16,839	12,618	9,290	21,908
Plan expenses paid from plan assets recognized in profit or loss	–	(1,499)	(1,499)	–	(1,369)	(1,369)
Remeasurements						
Return on plan assets not included in net interest expense/income	7,713	22,784	30,497	4,521	8,240	12,761
Difference between plan expenses expected and recognized in profit or loss	–	(1)	(1)	–	(176)	(176)
Employer contributions	8,441	9,461	17,902	5,439	835	6,274
Employee contributions	–	132	132	–	162	162
Benefits paid	(37,040)	(16,176)	(53,216)	(38,004)	(16,055)	(54,059)
Currency adjustments	–	(28,182)	(28,182)	–	1,405	1,405
Plan assets at end of year	**479,125**	**241,987**	**721,112**	**491,451**	**247,189**	**738,640**

Investing plan assets to cover future pension obligations generated actual returns of EUR 47,336 thousand in 2017 (2016: EUR 34,669 thousand).

The pension provisions are determined as follows:

Reconciliation of pension obligations to provisions for pensions and similar obligations

(EUR thousand)	Dec. 31, 2017	Dec. 31, 2016
Defined benefit obligations	1,083,399	1,176,311
Less plan assets	721,112	738,640
Funding status	**362,287**	**437,671**
Assets from overfunded pension plans	5,464	2,575
Provision for pensions and similar obligations	**367,751**	**440,246**

The fair value of plan assets is divided among asset classes as follows:

Composition of plan assets

Dec. 31, 2017	Fair value			
(EUR thousand)	Quoted in an active market	Not quoted in an active market	Total	%
Stock				
U.S. equities	56,963	–	56,963	7.90
European equities	43,650	18,267	61,917	8.59
Emerging market equities	24,215	–	24,215	3.36
Other equities	23,226	–	23,226	3.22
Bonds				
U.S. government bonds	25,555	1,500	27,055	3.75
European government bonds	29,120	–	29,120	4.04
Emerging market government bonds	28,709	–	28,709	3.98
Corporate bonds*	207,821	1,568	209,389	29.04
Other bonds	5,208	1,486	6,694	0.93
Secured loans				
USA	9,221	–	9,221	1.28
Europe	9,334	–	9,334	1.29
Investment funds	72,047	18,199	90,246	12.51
Real estate	–	30,134	30,134	4.18
Infrastructure	–	15,469	15,469	2.14
Insurance policies	–	78,785	78,785	10.93
Cash	18,478	–	18,478	2.56
Other	1,083	1,074	2,157	0.30
Total	**554,630**	**166,482**	**721,112**	**100.00**

*Of which EUR 4,811 thousand state-guaranteed bonds

Dec. 31, 2016 (EUR thousand)	Fair value Quoted in an active market	 Not quoted in an active market	 Total	 %
Stock				
U.S. equities	34,386	–	34,386	4.65
European equities	66,649	18,734	85,383	11.56
Emerging market equities	53,768	–	53,768	7.28
Other equities	11,125	–	11,125	1.51
Bonds				
U.S. government bonds	–	–	–	–
European government bonds	94,350	–	94,350	12.77
Emerging market government bonds	36,537	–	36,537	4.95
Corporate bonds*	222,263	–	222,263	30.09
Other bonds	–	–	–	–
Secured loans				
USA	–	–	–	–
Europe	–	–	–	–
Investment funds	40,240	27,497	67,737	9.17
Real estate	–	31,306	31,306	4.24
Infrastructure	–	–	–	–
Insurance policies	–	78,135	78,135	10.58
Cash	21,212	–	21,212	2.87
Other	–	2,438	2,438	0.33
Total	**580,530**	**158,110**	**738,640**	**100.00**

*Of which: EUR 9,265 thousand in state-guaranteed bonds

Pension expense under defined benefit plans is made up as follows:

(EUR thousand)	2017 Domestic	 International	 Total	2016 Domestic	 International	 Total
Current service cost	7,928	2,004	9,932	5,943	1,764	7,707
Past service cost	(1,504)	–	(1,504)	–	–	–
Total personnel expense	**6,424**	**2,004**	**8,428**	**5,943**	**1,764**	**7,707**
Interest expense for accrued benefit obligations	13,991	12,432	26,423	18,495	13,265	31,760
Interest on plan assets	(8,560)	(8,279)	(16,839)	(12,618)	(9,290)	(21,908)
Net interest expense (net investment and interest income)	**5,431**	**4,153**	**9,584**	**5,877**	**3,975**	**9,852**
Plan expenses paid from plan assets recognized in profit or loss	**–**	**1,499**	**1,499**	**–**	**1,369**	**1,369**
Total amount recognized in profit or loss	**11,855**	**7,656**	**19,511**	**11,820**	**7,108**	**18,928**

In addition to the expenses recognized in profit or loss, the Consolidated Statement of Comprehensive Income includes EUR 85,533 thousand in actuarial gains in 2017 before deferred taxes and after changes in the scope of consolidation and exchange rate adjustments (2016: EUR 84,425 thousand actuarial losses). Before deferred taxes, the cumulative amount is actuarial losses of EUR 441,963 thousand (2016: EUR 527,496 thousand).

The Turner Group's obligations to meet healthcare costs for retired staff are included in pension provisions due to their pension-like nature. The defined benefit obligation as of December 31, 2017 came to EUR 53,383 thousand (2016: EUR 60,470 thousand). Healthcare costs accounted for EUR 1,642 thousand (2016: EUR 1,532 thousand) of the current service cost and EUR 2,483 thousand (2016: EUR 2,397 thousand) of the interest expense.

Sensitivity analysis

Pension obligations in the HOCHTIEF Group are subject to the following material risks:

Interest rate risk

For defined contribution plans, (notional) contributions are translated into benefits using a table of fixed interest rates, independent of the current market interest rate. HOCHTIEF thus bears the risk of general capital market interest rate changes with regard to the determination of benefits. Pension obligations have increased significantly in recent years due to the generally low level of capital market interest rates. The correspondingly strong impact is due to the relatively long term of the obligations.

Inflation risk

By law, company pensions in Germany must be raised level with the inflation rate at least every three years. German company pensions under the 2000+ plan rise at a fixed 1% p.a., hence there is only minor inflation risk in the pension phase. Turner plans are free from inflation risk as the main defined benefit plan is frozen and no more adjustments to the company pension are made.

Longevity risk

The granting of life-long pensions means that HOCHTIEF bears the risk of pensioners living longer than actuarial calculations predict. This risk normally averages out across all pension plan members and only comes into play if life expectancy is greater than expected.

The impact of the stated risks on the defined benefit obligations under a corresponding change in actuarial assumptions is shown in the sensitivity analysis that follows.

Impact on the defined benefit obligation

	Dec. 31, 2017					
	Domestic		International		Total	
(EUR thousand)	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0.50% / -0.50%	(51,166)	57,728	(15,936)	17,616	(67,102)	75,344
Discount rate +1.00% / -1.00%	(96,707)	123,157	(30,404)	37,158	(127,111)	160,315
Salary increases +0.50% / -0.50%	558	(537)	420	(404)	978	(941)
Pension increases +0.25% / -0.25%	19,259	(18,433)	1,070	(975)	20,329	(19,408)
Medical costs +1.00% / -1.00%	–	–	83	(76)	83	(76)
Life expectancy +1 year	34,920	n/a	7,687	n/a	42,607	n/a

	Dec. 31, 2016					
	Domestic		International		Total	
(EUR thousand)	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0.50% / -0.50%	(56,175)	63,408	(16,395)	18,078	(72,570)	81,486
Discount rate +1.00% / -1.00%	(105,939)	135,647	(31,314)	38,088	(137,253)	173,735
Salary increases +0.50% / -0.50%	418	(572)	659	(613)	1,077	(1,185)
Pension increases +0.25% / -0.25%	19,881	(19,186)	1,336	(1,500)	21,217	(20,686)
Medical costs +1.00% / -1.00%	–	–	93	(87)	93	(87)
Life expectancy +1 year	37,295	n/a	7,510	n/a	44,805	n/a

Future cash flows

Benefit payments

As of December 31, 2017, anticipated pension payments for future years are as follows:

(EUR thousand)	
Due in 2018	62,111
Due in 2019	58,794
Due in 2020	58,798
Due in 2021	58,300
Due in 2022	58,119
Due in 2023 to 2027	285,239

Contributions to defined benefit plans

Contributions to defined benefit plans will probably be higher in reporting year 2018 than in 2017. The main reason for this is an extraordinary contribution to the Turner pension fund which is included in the 2017 figures and as a result of which the pension plan is close to fully funded.

Defined contribution plans

Under defined contribution plans, the Company pays into a state or private pension fund voluntarily or in accordance with statutory or contractual stipulations. It has no obligation to pay further contributions.

There are defined contribution plans at Turner, Flatiron, and E.E. Cruz in the USA as well as at CIMIC in Australia. Depending on length of service and salary level, Turner pays between 3% and 6% of an employee's salary into an external fund. In addition, Turner employees have an option to pay up to 25% of their salaries into an investment fund as part of a 401 (k) plan. Turner matches the first 5% of the deferred compensation by up to 100% depending on length of service. All employees can join the plan immediately, and are vested in the company's contributions after three years' service. Tax relief is granted on most payments into the fund, although it is also possible to pay contributions from taxed income and receive the investment earnings free of tax; the investment risk is borne by employees. The defined contribution plans at Flatiron and E.E. Cruz are similar to 401 (k) plans. All non-union employees are entitled. Flatiron pays a contribution in the amount of 6.0% of the wage or salary, while E.E. Cruz doubles one-third of employee contributions, in each case up to the statutory maximum. Since July 1, 2014, CIMIC in Australia has paid 9.50% (previously 9.25%) of the wage and salary total into the statutory pension (superannuation) scheme. The contribution rate is expected to rise incrementally up to 12.0% by 2025. Employees have a choice of investment funds and bear the investment risk. They are able to pay top-up contributions on a voluntary basis. Tax relief is granted on top-up contributions.

The following amounts were paid into defined contribution plans and state pension schemes:

(EUR thousand)	2017	2016
Amounts paid into defined contribution plans		
CIMIC	130,296	86,030
Turner	42,693	41,057
Other	6,882	6,217
Total	**179,871**	**133,304**
Amounts paid into state pension schemes (employer share)	**74,735**	**69,743**

The costs are reported as part of personnel costs.

28. Other provisions

(EUR thousand)	Dec. 31, 2017 Non-current	Dec. 31, 2017 Current	Dec. 31, 2017 Total	Dec. 31, 2016 Non-current	Dec. 31, 2016 Current	Dec. 31, 2016 Total
Provisions for taxes	**–**	**76,360**	**76,360**	**–**	**109,016**	**109,016**
Personnel-related provisions	145,835	323,076	468,911	158,176	374,709	532,885
Provisions for insurance claims	187,118	3,158	190,276	210,338	4,309	214,647
Warranty obligations	–	41,333	41,333	–	43,695	43,695
Litigation risks	–	17,839	17,839	–	12,639	12,639
Sundry other provisions	15,798	266,824	282,622	54,742	277,235	331,977
Other provisions	**348,751**	**652,230**	**1,000,981**	**423,256**	**712,587**	**1,135,843**
	348,751	**728,590**	**1,077,341**	**423,256**	**821,603**	**1,244,859**

Personnel-related provisions primarily comprise provisions for stock option schemes, employment anniversary bonuses, holiday accrual, termination benefits, and early retirement arrangements.

The size of provisions for insurance claims is computed annually by an external actuary.

Items covered by sundry other provisions include contract administration, contract costs incurred subsequent to invoicing, investment risk, restructuring costs, payments for damages, and other uncertain liabilities.

Statement of provisions

(EUR thousand)	Balance at Jan. 1, 2017	Additions	Reversal of provisions	Changes in the scope of consolidation, currency adjustments, reclassifications, and transfer	Use of provisions	Balance at Dec. 31, 2017
Provisions for taxes	**109,016**	**34,021**	**(8,582)**	**(527)**	**(57,568)**	**76,360**
Personnel-related provisions	532,885	305,516	(3,299)	(54,939)	(311,252)	468,911
Provisions for insurance claims	214,647	8,233	–	(25,922)	(6,682)	190,276
Sundry other provisions	388,311	75,417	(42,622)	(22,084)	(57,228)	341,794
Other provisions	**1,135,843**	**389,166**	**(45,921)**	**(102,945)**	**(375,162)**	**1,000,981**
	1,244,859	**423,187**	**(54,503)**	**(103,472)**	**(432,730)**	**1,077,341**

29. Financial liabilities

(EUR thousand)	Dec. 31, 2017 Non-current	Dec. 31, 2017 Current	Dec. 31, 2016 Non-current	Dec. 31, 2016 Current
Bonds or notes issued	1,510,108	96,610	1,619,796	776,312
Amounts due to banks	650,381	124,911	8,255	242,874
Financial liabilities to non-consolidated subsidiaries	–	3,581	–	5,215
Financial liabilities to participating interests	9,100	8,715	–	4,348
Lease liabilities	2,380	1,722	5,270	17,962
Sundry other financial liabilities	11,266	22	–	223
	2,183,235	**235,561**	**1,633,321**	**1,046,934**

Bonds

	Carrying amount Dec. 31, 2017 (EUR thousand)	Carrying amount Dec. 31, 2016 (EUR thousand)	Principal amount Dec. 31, 2017 (EUR thousand)	Coupon (%)	Initial term (in years)	Matures
HOCHTIEF AG bond (2014)	506,561	505,577	500,000 EUR	2.63	5	May 2019
HOCHTIEF AG bond (2013)	769,914	768,566	750,000 EUR	3.88	7	March 2020
HOCHTIEF AG bond (2012)	–	521,058	–	5.50	5	March 2017
CIMIC US$ Senior Notes (2012)	168,169	191,543	201,300 USD	5.95	10	November 2022
CIMIC US$ Senior Notes (2010)	96,075	247,404	115,000 USD			
Series B-Notes	–	[137,975]	–	5.22	7	July 2017
Series C-Notes	[96,075]	[109,429]	115,000 USD	5.78	10	July 2020
CIMIC US$ Senior Notes (2008)	65,999	75,173	79,000 USD	7.66	10	October 2018
Other CIMIC bonds	–	86,787				
	1,606,718	**2,396,108**				

Amounts due to banks

	Carrying amount Dec. 31, 2017 (EUR thousand)	Average interest rate (%)	Carrying amount Dec. 31, 2016 (EUR thousand)	Average interest rate (%)
Variable-rate loans	392,091	2.30	241,571	3.51
Fixed-rate loans	383,201	1.67	9,558	5.59
	775,292		**251,129**	

In March 2017, HOCHTIEF Aktiengesellschaft launched a promissory loan note issue for EUR 500,000 thousand. The entire proceeds from the issue were used to refinance a 2012 bond issue for the same amount that matured in March 2017. The notes have staggered terms of five, seven, and ten years with variable and fixed interest rates.

A syndicated five-year credit facility originally due to expire in April 2019 comprising a EUR 1.5 billion guarantee facility tranche and a EUR 0.5 billion credit facility tranche was successfully refinanced ahead of schedule at significantly improved terms in August 2017. The new syndicated facility for a total of EUR 1.7 billion with a term to August 2022 and extension options of up to two more years consists of a guarantee facility tranche totaling EUR 1.2 billion and a credit facility tranche for EUR 0.5 billion that can be drawn on a revolving basis. As in the prior year, there are no drawings on the credit facility tranche as of the reporting date.

CIMIC successfully refinanced and expanded an existing syndicated working capital cash facility in September 2017 as part of its long-term financing strategy. The new syndicated working capital cash facility is for AUD 2.6 billion, split across two tranches with terms of three and five years. It replaces an existing EUR 1 billion facility, which matured in December 2017, as well as a portion of the CIMIC Group's bilateral cash facilities and some maturing U.S. dollar debt. Drawings on the working capital cash facility stand at AUD 245.0 million (2016: AUD –) as of the reporting date.

Financial liabilities due to equity-accounted companies are EUR 15,203 thousand (2016: EUR – thousand).

The minimum lease payments for liabilities under finance leases break down as follows:

Finance leases

	Dec. 31, 2017			Dec. 31, 2016		
(EUR thousand)	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in up to 1 year	1,783	61	1,722	18,482	520	17,962
Due in 1–5 years	2,409	49	2,360	5,304	52	5,252
Due after 5 years	21	1	20	19	1	18

The decrease in lease liabilities in the reporting year relates to the repayment, in their entirety, of finance leases at CIMIC.

30. Other liabilities

	Dec. 31, 2017		Dec. 31, 2016	
(EUR thousand)	Non-current	Current	Non-current	Current
Liabilities to employees	–	210,288	–	224,644
Deferred income	29,975	30,058	36,004	25,898
Tax liabilities (excluding income taxes)	–	53,547	–	33,932
Liabilities under derivative financial instruments	258	3,863	557	3,678
Social insurance liabilities	–	2,012	–	5,017
Sundry other liabilities	100	198,564	280	262,172
	30,333	**498,332**	**36,841**	**555,341**

Deferred income mainly comprises insurance premiums received in advance for subsequent years (these are reversed to income over the life of the policies) and rental payments.

Sundry other current liabilities include EUR 163,012 thousand (2016: 181,008 thousand) in liabilities to customers of the Turner Group that are fully covered by insurance claims. The insurance claims are included in other receivables and other assets.

31. Trade payables

(EUR thousand)	Dec. 31, 2017	Dec. 31, 2016 (restated)*
Trade payables		
Percentage of completion (POC)	(629,192)	(622,323)
Progress payments received	1,494,205	1,719,188
	865,013	**1,096,865**
To construction joint ventures	191,757	166,799
Other	5,274,511	5,221,615
	6,331,281	**6,485,279**
Advance payments received	20,815	9,840
From non-consolidated subsidiaries	331	415
From participating interests	13,582	13,940
	6,366,009	**6,509,474**

*Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016. Please see Note 1 for explanatory notes on the adjustment.

Trade payables from percentage of completion (POC) in the amount of EUR 865,013 thousand (2016: EUR 1,096,865 thousand) represents such amounts where the progress payments received from customers exceed the incurred contract costs including a pro rata allocation of contract net profit.

Payables due to equity-accounted companies total EUR 13,260 thousand (2016: EUR 13,446 thousand).

32. Current income tax liabilities

The EUR 23,246 thousand (2016: EUR 4,064 thousand) in current income tax liabilities comprises amounts payable to domestic and foreign tax authorities.

Other disclosures

33. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit attributable to the Company's shares by the average number of shares in circulation. This indicator can become diluted as a result of potential shares (mainly stock options and convertible bonds). HOCHTIEF's share-based payment arrangements do not have any dilutive effect. Diluted and basic earnings per share are consequently identical.

	2017	2016
Profit after tax attributable to HOCHTIEF shareholders (EUR thousand)	420,736	320,483
Number of shares in circulation in thousands (weighted average)	64,253	64,294
Earnings per share attributable to HOCHTIEF shareholders (EUR)	**6.55**	**4.98**
Dividend per share (EUR)		2.60
Proposed dividend per share (EUR)	3.38	

34. Reporting on financial instruments

Financial instruments include financial assets and liabilities as well as contractual claims and obligations relating to exchanges and transfers of financial assets. Financial instruments can be derivative or non-derivative.

Non-derivative financial assets mostly comprise cash and cash equivalents, marketable securities, receivables, and other financial assets. Marketable securities are carried at fair value. The fair values of available-for-sale financial assets are established with reference to market prices or, in the absence of such prices, determined using accepted valuation methods.

Non-derivative financial liabilities are mostly current liabilities measured at amortized cost.

According to their fair value, derivative financial instruments are reported either in other receivables and other assets or in other liabilities. Derivatives are used in the HOCHTIEF Group exclusively for the hedging of existing transactions and in asset management.

Holdings of non-derivative and derivative financial instruments are carried on the balance sheet; the maximum risk of loss or default is equal to the total value of financial assets. Any such risk identified in respect of financial assets is accounted for with an impairment loss.

Risk management

All finance activities in the HOCHTIEF Group are conducted on the basis of a Group-wide financial directive. This is complemented by function-specific operating work instructions on issues such as currency and collateral management. These lay down principles for dealing with the various classes of financial risk.

Management of liquidity risk

HOCHTIEF uses largely centralized liquidity structures—notably cash pooling—to pool liquidity at Group level, among other things to avoid cash flow bottlenecks at the level of individual entities. The central liquidity position is calculated at regular monthly intervals and budgeted in a bottom-up process over a rolling 18-month period. Liquidity budgets are supplemented with monthly stress testing. HOCHTIEF uses liquidity budgets in active management of the marketable securities and loans portfolios.

The tables below show maximum payments. The tables show the worst-case scenario for HOCHTIEF, i.e. the earliest possible contractual payment date in each case. Creditors' rights of termination are taken into account. Foreign currency items are translated using the closing rate as of the balance sheet date. Interest payments on variable rate items are translated uniformly using the last interest rate fixed prior to the balance sheet date. Both derivative and non-derivative financial instruments (for example, forward exchange contracts and interest rate swaps) are taken into account. Credit facilities granted but not yet drawn in their full amount are also included, as are financial guarantees issued by the Group.

The maximum payments shown in the following tables (worst-case scenario) are offset by contractually fixed receipts in the same periods that are not shown here (for example, from trade receivables). These cover most of the cash outflows shown.

Maximum payments as of December 31, 2017

(EUR thousand)	2018	2019	2020–2021	after 2021	**Total**
Non-derivative financial liabilities	5,943,242	576,813	1,065,183	707,217	8,292,455
Derivative financial instruments	3,863	199	–	59	4,121
Loan commitments and financial guarantees	80,844	–	–	–	80,844
	6,027,949	**577,012**	**1,065,183**	**707,276**	**8,377,420**

Maximum payments as of December 31, 2016

(EUR thousand)	2017	2018	2019–2020	after 2020	**Total**
Non-derivative financial liabilities	6,705,552	153,354	1,460,938	214,470	8,534,314
Derivative financial instruments	3,678	557	–	–	4,235
Loan commitments and financial guarantees	97,509	–	–	–	97,509
	6,806,739	**153,911**	**1,460,938**	**214,470**	**8,636,058**

In addition, Group liquidity is adequately secured for the long term with cash in hand and on deposit, marketable securities holdings, and undrawn revolving credit facilities. The following table shows the main liquidity instruments:

(EUR thousand)	**Dec. 31, 2017**	Dec. 31, 2016
Cash in hand and on deposit	2,127,418	2,072,661
Marketable securities	1,186,131	1,086,632
Undrawn revolving credit facilities	2,519,134	2,089,282
	5,832,683	**5,248,575**
Undrawn guarantee facilities	3,298,454	4,463,742

In light of the broad international syndication in each instance and the successful refinancing of the syndicated credit and guarantee facility ahead of schedule in August 2017, no refinancing risk is currently seen with regard to the long-term guarantee and credit facility. The authorized capital in the amount of up to EUR 82,000 thousand and conditional capital in the amount of up to EUR 46,080 thousand provide appropriate scope for raising additional capital as needed.

Financial assets and financial liabilities are presented net in the balance sheet when there is a legally enforceable right to set off the recognized amounts. There must also be an intention either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. In the HOCHTIEF Asia Pacific division, under a legally binding arrangement with banks, financial assets in the amount of EUR 31,664 thousand (2016: EUR 17,402 thousand) and financial liabilities in the amount of EUR 3,179 thousand (2016: EUR 17,334 thousand) are offset and presented in the balance sheet with their net amount of EUR 28,485 thousand (2016: EUR 68 thousand).

Management of currency risk

HOCHTIEF is exposed to currency risk (transaction risk) arising from receivables, liabilities, cash and cash equivalents, marketable securities, and pending transactions in currencies other than the functional currency of the Group company concerned. Currency derivatives, mainly forward exchange contracts, are used to hedge against fluctuations in these payments or items caused by exchange rates. HOCHTIEF normally hedges all currency risk.

Hedges for Group companies—with the exception of hedges in the CIMIC Group—are administered via HOCHTIEF Aktiengesellschaft. Binding guidelines clarify their use as well as separate controls and responsibilities for all Group companies. Currency derivatives are normally only used to hedge risk. Any form of speculation is ruled out under a binding, Group-wide financial directive. The counterparties for derivatives entered into externally are banks with a top credit rating.

The following table shows the fair values of currency derivatives, changes in their fair values, and their maximum remaining maturities:

(EUR thousand)	**Dec. 31, 2017**	Dec. 31, 2016
Assets		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedge accounting)	5,938	1,168
for hedging purposes (no cash flow hedge accounting)	321	3,807
	6,259	**4,975**
Liabilities and shareholders' equity		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedge accounting)	1,451	4,211
for hedging purposes (no cash flow hedge accounting)	2,647	24
	4,098	**4,235**
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounting) – recognized in other comprehensive income	7,530	(4,920)
of derivatives held for hedging purposes (no cash flow hedge accounting) – recognized immediately in profit or loss	(6,109)	5,342
Maximum remaining maturity		
(months)		
for hedging purposes (cash flow hedge accounting)	26	31
for hedging purposes (no cash flow hedge accounting)	22	18

Where hedge accounting is used, unrealized gains and losses on hedges are initially recognized in other comprehensive income, taking into account deferred tax. Gains and losses are not realized until a hedged item affects income. Derivatives are measured on the basis of current market rates as of the balance sheet date. When interpreting positive or negative fair value changes relating to derivatives, it is important to remember that they balance hedged items whose values move in the opposite direction.

The following sensitivity analyses demonstrate what material impact on HOCHTIEF Group equity and profit would result from a 10% fluctuation in foreign currencies relative to each Group company's functional currency. The analysis is based on holdings as of the balance sheet date.

		Dec. 31, 2017 Exchange rate		Dec. 31, 2016 Exchange rate	
(EUR thousand)		10% increase	10% decrease	10% increase	10% decrease
Change in equity due to market value fluctuations of currency derivatives used for hedging (cash flow hedge accounting)					
Functional currency	Foreign currency				
EUR	CHF	(337)	337	(4,348)	4,348
EUR	CZK	–	–	(853)	853
AUD	USD	3,395	(3,395)	(480)	480
AUD	EUR	289	(289)	(3,234)	3,234
AUD	NZD	–	–	857	(857)
AUD	JPY	–	–	623	(623)
PLN	EUR	(8,778)	8,778	(4,040)	4,040
Change in profit or loss due to unhedged currency exposures in primary financial instruments and to market value fluctuations in derivative financial instruments (no cash flow hedge accounting)					
Functional currency	Foreign currency				
EUR	NOK	1,422	(1,422)	4,309	(4,309)
EUR	PLN	4,938	(4,938)	(654)	654
EUR	RON	11	(11)	2,793	(2,793)
EUR	SEK	1,147	(1,147)	(7,191)	7,191
EUR	USD	5,714	(5,714)	–	–
AUD	CAD	721	(721)	–	–
AUD	EUR	2,588	(2,588)	–	–
AUD	HKD	4,283	(4,283)	3,202	(3,202)
AUD	SGD	766	(766)	–	–
AUD	USD	9,610	(9,610)	(40,375)	40,375
CZK	EUR	(3,217)	3,217	(3,756)	3,756
QAR	EUR	2,726	(2,726)	2,713	(2,713)
USD	CAD	(14,097)	14,097	(11,105)	11,105
USD	EUR	(2,094)	2,094	(6,643)	6,643
USD	GBP	(1,967)	1,967	(2,166)	2,166

Management of interest rate risk

HOCHTIEF is exposed to interest rate risk through financial items primarily consisting of interest-bearing marketable securities on the assets side and financial liabilities on the liabilities side of the balance sheet. Two approaches are used to minimize this risk. Firstly, the Company uses natural hedging, meaning that it eliminates contrary interest rate risk from non-derivative financial instruments on the asset and liabilities side. The second method is to use interest rate derivatives. These generally take the form of interest rate swaps used in accordance with the Group annual financing strategy to manage cash flow risk from changes in interest rates for variable-rate financial items. As with currency derivatives, hedges for Group companies—with the exception of hedges in the CIMIC Group—are mainly administered via HOCHTIEF Aktiengesellschaft. There are also parallel regulations and guidelines, and derivatives are used solely for hedging (i.e. not speculatively) as a matter of principle. As a fundamental rule the counterparties for derivatives entered into externally are banks with a top credit rating.

The following table shows the fair values of interest rate derivatives, changes in their fair values, and their maximum remaining maturities:

(EUR thousand)	**Dec. 31, 2017**	Dec. 31, 2016
Assets		
Interest rate swaps		
for hedging purposes (no cash flow hedge accounting)	397	165
	397	**165**
Liabilities and shareholders' equity		
Interest rate swaps		
for hedging purposes (no cash flow hedge accounting)	23	–
	23	**–**
Changes in fair value		
of derivatives held for hedging purposes (no cash flow hedge accounting) – recognized immediately in profit or loss	209	63
Maximum remaining maturity		
(months)		
for hedging purposes (no cash flow hedge accounting)	363	363

The following sensitivity analyses demonstrate the impact that a one percentage point change in the respective market interest rate would have had on equity and profit. The analysis is based on holdings as of the balance sheet date.

	Dec. 31, 2017		Dec. 31, 2016	
	Market interest rate		Market interest rate	
(EUR thousand)	1% increase	1% decrease	1% increase	1% decrease
Change in equity due to market value fluctuations of interest rate derivatives used for hedging (cash flow hedge accounting) and of fixed-interest securities measured at fair value through other comprehensive income (OCI)	(1,593)	1,591	(1,863)	1,862
Change in profit or loss due to unhedged variable rate interest rate exposures on primary financial instruments and to market value fluctuations in derivative financial instruments (no cash flow hedge accounting)	(1,157)	1,107	86	(211)

Management of other price risk

Other price risk results at HOCHTIEF from investing in current and non-current non-interest-bearing marketable securities, chiefly shares, that are classified as available for sale and therefore measured at fair value through other comprehensive income. In addition, price risk stems from participating interests that are classified as available for sale, to the extent that they are measured at fair value. Such items are shown in the following table. Participating interests measured at amortized cost because their fair value cannot be reliably measured are not included.

(EUR thousand)	Dec. 31, 2017	Dec. 31, 2016
Price risk exposure on non-current assets	65,683	61,878
Price risk exposure on current assets	229,076	194,395

HOCHTIEF actively manages price risk. Continuous monitoring and analysis of the markets make it possible to marshal investments at short notice. This allows the Company to detect negative developments on the capital market at an early stage and take appropriate action. The changes relative to the prior year result from ongoing active portfolio management as part of Group-wide risk management. Derivatives are used to control price risk only in exceptional instances.

The following table shows the fair values of equity options and stock forward contracts:

(EUR thousand)	**Dec. 31, 2017**	Dec. 31, 2016
Assets		
Equity options and stock forward contracts		
for hedging purposes (cash flow hedge accounting)	4,616	10,756
for hedging purposes (no cash flow hedge accounting)	45,114	51,384
	49,730	**62,140**
Liabilities and shareholders' equity	**–**	**–**
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounting) – recognized in other comprehensive income	(6,140)	10,756
of derivatives held for hedging purposes (no cash flow hedge accounting) – recognized immediately in profit or loss	(6,270)	42,325
Maximum remaining maturity		
(months)		
for hedging purposes (cash flow hedge accounting)	15	27
for hedging purposes (no cash flow hedge accounting)	120	132

The following sensitivity analyses demonstrate the impact on HOCHTIEF Group equity and profit that would result from a 10% fluctuation in the market value of derivative and non-derivative financial instruments. The analysis is based on holdings as of the balance sheet date.

	Dec. 31, 2017 Market value		Dec. 31, 2016 Market value	
(EUR thousand)	10% increase	10% decrease	10% increase	10% decrease
Change in equity due to changes in market price of unimpaired securities	22,908	(22,908)	19,440	(19,440)
Change in equity due to changes in value of unimpaired participating interests measured at fair value	6,568	(6,568)	6,188	(6,188)

Management of credit risk

The HOCHTIEF Group is exposed to credit risk from operations and from certain financing activities.

HOCHTIEF performs risk management for operations by continuously monitoring trade receivables at divisional level. If a specific credit risk is detected, it is countered by recognizing an individual impairment in the necessary amount.

The HOCHTIEF Group has given third parties financial guarantees and loan commitments in respect of Group companies. Financial guarantees and loan guarantees are only given in respect of companies with top credit standing, restricting to a minimum the probability of the guarantees being drawn upon.

The maximum credit risk exposure of financial assets is equivalent to their carrying amounts in the balance sheet. However, the actual credit risk exposure is lower due to collateral given in favor of the HOCHTIEF Group. The maximum risk exposure on financial guarantees issued by HOCHTIEF is the maximum amount to be paid by HOCHTIEF. The maximum credit risk for loan commitments is the amount of the commitment. As of December 31, 2017, the maximum credit risk from financial guarantees and loan commitments amounted to EUR 80,844 thousand (2016: EUR 97,509 thousand). No recourse has ever been made to these guarantees provided by HOCHTIEF and, in light of the financial circumstances, none is currently anticipated for the future.

HOCHTIEF accepts collateral to secure contract performance by subcontractors, subcontractors' warranty obligations, and claims to remuneration. Such collateral includes guarantees relating to warranty obligations, contract performance, advance payments, and receivables. Acceptance of collateral is governed by a HOCHTIEF work instruction. Among other aspects, this covers the contractual drafting, implementation, and management of all agreements. The detailed rules vary according to factors such as the country jurisdiction and applicable case law. In the case of credit risk, HOCHTIEF examines the credit rating of the party providing the collateral for all guarantees accepted. HOCHTIEF uses external specialists (such as rating agencies) to assess credit standings where possible. The fair values of accepted collateral are not disclosed as they regularly cannot be measured reliably as a rule.

The following table shows unimpaired financial assets that are past due:

	Dec. 31, 2017				Dec. 31, 2016			
(EUR thousand)	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Up to 30 days	31 to 60 days	61 to 90 days	Over 90 days
Trade receivables	93,362	17,208	12,233	80,808	112,396	14,301	8,724	98,710
Other current receivables and other current financial assets	–	–	–	4	–	–	–	–
	93,362	**17,208**	**12,233**	**80,812**	**112,396**	**14,301**	**8,724**	**98,710**

The age structure of financial assets that are past due is shaped by industry-specific factors. Receipt of payment depends on acceptance of the contract works (inspection) and invoice checking, which can often take a relatively long time, especially for large-scale projects. Most of the unimpaired financial assets that are past due are from public-sector clients and industrial companies with top credit ratings.

Individually impaired financial assets are shown below:

(EUR thousand)	Dec. 31, 2017 Gross carrying amount	Dec. 31, 2017 Impairment	Dec. 31, 2017 Net carrying amount	Dec. 31, 2016 Gross carrying amount	Dec. 31, 2016 Impairment	Dec. 31, 2016 Net carrying amount
Trade receivables	279,319	158,654	120,665	267,553	149,213	118,340
Financial receivables						
Non-current	27,854	27,736	118	47,807	42,557	5,250
Current	15,334	6,049	9,285	16,718	6,288	10,430
Other current receivables and other current financial assets	419	177	242	1,456	210	1,246
	322,926	**192,616**	**130,310**	**333,534**	**198,268**	**135,266**

The impairments in trade receivables mostly consist of impaired contracting-related claims, as is typical for the industry.

The following table shows changes in impairments on financial assets in 2017 and in the prior year:

Reconciliation of changes in impairments

(EUR thousand)	Jan. 1, 2016	Changes*	Dec. 31, 2016/ Jan. 1, 2017	Changes*	Dec. 31, 2017
Trade receivables	154,551	(5,338)	149,213	9,441	158,654
Financial receivables					
Non-current	42,223	334	42,557	(14,821)	27,736
Current	8,777	(2,489)	6,288	(239)	6,049
Other current receivables and other current financial assets	247	(37)	210	(33)	177
	205,798	**(7,530)**	**198,268**	**(5,652)**	**192,616**

*Changes result from additions, reversals, utilizations, currency adjustments and changes in the scope of consolidation.

With regard to financial assets that are neither past due nor impaired, there are currently no indications of any need to recognize impairments for reasons relating to credit ratings.

Capital risk management
The HOCHTIEF Group manages capital with the aim of ensuring that all Group companies can continue to operate as a going concern. The Group keeps the cost of capital as low as possible by optimizing the balance between equity and debt as the need arises. These measures primarily serve to secure the best possible credit standing as well as to maximize shareholder returns.

The Group's capital structure consists of the balance sheet items comprising net debt (defined as current and non-current liabilities less cash and cash equivalents) and shareholders' equity. The Risk Reporting Committee assesses and examines the Group's capital structure at regular intervals, taking into account the risk-adjusted cost of capital.

The overall capital risk management strategy did not change in the reporting year compared with the prior year.

Additional information on financial instruments
In the following, carrying amounts and fair values are shown for each class of financial instrument and carrying amounts for each IAS 39 category as of December 31, 2017 and December 31, 2016.

2017	Carrying amount by category					Not belonging to any category			
		Financial assets		Financial liabilities					
(EUR thousand)	Available for sale	Held for trading	Loans and receivables	Held for trading	At amortized cost	Hedge accounting and finance leases	Not covered by IFRS 7	**Total carrying amounts Dec. 31, 2017**	**Total fair value Dec. 31, 2017**
Assets									
Other financial assets									
At fair value	65,683	–	–	–	–	–	–	65,683	65,683
At amortized cost	7,845	–	–	–	–	–	–	7,845	n.a.
	73,528	**–**	**–**	**–**	**–**	**–**	**–**	**73,528**	**65,683**
Financial receivables									
Non-current	**–**	**–**	**835,518**	**–**	**–**	**–**	**–**	**835,518**	**835,518**
Current	**–**	**–**	**144,183**	**–**	**–**	**–**	**–**	**144,183**	**144,183**
Trade receivables	**–**	**–**	**2,698,995**	**–**	**–**	**–**	**2,119,236**	**4,818,231**	**4,818,231**
Other receivables and other financial assets									
Non-current									
At fair value	–	45,510	–	–	–	5,093	–	50,603	50,603
At amortized cost	–	–	–	–	–	–	–	–	–
Not covered by IFRS 7	–	–	–	–	–	–	103,182	103,182	103,182
	–	**45,510**	**–**			**5,093**	**103,182**	**153,785**	**153,785**
Current									
At fair value	–	322	–	–	–	5,461	–	5,783	5,783
At amortized cost	–	–	273,585	–	–	–	–	273,585	273,585
Not covered by IFRS 7	–	–	–	–	–	–	132,568	132,568	132,568
	–	**322**	**273,585**	**–**	**–**	**5,461**	**132,568**	**411,936**	**411,936**
Marketable securities*	**428,759**	**–**	**–**	**–**	**–**	**–**	**–**	**428,759**	**428,759**
Cash and cash equivalents	**–**	**–**	**3,094,924**	**–**	**–**	**–**	**–**	**3,094,924**	**3,094,924**
Liabilities and shareholders' equity									
Financial liabilities									
Non-current	**–**	**–**	**–**	**–**	**2,180,855**	**2,380**	**–**	**2,183,235**	**2,256,830**
Current	**–**	**–**	**–**	**–**	**233,839**	**1,722**	**–**	**235,561**	**235,561**
Trade payables	**–**	**–**	**–**	**–**	**5,480,181**	**–**	**885,828**	**6,366,009**	**6,366,009**
Other liabilities									
Non-current									
At fair value	–	–	–	59	–	199	–	258	258
At amortized cost	–	–	–	–	85	–	–	85	85
Not covered by IFRS 7	–	–	–	–	–	–	29,990	29,990	29,990
	–	**–**	**–**	**59**	**85**	**199**	**29,990**	**30,333**	**30,333**
Current									
At fair value	–	–	–	2,611	–	1,252	–	3,863	3,863
At amortized cost	–	–	–		191,987	–	–	191,987	191,987
Not covered by IFRS 7	–	–	–	–	–	–	302,482	302,482	302,482
	–	**–**	**–**	**2,611**	**191,987**	**1,252**	**302,482**	**498,332**	**498,332**

*For explanatory notes on marketable securities, please see Note 23.

2016	Carrying amount by category					Not belonging to any category			
	Financial assets			Financial liabilities					
(EUR thousand)	Available for sale	Held for trading	Loans and receivables	Held for trading	At amortized cost	Hedge accounting and finance leases	Not covered by IFRS 7	**Total carrying amounts Dec. 31, 2016**	**Total fair value Dec. 31, 2016**
Assets									
Other financial assets									
At fair value	61,879	–	–	–	–	–	–	61,879	61,879
At amortized cost	9,683	–	–	–	–	–	–	9,683	n.a.
	71,562	**–**	**–**	**–**	**–**	**–**	**–**	**71,562**	**61,879**
Financial receivables									
Non-current	**–**	**–**	**818,579**	**–**	**–**	**–**	**–**	**818,579**	**818,579**
Current	**–**	**–**	**55,985**	**–**	**–**	**–**	**–**	**55,985**	**55,985**
Trade receivables	**–**	**–**	**2,696,596**	**–**	**–**	**–**	**2,328,664**	**5,025,260**	**5,025,260**
Other receivables and other financial assets									
Non-current									
At fair value	–	54,714	–	–	–	10,839	–	65,553	65,553
At amortized cost	–	–	–	–	–	–	–	–	–
Not covered by IFRS 7	–	–	–	–	–	–	115,188	115,188	115,188
	–	**54,714**	**–**			**10,839**	**115,188**	**180,741**	**180,741**
Current									
At fair value	–	642	–	–	–	1,085	–	1,727	1,727
At amortized cost	–	–	321,175	–	–	–	–	321,175	321,175
Not covered by IFRS 7	–	–	–	–	–	–	127,395	127,395	127,395
	–	**642**	**321,175**	**–**	**–**	**1,085**	**127,395**	**450,297**	**450,297**
Marketable securities*	**463,424**	**–**	**–**	**–**	**–**	**–**	**–**	**463,424**	**463,424**
Cash and cash equivalents	**–**	**–**	**2,847,426**	**–**	**–**	**–**	**–**	**2,847,426**	**2,847,426**
Liabilities and shareholders' equity									
Financial liabilities									
Non-current	**–**	**–**	**–**	**–**	**1,628,051**	**5,270**	**–**	**1,633,321**	**1,742,913**
Current	**–**	**–**	**–**	**–**	**1,028,972**	**17,962**	**–**	**1,046,934**	**1,031,706**
Trade payables	**–**	**–**	**–**	**–**	**5,361,662**	**–**	**1,106,705**	**6,468,367**	**6,468,367**
Other liabilities									
Non-current									
At fair value	–	–	–	–	–	557	–	557	557
At amortized cost	–	–	–	–	252	–	–	252	252
Not covered by IFRS 7	–	–	–	–	–	–	36,032	36,032	36,032
	–	**–**	**–**	**–**	**252**	**557**	**36,032**	**36,841**	**36,841**
Current									
At fair value	–	–	–	24	–	3,654	–	3,678	3,678
At amortized cost	–	–	–		258,669	–	–	258,669	258,669
Not covered by IFRS 7	–	–	–	–	–	–	292,994	292,994	292,994
	–	**–**	**–**	**24**	**258,669**	**3,654**	**292,994**	**555,341**	**555,341**

*For explanatory notes on marketable securities, please see Note 23.

As current financial instruments have short remaining maturities and are measured at market value, their carrying amounts generally correspond to market value as of the balance sheet date. Non-current securities in the available-for-sale category are measured at fair value through other comprehensive income (OCI); as such, their carrying amounts also correspond to fair value.

Shares in non-consolidated subsidiaries and other participating interests are measured at fair value if fair value can be reliably determined. Otherwise, such items are measured at cost in the available-for-sale category.

In the disclosures on the fair value hierarchy for financial instruments measured at fair value as set out below, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e., the exit price). For non-financial assets, fair value is measured assuming the highest and best use of the asset by market participants. The following three-level hierarchy is applied that reflects the observability of the inputs to valuation techniques used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; e.g. quoted securities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); e.g. interest rate swaps and forward exchange contracts.

Level 3: No relevant observable inputs available, hence unobservable inputs are determined as an exit price from the perspective of a market participant that holds the asset or owes the liability; e.g. investments measured at fair value determined by business valuation.

Disclosures relating to the fair value hierarchy for financial instruments measured at fair value

	Dec. 31, 2017			Dec. 31, 2016		
(EUR thousand)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Other financial assets	1,005	687	63,991	1,270	20,506	40,103
Other receivables and other assets						
Non-current	–	5,489	45,114	–	14,169	51,384
Current	–	5,783	–	–	1,727	–
Marketable securities	396,204	32,555	–	409,821	53,603	–
Liabilities						
Other liabilities						
Non-current	–	258	–	–	557	–
Current	–	3,863	–	–	3,678	–

There were no transfers of assets measured at fair value between Level 1 and Level 2 of the fair value hierarchy in the reporting year. This means that there were likewise no changes in Level 3.

In Level 3, the fair value of investments in unlisted entities is measured using generally recognized valuation techniques based on discounted cash flow analysis. The unobservable inputs used for this purpose are an internal rate of return of 9%, growth rates of between 2.5% and 3.0%, and required discount rates of between 10% and 15%. Call options are measured using Monte Carlo simulation. Assumed inputs are an expected exercise period of one to ten years, an EBITDA multiplier of six to twelve times, and a 15% discount factor. Changes in the unobservable inputs have no material effect on total comprehensive income, total assets and liabilities, or equity.

Reconciliation of beginning to ending balances for Level 3 measurements of financial instrument fair values

(EUR thousand)	Balance as of Jan. 1, 2017	Currency adjustments	Gains/(losses) recognized in profit or loss	Other changes	**Balance as of Dec. 31, 2017**
Other financial assets	40,103	(2,922)	25,464	1,346	63,991
Other receivables and other assets					
Non-current	51,384	(6,270)	–	–	45,114
Current	–	–	–	–	–

(EUR thousand)	Balance as of Jan. 1, 2016	Currency adjustments	Gains/(losses) recognized in profit or loss	Other changes	Balance as of Dec. 31, 2016
Other financial assets	83,331	943	1,036	(45,207)	40,103
Other receivables and other assets					
Non-current	–	886	50,498	–	51,384
Current	–	–	–	–	–

As in the prior year, the amounts recognized in profit or loss are accounted for in net income from other participating interests; the remaining changes are accounted for in other comprehensive income.

Financial assets with a carrying amount of EUR 210,134 thousand are pledged as collateral for recognized financial liabilities and unrecognized contingent liabilities as of December 31, 2017 (2016: EUR 191,004 thousand).

The following table shows the net profit from financial instruments by IAS 39 category:

Net profit from financial instruments

(EUR thousand)	**2017**	2016
Available for sale	48,369	12,107
Held for trading	(7,178)	60,431
Loans and receivables	66,197	16,710
Liabilities at amortized cost	(158,166)	(161,793)
	(50,778)	**(72,545)**

The calculation of net profit from financial instruments includes interest income and expenses, impairments and impairment reversals, income and expenses from currency translation, dividend income, gains and losses on disposal, and other changes in the fair value of financial instruments recognized in income.

Impairment losses on financial assets in the reporting year

(EUR thousand)	2017	2016
Non-consolidated subsidiaries and other participating interests – measured at fair value	4,071	–
Non-current financial receivables	4,714	3,948
Current financial receivables	131	8,505
Trade receivables	5,792	2,122
Other current receivables and financial assets	35	98
	14,743	**14,673**

35. Contingencies, commitments, and other financial obligations

(EUR thousand)	Dec. 31, 2017	Dec. 31, 2016
Obligations under guarantees	409,486	700,518

Of this total, obligations in the amount of EUR 405,136 thousand (2016: EUR 696,099 thousand) relate to associates and joint ventures, of which in turn EUR 404,603 thousand (2016: EUR 694,986 thousand) is accounted for by the CIMIC Group. The remaining commitments and potential obligations relate to HOCHTIEF Aktiengesellschaft and primarily serve as security for bank loans, contract performance, warranty obligations, and advance payments. Most guarantees given by HOCHTIEF Aktiengesellschaft as of the reporting date related to participating interests and construction joint ventures. HOCHTIEF Aktiengesellschaft is also jointly and severally liable for all construction joint ventures in which it has an interest in Germany.

Material guarantee facilities

	Total available		Utilized		Expires
(EUR billion)	2017	2016	2017	2016	
HOCHTIEF AG					
Syndicated guarantee facility (EUR)	1.20	1.50	0.80	0.78	August 2022
Further guarantee facilities (EUR)	16.47	1.68	15.82	1.03	n.a.
Turner/Flatiron					
Bonding (USD)	7.30	7.30	6.76	5.78	n.a.
Flatiron syndicated guarantee (CAD)	0.25	0.25	0.11	0.16	December 2018
CIMIC					
Syndicated guarantee facility (AUD)	1.05	1.28	0.78	1.14	July 2018
Further guarantee facilities (AUD)	3.81	3.82	2.51	2.24	n.a.

In the context of the takeover offer submitted in October 2017 for all outstanding shares in Abertis Infraestructuras, S. A., HOCHTIEF Aktiengesellschaft furnished the Spanish Securities Market Commission, CNMV, with a bank guarantee in the amount of the EUR 15 billion loan provided for the financing of the takeover. This commitment to CNMV is required under Spanish law stipulating that on announcement of a takeover offer, a guarantee must be given for the cash needed in the transaction in order to secure the cash tranche of the offer. The guarantee lapses as soon as the takeover offer is accepted and the loan is thus drawn or if the takeover offer expires.

The EUR 1.2 billion syndicated guarantee facility continues to be a central long-term financing instrument for HOCHTIEF Aktiengesellschaft. A syndicated five-year credit facility originally due to expire in April 2019 comprising a EUR 1.5 billion guarantee facility tranche and a EUR 0.5 billion credit facility tranche was successfully refinanced ahead of schedule at significantly improved terms in August 2017. The new syndicated facility for a total of EUR 1.7 billion with a term to August 2022 and extension options of up to two more years consists of a guarantee facility tranche totaling EUR 1.2 billion and a credit facility tranche for EUR 0.5 billion that can be drawn on a revolving basis. The facility permits the furnishing of guarantees for ordinary activities, mainly of the HOCHTIEF Europe division.

Group order exposure from awarded capital expenditure projects is EUR 92,183 thousand (2016: EUR 55,707 thousand) and mostly relates to the CIMIC Group in the amount of EUR 91,881 thousand (2016: EUR 55,448 thousand). There are cash call commitments in the amount of EUR 10,100 thousand (EUR 2016: EUR 10,607 thousand) to non-consolidated entities in the HOCHTIEF Asia Pacific division.

The term breakdown of minimum lease payments under operating leases is as follows:

Operating leases

(EUR thousand)	Dec. 31, 2017 Nominal value	Dec. 31, 2016 Nominal value
Due within 1 year	215,680	198,043
Due in 1–5 years	438,180	421,346
Due after 5 years	131,739	183,142

The obligations from operating leases mainly relate to plant and machinery leased by the CIMIC Group. Lease payments under operating leases came to EUR 262,085 thousand in 2017 (2016: EUR 282,874 thousand).

Several companies in the HOCHTIEF Asia Pacific division have a number of leasing arrangements. These companies concerned are financed by third parties and HOCHTIEF itself holds neither interests in their equity nor assets such as loans or receivables. Relevant activities are managed by third parties under contractual agreement and therefore they are not consolidated. The minimum lease payments under operating leases come to EUR 123,486 thousand (2016: EUR 129,693 thousand).

Amounts due under long-term tenancies are EUR 116,716 thousand (2016: EUR 146,725 thousand). The term for which such tenancies cannot be terminated is between two and ten years (2016: two and eleven years). The amounts due under tenancies are partly offset by anticipated rental income of EUR 48,937 thousand (2016: EUR 61,174 thousand).

Other financial obligations include EUR 40,690 thousand (2016: EUR 69,314 thousand) in commitments relating to shareholder loans and under long-term contracts for the supply of goods and services.

Legal disputes

HOCHTIEF Group companies are involved in various legal disputes and arbitration proceedings in the context of their operating activities. As currently assessed, however, HOCHTIEF does not anticipate that the disputes and arbitration proceedings will have any material adverse impact on the Group’s business and financial situation.

36. Segment reporting

HOCHTIEF's structure reflects the operating focus of the business as well as the Group's presence in key national and international regions and markets. Segmental reporting in the HOCHTIEF Group is based on the Group's divisional operations. The breakdown mirrors the Group's internal reporting systems.

The Group's reportable segments (divisions) are as follows:

HOCHTIEF Americas encompasses the construction activities of operational units in the USA and Canada

HOCHTIEF Asia Pacific pools the construction activities and contract mining in the Asia-Pacific region

HOCHTIEF Europe brings together the core business in Europe as well as selected other regions and designs, develops, builds, operates, and manages real estate and infrastructure.

Corporate comprises Corporate Headquarters, other activities not assignable to the separately listed divisions, including management of financial resources and insurance activities, plus consolidation effects. Insurance activities are managed from Corporate Headquarters under the responsibility of HOCHTIEF Insurance Broking and Risk Management Solutions GmbH with various companies in Luxembourg, including Builders Reinsurance S.A. The HOCHTIEF insurance companies primarily provide reinsurance offerings for contractors' casualty and surety, subcontractor default, liability, and occupational accident insurance.

Divisions (EUR thousand)	External sales 2017	External sales 2016	Intersegment sales 2017	Intersegment sales 2016	Sales by division (external plus intersegment) 2017	Sales by division (external plus intersegment) 2016
HOCHTIEF Americas	11,838,947	10,905,814	–	–	11,838,947	10,905,814
HOCHTIEF Asia Pacific	9,077,028	7,302,970	–	–	9,077,028	7,302,970
HOCHTIEF Europe	1,604,274	1,586,004	4,776	10,505	1,609,050	1,596,509
Corporate	110,701	113,540	6,570	7,306	117,271	120,846
HOCHTIEF Group	**22,630,950**	**19,908,328**	**11,346**	**17,811**	**22,642,296**	**19,926,139**

Divisions (EUR thousand)	Ordinary depreciation/ amortization 2017	Ordinary depreciation/ amortization 2016	Share of profits and losses of equity-method associates and joint ventures 2017	Share of profits and losses of equity-method associates and joint ventures 2016	Interest and similar income 2017	Interest and similar income 2016
HOCHTIEF Americas	25,446	24,630	70,753	54,309	4,154	4,601
HOCHTIEF Asia Pacific	345,595	227,192	(33,736)	(29,623)	25,490	25,312
HOCHTIEF Europe	16,918	26,831	78,198	50,431	4,681	3,603
Corporate	2,255	2,335	–	–	7,438	6,344
HOCHTIEF Group	**390,214**	**280,988**	**115,215**	**75,117**	**41,763**	**39,860**

Divisions (EUR thousand)	Carrying amount of equity-method investments 2017	Carrying amount of equity-method investments 2016	Purchases of intangible assets, property, plant, equipment, investment properties and financial assets 2017	Purchases of intangible assets, property, plant, equipment, investment properties and financial assets 2016	Net cash (+)/ Net debt (-) 2017	Net cash (+)/ Net debt (-) 2016
HOCHTIEF Americas	185,143	183,080	52,744	64,126	972,433	844,236
HOCHTIEF Asia Pacific	249,384	422,378	308,218	678,372	578,483	265,095
HOCHTIEF Europe	127,644	99,439	21,420	52,589	210,577	44,619
Corporate	15,000	–	11,892	1,001	(495,647)	(450,077)
HOCHTIEF Group	**577,171**	**704,897**	**394,274**	**796,088**	**1,265,846**	**703,873**

Regions (EUR thousand)	External sales by customer location 2017	External sales by customer location 2016	Non-current assets 2017	Non-current assets 2016
Germany	854,197	935,537	143,262	148,469
Rest of Europe	725,408	575,914	64,427	32,901
Americas	12,043,971	11,082,190	715,876	862,680
Asia	2,205,966	2,336,941	947,071	1,175,003
Australia	6,801,022	4,977,136	858,247	985,654
Africa	386	610	–	–
HOCHTIEF Group	**22,630,950**	**19,908,328**	**2,728,883**	**3,204,707**

EBITDA		Profit before tax (PBT)		Net profit	
2017	2016 (restated)	2017	2016	2017	2016
292,876	239,551	254,007	203,771	162,595	128,085
1,013,675	734,547	578,893	431,944	275,443	217,359
52,899	68,285	32,538	18,696	23,716	12,465
(65,090)	(45,839)	(41,819)	(33,700)	(41,018)	(37,426)
1,294,360	**996,544**	**823,619**	**620,711**	**420,736**	**320,483**

Interest and similar expenses		Non-cash expenses	
2017	2016	2017	2016
13,138	12,460	126,497	160,809
137,658	124,921	153,567	195,009
16,932	24,859	127,660	119,367
(9,562)	(447)	50,314	50,897
158,166	**161,793**	**458,038**	**526,082**

Explanatory notes to the segmental data

Intersegment sales represent revenue generated between divisions. They are transacted on an arm's length basis. External sales mainly comprise revenue recognized using the percentage of completion method in the mainstream construction business, construction management, and contract mining. The sum of external sales and intersegment sales adds up to total sales revenue for each division.

The definition of operational earnings/EBIT and EBITDA was harmonized in 2017 and brought into line with the definition in use at our Group company CIMIC. Profit before tax is derived from operational earnings/EBIT and EBITDA as follows:

(EUR thousand)	2017	2016 (restated)
Profit before tax	**823,619**	**620,711**
– Investment and interest income	(87,091)	(87,415)
– Investment and interest expenses	204,912	210,160
– Net expense relating to long-term loans to equity interests	(37,294)	(27,900)
Operational earnings/EBIT	**904,146**	**715,556**
– Ordinary depreciation and amortization	390,214	280,988
EBITDA	**1,294,360**	**996,544**

Ordinary depreciation and amortization relates to intangible assets with finite useful lives, property, plant and equipment, and investment properties.

The share of profits and losses of equity-method associates and joint ventures comprises income and expenses from the equity-method associates and joint ventures, including impairment losses, relating to equity-method investments.

The non-cash expenses consist of additions to provisions.

Purchases comprise additions to intangible assets, property, plant and equipment, investment properties, equity-method investments (excluding equity-method adjustments), subsidiaries, and other participating interests.

Net cash is made up as follows:

(EUR thousand)	Dec. 31, 2017	Dec. 31, 2016
Cash and cash equivalents	3,094,924	2,847,426
Marketable securities	428,759	463,424
Current financial receivables	144,183	55,985
Current tax receivables (excluding income taxes)	10,583	7,730
Financial assets included in net cash	**3,678,449**	**3,374,565**
Bonds or notes issued, and amounts due to banks	2,382,010	2,647,237
Lease liabilities	4,102	23,232
Financial liabilities to associates	15,203	–
Sundry other financial liabilities	11,288	223
Financial liabilities included in net cash	**2,412,603**	**2,670,692**
Net cash	**1,265,846**	**703,873**

The non-current assets comprise intangible assets, property, plant and equipment, and the carrying amounts of equity-method investments.

37. Notes to the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows classifies cash flows into operating, investing, and financing activities. Exchange rate effects are eliminated and their influence on the cash position is disclosed separately. Changes in cash and cash equivalents due to acquisitions and disposals of consolidated companies are shown separately under cash flow from investing activities. The EUR 163,986 thousand increase in cash and cash equivalents due to consolidation changes in the prior year comprised EUR 164,555 thousand in cash and cash equivalents from acquisitions and EUR 569 thousand in cash and cash equivalents in disposals.

The EUR 3,094,924 thousand (2016: EUR 2,847,426 thousand) year-end total for cash and cash equivalents shown on the cash flow statement matches the cash and cash equivalents item on the balance sheet. The total comprises EUR 728 thousand (2016: EUR 728 thousand) in cash in hand, EUR 2,323,094 thousand (2016: EUR 2,209,678 thousand) in cash balances at banks, and EUR 771,102 thousand (2016: EUR 637,020 thousand) in marketable securities with maturities of no more than three months at the time of acquisition. Cash and cash equivalents to the value of EUR 196,404 thousand are subject to restrictions (2016: EUR 137,745 thousand).

Cash flow from operations was EUR 1,372,090 thousand in 2017. Cash flow changes as a result of capital expenditure and asset disposals resulted in a net cash outflow from investing activities of EUR 392,429 thousand. The EUR 465,394 thousand negative cash flow from financing activities mainly comprises dividend payments and debt repayments. Including exchange rate changes, cash and cash equivalents increased overall by EUR 247,498 thousand.

All non-cash income and expense and all income from asset disposals or arising on deconsolidation is eliminated in cash flow from operations.

Cash flow from operations included:

- Interest income of EUR 50,633 thousand (2016: EUR 49,381 thousand),
- Interest expenses of EUR 158,166 thousand (2016: EUR 161,793 thousand),
- Income tax paid amounting to EUR 86,613 thousand (2016: EUR 83,995 thousand).

After deducting the non-cash component of income from equity-accounted interests, net income received (as dividends) from such interests was EUR 175,492 thousand (2016: EUR 319,585 thousand).

Divestments relate to the deconsolidation of fully consolidated subsidiaries. This reduced non-current assets by EUR 2,719 thousand (2016: EUR 23,981 thousand) and current assets by EUR 85,747 thousand (2016: EUR 24,853 thousand). Non-current liabilities decreased by EUR 2,248 thousand (2016: EUR 21,765 thousand) and current liabilities by EUR 38,298 thousand (2016: EUR 12,633 thousand). Of the sale proceeds totaling EUR 54,076 thousand (2016: EUR 36,655 thousand), EUR 29,076 thousand were settled in cash and cash equivalents as of the reporting date (2016: EUR 36,655 thousand).

Dividends of EUR 167,044 thousand (2016: EUR 128,473 thousand) were paid to HOCHTIEF's shareholders in the reporting year. Dividends paid to non-controlling interest totaled EUR 93,808 thousand (2016: EUR 96,902 thousand), of which EUR 73,048 thousand (2016: EUR 68,796 thousand) relates to the CIMIC Group.

Liabilities from financing activities changed as follows:

(EUR thousand)	Jan. 1, 2017	Cash changes		Non-cash changes		**Dec. 31, 2017**
		Borrowings	Principal repayments	Currency translation adjustments	Changes in the scope of consoli-dation	
Bonds or notes issued and amounts due to banks	2,647,237	1,906,812	(2,081,626)	(71,898)	(18,515)	2,382,010
Financial liabilities to non-consolidated subsidiaries and equity interests	9,563	17,783	(6,198)	229	19	21,396
Lease liabilities	23,232	1,771	(19,186)	(1,715)	–	4,102
Other financial liabilities	223	21	(207)	(633)	11,884	11,288
Total financial liabilities	**2,680,255**	**1,926,387**	**(2,107,217)**	**(74,017)**	**(6,612)**	**2,418,796**

(EUR thousand)	Jan. 1, 2016	Cash changes		Non-cash changes		Dec. 31, 2016
		Borrowings	Principal repayments	Currency translation adjustments	Changes in the scope of consoli-dation	
Bonds or notes issued and amounts due to banks	2,472,601	678,170	(745,377)	24,445	217,398	2,647,237
Financial liabilities to non-consolidated subsidiaries and equity interests	7,794	1,616	(2,620)	(1)	2,774	9,563
Lease liabilities	171,621	1,804	(188,498)	3,078	35,227	23,232
Other financial liabilities	12,512	213	–	(1,837)	(10,665)	223
Total financial liabilities	**2,664,528**	**681,803**	**(936,495)**	**25,685**	**244,734**	**2,680,255**

38. New Accounting Pronouncements

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued new accounting pronouncements in the form of standards and interpretations that affect the HOCHTIEF Consolidated Financial Statements but do not have to be applied for the 2017 year and in some cases have not yet been endorsed by the EU:

IFRS 9 Financial Instruments

The new standard on financial instruments is divided into several phases and was published by IASB in its final version in July 2014. The new standard notably introduces major changes relating to the classification and measurement of financial assets, with classification to be based on the type of business model as well as on contractual cash flows. In the same connection, impairment assessment is extended from an incurred loss model to an expected loss model. A new hedge accounting model is also introduced that aims to bring hedge accounting more closely into line with the risk management activities of the entity. The complete overhaul of IAS 39 with the publication of IFRS 9 results in additional disclosures. The standard is applicable for annual periods beginning on or after January 1, 2018. Initial application is retrospective, although transitional provisions apply. The standard was endorsed by the EU in November 2016.

Accordingly, the HOCHTIEF Group has undertaken an assessment of the impacts of the new standard on classification and measurement as well as on hedge accounting, and estimated the following impacts:

- The HOCHTIEF Group does not expect the new standard to have a significant impact on the classification of its financial assets;
- The HOCHTIEF Group does not hold any financial liabilities at fair value through profit and loss and as such there is no impact of the new standard on financial liabilities;
- As a general rule, more hedge relationships may be eligible for hedge accounting. Existing hedge relationships would appear to qualify as continuing hedge relationships upon adoption of the new standard;
- IFRS 9 will require extensive new disclosures, in particular surrounding hedge accounting, credit risk and expected credit losses;
- The HOCHTIEF Group plans to adopt the temporary exemption from IFRS 9 for selected financial instruments ("overlay approach");
- Based on the HOCHTIEF Group's analysis, an adjustment in reserves attributable to shareholders and to non-controlling interests will be recognized in the opening balance at January 1, 2018. The change in method from recognition of incurred losses to recognition of expected credit losses for impairment of financial assets might lead to a currently expected adjustment of equity in an amount of around EUR 400 million (after tax). This adjustment mainly relates to non-current loan receivables from HLG Contracting, having utilized external independent advice in determining the estimated expected credit loss when applying IFRS 9;
- In addition to the above management is currently assessing whether any specific project finance obligations would require the recognition of expected credit losses;
- Otherwise the increase in the loss allowance on financial assets is not expected to be significant.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining the timing and amount of revenue recognized. It replaces existing guidance, primarily including IAS 18 Revenue and IAS 11 Construction Contracts. The core principle of IFRS 15 is that an entity recognizes revenue when control of a good or service transfers to a customer. The standard will become mandatory for reporting periods beginning on or after January 1, 2018. It was endorsed by the EU in September 2016.

Significant judgments and estimates are used in determining the impact, such as assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date, and assumed levels of project execution productivity. In making this assessment we have considered, for applicable contracts, the individual status of legal proceedings, including arbitration and litigation. The implementation project is ongoing and therefore all impacts are current estimates subject to finalization prior to final implementation.

Based on current analysis, the HOCHTIEF Group expects the following significant impacts on its financial statements from the first-time application of IFRS 15:

The contractual terms and the way in which the HOCHTIEF Group operates its **construction contracts** are predominantly derived from projects containing one performance obligation. Contracted revenue will continue to be recognized over time. However, IFRS 15 provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications, which all impart a higher threshold of probability for recognition. Revenue is currently recognized when it is probable that work performed will result in revenue, whereas under the new standard, revenue is recognized when it is highly probable that a significant reversal of revenue will not occur for these modifications.

Service revenue arises from maintenance and other services supplied to infrastructure assets and facilities, which may involve a range of services and processes. Under IFRS 15, these are predominantly to be recognized over time with reference to inputs on satisfaction of performance obligations. The services that have been determined to be one performance obligation are highly inter-related and fulfilled over time. Revenue therefore continues to be recognized over time. As with construction revenue, incentives, variations and claims exist which are subject to the same higher threshold criteria of only recognizing revenue to the extent it is highly probable that a significant reversal of revenue will not happen.

Currently, under IAS 11, **construction contracts costs incurred during the tender process** are capitalized within net contract debtors when it is deemed probable the contract will be won. Under the new standard, costs can only be capitalized if they are both expected to be recovered and either would not have been incurred if the contract had not been won or if they are intrinsic to the delivery of a project. Other contract costs and fulfilment costs are not expected to be material.

With regard to revenue recognition for **fully consolidated companies**, the increased revenue recognition requirements under IFRS 15 would, on current estimates, necessitate adjustments to equity in the amount of around EUR 550 million (after tax).

In the case of equity-method **joint ventures**, the carrying amount of the investment in a joint venture reflects the Group's share of equity including the revenue from construction contracts recognized by the joint venture and accounted for by the Group as its share of profit or loss. While the joint ventures are not controlled entities, an analysis of the impact that might be expected has been performed due to the adoption of IFRS 15, based on the information currently available. In light of this analysis, an adjustment will be recognized to the book value of the joint ventures in the opening balance as of January 1, 2018. Equity is currently estimated to be reduced by an amount of around EUR 300 million (after tax). This includes an adjustment in an amount of around EUR 160 million (after tax) on HLG.

The HOCHTIEF Group does not expect that first-time application of IFRS 15 will result in further significant changes in its financial statements. This notably applies to the recognition of revenue from mining and mineral processing.

Transition

The HOCHTIEF Group plans to adopt IFRS 15 using the cumulative effect method as of January 1, 2018. As a result, under IFRS 15, there will be an adjustment to the opening balance of the HOCHTIEF Group's equity.

Other impacts of IFRS 9 and IFRS 15

Tax impacts and equity adjustments

Adjustments under the two new standards are subject to tax effect accounting and, therefore, the net deferred tax position will also be impacted by the adjustments discussed above, which are shown net of tax. The current position outlined above will lead to a net increase in deferred tax assets of around EUR 150 million. The equity adjustments of first-time application of the two standards are expected to reduce equity by an amount of around EUR 1,250 million, with the impact on equity attributable to non-controlling interests amounting to around EUR 250 million.

Impact on cash flows and guidance

Adjustments arising on application of IFRS 9 and IFRS 15 are not expected to have an impact on the cash flows to be derived by the HOCHTIEF Group. Operational net profit guidance for 2018 takes into account the application of the new accounting standards.

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities for almost all leases. Lessor accounting remains similar to the current standard—i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019 and replaces IAS 17 Leases and the related interpretations. IFRS 16 was endorsed by the EU in October 2017.

As of the reporting date, the HOCHTIEF Group has non-cancelable operating lease commitments of around EUR 755 million. The Group manages its owned and leased assets to ensure there is an appropriate level of equipment to meet its current obligations and to tender for new work. The decision as to whether to lease or purchase an asset is dependent on a broad range of considerations at the time including financing, risk management, and operational strategies following the anticipated completion of a project.

Some of the operating leases currently held expire prior to the implementation of the standard, and decisions on future leases will be made as projects are tendered for. As such, the HOCHTIEF Group has not finalized its quantification of the effects of the new standard. The following impacts are, however, currently expected:

- The total assets and liabilities on the balance sheet will increase with a decrease in total net assets, due to the reduction of the capitalized asset being on a straight line basis, whilst the liability reduces by the principal amount of repayments. Net current assets will show a decrease due to an element of the liability being disclosed as a current liability;
- The straight-line operating lease expense will be replaced with a depreciation charge for right-of-use assets and interest expense on lease liabilities;
- Interest expenses will increase due to the unwinding of the effective interest rate implicit in the lease. Interest expense will be greater earlier in a lease's life due to the higher principal value, causing profit variability over the course of a lease life. This effect may be partially mitigated due to the number of leases held in the HOCHTIEF Group at different stages of their terms; and
- The principal portion of all lease liabilities will be classified as financing activities.

IFRS 17 Insurance Contracts

This standard published by the IASB in May 2017 will supersede the current IFRS 4 Insurance Contracts. It provides for various approaches in accounting for insurance contracts. First-time application is expected for reporting periods beginning on or after January 1, 2021. EU endorsement is still pending. The implications of the new standard for the HOCHTIEF Group are currently still being analyzed.

In addition, as part of its annual improvements process, the IASB published an omnibus standard, **Annual Improvements Cycle 2014–2016**, in December 2016 and a further omnibus standard, **Annual Improvements Cycle 2015–2017**, in December 2017. This involved minor but necessary changes to various standards. The 2014–2016 cycle contains amendments to IFRS 1, IFRS 12, and IAS 28. The 2015–2017 cycle contains amendments to IFRS 3, IAS 12, and IAS 23. Only the Annual Improvements Cycle 2014–2016 has so far been endorsed by the EU. From today's perspective, the changes are not expected to have any material impact on the presentation of the HOCHTIEF Group's financial position and financial performance.

The remaining new pronouncements adopted by the IASB and the IFRS IC are not expected to have any major relevance to the HOCHTIEF Group. Potential implications for the Consolidated Financial Statements are currently still being assessed and cannot be conclusively determined until transposed into European law:

- **Amendments to IFRS 2 Share-based Payment:** Classification and Measurement of Share-based Payment Transactions
- **Amendments to IFRS 9 Financial Instruments:** Prepayment Features with Negative Compensation
- **Amendments to IAS 19 Employee Benefits**: Plan Amendment, Curtailment or Settlement
- **Amendments to IAS 28 Investments in Associates and Joint Ventures:** Long-term Interests in Associates and Joint Ventures
- **Amendments to IAS 40 Investment Property:** Transfers of Investment Property
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration**
- **IFRIC 23 Uncertainty over Income Tax Treatments**

39. Related party disclosures

Significant related parties include ACS, the parent company of HOCHTIEF Aktiengesellschaft. No material transactions were entered into between HOCHTIEF Aktiengesellschaft or any Group company and ACS or its affiliates during the reporting year.

HLG Contracting, a company accounted for using the equity method, is a related party that is material to the Group as of the balance sheet date. Transactions with HLG Contracting gave rise to items in the financial statements as follows:

(EUR thousand)	2017	2016
Loans	681,842	615,145
Receivables	–	99,532
Interest income	29,523	24,198

All transactions with related parties were conducted on an arm's length basis (in the prior year with the exception of an interest-free loan for EUR 141,820 thousand granted by CIMIC to HLG Contracting). No other material transactions were entered into between HOCHTIEF Aktiengesellschaft or any Group company and Executive or Supervisory Board members or persons or companies close to them during 2017. There were no conflicts of interest involving Executive Board or Supervisory Board members.

40. Total Executive Board and Supervisory Board compensation

The Compensation Report on pages 92 to 95 of this Group Report outlines the principles applied when determining Executive Board compensation at HOCHTIEF Aktiengesellschaft and explains the amount and composition of that compensation. The principles applied and the amount of Supervisory Board compensation are also described. The Compensation Report is based on the recommendations of the German Corporate Governance Code.

Benefits granted	Fernández Verdes Chairman of the Executive Board Date joined: April 15, 2012				Legorburo Member of the Executive Board Date joined: May 7, 2014				von Matuschka Member of the Executive Board Date joined: May 7, 2014				Sassenfeld Chief Financial Officer Date joined: November 1, 2011			
	2016	2017			2016	2017			2016	2017			2016	2017		
(EUR thousand)		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum
Fixed compensation	1,069	1,225	1,225	1,225	318	328	328	328	371	382	382	382	637	656	656	656
Fringe benefits	50	40	40	40	16	16	16	16	26	26	26	26	33	20	20	20
Total	**1,119**	**1,265**	**1,265**	**1,265**	**334**	**344**	**344**	**344**	**397**	**408**	**408**	**408**	**670**	**676**	**676**	**676**
One-year variable compensation	1,379	1,610	0	1,610	371	382	0	382	424	437	0	437	743	765	0	765
Multi-year variable compensation																
Long-term incentive component I[1]	1,167	1,274	0	1,274	371	382	0	382	424	437	0	437	743	765	0	765
Long-term incentive component II[2] (5-year term)	1,166	1,274	0	1,274	372	382	0	382	424	437	0	437	742	765	0	765
Total	**4,831**	**5,423**	**1,265**	**5,423**	**1,448**	**1,490**	**344**	**1,490**	**1,669**	**1,719**	**408**	**1,719**	**2,898**	**2,971**	**676**	**2,971**
Pension expenses (service and interest cost)	1,742	1,916	1,916	1,916	233	276	276	276	288	333	333	333	534	628	628	628
Total compensation	**6,573**	**7,339**	**3,181**	**7,339**	**1,681**	**1,766**	**620**	**1,766**	**1,957**	**2,052**	**741**	**2,052**	**3,432**	**3,599**	**1,304**	**3,599**

[1] Transfer of shares with two-year retention period
[2] Granted as long-term incentive plan/Value at grant date

Benefits allocated	Fernández Verdes Chairman of the Executive Board Date joined: April 15, 2012		Legorburo Member of the Executive Board Date joined: May 7, 2014		von Matuschka Member of the Executive Board Date joined: May 7, 2014		Sassenfeld Chief Financial Officer Date joined: November 1, 2011	
(EUR thousand)	2017	2016	2017	2016	2017	2016	2017	2016
Fixed compensation	1,225	1,069	328	318	382	371	656	637
Fringe benefits	40	50	16	16	26	26	20	33
Total	**1,265**	**1,119**	**344**	**334**	**408**	**397**	**676**	**670**
One-year variable compensation	1,379	1,379	371	371	424	424	743	743
Multi-year variable compensation								
Long-term incentive component I[1]	1,167	1,167	371	371	424	424	743	743
Long-term incentive component II	707	0	0	0	139	68	1,019	66
Total	**4,518**	**3,665**	**1,086**	**1,076**	**1,395**	**1,313**	**3,181**	**2,222**
Pension expenses (service and interest cost)	1,916	1,742	276	233	333	288	628	534
Total compensation	**6,434**	**5,407**	**1,362**	**1,309**	**1,728**	**1,601**	**3,809**	**2,756**

[1] Transfer of shares with two-year retention period

The present value of pension benefits for current and former Executive Board members is EUR 100,999 thousand (2016: EUR 104,427 thousand).

Payments to former members of the Executive Board and their surviving dependents were EUR 5,443 thousand (2016: EUR 4,471 thousand). Pension obligations to former members of the Executive Board and their surviving dependents totaled EUR 86,464 thousand (2016: EUR 90,698 thousand).

(EUR thousand)		Present value of pension benefits
Fernández Verdes	2017	8,558
	2016	8,667
Legorburo	2017	1,014
	2016	774
von Matuschka	2017	1,199
	2016	934
Sassenfeld	2017	3,764
	2016	3,354
Executive Board total	**2017**	**14,535**
	2016	**13,729**

Executive Board compensation in relation to offices held at Group companies

For his services in Australia as Executive Chairman of CIMIC in 2017, Mr. Fernández Verdes received a lump-sum expense allowance of EUR 337 thousand* and fringe benefits in the amount of EUR 4 thousand*. The stock appreciation rights granted by CIMC to Mr. Fernández Verdes in 2014 led to an expense in the amount of EUR 6,415 thousand.

*The euro amount depends on the exchange rate.

Further compensation for the holding of office on the boards of other companies in which HOCHTIEF has a direct or indirect interest are either not paid out to the Executive Board members or are set off against their Executive Board compensation.

Total compensation for the members of the Supervisory Board came to EUR 1,954,500 (2016: EUR 1,806,400).

41. Auditing fees

Fees for services provided in Germany by auditors Deloitte were paid and recognized as expenses as follows:

(EUR thousand)	2017	2016
Financial statement audits	1,247	1,188
Other assurance services	703	163
Tax consulting	–	7
Other services performed for HOCHTIEF Aktiengesellschaft	46	–
	1,996	**1,358**

The fees for services provided in Germany relate to services of the appointed Group financial statement auditors Deloitte GmbH Wirtschaftsprüfungsgesellschaft and its affiliates within the meaning of Section 271 (2) of the German Commercial Code. The fees for financial statement audits relate to fees charged by Group auditors Deloitte for auditing the HOCHTIEF Group consolidated financial statements, the combined HOCHTIEF Group and HOCHTIEF Aktiengesellschaft management report, and the financial statements of HOCHTIEF Aktiengesellschaft and its domestic subsidiaries, together with fees for the review of the half-year financial report as of June 30, 2017, and of the quarterly financial statements as of September 30, 2017. The auditors provided assurance services for HOCHTIEF Aktiengesellschaft in preparation for issuance of comfort letters. Agreed-upon procedures were carried out in accordance with ISAE 3000—such as the limited assurance report on independent assurance of the non-financial reporting. Further assurance services related to the profit guidance and to financial information in accordance with IDW PS 480, and pursuant to Section 16 of the Real Estate Agents and Developers Ordinance (MaBV) and Section 20 of the Securities Trading Act (WpHG). The other services mainly consist of audit-related consulting services.

42. Declaration pursuant to Section 161 of the German Stock Corporations Act

The declaration on corporate governance required by Section 161 of the German Stock Corporations Act (AktG) has been made available for the general public to view at any time on the HOCHTIEF website.*

* For further information on corporate governance at HOCHTIEF, please see www.hochtief.com/corporate-governance.

43. Events since the balance sheet date and the report on post-balance-sheet events

On February 6, 2018, the European Commission cleared, under the EU Merger Regulation, the proposed acquisition of Abertis Infraestructuras, S.A. by HOCHTIEF. After an in-depth investigation, the Commission concluded that the merged entity would continue to face effective competition in the relevant markets.

44. Use of the exempting provisions in Section 264 (3) (and Section 264b) of the German Commercial Code

The following domestic, fully consolidated subsidiaries made partial use of the exempting provisions in 2017:
A.L.E.X.-Bau GmbH, Essen,
Deutsche Baumanagement GmbH, Essen,
Deutsche Bau- und Siedlungs-Gesellschaft mbH, Essen,
Eurafrica Baugesellschaft mbH, Essen,
forum am Hirschgarten Nord GmbH & Co. KG (formerly: MK 3 Nord GmbH & Co. KG), Essen,
forum am Hirschgarten Süd GmbH & Co. KG (formerly: MK 3 Süd GmbH & Co. KG), Essen,
HOCHTIEF Americas GmbH, Essen,
HOCHTIEF Asia Pacific GmbH, Essen,
HOCHTIEF Bau und Betrieb GmbH, Essen,
HOCHTIEF Engineering GmbH, Essen,
HOCHTIEF Engineering International GmbH, Essen,
HOCHTIEF Infrastructure GmbH, Essen,
HOCHTIEF Insurance Broking and Risk Management Solutions GmbH, Essen,
HOCHTIEF LLBB GmbH, Essen,
HOCHTIEF OBK Vermietungsgesellschaft mbH, Essen,
HOCHTIEF Offshore Crewing GmbH, Essen,

HOCHTIEF ÖPP Projektgesellschaft mbH, Essen,
HOCHTIEF PPP Europa GmbH, Essen,
HOCHTIEF PPP Operations GmbH, Essen,
HOCHTIEF PPP Schulpartner Braunschweig GmbH, Braunschweig,
HOCHTIEF PPP Solutions GmbH, Essen,
HOCHTIEF PPP Transport Westeuropa GmbH, Essen,
HOCHTIEF Projektentwicklung GmbH, Essen,
HOCHTIEF Projektentwicklung “Helfmann Park” GmbH & Co. KG, Essen,
HOCHTIEF Solutions AG, Essen,
HOCHTIEF Solutions Real Estate GmbH, Essen,
HOCHTIEF ViCon GmbH, Essen,
HTP Immo GmbH, Essen,
I.B.G. Immobilien- und Beteiligungsgesellschaft Thüringen-Sachsen mbH, Essen,
LOFTWERK Eschborn GmbH & Co. KG, Essen,
Maximiliansplatz 13 GmbH & Co. KG, Essen,
MK 1 Am Nordbahnhof Berlin GmbH & Co. KG, Essen,
MOLTENDRA Grundstücks- und Vermietungsgesellschaft mbH & Co. Objekt Mainoffice KG, Frankfurt am Main,
Projektgesellschaft Börsentor Frankfurt GmbH & Co. KG, Essen,
Projektgesellschaft Konrad-Adenauer-Ufer Köln GmbH & Co. KG, Essen,
Projektgesellschaft Marco Polo Tower GmbH & Co. KG, Hamburg,
Projektgesellschaft Quartier 21 mbH & Co. KG, Essen,
Projekt Messeallee Essen GmbH & Co. KG, Essen,
SCE Chile Holding GmbH, Essen,
Spiegel-Insel Hamburg GmbH & Co. KG, Essen,
synexs GmbH, Essen,
Tivoli Garden GmbH & Co. KG, Essen,
Tivoli Office GmbH & Co. KG, Essen,
TRINAC GmbH, Essen.

45. Subsidiaries, associates, and other significant participating interests of the HOCHTIEF Group at December 31, 2017

The complete list of subsidiaries in accordance with the requirements of Section 313 of the German Commercial Code is published in the Bundesanzeiger (Federal Official Gazette) as well as on our website: www.hochtief.com/subsidiaries2017

46. Boards

a) Membership in other supervisory boards prescribed by law (as of December 31, 2017)
b) Membership in comparable domestic and international corporate governing bodies (as of December 31, 2017)

Supervisory Board

Pedro López Jiménez

Madrid, Chairman of the Supervisory Board of HOCHTIEF Aktiengesellschaft, Member of the Board and of the Executive Committee of ACS, Actividades de Construcción y Servicios, S.A., Madrid

b) ACS Servicios y Concesiones, S.L. (Chairman)
ACS Servicios, Comunicaciones y Energía, S.L. (Vice-Chairman)
CIMIC Group Limited
Dragados, S.A. (Chairman)

Matthias Maurer*

Hamburg, Deputy Chairman of the Supervisory Board, Chairman of the Central Works Council of HOCHTIEF Infrastructure GmbH

b) Medizinischer Dienst der Krankenversicherung Mecklenburg-Vorpommern e.V. (Chairman of the Administrative Board)

* Supervisory Board member representing employees

Ángel García Altozano

Madrid, Corporate General Manager of ACS, Actividades de Construcción y Servicios, S.A., Madrid

b) ACS Servicios y Concesiones, S.L.
ACS Servicios, Comunicaciones y Energía, S.L.
Dragados, S.A.
GED Capital
MásMóvil Ibercom, S.A.

Dipl.-Ing., Dipl.-Wirtsch.-Ing. Beate Bell

Cologne, Managing Director of immoADVICE GmbH

a) Deutsche EuroShop AG

Christoph Breimann*

Lüdinghausen, Head of Technical Office Building of HOCHTIEF Infrastructure GmbH

Carsten Burckhardt*

Dortmund, Member of the Federal Board of IG Bauen-Agrar-Umwelt (the Construction, Agricultural and Environmental Employees' Union)

a) Zusatzversorgungskasse des Baugewerbes AG

b) Dein Plus GmbH
DGB-Rechtsschutz GmbH
Urlaubs- und Lohnausgleichskasse der Bauwirtschaft (ULAK)

José Luis del Valle Pérez

Madrid, Member and Secretary of the Board of ACS, Actividades de Construcción y Servicios, S.A., and General Secretary of the ACS Group, Madrid

b) ACS Servicios y Concesiones, S.L.
ACS Servicios, Comunicaciones y Energía, S.L.
CIMIC Group Limited
Cobra Gestión de Infraestructuras, S.A.
Dragados, S.A.

Dr. rer. pol. h.c. Francisco Javier Garcia Sanz

Braunschweig, Member of the Board of Management of Volkswagen Aktiengesellschaft, Wolfsburg

a) AUDI AG
Dr. Ing. h. c. F. Porsche Aktiengesellschaft
Porsche Holding Stuttgart GmbH
Volkswagen Truck & Bus GmbH

b) Criteria Caixa, S.A.U.
FAW-Volkswagen Automotive Company, Ltd.
SEAT, S.A. (Chairman)
VfL Wolfsburg-Fußball GmbH (Chairman)
Volkswagen China Investment Company Ltd.
Volkswagen Group España-Distribución (Chairman)
Volkswagen Group of America, Inc. (Chairman)
Volkswagen Navarra S.A. (Chairman)

Dipl. oec. Patricia Geibel-Conrad
Leonberg, Business consultancy—Auditing/Tax consultancy in own office

Arno Gellweiler*
Oberhausen, structural engineering and bridge designer,
HOCHTIEF Engineering GmbH, Consult Infrastructure

Luis Nogueira Miguelsanz
Madrid, Secretary-General, Dragados, S.A.

Nikolaos Paraskevopoulos*
Bottrop, Chairman of the European Works Council and Member of the Group Works Council of HOCHTIEF Aktiengesellschaft; Chairman of the Works Council and Chairman of the Central Works Council of TRINAC GmbH

Sabine Roth*
Ratingen, internal sales administrator

Nicole Simons*
Attorney-at-law and Member of the Federal Board of IG Bauen-Agrar-Umwelt (the Construction, Agricultural and Environmental Employees' Union)
a) HOCHTIEF Infrastructure GmbH

Klaus Stümper*
Lohmar, Chairman of the Group Works Council of HOCHTIEF Aktiengesellschaft

Dipl.-Geol. MBA Christine Wolff
Hamburg, management consultant
a) Berliner Wasserbetriebe A. ö. R.
KSBG Kommunale Verwaltungsgesellschaft GmbH
b) Sweco AB

Supervisory Board Committees

Audit Committee

Ángel García Altozano (Chairman)
Carsten Burckhardt
José Luis del Valle Pérez
Patricia Geibel-Conrad
Matthias Maurer
Luis Nogueira Miguelsanz
Sabine Roth
Klaus Stümper (Deputy Chairman)

Human Resources Committee

Pedro López Jiménez (Chairman)
Beate Bell
José Luis del Valle Pérez
Arno Gellweiler
Nicole Simons
Klaus Stümper
Christine Wolff

Nomination Committee

Pedro López Jiménez (Chairman)
José Luis del Valle Pérez
Christine Wolff

Mediation Committee pursuant to Sec. 27 (3) of the German Codetermination Act (MitbestG)

Pedro López Jiménez (Chairman)
Beate Bell
Matthias Maurer
Nikolaos Paraskevopoulos

Executive Board

Marcelino Fernández Verdes

Düsseldorf, Chairman of the Executive Board of HOCHTIEF Aktiengesellschaft, Essen and Chief Executive Officer (CEO) of ACS, Actividades de Construcción y Servicios, S.A., Madrid

b) CIMIC Group Limited (Executive Chairman)
Flatiron Holding, Inc.
The Turner Corporation (Member of the Board of Directors)

Peter Sassenfeld

Duisburg, Member of the Executive Board (Chief Financial Officer – CFO) of HOCHTIEF Aktiengesellschaft, Essen and Member of the Executive Board of HOCHTIEF Solutions AG, Essen

b) CIMIC Group Limited
Flatiron Holding, Inc.
HOCHTIEF AUSTRALIA HOLDINGS Ltd.
The Turner Corporation

José Ignacio Legorburo Escobar

Düsseldorf, Member of the Executive Board and Chief Operating Officer (COO) of HOCHTIEF Aktiengesellschaft, Essen, and of HOCHTIEF Solutions AG, Essen

Nikolaus Graf von Matuschka

Aldenhoven/Jüchen, Member of the Executive Board and Labor Director of HOCHTIEF Aktiengesellschaft, Essen and Chairman of the Executive Board and Labor Director of HOCHTIEF Solutions AG, Essen

a) HOCHTIEF Infrastructure GmbH (Chairman)
Malteser Deutschland gGmbH

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which is combined with the management report of HOCHTIEF Aktiengesellschaft, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Essen, February 20, 2018

HOCHTIEF Aktiengesellschaft

The Executive Board

Marcelino Fernández Verdes

Peter Sassenfeld

José Ignacio Legorburo Escobar

Nikolaus Graf von Matuschka

Independent auditors' report
To HOCHTIEF Aktiengesellschaft, Essen/Germany
Report on the audit of the consolidated financial statements and of the group management report

Audit opinions
We have audited the consolidated financial statements of HOCHTIEF Aktiengesellschaft, Essen/Germany, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2017, the consolidated statement of earnings, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of HOCHTIEF Aktiengesellschaft, Essen/Germany, which was combined with the management report of the Parent, for the financial year from January 1 to December 31, 2017. In accordance with the German legal requirements, we have not audited the content of the combined management report specified in the "Other information" section of our auditors' report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017, and

- the attached combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the group management report specified in the "Other information" section of our auditors' report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the audit opinions
We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Sec. 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditors' report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided

non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recognition of construction revenue and recovery of related receivables from customer-specific construction contracts, in particular the claims concerning the project Gorgon LNG Jetty and Marine Structures
2. Recovery of carrying value of goodwill
3. Recovery of carrying value of investment in and loans receivable from HLG

Our presentation of this key audit matter has been structured as follows:

a) Description of the fact (including reference to corresponding information within the consolidated financial statements)
b) Auditor's response
c) Key observations

1. Recognition of construction revenue and recovery of related receivables from customer-specific construction contracts, in particular the claims concerning the project Gorgon LNG Jetty and Marine Structures

a) A material part of the business activity of the HOCHTIEF Group refers to the handling of customer-specific construction contracts. These primarily relate to the core construction business, construction project management and contract mining. Here, the rendered service, including the proportionate result, is disclosed under the revenue according to its stage of completion. The stage is measured as the percentage of completion of work performed up to the reporting date with respect to the total anticipated work to be performed. Revenue is recognized as soon as the Executive Board members have assessed all factors relevant to each contract, including specifically assessing the following as applicable:

- Determination of stage of completion;
- Estimation of the total contract revenue and the total costs including estimation of cost contingencies;
- Determination of contractual entitlement and assessment of the probability of the customer approval of variations and the acceptance of claims;
- Estimation of the project completion date.

The construction contracts are disclosed under the trade receivables and/or trade payables. The components exceeding the contract price (claims and variations) may bear uncertainties with regard to their recognition and measurement. The recognition of the contract receivables is based on the Executive Board members' assessments about the expected recovery of the amounts. Furthermore, a margin of discretion arises in assessing the recovery of outstanding receivables.

The realization of revenue and the recovery of receivables from customer-specific construction contracts were classified by us as key audit matter since these are, on the one hand, complex facts that are strongly based on estimations and assessments of the Executive Board members and are, on the other hand, disclosed within the consolidated balance sheet as at December 31, 2017 with a material amount in form of claims.

In November 2009, the subsidiary CIMIC Group Limited (CIMIC) and its consortium partners were selected by Chevron as preferred contractors for the project Gorgon LNG Jetty and Marine Structures. The initial acceptance of the projects took place on August 15, 2014. Major contract modifications arose in course of the project. The respective claims to the principal have been negotiated since 2015. In connection with the claims at the project Gorgon LNG Jetty and Marine Structures, an amount of AUD 1.15 billion (EUR 749.4 million) was capitalized as receivables on the balance sheet at the end of the past financial year. Included therein are not only the claims but also the costs incurred in this context as well as interest ("total receivables"). The Executive Board members hold the opinion that CIMIC may claim these total receivables. In line with the relevant accounting standards, CIMIC has recorded revenue in the amount of the costs incurred so far. In February 2016, CIMIC was initiating, together with its business partners, a private arbitration process according to the contractual rules to enforce the open receivables towards the principal Chevron. This process is still running and, since the contractual rules do not stipulate any time limit for a private arbitration process, the date of completion of these negotiations is not foreseeable at present. In addition to these private arbitration proceedings, CIMIC commenced proceedings against Chevron within the U.S. in August 2016 to claim the amounts arisen from the project Gorgon LNG Jetty and Marine Structures also by taking legal action.

The information provided by the Executive Board members on the realization of the revenue and recovery of the receivables from customer-specific construction contracts, in particular the information on the project Gorgon LNG Jetty and Marine Structures, is included in the chapter "Accounting and valuation principles" of the consolidated notes and "Risks from projects, investments, litigations, authority proceedings and claims of third-parties" in the opportunity and risk reporting.

b) Our audit procedures in particular comprised:

- Evaluating material processes from project acceptance to project handling including the audit of the respective accounting-related key controls,
- Selection of a sample of contracts – in parts for the inspection on-site in Germany and abroad – on the basis of a risk-orientated and random-based selection; material criteria here were in particular the history of issues identified, significant unapproved changes, variations and claims, the amount of recognized claims as well as the project result,
- With regard to the projects selected as sample: Obtaining an understanding of the contract terms and conditions, testing of cost to date and forecast costs by means of respective evidence, testing contractual entitlement for changes, variations and claims recognized within contract revenue to supporting documentation, evaluating significant exposure to liquidated damages for late delivery as well as evaluating the probability of recovery of outstanding receivables on the basis of the negotiation state as well as historical information,
- With regard to the project Gorgon LNG Jetty and Marine Structures: Audit of the recovery of the outstanding receivables through estimation of the probability and the date of receipt of payments on the basis of the negotiation state discussed with internal and external lawyers as well as historic information,
- Assessment of the completeness and correctness of the relevant disclosures within the consolidated notes.

c) The Executive Board members have determined the project-related degrees of completion required for the customer-specific construction contracts based on detailed project calculations. When assessing the recovery of claims, the Executive Board members have considered the project-related information gained from negotiations with the respective customers and, if on hand, juristic statements.

2. Recovery of carrying value of goodwill

a) Within the consolidated balance sheet as of December 31, 2017, goodwill of EUR 1.0 billion (i.e. 7.7% of the balance sheet total) is disclosed and is subject to an impairment test performed by the entity. The recoverable amount was determined as a value in use by applying a discounted cash flow model. The impairment test is subject to a high estimation uncertainty in particular with regard to the applied discounting factors, the expected new projects and growth rates as well as the future cash flows. This estimation uncertainty goes hand in hand with a significant margin of discretion on part of the Executive Board members. In doing so, the recovery of the goodwill disclosed within the consolidated balance sheet was determined by us to be a key audit matter.

The disclosures made by the Executive Board members with regard to the recovery of the goodwill, disclosed in the consolidated balance sheet, are provided within the chapters “Intangible assets” and “Impairments” within the “Accounting and valuation principles” as well as within the chapter “Intangible assets” under the “Explanations to the consolidated balance sheet” in the consolidated notes.

b) We performed the following audit procedures on the recovery of the carrying value of goodwill, disclosed within the consolidated balance sheet, under involvement of experts from the Valuation Services segment.

- Audit of the discounted cash flow model applied by the Executive Board members of the respective division for the measurement of the recoverable value, determined as value in use, of the goodwill, disclosed within the consolidated balance sheet, including a critical assessment of the following assumptions:

  – Discounting factor for the respective division;
  – Forecast of the future cash flows and capital expenditure of the respective division;
  – Growth rates by reference to recent bid wins and pipeline of prospective projects; and
  – Terminal growth rates.

  In doing so, we have corroborated – to the extent possible – market-related assumptions by reference to external data.

- Sample-based audits of the mathematical accuracy of the discounted cash flow model used for the respective division,
- Comparison with the target figures for the single division that were approved by the Executive Board members as well as performance of a plausibility check for these target figures,
- Assessment of the Group’s historical accuracy of forecasting cash flows of the single division (adherence to budget),
- Performance of sensitivity analyses for material assumptions for the respective division,
- Understanding of the assumptions on the discounting factor as well as of the profitability forecast,
- Assessment of the completeness and correctness of the relevant disclosures within the consolidated notes,
- Reconciliation of the market price used for the listed subsidiary CIMIC with externally available data.

c) The discounted future cash flows assigned to the goodwill of the respective cash-generating units considerably exceed the respective carrying values. The valuation parameters and assumptions used by the Executive Board members are within the range of the industry-specific market expectations.

3. Recovery of carrying value of investment in as well as of the loans receivable from HLG

a) The consolidated balance sheet as at December 31, 2017 includes the investment in HLG Contracting LLL, Qatar, Oman, Saudi-Arabia and United Arab Emirates, measured at equity, with a book value of AUD 245.6 million (EUR 160.1 million; corresponding to 1.2% of the balance sheet total). Furthermore, loan receivables, including interest, from HLG of AUD 1.05 billion (EUR 681.8 million; corresponding to 5.1% of the balance sheet total) are disclosed. When determining the recoverable amount of the total investment at HLG, the Executive Board members have a considerable margin of discretion with regard to the numerous assumptions to be made, e.g. on the discounting rates, current work in hand, future contract wins, the recovery of certain legacy contract receivables as well as the growth rate of HLG and foreign currency exchange rates.

The recovery of the shares in as well as of the loan receivables from HLG have been classified as key audit matter, since the testing of the recovery of these material items bears a considerable margin of discretion on part of the Executive Board members, in particular with regard to the future cash flows and the assumption to be made in addition.

The information provided by the Executive Board members on the book value of the shares in as well as the loan receivable from HLG is provided in the chapter “Financial assets measured at-equity” within the “Accounting and valuation principles” as well as under the explanations to the consolidated balance sheet within the chapter “Financial assets measured at-equity” in the consolidated notes.

b) With the assistance of valuation services experts, we have performed the following audit procedures on the recovery of the total investment at HLG:

- Audit of the discounted cash flow model used by the Executive Board members for measuring the recoverable amount, determined as value in use, of the shares and the loan receivables, including a critical assessment of the following assumptions:

  – Discounting rate;
  – Forecast of the future cash flows and capital expenditures;
  – Forecast realizability of certain legacy contract receivables;
  – Terminal growth rate;
  – Foreign currency exchange rates.

  In doing so, we have corroborated – to the extent possible – market-related assumptions by reference to external data.

- Sample-based audit of the mathematical accuracy of the discounted cash flow model.
- Assessment of the historic forecasts on HLG as regards its reliability (adherence to budget).
- Performance of sensitivity analyses for selected assumptions, including the deferral of cash receipts on certain legacy contract receivables, and the assumptions concerning the revenue of HLG.
- Assessment of the appropriateness of the relevant disclosures within the consolidated notes.

c) The recoverable amount of the investment and/or the loan receivables determined by the Executive Board members is above the book value. The valuation parameters and assumptions used in determining these values are within the range of the industry-specific market expectations.

Other information

The Executive Board members are responsible for the other information. The other information comprises:

- the statement on corporate governance pursuant to Section 315d German Commercial Code (HGB) included in the Chapter "Corporate Governance und Compliance" of the combined management report,
- the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code, referred to in the Chapter "Corporate Governance und Compliance" of the combined management report
- the consolidated non-financial statement included in the combined Annual Financial Report and Sustainability Report pursuant to Sections 315b to 315c German Commercial Code (HGB),
- the Executive Board members' confirmation relating to the consolidated financial statements and to the combined management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB) respectively, and
- the remaining parts of the combined Annual Financial Report and Sustainability Report, with the exception of the audited consolidated financial statements and combined management report and our auditors' report

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Board members and the Supervisory Board for the consolidated financial statements and the combined management report

The Executive Board members are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Board members are responsible for such internal control, as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board members are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Executive Board members are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Executive Board members are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibility for the audit of the consolidated financial statements and the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditors' report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of the accounting policies used by the Executive Board members and the reasonableness of accounting estimates and related disclosures made by the Executive Board members.
- Conclude on the appropriateness of the Executive Board members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB).
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Executive Board members in the group management report. Based on sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board members as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 10, 2017. The Supervisory Board engaged us on May 10, 2017. We have been the group auditor of HOCHTIEF Aktiengesellschaft, Essen/Germany, without interruption since the financial year 2006.

We declare that the audit opinions expressed in this auditors' report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

Prof. Dr. Holger Reichmann is the auditor responsible for the audit.

Düsseldorf/Germany, February 20, 2018

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed: Bedenbecker
Wirtschaftsprüfer
[German Public Auditor]

Signed: Prof. Dr. Reichmann
Wirtschaftsprüfer
[German Public Auditor]

Elefsina-Patras toll highway: Working together with international and Greek partners, HOCHTIEF financed, designed, and built the Elefsina-Patras toll highway in Greece, which was opened in the summer of 2017. The Company is now also operating the concession.

MAKING TIME
FOR MORE QUALITY OF LIFE

Thanks to the cutting-edge Elefsina-Patras a toll highway, road users' travel time has been reduced by up to 40%, resulting in a significant increase in quality of life for the population in the rural regions of Achaia and Elis. The safe, direct route notably provides better links between the northwestern Peloponnese and the Greek capital, Athens. As with all HOCHTIEF PPP projects, communicating with residents and keeping all those affected by the construction informed comprehensively was of great importance.

CONNECTING TEAMS

When all the parties involved in a project are connected, everyone stays up to speed. Building Information Modeling (BIM) is a synchronized database for construction—and it enables smooth, effective workflows. HOCHTIEF has been working with this digital model for many years. And the Hampton by Hilton hotel project is no exception. Here, the HOCHTIEF team is using BIM for multi-company collaboration in a process specialists call “BIG BIM,” and working jointly with architects, structural engineers, and in-house technicians on the design and permit planning. Information is consistently recorded and managed—a significant step toward delivering the 208-room hotel building, which is scheduled to open in 2019.

Index for the 10 Principles of the UN Global Compact (UNGC) and the Global Reporting Initiative (GRI)

UNGC principles		GRI index to GRI standards (2016) (for "in accordance"—Core)			
	GRI 101	**Foundation**			
	Part 2	Using the GRI Standards for sustainability reporting	✔		
	GRI 102	**Allgemeine Angaben**	External review	Page Number	Link/notes
	1.	**Organizational profile**			
	102-1	Name of the organization	✔	1, 2, 273	
	102-2	Activities, brands, products, and services	✔	3-4, 24-27, 72-85	www.hochtief.com/subsidiaries2017
	102-3	Location of headquarters	✔	273	
	102-4	Location of operations	✔	3-4, 26-27	
	102-5	Ownership and legal form	✔	20, 240, 273	
	102-6	Markets served	✔	3-4, 24-27, 37-43	www.hochtief.com/clientportal
	102-7	Scale of the organization	✔	271-272	www.hochtief.com/subsidiaries2017
	102-8	Information on employees and other workers	✔	105-113	
	102-9	Supply chain	✔	114-117	
	102-10	Significant changes to the organization and its supply chain	✔	114-117	
7	102-11	Precautionary principle or approach	✔	89-91 (CoC), 105-113, 144-151, 130-131	www.hochtief.com/commitments www.hochtief.com/compliance
5, 8	102-12	External initiatives	✔	2, 142-143	www.hochtief.com/commitments
8	102-13	Membership of associations	✔	2, 142-143	www.hochtief.com/commitments
	2.	**Strategy**			
	102-14	Statement from senior decision-maker	✔	9-11, 12-15, 59, 68-69	www.hochtief.com/interview-eb2017
	3.	**Ethics and integrity**			
1, 2, 4, 5, 6, 10	102-16	Values, principles, standards, and norms of behavior	✔	5, 29-35, 89-91, 105-113, 114-117, 138-151, CoC	www.hochtief.com/vision www.hochtief.com/compliance
	4.	**Governance**			
	102-18	Governance structure	✔	24-25, 88	www.hochtief.com/corporate-governance
8	**5.**	**Stakeholder engagement**			
	102-40	List of stakeholder groups	✔	141	www.hochtief.com/sustainability
3	102-41	Collective bargaining agreements	✔	108-109	
	102-42	Identifying and selecting stakeholders	✔	35, 141	www.hochtief.com/sustainability
	102-43	Approach to stakeholder engagement	✔	35, 141	www.hochtief.com/sustainability
10	102-44	Key topics and concerns raised	✔	34, 152-155, vgl. Tabelle S. 263	www.hochtief.com/sustainability
	6.	**Reporting practice**			
	102-45	Entities included in the consolidated financial statements	✔	26-27, 164-165	www.hochtief.com/subsidiaries2017
	102-46	Defining report content and topic boundaries	✔	2, 138-139	
	102-47	List of material topics	✔	25, 29-35	
	102-48	Restatements of information	✔	2, 34, 138-139	
	102-49	Changes in reporting	✔	2, 34, 138-139	
	102-50	Reporting period	✔	2	
	102-51	Date of most recent report	✔	273	
	102-52	Reporting cycle	✔	2	
	102-53	Contact point for questions regarding the report	✔	273	
	102-54	Claims of reporting in accordance with the GRI Standards	✔	2, 261-263	
	102-55	GRI content index	✔	261-262	
	102-56	External assurance	✔	249-257, 264-265, 266-267	www.hochtief.com/auditor

CoC = Code of Conduct
CoCB = Code of Conduct for Business Partners

			External review	Page Number	Link/notes
	GRI 103	**Management Approach**			
	103-1	Explanation of the material topic and its boundary	✔	29-35, 138-139	
	103-2	The management approach and its components	✔	24-25, 88-91	
	103-3	Evaluation of the management approach	✔	121-134	
	GRI 201	**Economic Performance**			
	201-1	Direct economic value generated and distributed	✔	8, 47, 271-272	
	201-2	Financial implications and other risks and opportunities due to climate change	✔	130-131	
	201-3	Defined benefit plan obligations and other retirement plans	✔	128, 200-205	
	GRI 203	**Indirect Economic Impacts**			
	203-1	Infrastructure investments and services supported	✔	29-33, 82-85, 142-143	
	GRI 204	**Procurement Practices**			
	204-1	Proportion of spending on local suppliers	✔	116	
1, 2, 4, 10	**GRI 205**	**Anti-corruption**			www.hochtief.com/compliance
	205-1	Operations assessed for risks related to corruption	✔	91	
	205-2	Communication and training about anti-corruption policies and procedures[1]	✔	90	
	205-3	Confirmed incidents of corruption and actions taken	✔	91, 129	
7	**GRI 301**	**Materials**			
	301-1	Materials used by weight or volume[2]	✔	149	
	301-3	Reclaimed products and their packaging materials	✔	146	
7	**GRI 302**	**Energy**			
	302-1	Energy consumption within the organization[2]	✔	150	
	302-4	Reduction of energy consumption	✔	148-151	
	302-5	Reductions in energy requirements of products and services	✔	148-151	
7	**GRI 303**	**Water[2]**			
	303-1	Water withdrawal by source	✔	147	
	303-3	Water recycled and reused	✔	147	
7	**GRI 304**	**Biodiversity[2]**			
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	✔	147	
	304-2	Significant impacts of activities, products, and services on biodiversity	✔	140, 147	
	304-3	Habitats protected or restored	✔	147	
7	**GRI 305**	**Emissions[2]**			
	305-1	Direct (Scope 1) GHG emissions	✔	150	
	305-2	Energy indirect (Scope 2) GHG emissions	✔	150	
	305-3	Other indirect (Scope 3) GHG emissions	✔	150	
7, 8	**GRI 306**	**Effluents and Waste[2]**			
	306-2	Waste by type and disposal method	✔	146	
7	**GRI 307**	**Environmental Compliance**			
	307-1	Non-compliance with environmental laws and regulations	✔	131, 145	
7, 8	**GRI 308**	**Supplier Environmental Assessment[3]**			
	308-1	New suppliers that were screened using environmental criteria	✔	115, 116	

1) Aspect for HOCHTIEF focus area Compliance (number of training courses, security in dealing with competitors)
2) Aspect for HOCHTIEF focus area Active climate and resource protection (water, biodiversity, climate protection, waste)
3) Aspect for HOCHTIEF focus area Procurement
4) Aspect for HOCHTIEF focus area Attractive working environment (Occupational safety/health)
5) Aspect for HOCHTIEF focus area Attractive working environment (further training)

CoC = Code of Conduct von HOCHTIEF
CoCB = Code of Conduct for Business Partners

			External review	Page Number	Link/notes
	GRI 401	**Employment**			
	401-1	New employee hires and employee turnover	✔	105-106	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	✔	109	
	401-3	Parental leave	✔	109	
	GRI 403	**Occupational Health and Safety**			
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities[4]	✔	110-113	
	GRI 404	**Training and Education**			
	404-1	Average hours of training per year per employee	✔	106-107	
	404-2	Programs for upgrading employee skills and transition assistance programs[5]	✔	90, 103, 106-107	
	404-3	Percentage of employees receiving regular performance and career development reviews	✔	107	
1, 2, 4, 10	**GRI 412**	**Human Rights Assessment**			
	412-1	Operations that have been subject to human rights reviews or impact assessments	✔	141	
	412-2	Employee training on human rights policies or procedures	✔	90	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	✔	115 (CoCB)	
	GRI 413	**Local Communities**			www.hochtief.com/corporate-citizenship
	413-1	Operations with local community engagement, impact assessments, and development programs	✔	140, 142-143	
	413-2	Operations with significant actual and potential negative impacts on local communities	✔	140, 142-143	
	GRI 414	**Supplier Social Assessment[3]**			
2, 4, 6, 10	414-1	New suppliers that were screened using social criteria	✔	115, 116	
	GRI 415	**Public Policy**			
2	415-1	Political contributions	✔	143, CoC	

1) Aspect for HOCHTIEF focus area Compliance (number of training courses, security in dealing with competitors)
2) Aspect for HOCHTIEF focus area Active climate and resource protection (water, biodiversity, climate protection, waste)
3) Aspect for HOCHTIEF focus area Procurement
4) Aspect for HOCHTIEF focus area Attractive working environment (Occupational safety/health)
5) Aspect for HOCHTIEF focus area Attractive working environment (further training)

	Organization-specific indicators in relation to HOCHTIEF's major sustainability focus areas	External review	Page Number	Link/notes
	Focus area: Attractive working environment			
6	Aspect: Recruitment	✔	106	
	Focus area: Procurement			
1–10	Aspect: Prequalification (number of prequalified business partners)	✔	115	
1–10	Aspect: Evaluation (number of evaluations)	✔	116	
	Focus area: Sustainable products and services			
9	Aspect: Innovation (BIM as a future-oriented work method)	✔	102–103	
7,8,9	Aspect: Green building (number of accredited auditors, number of certified projects)	✔	151	www.hochtief.com/rd
7,8,9	Aspect: Life cycle	✔	148	
	Focus area: Corporate citizenship			
	Aspect: Supporting local communities	✔	142–143	www.hochtief.com/b2p

Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information[1)]

To HOCHTIEF Aktiengesellschaft, Essen

[1)] We have performed a limited assurance engagement on the German version of the chapter "Sustainability at HOCHTIEF" in the Group Report and issued an independent assurance report in German language, which is authoritative. The following text is a convenience translation of the independent practitioner's assurance report.

Our Engagement

We have been engaged to perform a limited review on the disclosures in the chapter "Sustainability at HOCHTIEF" in the Group Report 2017 of HOCHTIEF Aktiengesellschaft (hereinafter: "Group Report"), for the period from January 1 to December 31, 2017. It was not part of our engagement to review any links to internal and external sources or future-looking statements.

Management's Responsibility

The Company's Executive Board is responsible for the accurate preparation of the chapter "Sustainability at HOCHTIEF" in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter: "GRI-Criteria") and for the selection of the disclosures to be evaluated.

This responsibility includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the Company's Executive Board is responsible for such internal control, as it has considered necessary to enable the preparation of the chapter "Sustainability at HOCHTIEF" that is free from material misstatement, whether due to fraud or error.

Practitioner's Declaration Relating to Independence and Quality

We are independent of the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with the relevant provisions within these requirements.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft applies the German national legal requirements and the German profession's pronouncements for quality control, in particular the by-laws regulating the rights and duties of "Wirtschaftsprüfer" and "vereidigte Buchprüfer" in the exercise of their profession (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms [IDW Qualitätssicherungsstandards 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)], that are consistent with the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB).

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the disclosures in the chapter "Sustainability at HOCHTIEF", based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that no matters have come to our attention that cause us to believe that the information disclosed in the chapter "Sustainability at HOCHTIEF" in the Group Report for the period from January 1 to December 31, 2017 has not been prepared, in all material respects, in accordance with the relevant GRI-Criteria. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's professional judgment.

Within the scope of our limited assurance engagement, which was primarily performed from November 2017 to February 2018, we have performed, amongst others, the following audit procedures and other activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Conducting an on-site visit to the Turner Construction Company in New York as part of an investigation into the processes for collecting, analyzing and aggregating selected data
- Interviews with legal representatives and employees involved in the preparation of the Group Report regarding the preparation process, the related internal control system and selected disclosures in the chapter “Sustainability at HOCHTIEF” at the Essen site and interviewing, by means of modern communication media, selected contacts of the Asia Pacific, Americas and Europe divisions
- Identification of the likely risks of material misstatement within the chapter “Sustainability at HOCHTIEF” under consideration of the GRI-Criteria
- Analytical evaluation of selected disclosures within the chapter “Sustainability at HOCHTIEF”
- Comparison of selected disclosures with corresponding data in the consolidated financial statements
- Evaluation of the presentation of the selected disclosures regarding sustainability performance.

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures of the chapter “Sustainability at HOCHTIEF” in the Group Report 2017 of HOCHTIEF Aktiengesellschaft, Essen, for the period from January 1 to December 31, 2017 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria. It was not part of our engagement to review any links to internal and external sources or future-looking statements.

Purpose of the Assurance Statement

We issue this report on the basis of the engagement agreed with HOCHTIEF Aktiengesellschaft. The assurance engagement has been performed for purposes of HOCHTIEF Aktiengesellschaft and the report is solely intended to inform HOCHTIEF Aktiengesellschaft as to the results of the assurance engagement.

Liability

The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward HOCHTIEF Aktiengesellschaft and is limited based on the “Special engagement terms of Deloitte GmbH Wirtschaftsprüfungsgesellschaft” as well as on the “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften of the IDW” from January 1, 2017, which were agreed with HOCHTIEF Aktiengesellschaft. We do not assume any responsibility towards third parties.

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Düsseldorf, February 20, 2018

Signed: (André Bedenbecker)

Signed: (p. a. Vinzenz Fundel)

Certified Public Accountant

Independent Practitioner's Report on a Limited Assurance Engagement on the Non-Financial Group Report[1)]

To HOCHTIEF Aktiengesellschaft, Essen

1) We have performed a limited assurance engagement on the German version of the **Non-Financial Group Report** and issued an independent assurance report in German language, which is authoritative. The following text is a convenience translation of the independent practitioner's assurance report.

We have performed a limited assurance engagement on the Non-Financial Group Report 2017 of HOCHTIEF Aktiengesellschaft, Essen (hereinafter: "Non-Financial Group Report") in accordance with § 315b German Commercial Code (HGB), comprising the information on the business model and to the non-financial aspects for the period from January 1 to December 31, 2017. It was not part of our engagement to review any links to internal and external sources or future-looking statements.

Management's Responsibility

The Company's Executive Board is responsible for the preparation of the Non-Financial Group Report in accordance with §§ 315b, 315c in connection with 289c to 289e HGB. This responsibility includes the selection and application of appropriate methods for preparing the Non-Financial Group Report as well as making assumptions and estimates related to individual non-financial disclosures, which are reasonable in the circumstances. Furthermore, the Company's Executive Board is responsible for such internal control, as it has considered necessary to enable the preparation of the Non-Financial Group Report that is free from material misstatement, whether due to fraud or error.

Practitioner's Declaration Relating to Independence and Quality

We are independent of the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with the relevant provisions within these requirements.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft applies the German national legal requirements and the German profession's pronouncements for quality control, in particular the by-laws regulating the rights and duties of "Wirtschaftsprüfer" and "vereidigte Buchprüfer" in the exercise of their profession (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms [IDW Qualitätssicherungsstandards 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)], that are consistent with the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB).

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-Financial Group Report, based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that no matters have come to our attention that cause us to believe that the information disclosed in the Non-Financial Group Report for the period from January 1 to December 31, 2017 has not been prepared, in all material respects, in accordance with §§ 315b, 315c in connection with 289c to 289e German Commercial Code (HGB). In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's professional judgment.

Within the scope of our limited assurance engagement, which was primarily performed from November 2017 to February 2018, we have performed, amongst others, the following audit procedures and other activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Conducting an on-site visit to the Turner Construction Company in New York as part of an investigation into the processes for collecting, analyzing and aggregating selected data
- Interviews with legal representatives and employees involved in the preparation of the Non-Financial Group Report regarding the preparation process, the related internal control system and selected disclosures in the Non-Financial Group Report at the Essen site and interviewing, by means of modern communication media, selected contacts of the Asia Pacific, Americas and Europe divisions
- Identification of the likely risks of material misstatement within the Non-Financial Group Report
- Analytical evaluation of selected disclosures within the Non-Financial Group Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements
- Evaluation of the presentation of the selected disclosures regarding sustainability performance.

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures of the Non-Financial Group Report of HOCHTIEF Aktiengesellschaft, for the period from January 1 to December 31, 2017 have not been prepared, in all material aspects, in accordance with §§ 315b, 315c in connection with 289c to 289e German Commercial Code (HGB). It was not part of our engagement to review any links to internal and external sources or future-looking statements.

Purpose of the Assurance Statement

We issue this report on the basis of the engagement agreed with HOCHTIEF Aktiengesellschaft. The assurance engagement has been performed for purposes of HOCHTIEF Aktiengesellschaft and the report is solely intended to inform HOCHTIEF Aktiengesellschaft as to the results of the assurance engagement.

Liability

The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward HOCHTIEF Aktiengesellschaft and is limited based on the “Special engagement terms of Deloitte GmbH Wirtschaftsprüfungsgesellschaft” as well as on the “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften of the IDW” from January 1, 2017, which were agreed with HOCHTIEF Aktiengesellschaft. We do not assume any responsibility towards third parties.

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Düsseldorf, February 20, 2018

Signed: (André Bedenbecker)

Signed: (p. a. Vinzenz Fundel)

Certified Public Accountant

Glossary

Bonding
A statutory form of security used in the U.S. to guarantee performance of public projects, bonding is also employed for selected other clients. A facility of this magnitude is necessary in the U.S. market. Whereas construction projects in the U.S. often have to be bonded with 100% of the contract value, other jurisdictions generally call for 10% performance guarantees.

Brownfield projects:
Investment in and management of an existing asset. Opposed to “greenfield projects”, which refers to projects that start from bare ground and lack constraints from prior work, i.e. investment in, construction and maintenance of entirely new or newly rehabilitated facilities or infrastructure.

CDP
The Carbon Disclosure Project is a global carbon transparency initiative launched by institutional investors with the goal of collating corporate climate change information and making it publicly available. www.cdp.net/

Contract mining
Contracting out of certain mine owner operations to a service provider. HOCHTIEF’s Group company CIMIC extracts and processes commodities under long-term contract. Its services include mine development and subsequent renaturalization.

Corporate responsibility (CR)
CR relates to the HOCHTIEF-specific contribution to sustainability that is coordinated by the CR organization.

DGNB (German Sustainable Building Council)
Since January 2009, the German Sustainable Building Council (DGNB) has awarded DGNB certification to projects that are environmentally compatible, economically efficient, and user-friendly. The certification system addresses all areas of green building. www.dgnb.de

Directors and officers (D&O) insurance
D&O insurance is consequential loss insurance taken out by a company for its decision-making boards. The insurance covers the boards’ personal liability risk from their work for the company under company-law liability obligations.

Financial covenants
Financial indicators which are negotiated with a loan and with which the borrower is required to comply.

Global Reporting Initiative (GRI)
The Global Reporting Initiative is a non-profit organization established to promote and improve international sustainability reporting and to develop guidelines for the purpose. www.globalreporting.org

Greenfield projects:
Projects that start from bare ground and lack constraints from prior work, i.e. investment in, construction and maintenance of entirely new or newly rehabilitated facilities or infrastructure. Opposed to brownfield projects, i.e. investment in and management of an existing asset.

Issuer
An issuer of securities: a company in the case of shares and a company, public body, the state, or other institution in the case of bonds.

Lean construction
Lean construction is an integrated approach that takes into account the entire life cycle of a building for the optimized planning and execution of construction projects.

Long-term incentive plan (LTIP)
A long-term incentive plan is an incentives system or pay component offered to selected managerial staff so that they participate in the company’s long-term success, thus securing their loyalty to the company.

Lost Time Injury Frequency Rate (LTIFR)
LTIFR represents the number of accidents per million hours worked. Under international standards, accidents are counted from the first working day lost.

OSHEP
The HOCHTIEF Group's occupational safety, health, and environmental protection organization.

Percentage of completion (PoC) method
Method of accounting for long-term contracts that computes the applicable costs and revenues generated by the project up to the reporting date. Revenues, expense, and earnings are thus reported in line with the progress of a project to date. This method supersedes the "realization principle" stipulated by the German Commercial Code, which does not allow profits from construction contracts to be recognized until the fiscal year in which a project is formally accepted by the client.

Phasing out
If, based on current findings, a decision has been made to no longer engage specific subcontractors or suppliers, they are tagged as blocked in the system and thus "phased out" of the pool of potential trading partners.

PreFair
A collaborative contracting model at HOCHTIEF in which building is preceded by a preconstruction phase. Planning management prevents inconsistencies in the planning process, optimizes coordination, and reduces the risk of supplemental work. Timely teamwork among all those involved in the project ensures reliable scheduling and budgeting as well as quality assurance.

Public-private partnership (PPP)
Cooperation between the public sector and private-sector entities. A characteristic feature of such cooperation is that the parties pursue common objectives and interests as regards the project itself even though they differ in terms of their broader functions.

Scope 1/2/3 in relation to greenhouse gas emissions
Direct and indirect emissions of CO_2 and other greenhouse gases, divided in accordance with the Greenhouse Gas Protocol (GHGP) into scopes relating to the emission sources included. Scope 1: direct emission sources in the possession or control of the company; Scope 2: indirect emissions from consumption of energy by the company; Scope 3: other indirect emissions from the company's supply chain.

Services:
At HOCHTIEF, the term "services" relates to maintenance and operating services. In the Australian market, this covers the following sectors: roads, non-residential building, mining, light and heavy manufacturing, electricity, water and wastewater, rail, telecommunications, ports, defense, and gas pipelines. In Germany, facility management services comprise the following: facility cleaning, building services, security guard services, catering/restaurant/canteen operation, commercial management, energy management, garden and landscape maintenance, contracting, industrial cleaning, (small-scale) plant engineering, reception and office services, fleet management, and logistics.

Stakeholders

Internal and external groups that either significantly influence the economic, ecological, and social performance of HOCHTIEF or may do so in the future, or that are significantly affected by the Group's economic, ecological, and social performance or may be so in the future. Stakeholder management serves the purpose of systematically surveying and giving strategic consideration to the requirements of key stakeholder groups with regard to sustainable, responsible business practices and HOCHTIEF's public positioning.

Sustainability

Defined at HOCHTIEF as a systematic approach to harmonizing economy, ecology, and social responsibility in business activities with the aim of securing the long-term viability of the Company.

Syndicated guarantee facility

A loan facility structured by an international banking syndicate in order to furnish financial guarantees by way of assurance for clients.

UNGC (United Nations Global Compact)

The UN strategic policy initiative for businesses committed to aligning their operations and strategies with ten accepted principles. www.unglobalcompact.org

Work done

This reporting term covers all construction work completed by the company itself, together with its fully consolidated subsidiaries, and by joint ventures on a pro rata basis, plus all other sales generated by non-construction operations during the reporting period.

Further terms and explanations are provided in the Investor Relations section of the HOCHTIEF website, www.hochtief.com, where you will find a detailed glossary.

Five Year Summary

			2013	2014	2015	2016	**2017**
New orders (EUR million)			21,912	22,041	21,553	24,813	**30,443**
	Of total:	domestic	1,870	1,716	1,133	1,395	**884**
		international	20,042	20,325	20,420	23,418	**29,559**
Work done (EUR million)			24,630	24,246	23,948	22,292	**24,518**
	Of total:	domestic	2,130	1,463	1,025	1,039	**1,069**
		international	22,500	22,783	22,923	21,253	**23,449**
Order backlog at year-end (EUR million)			35,885	36,255	36,023	43,088	**44,644**
	Of total:	domestic	2,507	2,270	2,357	2,739	**2,470**
		international	33,378	33,985	33,666	40,349	**42,174**
Employees at year-end (number)			75,433	53,247	44,264	51,490	**53,890**
	Of total:	domestic	5,662	3,909	3,548	3,449	**3,403**
		international	69,771	49,338	40,716	48,041	**50,487**
External sales (EUR million)			22,499	22,099	21,097	19,908	**22,631**
Increase/(decrease) on prior year (%)			-11.9	-1.8	-4.5	-5.6	**13.7**
Materials (EUR million)			15,541	15,746	15,484	14,778	**16,229**
Materials ratio (%)			69.3	71.3	73.3	74.6	**71.9**
Personnel costs (EUR million)			4,731	4,416	3,656	3,285	**4,120**
Payroll ratio (%)			21.1	20.0	17.3	16.6	**18.2**
Depreciation and amortization (EUR million)			686	440	414	288	**396**
Profit from operating activities (EUR million)			586	(75)	575	629	**765**
Net income from participating interests (EUR million)			210	118	156	115	**177**
Net investment and interest income (EUR million)			(266)	(220)	(208)	(123)	**(118)**
Profit before tax—continuing operations (EUR million)			530	(177)	523	621	**824**
Of which:	Americas (EUR million)		94	108	155	204	**254**
	Asia Pacific (EUR million)		230	(115)	424	432	**579**
	Europe (EUR million)		63	(73)	(27)	19	**33**
Pre-tax return on sales (%)			2.4	-0.8	2.5	3.1	**3.6**
Profit after tax—continuing operations (EUR million)			371	(132)	333	433	**582**
Profit after tax—discontinued operations (EUR million)			174	538	–	–	**–**
Profit after tax—total (EUR million)			545	406	333	433	**582**
Return on equity (%)			16.5	13.1	10.6	16.8	**23.0**
Consolidated net profit/(loss)—continuing operations (EUR million)			71	(122)	208	320	**421**
Consolidated net profit/(loss)—discontinued operations (EUR million)			100	374	–	–	**–**
Consolidated net profit/(loss)—total (EUR million)			171	252	208	320	**421**
EBITDA*—continuing operations (EUR million)			1,587	1,000	1,143	997	**1,294**
EBITDA*—discontinued operations (EUR million)			321	897	–	–	**–**
EBITDA*—total (EUR million)			1,908	1,897	1,143	997	**1,294**
Operational earnings (EBIT)*—continuing operations (EUR million)			901	559	729	716	**904**
Operational earnings (EBIT)*—discontinued operations (EUR million)			272	847	–	–	**–**
Operational earnings (EBIT)*—total (EUR million)			1,173	1,406	729	716	**904**
Earnings per share—continuing operations (EUR)			0.98	(1.77)	3.11	4.98	**6.55**
Earnings per share—discontinued operations (EUR)			1.39	5.41	–	–	**–**
Earnings per share—total (EUR)			2.37	3.64	3.11	4.98	**6.55**
Dividend per share (EUR)			1.50	1.90	2.00	2.60	**3.38****
Dividends paid (EUR million)			115	132	139	167	**217**
Free cash flow from operations[1] (EUR million)			(214)	322	985	986	**1,120**

* EBITDA and EBIT have been redefined in 2017 and the figures for 2016 restated accordingly.

** Proposed dividend per share

[1] Free cash flow from operations: Cash flow from operations and cash flow from purchases and disposals of intangible assets, of property, plant and equipment, and of investment properties

	2013	2014	2015	2016 (restated)*	2017
Assets					
Intangible assets (EUR million)	830	866	883	1,322	**1,192**
Property, plant and equipment (EUR million)	1,378	1,305	1,116	1,178	**960**
Investment properties (EUR million)	16	15	14	12	**9**
Financial assets (EUR million)	774	1,028	1,104	776	**651**
Other non-current assets (EUR million)	803	997	1,013	1,324	**1,148**
Non-current assets (EUR million)	**3,801**	**4,211**	**4,130**	**4,612**	**3,960**
As % of total assets	25.4	27.7	31.1	32.8	**29.7**
Inventories (EUR million)	1,159	919	768	559	**425**
Receivables and other assets (EUR million)	6,344	6,590	4,828	5,562	**5,419**
Marketable securities and cash and cash equivalents (EUR million)	3,313	3,327	3,386	3,311	**3,524**
Assets held for sale (EUR million)	334	172	158	33	**21**
Current assets (EUR million)	**11,150**	**11,008**	**9,140**	**9,465**	**9,389**
As % of total assets	74.6	72.3	68.9	67.2	**70.3**
Total assets (EUR million)	**14,951**	**15,219**	**13,270**	**14,077**	**13,349**
Liabilities and Shareholders' Equity					
Attributable to the Group (EUR million)	2,266	2,178	2,144	1,814	**1,788**
Non-controlling interest (EUR million)	1,028	933	1,003	757	**746**
Shareholders' equity (EUR million)	**3,294**	**3,111**	**3,147**	**2,571**	**2,534**
As % of total assets	22.0	20.4	23.7	18.3	**19.0**
As % of non-current assets	86.7	73.9	76.2	55.7	**64.0**
Non-current provisions (EUR million)	748	829	803	864	**717**
Non-current financial liabilities (EUR million)	2,700	3,073	2,355	1,633	**2,183**
Other non-current liabilities (EUR million)	169	80	98	72	**63**
Non-current liabilities (EUR million)	**3,617**	**3,982**	**3,256**	**2,569**	**2,963**
As % of total assets	24.2	26.2	24.5	18.2	**22.2**
Current provisions (EUR million)	921	1,156	818	822	**729**
Current financial liabilities (EUR million)	727	982	309	1,047	**236**
Other current liabilities (EUR million)	6,392	5,988	5,740	7,068	**6,887**
Current liabilities (EUR million)	**8,040**	**8,126**	**6,867**	**8,937**	**7,852**
As % of total assets	53.8	53.4	51.8	63.5	**58.8**
Total assets (EUR million)	**14,951**	**15,219**	**13,270**	**14,077**	**13,349**
Property, plant and equipment ratio[2] (%)	9.2	8.6	8.4	8.4	**7.2**
Total capital expenditure, including acquisitions (EUR million)	1,453	716	455	796	**394**
Of total: Intangible assets (EUR million)	42	26	12	13	**18**
Of total: Property, plant and equipment (EUR million)	890	565	264	260	**339**
Of total: Investment properties (EUR million)	–	–	–	–	**–**
Of total: Financial assets (EUR million)	521	125	179	523	**37**
Capital expenditure ratio[3] (%)	21.3	13.9	7.0	6.0	**8.9**
Depreciation and amortization ratio[4] (%)	73.6	74.5	150.0	105.5	**110.9**
Receivables turnover[5]	3.9	4.0	4.4	4.2	**4.6**
Total assets turnover[6]	1.4	1.5	1.5	1.5	**1.7**
Net cash/(net debt) (EUR million)	(40)	470[7]	805	704	**1,266**

[2] Property, plant and equipment ratio: Property, plant and equipment as a percentage of total assets

[3] Capital expenditure ratio: Capital expenditure on intangible assets, property, plant and equipment and investment properties as a percentage of cumulative cost of acquisition

[4] Depreciation and amortization ratio: Depreciation and amortization as a percentage of intangible assets, property, plant and equipment and investment properties

[5] Receivables turnover: Ratio of sales to average trade receivables

[6] Total assets turnover: Ratio of sales to average total assets

[7] Including receivables from the disposal of discontinued activities.

*Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016. Please see Note 1 of the Notes to the Consolidated Financial Statements for explanatory notes on the adjustment.

Publication Details and Credits

Published by:
HOCHTIEF Aktiengesellschaft
Opernplatz 2, 45128 Essen, Germany
Tel.: +49 201 824-0, Fax: +49 201 824-2777
info@hochtief.de, www.hochtief.com

Project management/editors-in-chief:
HOCHTIEF Corporate Communications:
Indra Folke, Michael Kölzer, Julia Schockemöhle (project management)

Design, text, layout, and editing:
HOCHTIEF corporate departments
Dewitz Selzer Partner, Düsseldorf

English adaptation:
Burton, Münch & Partner, Düsseldorf

Photographer:
Christoph Schroll, HOCHTIEF, Essen

Other photo credits:
All pictures not listed below: HOCHTIEF photo archive, Essen; Turner (p. 3, p. 6 left, p. 18, p. 22, p. 36); CPB Contractors (p. 4 left, p. 28, p. 102 left); Flatiron (p. 6 center, p. 70, p. 102 right); Thiess (p. 76, p. 103); Iain Masterton (cover top); HOCHTIEF PPP Solutions Netherlands B.V./Anick de Rouw (p. 5); UGL (p. 7 left, p. 137); Costas Mitropoulos (p. 7 right); CIMIC (p. 9); ACS (p. 12); Westend61 (p. 23 right); chart icons page 34 (Kenex/Irena Tsoneva/bubaone); Christian Schilling (p. 48); Carsten Bernot (p. 60); Caiaimage/Sam Edwards (p. 71 right); Dominik Reipka (p. 81); shapecharge (p. 87 right); Dennis Möbus (p. 104); Ridofranz (p. 136 left); Bridges to Prosperity (p. 143 left); Labyrinth Kindermuseum Berlin/Ragnar Schmuck (p. 143 right); Philipp Nemenz (p. 156 left); HKS (p. 158); Costas Mitropoulos (p. 258); Aldo Murillo (p. 259 right)

Imaging work, typesetting and prepress:
Creafix GmbH, Solingen

Printed by:
Druckpartner, Essen

This Group report is printed on eco-friendly Maxi Silk coated paper certified in accordance with the rules of the Forest Stewardship Council (FSC).

MIX
Paper from responsible sources
FSC® C017894

Forward-looking statements
This Group Report contains forward-looking statements. These statements reflect the current views, expectations and assumptions of the Executive Board of HOCHTIEF Aktiengesellschaft concerning future events and developments relating to HOCHTIEF Aktiengesellschaft and/or the HOCHTIEF Group and are based on information currently available to the Executive Board of HOCHTIEF Aktiengesellschaft. Such statements involve risks and uncertainties and do not guarantee future results (such as profit before tax or consolidated net profit) or developments (such as with regard to possible future divestments, planned investments or acquisitions, general business activities or business strategy). Actual results (such as profit before tax or consolidated net profit), dividends and other developments (such as with regard to possible future divestments, planned investments or acquisitions, general business activities or business strategy) relating to HOCHTIEF Aktiengesellschaft and the HOCHTIEF Group may therefore differ materially from the expectations and assumptions described or implied in such statements due to, among other things, changes in the general economic, sectoral and competitive environment, capital market developments, currency exchange rate fluctuations, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, the conduct of other shareholders, and other factors. Any information provided on dividends is additionally subject to the recognition of a corresponding unappropriated net profit in the published separate financial statements of HOCHTIEF Aktiengesellschaft for the fiscal year concerned and the adoption by the competent decision-making bodies of HOCHTIEF Aktiengesellschaft of appropriate resolutions taking into account the prevailing situation of the Company. Aside from statutory publication obligations, HOCHTIEF Aktiengesellschaft does not assume any obligations to update any forward-looking statements.

Contacts

HOCHTIEF Investor Relations
Michael Pinkney
Head of Corporate Strategy
Tel.: + 49 201 824-1824
investor-relations@hochtief.de

HOCHTIEF Investor Relations
Tobias Loskamp
Head of Capital Markets Strategy
Tel.: + 49 201 824-1871
investor-relations@hochtief.de

Nadine Wärmer
Investor Relations Officer
Tel.: + 49 201 824-2127
investor-relations@hochtief.de

HOCHTIEF CR Coordinator
Michael Kölzer
Tel: + 49 201 824-2637
corporate-responsibility@hochtief.de

HOCHTIEF Corporate Communications
Dr. Bernd Pütter
Tel: + 49 201 824-2610
bernd.puetter@hochtief.de

HOCHTIEF Corporate Governance/Compliance
Georg von Bronk
Tel: + 49 201 824-2995
georg.von-bronk@hochtief.de

HOCHTIEF Human Resources
Martina Steffen
Tel: + 49 201 824-2624
martina.steffen@hochtief.de

Current financial calendar
www.hochtief.com/ir-calendar

This Group report is a translation of the original German version, which remains definitive.

For the pdf of this Group report including references to further information, please see www.hochtief.com/gr17.

The editorial deadline for this Group report was February 19, 2018; the report was published on February 21, 2018.

If your cell phone supports QR codes, scan the code to view further information on the HOCHTIEF Group Report 2017 on our website.

HOCHTIEF Aktiengesellschaft
Opernplatz 2, 45128 Essen
Germany