Group Report 2016
Combined Annual Report and
Sustainability Report

HOCHTIEF

We are building the
world of tomorrow.

Group Report 2016

Combined Annual Report and Sustainability Report

This combined Group Report 2016 pools HOCHTIEF's annual financial and sustainability reports. Taking a transparent, 360-degree perspective, we bring out the mutual linkages between economic, environmental, and community factors and their influence on the long-term success of our business. With this combined Group Report, HOCHTIEF aims to provide its stakeholders with comprehensive information.

Information on this Report

The Group Report covers the **period** from January 1 to December 31, 2016 and follows on from that of the HOCHTIEF Group Report 2015, which was published in February 2016. Where the data provided relates to a different reporting period, this is indicated separately. The next Group Report will appear in February 2018.

We have kept our **reporting on sustainability aspects** brief by design. It relates to topics whose relevance we have again identified by materiality analysis across all stakeholders. For further information, please see www.hochtief.com/gr2016.

All the sustainability content presented in this report has been prepared on the basis of established internal processes. Relevant information originated either from Group operational units or official HOCHTIEF documents. The report content has been checked by the staff in charge of the individual issues and has additionally undergone independent review (limited assurance).[1] This process also includes chapters outside of the Management Report.

In order to standardize and structure processes and make data comparable, Group-wide sustainability data was gathered using special **sustainability software** for the first time this year. We indicate any limits of coverage in this report wherever they apply. The goals described in this Group Report are based on the assumption that the HOCHTIEF Group and its operations will continue to operate in the current form.

The Group Management Report and the Notes to the Consolidated Financial Statements are prepared in accordance with **International Financial Reporting Standards** (IFRS) and additional German statutory requirements. With regard to sustainability aspects and reporting quality, the Group Report follows the Global Reporting Initiative (GRI) G4 Guidelines[2] and covers the material aspects. This Group Report also serves as our report on progress in implementing the UN Global Compact principles. HOCHTIEF's Group Report 2016 is additionally published on the organization's website as the required annual Communication on Progress (COP).

[2] For further information on GRI and UN Global Compact, please see pages 252 to 253.

www.unglobal-compact.org

[1] For further information, please see the Audit Report on page 254 to 255.

Visual concept

Cover:

Completed by HOCHTIEF in 2016, the Elbe Philharmonic Hall in Hamburg is one of the most complex construction projects ever undertaken in the company's history. It is home not only to one of the best concert halls in the world but also a hotel, condominiums as well as a public plaza.

Photo spreads:

The HOCHTIEF Group Report invites you to take a closer look at our projects: The individual image pages offer a glimpse of the details and highlight the ways we respect economic, environmental, and community aspects in each project. The double-page spreads provide perspectives on cities where we operate or of our projects from a bird's-eye view. Each spread corresponds to one of our sustainability focus areas. For further information on 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.

HOCHTIEF stands for transparency, sustainability, and innovation.
To underscore this aspiration, our responsibility and commitments, HOCHTIEF is a member of various organizations and complies with their guidelines and standards. In 2016, our company was once again rated successfully in established sustainability rankings and included in the respective 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
HOCHTIEF commitment since 2010

German Sustainability Code
HOCHTIEF compliance declaration since 2013

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

DGNB
Founding member 2008

Mitglied im Förderverein Bundesstiftung Baukultur
Member since 2016

Sustainability rankings/Indexes

Dow Jones Sustainability Indices
In 2016, tenth listing in succession in the Dow Jones Sustainability Europe Index, still as the sole German construction group.

CDP
In 2016, listing with the status of "Sector Leader Industrial," thus one of the best companies from the MDAX in 2016.

FTSE4Good-Index
Listing since 2008 in the FTSE4Good Index which comprises companies that excel in matters of sustainability within their sector.

STOXX ESG Leaders Indices
Listed since September 2016

EcoVadis
Member with "Silver" status since 2016

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

Buerger Center, USA

HOCHTIEF Americas Division

The HOCHTIEF Americas division coordinates the activities of HOCHTIEF's companies in the U.S. and Canada. Through our subsidiary Turner, we are the number one builder in the USA. The company enjoys leading positions in the categories green buildings, office property, hotels, education, healthcare, entertainment, and the pharmaceuticals industry. Ranking among the pioneers and drivers of green building in the USA, this tradition-rich organization is a forerunner in the use of Building Information Modeling and lean construction.

With Turner's majority stake in the Canadian company Clark Builders, HOCHTIEF also operates in the Canadian building construction market.

The services provided by civil engineering company Flatiron complement our portfolio in North America. One of the top providers in U.S. transportation infrastructure construction, the company has operations in both the USA and Canada. In Flatiron, HOCHTIEF has a mainstay in the high-potential public-private partnership (PPP) growth market for infrastructure projects in North America.

Construction contractor E.E. Cruz and Company enhances our position in the infrastructure market in the New York metropolitan area.

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

Our Company at a Glance in 2016

Capital Metro, Australia

Elbe Philharmonic Hall, Germany

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

HOCHTIEF Asia Pacific Division

Through its majority share in the CIMIC Group, HOCHTIEF also holds a leading position in the infrastructure construction market in the Asia-Pacific region. CIMIC's activities are pooled within the HOCHTIEF Asia Pacific division.

In 2016, the CIMIC Group comprised the main operational units CPB Contractors, Leighton Asia, Thiess, Sedgman, EIC Activities, and Pacific Partnerships. CIMIC also holds stakes in HLG Contracting, Devine, and the services organization Ventia. At the end of the year under review, CIMIC also acquired a majority stake in the company UGL.

The operating companies belonging to the CIMIC Group are organized in the segments construction, public-private partnerships (PPP), engineering, contract mining, operations and maintenance as well as services.

As a partner in PPP projects, CIMIC also offers services such as development, financing, design, and operation for public infrastructure projects.

Ranking among the leading players in their sectors, the CIMIC Group companies enjoy excellent reputations. Through Thiess, for example, CIMIC is the world's largest contract miner.

HOCHTIEF Europe Division

The HOCHTIEF Europe division encompasses the core business in Europe and selected high-growth regions around the world. The subsidiaries conduct operating activities under the roof of HOCHTIEF Solutions AG. This structure combines the advantages of operating more like a small- or medium-sized enterprise with the service range of an internationally experienced construction group.

The companies HOCHTIEF Infrastructure, HOCHTIEF Engineering, and HOCHTIEF PPP Solutions deliver services chiefly for infrastructure projects, building construction, and engineering services as well as public-private partnerships (PPP). The focus is on the transportation, energy, and social and urban infrastructure segments. Other companies are HOCHTIEF Projektentwicklung along with "synexs," which was founded in 2016 and offers facility management services.

For public contracts under PPP models, HOCHTIEF delivers services such as financing, design, and operation as a partner in addition to construction services.

HOCHTIEF is respected as an innovation leader. Its outstanding technical expertise and engineering services coupled with an end-to-end approach are among the company's top strengths and have earned it an excellent international standing.

HOCHTIEF is building the world of tomorrow.

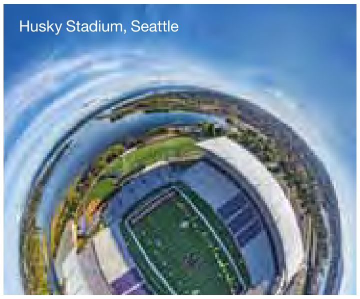
HOCHTIEF is one of the world's most relevant building and infrastructure construction groups, focusing on complex projects in the transportation, energy, and social and urban infrastructure segments as well as contract mining and services. We draw on our expertise in developing, financing, building, and operating gained in over 140 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 project and engineering know-how. That way, we raise client satisfaction, ensure sustainable growth and enhance our company's profitability.

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.

Contents

*Unless otherwise indicated, the information in these sections does not include UGL, which was acquired toward the end of 2016.



Sustainability at HOCHTIEF*

Financial Statements and Notes

Notes to the Consolidated Financial Statements

Further Information

[1] All figures are nominal unless otherwise indicated

[2] Operational earnings are adjusted for deconsolidation effects and other one-off impacts
[3] New orders adjusted in 2015 and order backlog adjusted in 2015 and 2016 for discontinued Middle East projects
[4] incl. UGL workforce (6,801 as of Dec. 31, 2016)

The HOCHTIEF Group: Key Figures[1]

(EUR million)	2016	2015	Change yoy
Sales	**19,908.3**	21,096.6	**-5.6%**
Operational profit before tax/PBT[2]	**677.5**	600.1	**12.9%**
Operational PBT margin[2] (%)	**3.4**	2.8	**0.6**
Operational net profit[2]	**361.2**	264.7	**36.5%**
Operational earnings per share (EUR)[2]	**5.62**	3.95	**42.3%**
EBITDA	**1,104.4**	1,142.5	**-3.3%**
EBITDA margin (%)	**5.5**	5.4	**0.1**
EBIT	**816.7**	728.7	**12.1%**
Profit before tax/PBT	**620.7**	523.4	**18.6%**
Net profit	**320.5**	208.3	**53.9%**
Earnings per share (EUR)	**4.98**	3.11	**60.1%**
Net cash from operating activities	**1,173.4**	1,135.2	**3.4%**
Gross operating capital expenditure	**272.6**	285.4	**-4.5%**
Free cash flow from operations	**986.1**	984.8	**0.1%**
Net cash (+)/net debt (-)	**703.9**	805.4	**-12.6%**
New orders[3]	**24,813.5**	21,553.7	**15.1%**
Order backlog (yoy)[3]	**43,087.6**	36,022.5	**19.6%**
Employees (end of period)[4]	**51,490**	44,264	**16.3%**

Dear Shareholders and Friends of HOCHTIEF,

Picture:
Marcelino Fernández Verdes, Chairman of the Executive Board

I am delighted to report that in 2016 we have made very important progress, both operationally and strategically, in further improving HOCHTIEF's ability to achieve sustainable, cash-backed profits. We have also enhanced our growth prospects via the acquisitions by CIMIC of diversified services company UGL and mineral processing business Sedgman.

Our proposed dividend for 2016 of EUR 2.60 per share represents an increase of 30% compared with 2015, reflecting the Group's strong profit performance and the HOCHTIEF management's confidence in the future. Shareholders have also benefited from the rise in HOCHTIEF's share price of 55% during the year.

HOCHTIEF's profits have increased significantly during 2016. Operational net profit, which excludes one-off impacts, increased by almost EUR 100 million, or 37%, year-on-year to EUR 361 million, at the top end of the guidance range HOCHTIEF provided to you a year ago of EUR 300-360 million.

Nominal net profit rose by 54% year on year to EUR 321 million, the highest level in the history of HOCHTIEF. Furthermore, due to the benefit of the share buybacks we carried out in 2015 and 2016, earnings per share were up by 60%.

The increased level of profits has been driven by improved project performance and reduced financial costs and is reflected in the higher level of profit margins at all our divisions. This resulted in the Group operational PBT margin rising from 2.8% last year to 3.4% in 2016.

The quality of our profits is illustrated by our cash generation performance. Net cash flow from operating activities increased to EUR 1.2 billion, helped by a further improvement in our management of working capital. We are consistently converting profit into cash, as evidenced by an outstanding EBITDA cash-conversion rate of 106% (versus 99% in 2015). It is pleasing to note that all our divisions achieved positive cash flow generation during 2016.

As a consequence of our strong cash flow performance, the Group balance sheet remains solid. HOCHTIEF ended 2016 with over EUR 700 million of net cash. Furthermore, if we adjust for the almost EUR 1 billion of net investments, share buybacks and dividend payments made during the year, net cash would stand at EUR 1.7 billion.

Revenues of nearly EUR 20 billion were at a slightly lower level in 2016 compared with the previous year, but the trend has been positive. In the final three months of 2016, sales increased by almost 10% compared with the fourth quarter of 2015, or 6% if we exclude the benefit of UGL, which is consolidated in our accounts since late November 2016.

New orders were 15% higher year on year at almost EUR 25 billion and we maintained our disciplined approach to risk management. Our year-end EUR 43.1 billion order book is at its highest level since 2012 and stands 20% above the December 2015 figure, or 10% if we adjust for the EUR 3.4 billion of orders at services business UGL.

Our businesses are organized to be flexible, allowing the management to quickly adapt to changing market conditions. This structure, along with the global nature and solid financial position of HOCHTIEF, leaves our Group well positioned to take advantage of the opportunities that lie ahead in our different regional markets.

In total we have identified a pipeline worth EUR 150 billion of relevant projects coming to our markets in North America, Asia-Pacific and Europe in 2017, with a further EUR 350 billion in 2018 and beyond. Furthermore, with services accounting for about 10% of our order book, we are developing a more balanced risk profile.

As a consequence of the positive Group outlook, we expect sales growth for HOCHTIEF of over 10% in 2017 and aim to achieve an operational net profit in the range of EUR 410-450 million. This represents an increase of 13-25% on 2016, with all our divisions driving this further improvement in our Group performance.

Our corporate culture will allow us to continue improving. We operate on the basis of defined guiding principles and a shared vision—adapting our company to market and client needs. As in previous years, we continued to further develop our Group:

- In October 2016, HOCHTIEF Group company CIMIC made an unconditional off-market takeover offer for Australia-listed UGL, in which it subsequently acquired a majority stake. Since January, CIMIC has held 100% of the Sydney-based company. UGL is a leading provider of end-to-end outsourced engineering, asset management, and maintenance services. It serves the segments of rail, transportation and technology systems, energy, resources, water, and defense. This significantly reinforces CIMIC's position in the services industry.

- At the beginning of the reporting year, CIMIC had already acquired all the shares in Sedgman, a global minerals processing specialist. With operations in Australia, Asia, Africa, and North and South America, Sedgman bolsters CIMIC's position in the mining services business.

These companies strengthen our activities in the services industry.

In January 2017, CIMIC announced an unconditional off-market takeover offer for Macmahon, another Australia-listed group. Macmahon is a leading provider of mining services to clients in Australia, New Zealand, South East Asia, Mongolia, and Africa.

In September 2016, we created value by retiring 7.2% of HOCHTIEF's capital stock. The Group had acquired these shares on the stock exchange between October 2014 and March 2016 for a total purchase price of approximately EUR 368 million—equivalent to EUR 73.40 per share—on the authorization of the Annual General Meeting. Following the share cancellation, the Group's capital stock comprises 64.3 million shares (previously: 69.3 million shares).

HOCHTIEF's business is performing very well worldwide: Our activities in construction, public-private partnerships, engineering, mining services, and other services were successful in 2016. Our HOCHTIEF Americas division raised new orders and work done to record levels in 2016 for the third consecutive year. In the HOCHTIEF Asia Pacific division, CIMIC once again demonstrated its strong market position with further growth in its order backlog. The operating companies in the HOCHTIEF Europe division likewise put in a good performance.

In all three divisions, we secured attractive new business and brought projects to successful completion. In Hamburg, for example, we completed the Elbe Philharmonic Hall, a world-class building project and one of the most complex buildings in HOCHTIEF's corporate history, meeting the highest standards of execution quality. In the civil business, HOCHTIEF likewise played a major role in constructing the Gotthard Base Tunnel in Switzerland—at 57 kilometers the longest rail tunnel in the world—which opened in June 2016.

Our successful project activities are fundamentally down to our teams and our skilled and dedicated workforce, to whom I would like to express the sincere gratitude of the HOCHTIEF Executive Board.

HOCHTIEF places a deliberate emphasis on recruiting young engineering talent to train and develop the managers and leaders of the future. To this end, we stepped up our initiatives during 2016 and once again hired numerous young professionals. At HOCHTIEF, we offer them and all other employees an attractive place to work and opportunities for successful professional development. The safety and health of our workforce are a key priority—as is sustainability in all we do. After all, our business activities are based on sustainability, one of the Group's strategic principles. We support the principles of the United Nations Global Compact on labor standards, environment protection, and anti-corruption as participants.

In its project activities, HOCHTIEF considers financial, environmental, and social aspects. As corporate citizen, we are committed to conserving the environment to the best of our abilities and to strengthening the community. We champion sustainable, responsible business and also integrate our business partners, subcontractors, and suppliers into our objectives. In our sustainability focus areas, we continue to intensify our activities, which we correspondingly built on in 2016—among other things by adding procurement as a new focus area. We have made this a major emphasis and are working on ways to further integrate sustainability into our supply chain.

HOCHTIEF embraces the climate goals adopted at the 2016 World Climate Change Conference and is actively implementing measures to reduce carbon emissions and help limit global warming on an ongoing basis. For greater transparency in reporting on our progress, we further improved data collection in 2016.

In this combined report, we once again present data on our financial, environmental, and social performance and compare that performance with verified figures and sustainability targets.

Our sustainability performance scores very positively in external rankings. The Dow Jones Sustainability Index listed the HOCHTIEF Group for the eleventh year in succession in 2016, along with our Australian Group company CIMIC. In the largest climate protection ranking in the world, the CDP, HOCHTIEF was awarded the title of Sector Leader Industrials. With its eco-efficiency and commitment to protecting the climate, our company is one of the best among its peers. We aim to maintain our leading sustainability position in our industry going forward.

HOCHTIEF will continue to further develop as a sustainable global player in 2017.

Essen, February 24, 2017

Marcelino Fernández Verdes

Report of the Supervisory Board

Dear Shareholders,

Pedro López Jiménez, Chairman of the Supervisory Board

Throughout 2016, the Supervisory Board performed the tasks required of it by law and the Company's Articles of Association. The Supervisory Board advised the Executive Board in its management of the Group, oversaw its activities, and was involved in all decisions of fundamental importance. On a regular and timely basis, the Executive Board reported comprehensively to the Supervisory Board both in writing and verbally on all key aspects of business development. The Supervisory Board was provided with equally in-depth information on the current earnings situation, risks, and risk management.

Four ordinary meetings and one extraordinary meeting of the Supervisory Board were held during 2016. The Supervisory Board made its decisions on the basis of comprehensive reports and proposed resolutions submitted by the Executive Board. It had sufficient opportunity to consider the proposed resolutions in plenary meetings and in the Audit Committee. The Executive Board also provided full information outside of meetings on particularly significant or urgent projects and transactions. The Supervisory Board adopted all resolutions as required by law and the Articles of Association. Where necessary, resolutions were also passed by written procedure. The Chairman of the Supervisory Board was in constant contact with the Chairman of the Executive Board. This allowed events of exceptional importance for the Group's position and development to be addressed without delay. With three exceptions, all members of the Supervisory Board attended all Supervisory Board meetings during their term in office. Individual attendance of meetings is shown in the table on the right.

Shareholder and employee representatives met separately on a regular basis to prepare for the Supervisory Board meetings. The Supervisory Board convened without the Executive Board to consult on specific issues.

Main points of discussion. The Supervisory Board dealt with a wide variety of topics in 2016. Focal areas included implementation of the Group-wide strategy of further enhancing project earnings quality while increasing efficiency and cash-driven profitability. This process ran parallel to developing and embedding a Group-wide corporate culture geared to rigorous risk management and sustained financial performance.

Other issues addressed by the Supervisory Board in its meetings included the following:

At the financial statements meeting on February 24, 2016, the Supervisory Board notably considered the Annual Financial Statements and Consolidated Financial Statements for 2015. This is reported upon in detail below. The Supervisory Board also 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 2016 Annual General Meeting. Another item comprised compensation and the compensation system for members of the Executive Board. At the same meeting, the Supervisory Board also considered the operating budget along with the financing and balance sheet budgets for the years 2016 to 2018. In that connection, the Executive Board explained the main differences in relation to previous budget figures and targets. The Supervisory Board appraised the Executive Board's budget planning and noted it with approval.

At the Supervisory Board meeting preceding the Annual General Meeting on May 11, 2016, the Executive Board reported on the performance of the business in the first quarter as well as on the upcoming Annual General Meeting. The Supervisory Board also discussed matters relating to the Executive Board.

Attendance at meetings in 2016 by Supervisory Board member[1]	Supervisory Board	Nomination Committee	Human Resources Committee	Audit Committee
Pedro López Jiménez (Chairman)	5/5	1/1	3/3	
Matthias Maurer (Deputy Chairman)	5/5		2/2	4/4
Ángel García Altozano	5/5			4/4
Beate Bell	5/5		3/3	
Christoph Breimann[2]	2/3			
Carsten Burckhardt	5/5			1/2
José Luis del Valle Pérez	5/5	1/1	3/3	4/4
Dr. rer. pol. h.c. Francisco Javier Garcia Sanz	3/5			
Patricia Geibel-Conrad	4/4			4/4
Arno Gellweiler[3]	2/2		1/1	
Luis Nogueira Miguelsanz	3/3			3/3
Nikolaos Paraskevopoulos[3] [4]	4/4			2/2
Sabine Roth[2]	3/3			2/2
Nicole Simons[2]	3/3		1/1	
Klaus Stümper	5/5		3/3	2/2
Christine Wolff	5/5	1/1	3/3	
Gregor Asshoff (Deputy Chairman)[4]	2/2			2/2
Dr. Thomas Krause[4]	2/2			
Udo Paech[4]	2/2			2/2
Olaf Wendler[4]	1/2		2/2	

1) Attendance = number of meetings attended by Supervisory Board member/total number of meetings during tenure
2) elected on May 11, 2016
3) appointed on August 11,2016
4) Supervisory Board member until May 11, 2016

The shareholder and employee representatives on the Supervisory Board—all of whom were newly elected—met for a constitutive meeting following the Annual General Meeting. In the course of that meeting, they elected the Chairman of the Supervisory Board and his deputy. The members of the Supervisory Board Committees were also elected.

At its meeting of September 20, 2016, the Supervisory Board considered the Company's business performance in the first half year and, after the Chairman of the Audit Committee had reported on the subject, discussed the public invitation to tender for the auditing of the 2017 financial statements. In addition, the Supervisory Board held committee by-elections in connection with the election of employee representatives on the Supervisory Board.

The Supervisory Board's last meeting of the year was held on November 2, 2016. At that meeting, the Supervisory Board addressed the Company's business performance in the first nine months of the year. The Supervisory Board once again discussed the invitation to tender for the audit of the 2017 Annual Financial Statements, considering the appraisal of the bids received and the selection of auditors for a shortlist.

In several meetings during the year, the Supervisory Board addressed compliance issues. In doing so, it discussed both the reports submitted by the Chief Compliance Officer and individual cases that had arisen. The Executive Board reported on action taken.

As in previous years, the Supervisory Board consulted during 2016 on the **recommendations of the German Corporate Governance Code**. Pursuant to Section 3.10 of the Code, it prepared a joint report on this topic together with the Executive Board. That report is published together 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

The Supervisory Board has set up four committees, whose members are listed on page 19. Those committees are tasked with preparing agenda items and resolutions for Supervisory Board meetings. In some instances, the committees also exercise decision-making powers assigned to them by the Supervisory Board. The committee chairpersons regularly informed the Supervisory Board about the committees' consultations and decisions.

The **Audit Committee** met on four occasions. It looked in detail at the quarterly financial reports, the half-year financial statements, the Annual Financial Statements, and the Consolidated Financial Statements. The Committee consulted with the Executive Board on the reports and financial statements prior to their 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. In the same connection, the Committee also considered the proposal for the focal points of the audit. Furthermore, the Audit Committee addressed Group risk management and the internal control system in relation to the financial reporting process. It also discussed compliance questions and changed over internal audit reporting to reporting on the entire audit year. The broad range of other topics on the Committee's meeting agendas in 2016 included reports on major projects in the HOCHTIEF Americas, HOCHTIEF Asia Pacific, and HOCHTIEF Europe divisions. On several occasions, the Committee also addressed the public invitation to tender for the audit of the 2017 Annual and Consolidated Financial Statements as well as the individual steps in the selection process following the receipt of proposals.

The **Human Resources Committee** met three times in 2016, primarily to consider details of Executive Board compensation and the structure of the compensation system. It also prepared the Supervisory Board's personnel-related decisions.

The **Nomination Committee** met once in the reporting year to prepare the nominations for election to the Supervisory Board at the Annual General Meeting on May 11, 2016 that were decided upon at the next meeting of the Supervisory Board.

There was no need to convene a meeting of the **Mediation Committee** pursuant to Section 27 (3) of the Codetermination Act (MitbestG) in 2016.

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. No such disclosures were made in 2016.

Annual Financial Statements 2016. 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 2016 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 11, 2016 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.

The audits have been performed by these auditors since the 2006 Annual Financial Statements. The key audit partners responsible for carrying out the audit are changed in accordance with statutory requirements. The key audit partners in 2016 are Mr. Schlereth and Mr. Bedenbecker. Mr. Schlereth has been responsible for the assignment since 2013 and Mr. Bedenbecker since 2011.

The auditors determined that the Executive Board had established a suitable early warning system for risk. The above-mentioned statements, the Group Report, the proposal on 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 27, 2017. At those meetings, the Executive Board also provided verbal explanations.

At the same meetings, the auditors reported on the main findings of the audit and were available to provide further information. The Audit Committee scrutinized these statements and reports prior to the Supervisory Board's meeting and recommended that the Supervisory Board approve the financial statements. The Supervisory Board thoroughly examined the Annual Financial Statements, the Consolidated Financial Statements, the combined

Company and Group Management Report, and the proposal for the use of net profit. It raised no objections.

Taking account of 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 the audit report were sent to all members of the Supervisory Board in good time ahead of its 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. The Supervisory Board examined the report in accordance with Section 312 of the Stock Corporations Act and found it to be in order.

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

"Based on our audit and assessment in accordance with professional standards, we confirm that

1. the actual disclosures in the report are correct;

2. the performance of HOCHTIEF AG in respect of the legal transactions referred to in the report has not been inappropriate."

The Supervisory Board received the auditors' audit findings for inspection and approved them. 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.

Changes on the Supervisory Board. Luis Nogueira Miguelsanz was appointed to the Supervisory Board by decision of Essen Local Court on March 29, 2016.

Employee representatives Gregor Asshoff, Dr. Thomas Krause, Udo Paech, and Olaf Wendler stepped down from the Supervisory Board on May 11, 2016 at the end of the term for which they were elected. The Supervisory Board thanked these gentlemen for their years of dedicated service and expert advice.

All prior shareholder representatives were reelected as members of the Supervisory Board by resolution of the Annual General Meeting of May 11, 2016.

Christoph Breimann, Sabine Roth, and Nicole Simons were elected to the Supervisory Board to succeed the outgoing employee representatives. Arno Gellweiler was appointed as employee representative to the Supervisory Board by decision of Essen Local Court on August 11, 2016. The remaining employee representatives were reelected or reappointed as members of the Supervisory Board.

At its constitutive meeting on May 11, 2016, the Supervisory Board reelected Pedro López Jiménez as Chairman and elected Matthias Maurer as his Deputy.

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 2016.

Essen, February 2017
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):
Marcelino Fernández Verdes (Chairman of the Executive Board), Peter Sassenfeld, José Ignacio Legorburo and Nikolaus Graf von Matuschka

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 October 2012 until March 2014, he was a Non-executive Director of HOCHTIEF's Australian Group company CIMIC. From March 2014 to October 2016, he was Chief Executive Officer (CEO) of CIMIC, and has been Executive Chairman at CIMIC since June 2014.

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, Mr. 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. Mr. 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, Mr. Sassenfeld has also been Chief Financial Officer (CFO) of HOCHTIEF Solutions AG.

Mr. 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, Mr. Sassenfeld worked for the KraussMaffei 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, Mr. 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. Mr. Legorburo studied civil engineering at the University of Madrid.

Boards

Pages 18 and 19 are part of the Notes to the Consolidated Financial Statements.

* Supervisory Board member representing employees

a) Membership in other supervisory boards prescribed by law (as of December 31, 2016)

b) Membership in comparable domestic and international corporate governing bodies (as of December 31, 2016)

Reporting date for memberships: December 31, 2016, or date of departure if membership ended during the course of the year

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. (Vice-Chairman)
ACS Servicios, Comunicaciones y Energía, S.L. (Vice-Chairman)
CIMIC Group Limited
Dragados, S.A. (Chairman-in-Office)

Matthias Maurer*

Hamburg, Deputy Chairman of the Supervisory Board (from May 11, 2016),
Chairman of the Central Works Council of HOCHTIEF Infrastructure GmbH

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.
Xfera Móviles, S.A. (Chairman)

Gregor Asshoff*

Frankfurt am Main, Deputy Chairman of the Supervisory Board (until May 11, 2016), member of the Executive Board of SOKA-Bau

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 (from May 11, 2016)

Carsten Burckhardt*

Dortmund, Member of the Federal Executive Committee of 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

b) Bus and Truck GmbH
CAIXAHOLDING, S.A.
FAW-Volkswagen Automotive Company, Ltd.
Porsche Holding Stuttgart GmbH
SEAT, S.A.
VfL Wolfsburg-Fußball GmbH
Volkswagen (China) Investment Company Ltd.
Volkswagen Group of America, Inc.

Dipl.oec. Patricia Geibel-Conrad

Leonberg, Business consultancy—Auditing/Tax consultancy in own office (until May 11, 2016/from June 2, 2016)

Arno Gellweiler*

Oberhausen, structural engineering and bridge designer, HOCHTIEF Engineering GmbH, Consult Infrastructure (from August 11, 2016)

Dr. Thomas Krause*

Bremen, Executive Vice President of HOCHTIEF Infrastructure GmbH International (until May 11, 2016)

Luis Nogueira Miguelsanz

Madrid, Secretary-General, Dragados S.A. (from March 29, 2016 to May 11, 2017/from June 2, 2016)

Udo Paech*

Berlin, Works Council of HOCHTIEF Building GmbH (Northeast division) (until May 11, 2016)

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 (until May 11, 2016/from August 11, 2016)

Sabine Roth*
Ratingen, internal sales administrator (from May 11, 2016)

Nicole Simons*
Attorney-at-law and Deputy Regional Director of IG Bauen-Agrar-Umwelt (the Construction, Agricultural and Environmental Employees' Union), Federal Board—Rhineland region (from May 11, 2016)
a) HOCHTIEF Infrastructure GmbH

Klaus Stümper*
Lohmar, Chairman of the Works Council of HOCHTIEF Infrastructure GmbH (West division)

Olaf Wendler*
Sülzetal, Head of Human Resources Coordination Shell Construction/Industrial Construction (HOCHTIEF Building GmbH) (until May 11, 2016)

Dipl.-Geol. MBA Christine Wolff
Hamburg, management consultant
a) Berliner Wasserbetriebe A. ö. R.
KSBG Kommunale Verwaltungsgesellschaft GmbH
b) Grontmij N.V.

Supervisory Board Committees

Nomination Committee
Pedro López Jiménez (Chairman)
José Luis del Valle Pérez
Christine Wolff

Audit Committee
Ángel García Altozano (Chairman)
Gregor Asshoff (Deputy Chairman) (until May 11, 2016)
Beate Bell (from May 11, 2016 to June 1, 2016)
Carsten Burckhardt (from May 11, 2016)
José Luis del Valle Pérez
Patricia Geibel-Conrad (until May 11, 2016/ from June 2, 2016)
Pedro López Jiménez (from May 11, 2016/ until June 1, 2016)
Matthias Maurer
Luis Nogueira Miguelsanz (from March 29, 2016 to May 11, 2016/from June 2, 2016)
Udo Paech (until May 11, 2016)
Nikolaos Paraskevopoulos (until May 11, 2016)
Sabine Roth (from May 11, 2016)
Klaus Stümper (Deputy Chairman) (from May 11, 2016)

Human Resources Committee
Pedro López Jiménez (Chairman)
Beate Bell
José Luis del Valle Pérez
Arno Gellweiler (from September 20, 2016)
Matthias Maurer (until September 20, 2016)
Nicole Simons (from May 11, 2016)
Klaus Stümper (until May 11, 2016/from September 20, 2016)
Olaf Wendler (until May 11, 2016)
Christine Wolff

Mediation Committee pursuant to Sec. 27 (3) of the German Codetermination Act (MitbestG)
Pedro López Jiménez (Chairman)
Gregor Asshoff (Deputy Chairman) (until May 11, 2016)
Beate Bell
Carsten Burckhardt (until May 11, 2016)
Matthias Maurer (from May 11, 2016)
Nikolaos Paraskevopoulos (from September 20, 2016)

Executive Board

Marcelino Fernández Verdes
Düsseldorf, Chairman of the Executive Board of HOCHTIEF Aktiengesellschaft, Essen
b) CIMIC Group Limited (Executive Chairman)
Flatiron Holding, Inc.
HOCHTIEF AUSTRALIA HOLDINGS Ltd.
The Turner Corporation

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

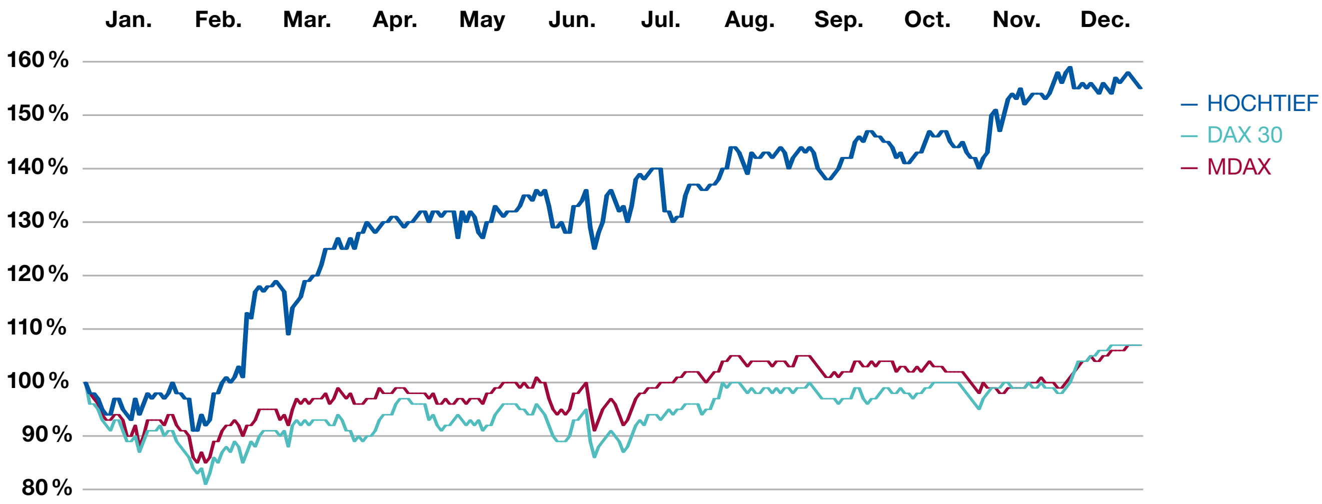
Nikolaus Graf von Matuschka
Aldenhoven/Jüchen, Member of the Executive Board and Labor Director of HOCHTIEF Aktiengesellschaft, Essen and Chairman of the Executive Board and Labor Director of HOCHTIEF Solutions AG, Essen
a) HOCHTIEF Infrastructure GmbH (Chairman)
Malteser Deutschland gGmbH

In a good light: 177 Pacific Highway, North Sydney

Economy: Two CIMIC companies were involved in constructing the 31-story property at 177 Pacific Highway in Sydney, Australia. Leighton Properties developed and CPB Contractors built the structure. Construction was completed in October 2016. **Ecology:** In recognition of the building's exceptionally sustainable design and execution, it has been awarded the 5 Star Green Star (Office Design v3) rating and also expects to garner a 5 Star Green Star (Office As-Built v3) rating. Sustainable features include certified materials, a 90,000 liter rainwater capture system, and a lighting system with over 45% reduction in lighting power compared to common systems. **Community:** With its office space, restaurants, and lobby cafe, 177 Pacific Highway is a "workplace in the sky" situated in one of Australia's biggest business districts. The abundance of natural daylight makes the building a pleasure to work in efficiently. CIMIC has also moved its corporate headquarters here.

HOCHTIEF on the capital markets

Indexed performance of HOCHTIEF stock in 2016



2016 was another successful year for HOCHTIEF on the capital markets. HOCHTIEF's stock was the second best performing share of the MDAX index and outperformed its relevant European peers.

Investors continued to support the transformation of HOCHTIEF. Over the past four years, we have significantly strengthened the balance sheet as well as transforming and reorganizing our businesses to focus on the Group's core activities. This process ran simultaneously to developing and embedding a Group-wide corporate culture focused on sustainable, cash-based profitability and more rigorous risk management. This fundamental transformation of the Group is progressing well.

As a consequence, HOCHTIEF is well positioned to harness potential growth opportunities. Our project delivery expertise is a core competency in the public-private partnerships (PPP) business and our sound financial position allows us to allocate capital more efficiently and explore additional opportunities. The acquisitions of Sedgman and UGL by CIMIC in Australia, which were carried out in 2016, reflect this more growth-oriented strategy as well as our aim of increasing value in our core activities. Our continued focus on improving the Group's business performance and on creating value for our shareholders was clearly rewarded by the capital markets.

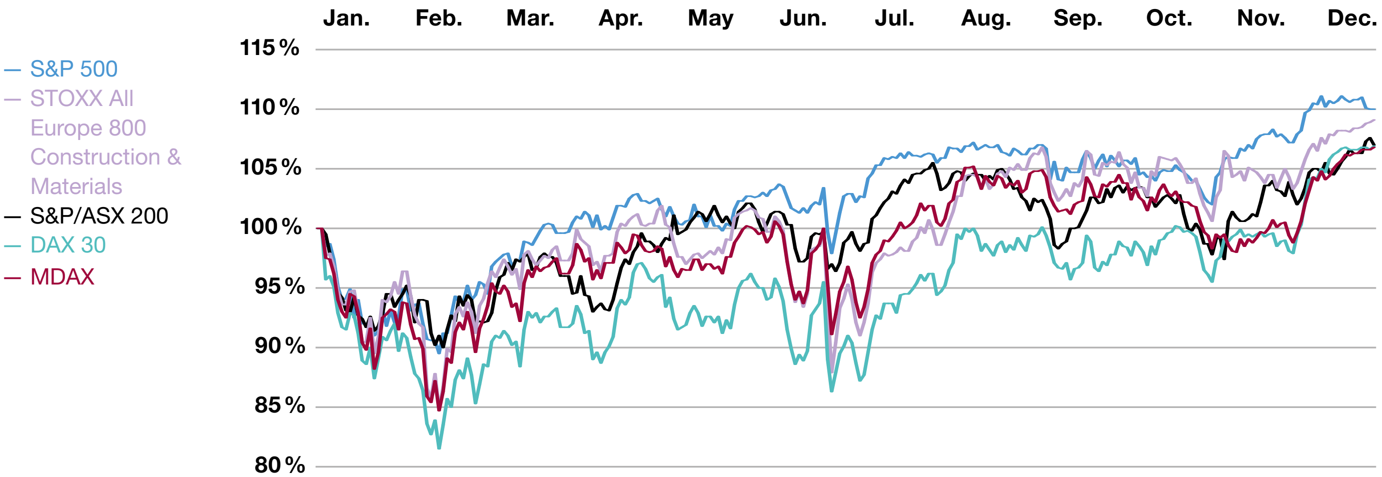
For further information, please see www.hochtief.com/investor-relations

The HOCHTIEF share price rose by 55% to close the year at EUR 133.05 (2015: EUR 85.87). This made the Company the second best performer in the MDAX index which itself increased by 7%. It reached its high for the year in December at EUR 136.80. The share price of our Australian subsidiary CIMIC also performed very successfully, gaining 44%. Australia's SAP/ASX 200 index, which includes CIMIC, also rose by 7% in the same period.

Stock market

Stock markets again experienced significant fluctuation in 2016. The temporary drop in the oil price to a twelve-year low of less than USD 30 per barrel, continued weak economic data from China (which triggered a slump in the Chinese stock market) as well as the terrorist attacks in Brussels created a volatile stock market environment in the first quarter. In mid-February, the DAX fell below the 9,000-point mark and was down some 20% on the beginning of the year. The markets rebounded toward the end of the quarter as the price of oil recovered following plans by Russia and Saudi Arabia to limit output. In June, the global capital markets again came under pressure from the unexpected Brexit decision. The

Indexed performance of international stock indices in 2016



pound sterling fell to a 31-year low against the U.S. dollar and some concerns about the political stability of Europe were expressed. The financial markets recovered markedly in the third quarter helped by positive labor market data from the USA, upbeat economic data from China, the benchmark interest rate cut by the Bank of England and the U.S. Federal Reserve's decision not to increase interest rates. Negative effects from the terrorist attacks in Nice and Germany as well as the failed military coup in Turkey were only short-lived. Stock markets continued to rise in the fourth quarter on the back of Donald Trump's unexpected election victory in the USA and the resulting hope of higher investment as well as the positive development of leading economic indicators, the strong U.S. dollar, and rising oil prices.

Germany's DAX index (11,481 points) and the MDAX (22,189 points), which includes HOCHTIEF, rose by around 7% as of the end of the year. The STOXX All Europe 800 Construction & Materials, a European construction stocks index, added 9%. The U.S. S&P 500 gained 10% and the Australian S&P/ASX 200 grew by 7%. The commodities markets stabilized over the course of the year. Due to the strong performance in the second half of the year, the Stoxx 600 Basic Resources Index was up 62% at year-end.

HOCHTIEF stock

HOCHTIEF stock: Key figures

		2016	2015
Number of shares	million	64.3	69.3
Market capitalization[1]	EUR million	8,555.1	5,950.8
High	EUR	136.80	89.29
Low	EUR	77.76	57.04
Close	EUR	133.05	85.87
Shares traded (average per day on Xetra)		115,751	126,524
Dividend per share	EUR	2.60[2]	2.00
Total dividends	EUR million	167[2]	139
Earnings per share (operational)[3]	EUR	5.62	3.95

[1] As of year-end

[2] Proposed dividend

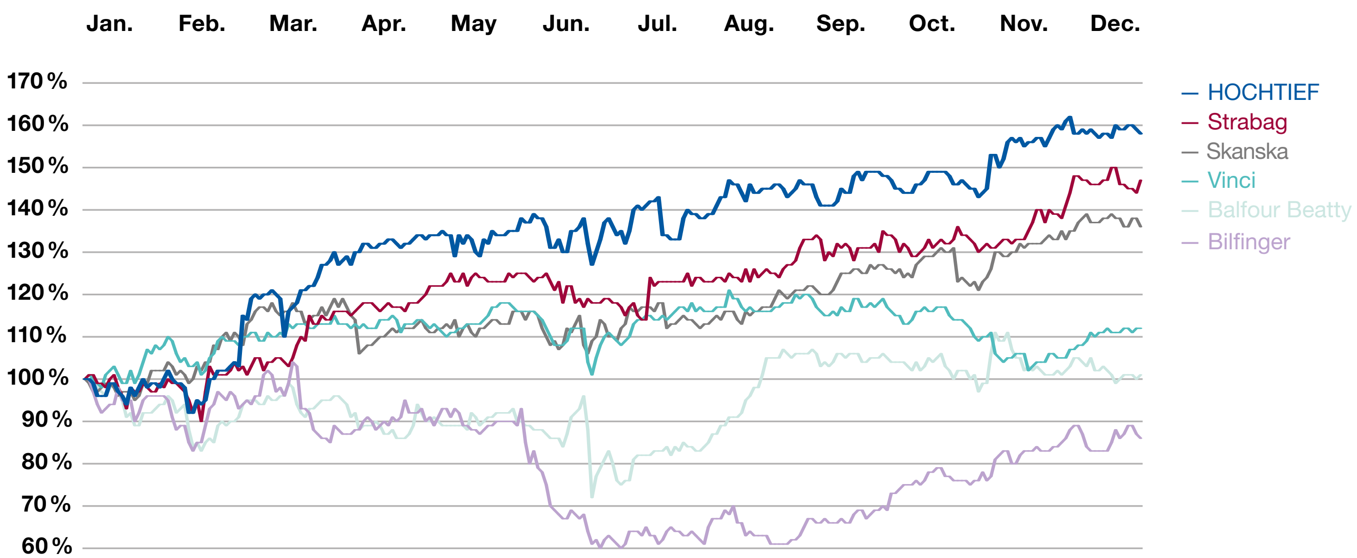
[3] Excluding one-off impacts and adjusted for sold assets

HOCHTIEF is listed in the Prime Standard segment of the German stock exchange and is a component of the 50-companies MDAX index, in which it ranked 25th in terms of market capitalization with a weighting of 1.37% at the year-end (2015: 30th, with a weighting of 1.09%). In terms of trading volume on the stock exchange, HOCHTIEF stock improved its ranking versus the previous year and took 19th place (2015: 28th).

Key data on HOCHTIEF stock

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

Indexed share price performance of Peer Group 2016



HOCHTIEF stock buyback

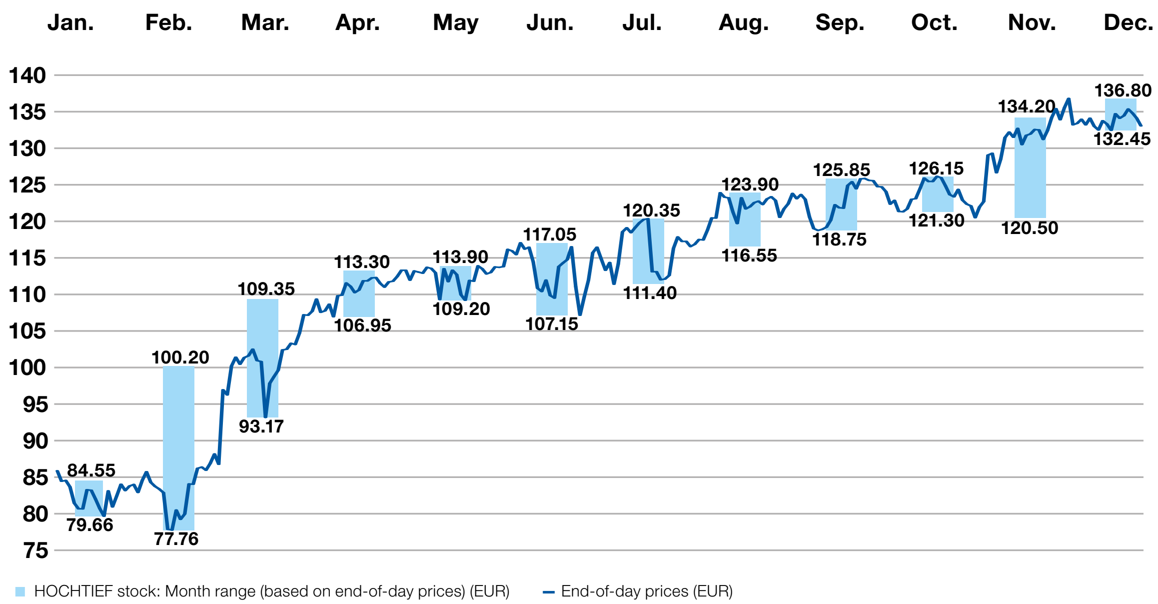
Under our stock buyback program announced on January 11, 2016, a total of 954,717 shares were repurchased in the period from January 12 to March 2, 2016 at an average purchase price of EUR 83.43. The stock buyback is based on the authorization granted by the Annual General Meeting of May 6, 2015. Including the treasury stock already held at the end of 2015, the total number of repurchased shares on March 2, 2016 was 5,073,068. This corresponded to 7.32% of all no-par-value shares in HOCHTIEF Aktiengesellschaft.

In September 2016, the Executive Board and the Supervisory Board of the Company resolved to retire 5,009,434 shares of treasury stock, or 7.2% of HOCHTIEF's capital stock. The Group bought back these shares on the stock market between October 2014 and March 2016 for a total purchase price of approximately EUR 368 million (EUR 73.4 per share average).

The share retirement creates value for all HOCHTIEF shareholders and increased the free float from 26.2%

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

Absolute performance of HOCHTIEF stock in 2016 in EUR (Xetra trading)



to 28.2%. The interest held by HOCHTIEF shareholder ACS (Actividades de Construcción y Servicios, S.A.) amounted to 71.7% after the cancellation (66.5% previously). Following the retirement of the treasury stock, HOCHTIEF's total stock outstanding was 64.3 million shares (previously: 69.3 million). HOCHTIEF held 52,142 shares of treasury stock as of the year-end.

CIMIC stock

Key data on CIMIC stock

ISIN	AU000000CIM7
Stock symbol	CIM
Ticker symbol	Reuters: CIM.AX, Bloomberg: CIM AU
Stock exchange	Australian Securities Exchange

The stock price of our Australian Group company CIMIC likewise put in a very healthy performance in 2016. CIMIC stock gained 44% over the course of 2016 to close the year at AUD 34.94. The Australian S&P/ASX 200 index rose by only 7% in the same period.

CIMIC stock buyback

In December 2015, CIMIC resolved to conduct a stock buyback program, with up to 33,850,356 shares (up to 10% of the share capital) to be bought back in the twelve months from December 29, 2015.

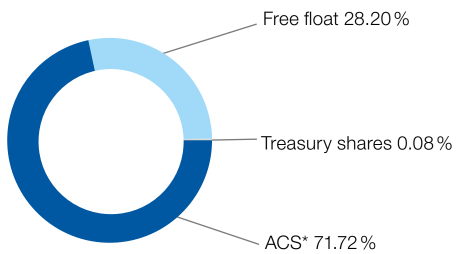
The buyback was aimed at improving shareholder returns, enhancing capital efficiency, and maintaining sufficient balance sheet flexibility to pursue future growth and investment opportunities. The initiative reflects CIMIC's strong balance sheet position, solid cash flow generation, and disciplined approach to capital management. The buyback was funded by a combination of CIMIC's existing cash balances and working capital facilities. By the end of 2016, CIMIC had repurchased 14,249,466 shares, 4.2% of its share capital at AUD 29.89 per share. In Australia, shares are automatically retired soon after being repurchased, resulting in an increase in HOCHTIEF's stake in CIMIC to 72.68% (year-end 2015: 69.6%).

On December 12, 2016, the Board of CIMIC approved a further on-market share buyback of up to 10% of CIMIC shares for a period of twelve months commencing on December 29, 2016 (New Buy Back). The New Buy Back will be funded by a combination of CIMIC's existing cash balances and working capital facilities.

Ownership structure

The HOCHTIEF free float stands at 28.2%. We held 52,142 shares of treasury stock (0.08%) as of the 2016 year-end. According to the definition applied by Deutsche Börse AG, the stakes in HOCHTIEF held by ACS count as non-free-float, as do the shares held as treasury stock.

Ownership structure



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

Shareholder remuneration

HOCHTIEF is committed to its shareholders participating in the Company's positive earnings performance. In 2016, we once again delivered on this with an attractive dividend, marking a further increase on the previous year. At the Annual General Meeting in May 2017 for 2016, the Executive Board and Supervisory Board will be proposing a dividend of EUR 2.60 per share for 2016. This represents a rise of EUR 0.60 per share or 30% on the prior year (2015: EUR 2.00 per share). In February 2017, CIMIC announced a final dividend of AUD 0.62 per share, giving a total 2016 dividend of AUD 1.10 per share—an increase of 15% per year. The buyback of treasury shares and their retirement in September 2016 is another step that creates value for our shareholders.

Analysts

HOCHTIEF was covered by 15 analysts at the end of 2016 (2015: 17). The average target price set by brokers increased by a substantial 28% and ended the year at over EUR 110 per share compared with EUR 87 per share at the end of 2015. Current ratings and the average target price of our analysts are available on our website (www.hochtief.com/investor-relations).

Investor relations/capital market communication

Transparency, openness and continuity are what investor relations stands for at HOCHTIEF. Full and timely communication with the capital market forms the core of our work. As part of this, we once again took part in numerous capital market conferences and conducted roadshows in 2016. We presented our full-year figures to the entire market in a business results press conference and quarterly figures in conference calls as of each reporting date. Discussions with analysts and investors focused on implementing our corporate strategy, further enhancing earnings quality, and on our performance in terms of free cash flow. We report on all activities on a timely basis on our website and also provide a wide range of additional information (www.hochtief.com/investor-relations).

HOCHTIEF in key sustainability indices

HOCHTIEF once again qualified for inclusion in major sustainability indices in 2016. For the eleventh year in a row, HOCHTIEF was again the sole German construction group to be included in the internationally recognized Dow Jones Sustainability Index (DJSI) Europe. The Group-wide sustainability strategy is the basis for this success. CIMIC was also once again featured in the Australian Dow Jones Sustainability Index. The indices include companies committed to sustainable business practices with governance based not only on financial targets but also on social and environmental criteria. HOCHTIEF shares are also listed in the FTSE4Good and, for the first time, the STOXX ESG Leaders Index.

Published since 2005, the HOCHTIEF Sustainability Report represents a cornerstone of our transparent reporting; since 2014, it has been put together with the Annual Report in a combined Group Report. This lets us present a transparent, 360-degree perspective on financial, ecological, and social aspects and demonstrate their importance for the sustained success of our Group.

Moreover, we are longstanding participants in the CDP.[1)] The CDP represents more than 800 institutional investors with some USD 100 trillion in funds under management. CDP's indices are used by investors as assessment tools. In 2016, HOCHTIEF was listed in the CDP for the seventh time in a row and, as "Sector Leader Industrials" in Germany, Austria and Switzerland, is among the best companies of the MDAX index.

More and more clients and investors are calling for transparency and a documented commitment to sustainability. Consequently, we again took part in sustainability-focused investor conferences in 2016. We plan to participate in conferences targeting sustainability-oriented investors and will again do so in 2017.

We would be delighted to have sparked your interest in our Group and welcome any feedback and suggestions you may have, also regarding our website.

[1)] See glossary on page 257.

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

Focus Area
Sustainable Products and Services

The Elizabeth Quay project in Perth, Australia, was completed early in 2016. Quality of life in the city has been further enhanced by the new waterfront destination.

Focus on a meeting place

Variations between regions and project types mean that each of our contracts has very different requirements. Despite this, we are committed to setting new standards by pursuing more efficient processes, conserving resources, and increasing stakeholder engagement. This is exactly what we did on the Elizabeth Quay project in Perth's central business district, which was delivered by CPB Contractors and certified by the Infrastructure Sustainability Council of Australia. The result is a vibrant new meeting point. Among the challenges involved in redesigning the ten-hectare site was protecting the Swan River. In recognition of our work, which exceeded what was required by law, the project also received the Banksia Sustainable Water Management Award.

Combined HOCHTIEF Aktiengesellschaft and Group Management Report

Business Activities and Group Structure

Group structure 2016

Group structure 2016

HOCHTIEF delivers its services worldwide through three divisions: HOCHTIEF Americas, HOCHTIEF Asia Pacific, and HOCHTIEF Europe. The Group's operating focus is reflected in its structure: HOCHTIEF is present in key national and international regions and markets.[1)]

HOCHTIEF's strategic and operating management holding company is focused on Group management and control. Responsibility for the HOCHTIEF Group's strategic, organizational, and operating development lies with the control level comprising the Executive Board and the Group corporate departments. The following corporate departments come under the holding company: Legal, Corporate Governance/Compliance, Auditing/Organization, Human Resources, Corporate Development, Mergers and Acquisitions, Communications, Controlling, Finance, Capital Markets Strategy/Investor Relations, Accounting, Tax, and Insurance.

Business activities of the HOCHTIEF Group[2)]

HOCHTIEF is an international construction group that carries out projects in the transportation, energy, and social and urban infrastructure sectors as well as contract mining and services. These activities are founded on HOCHTIEF's many years of experience and capabilities in development, financing, construction, and operation. We leverage our engineering expertise to the full in our projects. This is of benefit to both the company and its customers.

HOCHTIEF's focus is on complex infrastructure projects implemented, among others, on the basis of concession models. The integrated approach applied by HOCHTIEF notably generates added value in public-private partnership[3)] (PPP) projects. Internal knowledge transfer and close collaboration across the Group deliver additional benefits in project work. We collaborate with excellent external partners selected on the basis of transparent criteria. These include the fulfillment of standards such as our Code of Conduct.

[2)] For further information on the divisions' business activities, please see pages 3 and 4 as well as pages 76 to 89.

[1)] For further information, please see pages 3 and 4 as well as pages 30 and 31.

[3)] See glossary on page 258.

We attach great importance to flexibility, innovation, and outstanding quality in our commitment to being a reliable, long-term partner to our customers. Our projects are unique, calling for the development and implementation of custom solutions.

Firmly established as an integral part of our corporate strategy, sustainability is a key Group objective. We foster the relationship between business, the environment, and social responsibility.

Generating 95% of work done outside of Germany, HOCHTIEF is one of the most international companies in the industry. The Americas, Australia, large parts of Europe, the remainder of the Asia-Pacific, and the Gulf region are among the markets we serve. This global footprint enables HOCHTIEF to capitalize on differing regional market opportunities.

Key performance indicators at HOCHTIEF

The key performance indicators used in managing the HOCHTIEF Group are as follows:

Financial performance indicators[1]:

- Sales
- Order backlog
- Operational net profit

Non-financial performance indicator:

- Lost time injury frequency rate (LTIFR)[2]

[1] The financial key performance indicators were altered compared to last year to reflect the Group's transformation and revised focus.

[2] See glossary on page 258.

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 2016.

HOCHTIEF Americas
Activities in around 15 countries and 30 U.S. states

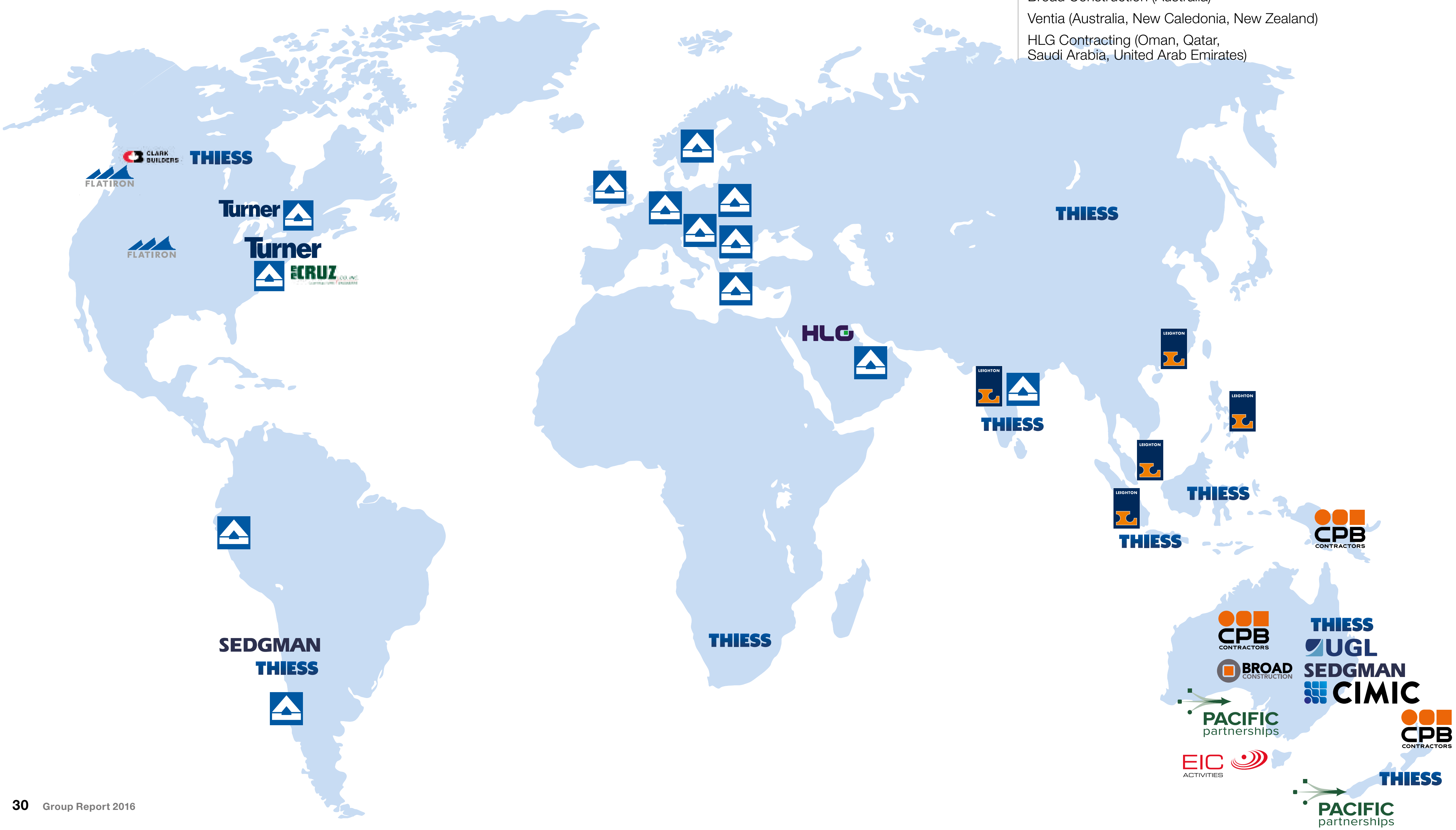
Turner (USA, Canada)
Flatiron (USA, Canada)
E.E. Cruz (USA)
Clark Builders (Canada)

HOCHTIEF Asia Pacific
Activities in more than 20 countries

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)

HOCHTIEF Europe
Activities in more than 20 countries

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



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 76 to 89. Alongside HOCHTIEF Aktiengesellschaft, the consolidated financial statements take in 485 fully consolidated companies, 172 equity-accounted companies, and 63 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/subsidiaries2016

For further information, please see www.hochtief.com

Strategy

Lasting success built on expertise

HOCHTIEF has established its position as an infrastructure construction group and consistently pursues its goal of advancing in this market to become the industry's most relevant global provider. The cornerstone for this is sustained cash-based growth. We maintain a rigorous focus on economic, ecological, and social aspects in our work, recognizing that HOCHTIEF's long-term success is driven by the interplay of these factors.

Our corporate culture provides a common standard for all business activities. What we aspire to, and the responsibility we live up to as a Group, is embodied in our vision: "HOCHTIEF is building the world of tomorrow." Our experience, technical excellence, and innovative solutions enable us to realize projects that our customers find compelling and that benefit society.

Five guiding principles represent our Group's values: Integrity, accountability, innovation, delivery, and sustainability, underpinned by the precondition of safety. It is on the basis of these values that our highly capable workforce builds HOCHTIEF's success. This is why we make human resources management a top priority across all Group companies.

HOCHTIEF is a tradition-rich company with over 140 years of experience in its core business of construction. The Group has many years' standing among the world's leading infrastructure providers. Our capabilities span all activities in construction, public-private partnership (PPP), engineering, mining, and services.

We deliver those capabilities across all continents, with a clear focus on attractive markets. Our project management and engineering expertise gives us a leading market and technology edge in the segments of transportation infrastructure, energy infrastructure, social and urban infrastructure, mining services and services.

Strategic initiatives

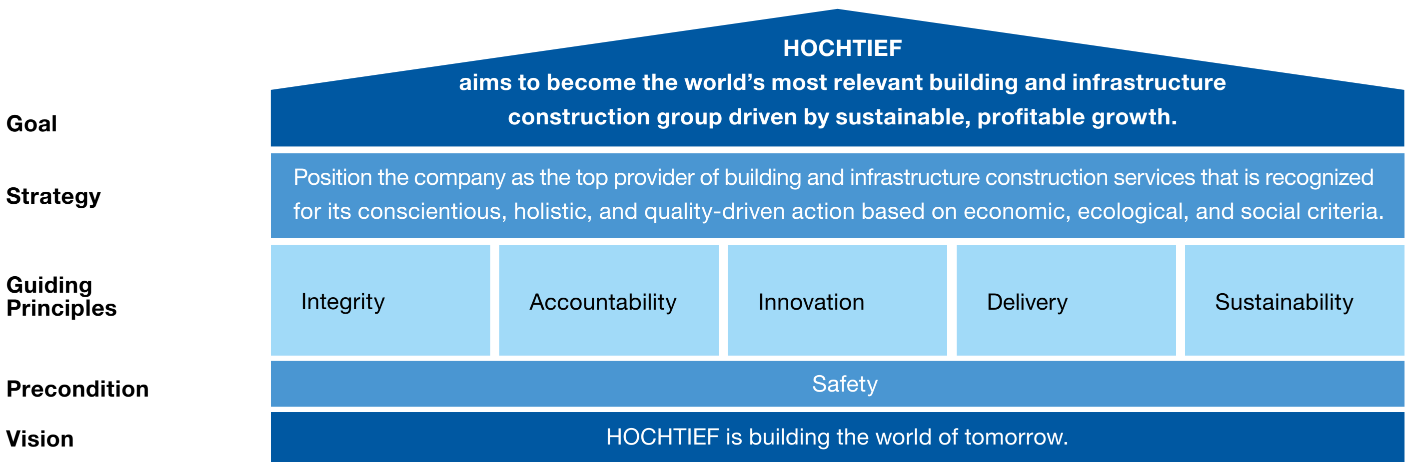
These are our key strategic initiatives:

Focus on the core business of construction

The construction of buildings and transportation infrastructure, and likewise the extraction of resources, are important to the future of every society. In industrialized nations, emerging economies, and developing regions alike, processes of global and local change mean that infrastructure has to be continuously adapted to new challenges.

To cite just a few of the developments driven by globalization, digitization, demographic change, and climate change:

- The need for new, more efficient transportation routes
- Shifting real estate requirements
- Increased demand for resources and infrastructure
- The necessity of transforming energy infrastructure
- Ever shorter adjustment cycles in existing industries
- Emergence of new business segments in the construction sector



Our services and market segments

Our services

- Development
- Financing
- Construction
- Maintenance and operation

Market segments

- Transportation infrastructure
- Energy infrastructure
- Social and urban infrastructure
- Mining services
- Services

HOCHTIEF is benefiting from these megatrends—as can also be seen from developments in our core markets.[1)]

All HOCHTIEF units apply a full life cycle approach in their projects. We deliver efficiency all along the line, right from the design phase. HOCHTIEF Engineering specialists, for example, offer to provide customers with ongoing support throughout the service life of a building or infrastructure asset. From planning and financing through operation to decommissioning or revitalization, HOCHTIEF covers every link in the value chain. To this end, we make use of a range of different business models, including public-private partnership (PPP).

HOCHTIEF's core business is construction. That is why we only take on a PPP project if we are also doing some of the construction work. The PPP model has been a growth market for some years—and one where HOCHTIEF was an early mover with all Group divisions.

Transportation, energy, social and urban infrastructure, mining services and services

HOCHTIEF is an experienced, expert provider of complex infrastructure projects. These pose special demands in terms of design, execution, and operation. Our proven project management systems ensure adherence to quality, deadlines, and budgets. We provide customers with compelling, innovative solutions that deliver a successful economic outcome for everyone involved.

Transportation infrastructure

With our expertise in the construction of transportation infrastructure and systems, we benefit from a high-volume tender pipeline in many countries for transport network maintenance and expansion. Numerous countries have launched programs to meet growing needs and match capacity requirements—and also to catch up on huge backlogs in investment. The USA is among the countries expected to approve major investment spending on transportation infrastructure projects.

Given our combined design and build expertise coupled with our proven PPP capabilities, we are ideally placed to serve limited public planning capacity. Notably PPP models enable national, regional, and local administrations to get things done despite tight financial resources.[2)]

Energy infrastructure

We have the experience in energy infrastructure contracting to deliver efficient, advanced energy generation assets. Our capabilities in this segment include power plant design, construction, and decommissioning.

The huge demand for energy—in industrialized nations and developing economies alike—holds yet more potential for HOCHTIEF. The German government, for example, gauges that transforming the country's energy supplies will require up to EUR 550 billion in investment by mid-century.

Social and urban infrastructure

HOCHTIEF offers design, construction, and refurbishment capabilities for built structures—including office buildings, healthcare properties, schools, and sports facilities as well as shopping malls and residential buildings—meeting customers' wide-ranging needs in many regions of the world. In such projects, we are also in competition with small and mid-size construction firms. The regional presence, lean structures, and effective processes of our operational units allow us to operate cost-effectively here in line with market needs. Market trends continue to show strong demand for buildings such as commercial and office properties.[3)]

In mature and developing markets alike, construction to green building standards continues to be a growth driver. Through U.S. subsidiary Turner, HOCHTIEF was once again rated top green building contractor in 2016 in the ranking published by Engineering News-Record (ENR). We aim to keep this top ranking going forward. 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.

[1)] For further information, please see the Markets section on pages 39 to 47 and the Segment Reporting section starting on page 76.

[3)] For further information, please see the Markets section on pages 39 to 47.

[2)] For further information, please see the Markets section on pages 39 to 47.

[1] For further information, please see the Markets section on pages 39 to 46.

Mining services

Resources such as iron ore, coal, copper, and gold remain in strong global demand.[1] We pursue the growth opportunities in this business through our Group company CIMIC. The CIMIC Group has made a name for itself over the years as a versatile mining services provider. We continue to add to these capabilities. For instance, we increased our stake in mining services company Sedgman in April 2016. An engineering specialist, Sedgman is one of the leading providers in the design, construction, and operation of processing plants for coal, industrial and precious metals, industrial minerals, and iron ore. We are also broadening our regional presence. The third quarter of 2016, for example, saw Thiess expand into the North American market with a mining services contract for oil sands in Canada.

Services

CIMIC's acquisition of UGL complements and expands the services capabilities and provides a platform to develop and grow the presence of our Australian Group company in this strategic sector.

Profitability through process standardization

In our four segments of construction, public-private partnerships, engineering, and services, we now have a uniform overall structure across the HOCHTIEF Group—the outcome of a multi-year transformation process that was largely completed in 2016. The establishment of uniform internal reporting and greater delegation of decision-making powers to operating level also formed part of this process. We have improved efficiency, profitability, liquidity, and risk management overall—and aim to further build on these gains. We thus work constantly in all divisions to improve profitability and earnings quality.

Focus on cash-based profitability

Sustained profitability and consistent cash focus continued to be key pillars of HOCHTIEF's strategy in 2016. The Company's success in implementing these objectives is reflected in the high EBITDA cash conversion rate of 106%. This marked a further improvement on the exceptionally high prior-year figure of 99%. HOCHTIEF generated strong positive net cash from operating activities of EUR 1.2 billion in 2016. This figure is EUR 38 million higher than in the prior year (EUR 1.1 billion) and remains at a good level. All divisions contributed to this healthy performance. Although sales decreased slightly as expected, our cash inflow from changes in working capital, at EUR 385 million, was EUR 26 million higher than in the prior year. Despite substantial capital expenditure in Australia, HOCHTIEF's net cash position at the year-end remained strong at EUR 704 million. Adjusted for the effects of acquisitions, disposals, stock buybacks, and dividends, the Company generated a net cash position of EUR 1.7 billion, representing an improvement of EUR 855 million.

The establishment of a cash-oriented corporate culture with rigorous risk management has already paid off for HOCHTIEF. We intend to carry along this trajectory and generate sustained gains in Group profitability for our shareholders.

Capital investment

Acquisitions

A series of acquisitions at CIMIC underscore the Group's resolve to generate value from growth opportunities.

- Sedgman: In April, CIMIC completed the bid for Sedgman launched in January 2016. It consequently now holds 100% of the company, which is a leading provider of mining services.
- UGL: In fall 2016, CIMIC acquired a majority stake in the company UGL, then increased its stake to 100% in January 2017. Headquartered in Sydney, UGL is a leading provider of end-to-end outsourced engineering, asset management, and maintenance services.

Stock buyback program

- On March 10, 2016, HOCHTIEF announced its decision to discontinue the stock buyback program launched in January 2016. Under this program, HOCHTIEF Aktiengesellschaft acquired a total of 954,717 shares since January 12, 2016.
- In September 2016, the Executive Board and Supervisory Board of HOCHTIEF Aktiengesellschaft resolved to retire 5,009,434 shares of treasury stock (7.2% of the capital stock). Authorized by the Annual General Meeting, the Group had bought back the shares on the stock market between October 2014 and March 2016 for a total price of approximately EUR 368 million (EUR 73.40 per share). The share retirement creates value for all HOCHTIEF shareholders.
- In December 2015, the board of the CIMIC Group had also announced a stock buyback program. Over twelve months from the end of December, CIMIC planned to repurchase up to 33,850,356 shares on the open

market. By year-end 2016, CIMIC had bought back 14,249,466 shares.
- On December 12, 2016, the Board of the CIMIC Group announced a new buyback program, with plans to repurchase up to 10% of the shares over a twelve-month period from December 29, 2016.

Diversification and optimization of the financing instruments

HOCHTIEF continues to pursue the strategic aim of improving its financial structure. We thus seek to diversify the financial instruments available and notably expand the range of long-term debt financing sources outside of the traditional banking market. Thanks to the free liquidity available, there was no additional long-term borrowing in the reporting year.

Dialog with investors, analysts, and the media

To keep our stakeholders fully informed about HOCHTIEF, we maintain continuous, open dialog with capital market participants and the media. Our sustainability-focused reporting takes in economic, ecological, and social aspects and includes the target audience-specific presentation of performance and projects along with future-oriented statements as well as information on opportunities and risks. We aim to continue our established, trust-based relationships and enter into dialog with prospective new investors. To this end, we prepare information tailored to each target audience.

Continuous improvement in risk management

Enhancing risk management[1] on an ongoing basis is a permanent focus of our work. Effective risk containment and management also means sustained higher returns. We rigorously focus our efforts on markets with strong prospects. In the recent past, for example, this has led us to expand our activities in Scandinavian countries and to scale back our involvement in Arabic countries, where market conditions have deteriorated. We will maintain this focus going forward.

Effective risk management also plays a crucial role in our operating construction projects. We consequently apply enhanced standards in project control and execution methods. These control tools are subject to ongoing review and improvement throughout the Group.

Differentiation through innovation

Constantly changing construction requirements and conditions mean that each and every HOCHTIEF project is made to measure and one of a kind. This calls for superior technical expertise, process excellence, and the power to innovate[2]. Drawing on our recognized, award-winning engineering expertise, we aim to raise the bar in the market and rank among the technology and market leaders. To do this, we develop sustainable projects, products, and services. HOCHTIEF ranks among the pioneers in both green building and Building Information Modeling (BIM), backed by many years of experience that let us enhance projects with innovative solutions.

HOCHTIEF: an attractive place to work

The position of HOCHTIEF and its subsidiaries as attractive employers is something we aim to retain and further enhance in future years. Our employees' knowledge and dedication pave the way for the Group's business success. In return, we provide our 51,000-plus workforce with secure, challenging, and fulfilling employment. Ongoing training and personal development programs assist in finding the right people for each project and securing their loyalty to our Group.

Optimum, safe working conditions and the best possible standards of occupational safety and health are guiding principles in all our activities. The Lost Time Injury Frequency Rate (LTIFR), which we introduced as a non-financial performance indicator in 2015 provides us with an internal control tool to further improve occupational safety and health. We are committed to the target of reducing LTIFR.[3]

Sustainability[4]

As part of its guiding principles, HOCHTIEF is committed to sustainability and responsibility. Taking this as our starting point, we evolved our sustainability strategy from our overall strategy. It complements our corporate strategy and guides our business activities throughout the Group; we systematically nurture the relationship between business, the environment, and social responsibility. Our sustainability strategy is presented on the following pages.

In conclusion, our Group strategy will enable us to remain successful in the competitive arena going forward.

For further information on the markets served by HOCHTIEF, please see pages 39 to 47.

2) For further information, please see the Research and Development section on pages 103 to 105.

1) For further information, please see the Risk Report on pages 127 to 137.

3) For further information, please see the Occupational Safety and Health section on pages 114 to 117 and the goals table on pages 158 to 161.

4) For further information, please see the Sustainability Strategy section on pages 36 and 37.

Sustainability strategy

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

Details of how our CR focus areas match up with the GRI-G4 indicators can be found on pages 252 to 253.

[2] Based on these focus areas, Group-wide, division-specific, and segment-specific measures are derived together with corresponding objectives (read about our CR program on pages 158 to 161).

For further information, please see www.hochtief.com/interview-eb

[1] For further information, please see the Strategy section starting on page 32.

Group Management Report

The HOCHTIEF sustainability strategy is derived from the Group's corporate strategy. We regard the interplay between business, the environment, and social responsibility as the springboard for our entire project work and nurture these three elements in all of our corporate activities. It is our sincere belief that, through our expertise and services, we make a meaningful contribution to meeting the challenges of our time such as climate change, responsible consumption, and resource-efficient production as well as masterminding cities, industries, innovations, and infrastructure built on sustainability. We want to create and safeguard value. This is why our sustainability strategy echoes our corporate vision—"HOCHTIEF is building the world of tomorrow"—and embraces the Group's principles.[1]

Our sustainability strategy pursues clear objectives and addresses the needs and aspirations of our stakeholders.

Actively shaping business opportunities, leveraging market potential, and minimizing risks: To achieve this, we develop and implement innovative products and services. We deliver customized, resource-conserving solutions and bring cutting-edge technologies into play. Our end-to-end approach to projects lets us create one-of-a-kind solutions with a high level of quality throughout.

We are committed to achieving this goal by applying Group-wide occupational safety, health, and social standards as well as conduct and compliance guidelines, such as our Code of Conduct. In many cases, these internal benchmarks exceed statutory requirements.

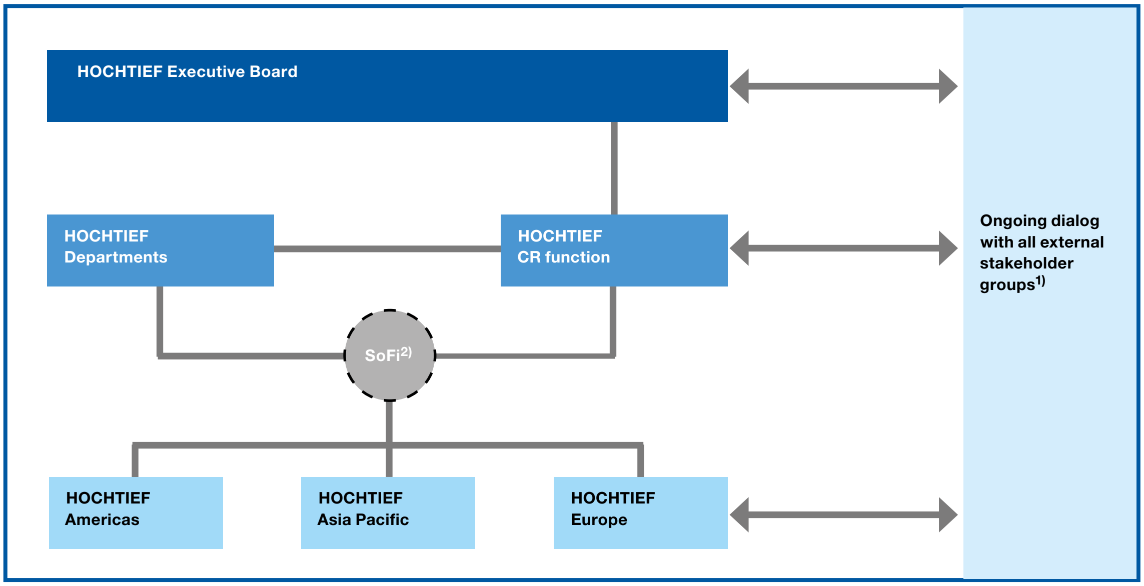
Our pursuit of sustainable activities takes its cue from the HOCHTIEF business model. In the process, we take into consideration our stakeholders' views and interests. The feedback we receive through materiality analyses and direct dialog with stakeholders, for instance, helps us identify relevant topics and distill them into six focus areas. These encompass the key aspects of our operating business and highlight HOCHTIEF's special responsibilities and scope for intervention. At the same time, they take into consideration our role as an exemplary employer and corporate citizen. In 2016, we introduced procurement as a new focus area into the CR Program.

Corporate Responsibility Program (CR Program)

Sustainability focus area[2]	Overarching objective
1. Compliance	We aim to set standards with our principles of conduct.
2. Attractive working environment	We aim to further strengthen our position as a sought-after employer and, over the long term, remain among the most attractive employers in the industry.
3. Procurement	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.
4. Sustainable products and services	We aim to execute projects in transportation infrastructure, energy infrastructure, social and urban infrastructure as well as in contract mining sustainably. For this reason, we take a 360-degree approach to our projects and ensure a high level of quality throughout.
5. Active climate and resource protection	We aim to conserve natural resources and optimize the use of resources. We aim to reduce carbon emissions both independently and together with our clients and partners.
6. 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.

With this move, we are responding not only to business developments and demands but also to the needs of our stakeholders. We have defined overarching objectives for each focus area.

HOCHTIEF CR reporting goes into depth and breadth



1) For further information on the stakeholder groups, please see page 145.

2) Sustainability data is pooled using the SoFi software.

CR organizational structure

At HOCHTIEF, sustainability is firmly rooted: As codified in our CR directive, various committees with clearly defined responsibilities—such as the CR Committee, which enjoys the Executive Board's involvement, Sustainability Competence Team, and CR function—are permanent fixtures in the CR organization. The HOCHTIEF Americas and Asia Pacific divisions also have CR committees. Evaluating and implementing committee topics and decisions are as much a part of CR work as Group-wide dialog on findings. Group companies Turner and CIMIC have established their own operational competence teams, which convened several times during 2016. Sustainability data is captured via the SoFi software, which was rolled out across the Group in the reporting period.

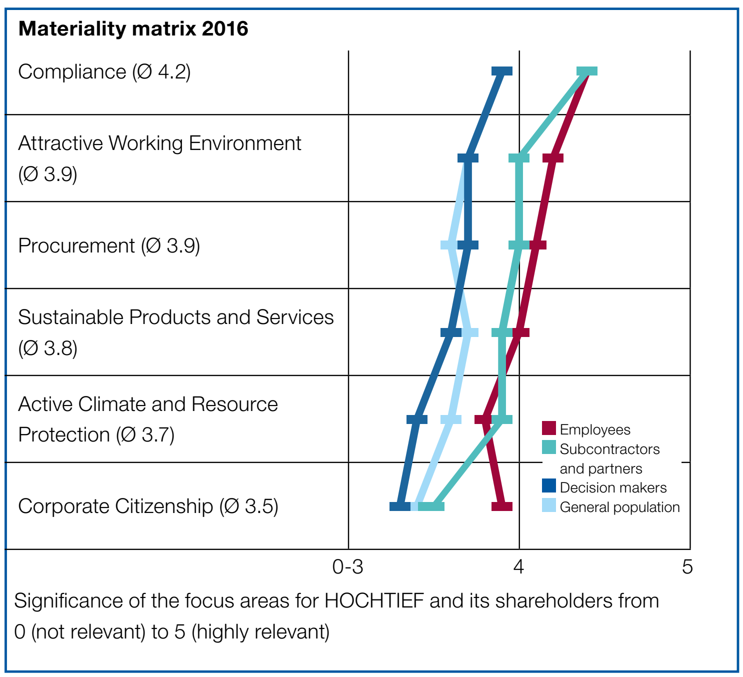
Stakeholder involvement

In order to gauge and harness important impetus from outside the Group to best effect, we continually endeavor to ensure that stakeholders are adequately involved. We do this with the help of various tools.

Annual CR stakeholder dialog: During open discussions with representatives from all major HOCHTIEF stakeholder groups held at our headquarters, participants not only have the opportunity to assess the focus areas' relevance but also to voice their needs, share their experience, and contribute ideas. Fresh impetus provided in 2016 included offering sustainability as a competency as well as communicating sustainability targets. The findings are considered in HOCHTIEF's CR work and sometimes evolve into specific projects. 2016 saw the sustainability focus areas' relevance confirmed. In 2017, we plan to further develop the focus events format with special stakeholder groups in mind.

Annual materiality analysis: Each year, we re-test the validity of the sustainability focus areas and make adjustments where necessary. In 2016, an online stakeholder survey and a representative survey of the public together polled a total of 1,670 individuals. The findings of the materiality analysis, which are fundamentally in line with the previous year's results, are set out in the matrix below.

For further information, please see www.hochtief.com/sustainability at CR organization



In and around Edmonton: Northeast Anthony Henday Drive

Economy: As part of a public-private partnership, HOCHTIEF PPP Solutions brought its expertise in transportation infrastructure to the Northeast Anthony Henday Drive project in Edmonton, Canada. Flatiron was the partner in the joint venture responsible for completing 27 kilometers of a six- and eight-lane divided roadway, nine interchanges as well as 46 bridge structures by fall of 2016.
Ecology: Since this stretch of highway cuts through ecologically sensitive countryside, an environmental management plan was implemented. Fish stocks were protected during construction of the bridge over the Saskatchewan River. To compensate for the development's impact on a biotope covering roughly 20 hectares, some 60 hectares will be created as compensation.
Community: The project improves highway operation, enhancing safety and reducing both congestion and commute times in and around Edmonton. The roadway for use by motorized vehicles is rounded out with bicycle and pedestrian pathways.

Markets and Operating Environment

Global economic trends[1)]

The International Monetary Fund (IMF) forecast global economic growth of 3.1% for 2016, down 0.1 percentage points on the projection as of April 2016. The slight reduction was due to unexpectedly weak first-quarter growth in the United States as well as the subdued forecast for developed economies, mainly as a result of the Brexit vote in June 2016.

In October 2016, the IMF likewise revised its outlook for 2017 downward to 3.4%, 0.1 percentage points lower than in the outlook as of April 2016. The growth figures for 2016 and 2017 in the IMF's January 2017 update were unchanged as against the October outlook. The guidance for emerging and developing economies was lowered by 0.1 percentage points in the January 2017 update for each of 2016 and 2017.

Although the world market and in particular the European economies have recovered from the immediate shock reaction to Brexit, the long-term consequences are uncertain since the future of the institutional and trade agreements between the UK and the EU is still unclear. The same applies to relations between the USA and other economic areas following the change of government in Washington.

According to the IMF, other risks to the global economy, in addition to Brexit, include unresolved problems in the European banking system, a lack of structural reforms, the current refugee situation, geopolitical conflict, and terrorism. In its January 2017 update in particular, the IMF warns of the risks of rising protectionism. In the USA, however, the investment in domestic infrastructure announced by the new U.S. government could lead to growth opportunities, especially in the construction sector. This contributed to the slightly more optimistic growth forecast for 2017.

Overall real economic growth (GDP) in key HOCHTIEF regions (in percent)[1)]

	2016	2017 E
Australia	2.9	2.7
Austria	1.4	1.2
Canada	1.3	1.9
Czech Republic	2.5	2.7
Denmark	1.0	1.4
Germany	1.7	1.5
Netherlands	1.7	1.6
Norway	0.8	1.2
Sweden	3.6	2.6
Switzerland	1.0	1.3
UK	2.0	1.5
USA	1.6	2.3
Industrialized economies[2)]	**1.6**	**1.9**
Chile	1.7	2.0
China	6.7	6.5
India	6.6	7.2
Indonesia	4.9	5.3
Peru	3.7	4.1
Poland	3.1	3.4
Qatar	2.6	3.4
Saudi Arabia	1.4	0.4
Emerging and developing economies[3)]	**4.1**	**4.5**
World	**3.1**	**3.4**

General economic environment and trends in HOCHTIEF regions[4)]

Europe's economy outpaced the USA for the first time since 2008. At 1.7%, growth in the euro area in 2016 was stronger than expected. The minor improvement was driven primarily by slightly more robust foreign demand and higher consumer spending. Marginally lower growth of 1.6% is forecast for 2017.

[1)] IMF World Economic Outlook (as of October 2016) and IMF World Economic Outlook Update (as of January 2017)

www.imf.org

[2)] Listed countries plus the entire euro zone, Japan, Denmark, Hong Kong, Iceland, Israel, South Korea, New Zealand, San Marino, Singapore, and Taiwan

[3)] Listed countries plus CEE, CIS, MENA, Afghanistan and Pakistan, sub-Saharan Africa, Latin America and Caribbean, and Asia (excluding Japan)

[4)] IMF World Economic Outlook (as of October 2016) and IMF World Economic Outlook Update (as of January 2016)

[1] IHS Global Construction Outlook, December 2016

The euro area markets relevant to HOCHTIEF are expected to show good average growth figures in 2017. **Germany** will continue to drive momentum in the euro area with growth of 1.5% in 2017. The 2017 projection for the **United Kingdom** is 1.5%, up on the October 2016 forecast given that domestic demand is likely to be more stable than was expected following the Brexit vote. Experts are predicting continued strong economic growth for the prosperous **Benelux countries**. **Austria** is projected to see market growth of a marginal 1.2% in 2017. Experts are forecasting growth rates of 3.4% for **Poland** and 2.7% for the **Czech Republic** on the back of a robust economic environment in Eastern Europe.

The **U.S.** economy expanded by 1.6% in 2016, one percentage point less than in the prior-year period. However, even before the U.S. election, economic analysts had anticipated higher consumption and employment figures. The new U.S. president aims to strengthen domestic energy production and invest in the expansion of U.S. infrastructure in particular. The experts are therefore now expecting growth of 2.3% for 2017.

Canada registered economic growth of 1.3% in 2016, up slightly on the projections made in the fall of 2016. Growth of 1.9% is projected for 2017.

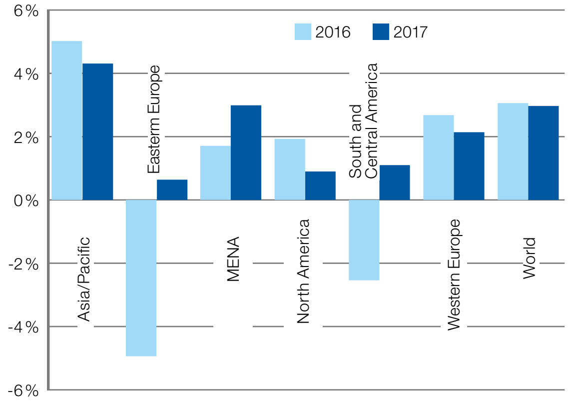
Growth in **Chile** (1.7%) and **Peru** (3.7%), the two economies in **Latin America** of relevance to HOCHTIEF, significantly outpaced the Latin American average. Chile is expected to expand by 2% in 2017, while experts anticipate growth of 4.1% for Peru.

[2] Source unless otherwise specified: IHS Global Insight, Global Construction Outlook (as of December 2016)

Australia achieved robust growth of 2.9% in 2016. In 2017, this is forecast to be 2.7%. This figure depends among other things on the development of commodity prices.

Increase in total construction sector investment by region[1]

(percentage changes compared with the previous year, measured in U.S. dollars)



The **Middle East** continues to face difficult challenges, mainly caused by the continued low price of oil, geopolitical tensions, and civil conflicts in a number of countries. Growth in **Qatar** (2.6%) and the **United Arab Emirates (UAE)** (2.3%) fell short of the forecast figures of 4.9% and 3.1% respectively. However, according to the experts, both countries are tipped to once again record growth in 2017, with projected growth rates of 3.4% for Qatar and 2.5% for the UAE.

Transportation infrastructure

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

The transportation infrastructure markets in **Western Europe** performed exceptionally well in 2016 in the countries relevant to HOCHTIEF, all of which (except Denmark and Austria) exceeded the average of 2.3%. An average growth rate of 1.5% is anticipated for Western Europe in 2017.

In **Germany**, the number of contracts on the market for the expansion of road and rail networks was significantly higher than in previous years, rising by 4.7% in 2016. Experts anticipate slightly slower but still strong

Growth in HOCHTIEF's regional construction markets[1)]

Region	2016 Building construction (excl. residential construction)	2016 Residential construction	2016 Civil engineering (incl. transportation infrastructure)	2016 Transportation infrastructure	2016 Overall market	2017 E Building construction (excl. residential construction)	2017 E Residential construction	2017 E Civil engineering (incl. transportation infrastructure)	2017 E Transportation infrastructure	2017 E Overall market
Austria	0.6	2.5	1.6	1.3	**1.6**	1.7	2.2	1.9	1.1	**1.9**
Denmark	2.6	2.1	2.0	0.9	**2.2**	2.1	1.8	1.6	-0.1	**1.8**
Germany	2.4	6.7	4.4	4.7	**5.3**	2.8	5.2	4.1	3.7	**4.5**
Netherlands	4.3	10.0	2.1	3.8	**6.2**	1.7	5.0	1.8	2.1	**3.3**
Norway	-2.9	6.1	3.7	7.1	**1.6**	-2.1	6.5	4.8	2.1	**2.6**
Sweden	3.0	10.0	3.4	4.4	**6.3**	2.3	5.4	2.3	2.7	**3.7**
UK	1.9	3.5	1.0	3.3	**2.4**	-1.1	1.2	-0.8	-1.2	**-0.1**
Western Europe	**1.8**	**3.6**	**1.9**	**2.3**	**2.7**	**1.0**	**2.9**	**2.0**	**1.5**	**2.1**
Czech Republic	-5.9	-2.7	-5.8	-4.5	**-5.4**	0.7	0.0	1.7	2.3	**1.1**
Poland	-8.3	-11.0	-8.0	-7.4	**-8.8**	1.7	2.4	-0.6	-1.0	**1.0**
Eastern Europe	**-5.1**	**-5.8**	**-4.2**	**-2.6**	**-4.9**	**1.7**	**-1.8**	**1.0**	**2.3**	**0.6**
Australia[2)]	-1.8	10.3	-20.1	22.7	**-5.8**	9.0	-5.8	0.9	29.8	**0.2**
Canada	-4.9	2.0	1.6	3.6	**-0.3**	-2.1	-1.5	4.8	6.5	**-0.2**
Chile	-0.2	1.0	0.2	0.8	**0.4**	0.3	0.7	1.0	0.5	**0.8**
Peru	-1.7	0.1	0.8	2.6	**0.2**	1.0	3.0	4.0	3.3	**3.1**
Qatar	10.4	11.0	12.4	18.3	**11.6**	8.2	8.2	9.4	7.9	**8.8**
Saudi Arabia	-2.6	-1.1	-3.1	2.2	**-2.4**	1.4	1.6	1.0	3.5	**1.3**
United Arab Emirates	-1.2	-2.8	-0.7	2.0	**-1.3**	1.8	0.9	1.3	0.9	**1.5**
USA	4.9	3.2	-3.0	-2.5	**2.5**	1.4	0.9	0.5	0.9	**1.0**
World (74 countries)	**2.4**	**3.0**	**3.7**	**4.2**	**3.1**	**2.2**	**2.4**	**4.3**	**5.2**	**3.0**

[1)]Percentage change on prior year, measured in 2010 U.S. dollars
IHS Global Insight: Global Construction Outlook, December 2016

www.ihs.com

[2)]Percentage change on prior year, measured in nominal AUD Macromonitor, January 2017

growth in construction demand of 3.7% in 2017. The German federal government plans to invest a record amount in expanding and notably maintaining the transportation network. The Federal Transport Infrastructure Plan adopted by the government in August 2016 provides for investments of some EUR 270 billion in the period to 2030. Most of this amount is earmarked for infrastructure maintenance.[3)]

The **United Kingdom** posted growth of 3.3% in 2016, better than the Western European average. Construction spending in the transportation infrastructure segment is expected to decline by 1.2% in 2017—the first effects of Brexit.

In **Norway**, the 2014–2023 National Transport Plan investment program had a positive effect on the construction industry. The transportation infrastructure segment grew by 7.1% in the reporting year. An increase of 2.1% is forecast for 2017. The weaker growth is primarily attributable to lower investment in the rail system.[4)] At 4.4%, **Sweden** recorded much stronger growth in 2016 than anticipated. The Scandinavian country is expected to maintain this level in 2017 (2.7%).

[3)]German federal government, 2030 Transport Infrastructure Plan

[4)]Euroconstruct, November 2016

Austria's transportation market is developing robustly, with growth of 1.3% in 2016 and an expected 1.1% in the current year. Under the 2016 infrastructure investment program released by the state-owned Asfinag in February of the reporting year, EUR 1 billion will be invested in the construction and maintenance of the Austrian road network. The current six-year program provides for infrastructure investment of EUR 7.3 billion by 2021.[1)]

[1)] Asfinag—press archive

In **Eastern Europe**—especially in **Poland** and the **Czech Republic**—the transportation infrastructure market fell sharply after exceptionally strong growth in previous years. However, experts are forecasting an upturn of 2.3% in the Czech Republic at least in 2017.

The **U.S.** transportation infrastructure market contracted by 2.5% in 2016. Uncertainty was extremely high in the lead-up to the presidential election, and also impacted the actions of the Federal Reserve and OPEC. Prospects for transportation infrastructure projects have since improved significantly. The new U.S. president has announced an infrastructure investment plan of USD 1 trillion (almost EUR 950 billion) over the coming ten years. A significant share is to be spent on transportation infrastructure. This positive trend is reflected in the figures, with slight growth of just under 1% forecast for 2017.

Canada recorded growth of 3.6% in 2016. Even stronger growth of 6.5% is projected for 2017. The infrastructure plan announced by the government in May 2016 alone provides for investment in infrastructure to the tune of CAD 120 billion (approximately EUR 85 billion) over the next ten years.

In **Latin America**, modest growth was seen in 2016 in the countries relevant to HOCHTIEF—2.6% in **Peru** and 0.8% in **Chile**. Both countries are expected to step up investment in transportation networks in 2017. Research firm IHS Global Insight is anticipating growth of 3.3% in Peru compared with a decline of 0.5% in Chile. In May 2016, the Chilean government announced that at least ten major infrastructure projects worth around USD 4 billion would be put out to tender over the next two years.[2)]

[2)] Reuters

In **Australia**, the upturn in transport infrastructure is the main area of optimism, with the large increases starting in 2016, as a series of major projects get underway. The drivers of this upturn are: a return of private sector funding to infrastructure projects and a renewed focus on transport projects by governments. According to the experts, the positive trend will continue over the coming years. Various state governments have pledged higher funding for transportation projects in the rail and road segment, including several PPP projects. The total value of the projects in this segment is expected to increase from approximately AUD 17 billion (approximately EUR 11.6 billion) in 2016 to approximately AUD 27 billion (approximately EUR 18.5 billion) in 2020. This means an increase of more than 50% and provides our Australian subsidiary CIMIC with an excellent basis to participate in this growth. Key projects in the rail sector include metro projects in Melbourne and Sydney. In the road-building sector, the continuation of the WestConnex project in New South Wales, in which CIMIC is already involved, will play a major role.[3)]

[3)] Macromonitor, January 2017

Transportation infrastructure spending in the **Middle East** continued to grow apace in 2016. In **Qatar**, the market experienced exceptionally strong growth of 18.3% in the transportation sector. In 2014, the state of Qatar had announced to spend a total of USD 205 billion (approximately EUR 194.5 billion) on infrastructure projects in the period to 2018.[4)] The transportation sector is forecast to expand by 7.9% in 2017.

[4)] IHS Global Insight, October 2016

Public-private partnership (PPP) transportation infrastructure projects

In **Germany**, the Federal Ministry of Transport has announced a new generation of PPP infrastructure projects and plans to put two to three road projects out to tender every year until the end of 2019.[5)] The federal budget has allocated over EUR 10 billion for expenditure over the coming years in addition to the current tenders.[6)]

[5)] BMVI (Federal Ministry of Transport and Digital Infrastructure), as of May 2015

[6)] Act on the Adoption of the Federal Budget for the Financial Year 2016/part X

The PPP market in the **Netherlands** remains strong. PPP projects with a construction volume of almost EUR 4 billion in the transportation infrastructure segment are planned for 2017 and 2018.

Norway is still involved in preparations for three PPP road infrastructure projects. The first project, Rv 3/25 Ommangsvollen-Grundset, is expected to reach the market in the near future.

The **Czech** Ministry of Transport also relies on PPPs and aims to design, build, finance, and operate the R4 and R7 highways using this business model. The R4 (Haje – Mirotice) project is expected to be put out for tender in the fall of 2017.

The **United Kingdom** has identified infrastructure investment demand in the amount of GBP 400 billion (approximately EUR 467 billion) (National Infrastructure and Delivery Plan 2016–2021). Over the next two years, the UK government aims to invest over GBP 50 billion (approximately EUR 58 billion) in this area, including around GDP 17 billion (approximately EUR 20 billion) per year for transportation projects. PPPs are still an option for financing these projects, particularly for arterial roads of “national significance.”[1]

Canada has used PPPs for some time now. Nine contracts with a total volume of CAD 4.64 billion (approximately EUR 3.3 billion) reached financial close in 2016.[2] Planning for 2017 indicates that capital spending will continue to rise, since a range of major projects are expected to reach the market, including the George Massey Tunnel Replacement and Gordie Howe Bridge projects. In August 2016, the Canadian government unveiled a large-scale financing plan to upgrade Ontario’s transportation network. PPP projects are also to be funded by the investment budget of CAD 2.97 billion (approximately EUR 2.06 billion) approved by the government.[3]

While Canada is leading the North American market in terms of project volumes and numbers, the **U.S.**[4] PPP market has seen the first signs of progress—four transportation projects with a total volume of almost USD 7 billion (approximately EUR 6.6 billion) reached financial close in 2016, including an airport project in New York. Four other projects with a combined investment volume of USD 5.8 billion (approximately EUR 5.5 billion) were in the bid phase at the end of 2016.

Australia is a mature and very attractive PPP market. This applies to transportation as well as social and urban infrastructure projects. A particularly large number of rail projects of varying scope are currently being tendered and executed. Projects being implemented under a PPP model include a metro rail project in Melbourne with a volume of AUD 6 billion (approximately EUR 4.1 billion) and the Light Rail Stage 2 project in Canberra worth AUD 1 billion (approximately EUR 685 million). Further PPP road construction projects are expected over the coming years.[5]

Energy infrastructure

Performance of the energy markets by country and region[6]

In **Western Europe**, the energy infrastructure market returned to growth for the first time in three consecutive years, expanding by 1.1% in 2016. The positive trend will strengthen even further in 2017, with growth of 3.4% expected.

Germany’s energy market grew by 3% in 2016 and is expected to trend even further upward with growth of over 5% in 2017. Although capacity expansion in the renewable energy sector slowed considerably and little was invested in conventional electricity generation, investment in network expansion (district heating, gas, and electricity) had a stabilizing effect. Experts believe that the long-awaited electricity grid expansion will continue to drive growth forward over the coming years. The energy market will also be affected positively by growth in residential construction.[7]

The energy market in **Austria** saw solid growth of 1.3% in 2016. An increase of 4.3% is projected for 2017. Up to EUR 700 million will be invested over three years based on plans resolved in 2015 to expand the energy network.[8]

Although **Norway** was hard hit by the low oil prices, the market recovered in 2016 to post growth of 1.8%. The positive trend is expected to continue in 2017. A number of power plant projects should lead to an in-

[5] Victoria State Government, Transport Canberra

[6] Source unless otherwise specified: IHS Global Insight, Global Construction Outlook (as of December 2016)

[1] Department of Public Expenditure and Reform

[2] InfraAmericas, as of September 2016

[7] Euroconstruct, June 2016

[3] P3 Bulletin, as of September 2016

[4] Source for figures: InfraAmericas

[8] Federal Chancellery; 2015 summit on the labor market and economic situation

crease in this market segment by 5.6%. Overall, investment is expected to double between 2015 and 2018.[1)]

1) Euroconstruct, November 2016

3) Source unless otherwise specified: IHS Global Insight, Global Construction Outlook (as of December 2016)

The **Swedish** energy market expanded by 0.7% in 2016. Growth of 1.7% is projected for 2017.

Contrary to the 8.1% production growth forecast, the **U.S. energy market** contracted by 1% in 2016, mainly due to the ongoing low oil prices. However, the support measures for conventional energy generation announced by the new U.S. government will have an effect on market development and growth of over 2% is now expected for 2017.

The **Canadian** energy infrastructure market fell only slightly by 0.2% in 2016. Growth of 3.3% is again forecast for 2017.

In **Latin America**, the Chilean and Peruvian markets for energy projects contracted slightly by 0.3% and 1.6% respectively in 2016. Experts anticipate a significant recovery in this segment in both Peru (+5.1%) and Chile (+1.5%).

The **Australian** energy infrastructure market shrank by almost 30% but remains at a high level overall due to a number of projects in this segment. The downward trend is expected to slow down to 17% in 2017. The negative market outlook can mainly be accounted for by a decline in the oil and gas sector.[2)]

2) Macromonitor, January 2017

On the back of the low oil prices, the strong growth in the **Middle East** slowed in 2016 but was still at a record level with production in Qatar rising by 12%. Growth of 9.5% is forecast for 2017. **Saudi Arabia** was unable to keep pace and declined by a slight 4% compared with the previous year. It is expected to rebound in 2017 with growth of 0.6%.

4) Macromonitor, January 2017

Social and urban infrastructure

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

The building construction market in Western Europe achieved robust growth rates of 1.8% (building construction excluding residential construction) and 3.6% (residential construction) in 2016. It should remain at much the same level in 2017. Eastern Europe suffered heavy losses in 2016 but is expected to recover in 2017, especially in the building construction (excluding residential construction) segment, with 1.7% growth forecast.

The building construction (excluding residential construction) market in **Germany** registered strong growth of 2.4% in the reporting year. This is expected to increase further to a rate of 2.8% in 2017. Experts predict that the trend will continue. Particularly strong impetus will come from the industrial property segment (+4.7%) and the commercial property segment (+3.0%).

The North American building construction (excluding residential construction) markets turned in a very varied performance in 2016. The **USA** reported growth of 3.8% while **Canada** posted a decline of 4.9%. The opposite is expected for 2017. Growth in the USA will slow to 1.4% and the Canadian market will trend upward, with the rate of contraction narrowing to 2.1%.

The building construction (excluding residential construction) market in **Australia** deteriorated in 2016 by 1.8%. This trend will reverse in 2017, with experts projecting an increase of 9.0%.[4)]

PPP social and urban infrastructure projects

In **Germany**, a total of 190 building construction projects worth some EUR 6.0 billion have been carried out on a PPP basis since 2002. Fifty-two projects were at the tender stage and an estimated 100 building construction projects—mainly in the education, administration, safety, and leisure segments—were at the preparation and design stage[5)] at the end of 2016.

5) Partnerschaft Deutschland, as of September 2016

We continue to expect demand to rise in 2017, one reason being the provision by the German government of a EUR 3.5 billion fund to promote municipal investment, including investment in PPP projects. Public-private partnerships (PPP) have to date mostly been carried out at municipal level. Around one in five PPP municipalities have initiated further PPP projects based on their positive experience of the model. This enables cities and local governments to benefit from the trend toward sustainable properties that are optimized over their entire life cycle.[1)]

In **Poland**, 47 tenders were published on the basis of PPP and concession law in the reporting year, including four construction projects in the area of social infrastructure. The average amount invested in the tendered building construction projects was nearly EUR 10 million. Sixty-four projects were at the negotiating phase in 2016. Eight PPP contracts and concessions were signed in 2016.[2)]

The **UK** has one of the best developed PPP building construction markets in the world. Over 700 social and urban infrastructure PPP projects have been carried out since the early 1990s. Growth has slowed as the number of new projects has decreased but there is still significant investment demand, above all in the education sector. In light of this, prospects for new growth remain positive.

Public-private partnerships continue to play a significant role in **Canada**. A key part of the government's PPP plan is the provision of considerable funds for new infrastructure. Ontario has had a stable pipeline of social infrastructure projects in the past. Another program and updates to current projects[3)] were announced in November 2016, albeit with the focus for 2017 on transportation infrastructure projects. British Columbia will bring three major healthcare projects with an approximate volume of CAD 1.38 billion (around EUR 973 million) each to the market in 2017. They will be joined by a number of smaller PPP construction projects, including judicial buildings.[4)]

In the **USA**, two projects with a volume of USD 1.67 billion (approximately EUR 1.6 billion) reached financial close in California in 2016—more than in the entire United States in previous years. According to InfraAmericas, another project with a volume of around USD 500 million (approximately EUR 474 million) is at the preparation stage (InfraAmericas).

Australia also has a solid pipeline of social infrastructure PPP projects such as schools, prisons, and hospitals. These include a partnership project comprising five schools and worth AUD 1 billion (approximately EUR 685 million) in New South Wales as well as a prison worth AUD 300 million (approximately EUR 206 million) to be built in Western Australia.[5)]

Mining services

Performance of the resources markets by country and region[6)]

The long-term increase in global demand for commodities ensures sustained growth. The HOCHTIEF Group is very well positioned in the contract mining business thanks to Thiess, a CIMIC subsidiary, considered the world's largest mining services provider. Thiess operates in Australia as well as a number of areas in Indonesia, Mongolia, Canada, Botswana and Chile. Since 2016, CIMIC has also offered mineral excavation services and the related infrastructure solutions for the global resources industry with mining services company Sedgman. We will continue to share in the positive market trend with our companies.

Australia increased its share of the export market for resources and energy raw materials in 2016. This is attributable to major investment in new capacity over the last ten years, low production costs, and the relatively high quality of Australian resources. Global demand for most of the raw materials and energy commodities produced by Australia rose in 2016.

1) Partnerschaft Deutschland, as of 2016; https://www.partnerschaften-deutschland.de/oepp-markt/

5) NSW Government as of September 2016, WA today

2) PPP platform of the Polish Ministry of Infrastructure and Development and Centrum PPP, as of October 2016

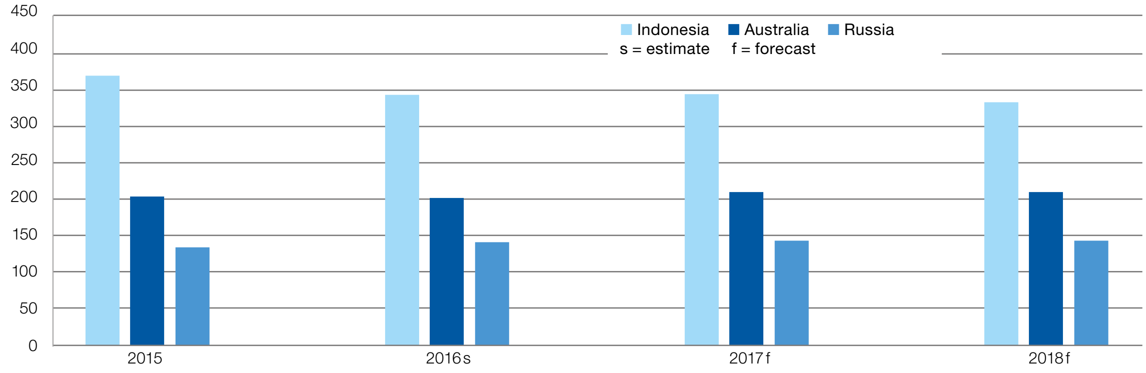
6) BREE, Resources and Energy Quarterly, December 2016

3) InfraAmericas, September 2016

4) Partnerships BC, as of September 2016

[1] BREE Resources and Energy Quarterly (December 2016)

Top three exporters of thermal coal[1] (million t)



[3] BREE, Resources and Energy Quarterly, June 2016

This is reflected in strong growth in Australian raw materials and energy raw materials, which is expected to increase by 30% to a record AUD 204 billion (approximately EUR 139.8 billion) in the period 2016–2017.

Export volumes for liquefied natural gas rose by 50% year on year in 2016, mainly due to the completion of a number of large-scale projects such as the Gorgon LNG project, in which CIMIC played a major role.

Thermal coal prices rose again in 2016 for the first time in four years. The trend was driven by demand from China, weather-related supply disruptions in Indonesia, and the hot summer in China.

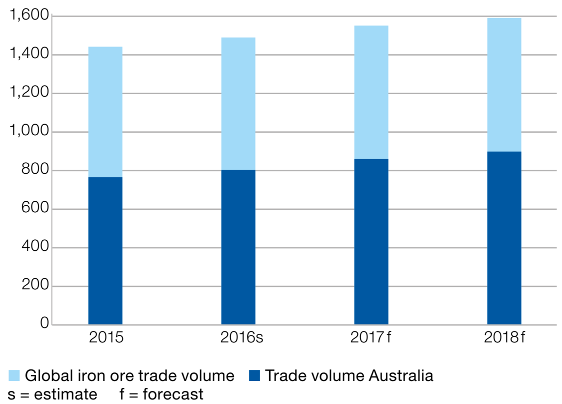
Australia is one of the world's biggest producers and exporters of coal. In the area of thermal coal, Australia was still in second place in 2016 with 200 megatons (mt), after Indonesia (340 mt) and ahead of Russia (140 mt). Growth is again forecast for 2017, at 4%.[3]

Although total export volumes have fallen significantly over the past few years, Indonesia is still by far the largest exporter of thermal coal. Export volumes declined by 7% compared with the prior-year period in 2016. Despite the recent rally, Indonesian producers are not in a position to react to price increases. Smaller mines in particular struggle with logistics problems and debt obligations. At 340 million metric tons, exports will not match the prior-year level in 2016, primarily due to poor weather and loading times. A stable export volume of 341 million metric tons is forecast for Indonesia in 2017. However, higher prices and normal weather conditions could have a positive effect.

Global trade in iron ore grew by 3.3% to some 1.49 billion metric tons in 2016 and was again dominated by Australia. Export volumes rose by 4.5% in 2016 and a significant 7.5% increase is forecast for 2017. The positive trend will be buoyed by operational improvements and high levels of investment in mining infrastructure.

[2] BREE, Resources and Energy Quarterly, December 2016

Iron ore trading volume[2] (million t)



Legal and Economic Environment

Economic policy in the USA

The new U.S. president will promote investment in the expansion of infrastructure in the USA. During his campaign, he promised a program to invest almost EUR 950 billion in infrastructure projects—primarily in the transportation sector—over the next ten years. Strengthening the economy is also expected to lead to more contracts being put out to tender in the building construction business.

New procurement directive translated into German law

The German government has modernized German procurement law based on the procurement rules in the EU legislative package from 2014. Greater emphasis was placed on the promotion of social and environmental aspects as well as innovation, giving more weight to sustainability factors. Going forward, compliance with environmental obligations will have equal status with other procurement principles that have applied so far. In addition, all communication relating to award procedures must be conducted via an electronic procurement platform in the future. This comprehensive procurement law reform came into force on April 18, 2016.

National Action Plan on Business and Human Rights adopted

The German government adopted the National Action Plan on Business and Human Rights (NAP) in December 2016. This implements the UN's Guiding Principles on Business and Human Rights. The NAP aims to improve compliance with human rights standards at every link in the supply and value chain in Germany and around the world.

United Nations Sustainable Development Goals take effect

The Sustainable Development Goals (SDGs), a UN initiative, took effect as of January 1, 2016. The 17 stated goals are designed to ensure sustainable development on economic, environmental, and social levels. Companies are called on to align their strategies and measures with the SDGs.

German bill to implement the new CSR guidelines

In September 2016, the German government introduced a bill to implement the EU CSR guidelines that provide for new reporting obligations for publicly listed companies with over 500 employees. Slated for inclusion in the Management Report from 2017, the mandatory reporting of information about environmental, social, and employee-related issues as well as compliance with human rights standards and combating corruption and bribery aims to improve transparency with regard to non-financial aspects.

Planned changes to German energy conservation legislation

The German government plans to update the legislation governing energy conservation and combine the Energy Conservation Act (EnEG), the Energy Saving Ordinance (EnEV), and the Renewable Energies Heat Act (EEWärmeG) for public buildings into one single building energy act. Behind the change is the coalition agreement as well as the EU building directive, under which all new buildings must be constructed as “nearly zero-energy buildings” from January 1, 2019.

Orders and Work Done in 2016
New orders strong and work done at high level

HOCHTIEF significantly increased new orders in 2016. Work done decreased as expected in parallel with the ongoing focus on core business, but remains at a high level.

New orders: Strong growth in our key markets

At EUR 24.81 billion, Group new orders were substantially higher than the nominal prior-year figure of EUR 22.26 billion—an increase of 12%.[1)] Adjusted for discontinued projects in the Middle East, the increase was 15%.

[1)] Percentages calculated on EUR million basis.

The HOCHTIEF Americas division set a new record in terms of new orders for the third consecutive year. Divisional new orders were EUR 13.66 billion, corresponding to 26% growth on 2015. This strong performance was mainly driven by new projects secured by Turner, once again reflecting the company's outstanding position in the U.S. market.

The HOCHTIEF Asia Pacific division, too, once again won large infrastructure construction contracts and long-term contract mining contracts. Under consistent selective, risk-conscious order taking and despite a fall in the Australian dollar over the course of the year, the division increased new orders from EUR 8.62 billion in the prior year to EUR 8.95 billion in 2016—a 4% increase.

The HOCHTIEF Europe division's new orders of EUR 2.10 billion were down on the nominal prior-year figure (EUR 2.7 billion). On a like-for-like basis, however—meaning adjusted for the discontinued projects in the Middle East—new orders increased by a substantial 7% (HOCHTIEF Europe division adjusted new orders in 2015: EUR 1.97 billion).

Work done: Performance as expected at high level

In line with expectations, Group work done was 7% down on the prior-year figure but remains at a high level with a total of EUR 22.29 billion.

The HOCHTIEF Americas division set a new record in terms of work done for the third year in succession, at EUR 11.12 billion (an increase of 2%).

Working through its order backlog in contract mining and infrastructure projects, the HOCHTIEF Asia Pacific division kept work done at a high level. As expected, the ongoing transformation at Australian Group company CIMIC coupled with the completion of large-scale LNG projects led to a decrease in work done to EUR 9.11 billion in 2016. This put the HOCHTIEF Asia Pacific division 16% down on the prior-year figure.

The decrease in work done in the HOCHTIEF Europe division (by 6%) to EUR 1.95 billion is a result of the ongoing regional transformation within the division and focusing on the core business.

International work done accounted for 96% of Group work done. Based on the 2015 figures, HOCHTIEF was once again among the leaders in the annual Top 225 International Contractors ranking published by trade magazine Engineering News-Record.

Order backlog: Increased basis for positive trend in work done

The year-end order backlog was EUR 43.09 billion. This marked a substantial EUR 6.37 billion (17%) increase on the prior year. The like-for-like increase was 20%.

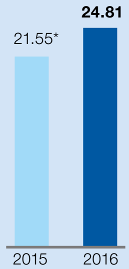
In the HOCHTIEF Americas division, the order backlog of EUR 15.90 billion was 24% higher than the already very strong prior-year figure.

The HOCHTIEF Asia Pacific division increased its order backlog to EUR 23.30 billion (an increase of 20%). This includes EUR 3.40 billion from the initial consolidation of UGL, which was acquired during 2016.

At EUR 3.89 billion, the order backlog in the HOCHTIEF Europe division was higher than the adjusted prior-year figure of EUR 3.70 billion (EUR 4.40 billion) including discontinued Middle East projects.

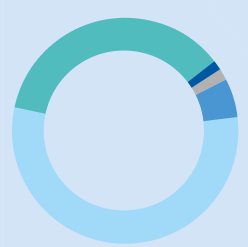
Based on current Group work done on a full-year basis, the Group order backlog represents a large forward order book of 23 months. This very favorable position in terms of orders and work done is supplemented by a very strong tender pipeline in our key markets for 2017 and beyond.

New orders
EUR billion



*adjusted for EUR 709.7 million from two projects in the Middle East

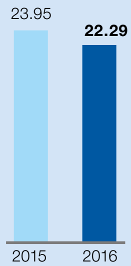
New orders by region



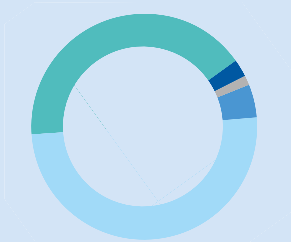
America	55.2 %
Asia/Pacific/Africa	36.1 %
Germany	5.6 %
Eastern Europe	1.7 %
Rest of Europe	1.4 %

100% = EUR 24.81 billion

Work done
EUR billion



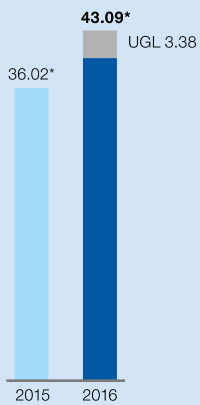
Work done by region



America	50.1 %
Asia/Pacific/Africa	41.1 %
Germany	4.7 %
Eastern Europe	1.6 %
Rest of Europe	2.5 %

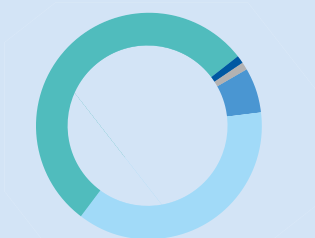
100% = EUR 22.29 billion

Order backlog
EUR billion



*adjusted for EUR 4.3 million (2016) and EUR 694.5 million (2015) from two projects in the Middle East

Order backlog by region



Asia/Pacific/Africa	54.1 %
America	37.3 %
Germany	6.4 %
Eastern Europe	1.0 %
Rest of Europe	1.2 %

100% = EUR 43.09 billion

Return to the fold: The new Rethe Bridge

Economy: HOCHTIEF is a partner in the joint venture responsible for constructing Hamburg's new Rethe bascule bridge, which will span 104.2 meters—making it one of the largest of its kind in Europe. As the major road connection to the south, the bridge is one of the harbor district's pivotal infrastructure projects. It has been designed for a life cycle of 80 years.
Ecology: The construction team not only employed an ecologically sound drilling process to excavate the building pit in the water but also ensured that road, rail, and shipping traffic continued to flow uninterrupted. Among the exceptional challenges met by the team were the narrow spaces involved, working in the tidal zone, and maintaining flood protection.
Community: The bridge's new folding technology has optimized the flow of shipping as well as road and rail traffic. Until now, the bridge had to be closed to allow trains to cross—something which occurred about 40 times a day. Going forward, long delays will be a thing of the past for the roughly 7,000 vehicles crossing the bridge each day.

Value creation 2016

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

HOCHTIEF continued to rigorously pursue its strategic path in 2016 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 corporate performance was 20.2%, at the same level as in the prior year. The HOCHTIEF Group once again distributed the lion's share of net value added in 2016 to employees, as in past years. This large proportion of value added means that we can continue offering attractive employment on fair terms. The progress in this area is an outcome of the transformation processes set in motion in the HOCHTIEF Group over the last few years. Distributions to minority shareholders accounted for a total of EUR 113.0 million of value added in 2016. The reduction relative to the prior year mainly relates to the increase in our ownership interest in the CIMIC Group.

Sources of value added

	2016		2015	
	EUR million	%	EUR million	%
Sales	19,908.3	98.6	21,096.6	98.9
Changes in inventories	(93.0)	-0.5	18.5	0.1
Other operating income	372.5	1.8	217.5	1.0
Corporate performance	**20,187.8**	**100.0**	**21,332.6**	**100.0**
Materials	(14,778.2)	-73.2	(15,484.3)	-72.6
Other operating expenses	(1,208.1)	-6.0	(1,203.4)	-5.6
Other investment expenses	(38.5)	-0.2	(51.2)	-0.2
Input costs	**(16,024.8)**	**-79.4**	**(16,738.8)**	**-78.5**
Investment and interest income	87.4	0.4	92.8	0.4
Net income from participating interests	114.9	0.6	155.7	0.7
Gross value added	**4,365.3**	**21.6**	**4,842.3**	**22.7**
Depreciation and amortization	(287.7)	-1.4	(413.8)	-1.9
Net value added	**4,077.6**	**20.2**	**4,428.5**	**20.8**

Distribution of value added

	2016		2015	
	EUR million	%	EUR million	%
Employees	3,295.1	80.8	3,664.8	82.8
Lenders	161.8	4.0	240.2	5.4
Minority shareholders	113.0	2.8	124.9	2.8
Public authorities	187.2	4.6	190.2	4.3
HOCHTIEF and shareholders	320.5	7.9	208.3	4.7
Net value added	**4,077.6**	**100.0**	**4,428.5**	**100.0**

At 4.6% (EUR 187.2 million), the proportion of value added distributed to public authorities in 2016 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 2016 was EUR 161.8 million—a decrease on the prior year due to the reduction in debt and interest rates. HOCHTIEF aims to afford shareholders their commensurate share in the company's positive earnings performance. The correspondingly higher dividend in 2016 resulted in a significant increase in the portion distributed to our shareholders and the Company itself, to EUR 320.5 million or 7.9% of net value added.

Efficient processes: The Lake Vermont Mine

Economy: At the Lake Vermont Mine, Thiess—the global mining services operator within the CIMIC Group—is setting new international standards in coal extraction. The key to success lies in combining improvements under the operational excellence programs with special extraction methods as well as cutting-edge machinery and equipment. Producing up to 10.7 million metric tons of product coal a year, the mine represents the biggest project in Australia for Thiess.

Ecology: Thanks to special excavators that allow the coal seam to be safely accessed, Thiess has streamlined workflow efficiency. As a result, the company is able to ensure increased productivity and protect the environment during excavation.

Community: Thiess supports local communities with improved learning and development outcomes for students at a high school and at a youth center. In addition, 80 students were given a guided tour of a mining site in 2016. During the tour, they received interesting insights into geology, coal mining and engineering, while at the same time learning what types of jobs the mining sector offers.

Financial Review

Financial Review

HOCHTIEF has made significant progress in the transformation of its business model and, as a global infrastructure construction group, focuses on its core business activities of construction, public-private partnerships, engineering, mining, and services. Cementing the foundation for sustained cash-based growth, we further significantly improved efficiency, profitability, liquidity, and risk management.

Another element of our strategy consists in further enhancing HOCHTIEF's value with acquisitions in key markets. To this end, through our Group company CIMIC, we acquired majority stakes in two Australian engineering and service groups, UGL and Sedgman. An ideal, complementary fit with our existing product and service spectrum, their capability portfolio supports our competitive position in the Australian market.

HOCHTIEF sustained the positive trend in earnings in 2016. In line with our improvements in project performance, higher margins, lower operating costs, and decreasing cost of borrowing, we substantially increased both profit before tax (PBT) and consolidated net profit relative to the prior year. The high cash conversion and our strong positive net cash position likewise testify to the Group's financial strength.

We secured substantial growth in new orders during 2016. Given the inherent time lag, that increase did not feed through in full to **sales** in 2016. At EUR 19.9 billion, sales were therefore at a solid level in 2016, though down on the prior year (EUR 21.1 billion). Nonetheless, a positive trend developed during the course of the year, with sales rising from quarter to quarter. This meant that sales in the second half of 2016 were EUR 1.2 billion, or 13%, higher than in the first half.

Sales

(EUR million)	2016	2015	Change
HOCHTIEF Americas	10,905.8	10,354.4	5.3%
HOCHTIEF Asia Pacific	7,303.0	8,946.1	-18.4%
HOCHTIEF Europe	1,596.5	1,660.2	-3.8%
Corporate Headquarters/ Consolidation	103.0	135.9	-24.2%
Group	**19,908.3**	**21,096.6**	**-5.6%**

Once again in 2016, HOCHTIEF maintained its position as one of the leading providers of building and infrastructure construction services in the United States and Canada. The HOCHTIEF Americas division generated sales of EUR 10.9 billion, corresponding to a 5.3% increase on the prior year. The division primarily benefited from the strong trend in commercial/industrial construction in the United States. Our subsidiary Turner—one of the leading building construction groups in the USA—is the No. 1 company in this segment. Leveraging its strong market position, Turner raised new orders to a new record level in 2016 and significantly increased sales. Our civil works specialist Flatiron matched the prior-year level with a solid sales performance. Exchange rate effects were only minor at divisional level as there was practically no change in the average U.S. dollar exchange rate compared with the prior year.

The scope of consolidation in the HOCHTIEF Asia Pacific division comprises our Australian Group company CIMIC as well as affiliated holding companies. Sales performance—EUR 7.3 billion in 2016—is mainly driven by CIMIC. Following the transformation of the operating model, the company focuses on its core activities of construction, infrastructure, mining, PPP and services. CIMIC's full-year sales in 2016 totaled AUD 10.8 billion, 18% below the prior-year figure. This reflects market conditions as well as the fact that a portion of prior-year sales was accounted for by contracts for liquid gas facilities that are now finished. Some of the newly won contracts in the infrastructure sector are still at an early stage and so do not yet significantly contribute to sales. A positive trend emerged in the course of 2016, with sales increasing from one quarter to the next. Sales growth was also significantly faster toward the year-end. After a 6% rate of increase in the second quarter and 8% in the third, the growth rate climbed to 18% in the fourth quarter compared with the previous quarter. This trend was supported by a rise in the order backlog, which is an early indicator of future sales performance. The portion of 2016 sales accounted for by UGL, which was included in the consolidation for the first time, was not yet material as the acquisition was consolidated from November 24. Exchange rate effects were likewise barely noticeable as the average Australian dollar exchange rate remained virtually unchanged compared with the prior year.

In the HOCHTIEF Europe division, we have focused our core activities on the European market. Alongside construction, these include the PPP business and engineering. In order to standardize structures and processes across our operating divisions, we started 2016 by combining our building construction and civil engineering business lines under the HOCHTIEF Infrastructure umbrella. This organizational setup not only brings us closer to clients but also means we can provide one-stop solutions for infrastructure and building construction. After a slow start to the year, sales performance improved steadily over the course of 2016, with sales figures increasing from quarter to quarter. As a result, at EUR 1.6 billion, sales in 2016 were at a solid level and close to the prior year's performance.

Group sales generated abroad came to EUR 19.0 billion in 2016. The proportion of total sales generated internationally thus stood at 95% (2015: 96%).

Group strategy supports profit growth

HOCHTIEF has undergone a thorough transformation process and strategic realignment in the last few years. This paved the way for the Group's further profit growth in 2016. All divisions contributed to the successful trend with improvements in earnings.

Operational Statement of Earnings

(EUR million)	2016	2015
Profit from operating activities	**628.5**	**575.4**
+ Net income from joint ventures	76.6	102.2
– Non-recurring items	(+) 111.6	(+) 51.1
Operational earnings (EBIT)	**816.7**	**728.7**
Net income from associates and other participating interests	38.3	53.5
Net investment and interest income	(122.7)	(207.7)
Non-recurring items	(111.6)	(51.1)
Profit before tax	**620.7**	**523.4**
Income taxes	(187.2)	(190.2)
Profit after tax	**433.5**	**333.2**
Thereof: Attributable to non-controlling interest	113.0	124.9
Thereof: Attributable to HOCHTIEF shareholders (Group net profit)	**320.5**	**208.3**

EBIT was EUR 817 million in 2016, 12% higher than the comparative prior-year figure (EUR 729 million). The non-recurring items totaling minus EUR 112 million mainly relate to non-recurring expenses, gains/losses on deconsolidation, disposals, exchange rates, impairment losses and restructuring expenses.

Net income from equity method associates, joint ventures and other participating interests came to EUR 115 million in 2016. All Group divisions made a positive contribution to this figure. The prior-year figure of EUR 156 million was not matched, primarily due to lower net income from joint ventures.

The measures taken by HOCHTIEF for a sustained improvement in the Group's balance sheet are showing results. The Group's strong liquidity position meant that financial liabilities were significantly reduced in 2015. The HOCHTIEF Group's good credit standing also meant that new borrowings were able to be made on more favorable terms. The resulting lower interest expense had a marked positive impact in 2016. This resulted in a EUR 85 million improvement in **net investment and interest income**.

Earnings improved in all divisions

Buoyed by the Group's strategic realignment, HOCHTIEF's 2016 earnings performance stayed firmly on track. Focusing operating activities on the various core businesses led to earnings improvements in all divisions. In total, HOCHTIEF increased **profit before tax (PBT)** by 19% compared with the prior year (EUR 523 million), to EUR 621 million.

Profit before tax (PBT)

(EUR million)	2016	2015	Change
HOCHTIEF Americas	203.8	154.9	31.6%
HOCHTIEF Asia Pacific	431.9	424.4	1.8%
HOCHTIEF Europe	18.7	(27.5)	–
Corporate Headquarters/ Consolidation	(33.7)	(28.4)	-18.7%
Group (nominal)	**620.7**	**523.4**	**18.6%**
One-off items	**56.8**	**76.7**	**-25.9%**
Restructuring	21.7	76.0	-71.4%
Investments/Divestments	(158.3)	1.2	–
Impairments	186.4	(1.5)	–
Other	7.0	1.0	–
Group (operational)	**677.5**	**600.1**	**12.9%**

The HOCHTIEF Americas division benefited in 2016 from economic growth in the USA. Our companies also continue to make further headway internally in terms of project risk control and execution. Compared with the prior year (EUR 155 million), PBT consequently rose by 32% to EUR 204 million. As the leading building construction group, Turner serves the high-growth market segments of educational properties, healthcare properties, commercial properties, and green building. The company delivered a substantial year-on-year increase in PBT. PBT performance at Flatiron was also positive. Having chiefly targeted large-volume projects when bidding for new business in the past, Flatiron now places greater focus on local, medium-sized projects with a better risk-return profile. Benefiting from the favorable market potential in this segment, the company generated strong new orders toward the end of 2016.

In the HOCHTIEF Asia Pacific division, PBT improved by 2% compared with the prior year to EUR 432 million, reflecting a solid performance. The transformation of the business model at CIMIC, coupled with measures to reduce costs and improved risk management, contributed to a substantial improvement in margins. At the same time, ample order books demonstrate that the market has responded well to the realignment and clients increasingly rely on CIMIC Group companies as partners in executing their projects. Despite the lower sales, CIMIC's PBT of AUD 740 million in 2016 was slightly up on the prior-year figure (AUD 735 million).

The HOCHTIEF Europe division sustained the upward trend that began in the prior year and was in profit in 2016, with PBT of EUR 19 million versus losses of EUR 27 million in 2015. This turnaround was primarily achieved through earnings improvements in the construction business. To this end, we have brought together building construction and civil engineering under a common roof, streamlined our organizational structures, and placed the focus on further optimization of risk management. These measures paid off and, after posting a loss in the prior year, the infrastructure business line is now showing a profit in terms of PBT. The PPP business likewise put in a sound performance, delivering a positive contribution to PBT.

Operational PBT, which is nominal PBT adjusted for one-off items and divested assets, increased in the reporting period by 13% to EUR 678 million.

One-off items were reduced in comparison with the prior year by EUR 20 million to EUR 57 million. This reflects the progress made in HOCHTIEF's transformation process.

Totaling EUR 187 million in 2016, **income taxes** showed practically no change relative to the prior year (EUR 190 million).

The effective tax rate went down from 36% in the prior year to 30% in 2016. This mainly reflected refunds of taxes paid by the CIMIC Group in prior years. CIMIC had assumed a conservative figure when determining the expected tax expense on the disposal of John Holland and of the Thiess and Leighton Contractors (today CPB Contractors) service activities in the prior year which did not fully materialize. The HOCHTIEF Group operates in various jurisdictions, each of which taxes profits and losses differently.

HOCHTIEF attained a substantial improvement in **profit after tax**. After EUR 333 million in the prior year, profit after tax in 2016 came to EUR 433 million—an increase of some 30%. Profit growth was broad-based across all operating divisions.

Consolidated net profit increased relative to the prior year (EUR 208 million) by 54% to EUR 320 million. Non-controlling interest (minority interest) decreased—mainly due to HOCHTIEF's larger ownership interest in CIMIC—by EUR 12 million to EUR 113 million (2015: EUR 125 million).

Consolidated net profit

(EUR million)	2016	2015	Change
HOCHTIEF Americas	128.1	101.2	26.6%
HOCHTIEF Asia Pacific	217.4	173.2	25.5%
HOCHTIEF Europe	12.5	(29.9)	–
Corporate Headquarters/ Consolidation	(37.5)	(36.2)	-3.6%
Group (nominal)	**320.5**	**208.3**	**53.9**%
One-off items	**40.7**	**56.4**	**-27.8%**
Restructuring	18.4	53.8	-65.8%
Investments/ Divestments	(107.1)	1.4	–
Impairments	122.4	(1.0)	–
Other	7.0	2.2	–
Group (operational)	**361.2**	**264.7**	**36.5**%

The HOCHTIEF Americas division improved consolidated net profit by 27% to EUR 128 million. Turner contributed substantially here with its very successful building construction business.

Consolidated net profit in the HOCHTIEF Asia Pacific division increased relative to the prior year by 26% to EUR 217 million. The division is increasingly benefiting from the successful restructuring of the CIMIC Group and improved contract quality with significantly higher margins.

The HOCHTIEF Europe division has achieved a turnaround in terms of consolidated net profit. Thanks to improved performance in the construction business, an increased earnings contribution from the PPP business, and a slight improvement in the real estate business, the HOCHTIEF Europe division was into positive figures with a consolidated net profit of EUR 12 million for 2016.

The Corporate Headquarters/Consolidation division was on a par with the prior year, posting a consolidated net loss of EUR 37 million.

After deducting taxes and non-controlling interests and under consideration of items described under PBT, operational net profit increased by 36% to EUR 361 million.

Cash flow

Cash-driven profitability and a consistent cash focus continued to be central pillars of the HOCHTIEF Group strategy in 2016. The high EBITDA cash conversion rate of 106% shows that we were once again successful here in 2016, achieving a further improvement on the prior year (99%).

In 2016, HOCHTIEF generated strong positive **net cash from operating activities** of EUR 1.2 billion. This rose by EUR 38 million compared with the prior year (EUR 1.1 billion). Net cash from operating activities before changes in working capital came to EUR 789 million, EUR 12 million up on the prior-year figure. We also continued to implement effective measures and processes to manage trade receivables and payables as part of working capital management. These notably led to significantly larger inflows of cash from changes in working capital at HOCHTIEF Americas and HOCHTIEF Europe. HOCHTIEF Asia Pacific registered an overall decrease compared with 2015 due to the positive impact in that year of proceeds from real estate sales and the initial benefits of the newly introduced working capital strategy at CIMIC. The cash inflow from changes in working capital at CIMIC was again well above the prior-year period by the fourth quarter of 2016. Despite lower sales,

Cash flow components

(EUR million)	2016	2015	Change
Net cash from operating activities pre net working capital (NWC) change	788.6	776.5	12.1
Net working capital change	384.8	358.7	26.1
Net cash from operating activities	**1,173.4**	**1,135.2**	**38.2**
– Gross operating capital expenditure	(272.6)	(285.4)	12.8
– Operating asset disposals	85.3	135.0	(49.7)
Net operating capital expenditure	(187.3)	(150.4)	(36.9)
Free cash flow from operations	**986.1**	**984.8**	**1.3**
Other investments (-)/divestments (+)	(11.9)	915.1	(927.0)
Free cash flow (w/o change in current marketable securities)	**974.2**	**1,899.9**	**(925.7)**

we increased the cash inflow from changes in working capital for the HOCHTIEF Group by EUR 26 million to EUR 385 million.

HOCHTIEF worked successfully in 2016 to further optimize capital expenditure management in 2016. The main efforts here were on streamlining procurement processes, strategic supplier selection, securing favorable procurement terms, and pooling procurement requirements across the Group. In this context, the HOCHTIEF Europe division was notable in exploiting economies of scale in the construction business through efficient resource deployment and by reducing operating capital expenditure. Group-wide, **gross operating capital expenditure** accounted for a cash outflow of EUR 273 million, a decrease of EUR 12 million on the prior year (EUR 285 million). A large portion of this (EUR 199 million) was in the HOCHTIEF Asia Pacific division for plant and equipment in the mining and infrastructure business. Receipts from **operating asset disposals** stood at EUR 85 million (2015: EUR 135 million) and—as in the prior year—primarily came from disposals of property, plant and equipment in the CIMIC Group. This left **net operating capital expenditure** for 2016 at EUR 187 million (2015: EUR 150 million).

Free cash flow from operations was strongly positive in 2016 at EUR 986 million. As in the prior year (EUR 985 million), this once again demonstrates the consistently sound financial strength of HOCHTIEF's operating business.

The acquisitions of UGL and Sedgman in Australia during 2016 marked a strategic addition in terms of engineering, mining and services. Capital spending on financial assets, at EUR 261 million (2015: EUR 116 million), mainly related to the cash resources used for these two majority acquisitions. The HOCHTIEF Group incorporated the cash and cash equivalents acquired together with UGL and Sedgman as well as from the sale of the stake in Nextgen. In total, **other investments/divestments** accounted for a net cash outflow of EUR 12 million. For the most part, the EUR 915 million cash inflow in the prior year related to the receipt of payment for the sale at CIMIC of John Holland as well as the Thiess and Leighton Contractors (today CPB Contractors) services business.

Free cash flow (excluding changes in marketable securities) totaled EUR 974 million in 2016 (2015: EUR 1.9 billion).

Reconciling from the cash flow components to the HOCHTIEF Group Statement of Cash Flows, **cash flow from investing activities**—a cash outflow of EUR 66 million (2015: cash inflow of EUR 963 million)—comprised net payments for net operating capital expenditure (EUR 187 million) and other investments/divestments (EUR 12 million) plus net receipts from changes in marketable securities (EUR 133 million). Sales from the securities portfolio made for a cash inflow in 2016, as in the prior year.

Cash flow from financing activities represented a cash outflow of EUR 1.1 billion in 2016. Of this outflow of funds, EUR 277 million related to share purchases at subsidiaries—notably at CIMIC in the acquisitions of UGL and Sedgman. A further EUR 366 million (2015: EUR 246 million) was used for the stock buyback programs at HOCHTIEF Aktiengesellschaft and CIMIC and EUR 225 million (2015: EUR 236 million) for the payment of dividends to external shareholders. Debt repayment resulted in an outflow of EUR 936 million from the HOCHTIEF Group. The substantially larger prior-year figure of EUR 2.3 billion was primarily accounted for by repayments of amounts owed to banks and early redemption of part of a CIMIC bond denominated in U.S. dollars. Proceeds from new borrowing were reduced compared with the prior year (EUR 786 million), at EUR 682 million.

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

(EUR million)	2016	2015
Net cash from operating activities	**1,173.4**	**1,135.2**
Net operating capital expenditure	(187.3)	(150.4)
Other investments (-)/ divestments (+)	(11.9)	915.1
Change in current marketable securities	133.0	198.2
Cash flow from investing activities	**(66.2)**	**962.9**
Cash flow from financing activities	**(1,135.6)**	**(2,008.8)**
Net cash increase in cash and cash equivalents	**(28.4)**	**89.3**
Cash and cash equivalents at year-end	**2,847.4**	**2,808.7**

Cash and cash equivalents totaled EUR 2.8 billion as of the December 31, 2016 balance sheet date and improved by EUR 39 million compared with the prior year. The HOCHTIEF Group thus had a solid and sufficient supply of liquidity as of the reporting date. Exchange rate changes had an impact of EUR 67 million, which was significantly smaller than in the prior year (EUR 134 million).

Securing Group liquidity long-term and optimizing the financial structure

In view of its strong cash position, HOCHTIEF Aktiengesellschaft did not carry out any transactions to raise debt in 2016. The 2014 corporate bond issue with an initial five-year term and a principal amount of EUR 500 million thus remains the most recent transaction launched in national and international capital markets.

HOCHTIEF Aktiengesellschaft arranged a syndicated credit and guarantee facility[2] for a total of EUR 2 billion with an international banking syndicate on December 13, 2011. Originally set to run until December 2016, the syndicated facility was renewed on April 25, 2014 until April 2019. It consists of a EUR 1.5 billion guarantee facility tranche and a EUR 500 million credit facility tranche. 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 776 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 2016.

A promissory note loan issued in 2012 for a principal amount of EUR 50 million was redeemed as planned in December 2016. HOCHTIEF Aktiengesellschaft now has no borrowings in issue in this finance segment.

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 239 million, have to be renewed annually. Of such facilities, 63% 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 1.68 billion as of the 2016 year-end. 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 to HOCHTIEF. None of the borrowing instruments taken out by HOCHTIEF is secured and all are pari-passu, with all lenders having equal seniority.

[1] The full Consolidated Statement of Cash Flows appears on page 168, in the Consolidated Financial Statements and Notes section of this Group Report.

[2] See glossary on page 258.

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 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 6.9 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 and a syndicated credit facility in the amount of EUR 247 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 on page 257.

CIMIC's strong standing in the international capital market remains undiminished, as reflected in the reaffirmed classification of CIMIC Group Limited in the investment grade rating segment by external rating agencies Moody's (Baa3) and S&P (BBB-). As before, borrowing activities are carried out by the holding company on a bilateral or syndicated basis. The HOCHTIEF Asia Pacific division, whose operational activities are conducted by the CIMIC Group, likewise had a solid cash position. This meant that no transactions to generate debt capital were carried out in 2016.

With the exception of the last remaining promissory note loan issue and the short-term credit and guarantee facilities, which have to be renewed annually, HOCHTIEF Aktiengesellschaft had no borrowing arrangements falling due in the reporting year. The next long-term Group borrowing arrangement to fall due does so in March 2017. The March 23, 2012 corporate bond issue has a principal amount of EUR 500 million and a five-year term.

As in 2016 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.

Balance sheet

HOCHTIEF has grown substantially. Alongside organic growth, the Group made selective acquisitions—primarily on the Australian market. Other factors affecting the structure of the balance sheet were the positive cash flow, the stock buyback programs, the dividend distributions, and the change in working capital. The net outcome was an increase in the HOCHTIEF Group's **total assets** relative to the year-end 2015 (EUR 13.3 billion) of EUR 780 million to EUR 14.1 billion.

Non-current assets came to EUR 4.6 billion as of December 31, 2016, having grown by EUR 455 million relative to the end of the prior year. The primary factor here was a EUR 366 million increase in goodwill recognized on initial consolidation of subsidiaries in connection with the acquisitions made by CIMIC. The concessions and similar rights chiefly relating to CIMIC's contract mining business stayed broadly constant. Overall, intangible assets rose by EUR 425 million to EUR 1.3 billion. At EUR 1.2 billion, property, plant and equipment was EUR 62 million higher than the prior-year comparative figure. Property, plant and equipment added as a result of the acquisitions made by CIMIC was the main impact here. The vast majority of the property, plant and equipment shown for the HOCHTIEF Group as of December 31, 2016 relates to EUR 890 million in plant and machinery at the CIMIC Group. Financial assets went down by EUR

327 million to EUR 776 million. This mainly reflected the changes in the CIMIC Group's business portfolio. At EUR 819 million, non-current financial receivables consisted mainly of loans to Group companies granted by CIMIC and by the PPP business in the HOCHTIEF Europe division. First and foremost, the EUR 139 million rise related to an increase in loans granted by CIMIC. Other receivables and other assets went up slightly by EUR 34 million to EUR 181 million. Deferred tax assets rose by EUR 121 million to EUR 292 million as a result of changes in temporary differences as well as in connection with the measurement on initial recognition of UGL acquired by CIMIC.

As of the end of 2016, **current assets** stood at EUR 9.5 billion and thus exceeded the prior-year figure (EUR 9.1 billion) by EUR 326 million. Inventories decreased by EUR 209 million to EUR 559 million, primarily due to the sale of real estate projects by CIMIC and the real estate business in the HOCHTIEF Europe division. Conversely, trade receivables went up by EUR 488 million to EUR 5.0 billion. Alongside the increase as a result of the acquisitions by CIMIC and exchange rate effects, this includes receivables in connection with the disposal of assets previously held for sale in the mining business. Of the total amount of trade receivables as of the 2016 year-end, EUR 2.3 billion related to the CIMIC Group and EUR 1.5 billion to Turner. Other receivables and other assets rose by EUR 277 million to EUR 450 million. Turner regularly takes out coverage against certain business risks. Thus far, liabilities toward clients in the operating business had been offset by equal and opposite reimbursement claims under such coverage. As of December 31, 2016, these liabilities and reimbursement claims are presented for the first time without offsetting, as EUR 181 million each on the assets and liabilities sides of the consolidated balance sheet. Assets held for sale decreased by EUR 126 million to EUR 33 million as a result of disposals of mining business assets previously held for sale. The HOCHTIEF Group's securities portfolio was restructured by way of reallocations and sales during 2016. Part of the cash thus made available was used to finance the stock buyback program at HOCHTIEF Aktiengesellschaft. The net outcome was a EUR 113 million decrease in marketable securities to EUR 463 million as of December 31, 2016. Cash and cash equivalents went up by EUR 39 million relative to the prior year, to EUR 2.8 billion as of the December 31, 2016 reporting date. HOCHTIEF thus continues to enjoy a very good liquidity position.

Consolidated Balance Sheet

(EUR million)	Dec. 31, 2016	Dec. 31, 2015
Assets		
Non-current assets		
Intangible assets, property, plant and equipment, and investment properties	2,497.4	2,012.8
Financial assets	776.5	1,103.6
Other non-current assets and deferred taxes	1,311.1	1,013.9
	4,585.0	**4,130.3**
Current assets		
Inventories, trade receivables and other current assets	6,154.6	5,754.1
Marketable securities, cash and cash equivalents	3,310.8	3,385.6
	9,465.4	**9,139.7**
	14,050.4	**13,270.0**
Liabilities		
Shareholders' equity	**2,585.5**	**3,146.8**
Non-current liabilities		
Provisions	863.5	803.4
Other non-current liabilities and deferred taxes	1,705.1	2,452.8
	2,568.6	**3,256.2**
Current liabilities		
Provisions	821.6	817.7
Other current liabilities	8,074.7	6,049.3
	8,896.3	**6,867.0**
	14,050.4	**13,270.0**

In 2016, changes in shareholders' equity at the HOCHTIEF Group involved various factors whose net impact was a EUR 561 million decrease in **shareholders' equity** relative to the prior year, to EUR 2.6 billion. The main factors having the effect of reducing equity were the acquisitions made by CIMIC (EUR 385 million), the stock buyback programs at HOCHTIEF and CIMIC (EUR 366 million), dividend payments (EUR 217 million), and changes from remeasurement of defined benefit plans (EUR 59 million). These were partly compensated for by the markedly positive profit after tax (EUR 433 million) and effects of currency translation (EUR 97 million).

The reduction in shareholders' equity contrasts with substantial growth in the Group's total assets—notably as a result of the acquisitions of UGL and Sedgman. At 18.4%, the equity ratio (shareholders' equity to total assets) as of the 2016 year-end was below the 23.7% prior-year figure but remains on a solid level.

Non-current liabilities went down by EUR 688 million and came to EUR 2.6 billion as of December 31, 2016. The lion's share relates to financial liabilities in the amount of EUR 1.6 billion and provisions totaling EUR 864 million. Financial liabilities decreased by EUR 722 million. This mainly reflected bond issues at HOCHTIEF Aktiengesellschaft and CIMIC with a remaining maturity of less than one year being reclassified from non-current liabilities to current liabilities. Conversely, an adjustment in the discount rate used to measure defined benefit obligations led provisions mainly for pensions to increase by EUR 87 million to EUR 440 million. Most of the other non-current provisions in the amount of EUR 424 million relate to personnel and insurance-related obligations.

Current liabilities rose by EUR 2.0 billion over the course of 2016 to EUR 8.9 billion. Most of this increase related to trade payables, which went up by a net amount of EUR 1.0 billion to EUR 6.5 billion. Besides the additions associated with the acquisitions made by CIMIC, this also reflected growth in the operating business—notably at Turner. Financial liabilities grew by EUR 737 million to EUR 1.0 billion. This was primarily due to the reclassification of liabilities with a remaining maturity of less than one year under bonds at HOCHTIEF Aktiengesellschaft and CIMIC. The EUR 278 million increase in other liabilities to EUR 555 million mostly relates to the reimbursement claims at Turner recognized on the assets side and the matching item for the corresponding liabilities.

HOCHTIEF continued to hold a large **net cash position** of EUR 704 million as of December 31, 2016. Despite the cash-out for the acquisitions made by CIMIC, the stock buyback programs, and dividend payments—a total of just under EUR 1 billion—net cash was only EUR 102 million below the prior-year figure. Disregarding the aforementioned effects, the adjusted net cash position would be EUR 1.7 billion. The HOCHTIEF Americas and HOCHTIEF Europe divisions performed very strongly in this regard, displaying improvements in their respective net cash positions. The HOCHTIEF Asia Pacific division showed a decrease in net cash. Aside from the use of cash to finance the stock buyback program, this primarily related to the acquisitions of UGL, Sedgman, and Devine.

Net cash (+)/net debt (-)

(EUR million)	**Dec. 31, 2016**	Dec. 31, 2015	Change
HOCHTIEF Americas	844.2	572.5	271.7
HOCHTIEF Asia Pacific	265.1	732.0	(466.9)
HOCHTIEF Europe	44.6	(99.1)	143.7
Corporate Headquarters/Consolidation	(450.0)	(400.0)	(50.0)
Group net profit	**703.9**	**805.4**	**(101.5)**

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

HOCHTIEF increased its profits significantly in 2016 and recorded operational net profit of EUR 361 million, at the top end of the guidance range of EUR 300–360 million provided a year ago. We want our shareholders to have a commensurate share in the Group's success and are proposing an ordinary dividend of EUR 2.60 per share to the Annual General Meeting.

HOCHTIEF's corporate culture will enable us to continue improving. We operate on the basis of clearly defined guiding principles and a shared vision—while commanding the versatility to respond to market and client needs. As in previous years, we continued to develop the Group in this way. Key events were CIMIC's acquisition of the two listed companies UGL and Sedgman, as well as the continuation of the stock buyback program and the retirement of 7.2% of HOCHTIEF's capital stock.

Thanks to its global nature, solid financial position and great flexibility, HOCHTIEF is excellently positioned to take advantage of the opportunities that lie ahead in our regional markets. This enables us to react quickly to changing market conditions. Relevant projects will soon come to our markets in North America, the Asia-Pacific region, and Europe, for instance. HOCHTIEF aims to achieve an operational net profit in the range of EUR 410–450 million in 2017.

In its project activities, HOCHTIEF considers financial, environmental, and social aspects. We champion sustainable, responsible business and also integrate our business partners, subcontractors, and suppliers into our objectives. This is why HOCHTIEF has again combined financial and sustainability reporting in a single Group Report.

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, 2016. No actions were undertaken or refrained from at the instruction or in the interest of the controlling company or its affiliates."

Under one roof: DB Schenker headquarters

Economy: With HOCHTIEF as general contractor, the construction of DB Schenker's new company headquarters in downtown Essen, Germany, was completed in 2016. Dubbed "The Grid," the eight-story office building boasts a gross floor area of just under 30,000 square meters.

Ecology: An enhanced temperature control system guarantees energy-efficient heating and cooling. The plan is to obtain the German Sustainable Building Council's (DGNB) gold certification for the building.

Community: Located close to Essen's central station, the innovative new complex can accommodate 730 employees, who were previously scattered across a total of eight sites in Essen and neighboring Mülheim. With everyone together under one roof in the new headquarters, communications and cooperation between the various departments will be greatly improved.

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

HOCHTIEF Aktiengesellschaft Statement of Earnings (Summary)

(EUR million)	2016	2015
Sales	68.8	38.4
Changes in the balance of construction work in progress	(0.6)	(0.5)
Other operating income	51.7	53.2
Materials	(14.2)	(17.5)
Personnel costs	(25.1)	(31.2)
Depreciation and amortization	(3.2)	(3.4)
Other operating expenses	(115.7)	(91.7)
Net income from financial assets	380.1	312.8
Net interest income	(56.7)	(93.0)
Writedowns on financial assets and marketable securities	–	(0.1)
Profit before tax	**285.1**	**167.0**
Income taxes	4.9	(16.3)
Profit after income tax	290.0	150.7
Other taxes	(0.5)	(1.3)
Net profit/(loss) before changes in reserves	**289.5**	**149.4**
Net profit brought forward	10.1	2.8
Changes in revenue reserves	(132.4)	(13.6)
Income from capital reduction	12.8	–
Appropriation to the capital reserve	(12.8)	–
Unappropriated net profit	**167.2**	**138.6**

HOCHTIEF Aktiengesellschaft Balance Sheet (Summary)

(EUR million)	Dec. 31, 2016	Dec. 31, 2015
Fixed assets		
Intangible assets and property, plant and equipment	26.6	27.7
Financial assets	2,625.9	2,484.2
	2,652.5	**2,511.9**
Current assets		
Inventories, receivables and other assets, and prepaid expenses	595.4	663.9
Cash and cash equivalents, and marketable securities	342.4	339.9
	937.8	**1,003.8**
Excess of plan assets over obligations	**18.8**	**15.8**
Total assets	**3,609.1**	**3,531.5**
Shareholders' equity	1,431.7	1,349.1
Provisions	92.9	110.4
Liabilities	2,084.5	2,072.0
Total liabilities	**3,609.1**	**3,531.5**

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 financial assets 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). The new provisions of the German Accounting Directive Implementation Act (BilRUG) were applied for the first time. It is not HOCHTIEF's policy to adjust prior-year figures in this connection. Furthermore, there are no recognition and measurement changes relative to the prior year. The 2016 Annual Financial Statements and Combined Management Report of HOCHTIEF Aktiengesellschaft and the Group are published in the Bundesanzeiger (Federal Official Gazette).

Earnings

HOCHTIEF Aktiengesellschaft's sales of EUR 69 million (2015: EUR 38 million) mostly relate to remuneration for administration and other services as well as rental income from performing the functions of a holding company. Other operating income was on a par with the previous year, at EUR 52 million. Other operating expenses rose by EUR 24 million year on year to EUR 116 million. Amounting to EUR 380 million (2015: EUR 313 million), net income from financial assets mainly comprises income from profit/loss transfer agreements, income from participating interests, and expenses from transfer of losses. The EUR 67 million increase was primarily due to higher income from profit transfers as well as income from subsidiaries and associates. In total, income of EUR 402 million (2015: EUR 382 million) was generated from profit/loss transfer agreements and income from participating interests in 2016. Expenses from transfer of losses came to EUR 24 million, down significantly on the prior-year figure (EUR 71 million). This was chiefly attributable to the much lower loss absorbed from HOCHTIEF Solutions AG in the amount of EUR 16 million (2015: EUR 51 million). Net interest expense decreased by EUR 36 million year on year to EUR 57 million (2015: EUR 93 million), mainly due to lower interest expense as a result of a legally necessary adjustment in the discount rate used to measure the defined benefit obligation combined with higher gains on plan assets.

HOCHTIEF Aktiengesellschaft's net profit before changes in reserves amounted to EUR 290 million in 2016 (2015: EUR 149 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. As of December 31, 2016, these items accounted for 88% of total assets, unchanged as against the previous year.

HOCHTIEF Aktiengesellschaft's financial assets as of December 31 mostly relate to shares in affiliated companies. These stood at EUR 2.6 billion, up slightly on the prior-year figure (EUR 2.5 billion). The largest items are the carrying amounts of HOCHTIEF Asia Pacific GmbH, HOCHTIEF Americas GmbH, and HOCHTIEF Insurance Broking and Risk Management GmbH. The loans to affiliated companies reported at the end of the previous year (EUR 36 million) were repaid in full by HOCHTIEF Projektentwicklung GmbH in 2016.

Almost all of the marketable securities reported under current assets were sold and amounted to EUR 1 million as of the end of 2016 (2015: EUR 198 million).

HOCHTIEF Aktiengesellschaft recorded a substantial increase in cash and cash equivalents. At EUR 341 million, this exceeded the prior-year figure by EUR 199 million as of December 31, 2016. This mainly relates to bank balances.

Due to the cancellation of 5,009,434 shares of treasury stock in 2016, HOCHTIEF Aktiengesellschaft's subscribed capital is now 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. The capital reserve increased by EUR 13 million—the amount of the subscribed capital represented by the cancelled stock—to EUR 817 million. Revenue reserves rose by EUR 44 million to EUR 283 million. Of this increase, EUR 133 million was credited to equity for the appropriation of net profit to revenue reserves. This was countered by EUR 76 million charged against equity for the purchase cost from the change in treasury stock and EUR 13 million for the subscribed capital represented by the cancelled shares.

Shareholders' equity came to a solid 40% of total assets (2015: 38%).

At EUR 2.1 billion as of the December 31, 2016 reporting date, total liabilities were at the same level as at the prior year-end. The lion's share—EUR 1.8 billion, as in the prior year—was accounted for by bonds representing the bearer bonds issued by HOCHTIEF Aktiengesellschaft. 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. Furthermore, a carrying amount of EUR 773 million is recognized for a bearer bond issued in March 2013 and a carrying amount of EUR 521 million for a bearer bond issued in March 2012. These bonds mature in March 2020 and 2017 and carry a 3.875% and 5.5% nominal coupon respectively. The EUR 50 million promissory note loan still outstanding at the prior year-end was repaid on schedule at the end of the loan term on December 13, 2016. Consequently, HOCHTIEF Aktiengesellschaft no longer had any outstanding promissory note loan issues on December 31, 2016. As in the prior year, there are no drawings on the EUR 500 million syndicated revolving credit facility as of the reporting date. The EUR 263 million (2015: EUR 199 million) in amounts due to affiliated companies is largely related to intra-Group financial management.

HOCHTIEF Aktiengesellschaft's net profit before changes in reserves was EUR 290 million in 2016. Deducting the appropriation to revenue reserves (EUR 133 million) and adding in profit carried forward (EUR 10 million), unappropriated net profit stands at EUR 167 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 unappropriated net profit of HOCHTIEF Aktiengesellschaft for 2016 in the amount of EUR 167,180,000.00 will be used to pay a dividend of EUR 2.60 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, 2017.

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 24, 2017, HOCHTIEF Aktiengesellschaft held a total of 52,142 shares of treasury stock, which would mean an amount of EUR 135,569.20 to be carried forward. The number of no-par-value shares with dividend entitlement for 2016 may change in the run-up to the Annual General Meeting. In any such event, while the distribution of EUR 2.60 for each no-par-value share with dividend entitlement for 2016 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 289 (4)/315 (4) of the German Commercial Code
The information on the composition of subscribed capital pursuant to Section 289 (4) 1 and Section 315 (4) 1 of the German Commercial Code is included in the Notes to the Financial Statements/the Notes to the Consolidated Financial Statements.

The Executive Board is unaware of any restrictions on voting rights or on transfers of securities within the meaning of Section 289 (4) 2 and Section 315 (4) 2 of the German Commercial Code.

Holdings of more than 10% of voting rights within the meaning of Section 289 (4) 3 and Section 315 (4) 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, 2016.

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.

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 54,000 thousand by or before May 5, 2020 (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.

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

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:
On March 23, 2012, HOCHTIEF Aktiengesellschaft issued its first corporate bond. The bond issue is for a principal amount of EUR 500 million, matures in March 2017, and has a coupon of 5.5% p.a. On March 20, 2013, HOCHTIEF Aktiengesellschaft issued a second corporate bond. 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 third 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 a group of parties acting in concert within the

[1] See glossary on page 258.

meaning of Section 30 (2) WpÜG—excluding shareholder ACS (ACS Actividades de 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 dominated company. Comprehensive ring-fencing clauses for transactions with ACS were also built into the bond documentation.

HOCHTIEF Aktiengesellschaft successfully arranged a syndicated **credit and guarantee facility**[1] for a total of EUR 2 billion with an international banking syndicate on December 13, 2011. Originally set to run until December 2016, the syndicated facility was renewed on April 25, 2014 until April 2019. It consists of a EUR 1.5 billion guarantee facility tranche and a EUR 500 million credit facility tranche, and also contains change-of-control clauses, which were retained on extension. 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 facilities. 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) of the German Securities Acquisition and Takeover Act (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 outlined change-of-control clauses do not apply for shareholder ACS and its affiliates; the comprehensive ring-fencing clauses agreed with the lenders with regard to transactions with ACS were likewise retained. 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. Lenders have a special right of termination for the event that any such contracts are nevertheless entered into.

[1] See glossary on page 258.

HOCHTIEF Aktiengesellschaft also extended a **global credit facility** for an initial amount of EUR 100 million with a German bank on November 24, 2016, as well as the term of a global credit facility for an initial amount of EUR 175 million with a German bank on November 29, 2016. All of these agreements contain a substantively identical 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) of the German Securities Acquisition and Takeover Act (WpÜG), securing control of HOCHTIEF Aktiengesellschaft within the meaning of Section 29 (2) WpÜG. The outlined change-of-control clauses for the foregoing loans do not apply for 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 for the event that any such contracts are nevertheless entered into.

Alongside the above-mentioned loan agreements, HOCHTIEF agreed a EUR 142 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 6.9 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 379 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) of the German Securities Acquisition and Takeover Act (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: The terms of the D&O insurance[1] taken out by HOCHTIEF Aktiengesellschaft provide for a limitation of insurance cover if HOCHTIEF Aktiengesellschaft is absorbed by another company by merger, takeover, or similar action or if another company other than ACS, Actividades de Construcción y Servicios, S.A. or another third party gains control of HOCHTIEF Aktiengesellschaft. In any such event, unless otherwise agreed, the insurance solely covers claims relating to breaches of obligations that took place before the change took legal effect. Insurance cover terminates in the foregoing instances on expiration of the insurance period. Above and beyond the mandatory disclosures under Sections 289 (4) 8/315 (4) 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.

[1] See glossary on page 257.

Explanatory report by the Executive Board of HOCHTIEF Aktiengesellschaft pursuant to Sections 175 (2) and 176 (1) of the German Stock Corporations Act (AktG) on the disclosures pursuant to Sections 289 (4)) and 315 (4) of the German Commercial Code (HGB) as of the balance sheet date December 31, 2016.

The Executive Board provides the following explanatory notes on disclosures provided in the combined Group and HOCHTIEF Aktiengesellschaft Management Report and required under Sections 289 (4) and 315 (4) of the German Commercial Code:

Our disclosures relate to the situation in fiscal year 2016 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 289 (4) 3 and Section 315 (4) 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 2015 and 2016 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 were to 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 289 (4) and 315 (4) 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 2017

Marcelino Fernández Verdes

Peter Sassenfeld

José Ignacio Legorburo Escobar

Nikolaus Graf von Matuschka

Focus Area
Attractive Working Environment

Hong Kong is a fascinating, ever-changing city. HOCHTIEF Group company CIMIC is pursuing a wealth of projects here, including Central Reclamation Phase III. This undertaking created nearly 18 hectares of land, with new infrastructure and recreational areas right on the water.

Focus on safety training

Depending on whether we're building a bridge, tunnel, school, or office building, each project has different construction requirements that call for individually tailored occupational safety and health measures. An example of this is the Liantang/Heung Yuen Wai Boundary Control Point project in Hong Kong, where Leighton Asia set up a dedicated safety training facility. Numerous interested guests attended the opening in February 2016.

Divisional Reporting
HOCHTIEF Americas Division

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 four North American subsidiaries—Turner, Flatiron, E.E. Cruz, and Clark Builders. These companies provide building and infrastructure construction services primarily in the U.S. and Canada, each of them focusing on different aspects. Their activities span market segments such as public buildings, office properties, sports facilities, educational and healthcare properties, transportation infrastructure, hydroelectric power stations, and dams. Close cooperation between our companies in the North American market allows them to benefit from synergies as well as from a steady exchange of information and experience.

Based on a very positive orders situation, our operational units put in a strong performance in 2016. Although the U.S. economy expanded by a mere 1.6%[1)]—one percentage point less than in the previous year—our subsidiaries won attractive new business in the reporting period, raising the order backlog to record levels.

In the USA, growth in the transportation infrastructure market shrank by 2.5% as a result of major uncertainties over the outcome of the presidential race. However, experts expect Donald Trump's election to spur increased investment in this segment and trigger an uptick in the economy as a whole. During his campaign, Donald Trump promised to launch an infrastructure investment program valued at just under EUR 950 billion (USD 1 trillion) within the next ten years. He also put forward the prospect of investment in public infrastructure, such as schools and hospitals—sectors in which Turner leads the market. With their expertise, our subsidiaries are well positioned to take advantage of these developments.

The market is also looking favorable in Canada. Robust growth of 3.6% in infrastructure construction was recorded for the reporting year and this is expected to increase to 6.5% in 2017. In May 2016, the Canadian government announced a plan that provides for investment in infrastructure to the tune of around EUR 85 billion (CAD 120 billion) over the next ten years. As for public-private partnership (PPP) contracts, we endeavor to win further contracts.

During 2016, our companies' proximity to markets as well as their focus on quality and results was once again recognized with numerous awards. Turner remains the U.S. number one general builder: In the 2016 rankings published by Engineering News-Record (ENR), the company continues to hold first place in commercial/industrial building construction. Overall, Turner is listed in more than 20 ENR categories, consolidating its top position in the markets for office, hotel, educational, healthcare, and entertainment properties as well as pharmaceutical construction.

Turner is also the leader in the construction of green buildings, generating more than twice the sales of the company ranked second by ENR. In 2016, Turner recorded sales of approximately EUR 4.3 billion in the sustainable building segment.

Our infrastructure specialist Flatiron is rated fifth in the ENR ranking for highway construction and eighth for the construction of transportation infrastructure and bridge projects. This puts Flatiron in a strong market position that is to be expanded still further.

Both Turner and Flatiron have in-house engineering units. In order to manage and minimize risks, the Turner Engineering Group and the Flatiron Technical Services Group act as competence centers on projects, preparing, reviewing, and optimizing planning as needed.

Turner is among the United States' leading providers of virtual design and construction, also known as Building Information Modeling (BIM)[2)], as well as lean construction.[3)] Almost every project makes use of BIM services. In 2016 alone, Turner applied BIM to more than 1,000 projects.

Thanks to its subsidiaries, HOCHTIEF is on an excellent footing in North America. The companies have earned their reputation within the industry as attractive employers[4)] and innovative businesses—clout that serves to bolster their market presence.

[1)] For further information, please see the Markets section on page 39 et seq.

[2)] For further information, please see the Research and Development section on pages 103 to 105.

[3)] See glossary on page 258.

[4)] For further information, please see the Employees section on page 107 et seq.

This chapter is part of Focus Area Sustainable Products and Services

Project highlights

Transportation infrastructure

Flatiron, our U.S. subsidiary specializing in civil engineering, has been awarded a new contract in Denver, Colorado. As part of a joint venture, the company has been tasked with renewing 19 kilometers of the C-470 state highway and adding tolled express lanes. As leader of the consortium, Flatiron will benefit with a project volume of around EUR 129 million from its design and construction work. The team will give priority to water conservation, as the highway crosses the ecologically sensitive South Platte River corridor.

Flatiron has won its first contract for a project in Texas. A member of the consortium responsible for the construction of the Corpus Christi Harbor Bridge that on completion will be one of America's longest cable-stayed bridges, the company is due EUR 363 million of the total EUR 726 million contract value. The consortium plans to source the majority of workers and subcontractors for the job from the region.

Flatiron was also awarded the Concourse A ramp expansion at Charlotte Douglas International Airport in North Carolina. In charge of expanding one of the gates, sister company Turner Construction is similarly involved in the large-scale project.

Another addition to Flatiron's books is the design and construction of West Virginia's Wellsburg Bridge, valued at EUR 118 million. Scheduled for completion in early 2021, this project is the company's first in West Virginia. While work is underway, care will be taken to protect the delicate riverside ecology along the banks of the Ohio River.

In Alberta, Canada, Flatiron has been selected to carry out the Red Deer Interchange project worth EUR 72 million. Slated for completion in 2019, the project entails building two highway interchanges, removing three bridge structures, constructing five new bridge structures, reconfiguring ramps and intersections, expanding the highway to six lanes, and adding new collector-distributor roads.

Under a contract valued at roughly EUR 53 million, E.E. Cruz is set to revamp four stations on the Jamaica Line of New York's rapid transit system. Rehabilitation of the Fulton Avenue Bridge over the Hutchinson River—another New York project awarded to the company—is worth some EUR 13 million.

Under a EUR 48 million contract, Turner has been tasked with demolishing and rebuilding an air traffic control tower above Terminal 2 at San Francisco Airport. Most of the materials from the old tower will be reused in the course of the project.

Social and urban infrastructure

Sports and event facilities segment

Turner has secured a major contract in Los Angeles: Together with joint venture partners, the company is building a new stadium for the Los Angeles Rams football team. The 70,000-seater will also host other national and international events.

In Washington D.C., Turner is to build a new 20,000-capacity stadium for the DC United soccer team. In addition to soccer games, the venue will also be used for staging concerts and other events. LEED Gold certification will be sought for the project slated for completion in 2018. The stadium will feature permeable paving for paths and roads to facilitate natural groundwater absorption, LED lighting, green roofing as well as solar panels.

More project highlights: www.hochtief.com/clientportal

Educational property segment

Turner is to build the Center for Cyber Security Studies at the United States Naval Academy in Annapolis, Maryland. Valued at some EUR 103 million, the property, which is slated for completion in late 2019, includes classrooms, lecture halls, offices, research laboratories, and an observatory, among other amenities.

Another of Turner's projects in Maryland is renovating and expanding the Prince George's Community College's Fine Arts Center in Largo. With space for classrooms, laboratories, offices, and a theater for the performing arts, the project is valued at around EUR 63 million.

Under a EUR 45 million contract, Turner is also to renovate and expand Mount Greylock Regional High School in Williamstown, Massachusetts.

In addition, the company has been awarded the contract to build the new ultra-modern Science and Engineering Complex at Harvard University in Allston, Massachusetts, due for completion in 2020. Featuring a glass facade that allows ample daylight in and consequently reduces CO_2 emissions during operation, the new building aims to promote interdisciplinary exchanges. A planted courtyard will provide space to relax.

Turner is renovating Boulder High School in Denver, Colorado. Originally built in 1937, the school is undergoing improvements inside and out. Health, safety, and environmental aspects will be among the areas to benefit from the renovations. The heating, cooling, ventilation, lighting, and other systems are being upgraded.

Office properties segment

Turner has secured the contract worth around EUR 54 million to erect an office building for the UC Davis Medical Center on the University of California campus in Sacramento. The building is targeted to meet the standards for LEED Gold certification.

Residential segment

In New York City's Greenpoint neighborhood, Turner is building the 37 Blue Slip residential tower with 364 apartments spread over 30 stories.

For the 425 Fairview project in Seattle, Washington, Turner has been contracted to deliver a 24-story residential high-rise and a seven-story mid-rise structure.

Hotels segment

Turner has won the contract to build the five-star Conrad Washington D.C. hotel with 370 rooms and retail space. Work is expected to be completed early in 2019. The hotel is part of the new mixed-use CityCenterDC development.

Healthcare properties segment

Turner is to expand the Children's Hospital at Vanderbilt University Medical Center in Nashville, Tennessee, in order to bring capacity into sync with growing demands.

Cultural and entertainment segment

In New York, Turner is responsible for expanding and upgrading one of the world's most renowned museums—the Museum of Modern Art in the heart of Manhattan. In the coming years, the company will increase the exhibition space by 30%.

Under a contract valued at around EUR 136 million, Turner is restoring the Museum Center, a striking art deco building, at Union Terminal in Cincinnati, Ohio. The restoration work respects the historic substance of the former railway station, which now houses museums and an archive.

Mixed-use developments segment

Turner is currently managing the construction of Malaysia's tallest building, Merdeka PNB118, in Kuala Lumpur. Scheduled for completion during 2020, the 118-story skyscraper will provide offices, retail space, and a luxury hotel. A rigorous environmental program is being implemented on the project with a goal of achieving Platinum certification under the USGBC's LEED program, the Malaysian Green Building Index (GBI), and the Malaysian GreenRE program.

The HOCHTIEF Americas division's key figures

The HOCHTIEF Americas division continued to perform strongly in 2016. **Operational PBT** was 33.5 % higher at EUR 214 million, at the top end of the divisional guidance range. Sales increased 5.3 % to EUR 10.9 billion and the operational PBT margin increased substantially by 50 basis points to 2.0% reflecting both the further progress at Turner's building activities and the return to profits at our civil business Flatiron.

A key highlight at the HOCHTIEF America's division was the continued improvement in cash generation—partly due to consistent implementation of the Group-wide working capital initiatives. **Net cash** from operating activities increased by over EUR 100 million with a substantial improvement at Flatiron, now cash flow positive. As a consequence, divisional net cash ended the year at EUR 844 million, up by over EUR 270 million year on year.

It was another strong year of growth in orders. Driven particularly by Turner, **new orders** reached a record 13.7 billion, which represents an increase of 26% compared with 2015. Noteworthy contract wins include the LA Rams Stadium and LAX Airport projects for Turner, while Flatiron secured the Harbor Bridge project in Texas and the C-470 express lanes contract in Colorado along with a greater volume of smaller-sized projects.

In the HOCHTIEF Americas division, Turner sees relevant new projects for USD 50 billion as being in the pipeline in 2017, while Flatiron has identified new projects worth USD 15 billion.

Outlook

We expect a further improvement at HOCHTIEF Americas in 2017 with operational profit before tax in the range of EUR 235-250 million.

HOCHTIEF Americas division: Key figures[1)]

(EUR million)	**2016**	2015	Change yoy
Operational profit before tax/PBT[2)]	213.9	160.2	33.5%
Operational PBT margin[2)] (%)	2.0	1.5	0.5
Operational net profit[2)]	134.9	104.4	29.2%
Profit before tax/PBT	203.8	154.9	31.6%
Net profit	128.1	101.2	26.6%
Net cash from operating activities	433.8	324.1	33.8%
Gross operating capital expenditure	36.8	35.9	2.5%
Net cash (+)/net debt (-)	844.2	572.5	47.5%
Divisional sales	10,905.8	10,354.4	5.3%
New orders	13,659.3	10,829.3	26.1%
Work done	11,122.2	10,874.9	2.3%
Order backlog (year on year)	15,896.8	12,859.5	23.6%
Employees (end of period)	9,490	9,280	2.3%

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

Fast and safe: The Gateway WA road project in Perth

Economy: The Gateway WA Perth Airport and Freight Access Project is the largest roads initiative undertaken by Main Roads Western Australia. CPB Contractors collaborated with Alliance partners to reach practical completion in March 2016—ahead of schedule and under budget. Using innovative urban design, the project incorporated, among others, road and bridge improvements, facilities and connections for pedestrians and cyclists, noise walls, and the use of Intelligent Transport System (ITS) Technology.

Ecology: Recycled and reused materials onsite included around 110,000 metric tons of construction and demolition waste, and around 148,000 metric tons of excavated site soil. Water conservation was a main focus of the project and 2,300 rare plants were planted. These efforts earned the team the second highest Infrastructure Sustainability rating for a completed infrastructure construction project in Australia and a national 2016 Civil Contractors Federation (CCF) Earth Award.

Community: The team worked with members of the local Indigenous Australian community to enhance the recognition of heritage through public art.

HOCHTIEF Asia Pacific Division

This chapter is part of Focus Area Sustainable Products and Services

Our activities in the HOCHTIEF Asia Pacific division are run by CIMIC Group. With operational units active in Australia, Asia, the Middle East, North and South America, and Africa, CIMIC conducts business in over 20 countries altogether.

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

CIMIC is the leading contractor in the Asia-Pacific region and the world's largest contract miner. It provides services in the business segments of construction, mining and mineral processing, engineering, concessions, operations and maintenance for the infrastructure, resources, and real estate markets. Particularly in Australia and Asia, CIMIC plays a leading role in the construction and resources markets.

The CIMIC companies CPB Contractors and Leighton Asia are responsible for the construction business segment. Thiess is the CIMIC Group's global mining services provider. While it operates primarily in Australia and Asia, the company also handles projects in Africa and received its first contracts in South America and Canada in 2016. At the beginning of the reporting year, CIMIC acquired all shares in Sedgman, a global minerals processing specialist. Sedgman operates in Australia, Asia, Africa and South America as well as on the North American continent. Public-private partnership (PPP) projects are developed and executed by the Pacific Partnerships company. The strategy provides for CPB Contractors executing the construction work in PPP projects. The entire CIMIC Group's engineering capabilities come together under the roof of EIC Activities.

CIMIC holds interests in HLG Contracting (45%), Devine (59.11%), and Ventia (50%). In fall 2016, CIMIC also took over the majority of shares in the company UGL and, as at January 2017, owns 100% of the company. UGL, with headquarters in Sydney, is a leading provider of end-to-end outsourced engineering, asset management, and maintenance services with a diversified end-market exposure across core sectors of rail, transport, and technology systems, power, resources, water, and defense. At year-end 2016, CIMIC had a 95.4% stake in UGL.

In January 2017, CIMIC announced an off-market, unconditional takeover offer for Australia-listed Macmahon. Macmahon is a leading Australian provider of mining services.

Overall, experts forecast economic growth of 2.7% for Australia in 2017. In transportation infrastructure, they anticipate a 2.1% rise.[1)] We envision especially large potential for CIMIC here, notably in the PPP segment. Australia in particular is one of the most mature and attractive PPP markets in the world. This applies to both transportation and social infrastructure alike. Major long-term rail projects have been launched, notably in Sydney, Melbourne, and Canberra, in which CIMIC has already won key packages of work. Our concept—to provide services throughout the life cycle of large-scale projects—is in great demand.

In the resources sector, CIMIC broadened its position and positioned itself in new markets in the reporting year. Global mining services provider Thiess expanded operations to North America. In addition, CIMIC fully took over mining services provider Sedgman. With this move, CIMIC has diversified its product and service spectrum to include mineral processing services and the related infrastructure solutions for the global resources industry. CIMIC is actively engaged in mitigating the mining sector's impact on society and the environment. The company's efforts include programs to promote the Indigenous population as well as environmental protection and renaturalization initiatives.

The role of Building Information Modeling (BIM), which streamlines construction processes and enhances communication among all project participants, is also becoming more important in Australia, Asia, and the Middle East. Our expertise and many years of experience with this tool put us in a very good position, and we see large growth potential in this field.

Similarly, sustainable construction continues to gain in significance, with the markets for green buildings and sustainable infrastructure growing steadily in Australia and New Zealand. Some governments and cities have implemented programs to drive sustainability in construction projects, including the Environmental Action 2016–2021 Strategy and Action Plan the city of Sydney

[1)] For further information, please see the Markets section on page 39 et seq.

is acting in cooperation with the Green Building Council of Australia, and the UrbanGrowth NSW Sustainability Compact for the state of New South Wales. With a large number of certified building construction and civil engineering projects to its credit, CIMIC can tap into a rich seam of specialized knowledge and in-depth experience. In addition, 2016 saw CIMIC listed on the Dow Jones Sustainability Australia Index for the third year in a row—as one of just two Australian construction and engineering services companies. CIMIC also participated successfully in the Carbon Disclosure Project (CDP[1]).

[1] See glossary on page 257.

Project highlights

More project highlights: www.hochtief.com/clientportal

During 2016, CIMIC Group companies generated a large number of new orders while making good headway with existing work and bringing a number of projects to completion.

Transportation infrastructure

In Hong Kong, Leighton Asia is part of a joint venture building the Tseung Kwan O – Lam Tin Tunnel, with a total contract volume of EUR 1.1 billion. CIMIC company's share amounts to 51%. Leighton Asia has already successfully completed many projects for the Hong Kong government. Although the densely populated city poses special challenges in terms of construction, the tunnel will optimize traffic flow, as the district of Tseung Kwan O anticipates an increase in population as well as economic growth. The project is scheduled to be completed within five years.

CIMIC company CPB Contractors was awarded the contract to design and construct Stage 2 of the Gold Coast Light Rail public transportation system in Queensland, involving a 7.3-kilometer extension of the system. The work will generate approximately EUR 134 million for CPB Contractors. The company will be employing a large number of local workers and subcontractors.

In addition, CPB Contractors is to upgrade Section C of Queensland's Bruce Highway under a contract worth some EUR 103 million. Scheduled for completion by mid-2018, the work comprises the construction of a four-lane section of highway 10.5 kilometers long, including seven bridge structures. The CPB Contractors team has already worked closely with the client to protect the ecosystem surrounding the project.

Also in Queensland, the Logan Enhancement project worth some EUR 293 million for CPB Contractors is to be completed by mid-2019. Several sections of road are to be upgraded and widened. This project is of major economic significance for the Brisbane region, with construction alone creating jobs for 1,300 people. Its location within a green belt means rigorous environmental regulations must be fulfilled.

In Melbourne, the company is part of an Alliance awarded the contract to design and build the Level Crossing Removal project, worth some EUR 318 million. By 2018, a total of nine railway level crossings are to be removed and five new stations built. The relocated tracks will improve traffic safety, reduce congestion, and enhance network efficiency.

Main Roads Western Australia has tasked CPB Contractors with delivering design and construction services for the Roe 8 project in Perth. The five-kilometer highway extension, worth some EUR 160 million for the CIMIC company, is to be finished by early 2020. CPB Contractors has already worked closely with the client to assess ways of minimizing the impact on the natural environment, with the aim of achieving operational, social, and environmental benefits alike. With this, the company is complying with government regulations in Western Australia, which mandates that major infrastructure projects fulfill the ISCA[2] rating criteria. The company uses an innovative design approach to achieve that.

[2] See glossary on page 257.

Mining services

Thiess, the global mining services provider now also operates in North America. The company established a joint venture and provides mining services in oil sands to a Canadian energy company. The project is worth some EUR 290 million.

In addition, Thiess has secured a six-year contract extension worth around EUR 371 million to continue operations at Melak coal mine in Indonesia. The new contract is testimony to the company's sound performance at the site dating as far back as 2008. Here, too, the focus is squarely on implementing innovative and sustainable mining solutions for the client. Indonesia is the world's leading exporter of thermal coal.

Thiess is delivering Mongolia's first underground decline project at the Oyu Tolgoi copper and gold mine. The company is responsible for construction work including twin declines incorporating both a service and a conveyor tunnel that are scheduled for completion in 2020. The contract is worth EUR 88 million, of which Thiess has an 80% share.

Social and urban infrastructure

Mixed-use developments segment

Mumbai, India, is home to the new Maker Maxity project. Leighton India Contractors is to deliver phases two and three of the prime-location, mixed-use development in Mumbai by mid-2019. Valued at some EUR 149 million, the contract includes the development of retail and hospitality units.

Residential segment

Also in Mumbai, Leighton India Contractors is delivering the Ten BKC project, a two-hectare residential development comprising 937 apartments across 40 towers in the Bandra Kurla Complex, a commercial and residential complex.

Healthcare segment

In New Zealand, CPB Contractors is to construct the Christchurch Hospital Acute Services Building. Awarded by the Ministry of Health, the contract worth approximately EUR 183 million is slated for completion by mid-2018. In an upstream preconstruction phase, the company has already determined the construction methods, programs, and costs, thereby pinpointing special innovations and cost savings.

Public buildings segment

In Hong Kong, Leighton Asia has been selected to build a columbarium for cremation urns and a garden of remembrance. Worth around EUR 215 million, the project is scheduled for completion in spring 2019. The project forms part of the Hong Kong Government's objective of adressing the shortage of public spaces dedicated to the memory of the deceased.

Under a joint venture, Leighton Asia is also to deliver additional buildings for the Hong Kong-Zhuhai-Macao Bridge border crossing by the end of 2017. The contract will provide Leighton Asia with revenue of about EUR 81 million. This is in addition to the existing contract Leighton Asia is delivering to build the Passenger Clearance Building facilities for the Hong Kong-Zhuhai-Macao bridge. These contracts, along with Leighton Asia's construction of the terminus for the express rail link to China, and the Liantang/Heung Yuen Wai Boundary Control Point contract, are the three major gateway projects into China for the Hong Kong Government.

Commercial properties segment

The Australian Department of Defence has selected CPB Contractors to build a maintenance hangar for the C-17A aircraft as well as an aircraft apron and associated airfield infrastructure at the RAAF base in Amberley, Queensland. The contract is worth EUR 126 million.

Water treatment segment

CPB Contractors has been selected by Melbourne Water to deliver the Western Treatment Plant – Treatment Capacity Increase Project in a 50:50 joint venture with UGL over a four-year period. The design and construct contract will generate combined revenue of approximately EUR 89 million. The team will deliver a new sewage treatment facility with a capacity of 140 million liters a day. This new facility is designed to integrate with the existing Treatment Plant.

HOCHTIEF Asia Pacific Division: Nominal Figures[1)]

(EUR million)	2016	2015	Change yoy
Profit before tax/PBT	431.9	424.4	1.8%
PBT margin (%)	5.9	4.7	1.2
Net profit	217.4	173.2	25.5%
Net cash (+)/net debt (-)	265.1	732.0	-63.8%
Divisional sales	7,303.0	8,946.1	-18.4%
Order backlog (year on year)	23,302.0	19,470.0	19.7%
Employees (end of period)[2)]	35,396	27,942	26.7%

1) All figures are nominal unless otherwise indicated
2) Incl. workforce UGL (6,801 as of Dec. 31, 2016)

The HOCHTIEF Asia Pacific division's key figures

The **HOCHTIEF Asia Pacific division** comprises HOCHTIEF's CIMIC stake (72.7% at the end of 2016) as well as associated financing and holding costs. The movement in financial results of HOCHTIEF Asia Pacific is mainly a function of those reported by CIMIC but also reflects the associated financial and holding costs at the division as well as variations in the Australian dollar versus the euro.

The division achieved very significant progress in 2016. Thanks to its strong operational and management teams, CIMIC continued to achieve solid, cash-backed, profits. Furthermore, long-term growth prospects were enhanced by some important strategic acquisitions. Currently, CIMIC is incorporating the diversified services company, UGL, into the group after finalizing a 100% takeover of UGL in January 2017. Earlier in the year, the acquisition of mining and mineral processing services company Sedgman was completed.

Nominal net profit at HOCHTIEF Asia Pacific increased by about 26% year on year to EUR 217.4 million with the PBT margin rising 120 basis points to 5.9% from 4.7%. Although full year sales were at a lower level than in 2015, the sales trend was positive and in the fourth quarter of 2016, sales were 18.4% higher year on year at EUR 2.21 billion.

The year-end **order book** of EUR 23.3 billion was almost 20% higher than at December 2015, partly due to the UGL acquisition but also reflecting growth in the core construction and mining activities. **New orders** increased to almost EUR 9.0 billion.

Net operating **capital expenditure** of EUR 133 million was at a higher level in 2016 due mainly to job-costed tunneling machines for specific projects. **Net cash from operating activities** continued to be solid at EUR 692 million and increased during the fourth quarter of the year compared with the corresponding period of the previous year. Cash flow in 2015 was affected positively by the significant initial benefits of CIMIC's working capital management strategy.

CIMIC's key figures

Net profit after tax (NPAT) at CIMIC rose by 11.5% year on year to AUD 580.3 million, with the stronger growth at earnings-per-share level (14.9%) highlighting the benefit of the Group's share buyback. NPAT growth was driven mainly by increased operating margins and reduced net financial costs. EBIT margins improved by 70 basis points to 7.0% in 2016 compared with 6.3% in 2015. The positive trend in revenues continued during the year and the fourth quarter saw revenues up by 13.5% year on year to AUD 3.2 billion, or 6.3% higher excluding the benefit of UGL.

Net cash from operating activities in Q4 2016 increased by 4.3% year on year to AUD 557 million. Cash flow from operating activities (which is before net finance costs, tax and dividend income) was AUD 1.2 billion in 2016 and represents a high EBITDA conversion rate of 110% during the year.

At the end of 2016, **net cash** (excluding operating leases) stood at AUD 409 milllion. This was after approximately AUD 1.0 billion of net investments including UGL, Sedgman, Devine, the share buyback and the divestment of Nextgen. Adjusted for these effects, net cash would be over AUD 1.4 billion.

CIMIC ended the year with **work in hand** of AUD 34 billion, an increase of over 17% compared with the end of 2015, with its core contruction and mining businesses both up over 4% year on year. In addition, the level of work in hand benefited from the AUD 4.9 billion coming from services business UGL. Looking forward CIMIC has identified around AUD 100 billion of relevant tenders coming to the market in 2017 in the order of AUD 250 billion for 2018 and beyond.

Outlook

CIMIC's NPAT guidance for 2017 is AUD 640-700 million which represents an increase of 10-21% year on year on the 2016 result.

HOCHTIEF Europe Division

This chapter is part of Focus Area Sustainable Products and Services

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

As the management company for the HOCHTIEF Europe division, HOCHTIEF Solutions AG encompasses the core business in Europe. The operating subsidiaries supply services in our lines of business under the umbrella of HOCHTIEF Solutions AG. This structure combines the advantages of operating more like a small- or medium-sized enterprise with the service range and financial strength of an internationally experienced construction group.

HOCHTIEF Infrastructure, HOCHTIEF PPP Solutions, and HOCHTIEF Engineering, provide services primarily for infrastructure and building construction projects as well as public-private partnerships (PPP) in addition to engineering, with a focus on the transportation, energy, and social and urban infrastructure segments. The newly founded service company "synexs" responds to rising demand for modern facility management. HOCHTIEF Projektentwicklung is also part of the division.

In 2016, HOCHTIEF Infrastructure and HOCHTIEF Building were merged with a view to strengthening the market position of our European construction activities. In addition to its building construction operations in Germany, Poland, and the Czech Republic, the company delivers a full spectrum of transportation and energy infrastructure services mainly in Europe. The Technical Competence Center (TCC) supports the construction unit by providing dedicated and experienced specialists.

HOCHTIEF Engineering is made up of four business lines: Infrastructure; Energy, Industrial and Special Services; Virtual Design and Construction (ViCon); and Construction and Project Management Services.

We have had a focus on digital construction for many years in HOCHTIEF ViCon. Today, this company is one of the leading service providers and consultants in virtual construction/Building Information Modeling (BIM) with locations in Germany, Qatar, and the United Kingdom. Thanks to HOCHTIEF ViCon, we are one of the first construction companies to have entered the digital construction market.

As a partner to the public sector, HOCHTIEF PPP Solutions offers project design, financing, construction, and management services. It delivers end-to-end PPP solutions for transportation, energy, and social infrastructure projects covering the entire life cycle of the project. Our strategy is to take on PPP projects only when we are also tasked with implementing the construction phase.

The structure of the HOCHTIEF Europe division will result in improved quality of the contracts acquired as well as enhanced risk management. We also continued to rigorously streamline our reporting processes during 2016. Our efficient processes serve to optimize the competitive position of the individual companies.

HOCHTIEF sees major growth potential in transportation infrastructure and in the real estate segment in its home market of Germany: The building construction market continues to flourish, and the Federal Transport Infrastructure Plan adopted in August 2016 provides for investments of some EUR 270 billion in the period up to 2030. We aim to generate good returns in the competitive arena by participating in attractive projects. We also plan to systematically step up our activities in other key European markets, notably in Scandinavia, the UK, and the Netherlands. Our expertise in BIM gives us a distinct edge and is much sought after by clients.

We completed two prominent, large-scale projects in the reporting year. On November 4, 2016, HOCHTIEF handed over the Elbe Philharmonic Hall to the client, the City of Hamburg. The spectacular structure, which commenced concert operations in January 2017, has already become a new landmark in Hamburg. In addition, June 1, 2016 marked the opening of the Gotthard Base Tunnel in Switzerland, which at 57 kilometers is the world's longest railway tunnel. HOCHTIEF played a major part in the tunneling work in a joint venture involving two of the tunnel sections.

World record: The Gotthard Base Tunnel

Economy: The world's longest railway tunnel—the 57-kilometer Gotthard Base Tunnel in Switzerland—officially opened in 2016. Including the connecting, ventilation, and escape galleries, the project comprises a total of over 150 kilometers of passages. Working as part of a joint venture, HOCHTIEF played a major role in two complex construction lots.
Ecology: The new route will allow trains to simply pass beneath the Saint-Gotthard Massif and its reservoirs. Thanks to the shorter route and the shift of freight from road to rail, greenhouse gas emissions are lowered significantly.
Community: The new tunnel will also connect people since express trains cover the distance in just 20 minutes, reducing travel time from Zurich to Milan by almost half.

The HOCHTIEF Europe division reported numerous important new projects in 2016.

Project highlights

Transportation infrastructure

HOCHTIEF PPP Solutions was selected to design, finance, build, and maintain the expansion of the A6 freeway in Baden-Württemberg as part of the ViA6West consortium. The contract is worth a total of EUR 1.3 billion, with the construction portion accounting for EUR 600 million. HOCHTIEF PPP Solutions has a share of 30%; HOCHTIEF Infrastructure holds 60% in the construction joint venture. The project involves widening a 25.5-kilometer stretch of highway to six lanes while keeping the road open to traffic in addition to renovating the 1.3-kilometer Neckartal Bridge near Heilbronn. The highway section to be operated and maintained until 2046 comprises a length of 47.2 kilometers.

HOCHTIEF Infrastructure is the technical lead in a joint venture to construct a noise protection tunnel on the A7 highway in Hamburg-Stellingen. This contract is worth a total of EUR 154 million (HOCHTIEF's share: EUR 128 million). The new tunnel will connect two city neighborhoods currently separated by the highway, which will considerably raise quality of life in the area.

The company has been awarded another tunnel contract in the federal state of Hesse, where it will build the 600-meter Trimberg tunnel and widen a section of the A44 highway to four lanes. The total value of the contract is EUR 73 million (HOCHTIEF's share: 50%).

In Austria, HOCHTIEF Infrastructure Austria is part of a joint venture in which it is responsible for the main section of the A5 North/Weinviertel construction project with a total volume of EUR 48 million. Scheduled to run until mid-2018, the project involves the removal of around 1.6 million cubic meters of material, some 600,000 cubic meters of which will be reused for embankments. The remainder will be utilized for landscaping outside of the construction site.

HOCHTIEF (UK) Construction is to renovate London's Tottenham Hale underground station by April 2018. HOCHTIEF's expertise in Building Information Modeling (BIM) was among the factors instrumental in winning this contract. Our company has already completed four underground station projects by London Underground.

More project highlights: www.hochtief.com/clientportal

In addition, the company was awarded the "Locros Lifts" contract from Rail for London to modernize three stations in east London. Here, too, our team works with BIM.

HOCHTIEF (UK) Construction has been contracted to deliver the M4 Junction 16 Capacity Improvements transportation infrastructure project. The M4 highway intersection near Swindon is to be reconfigured by the start of 2018 to handle a projected increase in traffic volume.

HOCHTIEF ViCon has been awarded its first contract in Australia. ViCon will supply BIM management services along with the company's proprietary Online Rail Information System (ORIS) for the Sydney Metro Northwest project, a major undertaking in which CIMIC Group companies have also been awarded major contracts.

Social and urban infrastructure

Office and commercial properties segment

HOCHTIEF PPP Solutions will be constructing the new Berlin-Brandenburg state laboratory until 2019 under a public-private partnership leasing model. The new building, which will include laboratories with various security levels as well as offices, will cost EUR 72 million to construct, with a total investment volume of EUR 160 million. The lease runs for 30 years. As with all PPP projects, we are taking an end-to-end life cycle approach. For instance, special cooling technology will be implemented to make use of outside air temperatures in the cooling process. This will significantly reduce energy consumption and thus lower costs.

HOCHTIEF Infrastructure is to construct another high-rise in Frankfurt. Under a contract worth some EUR 138 million, the 155-meter Marienturm office tower will be completed by the end of 2018 in line with the LEED Platinum standard. HOCHTIEF is implementing its partnership-based PreFair process in constructing the building, with the contractually agreed construction work and costs being optimized with the client in advance during the preconstruction phase.

In Hamburg, the company is working on the Campus Tower HafenCity project to be completed by the end of 2018. The ensemble comprising a high-rise building and an adjacent horizontal structure will include condominiums as well as subsidized rental apartments in addition to office and retail space. The project will require an extremely high level of efficiency given the objective of certification in accordance with the HafenCity Gold Ecolabel.

Also in Hamburg, HOCHTIEF Infrastructure has been contracted to expand the head office of Nordex, a project worth around EUR 22 million. HOCHTIEF already constructed the administrative building for the wind turbine producer in 2009 and, after providing intensive support during the design phase, will work on completing the expansion (Nordex II) by early 2018. The extension will have a number of sustainability features based on experience from the initial construction project. A daylight-controlled lighting system with presence detectors will be fitted, as this has a positive impact on energy consumption. In addition, heat pumps will also have an effect on primary energy consumption.

In Würzburg, HOCHTIEF PPP Solutions and HOCHTIEF Infrastructure are designing and constructing a new administrative complex for the Deutsche Rentenversicherung Bund pension insurance agency. Scheduled for completion in 2018, the office building will include a data center. After the construction phase, a ten-year contract covering technical and infrastructure building management will go into effect with a five-year extension option.

Residential segment

In Leipzig, HOCHTIEF has been contracted to construct the Bernsteincarré building to comprise residential and commercial space by mid-2017. The seven-story structure has been designed to emulate the style of the Leipzig trade fair buildings. During the construction process, the DGNB Gold certificate standard will be adhered to.

HOCHTIEF is to expand the senior citizens' residence operated by the K.D. Feddersen Foundation in Hamburg by April 2018. Our employees' expertise in BIM was among the factors that clinched the contract. The proximity to an ecological habitat must be taken into account in the construction process.

HOCHTIEF Polska is constructing a sustainable residential complex, scheduled for completion by September 2017, in line with the BREEAM standards for achieving "Very Good" certification. The entire building will be equipped with barrier-free entries and offer washroom facilities for bicycle commuters.

In Prague, HOCHTIEF CZ is constructing a mixed-use building ("Poruba") to comprise residential units, retail shops, and parking lots.

Hotels segment

HOCHTIEF is to deliver the Motel One project, a seven-story establishment with 424 rooms, in Cologne by the end of 2018. In terms of the number of beds, this will be the largest hotel in the city. The hotel's vicinity to the Rhine River means that the high groundwater level must be factored into the design. Its confined inner-city location will require a customized logistics concept.

Educational properties segment

HOCHTIEF Building has been awarded another contract worth some EUR 127 million for the Ruhr University in Bochum, where it will design and construct the IA-IB building complex up to turnkey completion. Up until September 2015, HOCHTIEF was tasked with removing contaminants from the two nine-story buildings as part of the first contract.

Commercial properties segment

In Kraków, HOCHTIEF Polska worked between May and December 2016 to expand an electric motor assembly plant by adding a building containing extra production and warehouse space as well as staff rooms.

HOCHTIEF Polska is also to build a production and warehouse facility for skincare products manufacturer Velvet Care in Klucze, about 50 kilometers northeast of Kraków. Completion of the project is scheduled for 2017.

Sports and event facilities segment

HOCHTIEF Infrastructure has been contracted to act as general contractor in constructing the new Mercedes Platz entertainment and lifestyle district in Berlin, which will provide space for sporting and cultural events alongside shops and hotels. In a results-driven preconstruction phase, HOCHTIEF succeeded in proposing to the client a number of technical improvements. Scheduled for completion in 2018, the project has a contract value of around EUR 200 million. Mercedes Platz will form the heart of the dynamically growing urban district alongside the East Side Gallery.

The HOCHTIEF Europe division's key figures

2016 was a year of further progress for HOCHTIEF Europe with improvement in the division's financial performance. **Operational PBT** more than doubled to EUR 36.1 million, at the top end of the divisional guidance range (EUR 20-35 million) with the margin advancing 140 basis points to 2.3%. **Nominal PBT** was also positive at EUR 18.7 million, a EUR 46.2 million improvement compared with the loss registered in 2015.

One of the highlights of the HOCHTIEF Europe division's performance was that it is now generating positive **cash flow**. Free cash inflow from operations of EUR 40 million was achieved in 2016 compared with the EUR 98 million outflow of the previous year. A major factor behind this performance was the important improvement achieved on the working capital front, a key performance indicator which the Group continues to be very focused on. As a consequence of this positive result, the division ended the year with a net cash position (for the first time in several years) of EUR 45 million.

New orders increased compared with the prior year—adjusted for two major contracts in the Middle East. These contracts were discontinued by the clients. The period-end **order book** was at close to EUR 4.0 billion, which provides a solid base for the division going forward. In February 2017, HOCHTIEF Europe won the EUR 1.0 billion Zuidasdok infrastructure project in the Netherlands of which HOCHTIEF has a 42.5% share. For the current year, HOCHTIEF Europe is working on a project pipeline worth EUR 25 billion.

Outlook

Looking forward we expect a further improvement in operational PBT to EUR 40-45 million for 2017.

HOCHTIEF Europe Division: Key figures[1)]

(EUR million)	2016	2015	Change yoy
Operational profit before tax/PBT[2)]	36.1	15.7	129.9%
Operational PBT margin[2)] (%)	2.3	0.9	1.4
Operational net profit[2)]	30.4	8.9	241.6%
Profit before tax/PBT	18.7	(27.5)	–
Net profit	12.5	(29.9)	–
Net cash from operating activities	61.9	(64.2)	–
Gross operating capital expenditure	36.2	58.7	-38.3%
Net cash (+)/net debt (-)	44.6	(99.1)	–
Divisional sales	1,596.5	1,660.2	-3.8%
New orders[3)]	2,097.5	1,967.3[3)]	6.6%
Work done	1,949.6	2,066.4	-5.7%
Order backlog (year on year)[4)]	3,890.6[4)]	3,695.9[4)]	5.3%
Employees (end of period)	6,414	6,849	-6.4%

1) All figures are nominal unless otherwise indicated
2) Operational earnings are adjusted for deconsolidation effects and other one-off impacts
3) adjusted for EUR 709.7 million from two projects in the Middle East
4) adjusted for EUR 4.3 million (2016) and EUR 694.5 million (2015) from two projects in the Middle East

Focus Area Compliance
Compliance

In a public-private partnership project completed in 2016, HOCHTIEF developed a new urban district devoted to education, art, and creativity in the vicinity of the former Union brewery in Dortmund, Germany.

Focus on fairness

We are well aware of our responsibilities. This is why we consider the compliance focus area to be a basic precondition for sustainable action. Our employees undergo regular compliance training and are guided in their daily activities by the HOCHTIEF Principles and Code of Conduct. Furthermore, they can always count on the support of someone from the compliance organization. That way, we ensure we treat each other in a spirit of fairness.

Corporate Governance and Compliance

Corporate Governance

The principle of good corporate governance applies throughout the HOCHTIEF Group and thus for all divisions. Corporate governance relates to the principles and regulatory framework by which a company is managed and monitored. Our benchmark in Germany in this connection is the German Corporate Governance Code.

In the following sections, the Executive Board reports jointly with and on behalf of the Supervisory Board on corporate governance at HOCHTIEF in accordance with the Code.

Responsible and transparent business management and control geared to long-term financial success are binding principles for HOCHTIEF. Good corporate governance lays the basis for investor, client, workforce, and public confidence.

In February 2017, the Executive Board and Supervisory Board published the annual Compliance Declaration pursuant to Section 161 of the German Stock Corporations Act (AktG).

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

We provide further information on our corporate governance practices on our website. There you will also find our Code of Conduct, all past compliance declarations as well as the current Declaration on Corporate Governance pursuant to Section 289a of the German Commercial Code (HGB). The Declaration also includes information on the targets set by the Supervisory and Executive Boards for the percentage of women on the Executive Board and in the two levels of management below the Executive Board.

Three instances had been stated in the Compliance Declaration of February 2016 that constituted non-compliance or less than full compliance with recommendations of the Code at that point in time. The Executive Board and Supervisory Board have once again reviewed application of those recommendations.

The Executive Board and Supervisory Board continue to hold the view that these three departures from the Code represent well-founded exceptions. The reasons for not applying the Code provisions are set out in the Compliance Declaration reprinted below (see page 100). In all other respects, HOCHTIEF complies with the recommendations of the Code as currently amended.

The HOCHTIEF Supervisory Board is composed in such a way that its members as a group possess the knowledge, ability, and expert experience required to properly complete its tasks.[1)]

[1)] For further information on the composition of the Supervisory Board and resumés of Supervisory Board members, please see: www.hochtief.com/supervisory-board.

An amendment to the German Stock Corporations Act (AktG) that came into force in 2015 calls for a gender ratio of at least 30% to be observed from 2016 in new elections to the supervisory boards of listed companies that are subject to full employee codetermination. Since the Supervisory Board election in spring 2016, there have been five female members on the Supervisory Board. This is one more than required by law in cases where elections are subject to quota fulfillment on both the shareholder and the employee side.

Compliance

Compliance organization

The compliance system is headed by the Chairman of the Executive Board of HOCHTIEF Aktiengesellschaft. The Chief Compliance Officer reports annually to the Supervisory Board Audit Committee. Various units provide support for the work of the Chief Compliance Officer, including Corporate Compliance and Legal. All divisions have similarly structured compliance organizations. The compliance organization of each division is headed by a divisional compliance officer who reports directly to the Chief Compliance Officer. The divisional compliance officers' responsibilities include implementing the HOCHTIEF compliance program, detecting compliance risks at an early stage, and taking suitable countermeasures. Each serves as a local liaison for divisional company employees, providing support in the implementation and onward evolution of the compliance system.

All HOCHTIEF divisions have a compliance committee that meets at least once a quarter under the chairmanship of the compliance officer. A compliance committee is made up of the divisional compliance officer, members

This chapter is part of Focus Area Compliance

representing the operating business, and members from individual functions such as human resources, auditing, and procurement. The compliance committees are tasked with advising and supporting the compliance organization in implementing the compliance program and integrating compliance into the business workflows and processes.

Our compliance system is geared to preventing compliance violations. Preventing corruption and antitrust infringements is the main focus of the compliance organization. Responsibility for compliance in other areas where violations can arise lies with the relevant organizational function, such as the corporate competence center for occupational safety, health, and environmental protection (OSHEP Center)[1] or, in data protection matters, the HOCHTIEF Data Security Officer.[2]

The HOCHTIEF compliance program

Compliance is a key element of our guiding principles. The HOCHTIEF Vision and Codes of Conduct set out what is expected and required of employees with regard to compliance in all Group companies. They apply in all HOCHTIEF companies and are firmly established in our corporate culture today. Our Codes of Conduct incorporate both key statutory requirements and obligations under voluntary commitments that we have pledged to comply with and support. These include the UN Global Compact and the ILO Core Labour Standards.

HOCHTIEF was an early adopter in developing a binding code of conduct. We published our compliance requirements in such a code in 2002 and have continuously developed them since. Today, in the form of the HOCHTIEF Code of Conduct, it has been laid down as binding for HOCHTIEF Aktiengesellschaft and the HOCHTIEF Europe division. The HOCHTIEF Americas and HOCHTIEF Asia Pacific divisions have adopted these standards into their respective codes of conduct. Available in 13 languages, the HOCHTIEF Code of Conduct stipulates binding rules for all employees on dealing with antitrust issues, business partners, and conflicts of interest. It specifies what constitutes bribery or corruption, the rules on donations and sponsorship, and how to handle information relating to insider knowledge, confidentiality, or data privacy. It addresses topics such as health, safety, 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[3] such as respecting human dignity, rejecting child labor and forced labor, equal opportunities and bans on discrimination, the right to organize, and the right to collective bargaining.

In all divisions, Group directives and work instructions provide additional specifics on the substance of the Codes of Conduct by way of easy-to-follow guidance for employees. Compliance with these standards and statutory requirements is part of good corporate governance and underpins HOCHTIEF's sound global reputation.

HOCHTIEF expects and requires business partners, clients, and suppliers to meet HOCHTIEF Group requirements with binding effect. This purpose is served by the HOCHTIEF Code of Conduct for Business Partners, which is likewise available in 13 languages.

HOCHTIEF's compliance system is geared to prevention, using appropriate measures to guard against compliance violations. Upholding our compliance requirements is the responsibility of everyone—managerial staff and employees alike. Our fundamental principle is clearly defined: No business deal is worth endangering the high degree of trust enjoyed by HOCHTIEF and the excellent reputation of our Group.

To build successful long-term business relationships, 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. Their integrity and reliability are verified with the aid of external databases and documented in business partner compliance due diligence.

We inform employees about the compliance program and their points of contact in the corporate intranet at each company, where all internal directives are easily found. Our training packages are also available on the intranet. Staff are able to learn about compliance issues

[3] For further information, please see fold-out page 3 and page 144 et seq.

[1] For further information, please see pages 114 to 117.

[2] For further information, please see the Risk Report on page 127 et seq.

Focus area indicator Compliance

Aspect Fighting corruption: Number of Compliance training courses
For further information, please see the GRI index on pages 252 to 253.

Compliance. Save Your Business!

and further add to their knowledge in classroom training and e-learning programs. Training was once again provided by Compliance at units in Germany and internationally during the year 2016. A total of 16,745 employees participated in training, comprising 9,624 in the HOCHTIEF Asia Pacific division, 5,401 in the HOCHTIEF Americas division, and 1,720 in the HOCHTIEF Europe division (including the holding company).

One focus of compliance activities in 2016 was onward evolution of the compliance system with regard to the ever-changing field of antitrust law. To build on this, compliance training has been augmented for managers and employees who have contact with competitors or who work in areas subject to antitrust risk. A communications campaign combining general compliance issues with a special focus on antitrust questions additionally serves to raise awareness among employees.

All HOCHTIEF divisions have whistleblower systems that employees can use to report any irregularities

Number of Compliance training courses

	2016	2015
HOCHTIEF Americas	5,401	6,789
HOCHTIEF Asia Pacific*	9,624	7,069
HOCHTIEF Europe	1,720	1,468

*excl. UGL

which they are unwilling or unable to raise with their superiors. We call upon all employees to report compliance violations. Hotlines and email addresses are available for this purpose. The information reported goes to compliance officers or Corporate Compliance. To ensure that whistleblowers are protected, all information is treated in confidence. If they wish, whistleblowers can remain anonymous from the outset. HOCHTIEF's business partners are also able to report issues to Compliance.

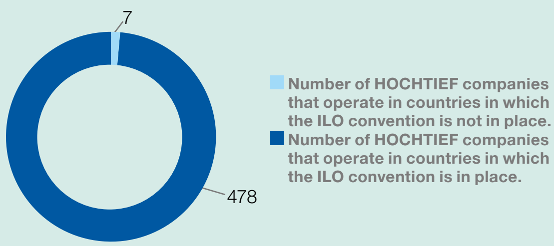
Compliance investigations are launched on an ad-hoc basis wherever violations of compliance rules are suspected. Such investigations are set in motion at the in-

www.ilo.org
www.ohchr.org

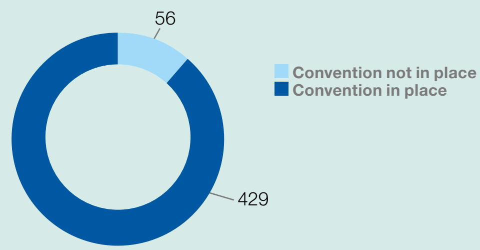
International Labor Organization (ILO) standards
As early as 2000, HOCHTIEF became the first construction company in the world to sign on to the standards of the UN agency International Labor Organization (ILO). The ILO focuses on enabling women and men the world over to work in conditions of freedom, equity, security, and human dignity. HOCHTIEF is also fundamentally committed to the ILO conventions and the UN conventions—see glossary on page 258.

The charts below are based on HOCHTIEF's 485 fully consolidated companies in 49 countries as of December 31, 2016.

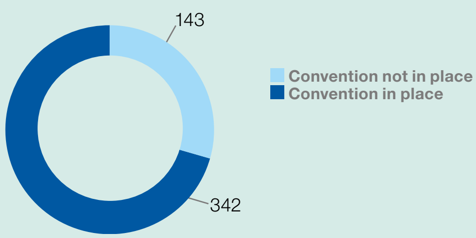
ILO Worst Forms of Child Labour Convention C182



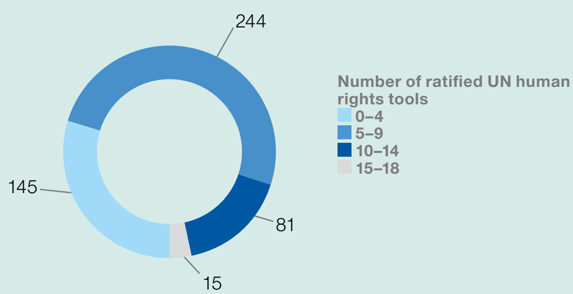
ILO Abolition of Forced Labour Convention C105



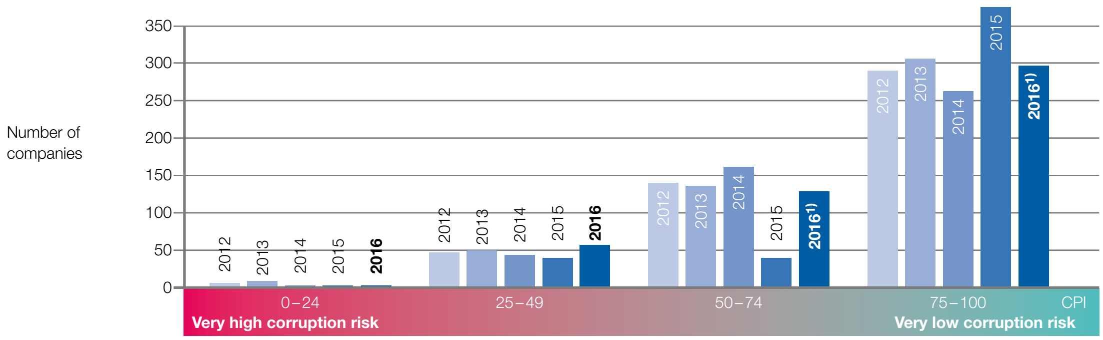
ILO Right to Organise and Collective Bargaining Convention C098



UN human rights conventions



Number of HOCHTIEF Group companies in relation to corruption risk in each country



Measured on Transparency International's Corruption Perception Index (CPI), HOCHTIEF's fully consolidated companies mostly operate in countries with low or very low corruption risk.

1) Changes are due to variations in the CPI index for some developed countries

www.transparency.de

stigation of Compliance and carried out either by Compliance itself or by the internal audit team.

The compliance organization also regularly reviews the implementation status of compliance measures. This is done, for instance, by self assessment or in interviews. Employee perceptions of compliance are also evaluated. To this end, Corporate Compliance has rolled out a compliance spot check in the HOCHTIEF Europe division. This shows how employees rate compliance matters and whether, for instance, they find the published rules clear to follow.

As part of regular audits in Group companies, the audit team also performs risk-based monitoring of adherence to the compliance directives and of the current status of the compliance process.

We pursue all breaches of the law and of internal directives without compromise and attach the highest priority to their investigation. The action to be taken in the event of compliance violations is prepared by the compliance officer and decided by top management in the unit concerned. HOCHTIEF is always mindful of the risk of false accusations made anonymously.

Responsibility for taking disciplinary action, which can go as far as dismissal, lies with the relevant superior or unit management. In the event of an identified breach of the rules, the compliance officer responsible checks whether the prevailing compliance standards and fixed procedures are adequate and sufficient. If a need for modification is found, the compliance officer revises the rules or initiates appropriate action.

The importance of compliance is also shown by the materiality analysis conducted by HOCHTIEF in 2016. Compliance is unanimously rated as the most important sustainability issue, with subcontractors (89%), employees (87%), decision makers (69%) and the representative population sample (65%) attaching very high or high relevance to compliance.

Focus area indicator Compliance

Aspect Fighting corruption: Risk analysis in accordance with CPI

For further information, please see the GRI index on pages 252 to 253.

Compensation report

Executive Board compensation for 2016

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 2016 comprises

1. Fixed compensation
2. Fringe benefits
3. Variable compensation
4. 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. In addition to these financial targets, the Supervisory Board can annually stipulate up to four strategic targets that apply uniformly for all members of the Executive Board. 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 those strategic targets.

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

   a. Cash settlement (short-term incentive component)
   b. Transfer of shares in HOCHTIEF Aktiengesellschaft in the net amount, subject to a two-year bar (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 provision 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 on page 258.

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			
	2015[1]	2016			2015	2016			2015	2016			2015	2016		
(EUR thousand)		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum
Fixed compensation	1,038	1,069	1,069	1,069	309	318	318	318	361	371	371	371	618	637	637	637
Fringe benefits	37	50	50	50	39	16	16	16	18	26	26	26	20	33	33	33
Total	**1,075**	**1,119**	**1,119**	**1,119**	**348**	**334**	**334**	**334**	**379**	**397**	**397**	**397**	**638**	**670**	**670**	**670**
One-year variable compensation	1,260	1,379	0	1,379	339	371	0	371	388	424	0	424	679	743	0	743
Multi-year variable compensation																
Long-term incentive component I[2]	1,066	1,167	0	1,167	339	371	0	371	388	424	0	424	679	743	0	743
Long-term incentive component II[3]																
LTIP stock awards (5-year term)[4]	533	583	0	583	170	186	0	186	194	212	0	212	339	371	0	371
LTIP stock appreciation rights (6-year term)[4]	533	583	0	583	170	186	0	186	194	212	0	212	339	371	0	371
Total	**4,467**	**4,831**	**1,119**	**4,831**	**1,366**	**1,448**	**334**	**1,448**	**1,543**	**1,669**	**397**	**1,669**	**2,674**	**2,898**	**670**	**2,898**
Pension expenses (service and interest cost)	1,824	1,742	1,742	1,742	246	233	233	233	313	288	288	288	548	534	534	534
Total compensation	**6,291**	**6,573**	**2,861**	**6,573**	**1,612**	**1,681**	**567**	**1,681**	**1,856**	**1,957**	**685**	**1,957**	**3,222**	**3,432**	**1,204**	**3,432**

[1] Excluding subsequent restatement (see compensation for past years)
[2] Transfer of shares with two-year bar
[3] Granted as long-term incentive plan
[4] 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)	2016	2015[1]	2016	2015	2016	2015	2016	2015
Fixed compensation	1,069	1,038	318	309	371	361	637	618
Fringe benefits	50	37	16	39	26	18	33	20
Total	**1,119**	**1,075**	**334**	**348**	**397**	**379**	**670**	**638**
One-year variable compensation	1,379	1,260	371	339	424	388	743	679
Multi-year variable compensation								
Long-term incentive component I[2]	1,167	1,066	371	339	424	388	743	679
Long-term incentive component II	0	0	0	0	68	23	66	0
Total	**3,665**	**3,401**	**1,076**	**1,026**	**1,313**	**1,178**	**2,222**	**1,996**
Pension expenses (service and interest cost)	1,742	1,824	233	246	288	313	534	548
Total compensation	**5,407**	**5,225**	**1,309**	**1,272**	**1,601**	**1,491**	**2,756**	**2,544**

[1] Excluding subsequent restatement (see compensation for past years)
[2] Transfer of shares with two-year bar

Arrangements in the event of termination of contract

If their contract is not extended, Executive Board members receive a severance award equaling one year's fixed annual compensation. For the severance award to be payable, an Executive Board member must on termination of contract be in at least the second term of office as a member of the Executive Board and be under the age of 65. If an individual's service on the Executive Board is prematurely terminated, severance awards 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 104,427 thousand (2015: EUR 92,889 thousand).

Payments to former members of the Executive Board and their surviving dependents were EUR 4,471 thousand (2015: EUR 4,869 thousand). Pension obligations to former members of the Executive Board and their surviving dependents totaled EUR 90,698 thousand (2015: EUR 83,404 thousand).

Executive Board compensation for past years

For 2015, as a result of Mr. Fernández Verdes' exceptional performance, the Supervisory Board set overall target attainment for Mr. Fernández Verdes for the STIP, LTIP I, and LTIP II components from 188.23% to 200%. Compensation was awarded accordingly in the amount of EUR 79 thousand short-term incentive, EUR 67 thousand long-term incentive I, and EUR 67 thousand long-term incentive II. In addition, the Supervisory Board resolved to award a special bonus of EUR 470 thousand for Mr. Fernández Verdes in recognition of his exceptional performance.

In addition, in 2016, the Supervisory Board adopted a Long-term Incentive Plan 2016 (LTIP 2016) for the members of the Executive Board to satisfy the long-term incentive component II from 2015. This comprises grants of stock appreciation rights (SARs) and stock awards (phantom stock). If the applicable exercise targets are met after a three-year waiting period, the 2016 stock appreciation rights grant the Executive Board members a monetary claim against the Company, which they can exercise over the then following three years. The amount of the claim depends on the development of the share price within the waiting and exercise periods. Furthermore, relative and absolute performance targets, which cannot be modified retroactively, have to be met. The terms of the 2016 stock awards provide that after the three-year waiting period, those entitled have, for each 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. The value of all entitlements under Long-term Incentive Plan 2016 is capped (at a 50% increase in the share price) so that the amount of compensation stays appropriate in the event of extraordinary, unforeseeable developments. Mr. Fernández Verdes was granted 40,395 stock appreciation rights and 7,733 stock awards, in each case worth EUR 567 thousand at the grant date. Mr. Legorburo was granted 12,097 stock appreciation rights and 2,316 stock awards, in each case worth a total of EUR 170 thousand at the grant date. Mr. von Matuschka was granted 13,825 stock appreciation rights and 2,647 stock awards, in each case worth a total of EUR 194 thousand at the grant date. Mr. Sassenfeld was granted 24,194 stock appreciation rights and 4,632 stock awards, in each case worth a total of EUR 339 thousand at the grant date. Additional information on the plans is provided in the Notes to the Consolidated Financial Statements on pages 207 to 209.

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	2016	2,763
	2015	1,080
Legorburo	2016	343
	2015	51
von Matuschka	2016	640
	2015	284
Sassenfeld	2016	1,705
	2015	846
Executive Board total	**2016**	**5,451**
	2015	**2,261**

Executive Board compensation in relation to offices held at Group companies

For his services in Australia as CEO and Executive Chairman of CIMIC in 2016, Mr. Fernández Verdes received a lump-sum expense allowance of EUR 358 thousand[1)], fringe benefits in the amount of EUR 8 thousand[1)], and a special bonus of EUR 2,057[1)] thousand for exceptional performance during his term in office. The stock appreciation rights granted by CIMC to Mr. Fernández Verdes in 2014 led to an expense in the amount of EUR 9,403 thousand.

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.

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

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 2016 based on the use of net profit proposed for approval at the Annual General Meeting in May 2017 is shown in the table below.

(EUR thousand)	Fixed compensation (net)	Attendance feets (net)	Total compensation (net)
Pedro López Jiménez	195,000	16,000	211,000
Gregor Asshoff	47,300	8,000	55,300
Ángel García Altozano	130,000	18,000	148,000
Beate Bell	97,500	14,500	112,000
Christoph Breimann	41,500	4,000	45,500
Carsten Burckhardt	97,500	12,000	109,500
José Luis del Valle Pérez	97,500	24,000	121,500
Patricia Geibel-Conrad	92,100	16,000	108,100
Dr. rer. pol. h. c. Francisco Javier Garcia Sanz	65,000	6,000	71,000
Arno Gellweiler	34,400	5,500	39,900
Dr. Thomas Krause	23,650	4,000	27,650
Matthias Maurer	118,250	21,000	139,250
Luis Nogueira Miguelsanz	68,250	12,000	80,250
Udo Paech	35,500	8,000	43,500
Nikolaos Paraskevopoulos	69,850	12,000	81,850
Sabine Roth	62,300	10,000	72,300
Nicole Simons	62,300	7,500	69,800
Klaus Stümper	97,500	18,500	116,000
Olaf Wendler	35,500	5,000	40,500
Christine Wolff	97,500	16,000	113,500
Supervisory Board total	**1,568,400**	**238,000**	**1,806,400**

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 May 5, 2015 and published on June 12, 2015 by the German Ministry of Justice in the official section of the electronic Bundesanzeiger (Federal Official Gazette). In addition, HOCHTIEF Aktiengesellschaft has complied with these recommendations since publication of the last Compliance Declaration in February 2016. The following exceptions apply:

- Since 2012, Section 5.3.2, last sentence, 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.

- The Supervisory Board has determined that it includes what it considers to be an adequate number of independent members within the meaning of Section 5.4.2 of the Code. In departure from Section 5.4.1 paragraphs 2 and 3 of the Code however, it did not take into account the number of independent Supervisory Board members within the meaning of Section 5.4.2 when specifying concrete objectives regarding its composition. The Supervisory Board has furthermore specified objectives which, while considering the specifics of the Company, take into account the international activities of the Company, potential conflicts of interest, the age limit specified by the Supervisory Board for its members, and a regular limit of length of membership for its members as well as diversity. In view of residual uncertainty regarding the required level of concreteness of the objectives to be specified, in order to avoid the risk of resolutions being challenged on this basis in court, a departure from Section 5.4.1 paragraphs 2 and 3 is therefore declared as a precautionary measure. The Supervisory Board will continue to comply with the statutory requirements in its election recommendations to the Annual General Meeting, placing the priority on the professional and personal qualification of candidates. It goes without saying in this connection that allowance will also be made for the international activities of the Company, potential conflicts of interest, the number of independent Supervisory Board members, an age limit and a regular limit of length of membership for Supervisory Board members as well as diversity.

- The Code's recommendations on election recommendations to the Annual General Meeting contained in Section 5.4.1 paragraphs 5 to 7 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 not applied. In practice, there is currently still legal uncertainty regarding the nature and scope of the circumstances to be disclosed in election recommendations. It is therefore to be feared that the specificity problem with this

Code recommendation may be used to challenge resolutions in court. 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 2017

HOCHTIEF Aktiengesellschaft

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

The height of luxury: Wilshire Grand Center

Economy: With the 73-story Wilshire Grand Center in Los Angeles that's slated for completion in 2017, Turner is raising the bar in quality and innovation. Housing a 900-room luxury hotel and office space, the 330-meter-high skyscraper will be the tallest building on the city skyline.

Ecology: Innovative lighting and climate control systems will reduce the structure's overall energy consumption significantly. Thanks to rainwater harvesting systems, water consumption will be decreased by 33%. The project is being built to meet LEED Silver standards.

Community: Occupational safety is an important priority also on this project, as highlighted among other measures by participation in Turner's Safety Stand-Down Day. Working at tremendous heights such as when topping out the building using a crane (see picture) is especially challenging.

Research and Development

This chapter is part of Focus Area Sustainable Products and Services

Innovation for added value

Innovation is elementary to our business success and features commensurately among HOCHTIEF's guiding principles. Our Group-wide research and development (R&D) work enables us to develop and implement project-specific alternative proposals. We continuously build and hone our technical know-how, adding to our outstanding reputation among customers. Aside from their economic benefits, our research and development activities also take us a long way toward achieving our environmental and social goals, and are a major factor in sustainability at HOCHTIEF.

Group-wide innovation system

Our innovative capacity originates in innovation-focused units and activities that are integral to the Group (see diagram).

HOCHTIEF Innovation Management is part of Corporate Development. 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.

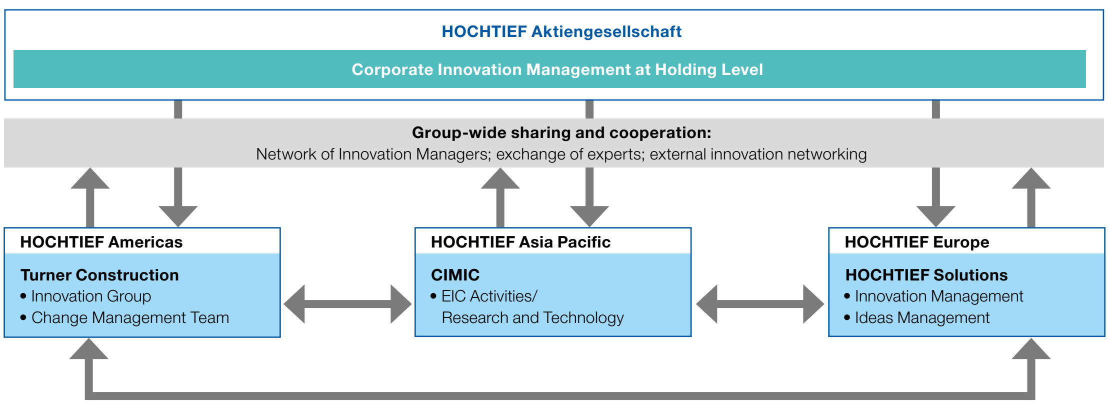
At our U.S. subsidiary Turner, the Innovation Group is responsible for generating and providing ideas for further improvement of the company and, hence, the construction industry. Ideas are also the primary focus of Turner's Change Management team, which systematically prioritizes and implements suggestions. This ensures that maximum benefit is derived from ideas.

At our Australian Group company CIMIC, optimizing the development of innovative solutions is the task of the Research & Technology department. The team there is charged with identifying technical expertise at CIMIC and engaging in an exchange with other Group companies. To this end, project information is continuously collated along with lessons learned to make inferences for strategy as appropriate. The department also conducts research on innovation in the construction industry, monitors developments, and makes this knowledge available across the Group.

Transparency and synergies

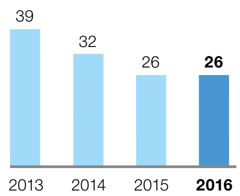
The innovation managers within the HOCHTIEF holding company consult on an ongoing basis with subsidiaries and as needed with supporting functions such as Procurement, Legal, and Corporate Communications. In this way, we create Group-wide transparency and generate synergies. This knowledge transfer takes place within the Innovation Committee, at events, through collaboration on projects, and in regular web conferences.

Innovation organization

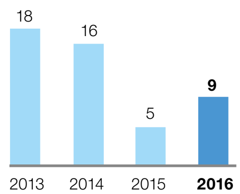


For further information on R&D and innovation projects, please see www.hochtief.com/rd

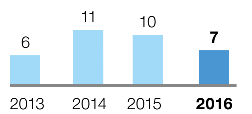
Number of R&D projects



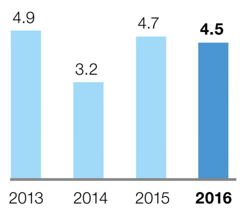
Number of R&D projects completed



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.

Focus Area indicator Sustainable Products and Services

Aspect: BIM as a future-oriented work method
For further information, please see the GRI index on pages 252 to 253.

Tools

We deploy a variety of tools across the Group to ensure that employees' ideas can be captured and evaluated easily and transparently. The main such tool for European units is the Ideas Room. A total of 86 ideas were published on this intranet platform during the reporting year.

To raise the number of entries and make it easier for staff without intranet access to submit ideas, we launched our series of on-site Ideas Workshops. One of these on-site workshops was held during the reporting year, at HOCHTIEF Infrastructure. A total of 120 ideas were gathered under the headings of know-how transfer, work safety, process improvement, and internal collaboration. The most relevant suggestions are then implemented.

Our U.S. subsidiary Turner deploys the Turner Learning Tree, a web-based knowledge management platform that allows employees to publish their best-practice solutions. In addition, the tool provides an Improvement Forum for sharing suggestions for improvement and asking questions for users to answer directly online.

Our Australian Group company CIMIC has launched a Webinar Wednesday series to encourage in-house knowledge transfer and collaboration among employees. The monthly 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 Energy Award

With the first HOCHTIEF Energy Award, we spotlighted solutions that fuse innovation with our environmental responsibility. Employees at all office and construction site locations were invited to submit ideas and best-practice examples relating to energy efficiency. A total of 44 entries from across the HOCHTIEF Group were submitted and ten of them singled out for prizes. First prize went to a Thiess modernization program for energy-efficient mine lighting systems in Australia. Through energy efficiency measures, this project has so far saved some two million kilowatt-hours of electricity a year. Once more mining projects have been retrofitted, consumption can even be reduced by up to 32 million kilowatt-hours. In light of its success, the competition is to be repeated as the HOCHTIEF Innovation Award. Energy will be retained as one of the categories.

BIM capabilities expanded

Building Information Modeling (BIM) is the digital project execution tool of the future. Project design and construction using BIM is already in demand among clients in many countries today. The method is based on actively linking everyone involved in a project using a 3D computer model that can be enhanced with additional information such as timing, costs, and utilization. It helps reduce construction costs and CO_2 emissions.

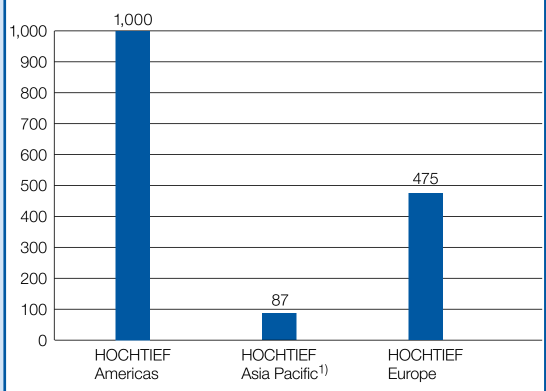
HOCHTIEF moved very early in recognizing the potential of BIM, launching its Virtual Construction innovation focus as early as 2003. With the launch of a company specialized in virtual construction, HOCHTIEF ViCon GmbH, HOCHTIEF is considered a pioneer in the field. Today, HOCHTIEF ViCon is the Group's BIM competence center and practices the future of virtual construction worldwide.

During 2016, we further stepped up our BIM activities as a strategic priority across all Group divisions and BIM continues to be a focus of research. This means we are able to meet customer requirements, deliver sustainable products and services, and improve our market position as a result.

Number of employees provided with BIM or similar training in 2016

Division	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe
Employees	57	215	118

Number of HOCHTIEF Group projects delivered using BIM up to 2016



[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.

Australian subsidiary Thiess came first in the Group-wide energy award with a modernization program for energy-efficient mine lighting.

In-house and external participants at Australian Group company CIMIC's Innovation and Collaboration Workshop took a close look at geographic information systems and building information modeling (right).

Henry C. Turner Prize for Innovation in Construction

The Henry C. Turner Prize for Innovation in Construction is a USD 25,000 award first established by Turner in 2002. The annual prize is awarded by Turner and the National Building Museum in Washington to recognize an advance or outstanding achievement in the process of construction. In 2016, the prize was awarded to Future City, a project-based learning program that invites students to develop cities of the future. The program is organized by a voluntary initiative, DiscoverE, which aims to inspire present and future generations for engineering.

Turner innovation awards

Launched six years ago, the Turner Construction Company Award for Innovation is presented by Turner to employees or teams who have achieved exceptional successes in projects through the development or implementation of innovative ideas. The 113 entries submitted in 2016 included ideas relating to knowledge transfer, employee networking, IT, and safety. This year's USD 10,000 first prize went to the team of Rockefeller University. The team's innovative, modular construction approach saved one year of time as well as USD 5 million. A total of USD 275,000 in prize money has been awarded until today.

Turner Innovation Summit

The Turner Innovation Summit is a conference initiated and organized by Turner, bringing together employees and business leaders to share ideas and best-practice examples. Held in Philadelphia during 2016, the third summit with keynote speeches by industry representatives as well as presentations, workshops, and training sessions offered a wealth of opportunities to share knowledge. More than 250 Turner employees and industry speakers took part. The focus of the event was on scalable innovation.

Networks and collaboration

HOCHTIEF is among the founding members of ENCORD (the 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.

www.encord.org

As a member of the European Construction Technology Platform (ECTP), HOCHTIEF is actively involved in maintaining the high technical standards of the European construction industry. The organization's approximately 200 members comprise various construction industry stakeholders. ECTP sees construction-related research and innovations as an opportunity to resolve pressing societal problems of the future.

www.ectp.org

This exchange, coupled with the resulting global cooperation network, is a key factor in our Group's capacity to innovate.

The Buerger Center at The Children's Hospital of Philadelphia

Economy: Turner completed the Buerger Center for Advanced Pediatric Care at The Children's Hospital of Philadelphia. The healthcare center houses various units for outpatient diagnostics and treatment of its young patients.

Ecology: To prepare the site for construction, the Turner team conducted extensive earthworks, removing over 230,000 cubic meters of rock. With the sustainable building, Turner delivered not only a world-class pediatric care facility but also the city's largest "green roof"—a 13,000-square-meter terrace landscaped with Indigenous plants. In 2016, it was honored as Best Project in the Health Care category by Engineering News-Record magazine and received LEED Silver certification.

Community: Every aspect of the building is tailored to patients' needs. Its architecture was designed to facilitate the healing process. Curved shapes and bright colors generate a feeling of motion and dynamism.

Employees
The foundation of our success

This chapter is part of Focus Area Attractive Working Environment

Human resources strategy

Building extraordinary structures, successfully executing infrastructure projects, and developing innovative techniques—we achieve all this by bringing the right people together in the right place at the right time. Our success is built on mutual trust and successful teamwork across borders. The contributions of all employees, from trainees to managers—their skill and commitment, their great dedication and fresh ideas—are key to this success.

It is important to us to understand our employees' expectations and needs as well as the trends in the job market at large. In many regions where we operate, the competition for skilled specialists and managers is intense. With our positive image and the attractiveness as an employer to different target groups that goes along with it, we are confident of our ongoing ability to meet our staffing needs. We aim to go on attracting engaged, conscientious, skilled people and retaining them over the long term.

We are well aware of our responsibility toward our employees, and our human resources strategy is specifically geared to fulfilling the resulting responsibilities. Key to our success in meeting them are our targeted efforts to develop our employees, build on their skills, lead them responsibly, pay them adequately, and ensure their health and safety. To achieve this, the Human Resources corporate department collaborates closely with the Group Executive Board and the operating companies to determine the strategic focus of human resources issues. Human resources operations are conducted by the companies themselves.

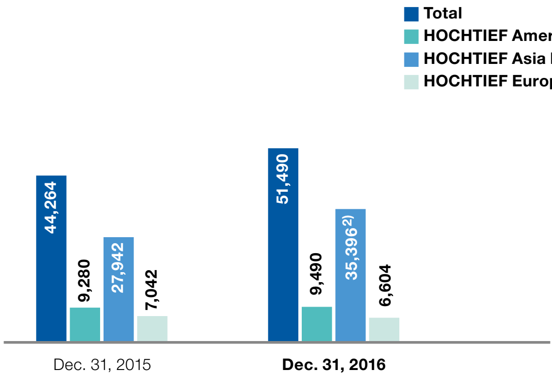
This is how our human resources strategy makes a valuable contribution to the corporate strategy.

Number of employees

In 2016, we employed 51,490 staff worldwide. This means the number of employees increased by 16.32%.

Number of employees at HOCHTIEF by division

(Average for the year[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] HOCHTIEF Asia Pacific: Figures as of the reporting date including employees of the company UGL which was taken over by CIMIC toward the end of the year (6,801 employees) and of the company Devine (58 employees).
[3] The holding company had 163 employees as of the reporting date.

In the HOCHTIEF Americas division, the level of orders—which remains strong—is also reflected in the number of employees: At year-end, 9,490 staff were employed here, equivalent to 2.26% more than in the previous year.

CIMIC, our main company in the HOCHTIEF Asia Pacific division, employed 35,396 people in the reporting year, an increase of 26.68% due to the takeover of UGL. In 2016, the workforce in the HOCHTIEF Europe division numbered 6,604, or 6.22% less than in 2015.

HOCHTIEF recruited 15,591[4] new salaried/office and waged/industrial employees around the world, while 15,978[4] left the Group.

[4] Figure excludes UGL taken over toward the end of the year

Number of new hires and departures (2016, excl. UGL)

	HOCHTIEF total	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe (incl. holding company)
New hires				
2016	**15,591**	**1,298**	**12,564**	**1,729**
2015	12,276	1,589	9,039	1,648
Departures				
2016	**15,978**	**1,092**	**12,850**	**2,036**
2015	15,142	1,105	11,942	2,095

Following fairly pronounced fluctuation in previous years, staff turnover in Germany, at 14.1% (prior year: 18.1%), was almost within the target range of 8 to 12% again. Outside of Germany, staff turnover rates as well as figures for new hires and departures are not comparable because a large proportion of the workforce is hired on a project basis.

In addition to the positive staff turnover trend in Germany, our core workforce worldwide, with a quota of 75% (prior year: 78%) people employed under indefinite-term contracts, stands for reliability and continuity.

Employee rights

We treat our employees with respect, always meeting or exceeding the language and spirit of all government workplace regulations. This spirit of trust is one we also cultivate with and expect from our business partners and clients. The HOCHTIEF Code of Conduct, which is checked regularly to ensure that it is up to date, sets forth rules guiding all parties' behavior that are both binding and standard, accepted practice.

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

Each and every employee enjoys our esteem. Everyone's rights are respected. To declare our stand on these issues worldwide, HOCHTIEF has committed to abiding by ILO[1] standards and has signed the UN Global Compact on supporting and respecting international human rights.

Freedom of expression and workforce codetermination are important to us. Talks between employees and the management are conducted as open dialog. Elected representatives look after employees' rights. Our employees also receive support from unions, to which some of our staff belong.

The transformation processes in recent years were handled in close cooperation with employee representatives. Arriving at good solutions for our employees and for HOCHTIEF was always our highest priority in this connection. We advised and supported our employees on an ongoing basis during these complex processes.

In Germany, some 96.6% of employees are represented by a works council. In the HOCHTIEF Americas division, approximately 23.6% of the workforce are union-represented, while in the HOCHTIEF Asia Pacific division the figure amounts to 67.0%. Employee representatives also sit on the Supervisory Board and on various committees.

Diversity

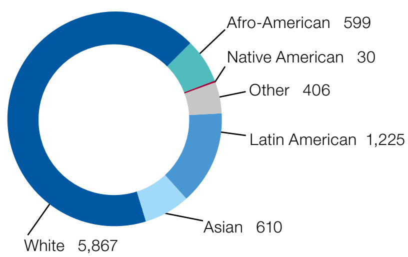
Employee diversity is our strength. We take pride in employing a diverse workforce. Diversity enables us to achieve the best solutions worldwide and deliver very good work on projects. As a clear signal of our commitment to these principles, HOCHTIEF signed the Charta der Vielfalt (diversity charter).

www.charta-der-vielfalt.de

We pursue targeted programs to maintain this diversity. The Group companies put in this additional effort to preventing discrimination in the workplace and promote equal opportunity. In the U.S., we promote the employment of women and workers of various ethnic backgrounds or sexual orientation with many initiatives. Special diversity programs are in place in Australia, too, e.g. to aid Indigenous Australians with their job searches. Additionally, our European companies focus on this issue with tailor-made initiatives and programs.[2]

At HOCHTIEF, we take demographic change and its multifaceted, global impact into account with a broad age structure. Young and older colleagues work on international projects side by side. A good balance of up-to-date

Employees by ethnic group in North America
(as of Dec. 31, 2016)



[1] For further information, please see page 94.

[2] You can find case studies for "diversity" on www.hochtief.com/hr.

Woman power in the mining industry: In 2016, 23 Indigenous women successfully participated in the "Sisters in Mining" program supported by the CIMIC company Thiess.

knowledge and great experience helps us to execute projects successfully.

As far as the nature of our operating business permits, we employ people with disabilities in many areas. Their unique perspectives enrich the company, which is why HOCHTIEF is committed to equal opportunity for these employees. In Germany, for example, whenever job candidates with severe disabilities come for interviews, a disability officer is present. As of December 31, 2016, people with severe disabilities comprised 3.9% of the HOCHTIEF workforce in Germany, which is below the statutory 5% quota. We therefore pay the legally defined compensatory levy.

Competing for talent

The aim of our human resources strategy is not only to hire excellent employees but also to earn their lasting loyalty. Given our positive image coupled with our reputation as an attractive employer, we will be able to go on meeting our needs for high-caliber staff. In 2016, we developed and instituted a number of different measures within the companies to ensure we rank among the top employers not only within the construction industry but also outside it.[1)]

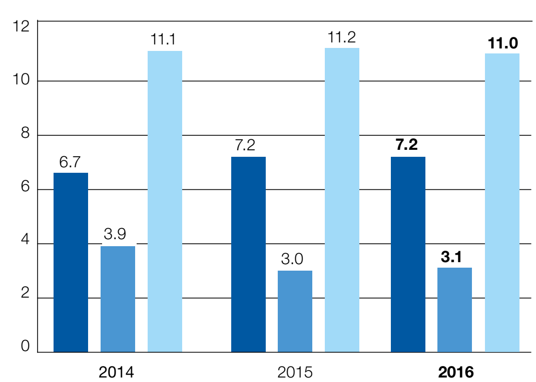
The national and international awards we have garnered confirm that we are moving in the right direction. We are proud to have rated highly in a number of different rankings. These include:

- German weekly magazine Focus: "Best Employer of 2016" (HOCHTIEF)
- German magazine Universum: Ranked 12th most popular employer for Germany's technical graduates (HOCHTIEF)
- Market research institute GfK: One of the five most popular construction industry employers in the Czech Republic (HOCHTIEF CZ)
- A "Top Entry Level Employer" according to CollegeGrad.com (Turner)
- One of the top 100 IDEAL employers for engineering students (Turner)
- Top youth employer in Canada (Flatiron)
- Top employer in British Columbia (Flatiron)
- LinkedIn: Top 10 most desirable employers in Australia (CPB Contractors)

In order to keep growing our appeal as an employer over the long term, we are pursuing both well-trodden and new initiatives.[2)]

We engage directly with candidates at various schools, including college and university campuses, as well as trade fairs. Thanks to our university partnerships, we were able to collaborate closely with students and faculty. In 2016, we successfully participated in a variety of university fairs in Germany and abroad. Various trainee retention programs help to stay in close contact with interns.

Tenure of employment in the HOCHTIEF Group by division[3)] (in years, as of Dec. 31, 2016)



1) For further information, please see pages 112-113.

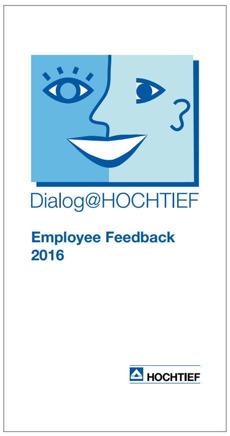
2) You can find case studies for initiatives and programs for "competing for talents" on www.hochtief.com/hr.

3) Excl. UGL

Additionally, we support, among others, the Joblinge initiative in Germany in which mentors facilitate these young people's entry into the working world.

Increasingly, digitalization is impacting our recruitment methods. Our applicants are looking to receive a customized list of suitable openings at a moment's notice. They expect rapid replies. We increasingly approach potential candidates directly. To meet these demands, we gave our homepage—including the career website and job market—a responsive design in 2016. We have also significantly increased our social media activities. We are making greater use of Xing, Experteer, and LinkedIn to recruit specialists and managerial staff. Our active presence on YouTube, Facebook, and Twitter allows us to showcase HOCHTIEF and its companies as attractive employers.

We take a positive stance to increasingly harnessing social media for recruitment and employer branding purposes and intend to further these efforts going forward.



Employee survey gauges opinion

At the close of 2016, we conducted the Dialog@HOCHTIEF employee survey. This is a unified, anonymous, and voluntary poll of staff members across all our German companies and locations. The workforce responded notably to questions relating to leadership, teamwork with colleagues and superiors, professional growth, working conditions, and innovation processes. The survey findings, available in early 2017, show us our strengths and directions for further development, which will subsequently be translated into improvement measures at the individual companies. We regard the employee survey as a key tool and barometer in achieving our strategic human resources goal of being a top employer.

An employee survey was also conducted at our subsidiary Turner in 2016. The findings should be available in the first quarter of 2017.

Performance-aligned compensation

We expect our employees to deliver good work. In return, they can expect fair pay based on performance. Economic efficiency, competitiveness, attractiveness, and fairness are the principles underlying HOCHTIEF's compensation policy. Compensation systems vary by country and market and are individually geared to the relevant market and company needs. We regularly verify that the principles underpinning both the fixed and variable remuneration components are being complied with. Internal analyses and external benchmarks assist us in establishing what constitutes fair pay and in implementing the German Corporate Governance Code as well as other special requirements.

In determining remuneration, the nature of the position, qualifications, responsibilities, and experience are key factors. For this reason, we do not perform any gender-specific analyses.

Pensions and retirement planning

Ensuring that employees are well looked after also in their golden years is important to us. To provide coverage over and above statutory pension schemes, we offer our employees a variety of pension/retirement planning options at most locations. These include a range of insurance and deferred compensation plans that vary according to the different conditions and pension systems in the countries in which we do business.

Vibrant communications

Our employees want to keep abreast of matters relating to our corporate strategy, the latest progress on projects, and new developments in the company. Through our intranet platforms and employee publications, they are able to gain in-depth insights into all company-related news and topics. We supplement these media with activities such as roadshows—for example, on the topic "Vision and Principles"—as well as with initiatives such as Lunch and Learn at Flatiron. In Hong Kong, Leighton Asia has set up a Young Professionals Club. Young, up-and-coming talent can take advantage of this network to exchange news and views across departments.

Work-life balance

We believe in giving our employees the personal space to plan their lives. After all, this is not only a key factor in employee satisfaction but also the solid bedrock on which good work rests. To this end, we offer a wealth of measures and programs, some of which are tailored to the workplace and employees' specific needs. We assist our staff in meeting their everyday challenges when it comes to achieving a healthy work-life balance. Working hours generally serve as the point of departure. In this regard, our support takes the form of various part-time models, the option of working from home as well as flextime.

- In 2016, a large number of HOCHTIEF employees (11.1% compared to 10.1% the previous year) took advantage of our part-time options. The percentage of staff members who returned after parental leave was 75.3% (prior year: 86.6%).

A change in attitude and enhanced time management can also help to take the pressure off. This is why our continuing education program encompasses a host of opportunities to further improve work-life balance.

As employers, we take responsibility for our employees' health. Initiated in 2016, "Fit for work—fit for life" is a broad-based campaign launched at the HOCHTIEF Asia Pacific and HOCHTIEF Europe divisions which aims to deal more openly with stress and its health implications. Through a variety of lectures, interviews, and initiatives addressing topics such as depression and anxiety, we sensitized employees to these issues. At the HOCHTIEF Europe division, a week was dedicated to the topic on the intranet. To maintain awareness about how important these issues are over the long term and actively contribute to our employees' mental health, we have included additional offerings of this kind in the continuing education program.

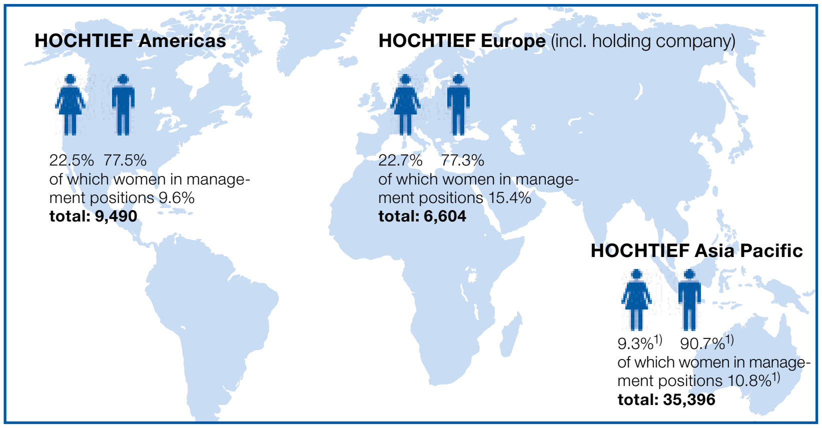
Developing and fostering employees

We want our employees to reach their full potential and use it to the best of their ability. Ideally, we hope to fill management and specialist positions from within our own ranks and, in this way, open up interesting and uniquely attractive career paths for our employees. In order to further develop the potential we pinpoint, we provide personalized programs and measures such as special training programs, job rotation schemes, as well as expert and leadership career paths. We systematically invest in education and continually welcome new apprentices on board. Shaped by hands-on learning, our qualification programs allow our staff to steadily expand their skills.

Building on the employee interview

Receiving continual feedback is vital to our employees' personal development. Besides routine comments on performance, we set store by conducting a structured annual appraisal interview with each employee in the

Employees of the HOCHTIEF Group by division (as of Dec. 31, 2016)

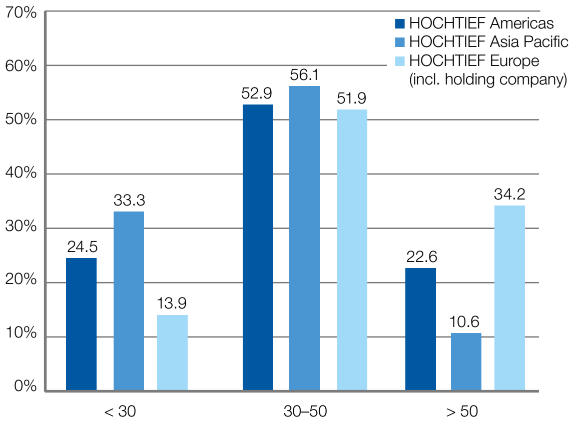


1) Excl. UGL

Total number of employees by employment type and gender
(reporting date Dec. 31, 2016, excl. UGL)

2016	HOCHTIEF total	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe (incl. holding company)
white-collar workers	21,373	7,402	9,434	4,537
female	5,611	2,083	2,104	1,424
male	15,762	5,319	7,330	3,113
blue-collar workers	23,258	2,088	19,103	2,067
female	684	58	552	74
male	22,574	2,030	18,551	1,993

Age structure in the HOCHTIEF Group in 2016
(in years, as of Dec. 31, 2016[1])



[1] Excl. UGL

On their very first day, the new trainees at HOCHTIEF Building NRW got a feel for what it is like on a building site—at the new Brenntag headquarters, dubbed House of Elements, in Essen.

Group. This takes the form of dialog between staff members and their relevant superiors that is both collegial and constructive. Feedback from both participants affords deeper insights into the work itself and the professional expectations of each party. At the same time, employees are shown where their strengths lie and where there is still room for development. We want our employees to grow and believe that life-long learning represents an important stepping stone in their development and the key to bringing our human resources strategy to bear.

Vocational training/Apprenticeships

We see job training as an important investment as well as part of our social responsibility. With vocational training successfully completed, young people have plenty of opportunities to look forward to with HOCHTIEF and in the wider world. In order to get young people excited about training for technical and industrial careers—positions which are increasingly difficult to fill—we advertise our trainee programs at schools and beyond in Germany. Our vocational programs that allow candidates to complete a degree at the same time—for example, training as an industrial administrator combined with a Bachelor of Arts—are especially popular. The good news is that the proportion of women training for commercial and technical careers is over 50%.

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

In 2016, 28 school leavers in Germany started their job training with us. We currently have a total of 86 trainees in our employ. On December 31, 2016, the training quota therefore stood at 2.5%.

Trainee programs in high demand

Recognizing high-caliber young talent, getting them excited about what we do, and selectively developing and fostering them is our goal. All our companies in Germany offer university graduates with Bachelor's or Master's degrees the opportunity to participate in a hands-on induction program. Whether hired directly or starting a traineeship, the program participants are ideally prepared to take on the responsibilities of their future positions. Program content is designed jointly with the newcomers and adapted to their individual needs. We make a point of holding regular feedback discussions so that employees know where they stand on their developmental journey from early on. At the same time, we selectively advance our young talent through a series of inter-company and inter-site workshops to which Executive Board members and other senior managers make an active contribution.

In 2016, more than 70 young engineers started their careers at HOCHTIEF in Germany. At a kick-off workshop staged in cooperation with the Executive Board as well as an event devoted to project management, the young participants had the chance to get to know one another and expand their personal networks. Additional workshops will follow in 2017 and be rounded out with a final skills assessment. To spur the new generation's professional development, we continue to rely on the mentoring program.

Going forward, we aim to employ more trainees and direct recruits since we consider this important to our human resources strategy.

Success through continuing education

To retain our leading position in the construction industry, we need well qualified specialists and managers. Increasingly, learning is done on the job. We encourage knowledge transfer between superiors, employees, and colleagues. Thanks to our focused continuing education offerings—for instance, at Turner University and the HOCHTIEF Academy—we ensure that every member of the workforce, from trainees to management staff, can continue to build on and enhance their technical, methodical, and personal capabilities. Depending on their individual needs and in line with goals agreed on in their employee interviews, staff members are entitled to take advantage of the broad range of courses on offer at our in-house academies. Our continuing education offerings have been extremely well received throughout the Group. In 2016, our employees spent an average of 12.02 hours on further training.

To optimize continuing education processes and provide employees with an even better service, HOCHTIEF Academy successfully introduced new, more efficient software in 2016. This interface is used to manage and monitor all HOCHTIEF Academy courses.

In addition to specialized courses dedicated to construction, the HOCHTIEF Academy continuing education program also encompasses training in negotiations, language and IT courses as well as exam preparation coaching for our trainees. During 2016, subjects such as Building Information Modeling[1)], construction services contract regulations, speaking skills, and health-related offerings proved especially popular. To help groom our managerial staff for their current and future roles, we offer special courses covering every aspect of leadership. Target group-specific online courses—for example, in the field of compliance—have been successfully introduced to round out regular classroom-based training.

We also offer in-depth training for specific roles in the form of qualifications structured as modules. This includes our project management course that has already been running for many years. It comprises a practical workshop series geared to comprehensively equipping fledgling project managers with the technical and personal skills for the job. Specialist lectures given by internal and external experts provide participants with in-depth insights into such subject areas as contract management, international project activities, and our new reporting practices. Furthermore, participants get to grips with various management tools. Much in demand, the project manager course is for us a key element in our continuing education program. This is why we plan to launch a corresponding series of workshops for site managers.[2)]

Thanks to employees and employee representatives

Through their loyalty and commitment coupled with excellent qualifications and motivation, 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.

2) You can find case studies for contiuning education and knowledge transfer on www.hochtief.com/hr.

1) For further information, please see page 104.

Occupational safety and health

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

As a people-oriented enterprise, we attach utmost importance to workforce occupational safety and health. Preventing accidents and injuries takes top priority in our project activities. We aim to prevent or minimize risks of workplace-induced illness and occupational accidents, both in office environments and on construction sites. This similarly applies to the contractual partners and subcontractors for whom we are legally responsible. To keep our projects accident-free, we incorporate all subcontractors into our safety standards. We aim to provide the people involved in our projects with a safe, healthy place to work.

Structure

Safety is enshrined in the HOCHTIEF Code of Conduct as one of our most important principles. Our Group directive on occupational safety, health, and environmental protection (OSHEP) lays down minimum Group-wide standards and is the basis of OSHEP activities at HOCHTIEF. Intensive training further enhances workforce awareness of the importance of legal requirements and the standards issued by statutory insurance and prevention institutions, as well as of the potential dangers. Organization and implementation of these standards are key tasks of the OSHEP Center, which is our internal competence center for this area.

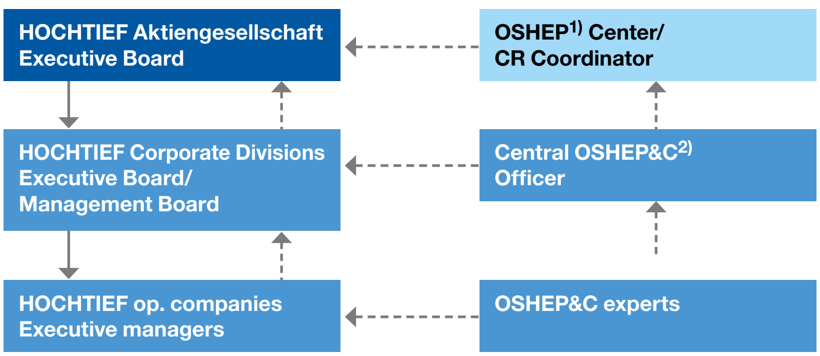
The OSHEP Center is in charge of occupational safety and health topics at Group level. Its Head reports regularly to the Labor Director and the Chairman of the Executive Board. Divisional OSHEP departments provide managers with additional support in putting the standards into practice and monitoring compliance with the law and internal HOCHTIEF rules. Members of these departments also provide assistance in all phases of national and international projects. In this way, they ensure that occupational safety and health retain top priority. The OSHEP Center, which is in overall charge, is in constant contact with the divisional departments and is responsible for the reporting process.

The various companies within our divisions have put in place processes and structures of their own in line with our standards. Their management systems are based on international standards such as BS OHSAS 18001. Occupational safety and health is consequently always integral to the overall project process. In 2016, 84.8% of active HOCHTIEF employees (2015: 79.6%) worked in units certified to such standards. Divisional management officers and specialists additionally advise and support the management boards and project executives.

Early risk identification

For each project, we ensure that custom-specified hazard assessments are performed to eliminate or minimize risk. As we aim to identify and assess potential risks as quickly as possible, safety experts are on hand to advise project teams right from the bid phase. In this way, expert knowledge and experience are fed into project processing at the earliest stage. The specialists also point up any hazards and devise preventive measures to address them. This makes it possible to reduce risk in the subsequent project execution phases—a key factor in the success of a project.

Structure of occupational safety and health at HOCHTIEF



[1] Occupational safety, health, and environmental protection
[2] Occupational safety, health, environmental and climate protection

This chapter is part of Focus Area Attractive Working Environment

To foster a shared understanding of occupational safety and health at HOCHTIEF, utmost importance is attached to ensuring that all those involved sign the HOCHTIEF Code of Conduct before a project starts. Occupational safety and health risks are identified and evaluated both at the launch of a project and on an ongoing basis throughout project delivery. Safety measures are recalibrated straightaway if circumstances change. We also ensure that subcontractors comply with statutory occupational safety and environmental protection regulations as early as the selection stage.

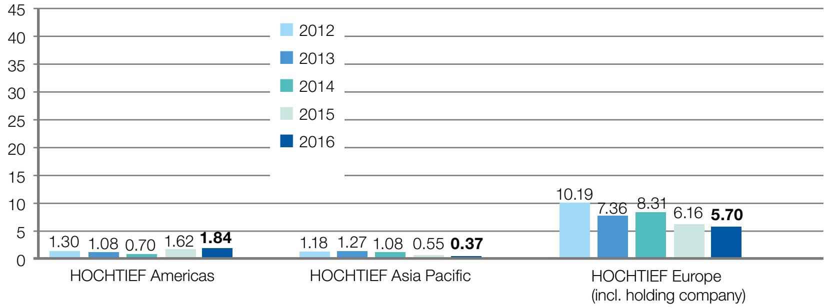
Work-related accidents and illnesses

Safety is a cross-cutting element in our guiding principles and of overriding importance for the entire Group. The Lost Time Injury Frequency Rate (LTIFR), which was adopted in 2015 as a non-financial key performance indicator, is consequently a metric of crucial importance; it is a relevant figure in bid invitations, for example. **LTIFR** is reported to the Executive Board on a monthly basis. At **1.32** in the reporting year, it improved on the prior-year figure (1.38) and attained our target (a reduction to 1.35). We intend to retain the same target for the future. The majority of HOCHTIEF's work-related accident figures are far below industry-wide statistics. The significance of the subject of occupational safety for our business was also confirmed by the materiality analysis carried out in the reporting year.

HOCHTIEF works constantly to improve preventive measures in order to establish even more effective safeguards against risk. We capture accidents and incidents in a structured reporting system. Subsequent analysis enables clearer tracking of causes and action to be taken in order to avoid future repeats. In this way, we can continuously improve our processes. Depending on the severity, various management hierarchies are involved in investigating an incident. We attach special importance to ensuring that our three divisions apply a uniform classification of work-related accidents. The definitions used are based on the ILO code of practice, Recording and Notification of Occupational Accidents and Diseases.

Accident rate in the HOCHTIEF Group by division (as of Dec. 31, 2016)

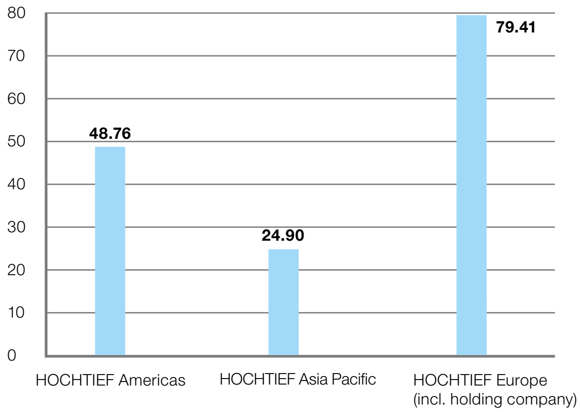
Accidents per million man-hours (Lost Time Injury Frequency Rates LTIFR); Under international standards, accidents are counted from the first working day lost.



Severity rate 2016 in the HOCHTIEF Group by division (as of Dec. 31, 2016)

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.



Focus area indicator Attractive Working Environment

Aspect: Occupational safety and health
For further information, please see the GRI index on pages 252 to 253.

Number of fatal accidents in the HOCHTIEF Group (as of Dec. 31, 2016)

Division	2012	2013	2014	2015	**2016**
Americas	0	0	0	0	**0**
Asia Pacific (incl. subcontractors)	3	5	3	1	**3**
Europe (incl. holding company)	0	0	0	1	**0**
HOCHTIEF Group total	3	5	3	2	**3**

Tribute
We deeply regret that employees have died during their work. We extend our condolences to their families.

Motif from the new poster campaign on occupational safety.

Despite extensive preventive and safety measures, accidents still happen—in some cases with severe or fatal consequences. We will continue to do everything we can, however, to prevent such accidents from occurring. We are working with the authorities to achieve full clarity as to the circumstances and background of the 2016 fatalities, and will develop additional improvements based on the findings.

The occupational illness rate per million hours worked stood at 1.03 in 2016. In other words, for every one million hours worked, 1.03 hours could not be worked due to occupational illnesses. HOCHTIEF Europe (including the holding company) is the sole division in which this statistic is kept. It is not possible to track occupational illness rates in America and Australia due to differences in the law and more project-oriented hiring policies.

Promoting a culture of occupational safety through continuing education

Regular occupational safety training is highly important to HOCHTIEF. The focus here is on ensuring that individuals take responsibility not just for their own safety, but also for the safety of their coworkers. While national rules, regulations, and social systems mean that our companies have differing occupational safety cultures, we nonetheless aim to foster a common understanding of occupational safety and health. To help us in this endeavor, we provide a wide range of training courses on occupational safety and health, where in-house continuing education facilities are supplemented by external offerings. We actively foster this culture with a broad array of initiatives and campaigns at our construction sites and office locations around the world.

In the HOCHTIEF Americas division, our subsidiary Turner teaches its own safety-first philosophy, Building L.I.F.E. (Living Injury Free Everyday), which aims to ensure safety in every project for employees, subcontractors, clients, and others in the vicinity. In May 2016, Turner staged what was already its twelfth Safety Stand-Down, where work stopped for an hour to allow discussion about the right construction site work environment—beginning with occupational safety. Subcontractors and business partners also participated, taking the total up to some 55,000 people around the world. In addition, Turner took part in Industry Safety Week, as did Flatiron.

Safety is equally a key focus at Flatiron. Every employee in a leadership position is required to gain Safety Trained Supervisor certification. Flatiron has also developed its own Don’t Walk By program to raise awareness for safety throughout the workforce. For instance, all employees have the authority to stop any procedure immediately if they have the slightest doubt about its safety. This requires everyone to accept responsibility not just for their own safety, but also for that of their coworkers. Safety awards were conferred for Flatiron projects in California and North Carolina during 2016. The California Department of Transportation presented the 2016 Partnering Success in Motion Silver Award for the 1-5 HOV Widening, Segment 2 project in San Clemente and Dana Point. The Flatiron/Blythe joint venture was also awarded a certificate of safety achievement recognizing the team’s outstanding safety and health efforts.

Likewise, the HOCHTIEF Asia Pacific division has many individual occupational safety initiatives. Group company Thiess has compiled the Thiess Safety Essentials suite of binding core processes, critical control points, and checklists. These rules were developed based on analysis of all past incidents and advice, among others from CIMIC Group experts. Thiess extended the suite to cover mining activities in 2015. Focus areas there include explosives, falls, isolations, and traffic.

2016 also saw the Thiess sister company CPB Contractors develop a Safety Essentials campaign to encourage safe conduct and target reductions in areas that pose the greatest risk. Initially concentrating on working at heights, the campaign will continue with additional focus areas.

In one of Leighton Asia's largest ongoing projects, the Liangtang project team in Hong Kong opened a new safety center together with clients, architects, and subcontractors in February of the reporting year. The center offers general safety instruction as well as courses on specific topics such as working on scaffolding or cranes. Open to all those involved in a project, the center supports Leighton Asia's Strive for L.I.F.E. safety program.

To further enhance workforce awareness of occupational safety and health, we regularly report on OSHEP issues on the intranets and in employee magazines across the Group.

Safety experts attend regular further training in order to provide project managers with state-of-the-art safety advice and support. Managerial staff are conscious of their responsibility and work to foster a culture of occupational safety and health throughout the Group.

In 2016, the long-established annual Occupational Safety Day in Germany once again brought a range of activities at many German construction sites and office locations. Managerial staff make intensive use of the Occupational Safety Day to sensitize construction-site and branch employees to the vital importance of occupational safety and health. This year's event went under the banner of identifying hazards and judging risks. Topics addressed included unsafe routines, after-effects of drugs and alcohol, and smartphone use. Besides talks on occupational safety and health, employees were able to choose from among various health checks, and a sports scientist was also on hand to answer fitness questions. Occupational Safety Day 2016 was flanked by a new poster campaign that deliberately also targeted people's attitudes to safety in their private lives.

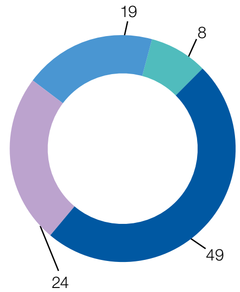
Other national companies held similar events. HOCHTIEF Polska, for example, joined forces with other Polish companies to organize an occupational safety week in April 2016 with the slogan "Turn on thinking—plan and react."

HOCHTIEF employees have the opportunity to consult their occupational health physician as needed. Managerial staff and experts, too, can obtain regular checkups. Health and wellbeing are our top priority and we place a clear focus on prevention.

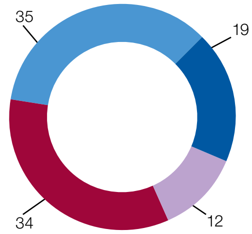
Similar measures are provided around the world throughout the HOCHTIEF Group: Turner's services for employees include health checks and weight loss courses. Flatiron holds health fairs.

Significant types of injury in the HOCHTIEF Group in %
(as of Dec. 31, 2016)

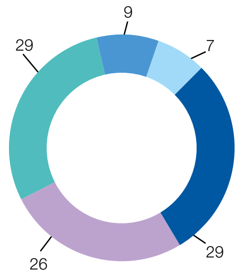
HOCHTIEF Americas



HOCHTIEF Asia Pacific



HOCHTIEF Europe (incl. holding company)



- Lacerations
- Cuts and stab wounds
- Fractures
- Contusions
- Sprains
- Other types of injury too specific to list individually here

Procurement

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

HOCHTIEF spent EUR 14.7 billion in 2016 on the procurement of materials and subcontractor services, which corresponds to approximately 66% of Group work done. All requirements relating to products and materials, workmanship, quality, service, schedules, and costs come together in procurement. They are enshrined in the contracts with suppliers and subcontractors to meet project specifications and hence to ensure project execution. Procurement therefore plays a key role. The efficiency and quality of processes are hugely important for the Group's success.

Procurement objectives

Selection of the right partners—subcontractors as well as suppliers—in terms of quality, scheduling, and cost is key to ensuring HOCHTIEF's success. To this end, all divisions share common procurement objectives.

[1] For further information on supplier management at HOCHTIEF, please see page 120 et seq.

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 by ensuring that the procurement process is transparent and verifiable.

[2] For further information, please see the Compliance section on page 95.

HOCHTIEF takes a number of targeted measures, coordinated by Procurement, to minimize procurement risks. Potential risks include 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 products or quantities), and contractor default risk (e.g. default due to insolvency, force majeure, or changes in the legal or political framework).

Sustainability plays an increasingly important role for procurement at HOCHTIEF. Given the Group's large procurement volumes, we are well aware that we must demand high standards of our procurement processes. HOCHTIEF therefore counters compliance and sustainability risks—for example, from infringement of laws or failure to meet environmental, ethical, or social standards on the part of suppliers—in processes such as supplier management.[1]

During the reporting year, we launched a compliance project in Procurement in Europe to review and improve process quality. This included a compliance risk analysis exclusively devoted to procurement. The key focal issues of this risk analysis were prequalification, subcontractor and supplier selection, the awarding of contracts, and the evaluation of services rendered by subcontractors and suppliers. We thus perform separate business partner due diligence when projects are executed at HOCHTIEF Europe in countries, or when placing orders with subcontractors and suppliers from countries, that have a corruption value classified as critical (according to Transparency International's Corruption Perceptions Index[2]).

HOCHTIEF has for years been one of the leading construction companies in the Dow Jones Sustainability Index in the area of supply chain management.

This chapter is part of Focus Area Procurement

At HOCHTIEF, we work constantly to drive the issue forward and, to demonstrate the importance of procurement, we introduced the procurement focus area in this reporting year.

We are building on the fact that our procurement processes in all Group companies are structured, transparent, and firmly embedded in our operating business. Common standards—for instance, for prequalification processes, obligations for subcontractors and suppliers, and valuation techniques—ensure quality, responsible conduct in procurement, and risk prevention. We see ourselves as a partner and are committed to long-term cooperation with subcontractors and suppliers.

Organizational structure of procurement at HOCHTIEF

Procurement is like a 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 closely integrated into ongoing projects.

Strategic procurement at Group level

Strategic procurement at Group level, which comes under the responsibility of HOCHTIEF Solutions AG, is tasked with ensuring that uniform minimum standards are established for procurement throughout the Group. It is also responsible for enhancing the procurement system by means of strategic initiatives and propagating best practices from all divisions throughout the Group.

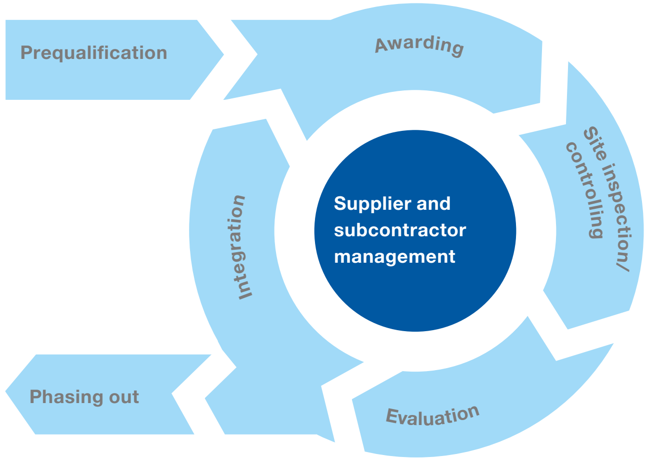
During the reporting year, a new procurement directive was developed and adopted at HOCHTIEF in the Asia Pacific division. With the planned transfer and introduction of this directive to the HOCHTIEF Europe division, we will secure our targets in the next step through consistent language, uniform binding rules, and proven, risk-minimizing processes. The delegations of authority (DoA), for example, incorporate approval processes and responsibilities that are largely similar.

Procurement has also put in place a series of strategic initiatives[1]:

- The “Supply Chain Finance” project in the HOCHTIEF Europe division is part of our Group-wide working capital management initiatives, whereby we work with our partners to optimize the working capital and cash flow of all parties involved, thereby strengthening the constructive working relationship. Since the reporting year, the model has been used in HOCHTIEF’s infrastructure construction units in Germany, the United Kingdom, Poland, and the Czech Republic. Similar projects are already underway at CIMIC and Turner. The “Accelerated Payment Program” at Turner, for example, has improved the service offering and the financial strength of subcontractors. Suppliers can use the program to finance their work in the ongoing project and strengthen their business with the working capital. This creates a win-win situation for all partners involved.

- We also encourage CSR ratings by third parties in the area of procurement. In the reporting year, for example, HOCHTIEF was registered with Silver status on the international platform EcoVadis, putting it in the top 30% of the rated companies. EcoVadis provides CSR ratings of suppliers for global supply chains. This rating benefits HOCHTIEF clients and the Company alike.

[1] For further information, please see the Strategy section on page 32.



Strategic procurement at divisional level
We deploy cross-cutting procurement experts at our divisions' companies. Their task is to coordinate procurement activities within the divisions, leverage synergies, and develop best-practice solutions. In this way, the units help significantly to implement the procurement strategy at divisional level. By constantly exchanging knowledge—both with the operational units and with other divisions' international procurement managers—the procurement experts ensure constant availability of key information. They also support procurement at project level.

The available data is analyzed and compared by each HOCHTIEF division—including, for example, project and contract types, procurement volumes, number of subcontractors, and quality of services. These analyses are made available to the other divisions on a project basis. This kind of sharing is particularly advantageous when it comes to services that can only be rendered by specialist providers—units benefit from the contacts and experience of their sister companies. Experience with suppliers of glass elements in Germany shared between buyers at Turner and HOCHTIEF Solutions, for instance, helped to improve efficiency on a project for a building with a three-dimensional glass facade in New York.

In Germany, a procurement report is also prepared each year, which shows the revenue of all centrally managed product categories as well as describing the strategic direction and the steps initiated on that basis.

Decentralized procurement at project level
Another level of HOCHTIEF's organizational structure for procurement is decentralized procurement on an individual project basis. This reflects HOCHTIEF's working methods: Our projects are unique, the work is characterized by changing construction sites with custom tasks and requirements as well as teams whose setup is in a constant state of flux. Accordingly, the project procurement staff are tasked with selecting subcontractors and suppliers for each specific project.

They pick suitable subcontractors and suppliers with the benefit of detailed knowledge of regional, national, and international procurement markets. Unlike in other industries, our project activities at varying locations require us to pinpoint and select a large proportion of new business partners on an ongoing basis. We also engage subcontractors and suppliers who operate beyond the local region, with whom we have worked successfully in the past.

Subcontractor and supplier management at HOCHTIEF
To allow us to assess the efficiency of our subcontractors and suppliers and to identify any risks at an early stage, we have established comprehensive subcontractor and supplier management processes. This tried-and-tested system is an essential component of procurement at HOCHTIEF.

We aim to ensure compliance with HOCHTIEF's economic, environmental, and societal standards in each country by evaluating and selecting suitable subcontractors and suppliers. In this way, even before awarding any contracts, we minimize the probability of any risk materializing. Subcontractor and supplier management involves a multistage procedure:

For several years now, HOCHTIEF has had a system in place in all divisions for **prequalifying** subcontractors and suppliers. As part of prequalification, all new subcontractors and suppliers are required to fully commit to observing the HOCHTIEF Code of Conduct, which includes an undertaking to comply with all human rights, labor laws as well as social and environmental standards. By signing, subcontractors and suppliers also undertake to hold their contractors to the Code of Conduct.

The non-financial performance indicator of lost time injury frequency rate (LTIFR[1)]) introduced in the 2015 reporting year was made a mandatory performance indicator in the prequalification process in Europe. This way, we actively improve risk management and ensure that the aspect of occupational safety and health is given high priority on our construction sites.

What's more, we are currently focusing on the aspects of ensuring human rights at every link in the supply chain. In countries where there is a heightened risk of human rights infringements, we include this issue in supplier self-disclosure information that we evaluate specifically in order to check in advance that the company concerned sufficiently takes our requirements relating to the protection of human rights into account in its activities.

In 2016, around 96% of the parties we contracted with were prequalified. We work continuously to further improve this figure.

In the process of **awarding contracts**, we agree clauses with our partners stipulating our standards and requirements in relation to sustainability. These encompass rules on environmental and occupational safety, ethical principles as well as reporting on energy consumption and emission levels. The country- or division-specific requirements serve as a frame of reference when it comes to the details. In Germany, the agreements include a construction site safety concept and a work section manager declaration.

The project teams at HOCHTIEF construction sites are responsible for **monitoring** the subcontractors and suppliers. Among other things, the HOCHTIEF teams manage and monitor the materials supplied and review the contractually agreed works and services. This also involves adhering to work safety directives as well as properly disposing of or recycling waste. In addition, the project teams in Germany check whether our contract partners comply with all minimum wage requirements.

The HOCHTIEF project teams also make structured **evaluations** of the services provided. They assess all subcontractors and suppliers, whether new or long-standing. In Europe, for instance, environmental factors—such as handling of hazardous materials and waste and awareness of resource conservation—are also evaluated, in addition to economic aspects such as dealing with change orders. In addition, social issues are evaluated. This includes observing international human rights conventions, labor standards, and pay norms. Based on the evaluation findings, subcontractors and suppliers are either recommended for future projects or promptly excluded from subsequent projects if critical infringements have occurred. We point out areas where we see room for improvement among our subcontractors and suppliers. The evaluations are conducted with the help of

[1)] For further information, please see the Occupational Safety and Health section on pages 114 to 117.

Focus area indicator Procurement

Aspect prequalification: Percentage of prequalified business partners in percent

For further information, please see the GRI index on pages 252 to 253.

1) See glossary on page 258.

www.supplynation.org.au/

established IT systems as well as manually within the project framework.

To promote local business, HOCHTIEF gives preference to subcontractors and suppliers whose companies are located in the vicinity of our project or construction sites. In 2016, around 81% of our procurement volumes in the entire HOCHTIEF Group went to local subcontractors and suppliers. This is how HOCHTIEF sustainably promotes economic development in the regions in which we operate, securing existing jobs and strengthening the local economy. Moreover, shorter transportation routes ensure lower carbon emissions.

The project teams review adherence to the agreed contract terms at local level and the results thus are included in the suppliers' evaluations. Visits to suppliers, audits, and an analysis of external information provide for additional transparency.

In connection with our project activities, we attach great importance to on-site subcontractor and supplier audits, both currently and going forward. The audits are performed either by internal Group units or using outside partners.

Positive results qualify subcontractors and suppliers for further projects at HOCHTIEF: Once they have gone through the **integration** phase, they are included in future tender processes. In 2016, for example, the project teams in Germany had some 500 evaluations conducted centrally for the main goods and services provided by our subcontractors, suppliers, and planners. Business partners who received a positive evaluation were integrated into the process for future tenders.

However, when subcontractors and suppliers fail to live up to HOCHTIEF's standards and receive a negative evaluation from the project teams, they are designated in the system accordingly and **phased out**[1] by excluding them from future selection processes.

Sustainability initiatives and project highlights

During the reporting year, the United States based HOCHTIEF company Turner Construction Company completed the "Golden 1 Center" project in Sacramento which has received LEED Platinum certification. On certification, one point given a special mention was that the team had procured all metal stud framing from suppliers within a 16-kilometer radius of the construction site.

CIMIC's Australian subsidiaries CPB Contractors and Thiess are both members of Supply Nation, an Australian organization that aims to promote cooperation in procurement activities between private companies and Indigenous businesses, and to thus foster integration. The companies listed with Supply Nation have thus far spent more than EUR 23 million in procurement, including a joint venture between Thiess and Indigenous company Hicks Civil & Mining: The Cape Lambert Landfill Relocation project was completed on time and on budget. CPB Contractors has concluded cooperation agreements with Indigenous Australian businesses in the fields of earthworks, ICT services as well as safety and security. Some CIMIC Group teams and employees receive bonus payments for meeting diversity or sustainability targets in procurement—for example, targets relating to the number of Indigenous businesses hired as subcontractors.

CIMIC aims to win subcontractors and suppliers through long-term contracts and strategic agreements. Special programs acquaint the suppliers' employees with the requirements set by CIMIC, with the added benefit of ensuring that CIMIC's own employees are familiar with the subcontractors' workflows. This leads to improvements in operational efficiency between the companies in the supply chain.

In August 2016, Thiess organized the third Local Content Forum together with the Queensland Regional Council. This annual workshop with procurement and supply chain experts from the government and from companies in the commodities sector aims to strengthen the regional economy.

For the National Football Stadium in Port Moresby, New Guinea, built by CIMIC company CPB Contractors and inaugurated at the beginning of 2016, 90% of the workforce and 88% of the subcontractors were from the local region.

In the HOCHTIEF Europe division, buyers use an online platform that labels sustainable products[1] accordingly. Qualitative information is included in the descriptions of the products. In all, there are more than 700 products labeled as sustainable in the electronic catalog system (eCat).

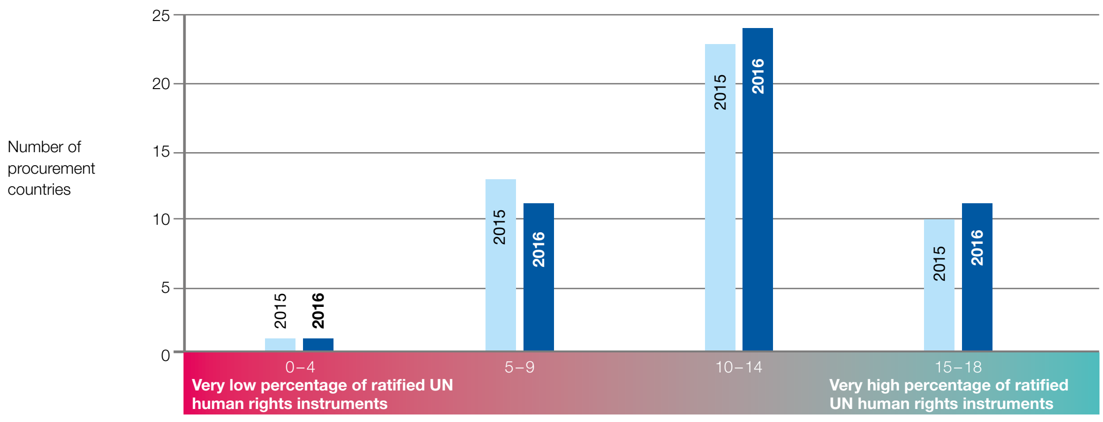
[1] Sustainable products include, for example, recyclable paper.

Procurement activities: countries

As in previous years, HOCHTIEF bought materials and services in 2016 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. The chart shows all major suppliers.

UN human rights[2] conventions in HOCHTIEF's main procurement countries

(Number of procurement countries in 2016: 51; 2015: 47)



www.ohchr.org

[2] See glossary on page 258.

On the fast track: California High-Speed Rail

Economy: It will be the first high-speed rail link in the U.S.: Flatiron is part of a joint venture delivering Package 2–3 of the California High-Speed Rail project, with a total value of some EUR 1.1 billion. The nearly 100-kilometer section is part of the connection between Los Angeles and San Francisco. After an 18-month planning phase, the construction work commenced in late 2016. It will take about four years.

Ecology: Shifting the majority of traffic from road to rail is a major boon to the environment. This project will greatly ease private transportation in the densely populated area between Los Angeles and San Francisco.

Community: As a support to the local economy, small and medium-sized businesses from the region are to account for 30% of the subcontractors. In order to provide opportunities to business owners in need of special support, Disadvantaged Business Enterprises will account for 10% of these companies.

Looking ahead

General economic environment for 2017[1)]

The growth outlook in the markets and regions relevant to HOCHTIEF remains positive in 2017. In total we have identified a pipeline worth EUR 150 billion of relevant projects coming to our markets in North America, Asia Pacific and Europe in 2017, with a further EUR 350 billion in 2018 and beyond. With its global presence and capabilities, HOCHTIEF remains very well positioned. The outlook for 2017 and beyond holds good business prospects for HOCHTIEF. Based on our positive performance in 2016, we anticipate that we will be able to further improve our key performance figures.

The HOCHTIEF Group's strategic focus[2)]

Going forward, we will continue to systematically advance our strategy of recent years and pursue the implementation of related strategic initiatives. We expect that this will generate additional positive impetus in the years ahead. Through the transformation of HOCHTIEF, we have succeeded in strengthening our position in the Group's core markets. The increasingly close integration of our sustainability strategy[3)] 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 has significantly advanced in its transformation process in 2016. This further improved efficiency, profitability, liquidity, and risk management, thus cementing the foundation for our sustained cash-based profit growth.

In early 2016 HOCHTIEF indicated that new orders, work done and order backlog were expected to hold their levels in the year. In 2016 we achieved a clearly positive trend in new orders (up 15% year on year) and the order backlog (up 20% on the prior year).[5)] Work done decreased compared with the prior year, mainly due to the transformation of HOCHTIEF and the Group's focus on its core businesses. The trend during the year, however, was positive and in the fourth quarter work done rose by 6% compared with the comparable quarter of 2015. As indicated the substantial improvement in HOCHTIEF's key earnings figures in 2016 was positive across the board. EBIT (EUR 817 million, up 12%), nominal profit before tax (PBT) (EUR 621 million, up 19%), and nominal consolidated net profit (EUR 321 million, up 54%) all show marked growth rates on the prior year. With an operational consolidated net profit of EUR 361 million, HOCHTIEF has reached the upper end of the guidance range (EUR 320-360 million) and was 37% above the prior-year figure. All divisions have contributed to this positive performance and benefit from our focus on core business.

Furthermore, as indicated the strong and systematic focus on cash generation and on further improving working capital management resulted in a further rise in net cash flow from operating activities of 3% in 2016 compared with the prior year. Adjusted for the large proceeds from divestments in 2015, the trend in free cash flow is likewise positive. Net cash, adjusted for non-recurring items such as stock buyback programs at CIMIC and HOCHTIEF as well as net investments, likewise shows a marked positive increase. In nominal terms HOCHTIEF's net cash position decreased by 13% on the prior year due to the above mentioned non-recurring effects.

The Lost Time Injury Frequency Rate was adopted in the prior year as a non-financial key performance indicator. This once again underscores the utmost priority given to occupational safety at HOCHTIEF. As indicated we further improved on last year's already very low level, by a further 4% to 1.32 in 2016.

1) For further information, please see the Markets and Operating Environment section starting on pages 39 to 47.

2) For further information, please see the Strategy section starting on pages 32 to 35.

3) For further information, please see the Sustainability Strategy section starting on pages 36 to 37.

4) For further information, please see the Financial Review section on page 53 et seq.

5) For details, please see Orders and Work Done section on page 48.

Overall assessment of future developments

The positive outlook for 2017 is also reflected in our expectations for HOCHTIEF's key performance indicators.

Our solid order book will enable us to increase sales by at least 10% year on year. HOCHTIEF's order backlog is expected to remain at a solid level in 2017, similar to 2016.

Furthermore, we expect that the HOCHTIEF Group will generate operational consolidated net profit in the range of between EUR 410 million and EUR 450 million in 2017. This marks a further increase of approximately 13% to 25% on 2016 and reflects the divisional profit improvements expected.

For 2017, we will continue to focus on safety as a priority as it is one of our key principles.

Dividend

HOCHTIEF continues to focus on remunerating its shareholders. The Executive Board and Supervisory Board of HOCHTIEF Aktiengesellschaft are proposing to distribute an ordinary dividend of EUR 2.60 per share for 2016 which represents a payout ratio of about 50%. This dividend of EUR 2.60 per share is 30% higher than for 2015.

Risk Report

A well-functioning risk management system is a vital success factor for a group such as HOCHTIEF. HOCHTIEF's risk management system encompasses all processes and measures designed to detect and reduce risk as early as possible, and to implement countermeasures as needed. HOCHTIEF's large international footprint and regional spread let us respond effectively to sustained and long-term changes in markets, product demand, and product supply. For this reason, we are 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 and are explained below.

Improving risk management

HOCHTIEF reviews and improves its systems across the Group on an ongoing basis. Continuous improvement in risk management is part of this process. A notable development in 2016 was Group-wide streamlining of the reporting system. This ensures that all indicators for project reports are reliably compiled using a standardized system. HOCHTIEF thus has reliable early warning indicators if anything goes off target. The ongoing substantive improvements are flanked by organizational and staffing changes in risk management. First of all, risk management now has even stronger emphasis at Group level following the establishment of a Risk Management corporate department by resolution of the HOCHTIEF Executive Board. Secondly, the Risk Management department at HOCHTIEF Infrastructure GmbH has been realigned as part of the transformation of that company.

HOCHTIEF Group risk management/early warning system

The Group-wide risk management system is made up of several individual components required under Group directives. Our Group-wide standards make a notable contribution toward minimizing risk for HOCHTIEF. These include occupational safety, health and social standards, compliance guidelines, and our Code of Conduct. The divisions and operational units additionally have their own systems, processes, and organizational instructions for the identification, assessment, and management of risks.

Risk management in the HOCHTIEF Europe division was fundamentally transformed at HOCHTIEF Infrastructure GmbH in 2016, whose Risk Management department is now subdivided into five groups.

- The Project Acquisition and Implementation Group is integrated into bid approval processes and supports operational units in bid preparation. Its level of involvement continues to be determined by project risk classification. When needed, the group acts as a service provider, lending support to complex projects in contract management during bid preparation and in implementing contract management during project execution.

- The second group, Project Risk Management, supports operational units in risk monitoring, which mainly centers on specific project audits. The degree to which the team is required to be involved depends on the project's risk classification. On behalf of management, the group also coordinates task force reviews on specific issues and provides support in the processing of contract claims.

- The Dispute Resolution and Litigation Group works in close collaboration with the Legal department, performing project management as needed for the resolution of disputes following contract completion. This frees up operating project management for new assignments.

- Quality management (QM) is also integrated into risk management. Another focus of the Quality Management Group comprises internal and external QM audits. Additional thematic areas that come under this group include the continuous improvement process (CIP), best practices, and lean construction.

- Finally, HOCHTIEF Infrastructure's management has established a Technical Quality Control Group. This group has the task and aim of reducing technical risk and improving execution quality in ongoing projects.

The HOCHTIEF Europe division will continue to adapt to the market environment and review its risk management on an ongoing basis.

Turner and Flatiron are integrated into the HOCHTIEF risk management system, which is in line with the HOCHTIEF Group directive. The central function in risk management at Turner is performed by the Risk Management Steering Committee, which coordinates and oversees all risk-related issues. A key element in this is the 12 Key Risk and Related Controls matrix, which allows Turner to identify potential risks in standardized form at an early stage and to control them as needed. This is complemented by quarterly, business unit-level risk analyses whose findings are aggregated into a risk memorandum. Flatiron's primary focus in risk management is on project and contract risks. To this end, all projects are systematically analyzed and assessed from a risk perspective from as early as the bid phase. Additionally, monthly top management meetings are held on all significant projects for early detection of risks as well as to coordinate and evaluate the current status of the risk situation. Expansion and establishment of the Turner Engineering Group and the Flatiron Technical Services Group as in-house technical centers of excellence have also contributed to avoiding potential project risks.

At HOCHTIEF Asia Pacific, the division's main company CIMIC lays down directives for divisional risk management. CIMIC defines risk management as the identification, assessment and treatment of risks that have the potential to impact materially the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group. CIMIC's risk management framework is tailored to its business, embedded mostly within existing processes and aligned to the Company's objectives, both short and longer term. Given the diversity of the Group's operations and the breadth of its geographies and markets, a wide range of risk factors have the potential to affect the achievement of business objectives. As in all other divisions, risk management at CIMIC is in line with the HOCHTIEF Group directive on risk reporting.

Risk culture

Continuous improvement in risk management at HOCHTIEF is one of the company's key strategic goals[1] and a responsibility of every employee[2]. The Executive Board holds regular dialog events with employees to underscore the importance of the topic within the Group and to convey HOCHTIEF's strategic approach. In addition, HOCHTIEF provides a wide range of training and continuing education courses on risk management and attaches great importance to regular participation in such training by all employees. HOCHTIEF has a system of fixed and variable remuneration which is regularly reviewed. A key component of this system is the adoption of risk-related metrics and targets against which employees' performance can be measured. This component is laid down in individual performance agreements tailored to each employee's job profile and responsibilities. In addition, HOCHTIEF offers a wide array of systems and tools enabling employees to pinpoint potential risks and escalate them within the Group.

[1] For further information on the subject of strategy, please see page 32 et seq.

[2] For further information on the subject of employees, please see page 107 et seq.

The occupational safety and health[1)] of our workforce have top priority. All our guiding principles are firmly based on the overarching principle of safety. We use project hazard assessments to identify safety risks on project sites and in our offices and to counter those risks either preventively or with targeted safety measures. Our focus is on proactively avoiding work accidents and workplace-related illness. We stage regular action days and conduct intranet campaigns and seminars to raise workforce awareness of occupational safety, health, and environmental protection (OSHEP). This applies in equal measure to the contractual partners and subcontractors for whom we are legally responsible.

To further enhance the importance of OSHEP within HOCHTIEF, we defined the Lost Time Injury Frequency Rate as a non-financial key performance indicator already in 2015.

Risk reporting

A Group risk reporting directive accessible to all employees defines uniform guidelines for 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. Their main task is to secure a reliable information process in relation to the Group's risk situation. This provides the HOCHTIEF Group with reliable risk documentation for information purposes and enables it to inform the Executive Board and management about the current risk situation.

Risk inventories and forecasts/budgets are compiled at project level and/or at the level of the smallest operational unit. After internal assessment at the respective management level, the operating or holding companies each report their risks to Divisional Controlling, using the planning and forecasting process established for the purpose by Divisional Controlling. In forecast and budget meetings, the operating and holding companies consult on their risk exposures in depth with the responsible member of the Executive Board (or designee) and with Divisional Controlling. The latter then submits its list of risks relevant to risk reporting to Corporate Controlling using a standardized risk report form. Each risk report contains 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 that have already been taken to avert, reduce, and resource the risks identified. Corporate Controlling takes the information collated in the bottom-up risk reporting process and aggregates it to Group level. The individual reports are then discussed with the responsible management. The risk committee looks at reported risks from the perspective both of the divisions and of the HOCHTIEF holding company. Corporate Controlling documents the entire risk reporting process in a final risk report to the Executive Board. This approach brings in managers at all levels of the corporate hierarchy.

Risk-related 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. The risk situation is thus continuously monitored and—independently of the regular updates and the standardized process—material changes in the risk situation are reported to the managers responsible and escalated through the hierarchy according to the materiality of each risk (internal ad-hoc reporting). This applies with regard to both known and new risks. In this connection, the Investment Committee is a key element of risk management at HOCHTIEF, enabling potential risks to HOCHTIEF associated with planned capital expenditure, divestments, and investments requiring approval to be assessed and, where applicable, avoided before the plans are put into effect. The aim is to provide a framework of standard criteria and processes and, in this way, to ensure that all decisions are made on the basis of the same approved principles. Transaction volume is the factor determining the type and scope of risk analysis.

[1)] For further information on the subject of occupational safety and health, please see page 114 et seq.

[1] For further information on the subject of compliance, please see page 92 et seq.

Corporate Auditing[1] integral to risk management

Another key role in the risk management system at HOCHTIEF is performed by Corporate Auditing. 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 internal institution, independent of work processes and their outcomes, which performs audits on behalf of the Executive Board of HOCHTIEF 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.

The aims of Corporate Auditing are to protect corporate assets, assess the reliability of the company's risk management and monitoring systems, and to contribute toward improving those systems as well as toward cost-efficiency in internal business processes. The risk-based audit program is supplemented by ad-hoc special audits.

Turner and CIMIC additionally have their own independent audit units. Audit findings are used to further optimize risk management and notably the early detection and control of risk. The processes operated by Corporate Auditing follow international auditing standards and are subject to regular independent quality assessments. Corporate Auditing reports on each audit to management and the Executive Board 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

Directly owned by the holding company, this subsidiary coordinates insurance-related risk management for the HOCHTIEF Group divisions all over the world.

Its main objectives are:

- to protect the consolidated balance sheet by organizing and implementing Group-wide insurance-related risk management processes,
- to reduce the total cost of risk by providing own insurance resources,
- to support local risk management by providing aggregated information that is obtained through the collection and analysis of data as part of Group-wide insurance reporting processes.

As the company's own insurance provider, the experts at HOCHTIEF Insurance Broking and Risk Management Solutions assist in risk analysis and risk management in the Group's operating companies and ensure that the manifold projects and activities in the HOCHTIEF Group have adequate insurance cover specific to requirements.

This chiefly includes insurance solutions for transportation infrastructure projects as well as social and urban infrastructure projects that protect against risk both before and during the construction phase and in the operating phase.

In this context, 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 damage caused by natural disasters or property damage caused by extreme weather conditions, for example, cover is increasingly provided through insurance for builders' risk and all-risk property insurance. Liability risks that could arise from unintended environmental damage, for instance, are minimized through Group liability insurance. In addition to HOCHTIEF Group units, insurance cover can also be provided for external companies, notably project partners, owners, and end users.

Additional products and services for external customers and to optimize the Group risk and cost structure are also provided by subsidiaries Builders Reinsurance S.A. and Builders Direct S.A., both of which were once again awarded a rating of A- (Excellent) by A.M. Best, as well as by Independent (Re)insurance Services S.A.

Internal control and risk management system in relation to the financial reporting process

Reliable and proper financial reporting is of key significance in making management decisions as well as in providing financial statement users with information. Risks associated with the Group financial reporting process are dealt with in a variety of ways at the HOCHTIEF Group. Uniform financial reporting and measurement throughout the Group is ensured by IFRS[1)] Accounting Guidelines, which are updated each year based on the current IFRSs as endorsed by the EU. A set of German Commercial Code (HGB) accounting guidelines is also updated annually for German Group companies. Working in close consultation with Corporate Accounting, our subsidiaries are responsible for adhering to the Group-wide accounting policies in their financial statements.

Accounting for financial instruments is carried out in close 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. In addition, the consolidation system utilized by the Group is access-protected to ensure that employees are only able to access the data of relevance to them. The consolidation system is reviewed by Corporate Auditing on a regular basis. Corporate Auditing also monitors the uniform application of the existing IFRS and HGB guidelines.

Risk classification

The term "risk" primarily refers to risks with potential impacts on profit before tax and on liquidity. Risk assessment and reporting serve to quantify risks 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.

[1)] International Financial Reporting Standards

Elements of project risk management at HOCHTIEF

HOCHTIEF Group risk position

The overall risk position of the HOCHTIEF Group is determined by adding the expected individual risk exposures and aggregating them at Group level by division and by the aforementioned risk categories. The overall risk identified at HOCHTIEF principally relates to the risk categories covered in the following.

Financial risk[1]

Coordinating financial requirements within the Group and safeguarding its long-term financial independence 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, responsibilities within the Group are strictly separated 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 monitored through monthly reporting. The reporting system 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.

Financial covenants on certain credit facilities that can trigger lenders' rights to call in loans if violated are monitored continually, and are currently, as before, rated as non-critical. No financial covenants are featured in the bond documentation to the HOCHTIEF corporate bonds.

In light of our efficient financial management, we assess our overall financial risk as low.

Market risk[2]

We closely monitor world economic and geopolitical developments in the regions and markets important to HOCHTIEF.

The current political uncertainty in Europe could potentially have a long-term negative impact on the European economic region, above all with reductions in public investment spending. This could affect long-term growth prospects for Europe and impair HOCHTIEF's future development in the region. This is why HOCHTIEF aims to further expand its already significant global presence in all key markets. Strong local operations that, without exception, provide our business activities with longstanding geographical ties help us offset potential regional fluctuations and respond flexibly to risks of this kind.

[2] For further information on the subject of markets and the operating environment, please see page 39 et seq.

[1] For further information, please see the Financial Review section on page 53 et seq. and page 34. Reporting on financial instruments on page 222 et seq.

An increase in the oil price after years of prices that have been well below the long-term average could have an adverse effect on our operating costs. This risk is monitored and continuously assessed, particularly in relation to our contract mining activities. Any increase in operating costs could adversely affect the earnings generated by projects in this area. This is why HOCHTIEF strives to work with customers in order to spread this long-term risk equitably and ensure a fair balance of interests. As a result, HOCHTIEF is in a position to reduce the risk to a negligible level.

Overall, we do not see any significant market risk of for HOCHTIEF and therefore classify such risk as low.

Personnel risk[1)]
Particularly in the case of large-scale projects, our financial success depends on the extent to which we succeed in gaining the loyalty of experienced specialist and managerial personnel as well as in recruiting new employees. The aim of our human resources strategy is therefore to recruit the right personnel, further enhance workforce qualification, and retain employees long-term.

For early detection of potential personnel risks, we have established risk management in the human resources function based on our risk management guidelines. 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[2)]
The switch from defined benefit pension plans to defined contribution arrangements, where the costs to the company are predictable, was made several years ago. Largely covered by plan assets and pension liability insurance, pension obligations at HOCHTIEF are backed by sound asset holdings. Plan assets consist of a range of different asset classes based on balanced strategic portfolio allocation and 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 risk in our mainstream construction business is a key risk management category. 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 also arise in our non-construction businesses such as mining, PPPs and services.

As an international construction services provider, 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 we 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 miti-

[1)] For further information on the subject of employees, please see page 107 et seq.

[2)] For further information, please see Section 26, Provisions for pensions and similar obligations, on page 210 et seq.

gated 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, and we consider these to be sufficient.

In the HOCHTIEF Americas division, an acceptable solution for all sides was found together with the client during 2016 with regard to claims still outstanding in the Presidio Parkway PPP project. This risk therefore ceases to feature in risk reporting going forward. Risk monitoring continues on the ILM project. This is a joint venture for construction of transmission-lines in Canada where cost increases have led to claims that are currently being discussed with the client.

Substantial cost increases relating to the Gorgon Jetty & Marine STR project led to corresponding claims against the client that have been under negotiation since 2015. In February 2016, CIMIC and its consortium partners initiated private arbitration pursuant to the provisions of the Gorgon contract in order to pursue the outstanding claims against client Chevron. The three arbitrators were appointed in 2016; the procedural timeline is to be determined at a first procedural conference envisaged for the first quarter of 2017 and the hearings are not expected to commence before 2019. In parallel, CIMIC commenced proceedings in the United States against Chevron Corporation and its representative (KBR Inc.). These proceedings are independent of and have no effect on the aforementioned arbitration process. 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 2016. 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 2016.

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 Balance Sheet as of December 31, 2016 is the equity-accounted investment in HLG Contracting LLC (HLG) at a carrying amount of AUD 366.5 million and loans (including interest) receivable from HLG totaling AUD 1.04 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 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-related risks

The aim of our compliance[1] system 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.

We therefore rate the risks in connection with compliance as low.

Procurement risk[2]

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 completed projects, we maintain a comprehensive overview of our partners' capabilities, both technical and commercial. This lets us minimize default risk and gives us greater scope to best meet our customers' needs.

We classify HOCHTIEF's procurement risk overall as low.

Regulatory risk

Owing to our business activities and significant international presence, HOCHTIEF has to contend with risks arising from regulatory changes, particularly in the areas of tax and climate 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.

Risk associated with information security

HOCHTIEF counters IT risks 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 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 certified, redundant, geographically separate 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 using 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.

[1] For further information on the subject of corporate governance and compliance, please see page 92 et seq.

[2] For further information on the subject of procurement, please see page 118 et seq.

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 the requirements on data security, confidentiality, and availability are met.

In addition, our service providers cooperate with the Group's Data Security Officer to ensure that personal data are processed solely in accordance with the requirements of the German Federal Data Protection Act. HOCHTIEF has not had any notable IT incident. We continue to classify the risk as low overall.

Environmental and social risk[1)]

Just as HOCHTIEF's activities impact the environment, our business success is inextricably linked with environmental conditions.

Our construction projects can in particular be partially disrupted by exceptional meteorological conditions such as heavy rain, flooding, storms, or extreme cold. This can lead to reduced productivity. There may also be hazards to our employees and subcontractors as well as to passers-by or local residents, e.g. through site incidents caused by extreme weather conditions. In this context, HOCHTIEF therefore provides ongoing training on occupational safety, including on how to properly secure construction sites. Our use of modern equipment and methods contributes additionally to protecting against the elements and ensuring work safety. Project teams monitor 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 our 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 as well positioned to prevent long-term environmental and social risks.

In the markets it serves, HOCHTIEF must comply with growing numbers of statutory requirements in areas such as emission levels and energy efficiency. This can drive up operating costs in our projects. 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.

HOCHTIEF treats climate risks as part of project risk, as they can arise as a result of environmental influences during project execution. Such risks are evaluated and addressed in-process by our project teams working in collaboration with OSHEP Center experts and outside specialists as needed.

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 adopt suitable countermeasures in order to prevent potential environmental damage.[2)]

The compilation of CR indicators using sustainability software, which commenced in 2016, makes it possible to carry out plausibility checking and enhances the verifiability of environmental and social data. This, too, constitutes a means of countering risk.

1) For further information on the subject of the environment, please see page149 et seq.

2) For further information on the subject of occupational safety and health, please see page 114 et seq.

Executive Board's overall assessment of risks

The Group's overall risk position further improved in 2016. HOCHTIEF will work intensively to further optimize its risk position. The risk management approach is kept under constant review and adjusted as necessary to preclude any volatility in HOCHTIEF's key performance indicators.

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. From our analyses and given the good performance of the business in 2016, we continue to assess HOCHTIEF's risk-bearing capacity as sound.

Sustainable partnership: Transport Canberra and City Services (TCCS)

Economy: As part of a public-private partnership, the CIMIC companies Pacific Partnerships and CPB Contractors, together with other players, have been awarded stage one of the TCCS light rail project in the Australian capital of Canberra. At a project volume of roughly EUR 390 million, the 12-kilometer light rail route has 13 stations connecting the Gungahlin district with the city center and is slated for completion in 2018. Operating rights have been granted for 20 years.

Ecology: Arborists will continually monitor the health of the vegetation surrounding the construction site, and endangered animals will be relocated from the site while work is underway.

Community: The project paves the way for a user-friendly transportation system that can be accessed by all residents. Urban revitalization will also occur as a result of the project along the route. This project will support the people of Canberra to make greater use of public transportation, which will alleviate road congestion. CIMIC is collaborating on the project with local subcontractors, thus bolstering the city's economy.

Opportunities

Opportunities in the regions and markets relevant to HOCHTIEF[1)]

HOCHTIEF's operations focus on attractive markets spanning all continents. We already boast leading market and technology positions in our chosen segments worldwide. Nonetheless, in the regions important to HOCHTIEF, 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.

Notably in light of the favorable recent news, economic data, and forecasts for the USA, we are optimistic that HOCHTIEF can further solidify and extend its already strong position there. Expectations for transportation infrastructure and commercial/industrial construction in particular have risen significantly since the presidential election. The political shift is also anticipated to benefit the U.S. PPP market. In this segment, however, we continue to see major potential for PPP road and bridge building projects first and foremost in the Canadian market.

The Asian and Australian markets present a similarly encouraging picture for HOCHTIEF. Here, too, the outlook notably for transportation infrastructure is strongly positive. Factoring in its substantial PPP capabilities, the HOCHTIEF Asia Pacific division is very well positioned through our Group company CIMIC to continue delivering sustained profitable growth. Demand for resources is also expected to grow in the long term. This will likely drive increased resource extraction, above all in the Australian market, and have a distinctly positive impact on our contract mining activities. Growing internationalization in the contract mining segment also means that CIMIC is well placed to capitalize on a positive trend of this kind.

At first glance, current developments in the euro area (including Brexit and the problems in the European banking system) do not permit above-average expectations for this market. Based on the huge investment backlog and a profusion of state investment programs in connection with PPP projects in individual countries around Europe, we nonetheless see good opportunities that we aim to make use of, primarily in the transportation infrastructure segment.

HOCHTIEF continuously monitors developments in the regions and markets relevant to it and takes them into account in related planning. If they develop better than is currently assumed, this could have a positive impact on HOCHTIEF's key performance figures and possibly further improve the growth predicted for 2017 and beyond.

Opportunities from systematically pursuing the strategy/sustainability strategy[2)]

HOCHTIEF continues to follow its successful established strategy. We aim to become the world's 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 nurture these three elements in our business activities. These strategic principles are systematically implemented at HOCHTIEF and are subject to ongoing development. We have identified a suite of strategic initiatives to this end:

- 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

These support the practical implementation of our strategy and further shape change at HOCHTIEF.

HOCHTIEF has already been working intensively to implement the uniform Group-wide strategy for some time. This has brought about a substantial improvement in all key Group performance indicators over the past few years. We nonetheless see scope for further improvement in many areas of our business activity. Accordingly, we continue to push forward our strategic roadmap. If the related initiatives deliver the expected positive outcomes sooner than planned, this is likely to have a further positive impact on HOCHTIEF's business activities.

[1)] For further information, please see the Markets and Operating Environment section on pages 39 to 46.

[2)] For further information, please see the Strategy and the Sustainability Strategy sections on pages 32 to 37.

[2] For further information, please see the Research and Development section on pages 103 to 105.

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 backbone of our sustained business success. In this context, stakeholder participation in HOCHTIEF's activities is a further element of our 360-degree approach. We aim in this way to stay a step ahead of topics and issues relevant to us, leverage business opportunities and market potential, and reduce risk. The public and economic focus on sustainability plays a growing role in our day-to-day activities. HOCHTIEF has supported consistent application of the sustainability concept from an early stage and stands to benefit as a result. Green buildings and green roads were a major driver of success in our business activities in 2016 and hold significant further growth opportunities. Additionally strengthened by the sustainability debate and public focus on sustainability, these create major opportunities for HOCHTIEF that we expect will positively impact our key performance figures in the medium term.

[1] For further information, please see the Employees section on pages 107 to 117.

Workforce-related opportunities[1]

Our employees all 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 is nonetheless important for us to further build 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.

Opportunities based on successful research and development[2]

HOCHTIEF's business success and our contribution to sustainability crucially hinges on our ability to innovate. Our clients value the innovative project-specific alternative proposals and the technical expertise that enables us to successfully execute our ambitious projects. A Group-wide innovation system opens the way for generating quantifiable added value through innovation and for setting us apart from the competition.

Innovation will continue to play a major role at HOCHTIEF, helping us further enhance the quality of our work and thus our competitiveness, especially in fiercely contested markets. If HOCHTIEF's innovation rate increases on a lasting basis, this will have a correspondingly positive impact on our business success as well as with regard to our environmental and social responsibility.

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, 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, 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.

Focus Area
Active climate and resource protection

Turner renovated Husky Stadium at the University of Washington in Seattle right on time for the start of the 2013 football season. The facility now boasts 70,000 seats, 2,500 club seats, and 28 new suites—the perfect setting for unforgettable sports experiences.

Focus on water conservation

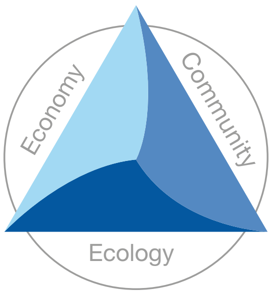
What does a sports stadium have to do with the Pacific salmon's natural habitat? A great deal. In 2013, Turner completed its revamp and expansion of Husky Stadium in Seattle in compliance with the strict LEED Silver and Salmon-Safe certification standards. Salmon Safe was developed by Turner in collaboration with other companies to protect the salmon's spawning grounds during construction projects on the U.S. west coast. During work on the stadium, Turner executed the measures in exemplary fashion and 95% of waste was reused or recycled.

Sustainability at HOCHTIEF

Interplay between economy, ecology, and community integral to project activities

You can find the Independent Assurance Report on pages 254 and 255.

[1] For further information, please see the Strategy and Sustainability Strategy sections on pages 32 to 37.



[2] For further information, please see the Employees section on pages 107 to 113.

Vision and strategy: the cornerstone of sustainability

Our commitment to sustainability is firmly enshrined in HOCHTIEF's vision, the principles by which our Group operates[1], as well as HOCHTIEF's strategy. The latter is the foundation of our sustainability strategy. In addition, binding directives and guidelines ensure implementation throughout the Group. These standards correspond at minimum to international standards as well as satisfying applicable legislation and provisions; in some cases, they go well beyond this.

HOCHTIEF works on construction projects across the globe—but every project is unique and takes shape within individual parameters. In cases where we are tasked with the design work, we develop a specific production process. By adopting a 360-degree approach, we take all dimensions and phases of construction projects—and hence their entire life cycle—into consideration.

Collaborative dialog with all project partners paves the way for an optimum construction process from the start: The sooner partners learn about each other's expectations and requirements, the greater the potential for optimization. This also greatly minimizes risks. PreFair is our business model aligned to this process. As a rule, the design stage incorporates factors such as environmental protection, energy efficiency, and project life cycle assessments. Moreover, fair working conditions at our construction sites as well as occupational safety and health[2] are vitally important. Our aim is to nurture the interplay between economy, ecology, and community in making decisions during every phase of a project. This approach is particularly evident in our certified sustainable projects—HOCHTIEF constructs green buildings worldwide according to standards such as those of the German Sustainable Building Council (DGNB), LEED, BREEAM, and Green Star, as well as infrastructure projects in line with Greenroads and ISCA requirements.

Our construction activities impact the environment, which includes people and nature. In shaping living spaces through our projects, we alter landscapes, consume energy and resources, employ people from various cultures, and engage in cooperative relationships with partners and customers on all continents. This means that our Group bears responsibility for society as a corporate citizen. HOCHTIEF's stated aim is to always adopt a conscious, sustainable approach when dealing with these multifaceted factors. We want communities and the environment to benefit as much as possible from our activities while keeping impacts to a minimum.

Based on a 360-degree, forward-looking entrepreneurial approach, HOCHTIEF's goal is to actively participate in creating safe and valuable living spaces for present and future generations while preserving our natural habitat. Both our short-term, project-oriented vision as well as our long-term view of our project activities' impacts (impact assessment) tie in here and contribute positively to effectively managing the risks to our environment—people as well as nature. This big-picture approach is how we ensure the long-term success of the HOCHTIEF Group.

At HOCHTIEF Solutions, our work is certified to the EN ISO 9001 quality management system to ensure the high caliber of our activities. Our rate of certification to this standard expressed as a share of sales totals 89% at the HOCHTIEF Europe division. Regular audits are conducted to guarantee stable quality management and low risk exposure. At HOCHTIEF, quality management is constantly optimized through an ongoing improvement process.

Commitments, memberships, and rankings

HOCHTIEF advocates for sustainability in many different ways. Thanks to a clear commitment to and membership in sustainability and other organizations, we adhere to guidelines and standards, also documenting our sustainability commitment for the public. As a participant of the UN Global Compact, HOCHTIEF submits an annual progress report. We support the work of organizations such as Transparency International, DGNB, Green Building Council of Australia, and B.A.U.M. as a longstanding member. It goes without saying that we comply with the German Sustainability Code.

External evaluators also acknowledge the quality of our sustainability work: In the reporting period, HOCHTIEF was listed on the Dow Jones Sustainability Index for the eleventh consecutive year and in the CDP for the eighth year running. Our performance was above average in

HOCHTIEF's stakeholder groups

- Analysts
- Associations/NGOs[1)]
- 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

some cases in these two internationally respected rankings. We were rated by other organizations as well.[2)]

Stakeholder involvement

We attach great importance to dealing transparently and conducting a continual dialog with our many stakeholders. This is why HOCHTIEF regularly exchanges information with all of the stakeholder groups.[3)]

We have clearly defined our stakeholder groups (see box). Our target group-specific activities and initiatives include the following:

- Active communication with customers, local residents, and subcontractors at construction sites
- Attendance at national and international trade shows, conferences, and events
- Market studies and customer surveys/customer satisfaction analyses
- Image and reputation polls
- Employee feedback
- Corporate responsibility stakeholder dialog
- Capital market communications
- Public relations
- Quality assessments/audits

HOCHTIEF's reputation values (%)

2013	2014	2015	**2016**
88	87	85	**84**

84% of people surveyed in the reporting year rated HOCHTIEF's reputation as excellent/very good/good.

For instance, HOCHTIEF conducts extensive reputation polls in Germany each year (see table). In 2016, our Czech subsidiary HOCHTIEF CZ also conducted an image survey among public- and private-sector customers as well as the media and the general public.

The companies in HOCHTIEF's divisions can access various databases to effectively document their project experiences and customer feedback for consideration in future projects. Other established tools for measuring customer satisfaction include local customer surveys in individual HOCHTIEF units. HOCHTIEF has a high rate of repeat customers: At Turner alone, the rate of repeat customers in the reporting year was around 75%.

HOCHTIEF regularly conducts employee opinion surveys: Employee feedback delivers valuable information about employee satisfaction and commitment to the company, providing a springboard for positioning HOCHTIEF as an attractive employer well into the future.

Another stakeholder engagement tool is the annual online materiality analysis. In 2016, this survey again confirmed the validity and importance of the following six HOCHTIEF sustainability focus areas:[4)]

1. Compliance
2. Attractive working environment
3. Procurement[5)]
4. Sustainable products and services
5. Active climate and resource protection
6. Corporate citizenship

Current focus area projects

In order to weave the focus areas more tightly into operations, division- and segment-specific activities were developed and targets set.[6)] For instance, we aim to improve data quality by using sustainability software throughout the Group. Employee engagement is encouraged with a Group sustainability competition, the HOCHTIEF Energy Award, launched in 2016. It will be awarded again in 2017 under the name "HOCHTIEF Innovation Award." Other goals include increasing the percentage of certified projects, reducing the accident rate, and implementing CO_2 offsets. In 2016, for the first time employees from all three divisions participated in the Bridges to Prosperity program.

[1)] NGOs = non-governmental organizations

[2)] For a more detailed selection, please see fold-out page 3 and www.hochtief.com.

[4)] For further information, please see the Sustainability Strategy section on pages 36 to 37. The connection between CR issues and GRI indicators is presented on pages 252 to 253.

[3)] For further information, please see the Sustainability Strategy section on pages 36 to 37.

[5)] For further information on the new focus area, please see the Procurement section starting on page 118.

[6)] For further information, please see the CR program on pages 158 to 161.

Corporate citizenship at HOCHTIEF

Focus area indicator Corporate Citizenship

Aspect: Taking responsibility for local communities
For further information, please see the GRI index on pages 252 to 253.

HOCHTIEF is a construction group operating internationally. Whether building a bridge or tunnel, high-rise or mine, our employees shape living spaces with our various projects. They maintain an ongoing dialog with those affected by our activity to devise the best solution for everyone involved. We are part of society and, as a corporate citizen, take responsibility for the local community wherever we do business. Our aim is to give something back to the people living near our projects by volunteering, providing financial resources or donations in kind, or sharing our knowledge. After all, much of our work involves noise, dust, or street closures. We focus our sponsorship activities on educating and promoting young talent as well as on shaping and maintaining living spaces. This kind of involvement chimes with our business activity, infrastructure construction.

For further information, please sse www.hochtief.com/community

Bridges to Prosperity

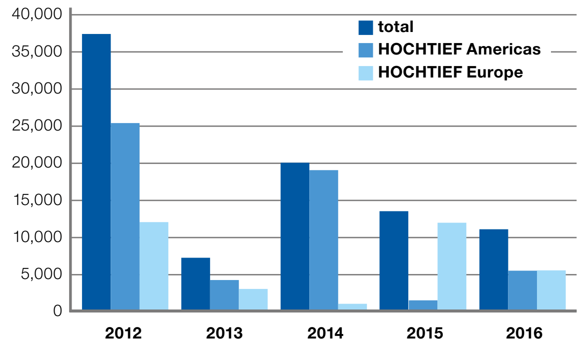
Shaping and maintaining living spaces is the primary goal of our sponsorship focus on Bridges to Prosperity (B2P) in collaboration with the non-governmental organization of the same name. U.S.-based Flatiron constructed our first pedestrian bridge under this program in 2010. Two years later, we built our initial bridge with employees from our European companies. Our Australian Group company CIMIC participated in the program for the first time with two employees in 2016. CIMIC plans to construct an initial bridge in the Asia-Pacific region in 2017.

www.bridgestoprosperity.org

In total, the HOCHTIEF Group has now built 20 pedestrian bridges in remote areas of the world to provide the local population with better, more secure access to trade, education, and medical care. The challenge on the ground is in each case a river that swells during rainy periods and divides settlements from each other. Residents needing to tackle the torrent in order to get to school, the doctor, or the market must either take detours for many kilometers or expose themselves to danger. Accidents happen frequently. Our bridges remove this challenge and create safe passage.

German Awards for Excellence 2016

Number of people who benefit from B2P bridges constructed by HOCHTIEF



Since infrastructure construction is among our core activities, we contribute considerable knowledge to these regions along with financial support. These projects also promote team building and networking within the Group since employees from various units, including administrative departments, help build the bridges. Ten staff members work on each project, and their active participation helps them develop a closer connection to our company. This experience also has a positive impact later, usually in the shape of greater commitment to day-to-day work activities. Moreover, the intercultural experience strengthens the social skills of those involved. A total of 212 employees from all areas of the Group have already participated in B2P projects.

It is not only HOCHTIEF's staff who benefit, but also local suppliers and especially the local population. By helping to build the bridges, for which they receive a fair wage, the local residents learn how to repair and maintain the structure for the future. With every new

HOCHTIEF creates added value for the population

Based on estimates by Bridges to Prosperity, the 20 completed pedestrian bridges completed play a role in
- providing around 12% more children with safer access to educational facilities (11,525 children through HOCHTIEF projects) and
- giving 24% more people easier access to medical facilities (23,050 people through HOCHTIEF projects).

This chapter is part of Focus Area Corporate Citizenship

New infrastructure: In April 2016, Flatiron employees built the El Triangulo Bridge in Nicaragua (left). It is the 200th project of the organization Bridges to Prosperity. In October, employees of HOCHTIEF and CIMIC completed the Mariba Bridge in Rwanda (right).

bridge, B2P estimates that 12% more children have safe access to education, 24% of the population gets better access to medical facilities, the percentage of women in employment increases by 18%, and local business grows 15%.

These projections indicate that HOCHTIEF and its companies have helped more than 96,000 people in the vicinity of the bridges through their commitment to B2P since 2010. We would like to increase this even further.

In 2016, employees of our U.S. company Flatiron, a strategic partner of B2P, constructed two bridges in Nicaragua. One of these was finished in the La Dalia region in April and is the 200th project completed so far. In October, a HOCHTIEF team finished the Mariba Bridge in Rwanda. Two CIMIC employees from Australia took part to lend their support and familiarize themselves with the B2P program.

In 2017, we aim for the HOCHTIEF Asia Pacific division to complete its own B2P project to add to the three projects planned by the HOCHTIEF Americas and Europe divisions.

Documenting and tracking the changes in the key figures associated with HOCHTIEF's commitment will make the sustainable social benefits measurable.[1)]

Footbridges constructed by HOCHTIEF and B2P, by country

Number of realized projects		Daily users[2)] (average)
HOCHTIEF Americas (Flatiron, Turner, E.E. Cruz)		
Honduras:	1 project	200
Guatemala:	1 project	200
El Salvador:	2 projects	1,100
Nicaragua:	11 projects	2,500
HOCHTIEF Europe		
Rwanda:	5 projects	1,900
Total:	**20 projects**	**5,800**

[2)] These averge figures are based on B2P estimates.

Donations and sponsorship: Organization and reporting

In a Group directive, HOCHTIEF defines thematic focal points for donations and sponsorship. This directive governs responsibilities as well as reporting processes and duties. The Corporate Communications department is responsible for donations and sponsorship in close consultation with the Executive Board. Together, they develop the strategic policy and overall coordination of these issues in addition to reporting. Corporate Communications also handles the sponsorship activities of the HOCHTIEF holding company.

For further information, please see www.hochtief.com/b2p

[1)] For further information, please see the goals table on page 158 et seq.

The members of the executive boards and general management of the operating companies set their budgets for donations and sponsorship, and monitor appropriate disbursement and amounts. In deciding where to donate money and what programs to sponsor, they work within the framework laid down in the Group directive.

Our commitment is focused on areas where we do business, i.e., the regions around our construction sites. We also consider social aspects in our projects. This is why we invite local residents, commuters, and other stakeholders to get involved in the process early on.

In 2016, the Group's budget for donations and sponsorship was around EUR 4.98 million.

Sponsorship examples
Some of the community projects in which our companies were involved in 2016 are outlined below: Turner's Vancouver office in the HOCHTIEF Americas division participated in the Canstruction competition under the banner "Who is hungry?". The team used salmon cans to build a bear catching salmon in a river and won two prizes. The canned goods were donated to the Greater Vancouver Food Bank Society.

Among other causes, Flatiron supports the Concrete Canoe Team from the University of British Columbia, with some success. The team has placed well in races. Students apply their engineering knowledge to make their canoes even lighter and therefore faster and more efficient.

Employees from the Thiess-operated Lake Vermont Mine in Australia participate in the Reading Role Models program. They read to third graders and, through the stories, start conversations with the children. This sparks their interest in literature.

Thiess also works with the Hear and Say organization, where employees of the global mining services provider devote their energy to supporting deaf and hearing-impaired children.

HOCHTIEF PPP Solutions North America sponsored a charity golf tournament by a Canadian infrastructure fund in 2016. The proceeds go toward professional training for workers in the construction industry.

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).

In Berlin, HOCHTIEF continues to sponsor the "Platz da! Kinder machen Stadt" interactive exhibit at the Labyrinth children's museum. Funds donated are used there to finance workshops and teaching materials. The project involves children acting as architects and urban planners. This encourages them to more consciously observe and actively shape the environment in which they live. In 2016 alone, 70,000 people visited the exhibit.

In addition, since 2016 we have sponsored an organization known as "Essener Chancen," which organizes various initiatives and programs for children and young people, including integration activities and sports.

HOCHTIEF Infrastructure Austria supports "Mission Hoffnung für notleidende Kinder," an organization devoted to helping disadvantaged children. According to the organization, one out of every eight children in Austria lives in or is at a very high risk of poverty.

Environmental protection: Responsibility for climate and resources

This chapter is part of Focus Areas Active Climate and Resource Protection

HOCHTIEF's core business activities affect the environment. Building construction, transportation infrastructure projects, and the mining business all impact the soil, water, air, resources, and climate as well as biodiversity.

Protecting the environment is thus a key priority for the HOCHTIEF Group. In the future, we aim to further improve our performance in these areas, a move not only beneficial to the environment and society, but also important for mitigating the risks to our company. Our focus reaches beyond our own projects: We also take responsibility for the direct vicinity of our sites as well as the surrounding regions. At our construction sites, we develop measures to prevent damage to the environment and other impacts in these areas. To this end, our project teams work closely with HOCHTIEF specialists and partner companies, and involve them in the planning process. We are careful and responsible stewards of the resources at our disposal. Wherever possible, we also reuse or recycle materials to reduce emissions harmful to the environment and climate.

The environmental indicators described in the following are presented in relation to Group work done in each year—EUR 22.29 billion in 2016 (Group coverage). The indicators also depend on the type, location, and scope of projects delivered in any given year. When Group work done increases, the volume of greenhouse gases produced also goes up accordingly. We continually monitor and assess the effects of this interdependence.

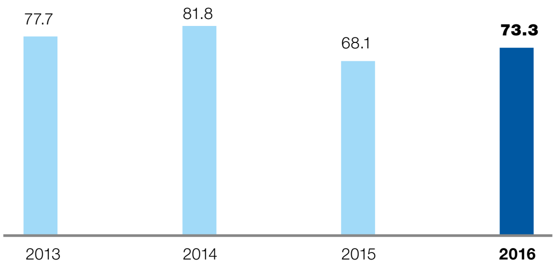
Organizational structure of environmental protection in the HOCHTIEF Group

The Center for Occupational Safety, Health and Environmental Protection (OSHEP Center) determines the Group's organizational structure for coordinating all environmental protection concerns by way of a Group directive.[1)] In keeping with the vital importance of the issues involved, the head of the OSHEP Center reports directly to the HOCHTIEF Executive Board. All activities are based on the Group-wide environmental protection policy that is laid down in a corresponding directive and defines minimum requirements.

With the support of the OSHEP Center, managerial staff are responsible for meeting the statutory requirements. Moreover, the OSHEP experts provide advice on implementing environmental standards during projects, thus ensuring that procedures are legally watertight. Environmental and climate protection is enshrined in the organizational structure of the HOCHTIEF divisions, each of which is responsible in its own right. For specific projects, Internal Auditing also audits compliance with requirements.

Environmental protection is integrated into each operational unit's project processes. The management systems in place for this purpose meet international standards (ISO 14001). The proportion of environmental management systems within the Group stood at 73.3% in the reporting year.

Proportion of units in the HOCHTIEF Group certified in accordance with environmental management systems, relative to number of employees (%)



Fostering employee awareness and training

We consider it vital for our employees to have or develop further an in-depth understanding of environmental issues. Promoting occupational safety, health, and environmental protection over the long term requires all project participants to be well informed and trained. To this end, organizational structures are aligned with employees' needs. This way, they receive support in their day-to-day activities and become more aware of the issue. In addition, employees are provided with continuing education as part of an ongoing process, with training in the form of in-project instruction and presentations.

1) See graphic on page 114.

HOCHTIEF likewise attaches great importance to the initial and further training of its environmental and occupational safety experts. They keep abreast of current developments in their areas of specialization and advise project executives as a way of promoting environmental protection activities. Information is exchanged on an ongoing basis in internal and external working groups. External workshops at the European level, such as ENCORD, provide a platform for sharing knowledge with other construction companies.

Early risk identification

We aim to deliver projects that succeed without incident, also in environmental terms. Identifying and assessing the relevant environmental risks at an early stage and developing preventive measures from this information are steps that help to ensure effective and successful projects for HOCHTIEF. Environmental protection experts are involved as early as the bid phase to coordinate the requisite steps with all participants and implement these during the construction process. The project team reviews the relevant facts and adjusts measures as necessary. Environmental protection aspects are also fixed components in investment decisions.

HOCHTIEF focuses on compliance with fundamental legal requirements and standards during every project to stay free of accidents in the construction process.

Environmental damage

Serious incidents that adversely affect the natural environment must be reported to HOCHTIEF using the crisis information system already in place. HOCHTIEF classifies environmental damage into three categories, which are broken down in more detail as necessary 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

Environmental damage is analyzed and the event reviewed in detail. It is also recorded and assessed in a reporting system. We take the same approach with near-misses concerning the environment, because these provide important insights about risk. Appropriate measures are then implemented to avoid the potential environmental damage going forward.

In 2016, no Category 1 environmental damage was reported in the HOCHTIEF Group. Six instances of Category 2 environmental damage were reported. 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.

Fines

In 2016, no monetary fines were levied against HOCHTIEF for violations of environmental regulations.[1)]

[1)] The internal reporting limit is EUR 10,000.

Environmental protection topics at HOCHTIEF

Hazardous substances management

In the field of occupational safety and environmental protection, the proper handling of hazardous materials and products containing hazardous materials is a key issue. That is because hazardous materials pose risks to human health and safety as well as to the environment. Regulations differ from country to country. In the HOCHTIEF Europe division, to name one example, the hazardous substances index guidelines are prepared using an online program. The program can also be used to store workplace-specific instructions, additional information on individual hazardous materials, e.g. toxicological reports, and safety data sheets.

Waste management

The construction process generally produces a large quantity of waste. At HOCHTIEF, we take responsible waste handling very seriously, particularly of the mineral portion of construction waste, in view of the increasing scarcity of resources. If the waste collected during demolition or earthwork operations is sorted by type as cleanly as possible, materials can be recycled in high quality. Our detailed planning of material volumes is another way we practice responsible stewardship of raw materials. We develop plans early on, especially for large-scale infrastructure projects, to ensure that material flows are efficient. If materials are suitable for reuse on the same construction project, labor-intensive removal and disposal becomes unnecessary—and costs are also saved. Forward-looking, well-planned material flow management is a key step not just in conserving resources, but also in reducing transportation requirements and thus avoiding CO_2 emissions. Lean management processes[1] are instrumental in this regard. The guiding principles of our sustainable waste management activities are avoiding waste in the first place, reducing unavoidable waste, and recycling[2] as much as possible.

In the reporting year, 2,095,029 metric tons of the total quantity of waste generated in the Group were classified as non-hazardous waste.

Recycling waste reduces the impact on the environment and helps avoid disposal costs. The Group-wide waste recycling rate was 74.3% in 2016 (2015: 81.9%). This figure is subject to variation due, among other things, to contamination in large volumes of mineral construction waste such as excavated material.

In view of the growing scarcity of resources, the issue of waste management is becoming more and more critical. The multitude of waste disposal requirements in individual countries limits HOCHTIEF's influence on determining disposal and recycling methods, 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 generally decide for themselves how to make use of the material as long as this is in compliance with the law. Our project teams influence material flows by developing—or tasking subcontractors with developing—project-specific disposal logistics plans. In this way, we aim to achieve the highest recycling and reuse rate we can.

As early as over ten years ago, our company Turner implemented a digital program called Online Waste Tracking to record and analyze waste disposal and recycling

Waste requiring disposal in the HOCHTIEF Group (t)

	Waste requiring disposal	Group coverage[3]
2016	2,143,758	98%
2015	3,897,625	100%
2014	3,747,136[4]	100%
2013	3,011,091	94%

[3]Coverage = Proportion of data reported in relation to Group work done.
[4]Figures adjusted on basis of more precise renewed survey by HOCHTIEF Asia Pacific division after 2014 reporting year.

Disposal method in the HOCHTIEF Group (in t)

Reuse	408,657
Recycling/diversion (including energy recovery)	1,158,035
Landfill/disposal	548,623

data in construction and demolition projects. Since 2005, more than two million metric tons of construction waste have been sorted to ensure that this material can be recycled rather than landfilled. The program analyzes several hundred projects each month. In 2016, Turner recycled and reused 488,643 metric tons of construction waste from projects, which corresponds to a rate of 75%.

A case in point in Australia: The Webb Dock project in Victoria by CPB Contractors received several sustainability distinctions, including for outstanding recycling of existing materials: a “Six Star” design rating from the Green Building Council of Australia and the “Excellent Design” and “As-Built” designations from the Infrastructure Sustainability Council of Australia. Sustainability was integrated into the project through the use of more than 260,000 metric tons of recycled brick, glass, and concrete in laying sidewalks at the construction site. A total of 95% of the waste generated during construction was recycled.

Focus area indicator Active Climate and Resource Protection

Aspect: Waste
For further information, please see the GRI index on pages 252 to 253.

[1] See glossary on page 258.

[2] 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.

Water management

The responsible use of water as a resource is becoming increasingly important. Construction processes often use considerable amounts of water, also frequently impacting groundwater. This is why individual water conservation measures and plans are devised for each project so that the work is done as carefully and responsibly as possible. Key aspects are groundwater and drinking water use during the course of a project, disposal of used and waste water, infiltration, water pollution, and water treatment.

The protection of water resources is gaining noticeably in importance, including among our stakeholders. Groundwater protection was thus cited as a significant issue in the 2016 materiality analysis. Especially in projects located in water-poor regions, we focus on minimizing the use of mains water and on increasing water recycling and reuse.

At CIMIC in the HOCHTIEF Asia Pacific division, a total of 43% of all water used in 2016 was taken from recycled or reused water. At HOCHTIEF Europe, water is generally taken from freshwater sources, depending on the project.

CIMIC participated in the CDP water ranking for the second time in 2016 to focus the spotlight more on the issue of water.[1] The Australia-based HOCHTIEF Group company achieved a B rating. CIMIC systematically collects data on water consumption and pursues measures to reduce usage as well as setting targets.

[1] For further information, please see the CR Program on page 161.

For example, a rainwater collection system with a capacity of 90,000 liters was installed at the 177 Pacific Highway office building in Sydney. The water is used to feed the irrigation system and flush toilets. This reduces water consumption by a total of around 70% compared with conventional systems. CPB Contractors also used recycled and reclaimed water for the construction work.

Water consumption within the HOCHTIEF Group (in m^3)

	Water consumption	Group coverage
2016	13,080,988	50%
2015	11,900,000	46%
2014	8,180,000*)	52%
2013	19,679,874	67%

*) Figures adjusted on basis of more precise renewed survey by HOCHTIEF Asia Pacific division after 2014 reporting year.

In the HOCHTIEF Americas division, the Hassalo on Eighth project by Turner was awarded a LEED[2] Platinum designation for criteria including responsible stewardship of water. The three buildings are fitted with tanks for collecting, filtering, processing, and recycling wastewater. This allows the water to be reused. More than 220,000 liters of water per day are processed by the system.

[2] See glossary on page 258.

Biodiversity conservation

HOCHTIEF is committed to protecting biodiversity in all the regions where projects are carried out, with as little impact as possible. This is why sites are inspected prior to construction and customized environmental plans developed in consultation with the competent authorities. All requirements and mandatory measures are included in these plans—and we often exceed them. The situation is monitored on an ongoing basis. If planning changes, we also adjust the environmental measures in place.

The remediation of used land is an important part of the mining business. CIMIC's mining companies therefore cover activities such as progressive reshaping, establishing erosion control structures as well as topsoiling and seeding. Thiess remediated 1,314 hectares of land in its mining activities in 2016—an area equal to over 1,840 football fields.

A case in point: Prior to beginning construction of the Transmission Gully Motorway PPP infrastructure project in New Zealand, CIMIC hired environmental protection experts to examine the construction site and its environs for wildlife. Among others, various species of endangered skinks, geckos, and velvet worms were found. The velvet worms were relocated to neighboring wooded areas. For the next two years, the skinks and geckos will live in specially constructed enclosures in the Nga Manu Nature Reserve near Waikanae. Once construction is completed, they will be brought back to new rocky banks in their original habitat where they will find a permanent home. An area measuring 500 hectares near the project will be replanted by 2020, when the motorway is opened to traffic.

During construction of the Bath Corridor rail project completed by our company HOCHTIEF (UK) Construction in 2016, a large number of northern crested newts were relocated. Another project completed in 2016 was the Shinfield Eastern Relief Road to the west of London. Here, safety fences and crossing tunnels for badgers were installed along both sides of the road in locations carefully examined and chosen for this purpose. In addition, around 5,000 new trees, bushes, and other plants were planted once construction of the project was completed.

Handling hazardous building fabric

HOCHTIEF takes the proper handling of hazardous construction materials and contaminated structures very seriously. We ensure that this issue is addressed systematically and responsibly throughout the entire process.

Once in place, component substances cannot be clearly identified, posing the risk of unintentional release of hazardous materials during demolition or renovation projects. This can lead to environmental contamination and be harmful to health, since some building materials approved for use in the past are now known to present health risks according to the latest scientific findings. Careful separation guarantees that our projects have segregated construction waste streams, paving the way for efficient recycling.

Refurbishment

In addition to constructing new buildings, HOCHTIEF also renovates existing ones. One advantage is that during refurbishment, no new surfaces must be sealed. Many materials from existing buildings can be reused or recycled. This largely avoids unnecessary transportation and landfilling, and reduces the amount of waste produced. At the same time, it helps reduce energy consumption. In 2016, HOCHTIEF completed the Neue Direktion Köln office building in Cologne, which received DGNB[1] Gold certification. The former headquarters of the Königliche Eisenbahndirektion zu Cöln (Royal Railway Directorate) was built in 1913. HOCHTIEF preserved the neoclassical Baroque facade.

[1] See glossary on page 257.

Increasing energy efficiency and climate protection

Climate change is a global challenge. HOCHTIEF is committed to playing its part in cutting emissions of climate-changing greenhouse gases so that global warming can be limited to 2°C or, if possible, 1.5°C. This is why we joined with other companies on the occasion of the 22nd World Climate Conference in Marrakesh in November 2016 in signing a declaration that calls for clearly defined targets for individual sectors. HOCHTIEF participates in the CDP Climate Change Report every year. In 2016, the Group was recognized as the "Sector Leader Industrials" for Germany, Austria, and Switzerland.

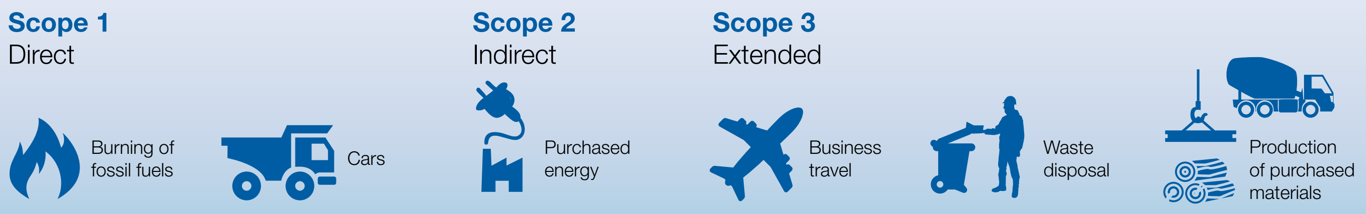
The challenges of climate protection mean that there is growing demand for sustainable infrastructure—and this also gives rise to opportunities for HOCHTIEF's business operations. We are already addressing these with our growing green buildings and green infrastructure market segments. HOCHTIEF leads both of these markets and is well placed to serve markets that may arise in the future as a result of climate change, such as in flood protection.

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).



Focus area indicator Active Climate and Resource Protection

Aspect: Greenhouse gas emissions
For further information, please see the GRI index on pages 252 and 253.

Greenhouse gas emissions: data collection Scope 1, Scope 2, Scope 3

The figures set out in the following relate to the energy consumption and carbon emissions of the main corporate units in the HOCHTIEF Americas, HOCHTIEF Asia Pacific, and HOCHTIEF Europe divisions. Most of the data was determined using material-specific cost categories assuming average prices. The ratio of material to service costs in the HOCHTIEF Europe division was also assumed to apply in the HOCHTIEF Americas division.

In general, energy consumption levels in the construction industry and the carbon emissions inferred from them directly depend on the nature, scale, and location of each particular project. A tunneling project using a tunnel boring machine, for example, is far more energy-intensive than a building construction site. All of the figures specified here relate solely to materials and services purchased by the HOCHTIEF Group. In the HOCHTIEF Asia Pacific division, the figures comply with the mandatory requirements of the National Greenhouse and Energy Reporting Act (2007).

Due to the differing levels of detail with which data is collected in the HOCHTIEF divisions, the data is not yet fully comparable. In the reporting year, we implemented sustainability software throughout the Group with which we aim to create a comparable pool of data in the long term.

Practical examples

Accordingly, we use energy as efficiently as possible in operations and take care to conserve energy and resources in order to reduce emissions. To identify further scope for reductions, we monitor and analyze our emissions and consumption.

Main materials used within the HOCHTIEF Group in 2016

	Asphalt (t)	Concrete (m^3)	Steel (t)	Wood (m^3)
HOCHTIEF Americas	–[1]	2,291,284	342,904	385,192
HOCHTIEF Asia Pacific	39,000	1,737,083	630,000	9,231
HOCHTIEF Europe	–[1]	779,304	68,659	13,518
Total	**39,000**	**4,807,671**	**1,041,563**	**407,941**
Coverage	41%	100%	100%	95%

[1] HOCHTIEF will continue its efforts to improve data quality in order to achieve a consistent, standardized basis of calculation across the Group.

Main energy consumption within the HOCHTIEF Group in 2016

	Diesel (l)	Electricity (MWh)	Gasoline (l)
HOCHTIEF Americas	1,448,170	11,919[2]	3,658,407
HOCHTIEF Asia Pacific	775,279,657	94,000	1,400,319
HOCHTIEF Europe	11,153,496	259,245[3]	645,149
Total	**787,881,323**	**365,164**	**5,703,875**
Coverage	100%	95%	100%

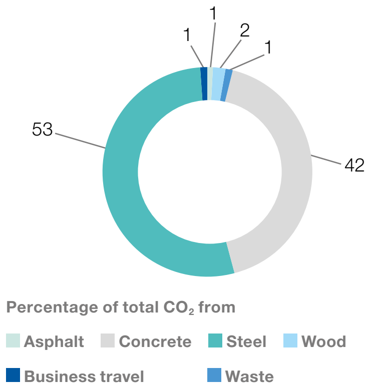
[2] Data for Turner extrapolated from 2015 electricity consumption figures at the growth rate in work done between the prior year and 2016 [3] Including 10,911 MWh of district heating

Business travel within the HOCHTIEF Group in 2016

	Plane (km)	Rental car (km)	Train (km)
HOCHTIEF Americas	66,518,061	–	–
HOCHTIEF Asia Pacific	31,744,418	1,148,003	–[4]
HOCHTIEF Europe	11,717,687	671,921	3,314,382
Total	**109,980,166**	**1,819,924**	**3,314,382**
Coverage	100%	50%	9%

[4] Due to the lack of high-speed transportation and the long distances involved, most trips are taken by plane.

Scope 3 composition (figures in percent)



We do this within the Group as well as in projects with customers and business partners. By taking a sustainable approach to buildings and infrastructure, we design and build our projects to be as efficient and environmentally friendly as possible, as well as to conserve resources in the operating phase, too. HOCHTIEF is one of the global leaders in sustainable construction.

In 2016, we organized the Group's first HOCHTIEF Energy Award to further raise awareness of the issue among employees. The best ideas and projects submitted, such as the innovation project launched in 2016 to use LED lighting on construction sites, are to be turned into measures implemented throughout the Group.

The following is one practical example for reducing energy consumption. HOCHTIEF is part of a consortium building a 230-kilometer PPP toll highway linking Maliakos and Kleidi in Greece. It is slated for completion by 2017. To date, the lighting on this stretch of road comprised some 10,000 lampposts with 250- and 400-watt HPS bulbs using a total of around 12 gigawatt-hours of energy per year and resulting in costs of more than EUR 1 million. In a pilot project, the project team first installed LED lights with a dynamic control and dimming system in one section, cutting energy consumption by approximately 40%. As a result, LED technology is to be used along the entire contracted section in the future. The combined use of LED lights and dynamic dimming capability reduces the amount of energy required to light this road and generates total savings of over 65%. This is equivalent to around EUR 700,000 in energy costs for street lights annually and a total of EUR 13.8 million over the entire 22-year life cycle of the project.

Thiess also uses LED lights as a lower-emissions alternative at its mines. The mines must be illuminated at night, but the long distances make monitoring and maintenance more difficult, particularly at older facilities. Twenty mine sites have therefore been equipped with lighting systems using LED bulbs and smaller motors. This has saved 206,722 liters of diesel fuel and cut CO_2 emissions by around 546,040 kilograms in a single year.

Thiess is working with a partner to develop a solution for operating large-scale mining vehicles more energy-efficiently while reducing emissions. The aim is to lower

Greenhouse gas emissions[1] within the HOCHTIEF Group

Scope 1 in (t/CO_2)	2013	2014	2015	**2016**
HOCHTIEF Americas	4,649[2]	2,432[2]	1,148,432[2]	12,186
HOCHTIEF Asia Pacific[3]	3,172,000	3,191,000	1,913,000	1,964,000
HOCHTIEF Europe	48,354	54,711	38,628	31,356
Total	**3,225,003**	**3,248,143**	**3,100,060**	**2,007,542**
Coverage	84%[4]	79%[4]	95%[4]	100%

Scope 2[5] in (t/CO_2)	2013	2014	2015	**2016**
HOCHTIEF Americas[2]	7,652	6,620	37,112	6,057
HOCHTIEF Asia Pacific[3]	210,000	219,000	93,000	89,000
HOCHTIEF Europe	18,713	74,867	80,762	112,451
Total	**236,365**	**300,487**	**210,874**	**207,508**
Coverage	97%[4]	96%[4]	95%[4]	95%

Scope 3 in (t/CO_2)	2013	2014	2015	**2016**
HOCHTIEF Americas	1,910,610	3,648,726	1,086,608	1,440,197
HOCHTIEF Asia Pacific[3]	1,418,899	4,731,000	3,497,000	2,664,000[6]
HOCHTIEF Europe	433,789	286,488	449,472	391,571
Total	**3,763,298**	**8,666,214**	**5,033,080**	**4,495,768**
Coverage	67%[4]	75%[4]	74%[4]	80%

1) Sources for carbon conversion factors: GHG Protocol, DEFRA and Germany's Federal Environmental Agency, NGER.
2) HOCHTIEF Americas Scope 1 (until 2015) and Scope 2 data are based on assumptions and projections.
3) The figures for 2013 and 2014 include John Holland and Ventia. The reporting period covers the period from July 1, to June 30.
4) The prior-year coverage figures were adjusted. Only the main energy comsumption and main materials use stated on page 154 were taken into account.
5) Calculated on basis of local emission factors
6) without wood

Coverage: Proportion of data reported in relation to Group work done.

greenhouse gas emissions by 20% by replacing 80% of the diesel used with natural gas purchased regionally. This reduces transportation costs while cutting emissions through the use of natural gas.

HOCHTIEF's major office locations in Germany and selected CIMIC locations have been using green power since 2010.

Strict criteria apply to the choice of company cars at HOCHTIEF. In 2016, average carbon emissions in Germany were 124 grams per kilometer (2015: 129 grams of CO_2 per kilometer).

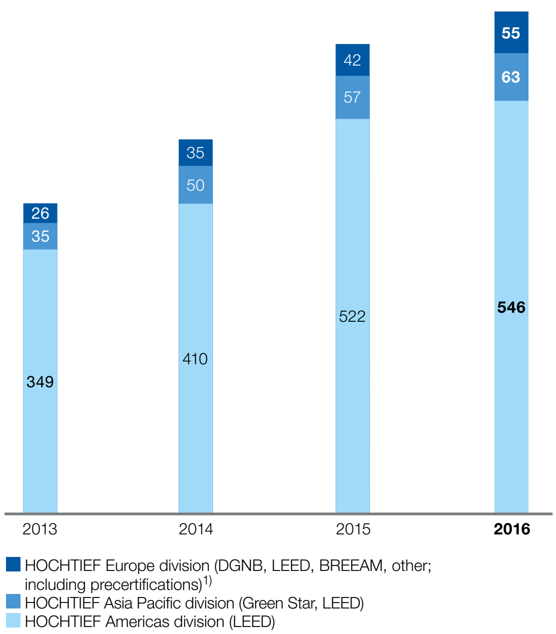
For the sixth time running, Flatiron was once again awarded Platinum-level Green Fleet certification by the Association of Equipment Management Professionals in 2016 for its low-emissions, fuel-efficient construction site and company vehicle fleet.

Carbon emission reductions through green buildings

The operation of buildings and infrastructure projects should be efficient, produce minimal emissions, and conserve resources—and so should the construction process, an area we can actively influence.

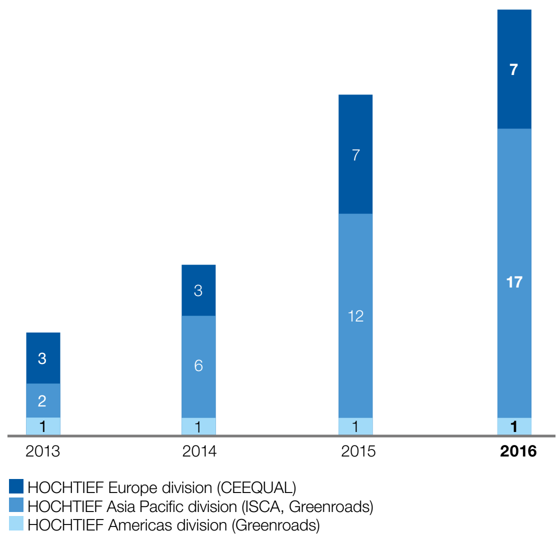
Our green buildings are certified by LEED, Green Star, and DGNB and have a smaller carbon footprint than conventionally constructed buildings. The project life cycle assessments we develop for such projects, depending on the requirements, show that these buildings produce lower greenhouse gas emissions. During the construction process, we make sure that materials are recycled or reused as far as possible. Hiring regional

Green Buildings at HOCHTIEF



Cumulative number of certified (since 2000) "green" buildings constructed by HOCHTIEF by the year-end

Green Infrastructure at HOCHTIEF



Cumulative number of certified and registered (since 2013) "green" infrastructure projects constructed by HOCHTIEF by the year-end

1) See glossary on pages 257 and 258.

suppliers generally results in lower CO_2 emissions because the distances traveled are shorter. In addition, construction sites are equipped with LED lighting wherever possible. Other significant savings become evident in the operating phase of a certified green building: According to the U.S. Green Building Council, LEED-certified buildings emit 34% less CO_2 as well as using 25% less energy and 11% less water. An example from Australia: CPB Contractors worked on the redevelopment of a container terminal in Melbourne, the Webb Dock project. The use of recycled materials and efficient planning allowed the company to reduce CO_2 emissions by more than 30% during construction of the buildings. That is the equivalent of around 4,000 metric tons of CO_2.

Carbon emission reductions through green infrastructure

Certification is playing an increasingly important role in infrastructure projects. A growing number of public-sector customers consider it essential to integrate sustainability into tenders. This minimizes the impact on the environment during project implementation. What's more, the public purse benefits from monetary savings.

Work on the Sydney Metro Northwest tunnel and Station Civil project is being carried out by CPB Contractors under a joint venture. The team was able to significantly reduce energy consumption and lower Scope 1 and Scope 2 emissions by 24%. This was achieved, among others, by using an efficient fuel (B5 mix), construction vehicles that were no more than four years old, and hybrid excavators. In addition, employees received training on fuel efficiency, routine maintenance of construction vehicles was prioritized, and idling of heavy machinery was avoided. Optimized planning contributed to reductions—for example, by decreasing the diameter of tunnel tubes and the quantity of material to be removed from the construction site.

Green Zone program

HOCHTIEF company Turner has regularly analyzed the workplace situation of its employees for six years now. Both construction sites and offices participate in the in-house Green Zone competition. The Green Zone designation is awarded when specific, quantifiable steps are taken in various categories to improve the health and working conditions of Turner employees. Factors taken into account include the use of biodegradable cleaning supplies, recycled paper, and automatic lighting controls as well as connections to public transportation. In 2016, the competition had 322 entrants, 105 of which were awarded Green Zone status.

Green projects an added value driver

HOCHTIEF had projects worth some EUR 7.1 billion in progress in the green building and green infrastructure segments in 2016.

Group company Turner leads the market in green building and generated sales of around EUR 4.3 billion in this segment alone.

Our Australian Group company CPB Contractors applies an innovative approach and is the leading provider of sustainable projects in Australia today. At CIMIC, ISCA[1]-certified or registered green infrastructure projects alone accounted for over EUR 1.2 billion in sales during 2016.

[1] See glossary on page 257.

(Source: United Nations Department of Public Information)

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs), a UN initiative, took effect as of January 1, 2016. HOCHTIEF aims to play an active part in achieving these goals and, as a first step, will identify the SDGs that are especially relevant to the Group's business activities and sustainability efforts. We will define fields of action for these SDGs during the current year and integrate them into our CR program.

CR Program—Corporate responsibility and CR management

In our CR program, we present our goals for sustainable corporate responsibility and our CR management as well as the key aspects, which we have defined in six focus areas and for each of which we have derived an overarching objective. From the focus areas, we have derived Group-wide, division- and business area-specific subject areas, which are also defined with corresponding goals and measures.

Subject area	Goal by 2020	Status December 31, 2016
Strategy and organization	Foster workforce awareness of CR issues and further embed these issues Group-wide	CR established in 2016 as fixed feature in onboarding events for new recruits (three events at HOCHTIEF Solutions in 2016) CR issues given stronger emphasis in internal communications
Measurability and data quality in CR reporting	Ongoing participation in national and international sustainability ratings	Included again in the Dow Jones Sustainability Index (DJSI) Europe for the eleventh time in a row and included in DJSI Yearbook 2016 CDP: DACH region Sector Leader Industrials 2016
	Continuous improvement in CR data quality	SoFi sustainability software (by thinkstep) implemented, Group-wide rollout launched
	Gradual development toward integrated reporting	Third combined Group Report presented
Innovation	Encourage transfer of knowledge between the divisions	Exchange on BIM initiatives continued at HOCHTIEF Solutions through 2016. Working groups set up within HOCHTIEF Solutions as part of BIM initiatives; standardized control system adopted 2017: Group-wide innovation award planned
	Uphold investment volume in R&D projects	Investment volume 2016: approximately EUR 4.5 million (2015: EUR 4.7 million, 2014: EUR 3.2 million)
	Increase number of ideas generated by Ideas Room and Ideas Manage-ment workshops to 200 ideas a year	2016: Ideas Workshop (126 ideas, of which 35 adopted for the Ideas Room) and a Best Practice campaign held at HOCHTIEF (12 ideas). Across all channels, 189 ideas generated at HOCHTIEF Solutions in 2016.
	Promote innovative technologies in the construction process	LED lighting innovation project launched, with expansion planned for 2017
Reputation	Maintain high image and reputation value of HOCHTIEF at ≥75%	2016: 84%
Stakeholder involvement	Develop and implement an extended concept for conducting a materiality analysis in accordance with GRI G4	Expanded group of respondents from 2015 retained for materiality analysis in 2016; participants: 1,670 (2015: 2,117) Materiality analysis performed in all three divisions
	Hold annual stakeholder dialog events and develop this format further	Third stakeholder dialog event held on November 30, 2015 Concept to be further developed in 2017
	Step up analyst and investor communications on sustainability	2016: Participated in two roadshows; active dialog on CR issues with individual analysts

CR program — Topics

Focus area 1: Compliance

Overarching objective: We aim to set standards with our Code of Conduct.

Subject area	Goal by 2020	Status December 31, 2016
Anti-corruption and economic crime	Expand training offering	In 2016, 16,745 employees (2015: 15,300) throughout the Group received compliance training.
	Expand Group-wide standards on dealing with business partners	Further expansion of compliance requirements HOCHTIEF Business Partner Compliance Due Diligence
	Further expand monitoring activities	Compliance risk analysis taken to greater detail level; compliance spot checks extended

Focus area 2: 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	Goal by 2020	Status December 31, 2016
Non-financial performance indicator	Reduce Lost Time Injury Frequency Rate (LTIFR) to 1.35	LTIFR in the HOCHTIEF Group in 2016: 1.32, marks improvement on prior year (1.38) and attainment of target (reduction in LTIFR to 1.35)
Certification	Increase percentage of employees working according to an internationally recognized occupational safety and health management system to 90%	Group-wide certification rate 2016: 84.8% (2015: 79.6%)
Employee satisfaction	Maintain average tenure of employment (comparative figure: 2014)	HOCHTIEF Americas Division: 7.2 years (2015: 7.6 years; 2014: 6.7 years) HOCHTIEF Asia Pacific Division: 3.1 years (2015: 3.0 years; 2014: 3.9 years) HOCHTIEF Europe Division: 11.0 years (2015: 11.2 years; 2014: 11.1 years)
Train employees	Maintain average number of continuing education hours per employee within the Group at current level (comparative figure: 2014)	2016: 12 continuing education hours per employee (2015: 13 hours) HOCHTIEF Americas Division: around 24 hours HOCHTIEF Asia Pacific Division: around 8 hours HOCHTIEF Europe Division: around 12 hours
	Selectively foster young specialist and managerial talent Group-wide	590 participants in talent pools* (2015: 412)
Recruitment	Increased recruitment of young engineering talent	Recruitment of young talent specifically for future specialist and leadership positions: more than 70 young engineers recruited in Germany

*Talent pool: Group of selected high-potential employees given targeted coaching for positions as experts or in middle management.

Focus area 3: 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	Goal by 2020	Status December 31, 2016
Prequalification	Continuously increase proportion of prequalified and validated contract partners	Contract partners prequalified and validated: HOCHTIEF Americas (Turner): 100%; HOCHTIEF Asia Pacific: 90%; HOCHTIEF Europe: 99%
	Include further CR criteria in prequalification process	Separate business partner due diligence introduced
Evaluation	Increase number of subcontractors, suppliers and business partners evaluated	500 evaluations initiated at HOCHTIEF Europe

Focus area 4: 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	Goal by 2020	Status December 31, 2016
Sustainability Competence Team	Develop solutions to meet the needs of the market	Focus areas in 2016: Development of instruments to demonstrate the added value of sustainability for clients Systematic collation of sustainability information for inclusion in bid processes
Green building and green infrastructure	Expand range of sustainable projects in building construction and civil engineering Group-wide	Cumulated values as of Dec. 31, 2016: Certified green buildings (LEED, DGNB, Green Star, BREEAM, other certificates): 664; certified and registered sustainable infrastructure projects (ISCA, CEEQUAL, Greenroads): 25
		Accredited auditors (as of December 31, 2016) LEED: 1,451; DGNB: 4; Green Star: 5; ISCA: 52; Greenroads: 2; CEEQUAL: 2; other: 49
Building Information Modeling (BIM)	Promote further development and implementation in all HOCHTIEF divisions	Innovation focus; over 1,562 BIM projects in HOCHTIEF Group delivered by 2016 (2015: 1,433); HOCHTIEF Americas Division (Turner): around 1,000 BIM projects HOCHTIEF Asia Pacific Division (CIMIC): 87 BIM projects HOCHTIEF Europe Division: 475 BIM projects
	Continuously increase the number of BIM training courses	390 employees received training (HOCHTIEF Americas Division 57, HOCHTIEF Asia Pacific Division 215, HOCHTIEF Europe Division 118)
	Promote Group-wide exchange	Working groups continued

Focus area 5: 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	Goal by 2020	Status December 31, 2016
Strategy and organization	Commitment to climate protection	Declaration on Climate Action Plan 2050 to coincide with COP 22 Climate Change Conference in Marrakech
	Ensure permanent listing in CDP	HOCHTIEF, CIMIC, and Turner took part in 2016 HOCHTIEF: B grade, status: Sector Leader Industrials in the Climate Change Disclosure Program CIMIC: C grade in the Climate Change Disclosure Program, B grade in the Water Disclosure Program Turner: B grade in the Supplier Engagement Rating, C grade in the Climate Change Disclosure Program
Greenhouse gas emissions	Compile statistics on greenhouse gas emissions in all HOCHTIEF divisions	Data collated in the HOCHTIEF Europe and HOCHTIEF Asia Pacific divisions; collation initiated at the HOCHTIEF Americas division in 2016
	Promote measures for saving CO_2	Ongoing as part of project activities
	Take CO_2 compensatory measures	HOCHTIEF holding company 2016: 34.2 metric tons of CO_2 compensated in relation to print products (2015: 41.4 metric tons of CO_2)
Energy efficiency	Launch energy efficiency initiatives	Competition for Group-wide HOCHTIEF Energy Award; 44 entries in total
Environmental management	Increase percentage of units certified according to environmental management systems (in relation to number of employees)	Group-wide certification rate: 73.3% (ISO 14001) (2015: 68.14%)
Recycling rate (includes reuse)	Increase recycling rate to 85%	Group-wide recycling rate: approximately 74.3% (2015: 81.9%)
Data quality on resource consumption	Increase coverage for relevant environmental data to 100%	Water consumption: 50% coverage (2015: 45.5%); waste: 98% coverage (2015: 100%)
Water conservation	Participation in CDP Water Disclosure Program	B grade for CIMIC HOCHTIEF participation under preparation

Focus area 6: 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	Goal by 2020	Status December 31, 2016
Community initiatives	Promote sponsorship activities in relation to HOCHTIEF projects	Examples of this can be found on the Internet www.hochtief.com/community
	Continue involvement in Bridges to Prosperity and extend Group-wide	2016: One project carried out in Rwanda, two in Nicaragua, see www.hochtief.com/b2p. All HOCHTIEF divisions participated.

Focus Area
Procurement

Running for a total length of 20 kilometers, the sections of the A1 and A6 highways near Amsterdam, which HOCHTIEF is designing, financing, building, and operating over 25 years as part of a consortium, will ensure quick and safe transport connections.

Focus on recycling

Ever clever: Foresighted planning ensured that our team involved in the SAAone PPP project in the Netherlands conserved resources, which in turn cut both costs and emissions. While expanding sections of the A1 and A6 highways, large quantities of the materials already in place were reused in the new road surface. To prepare the construction waste, the joint venture partners cooperated with a local subcontractor whose concrete mixing facility is located close to the project site. The shorter transport routes made an active contribution to protecting the environment.

HOCHTIEF Group Consolidated Financial Statements as of December 31, 2016

Consolidated Statement of Earnings

(EUR thousand)	Note	2016	2015
Sales	(1)	19,908,328	21,096,618
Changes in inventories		(93,030)	18,468
Other operating income	(2)	372,477	217,498
Materials	(3)	(14,778,229)	(15,484,266)
Personnel costs	(4)	(3,285,214)	(3,655,734)
Depreciation and amortization	(5)	(287,721)	(413,831)
Other operating expenses	(6)	(1,208,075)	(1,203,403)
Profit from operating activities		**628,536**	**575,350**
Share of profits and losses of equity-method associates and joint ventures	(7)	75,117	79,035
Net income from other participating interests	(7)	39,803	76,676
Investment and interest income	(8)	87,415	92,840
Investment and interest expenses	(8)	(210,160)	(300,497)
Profit before taxes		**620,711**	**523,404**
Income taxes	(9)	(187,217)	(190,210)
Profit after tax		**433,494**	**333,194**
Thereof: Attributable to non-controlling interest	(10)	[113,011]	[124,907]
Thereof: Attributable to HOCHTIEF shareholders (net profit)		[320,483]	[208,287]
Earnings per share (EUR)			
Diluted and undiluted earnings per share	(32)	4.98	3.11

Consolidated Statement of Comprehensive Income

(EUR thousand)	Note (24)	2016	2015
Profit after tax		**433,494**	**333,194**
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		97,238	148,334
Changes in fair value of financial instruments			
Primary		(17,800)	22,581
Derivative		(895)	1,543
Share of profits and losses of equity-method associates and joint ventures recognized directly in equity		(16,174)	1,004
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		(59,103)	21,063
Other comprehensive income (after tax)		**3,266**	**194,525**
Total comprehensive income after tax		**436,760**	**527,719**
Of which: Minority interest		[115,713]	[182,953]
Of which: HOCHTIEF Group		[321,047]	[344,766]

Consolidated Balance Sheet

(EUR thousand)	Note	Dec. 31, 2016	Dec. 31, 2015
Assets			
Non-current assets			
Intangible assets	(11)	1,307,872	883,184
Property, plant and equipment	(12)	1,177,551	1,115,512
Investment properties	(13)	12,007	14,096
Equity-method investments	(14)	704,897	979,720
Other financial assets	(15)	71,562	123,853
Financial receivables	(16)	818,579	679,461
Other receivables and other assets	(17)	180,741	147,013
Non-current income tax assets	(18)	19,695	16,907
Deferred tax assets	(19)	292,052	170,582
		4,584,956	**4,130,328**
Current assets			
Inventories	(20)	559,168	767,760
Financial receivables	(16)	55,985	66,083
Trade receivables	(21)	5,025,260	4,536,997
Other receivables and other assets	(17)	450,297	172,996
Current income tax assets	(18)	31,152	51,933
Marketable securities	(22)	463,424	576,898
Cash and cash equivalents	(23)	2,847,426	2,808,707
Assets held for sale*		32,719	158,281
		9,465,431	**9,139,655**
		14,050,387	**13,269,983**
Liabilities and Shareholders' Equity			
Shareholders' equity	(24)		
Attributable to the Group			
Subscribed capital		164,608	177,432
Capital reserve		817,427	804,163
Revenue reserves		656,236	1,005,415
Of which: Deduction for treasury stock		[3,829]	[292,913]
Accumulated other comprehensive income		18,836	18,272
Unappropriated net profit		167,180	138,619
		1,824,287	**2,143,901**
Minority interest		**761,210**	**1,002,847**
		2,585,497	**3,146,748**
Non-current liabilities			
Provisions for pensions and similar obligations	(26)	440,246	353,448
Other provisions	(27)	423,256	449,937
Financial liabilities	(28)	1,633,321	2,355,089
Other liabilities	(29)	36,841	68,040
Deferred tax liabilities	(19)	34,917	29,719
		2,568,581	**3,256,233**
Current liabilities			
Other provisions	(27)	821,603	817,735
Financial liabilities	(28)	1,046,934	309,439
Trade payables	(30)	6,468,367	5,419,879
Other liabilities	(29)	555,341	277,010
Current income tax liabilities	(31)	4,064	10,257
Liabilities associated with assets held for sale*		–	32,682
		8,896,309	**6,867,002**
		14,050,387	**13,269,983**

*For further information, please see page 174.

Consolidated Statement of Cash Flows

(EUR thousand)	**Note (36)**	**2016**	2015
Profit after tax		433,494	333,194
Depreciation, amortization, impairments, and impairment reversals		286,540	409,965
Changes in provisions		(81,797)	(2,400)
Changes in deferred taxes		83,054	60,986
Gains/(losses) from disposals of non-current assets and marketable securities		(6,766)	(9,181)
Other non-cash income and expenses (primarily equity accounting) and deconsolidations		66,152	(24,026)
Changes in working capital (net current assets)		384,812	358,666
Changes in other balance sheet items		7,902	8,002
Cash flow from operating activities		**1,173,391**	**1,135,206**
Intangible assets, property, plant and equipment, and investment properties			
Purchases		(272,575)	(285,475)
Proceeds from asset disposals		85,327	135,042
Acquisitions and participating interests			
Purchases		(260,965)	(116,016)
Proceeds from asset disposals/divestments		172,900	1,641,071
Income tax payments in connection with divestments		(21,546)	(177,265)
Changes in cash and cash equivalents due to consolidation changes		163,986	(465,847)
Changes in securities holdings and financial receivables		66,701	231,397
Cash flow from investing activities		**(66,172)**	**962,907**
Payment for repurchase of treasury stock		(79,656)	(245,511)
Payments received from sale of treasury stock		1,284	1,047
Payments for repurchase of treasury stock at CIMIC		(286,731)	–
Payments for the purchase of additional shares in subsidiaries		(276,598)	(5,847)
Payments from equity to non-controlling interests		(1,162)	–
Payments into equity from non-controlling interests		–	2,683
Other financing activities		(12,644)	(2,843)
Dividends to HOCHTIEF's and non-controlling interests		(225,375)	(236,220)
Proceeds from new borrowing		681,803	786,090
Debt repayment		(936,495)	(2,308,197)
Cash flow from financing activities		**(1,135,574)**	**(2,008,798)**
Net cash increase in cash and cash equivalents		**(28,355)**	**89,315**
Effect of exchange rate changes		67,074	134,033
Overall change in cash and cash equivalents		**38,719**	**223,348**
Cash and cash equivalents at the start of the year		2,808,707	2,585,359
Cash and cash equivalents at year-end		**2,847,426**	**2,808,707**

Consolidated Statement of Changes in Equity

Note 24 (EUR thousand)	Subscribed capital of HOCHTIEF Aktiengesellschaft*	Capital reserve of HOCHTIEF Aktiengesellschaft*	Revenue reserves	Accumulated other comprehensive income: Remeasurement of defined benefit plans	Accumulated other comprehensive income: Currency translation differences	Accumulated other comprehensive income: Changes in fair value of financial instruments	Unappropriated net profit	Attributable to HOCHTIEF shareholders	Attributable to non-controlling interest	Total
Balance as of Jan. 1, 2015	177,432	804,018	1,183,395	(308,590)	194,506	(4,123)	131,688	2,178,326	933,052	3,111,378
Dividends paid	–	–	–	–	–	–	(128,926)	(128,926)	(107,294)	(236,220)
Profit after tax	–	–	–	–	–	–	208,287	208,287	124,907	333,194
Currency translation differences and changes in fair value of financial instruments	–	–	–	–	92,285	23,131	–	115,416	58,046	173,462
Changes from remeasurement of defined benefit plans	–	–	–	21,063	–	–	–	21,063	–	21,063
Total comprehensive income	–	–	–	21,063	92,285	23,131	208,287	344,766	182,953	527,719
Transfer to revenue reserves	–	–	72,430	–	–	–	(72,430)	–	–	–
Other changes not recognized in the Statement of Earnings	–	145	(250,410)	–	–	–	–	(250,265)	(5,864)	(256,129)
Balance as of Dec. 31, 2015/ 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	–	–	–	–	84,450	(24,783)	–	59,667	2,702	62,369
Changes from remeasurement of defined benefit plans	–	–	–	(59,103)	–	–	–	(59,103)	–	(59,103)
Total comprehensive income	–	–	–	(59,103)	84,450	(24,783)	320,483	321,047	115,713	436,760
Transfer to revenue reserves	–	–	163,449	–	–	–	(163,449)	–	–	–
Other changes not recognized in the Statement of Earnings**	(12,824)	13,264	(512,628)	–	–	–	–	(512,188)	(268,941)	(781,129)
Balance as of Dec. 31, 2016	**164,608**	**817,427**	**656,236**	**(346,630)**	**371,241**	**(5,775)**	**167,180**	**1,824,287**	**761,210**	**2,585,497**

* 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 include minus EUR 384,522 thousand for acquisitions by CIMIC during the year under review, 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.

Notes to the consolidated financial statements

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 315a (1) of the German Commercial Code (HGB). The same accounting policies applied in the prior 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 clarity, a number of 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 of analysis.

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 relate to the year 2016, comprising the reporting period from January 1 to December 31, 2016.

The Executive Board of HOCHTIEF Aktiengesellschaft released the financial statements for publication on February 24, 2017. They will be approved at the Supervisory Board meeting on February 27, 2017.

Basis of consolidation

The Consolidated Financial Statements generally include HOCHTIEF Aktiengesellschaft as well as all domestic and foreign subsidiaries in which it directly or indirectly holds the majority of voting rights. This generally goes hand in hand with a majority shareholding. Seven companies are 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 owners 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 on pages 246 and 247.

The Consolidated Financial Statements as of December 31, 2016 include HOCHTIEF Aktiengesellschaft and a total of 55 German and 430 foreign consolidated companies as well as four special-purpose investment funds (Spezialfonds). The number of consolidated companies increased by 30 compared with the previous year. The number of special-purpose funds stayed the same. A total of two German and 80 foreign companies were consolidated for the first time in the reporting year. The additions were in the HOCHTIEF Asia Pacific division (71), the HOCHTIEF Americas division (9), and the HOCHTIEF Europe division (2). A total of five domestic and 47 foreign companies were removed from the consolidated group. The companies removed from the consolidated group mainly related to the HOCHTIEF Asia Pacific division (19), the HOCHTIEF Europe division (17), and the HOCHTIEF Americas division (15). 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-eight 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.

Sixteen domestic and 156 foreign associates were accounted for using the equity method. This number declined by a total of 10 companies, with 22 companies added and 32 removed. Most of the additions were in the HOCHTIEF Asia Pacific division (14) and the HOCHTIEF Americas division (6). The removals related to the HOCHTIEF Asia Pacific division (14) and the HOCHTIEF Americas and HOCHTIEF Europe divisions (9 each). Due to their minor overall significance, a further 13 companies were not accounted for using the equity method.

A total of 63 joint operations from the HOCHTIEF Asia Pacific division are included in the Consolidated Financial Statements on a proportionate basis. In the year under review, 13 entities were added and nine 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 of Australian services group UGL Limited ("UGL") and gave notice in a takeover bid that it wished to acquire the shares not yet held at a price of AUD 3.15 per share. Effective November 24, 2016, CIMIC increased its holding to over 50% and consolidated UGL. The holding as of the December 31, 2016 balance sheet date was 95%. Acquisition of the remaining shares was completed on January 20, 2017, following which CIMIC holds 100% of the shares.

The provisional fair values of the identified assets and liabilities as of the acquisition date are as follows:

(EUR million)	**Provisional fair value on acquisition**
Intangible assets	47.5
Property, plant and equipment	49.0
Equity-method investments and other financial assets	26.7
Income tax assets and deferred tax assets	180.6
Inventories	24.9
Trade receivables and other receivables	174.8
Cash and cash equivalents	102.8
Other current assets	19.1
Total assets	**625.4**
Trade payables and other liabilities	654.7
Provisions	55.7
Financial liabilities	212.3
Total liabilities	**922.7**
Net assets (identified)	**(297.3)**
Non-controlling interest	150.1
Goodwill	323.7
Net assets (acquired)	**176.5**

The acquisition was accounted for in accordance with IFRS 3. Non-controlling interests in the acquiree were measured at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The purchase price transferred for obtaining the non-controlling interests was EUR 167.3 million as of December 31, 2016. An amount of EUR 19.7 million was recognized as a liability for outstanding shares. The acquisition resulted in recognition of goodwill in the amount of EUR 323.7 million based on UGL's future earning power and expertise as well as expected synergies. The goodwill is not deductible for tax purposes.

From the acquisition date to the December 31, 2016 balance sheet date, UGL contributed EUR 137.5 million to sales and EUR 3.6 million to profit after tax. Had the acquisition occurred as of January 1, 2016, UGL would have contributed sales of EUR 1,335.4 million and negative profit after tax of EUR 70.2 million—including EUR 134.7 million in impairments on receivables for the Ichthys project—in the CIMIC Group as of the balance sheet date.

Acquisition—Sedgman Pty Limited

On January 13, 2016, the CIMIC Group, through its subsidiary CIMIC Group Investments Pty Limited, gave notice in a takeover bit that it wished to acquire the 63.01% ownership interest not yet held in publicly listed mining services group Sedgman Limited, New South Wales, Australia ("Sedgman"). CIMIC increased its holding and thereby gained control of Sedgman on February 23, 2016. The acquisition of the remaining shares was completed on April 13, 2016, following which CIMIC holds 100% of the shares.

The fair values of the identified assets and liabilities as of the acquisition date are as follows:

(EUR million)	Fair value on acquisition
Intangible assets	8.9
Property, plant and equipment	11.0
Equity-method investments and other financial assets	4.5
Income tax assets and deferred tax assets	2.9
Trade receivables and other receivables	49.7
Cash and cash equivalents	61.7
Other current assets	2.7
Total assets	**141.4**
Trade payables and other liabilities	58.3
Provisions	16.0
Financial liabilities	3.0
Total liabilities	**77.3**
Net assets (identified)	**64.1**
Non-controlling interest	(31.2)
Goodwill	41.4
Net assets (acquired)	**74.3**

The acquisition is accounted for in accordance with IFRS 3. The total purchase consideration comprises cash paid of EUR 3.8 million on the date of obtaining control and the fair value of the previously held equity interest in the amount of EUR 70.4 million. Non-controlling interests in the acquiree are measured at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The acquisition resulted in recognition of goodwill in the amount of EUR 41.4 million based on Sedgman's future earning power and expertise as well as expected synergies. The goodwill is not deductible for tax purposes.

The acquisition as a whole resulted in a gain before tax of EUR 31.4 million comprising remeasurement of the equity interest (EUR 17.1 million) and recycling of the reserves of associated equity interests (EUR 14.3 million) previously held by the CIMIC Group. Sedgman contributed EUR 150.6 million to CIMIC Group sales from the acquisition date to the December 31, 2016 balance sheet date. Had the acquisition occurred as of January 1, 2016, Sedgman's contribution to Group sales would have been EUR 172.2 million. It is not possible to assess the contribution of the business to profit for the year because of the full integration of Sedgman into the HOCHTIEF Asia Pacific division.

Consolidation policies

The financial statements of domestic and international companies included in the Consolidated Financial Statements are prepared in accordance with uniform Group accounting principles. All business combinations (acquisitions) 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 minority 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 accounting entity or arise from contractual or other legal rights. Any goodwill then left is recognized as an asset. Goodwill is not amortized, but is tested instead for impairment in accordance with IAS 36 on an annual basis and whenever there are indications that it may be impaired. Negative goodwill arising on initial measurement is recognized immediately in income. 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 in their separate financial statements are reversed.

The same policies apply to equity-method investments. These include the Group's associates and joint ventures. Any goodwill increases the carrying amount of an investment. Like other goodwill, goodwill on equity-method investments is not amortized. Reductions in carrying amount due to impairment are reported 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. An agreement for the sale of the assets was signed in January 2016 and largely put into effect during the year under review.

The remaining assets and liabilities are classified as held for sale and presented separately in the balance sheet. The table below shows the major classes of assets and liabilities held for sale. No amount is additionally recognized in other comprehensive income.

(EUR thousand)	**Dec. 31, 2016**	Dec. 31, 2015
Property, plant and equipment	30,230	130,488
Inventories	2,489	27,793
Total assets	**32,719**	**158,281**
Non-current liabilities	–	–
Current liabilities	–	32,682
Liabilities	**–**	**32,682**

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)	2016	2015	2016	2015
1 U.S. dollar (USD)	0.91	0.91	0.95	0.92
1 Australian dollar (AUD)	0.67	0.67	0.69	0.67
1 British pound (GBP)	1.22	1.38	1.17	1.36
100 Polish złoty (PLN)	22.86	23.90	22.67	23.45
100 Qatari riyal (QAR)	24.88	24.88	25.99	25.22
100 Czech koruna (CZK)	3.70	3.67	3.70	3.70
100 Chilean pesos (CLP)	0.14	0.14	0.14	0.13

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 area 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 ten years in accordance with the term of the arrangement. Estimated useful lives and depreciation methods are reviewed annually.

Company names and goodwill are not amortized. 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 three to five years.

Property, plant and equipment is stated at depreciated cost. 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 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 on 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 life or over a shorter contract term if applicable.

Investment properties are stated at amortized cost. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in the Notes. They are assessed 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 normally defined as fair value less costs to sell 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, together with its share of such items held or incurred jointly, 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 held 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.

*See glossary on page 258.

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 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 on a FIFO or moving-average basis. 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.

All **marketable securities** are classed as held 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 non-financial 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 currently recognized. 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.
- 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 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.

New accounting pronouncements

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, 2016.

These changes relate to the following IFRS:

- **Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities** and **IAS 28 Investments in Associates and Joint Ventures**: Investment Entities: Applying the Consolidation Exception
- **Amendments to IFRS 11 Joint Arrangements**: Accounting for Acquisitions of Interests in Joint Operations
- **Amendments to IAS 1 Presentation of Financial Statements**: Disclosure Initiative
- **Amendments to IAS 16 Property, Plant and Equipment** and **IAS 38 Intangible Assets**: Clarification of Acceptable Methods of Depreciation and Amortisation
- **Amendments to IAS 16 Property, Plant and Equipment** and **IAS 41 Agriculture**: Bearer Plants
- **Amendments to IAS 19 Employee Benefits**: Defined Benefit Plans: Employee Contributions
- **Amendments to IAS 27 Separate Financial Statements**: Equity Method in Separate Financial Statements
- **Endorsement of Annual Improvements to IFRSs 2010–2012 Cycle**
- **Endorsement of Annual Improvements to IFRSs 2012–2014 Cycle**

The IFRS pronouncements applicable in the reporting year had no material impact on the HOCHTIEF Consolidated Financial Statements.

Other new accounting pronouncements issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) take the form of standards and one interpretation that affect the HOCHTIEF Consolidated Financial Statements but do not have to be applied for the 2016 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. Earlier application is permitted. The standard was endorsed by the EU in November 2016. On current assessment, the new standard will result in a reclassification of financial assets in the HOCHTIEF Group. The new rules on financial liabilities will probably have no material effect on the HOCHTIEF Group. Further quantitative and qualitative effects may result from the fundamental changes in the recognition of impairment losses and in hedge accounting.

IFRS 15 Revenue from Contracts with Customers: The IASB issued this new standard in May 2014 with the objective of bringing together in one standard the rules on revenue recognition previously contained in various different standards and interpretations. IFRS 15 applies across all sectors to revenue from all contracts with customers except those that are within the scope of other IFRSs, such as leases, insurance contracts, and financial instruments. Revenue recognition is carried out with regard to both timing and amount by applying the following five steps:
(1) Identify the contracts with a customer
(2) Identify the performance obligations in the contract
(3) Determine the transaction price
(4) Allocate the transaction price to the performance obligations in the contract
(5) Recognize revenue when (or as) the entity satisfies a performance obligation

This five-step model may give rise to separate performance obligations according to the contractual arrangements, such as in mining projects. Alongside this basic model, IFRS 15 includes an array of further provisions, such as on contract costs and contract modifications, and additional notes disclosures. The revised IFRS 15 applies for annual periods beginning on or after January 1, 2018; earlier application is permitted. The standard was endorsed by the EU in September 2016. The HOCHTIEF Group will not elect early application. With regard to the HOCHTIEF Consolidated Financial Statements, it is assumed on current assessment that the new standard will lead to changes in revenue recognition. Accordingly, it is expected to affect the recognition of contractual assets and liabilities as, for example, incremental costs of obtaining a contract are required to be recognized as an asset if the costs are expected to be recovered and would not have been incurred if the contract had not been obtained. The same applies with regard to contract modifications in the form of changes in the scope and/or price of a contract, including change orders. Such modifications may only be included in the transaction price if variable remuneration is highly probable, meaning that a significant reversal in the amount of the remuneration recognized will not occur. Based on analysis performed so far, it will be possible for revenue from construction contracts currently accounted for using the percentage of completion method to be recognized over time. Other changes relate to presentation changes and additional requirements for notes disclosures.

IFRS 16 Leases: Issued by the IASB in January 2016, the standard mainly stipulates new rules for the classification of leases by the lessee. As part of this, the previous risk-and-rewards approach is abandoned in favor of recognizing a right-of-use asset and a corresponding lease liability for all leases. The only exceptions are if the lease term is 12 months or less or the underlying asset has a low value. By contrast, lessors continue to classify leases as operating or finance leases based on the risks and rewards incidental to ownership of the underlying asset. The revised IFRS 16 applies for annual periods beginning on or after January 1, 2019; earlier application is permitted. EU endorsement is still pending. In view of the existing volume of operating leases, it would result in a noticeable increase in assets and liabilities in the balance sheet. Other potential implications for the HOCHTIEF Group are currently being assessed.

As part of its **annual improvements process**, the IASB published an omnibus standard in December 2016 (Annual Improvements Cycle 2014–2016). This involved minor but necessary changes to various standards. The omnibus standard amends IFRS 1, IFRS 12, and IAS 28; EU endorsement is still pending. On current assessment, the changes are not expected to have a material impact on the presentation of the financial position or financial performance of the HOCHTIEF Group.

The remaining changes adopted by the IASB and the IFRS IC are not expected to have any material relevance for the HOCHTIEF Group. In some cases, potential implications for the Consolidated Financial Statements are still being examined and cannot be conclusively determined prior to EU endorsement.

- **Clarifications to IFRS 15 Revenue from Contracts with Customers**
- **Amendments to IFRS 4 Insurance Contracts**: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- **Amendments to IFRS 2 Share-based Payment**: Classification and Measurement of Share-based Payment Transactions
- **Amendments to IAS 40 Investment Property**: Transfers of Investment Property
- **Amendments to IAS 12 Income Taxes**: Recognition of Deferred Tax Assets for Unrealised Losses
- **Amendments to IAS 7 Cash Flow Statements**: Disclosure Initiative
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration**.

Explanatory Notes to the Consolidated Statement of Earnings

1. Sales

The EUR 19,908,328 thousand (2015: EUR 21,096,618 thousand) sales figure comprises, firstly, 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. Contract mining accounted for EUR 1,875,948 thousand (2015: EUR 1,943,036 thousand). Secondly, the sales figure includes revenues from services such as construction planning, project development, logistics, asset management, and insurance and concessions business.

Sales recognized under the percentage of completion method came to EUR 16,946,731 thousand (2015: EUR 17,965,879 thousand).

*See glossary on page 258.

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 total operating performance by divisions is as follows:

(EUR thousand)	2016	2015
HOCHTIEF Americas	11,122,207	10,874,926
HOCHTIEF Asia Pacific	9,112,779	10,870,972
HOCHTIEF Europe	1,949,649	2,066,437
Corporate Headquarters/Consolidation	106,867	135,283
	22,291,502	**23,947,618**

2. Other operating income

(EUR thousand)	2016	2015
Income from divestitures	67,612	92,104
Income from transitional consolidation	58,575	–
Income from gains on derecognition of/reversals of impairments on receivables	54,386	2,028
Income from derivatives	50,579	210
Income from reversal of provisions	44,615	26,278
Foreign exchange gains	23,279	41,876
Sundry other operating income	73,431	55,002
	372,477	**217,498**

Income from divestitures in the year under review relates to the HOCHTIEF Asia Pacific division and the HOCHTIEF Europe division. In the prior year, it mainly related to disposals in the Corporate Headquarters/Consolidation division and the HOCHTIEF Asia Pacific division.

The income from transitional consolidation mostly relates to remeasurement on first-time consolidation of a subsidiary in the HOCHTIEF Asia Pacific division.

The income from gains on derecognition of and reversals of impairments on receivables in the year under review mainly relates to the HOCHTIEF Europe division and the Corporate Headquarters/Consolidation division.

The income from derivatives mainly relates to gains on fair value measurement of a call option on the remaining 55% of shares in HLG Contracting LLC ("HLG Contracting" formerly Habtoor Leighton Group).

Sundry other operating income includes income from insurance claims, and income from the disposal of intangible assets, property, plant and equipment, and investment properties.

3. Materials

(EUR thousand)	2016	2015
Raw materials, supplies, and purchased goods	1,816,362	2,192,741
Purchased services	12,961,867	13,291,525
	14,778,229	**15,484,266**

4. Personnel costs

(EUR thousand)	2016	2015
Wages and salaries	2,853,781	3,184,960
Social insurance, pensions, and support	431,433	470,774
	3,285,214	**3,655,734**

Expenditure on pensions totaled EUR 141,011 thousand (2015: EUR 184,529 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)

	2016	2015
Waged/industrial employees	3,454	3,700
Salaried/office employees	42,585	43,429
	46,039	**47,129**

5. Depreciation and amortization

(EUR thousand)	2016	2015
Intangible assets	36,550	39,826
Property, plant and equipment	250,901	373,415
Investment properties	270	590
	287,721	**413,831**

Depreciation and amortization includes EUR 6,733 thousand in impairments in the HOCHTIEF Asia Pacific division (2015: EUR 33,700 thousand).

6. Other operating expenses

(EUR thousand)	2016	2015
Rentals and lease rentals	321,493	331,627
Insurance expenses	297,904	279,803
External organization and programming	79,103	63,350
Technical and business consulting	70,109	65,858
Impairment losses and losses on disposal of current assets (except inventories)	60,071	11,437
Travel expenses	53,314	47,655
Court costs, attorneys' and notaries' fees	42,278	39,664
Office supplies	31,310	35,084
Currency losses	26,116	41,864
Mail and funds transfer expenses	11,757	13,017
Marketing	8,566	15,175
Restructuring and adjustment costs/severance benefits	6,786	29,053
Legal costs	5,803	8,446
Sundry other operating expenses	193,465	221,370
	1,208,075	**1,203,403**

The insurance expenses mainly relate to project risk management in the Turner Group. Insurance covers of Turner and other project stakeholders such as suppliers and clients are 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. Also included under this heading are sundry taxes amounting to EUR 9,514 thousand (2015: EUR 14,319 thousand).

Including personnel and material expenses, a total of EUR 4,451 thousand was spent on Group-wide research and development projects by the central innovation management function in 2016 (2015: EUR 4,678 thousand).

7. Net income from participating interests

Net income from 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)	2016	2015
Share of profits and losses of equity-method associates and joint ventures	**75,117**	**79,035**
Of which: Impairment	[–]	[–]
Net income from non-consolidated subsidiaries	380	(117)
Of which: Impairment	[–]	[(158)]
Net income from other participating interests	6,217	8,618
Of which: Impairment	[–]	[–]
Income from the disposal of participating interests	5,431	36,793
Expenses on disposal of participating interests	(125)	(803)
Income from long-term loans to participating interests	35,991	32,185
Expenses relating to long-term loans to participating interests	(8,091)	–
Net income from other participating interests	**39,803**	**76,676**
	114,920	**155,711**

The share of profits and losses of equity-method associates and joint ventures consists of minus EUR 1,475 thousand (2015: minus EUR 23,189 thousand) relating to associates and EUR 76,592 thousand (2015: EUR 102,224 thousand) relating to joint ventures.

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 year under review had a carrying amount of EUR 1,786 thousand (2015: EUR 3,450 thousand). Disposals realized a net loss on sale of EUR 94 thousand in 2016 (2015: net loss of EUR 691 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 concern a writedown due to impairment of a loan in the HOCHTIEF Europe division.

8. Net investment and interest income

(EUR thousand)	2016	2015
Interest and similar income	39,860	59,797
Other investment income	47,555	33,043
Investment and interest income	**87,415**	**92,840**
Interest and similar expenses	(161,793)	(240,247)
Interest component of increase in non-current provisions	(10,755)	(9,908)
Of which: Net interest (expense)/income on pension obligations	[(9,852)]	[(9,092)]
Other investment expenses	(37,612)	(50,342)
Investment and interest expenses	**(210,160)**	**(300,497)**
	(122,745)	**(207,657)**

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 121,933 thousand (2015: minus EUR 180,450 thousand).

Interest income of EUR 39,739 thousand was recorded in 2016 for financial instruments not carried at fair value through profit or loss (2015: EUR 59,644 thousand). Interest expenses of EUR 161,793 thousand were recorded for financial instruments not carried at fair value through profit or loss (2015: EUR 240,247 thousand).

Net interest expense/income from pension obligations—an amount of minus EUR 9,852 thousand (2015: minus EUR 9,092 thousand)—consists of EUR 31,760 thousand (2015: EUR 29,671 thousand) in annual interest on the net present value of long-term pension obligations rolled over into the new year, offset against EUR 21,908 thousand (2015: EUR 20,579 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.

9. Income taxes

(EUR thousand)	2016	2015
Current income taxes	104,163	129,224
Deferred taxes	83,054	60,986
	187,217	**190,210**

Current income taxes include EUR 22,521 thousand net tax income (2015: EUR 9,547 thousand) 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)	2016	2015
Profit before tax	620,711	523,404
Theoretical tax income, at 31.5%	195,524	164,872
Difference between the above and foreign tax rates	(6,741)	1,512
Tax effects on:		
Tax-exempt income	(46,731)	(36,623)
Non-tax-allowable expenditure	35,666	27,631
Equity accounting of associates and joint ventures, including impairment of associates and joint ventures	14,827	2,503
Unrecognized deferred tax assets for domestic tax loss carryforwards	25,429	60,953
Other	(30,757)	(30,638)
Effective tax charges	**187,217**	**190,210**
Effective rate of tax (percent)	30.2	36.3

The tax-exempt income mostly relates to gains on disposals of fully consolidated companies and of companies accounted for using the equity method as well as to tax-exempt dividends.

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.

10. Non-controlling interest

The EUR 113,011 thousand (2015: EUR 124,907 thousand) non-controlling interest in consolidated net profit represents the balance of profits totaling EUR 115,332 thousand (2015: EUR 126,982 thousand) and losses totaling EUR 2,321 thousand (2015: EUR 2,075 thousand). The profits include EUR 87,983 thousand (2015: EUR 102,501 thousand) for minority shareholders in the CIMIC Group.

Explanatory notes to the Consolidated Balance Sheet

11. Intangible assets

The table below shows the composition of and changes in intangible assets on the Consolidated Balance Sheet for 2016 and the previous year:

(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, 2016	351,616	707,171	1,058,787
Additions or disposals due to consolidation changes	59,796	363,599	423,395
Additions	13,249	–	13,249
Disposals	(4,833)	–	(4,833)
Reclassifications	(2,428)	–	(2,428)
Currency adjustments	9,346	24,629	33,975
Dec. 31, 2016	426,746	1,095,399	1,522,145
Cumulative amortization			
Jan. 1, 2016	175,603	–	175,603
Additions or disposals due to consolidation changes	4,625	–	4,625
Amortization	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**	**1,095,399**	**1,307,872**
Cost of acquisition or production			
Jan. 1, 2015	352,493	666,677	1,019,170
Additions or disposals due to consolidation changes	(5)	(733)	(738)
Additions	11,812	–	11,812
Disposals	(26,530)	–	(26,530)
Reclassifications	–	–	–
Currency adjustments	13,846	41,227	55,073
Dec. 31, 2015	351,616	707,171	1,058,787
Cumulative amortization			
Jan. 1, 2015	152,871	–	152,871
Additions or disposals due to consolidation changes	(1)	–	(1)
Amortization	39,826	–	39,826
Disposals	(23,437)	–	(23,437)
Reclassifications	–	–	–
Currency adjustments	6,344	–	6,344
Impairment reversals	–	–	–
Dec. 31, 2015	175,603	–	175,603
Carrying amounts as of Dec. 31, 2015	**176,013**	**707,171**	**883,184**

As in the prior year, intangible assets are not subject to any restrictions. Development costs in the amount of EUR 313 thousand were capitalized in the year under review.

Intangible assets include EUR 54,895 thousand (2015: EUR 59,867 thousand) for company names recognized on initial consolidation, comprising EUR 45,303 thousand (2015: EUR 43,756 thousand) in the HOCHTIEF Americas division and EUR 9,592 thousand (2015: EUR 16,111 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 6,733 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 9.44% and 9.66% before tax (2015: between 10.40% and 10.84%).

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 2016 were as follows:

(EUR thousand)	Jan. 1, 2016	Currency adjustments	Consolidation changes	**Dec. 31, 2016**
HOCHTIEF Americas	329,146	10,804	–	339,950
HOCHTIEF Asia Pacific	338,408	13,825	365,598	717,831
HOCHTIEF Europe	39,617	–	(1,999)	37,618
	707,171	**24,629**	**363,599**	**1,095,399**

12. 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, 2016	117,876	2,464,470	250,502	5,186	2,838,034
Additions or disposals due to consolidation changes	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 depreciation					
Jan. 1, 2016	68,296	1,502,685	148,830	2,711	1,722,522
Additions or disposals due to consolidation changes	185	57,574	(213)	–	57,546
Depreciation	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**
Cost of acquisition or production					
Jan. 1, 2015	152,783	2,801,662	218,718	5,384	3,178,547
Additions or disposals due to consolidation changes	–	206	(9,651)	(6)	(9,451)
Additions	5,861	213,412	43,949	803	264,025
Disposals	(42,007)	(698,558)	(17,378)	(871)	(758,814)
Reclassifications	(751)	10,678	292	(196)	10,023
Currency adjustments	1,990	137,070	14,572	72	153,704
Dec. 31, 2015	117,876	2,464,470	250,502	5,186	2,838,034
Cumulative depreciation					
Jan. 1, 2015	82,199	1,656,790	134,526	466	1,873,981
Additions or disposals due to consolidation changes	–	–	(6,006)	(1)	(6,007)
Depreciation	9,194	339,060	22,915	2,246	373,415
Disposals	(22,425)	(531,613)	(14,614)	–	(568,652)
Reclassifications	(1,792)	(26,116)	1,547	–	(26,361)
Currency adjustments	1,120	64,564	11,295	–	76,979
Impairment reversals	–	–	(833)	–	(833)
Dec. 31, 2015	68,296	1,502,685	148,830	2,711	1,722,522
Carrying amounts as of Dec. 31, 2015	**49,580**	**961,785**	**101,672**	**2,475**	**1,115,512**

Property, plant and equipment includes EUR 41,247 thousand (2015: EUR 202,123 thousand) in lease-financed assets. These largely comprise plant and machinery at CIMIC.

No impairment losses were recorded on property, plant and equipment in the reporting year (2015: impairments of EUR 33,700 thousand in the HOCHTIEF Asia Pacific division).

Property, plant and equipment in the HOCHTIEF Asia Pacific division in the amount of EUR 868,458 thousand (2015: EUR 81,623 thousand) is subject to restrictions.

13. Investment properties

(EUR thousand)

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
Amortization	270
Disposals	(1,765)
Dec. 31, 2016	23,629
Carrying amounts as of Dec. 31, 2016	**12,007**
Cost of acquisition or production	
Jan. 1, 2015	39,797
Additions	–
Disposals	(577)
Dec. 31, 2015	39,220
Cumulative amortization	
Jan. 1, 2015	24,545
Amortization	590
Disposals	(11)
Dec. 31, 2015	25,124
Carrying amounts as of Dec. 31, 2015	**14,096**

As in the prior year, there were no impairment losses on investment properties in the year under review.

The fair values of investment properties came to EUR 13,518 thousand as of December 31, 2016 (2015: EUR 16,003 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 adjustments following independent external appraisals.

Rental income from investment properties in the reporting year totaled EUR 866 thousand (2015: EUR 971 thousand). Direct operating expenses totaling EUR 878 thousand (2015: EUR 986 thousand) consisted of EUR 219 thousand (2015: EUR 311 thousand) in expenses for rented and EUR 659 thousand (2015: EUR 675 thousand) in expenses for unrented investment properties.

As in the prior year, investment properties are not subject to any restrictions.

14. Equity-method investments

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Equity-method associates	57,040	382,583
Equity-method joint ventures	647,857	597,137
	704,897	**979,720**

HLG Contracting was accounted for as an associate of the HOCHTIEF Group as of December 31, 2015. In the period to December 31, 2016, with no increase in the shareholding and the entity has been reclassified as a joint venture. The company is accounted for using the equity method as in the prior year.

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)	2016	2015
Carrying amounts	**57,040**	**84,047**
Profit before tax	**(1,428)**	**(19,456)**
Income taxes	(47)	5,905
Profit after tax	**(1,475)**	**(13,551)**
Other comprehensive income	(14,288)	–
Total comprehensive income	**(15,763)**	**(13,551)**

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

On November 30, 2016, an agreement was reached with with HLG Contracting's existing shareholders which allowed one shareholder, Al Habtoor Holdings LLC, to transfer its shareholding to the other partner, Riad Al Sadik. Following this transfer, CIMIC's shareholding remained unchanged at 45%, with Riad Al Sadik now owning the remaining 55%.

Following the completion of this agreement, CIMIC's management determined that the company has joint control of HLG Contracting in accordance with IFRS 10. As a result of this change in control, CIMIC's investment in HLG Contracting is now classified as a joint venture, whereas it was previously classified as an associate.

As part of the contractual arrangements regarding shareholder exit, CIMIC assumed certain obligations from the other shareholders including guaranteeing various performance bonds, acquired certain loans from Al Habtoor Group LLC for USD 27.2 million (equivalent to EUR 25.8 million), and acquired a call option to purchase the remaining 55% shareholding in HLG Contracting. This option has no current impact on the control of the company. The option is a derivative as defined by IAS 39 and is required to be carried at fair value with any gain and loss recognized in profit and loss in the period. The call option had a fair value of EUR 51.4 million as of December 31, 2016.

HLG Contracting's new shareholder structure marks a 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 HLG Contracting business has commenced and is ongoing.

The recoverable amount of the Group's investment was calculated using the value-in-use method.

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, 2016**	Dec. 31, 2015
Non-current assets	537,805	505,925
Current assets	1,222,672	1,248,546
Of which: Cash and cash equivalents	[68,875]	[84,098]
Non-current liabilities	449,261	427,320
Of which: Financial liabilities	[348,630]	[378,380]
Current liabilities	1,060,103	1,028,615
Of which: Financial liabilities	[226,203]	[182,122]
Carrying amount of investment	**251,113**	**298,536**

(EUR thousand)	**2016**	2015
Sales	818,817	780,554
Depreciation/amortization	(7,363)	(2,972)
Other expenses	(842,813)	(765,207)
Interest income	394	971
Interest expense	(25,057)	(22,445)
Profit before tax	**(56,022)**	**(9,099)**
Income taxes	(788)	(539)
Profit after tax	**(56,810)**	**(9,638)**
Other comprehensive income	–	–
Total comprehensive income	**(56,810)**	**(9,638)**
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)	**2016**	2015
Carrying amounts	**396,744**	**597,137**
Profit before tax	**152,034**	**106,515**
Income taxes	(18,632)	(4,291)
Profit after tax	**133,402**	**102,224**
Other comprehensive income	(1,886)	1,004
Total comprehensive income	**131,516**	**103,228**

As in the prior year, profit from immaterial equity-method joint ventures does not contain any impairment losses.

Investments in joint ventures are pledged in the amount of EUR 15,435 thousand (2015: EUR 2,510 thousand).

15. Other financial assets

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Non-consolidated subsidiaries	6,965	5,549
Other participating interests	64,597	118,304
	71,562	**123,853**

No impairment losses were recognized on other financial assets in the year under review. In the prior year, EUR 158 thousand in impairment losses was recognized on non-consolidated subsidiaries. As in the prior year, other financial assets are not subject to any restrictions.

16. Financial receivables

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Non-current	Current	Non-current	Current
Long-term loans to non-consolidated subsidiaries and to participating interests	707,378	16,288	582,771	16,632
Financial receivables from non-consolidated subsidiaries	–	14,650	7,391	14,211
Financial receivables from participating interests	99,532	17,772	78,204	28,586
Interest accruals	–	3,169	–	4,382
Other financial receivables	11,669	4,106	11,095	2,272
	818,579	**55,985**	**679,461**	**66,083**

Long-term loans to non-consolidated subsidiaries and to participating interests comprise loans to HLG Contracting in the amount of EUR 615,145 thousand (2015: EUR 487,544 thousand).

Financial receivables from equity-accounted companies total EUR 839,487 thousand (2015: EUR 691,862 thousand).

17. Other receivables and other assets

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Non-current	Current	Non-current	Current
Claims for damages and claims under guarantee	–	209,118	–	21,515
Prepaid expenses	1,761	76,922	3,081	52,030
Derivative receivables	65,553	1,727	11,831	1,374
Entitlements from sales of participating interests	–	25,025	–	16,727
Tax receivables (excluding income taxes)	–	7,730	–	11,447
Pension fund credit balances	2,575	–	6,214	–
Sundry other assets	110,852	129,775	125,887	69,903
	180,741	**450,297**	**147,013**	**172,996**

Claims for damages and claims under guarantee include EUR 181,008 thousand, mainly in reimbursement claims under insurance policies held by the Turner Group. The Turner Group regularly insures against certain business risks. Thus far, liabilities toward clients in the operating business had been offset on the balance sheet by equal and opposite reimbursement claims under such insurance. As of December 31, 2016, these liabilities and reimbursement claims are presented on the balance sheet for the first time without offsetting.

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 year under review.

18. Current income tax assets

The EUR 50,847 thousand (2015: EUR 68,840 thousand) in income tax assets comprises amounts receivable from domestic and foreign revenue authorities. These consist of EUR 19,695 thousand (2015: EUR 16,907 thousand) classified as non-current assets and EUR 31,152 thousand (2015: 51,933 thousand) classified as current assets.

19. Deferred taxes

Deferred tax assets and liabilities break down as follows:

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	51,017	214,860	64,068	242,324
Current assets	341,855	251,022	262,208	244,462
Non-current liabilities				
Pension provisions	146,346	2,635	131,408	7,836
Other provisions	14,853	22,100	23,619	10,792
Sundry non-current liabilities	1,040	316	684	231
Current liabilities				
Other provisions	86,942	99	74,394	380
Sundry current liabilities	100,040	159,560	99,036	165,057
	742,093	**650,592**	**655,417**	**671,082**
Losses carried forward	165,634	–	156,528	–
Gross amount	**907,727**	**650,592**	**811,945**	**671,082**
Offsetting item	615,675	615,675	641,363	641,363
Reported amount	**292,052**	**34,917**	**170,582**	**29,719**

Deferred tax assets and deferred tax liabilities are offset within each company or group. The EUR 907,727 thousand (2015: EUR 811,945 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, 2016	Dec. 31, 2015
Corporate income tax	147,550	138,444
German municipal trade tax	18,084	18,084
	165,634	**156,528**

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 628,685 thousand (2015: EUR 486,865 thousand) in respect of corporate income tax and EUR 1,016,228 thousand (2015: EUR 828,148 thousand) in respect of German municipal trade tax. The change in the tax loss carryforward figures mainly relates to adjustments made on the basis of tax audits together with the changes that result.

No deferred tax assets have been recognized in relation to interest expense carryforwards in the amount of EUR 350,816 thousand (2015: EUR 373,807 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.

Domestic Group companies that generated losses in the past year or previous years have EUR 44,739 thousand (2015: EUR 41,636 thousand) in deferred tax assets resulting from temporary differences or tax loss carryforwards found not to be impaired.

Deferred tax liabilities totaling a gross amount of EUR 650,592 thousand (2015: EUR 671,082 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 482 thousand was credited to equity (2015: EUR 6,411 thousand charged to equity) for deferred tax relating to exchange differences from translation of foreign entity financial statements. An amount of EUR 2,663 thousand was credited to equity (2015: EUR 9,956 thousand charged 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 25,323 thousand was credited to equity (2015: EUR 7,453 thousand charged to equity) for deferred tax relating to actuarial gains and losses. As of the balance sheet date, deferred tax charged to equity in connection with the measurement of financial instruments amounted to EUR 12,285 thousand (2015: EUR 14,948 thousand), while EUR 180,866 thousand (2015: EUR 155,543 thousand) was credited to equity in connection with actuarial gains and losses.

20. Inventories

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Raw materials and supplies	159,651	137,529
Work in progress	378,836	609,871
Finished goods	14,398	15,421
Prepayments	6,283	4,939
	559,168	**767,760**

Borrowing costs of EUR 9,345 thousand were capitalized under work in progress in accordance with IAS 23 (2015: EUR 7,946 thousand). The borrowing costs were determined on the basis of interest rates of between 1.50% and 7.44% (2015: between 1.50% and 10.80%).

Work in progress also includes properties under development that are subject to restrictions in the amount of EUR 168,309 thousand (2015: EUR 322,703 thousand).

21. Trade receivables

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Trade receivables		
Gross amount due from customers for contract work (POC)	4,727,466	4,801,439
Less: progress payments received	(2,398,802)	(2,812,184)
	2,328,664	**1,989,255**
From construction joint ventures	209,375	168,501
Other	2,464,835	2,369,095
	5,002,874	**4,526,851**
From non-consolidated subsidiaries	2,532	4,312
From participating interests	19,854	5,834
	5,025,260	**4,536,997**

The figure of EUR 2,328,664 thousand (2015: EUR 1,989,255 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 5,349,789 thousand (2015: EUR 5,119,984 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 year under review stands at EUR 4,117,990 thousand (2015: EUR 3,839,359 thousand).

Various fully consolidated companies in the HOCHTIEF Group have been granted service concession or similar arrangements. These arrangements are mostly accounted for as financial assets and reported as part of gross amount due from customers for contract work (POC). The service concession arrangements, which are in the social infrastructure/Europe segment, are agreements to build and modernize, operate, and maintain schools and other public buildings. Construction work and improvements are on schedule. These activities broke even with sales of EUR 1,141 thousand (2015: EUR 34,289 thousand). The HOCHTIEF Group companies concerned are accordingly required to perform their obligations under the service concession arrangements and are granted the rights necessary to do so in each instance. At the end of a service concession arrangement, the infrastructure to which the arrangement relates is returned to the public-sector client. The assets associated with a service concession arrangement generally remain public property for the entire duration of the arrangement. The sole termination option provided for in the service concession arrangements relates to termination for cause. Some arrangements have renewal options.

Trade receivables include EUR 719,491 thousand (2015: EUR 606,312 thousand) in contractual retention amounts.

Trade receivables also include properties under development that are subject to restrictions in the amount of EUR 39,447 thousand (2015: EUR 14,541 thousand).

Receivables from equity-accounted companies total EUR 13,227 thousand (2015: EUR 1,392 thousand).

22. Securities

The marketable securities totaling EUR 463,424 thousand (2015: EUR 576,898 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.

All marketable securities are classified as available for sale and carried at fair value. The carrying amount decreased by EUR 9,084 thousand (2015: EUR 10,664 thousand) due to fair value adjustments.

Marketable securities are pledged in the amount of EUR 13,812 thousand (2015: EUR 21,338 thousand) as security for employee benefit entitlements under semi-retirement programs.

*See glossary on page 258.

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.

23. Cash and cash equivalents

Cash and cash equivalents total EUR 2,847,426 thousand (2015: EUR 2,808,707 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. As of December 31, 2016, EUR 114,210 thousand (December 31, 2015: EUR 110,963 thousand) in cash at banks in relation to the sale of receivables and EUR 23,535 thousand (December 31, 2015: EUR –) of cash reserved for warranties is subject to restrictions.

24. Shareholders' equity

The Consolidated Statement of Changes in Equity is shown on page 169.

Between January 12, 2016 and March 10, 2016, 954,717 shares of treasury stock were purchased for a total price of EUR 79,655,955 (an average price of EUR 83.43 per share) as part of the stock buyback program decided upon on January 11, 2016 for the purposes provided for in the authorizing resolutions of the Annual General Meeting of May 7, 2014 and that of May 6, 2015 and for all other purposes permitted under AktG. The shares represent EUR 2,444,076 (1.48%) of the Company's capital stock.

Making use of the authorization granted at the Annual General Meeting of May 11, 2016 to cancel shares of treasury stock and shares acquired in accordance with Section 71 (1) No. 8 of the German Stock Corporations Act (AktG), the Executive Board adopted a resolution on September 19, 2016 to cancel 5,009,434 shares of treasury stock. The Supervisory Board approved the cancellation. Following the cancellation, the Company's capital stock is divided into 64,300,000 no-par-value bearer shares. Concurrently with the cancellation, the Company's capital stock was reduced to EUR 164,608,000.00. The capital reduction was effected by cancellation of treasury stock acquired in accordance with Section 71 (1) No. 8 Sentence 6 AktG by application of the simplified cancellation procedure (Section 237 (3) No. 2 AktG). Each share accounts for EUR 2.56 of capital stock.

As of December 31, 2016, HOCHTIEF Aktiengesellschaft held a total of 52,142 shares of treasury stock as defined in Section 160 (1) No. 2 of the German Stock Corporations Act (AktG). 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 AktG. The holdings of treasury stock represent EUR 133,484 (0.08%) of the Company's capital stock.

The capital reserve comprises premium on shares issued by HOCHTIEF Aktiengesellschaft.

The Executive Board is unaware of any restrictions on voting rights or on transfers of securities.

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 54,000 thousand by or before May 5, 2020 (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.

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 2016, 11,492 shares of treasury stock were transferred to members of the Executive Board of the Company and to a former member of the Executive Board of HOCHTIEF Solutions AG at a price of EUR 111.75 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 29,420 (0.018%) of the Company's capital stock.

Unappropriated net profit is identical for HOCHTIEF Aktiengesellschaft and the HOCHTIEF Group.

A dividend of EUR 128,473 thousand was paid out in the year under review (2015: EUR 128,926 thousand).

The non-controlling interest in the shareholders' equity of consolidated Group companies totals EUR 761,210 thousand (2015: EUR 1,002,847 thousand); EUR 615,121 thousand (2015: EUR 849,758 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 72.68% as of December 31, 2016 (2015: 69.62%). Summary financial information on the Group company is provided in the table below.

(EUR thousand)	2016	2015
Non-current assets	3,388,821	2,901,943
Current assets	3,476,862	3,593,899
Non-current liabilities	623,117	842,456
Current liabilities	3,973,179	2,890,874
Shareholders' equity	**2,269,387**	**2,762,512**
Of which: Non-controlling interest	[(6,708)]	[15,092]
Total non-controlling interest in equity	**615,121**	**849,758**
Sales	7,302,970	8,946,139
Profit before tax	**498,566**	**495,368**
Income tax	(126,603)	(148,653)
Profit after tax	**371,963**	**346,715**
Of which: Non-controlling interest	[(18,764)]	[(4,066)]
Total non-controlling interest in profit after tax	**87,983**	**102,501**
Cash flow from operations	758,792	977,599
Cash flow from investing activities	(189,673)	840,831
Cash flow from financing activities	(971,816)	(1,724,817)

Accumulated other comprehensive income is part of revenue reserves. 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. The changes in other comprehensive income are presented on a year-on-year basis in the following table:

Changes in other comprehensive income

(EUR thousand)	2016	2015
Currency translation differences		
Changes in other comprehensive income for the period	96,922	219,853
Amounts reclassified to profit or loss	316	(71,519)
	97,238	**148,334**
Changes in fair value of financial instruments – primary		
Changes in other comprehensive income for the period	(2,660)	9,999
Amounts reclassified to profit or loss	(15,140)	12,582
	(17,800)	**22,581**
Changes in fair value of financial instruments – derivative		
Changes in other comprehensive income for the period	(895)	2,138
Amounts reclassified to profit or loss	–	(595)
	(895)	**1,543**
Share of profits and losses of equity-method associates and joint ventures recognized directly in equity		
Changes in other comprehensive income for the period	(3,937)	(8,866)
Amounts reclassified to profit or loss	(12,237)	9,870
	(16,174)	**1,004**
Remeasurement of defined benefit plans	**(59,103)**	**21,063**
Other comprehensive income after tax	**3,266**	**194,525**

The tax effects relating to changes in other comprehensive income are distributed as follows:

	2016			2015		
(EUR thousand)	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Currency translation differences	97,238	–	97,238	148,334	–	148,334
Changes in fair value of financial instruments – primary	(19,758)	1,958	(17,800)	32,147	(9,566)	22,581
Changes in fair value of financial instruments – derivative	(1,600)	705	(895)	1,933	(390)	1,543
Share of profits and losses of equity-method associates and joint ventures recognized directly in equity	(16,174)	–	(16,174)	1,004	–	1,004
Remeasurement of defined benefit plans	(84,426)	25,323	(59,103)	28,516	(7,453)	21,063
Other comprehensive income	**(24,720)**	**27,986**	**3,266**	**211,934**	**(17,409)**	**194,525**

25. Share-based payment

The following Group-wide share-based payment systems were in force for managerial staff of HOCHTIEF Aktiengesellschaft and its affiliates in 2016:

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 is based on stock awards and consists 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 is ten years. The waiting period after the granting of each tranche is three years. The exercise period is between five and seven years, depending on the tranche.

The conditions stipulate that, after the waiting period, entitled individuals receive 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 is capped for each year of the exercise period. The cap rises annually up to a maximum gain at the end of the term. The maximum gain is 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 and the third tranche in 2016.

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. Alongside grants of stock appreciation rights (SARs), LTIP 2010 also provided for grants of stock awards. The SARs can 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 is 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 is at least 10% (absolute performance threshold). The relative performance threshold is waived if the average stock market price of HOCHTIEF stock exceeds 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 are met, the SARs can be exercised at any time after a four-year waiting period except during a short period before publication of any business results. When SARs are exercised, the issuing entity pays out the difference between the then current stock price and the issue price. The gain is 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 for the stock awards ended in 2015.

Long-term Incentive Plan 2011

The Long-term Incentive Plan 2011 (LTIP 2011) was launched by resolution of the Supervisory Board in 2011 and is open to Executive Board members and upper managerial employees of HOCHTIEF Aktiengesellschaft and its affiliates. The conditions did not differ in any material respect from those of LTIP 2010. The gain was limited to EUR 32.67 per SAR and EUR 98.01 per stock award.

The plan for the SARs was exercised in full in 2016 and the plan for the stock awards ended in 2016.

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 2011 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 differ 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 can be exercised depends on attainment of the planned value range for adjusted free cash flow. This value range is set in the business plan for each exercise year.

The gain is limited to EUR 24.61 per SAR and EUR 73.83 per stock award.

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 years to three and the timeframe commensurately 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.

Other information

Return on net assets (RONA)

Return on net assets (RONA) indicates how well HOCHTIEF's assets are performing as an investment and thus measures the profitability of the HOCHTIEF Group. RONA measures return as a percentage of net assets. For this purpose, return is defined as operational earnings (EBIT, shown in the Operational Statement of Earnings) plus interest income from the Group's financial assets. The net assets figure reflects the total capital commitment from which returns are to be generated.

The HOCHTIEF Group generated a return on net assets (RONA) of 15.9% in 2016 (2015: 13.2%). RONA thus increased by 2.7 percentage points compared with the prior year.

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 met by the affiliated company concerned.

The quantities of SARs and stock awards granted, expired, and exercised under the plans are as follows:

	Originally granted	Outstanding at Dec. 31, 2015	Granted in 2016	Expired in 2016	Exercised/settled in 2016	Disposal/sale	**Outstanding at Dec. 31, 2016**
TERP 2008/Tranche 2	359,000	3,300	–	–	400	–	2,900
TERP 2008/Tranche 3	174,100	9,200	–	–	9,200	–	0
LTIP 2010 – SARs	353,200	4,100	–	600	1,500	–	2,000
LTIP 2011 – SARs	275,250	29,400	–	–	29,400	–	0
LTIP 2011 – stock awards	124,850	2,100	–	–	2,100	–	0
LTIP 2012 – SARs	457,406	276,906	–	14,000	–	–	262,906
LTIP 2012 – stock awards	82,991	44,294	–	1,700	41,044	–	1,550
LTIP 2013 – SARs	38,288	38,288	–	–	–	–	38,288
LTIP 2013 – stock awards	9,297	9,297	–	–	–	–	9,297
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
LTIP 2016 – stock awards	–	–	17,850	–	–	–	17,850

Provisions recognized for the stated share-based payment arrangements totaled EUR 15,574 thousand as of the balance sheet date (2015: EUR 14,811 thousand). The total expense recognized for the stated arrangements in 2016 was EUR 5,537 thousand (2015: EUR 8,335 thousand). The intrinsic value of options exercisable at the end of the reporting period was EUR 7,052 thousand (2015: EUR 2,195 thousand).

26. 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 lifelong 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 lifelong 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, 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
Current benefit payments	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**

	Dec. 31, 2015		
(EUR thousand)	Germany	USA	UK
Active members	116,993	90,919	12,842
Final salary	[15,964]	–	[12,842]
Not final salary	[101,029]	[90,919]	–
Vested benefits	154,162	46,477	17,077
Current benefit payments	488,211	102,376	15,468
Similar obligations	93	54,350	–
Total	**759,459**	**294,122**	**45,387**
Duration in years (weighted)	**14.7**	**7.9**	**21.0**

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, 2016 is about 55% (2015: 61%); the figure for Germany as a whole is about 60% (2015: 67%). It should be noted in this connection that the size of pension obligations has increased significantly in recent years due to the low level of market interest rates and that the funding ratio will 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. The trust's independence is reviewed annually and attested to by auditors. 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 plan assets at Turner as of December 31, 2016 is about 86% (2015: 87%); funding at Turner overall is about 69% (2015: 71%).

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 69% (2015: 81%).

Defined benefit obligations are covered by plan assets as follows:

Coverage of defined benefit obligations by plan assets

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Defined benefit obligations	Plan assets	Defined benefit obligations	Plan assets
Uncovered by plan assets	61,858	–	55,705	–
Partially covered by plan assets	1,046,057	667,669	977,080	679,337
Incompletely covered by plan assets	**1,107,915**	**667,669**	**1,032,785**	**679,337**
Fully covered by plan assets	68,396	70,971	66,183	72,397
Total	**1,176,311**	**738,640**	**1,098,968**	**751,734**

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:

	2016			2015		
(Percent)	Germany	USA	UK	Germany	USA	UK
Discount factor*	1.75	4.04	2.65	2.50	4.20	3.70
Salary increases	2.75	–	2.30	3.25	–	1.90
Pension increases*	1.75	–	4.42	1.75	–	4.45
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 2005 G mortality tables
USA	RP-2014 separate annuitant/ non-annuitant no collar with generational improvement using scale MP-2014
UK	S2PxA CMI_2015 [1,25 %] males [1,00 %] females 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

(EUR thousand)	2016 Domestic	2016 International	2016 Total	2015 Domestic	2015 International	2015 Total
Defined benefit obligations at start of year	**759,459**	**339,509**	**1,098,968**	**837,252**	**322,681**	**1,159,933**
Current service cost	5,943	1,764	7,707	9,102	2,074	11,176
Interest expense	18,495	13,265	31,760	16,352	13,319	29,671
Remeasurements						
Actuarial gains/(losses) arising from changes in demographic assumptions	–	3,537	3,537	–	(842)	(842)
Actuarial gains/(losses) arising from changes in financial assumptions	81,203	14,565	95,768	(54,446)	(8,063)	(62,509)
Actuarial gains/(losses) arising from experience adjustments	(8,060)	1,326	(6,734)	(10,257)	980	(9,277)
Benefits paid from Company assets	(442)	(3,264)	(3,706)	(433)	(2,836)	(3,269)
Benefits paid from fund assets	(38,004)	(16,055)	(54,059)	(38,059)	(19,114)	(57,173)
Settlements paid from fund assets	–	–	–	–	(3,525)	(3,525)
Employee contributions	–	162	162	–	201	201
Effect of transfers	(55)	–	(55)	(52)	–	(52)
Currency adjustments	–	2,963	2,963	–	34,634	34,634
Defined benefit obligations at end of year	**818,539**	**357,772**	**1,176,311**	**759,459**	**339,509**	**1,098,968**

Changes in the market value of plan assets

(EUR thousand)	2016 Domestic	2016 International	2016 Total	2015 Domestic	2015 International	2015 Total
Plan assets at start of year	**506,877**	**244,857**	**751,734**	**537,858**	**244,834**	**782,692**
Interest on plan assets	12,618	9,290	21,908	10,702	9,877	20,579
Plan expenses paid from plan assets recognized in profit or loss	–	(1,369)	(1,369)	–	(1,130)	(1,130)
Remeasurements						
Return on plan assets not included in net interest expense/income	4,521	8,240	12,761	(12,051)	(12,993)	(25,044)
Difference between plan expenses expected and recognized in profit or loss	–	(176)	(176)	–	(237)	(237)
Employer contributions	5,439	835	6,274	8,427	964	9,391
Employee contributions	–	162	162	–	201	201
Benefits paid	(38,004)	(16,055)	(54,059)	(38,059)	(19,114)	(57,173)
Settlements paid	–	–	–	–	(3,525)	(3,525)
Currency adjustments	–	1,405	1,405	–	25,980	25,980
Plan assets at end of year	**491,451**	**247,189**	**738,640**	**506,877**	**244,857**	**751,734**

Investing plan assets to cover future pension obligations generated actual returns of EUR 34,669 thousand in 2016 (2015: expenditure of EUR 4,465 thousand).

The pension provisions are determined as follows:

Reconciliation of pension obligations to provisions for pensions and similar obligations

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Defined benefit obligations	1,176,311	1,098,968
Less plan assets	738,640	751,734
Funding status	**437,671**	**347,234**
Assets from overfunded pension plans	2,575	6,214
Provision for pensions and similar obligations	**440,246**	**353,448**

The fair value of plan assets is divided among asset classes as follows:

Composition of plan assets

Dec. 31, 2016	Fair value			
(EUR thousand)	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			–	–
Investment funds	40,240	27,497	67,737	9.17
Real estate	–	31,306	31,306	4.24
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 state-guaranteed bonds

Dec. 31, 2015	Fair value			
(EUR thousand)	Quoted in an active market	Not quoted in an active market	Total	%
Stock				
U.S. equities	29,272	–	29,272	3.89
European equities	72,296	18,734	91,030	12.11
Emerging market equities	46,337	–	46,337	6.16
Other equities	10,224	–	10,224	1.36
Bonds				
U.S. government bonds	–	–	–	–
European government bonds	97,688	412	98,100	13.05
Emerging market government bonds	34,335	–	34,335	4.57
Corporate bonds*	225,637	–	225,637	30.02
Other bonds	–	–	–	–
Investment funds	45,802	42,239	88,041	11.71
Real estate	–	31,938	31,938	4.25
Insurance policies	–	80,021	80,021	10.65
Cash	13,259	–	13,259	1.76
Other	–	3,540	3,540	0.47
Total	**574,850**	**176,884**	**751,734**	**100.00**

*Of which: EUR 8,446 thousand in state-guaranteed bonds

Pension expense under defined benefit plans is made up as follows:

	2016			2015		
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Current service cost	5,943	1,764	7,707	9,102	2,074	11,176
Total personnel expense	**5,943**	**1,764**	**7,707**	**9,102**	**2,074**	**11,176**
Interest expense for accrued benefit obligations	18,495	13,265	31,760	16,352	13,319	29,671
Return on plan assets	(12,618)	(9,290)	(21,908)	(10,702)	(9,877)	(20,579)
Net interest expense/income (net investment and interest income)	**5,877**	**3,975**	**9,852**	**5,650**	**3,442**	**9,092**
Plan expenses paid from plan assets recognized in profit or loss	**–**	**1,369**	**1,369**	**–**	**1,130**	**1,130**
Total amount recognized in profit or loss	**11,820**	**7,108**	**18,928**	**14,752**	**6,646**	**21,398**

In addition to the expenses recognized in profit or loss, the Consolidated Statement of Comprehensive Income includes EUR 84,425 thousand in actuarial losses in 2016 before deferred taxes and after consolidation changes and exchange rate adjustments (2015: EUR 28,516 thousand actuarial gains). Before deferred taxes, the cumulative amount is actuarial losses of EUR 527,496 thousand (2015: EUR 443,071 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, 2016 came to EUR 60,470 thousand (2015: EUR 54,350 thousand). Healthcare costs accounted for EUR 1,532 thousand (2015: EUR 1,785 thousand) of the current service cost and EUR 2,397 thousand (2015: EUR 2,223 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 lifelong pensions means that HOCHTIEF bears the risk of pensioners living longer than actuarial calculations predict. This risk normally cancels out collectively across all pension plan members and only comes into play if general longevity 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, 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

	Dec. 31, 2015					
	Domestic		International		Total	
(EUR thousand)	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0.50% / -0.50%	(48,716)	54,437	(15,559)	17,146	(64,275)	71,583
Discount rate +1.00% / -1.00%	(91,976)	116,235	(29,730)	36,105	(121,706)	152,340
Salary increases +0.50% / -0.50%	423	(369)	609	(564)	1,032	(933)
Pension increases +0.25% / -0.25%	17,468	(18,402)	1,232	(1,377)	18,700	(19,779)
Medical costs +1.00% / -1.00%	–	–	82	(77)	82	(77)
Life expectancy +1 year	31,274	n/a	8,223	n/a	39,497	n/a

Future benefit payments and contributions to defined benefit plans

As of December 31, 2016, anticipated pension payments for future years are as follows:

(EUR thousand)	
Due in 2017	63,065
Due in 2018	63,184
Due in 2019	63,238
Due in 2020	63,859
Due in 2021	63,702
Due in 2022 to 2026	298,350

Contributions to defined benefit plans will probably be higher in 2017 than in the prior year. This is due to higher defined benefit obligations for members of the Executive Board and related pension liability insurance contributions as well as higher transfers to the CTAs as a result of rising service costs.

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 likewise 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 in 2016:

(EUR thousand)	2016	2015
Amounts paid into defined contribution plans		
CIMIC	86,030	129,525
Turner	41,057	38,207
Other	6,217	4,523
Total	**133,304**	**172,255**
Amounts paid into state pension schemes (employer share)	**69,743**	**69,881**

The costs are reported as part of personnel costs.

27. Other provisions

(EUR thousand)	Dec. 31, 2016 Non-current	Current	Total	Dec. 31, 2015 Non-current	Current	Total
Provisions for taxes	**–**	**109,016**	**109,016**	**–**	**89,089**	**89,089**
Personnel-related provisions	158,176	374,709	532,885	151,492	331,674	483,166
Provisions for insurance claims	210,338	4,309	214,647	194,521	8,362	202,883
Warranty obligations	–	43,695	43,695	–	49,627	49,627
Restructuring costs	464	6,118	6,582	964	19,127	20,091
Litigation risks	–	12,639	12,639	–	14,222	14,222
Sundry other provisions	54,278	271,117	325,395	102,960	305,634	408,594
Other provisions	**423,256**	**712,587**	**1,135,843**	**449,937**	**728,646**	**1,178,583**
	423,256	**821,603**	**1,244,859**	**449,937**	**817,735**	**1,267,672**

Personnel-related provisions primarily comprise provisions for stock option schemes, long-service awards, leave entitlements, 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, preparation of annual financial statements, payments for damages, and other uncertain liabilities.

Statement of provisions

(EUR thousand)	Balance at Jan. 1, 2016	Allocations to provisions	Reversal of provisions	Consolidation changes, currency adjustments, reclassifications, and transfer	Use of provisions	Balance at Dec. 31, 2016
Provisions for taxes	**89,089**	**70,611**	**(13,097)**	**3,586**	**(41,173)**	**109,016**
Personnel-related provisions	483,166	291,617	(3,543)	83,350	(321,705)	532,885
Provisions for insurance claims	202,883	10,153	–	6,857	(5,246)	214,647
Sundry other provisions	492,534	114,232	(41,072)	(42,202)	(135,181)	388,311
Other provisions	**1,178,583**	**416,002**	**(44,615)**	**48,005**	**(462,132)**	**1,135,843**
	1,267,672	**486,613**	**(57,712)**	**51,591**	**(503,305)**	**1,244,859**

28. Financial liabilities

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Non-current	Current	Non-current	Current
Bonds or notes issued	1,619,796	776,312	2,236,835	65,339
Amounts due to banks	8,255	242,874	33,908	136,519
Financial liabilities to non-consolidated subsidiaries	–	5,215	–	2,448
Financial liabilities to participating interests	–	4,348	–	5,346
Lease liabilities	5,270	17,962	71,834	99,787
Sundry other financial liabilities	–	223	12,512	–
	1,633,321	**1,046,934**	**2,355,089**	**309,439**

Bonds

	Carrying amount Dec. 31, 2016 (EUR thousand)	Carrying amount Dec. 31, 2015 (EUR thousand)	Principal amount Dec. 31, 2016 (EUR thousand)	Coupon (%)	Initial term (in years)	Matures
HOCHTIEF AG bond (2014)	505,577	504,671	500,000 EUR	2.63	5	May 2019
HOCHTIEF AG bond (2013)	768,566	767,343	750,000 EUR	3.88	7	March 2020
HOCHTIEF AG bond (2012)	521,058	519,884	500,000 EUR	5.50	5	March 2017
CIMIC US$ Senior Notes (2012)	191,543	185,103	500,000 USD	5.95	10	November 2022
CIMIC US$ Senior Notes (2010)	247,404	239,086	260,000 USD			
Series B-Notes	[137,975]	[133,336]	145,000 USD	5.22	7	July 2017
Series C-Notes	[109,429]	[105,750]	115,000 USD	5.78	10	July 2020
CIMIC US$ Senior Notes (2008)	75,173	72,645	79,000 USD	7.66	10	October 2018
Other CIMIC bonds	86,787	13,442				
	2,396,108	**2,302,174**				

Amounts due to banks

	Carrying amount Dec. 31, 2016 (EUR thousand)	Average interest rate (%)	Carrying amount Dec. 31, 2015 (EUR thousand)	Average interest rate (%)
Variable-rate loans	241,571	3.51	111,392	2.42
Fixed-rate loans	9,558	5.59	59,035	3.84
	251,129		**170,427**	

A promissory note loan taken out in 2012 with an initial term of four years and for a nominal amount of EUR 50,000 thousand was repaid on schedule at the end of the loan term on December 13, 2016. HOCHTIEF Aktiengesellschaft consequently no longer had any outstanding promissory note loan issues at the reporting date.

In December 2011, an international banking syndicate provided HOCHTIEF with a five-year credit facility at market terms including a EUR 500,000 thousand cash tranche. The credit facility expires in April 2019. As in the prior year, there are no drawings on the cash tranche as of the reporting date.

There are no financial liabilities due to equity-accounted companies (2015: EUR 1,000 thousand).

The minimum lease payments for liabilities under finance leases break down as follows:

Finance leases

	Dec. 31, 2016			Dec. 31, 2015		
(EUR thousand)	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in up to 1 year	18,482	520	17,962	105,539	5,752	99,787
Due in 1–5 years	5,304	52	5,252	73,325	1,491	71,834
Due after 5 years	19	1	18	–	–	–

The lease liabilities mainly relate to plant and equipment under finance leases at CIMIC.

29. Other liabilities

	Dec. 31, 2016		Dec. 31, 2015	
(EUR thousand)	Non-current	Current	Non-current	Current
Liabilities to employees	–	224,644	–	147,182
Deferred income	36,004	25,898	35,816	24,737
Tax liabilities (excluding income taxes)	–	33,932	–	34,032
Social insurance liabilities	–	5,017	–	7,943
Liabilities under derivative financial instruments	557	3,678	1,364	2,362
Sundry other liabilities	280	262,172	30,860	60,754
	36,841	**555,341**	**68,040**	**277,010**

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.

For the first time in the year under review, sundry other current liabilities include EUR 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. The liabilities and insurance claims were offset against each other in the prior year.

30. Trade payables

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Trade payables		
Gross amount due to customers from construction work (POC)	(622,323)	(318,545)
Progress payments received	1,719,188	1,027,175
	1,096,865	**708,630**
To construction joint ventures	166,799	106,614
Other	5,180,508	4,573,916
	6,444,172	**5,389,160**
Advance payments received	9,840	11,380
From non-consolidated subsidiaries	415	345
From participating interests	13,940	18,994
	6,468,367	**5,419,879**

The EUR 1,096,865 thousand (2015: EUR 708,630 thousand) gross amount due to customers for contract work (POC) 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 13,446 thousand (2015: EUR 18,519 thousand).

31. Current income tax liabilities

The EUR 4,064 thousand (2015: EUR 10,257 thousand) in current income tax liabilities comprises amounts payable to domestic and foreign revenue authorities.

Other disclosures

32. Undiluted and diluted earnings per share

Undiluted earnings per share are calculated by dividing the consolidated net profit attributable to the Company's stock 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 on earnings. Diluted and undiluted earnings per share are consequently identical.

	2016	2015
Profit after tax attributable to HOCHTIEF shareholders (EUR thousand)	320,483	208,287
Number of shares in circulation in thousands (weighted average)	64,294	66,953
Earnings per share attributable to HOCHTIEF shareholders (EUR)	**4.98**	**3.11**
Dividend per share (EUR)		2.00
Proposed dividend per share (EUR)	2.60	

The number of shares outstanding as of December 31, 2016 was 64,248 thousand. The number as of December 31, 2015 was 65,191 thousand and is equal to the number of shares outstanding at the beginning of the period, as of January 1, 2016 (January 1, 2015: 68,466 thousand). The difference relates to the stock buyback program.

33. 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 hedging 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 total 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 fleshed out 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 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 given 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, 2016

(EUR thousand)	2017	2018	2019–2020	after 2020	**Total**
Primary 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**

Maximum payments as of December 31, 2015

(EUR thousand)	2016	2017	2018–2019	after 2019	**Total**
Primary financial liabilities	5,121,480	866,428	700,033	1,113,095	7,801,036
Derivative financial instruments	2,362	674	690	–	3,726
Loan commitments and financial guarantees	144,414	–	–	–	144,414
	5,268,256	**867,102**	**700,723**	**1,113,095**	**7,949,176**

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, 2016**	Dec. 31, 2015
Cash in hand and on deposit	2,072,661	2,133,884
Marketable securities	1,086,632	1,119,420
Undrawn revolving credit facilities	2,089,282	2,191,196
	5,248,575	**5,444,500**
Undrawn guarantee facilities	4,463,742	3,518,340

Some of the facilities are subject to creditors' rights of termination in connection with a financial covenant, which is continuously monitored as part of corporate planning. In light of the broad international syndication in each instance and the successful extension of the credit and guarantee facilities in April 2014, no refinancing risk is currently seen with regard to long-term guarantee and credit facilities. The authorized capital in the amount of up to EUR 54,000 thousand and conditional capital in the amount of up to EUR 46,080 thousand provide appropriate scope for raising additional capital as needed. If use were to be made of both of these facilities, the capital stock of currently EUR 164,608 thousand could—if necessary—be increased by a total of up to approximately 60%.

In the HOCHTIEF Asia Pacific division, under a legally binding arrangement with banks, financial assets in the amount of EUR 17,402 thousand (2015: EUR 856,688 thousand) and financial liabilities in the amount of EUR 17,334 thousand (2015: EUR 407,601 thousand) are offset and presented in the balance sheet with their net amount of EUR 68 thousand (2015: EUR 449,087 thousand).

Management of currency risk

HOCHTIEF is exposed to currency risk (transaction risk) arising from receivables, liabilities, cash and cash equivalents, securities, and pending transactions in currencies other than the functional currency of the Group company concerned in each instance. 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 mainly 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, 2016**	Dec. 31, 2015
Assets		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedge accounted)	1,168	3,092
for hedging purposes (not cash flow hedge accounted)	3,807	213
	4,975	**3,305**
Liabilities and shareholders' equity		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedge accounted)	4,211	1,215
for hedging purposes (not cash flow hedge accounted)	24	1,772
	4,235	**2,987**
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounted) – recognized in other comprehensive income	(4,920)	2,167
of derivatives held for hedging purposes (not cash flow hedge accounted) – recognized immediately in profit or loss	5,342	(2,800)
Maximum remaining maturity		
(months)		
for hedging purposes (cash flow hedge accounted)	31	19
for hedging purposes (not cash flow hedge accounted)	18	11

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 the impact on HOCHTIEF Group equity and profit that 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, 2016		Dec. 31, 2015	
		Exchange rate		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 accounted)					
Functional currency	Foreign currency				
EUR	CHF	(4,348)	4,348	(1,924)	1,924
EUR	CZK	(853)	853	(854)	854
AUD	EUR	(3,234)	3,234	(3,088)	3,088
AUD	NZD	857	(857)	1,510	(1,510)
AUD	JPY	623	(623)	(350)	350
AUD	USD	(480)	480	(214)	214
PLN	EUR	(4,040)	4,040	(4,929)	4,929
Change in profit or loss due to unhedged currency exposures in primary financial instruments and to market value fluctuations in derivative financial instruments (not cash flow hedge accounted)					
Functional currency	Foreign currency				
EUR	NOK	4,309	(4,309)	1,368	(1,368)
EUR	PLN	(654)	654	(2,009)	2,009
EUR	RON	2,793	(2,793)	1,424	(1,424)
EUR	SEK	(7,191)	7,191	(4,318)	4,318
AUD	HKD	3,202	(3,202)	4,646	(4,646)
AUD	USD	(40,375)	40,375	(70,751)	70,751
CZK	EUR	(3,756)	3,756	(1,997)	1,997
QAR	EUR	2,713	(2,713)	2,691	(2,691)
USD	CAD	(11,105)	11,105	(9,280)	9,280
USD	EUR	(6,643)	6,643	(2,388)	2,388
USD	GBP	(2,166)	2,166	(289)	289

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. 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, 2016**	Dec. 31, 2015
Assets		
Interest rate swaps		
for hedging purposes (not cash flow hedge accounted)	165	149
	165	**149**
Liabilities and shareholders' equity		
Interest rate swaps		
for hedging purposes (not cash flow hedge accounted)	–	47
	–	**47**
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounted) – recognized in other comprehensive income	–	450
of derivatives held for hedging purposes (not cash flow hedge accounted) – amounts reclassified to profit or loss	–	595
of derivatives held for hedging purposes (not cash flow hedge accounted) – recognized immediately in profit or loss	63	2,438
Maximum remaining maturity		
(months)		
for hedging purposes (not cash flow hedge accounted)	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, 2016		Dec. 31, 2015	
	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 accounted) and of fixed-interest securities measured at fair value through equity	(1,863)	1,862	(916)	915
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 (not cash flow hedge accounted)	86	(211)	3,016	(3,080)

Management of other price risk

Other price risk results at HOCHTIEF from investing in current and non-current non-interest-bearing securities, chiefly shares, that are classified as available for sale and therefore measured at fair value through equity. 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, 2016	Dec. 31, 2015
Price risk exposure on non-current assets	61,878	115,623
Price risk exposure on current assets	194,395	66,181

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, 2016**	Dec. 31, 2015
Assets		
Equity options and stock forward contracts		
for hedging purposes (cash flow hedge accounted)	10,756	–
for hedging purposes (not cash flow hedge accounted)	51,384	9,751
	62,140	**9,751**
Liabilities and shareholders' equity		
Equity options and stock forward contracts		
for hedging purposes (not cash flow hedge accounted)	–	692
	–	**692**
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounted) – recognized in other comprehensive income	10,756	–
of derivatives held for hedging purposes (not cash flow hedge accounted) – recognized immediately in profit or loss	42,325	1,678
Maximum remaining maturity		
(months)		
for hedging purposes (cash flow hedge accounted)	27	–
for hedging purposes (not cash flow hedge accounted)	132	39

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, 2016 Market value		Dec. 31, 2015 Market value	
(EUR thousand)	10% increase	10% decrease	10% increase	10% decrease
Change in profit or loss due to market value fluctuations of derivatives to which hedge accounting is not applied	–	–	2,811	(2,725)
Change in equity due to changes in market price of unimpaired securities	19,440	(19,440)	9,690	(9,690)
Change in equity due to changes in value of unimpaired participating interests measured at fair value	6,188	(6,188)	8,490	(8,490)

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.

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 given 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, 2016, the maximum credit risk from financial guarantees and loan commitments amounted to EUR 97,509 thousand (2015: EUR 144,414 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 cannot be measured reliably as a rule.

The following table shows unimpaired financial assets that are past due:

	Dec. 31, 2016				Dec. 31, 2015			
(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	112,396	14,301	8,724	98,710	129,379	28,753	10,662	56,043
Current financial receivables	–	–	–	–	1	–	–	6,235
Other current receivables and other current financial assets	–	–	–	–	228	31	–	461
	112,396	**14,301**	**8,724**	**98,710**	**129,608**	**28,784**	**10,662**	**62,739**

The age structure of financial assets that are past due is shaped by industry-specific factors. Receipt of payment depends on acceptance (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, 2016 Gross carrying amount	Dec. 31, 2016 Impairment	Dec. 31, 2016 Net carrying amount	Dec. 31, 2015 Gross carrying amount	Dec. 31, 2015 Impairment	Dec. 31, 2015 Net carrying amount
Trade receivables	267,553	149,213	118,340	273,178	154,551	118,627
Financial receivables						
Non-current	47,807	42,557	5,250	59,974	42,223	17,751
Current	16,718	6,288	10,430	21,973	8,777	13,196
Other current receivables and other current financial assets	1,456	210	1,246	1,235	247	988
	333,534	**198,268**	**135,266**	**356,360**	**205,798**	**150,562**

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 2016 and in the prior year:

Reconciliation of changes in impairments

*Changes result from allocations, reversals, utilizations, curreny adjustments and consolidation changes.

(EUR thousand)	Jan. 1, 2015	Changes*	Dec. 31, 2015/ Jan. 1, 2016	Changes*	Dec. 31, 2016
Trade receivables	153,299	1,252	154,551	(5,338)	149,213
Financial receivables					
Non-current	46,705	(4,482)	42,223	334	42,557
Current	16,825	(8,048)	8,777	(2,489)	6,288
Other current receivables and other current financial assets	752	(505)	247	(37)	210
	217,581	**(11,783)**	**205,798**	**(7,530)**	**198,268**

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 (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 year under review 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, 2016 and December 31, 2015.

2016 (EUR thousand)	Carrying amount by category Financial assets Available for sale	Held for trading	Loans and receivables	Financial liabilities Held for trading	At amortized cost	Not belonging to any category 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	64,597
At amortized cost	9,683	–	–	–	–	–	–	9,683	N/A
	71,562	**–**	**–**	**–**	**–**	**–**	**–**	**71,562**	**64,879**
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**
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**

2015 (EUR thousand)	Carrying amount by category: Financial assets: Available for sale	Carrying amount by category: Financial assets: Held for trading	Carrying amount by category: Financial assets: Loans and receivables	Carrying amount by category: Financial liabilities: Held for trading	Carrying amount by category: Financial liabilities: At amortized cost	Not belonging to any category: Hedge accounting and finance leases	Not belonging to any category: Not covered by IFRS 7	Total carrying amounts Dec. 31, 2015	Total fair value Dec. 31, 2015
Assets									
Other financial assets									
At fair value	115,623	–	–	–	–	–	–	115,623	115,623
At amortized cost	8,230	–	–	–	–	–	–	8,230	N/A
	123,853	**–**	**–**	**–**	**–**	**–**	**–**	**123,853**	**115,623**
Financial receivables									
Non-current	**–**	**–**	**679,461**	**–**	**–**	**–**	**–**	**679,461**	**679,461**
Current	**–**	**–**	**66,083**	**–**	**–**	**–**	**–**	**66,083**	**66,083**
Trade receivables	**–**	**–**	**2,547,742**	**–**	**–**	**–**	**1,989,255**	**4,536,997**	**4,536,997**
Other receivables and other financial assets									
Non-current									
At fair value	–	9,737	–	–	–	2,094	–	11,831	11,831
At amortized cost	–	–	30,701	–	–	–	–	30,701	30,701
Not covered by IFRS 7	–	–	–	–	–	–	104,481	104,481	104,481
	–	**9,737**	**30,701**			**2,094**	**104,481**	**147,013**	**147,013**
Current									
At fair value	–	376	–	–	–	998	–	1,374	1,374
At amortized cost	–	–	76,277	–	–	–	–	76,277	76,277
Not covered by IFRS 7	–	–	–	–	–	–	95,345	95,345	95,345
	–	**376**	**76,277**	**–**	**–**	**998**	**95,345**	**172,996**	**172,996**
Securities	**576,898**	**–**	**–**	**–**	**–**	**–**	**–**	**576,898**	**576,898**
Cash and cash equivalents	**–**	**–**	**2,808,707**	**–**	**–**	**–**	**–**	**2,808,707**	**2,808,707**
Liabilities and shareholders' equity									
Financial liabilities									
Non-current	**–**	**–**	**–**	**–**	**2,283,255**	**71,834**	**–**	**2,355,089**	**2,457,046**
Current	**–**	**–**	**–**	**–**	**209,652**	**99,787**	**–**	**309,439**	**309,439**
Trade payables	**–**	**–**	**–**	**–**	**4,699,869**	**–**	**720,010**	**5,419,879**	**5,419,879**
Other liabilities									
Non-current									
At fair value	–	–	–	690	–	674	–	1,364	1,364
At amortized cost	–	–	–	–	30,700	–	–	30,700	30,700
Not covered by IFRS 7	–	–	–	–	–	–	35,976	35,976	35,976
	–	**–**	**–**	**690**	**30,700**	**674**	**35,976**	**68,040**	**68,040**
Current									
At fair value	–	–	–	1,821	–	541	–	2,362	2,362
At amortized cost	–	–	–		54,011	–	–	54,011	54,011
Not covered by IFRS 7	–	–	–	–	–	–	220,637	220,637	220,637
	–	**–**	**–**	**1,821**	**54,011**	**541**	**220,637**	**277,010**	**277,010**

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 equity; 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. A 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, 2016			Dec. 31, 2015		
(EUR thousand)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Other financial assets	1,270	20,506	40,103	1,044	31,248	83,331
Other receivables and other assets						
Non-current	–	14,169	51,384	–	11,831	–
Current	–	1,727	–	–	1,374	–
Marketable securities	409,821	53,603	–	482,035	94,863	–
Liabilities						
Other liabilities						
Non-current	–	557	–	–	1,364	–
Current	–	3,678	–	–	2,362	–

There were no transfers of assets measured at fair value between Level 1 and Level 2 of the fair value hierarchy in the year under review. 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%, 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, 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	–	–	–	–	–

(EUR thousand)	Balance as of Jan. 1, 2015	Currency adjustments	Gains/(losses) recognized in profit or loss	Other changes	Balance as of Dec. 31, 2015
Other financial assets	74,690	(376)	3,147	5,870	83,331
Other receivables and other assets					
Non-current	–	–	–	–	–
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 191,004 thousand are pledged as collateral for recognized financial liabilities and unrecognized contingent liabilities as of December 31, 2016 (2015: EUR 146,842 thousand).

The following table shows the net profit from financial instruments by IAS 39 category:

Net profit from financial instruments

(EUR thousand)	**2016**	2015
Available for sale	12,107	39,626
Held for trading	60,431	1,826
Loans and receivables	16,710	62,737
Liabilities at amortized cost	(161,793)	(240,247)
	(72,545)	**(136,058)**

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

(EUR thousand)	**2016**	2015
Non-consolidated subsidiaries and other participating interests – at amortized cost	–	158
Non-current financial receivables	3,948	10,864
Current financial receivables	8,505	57
Trade receivables	2,122	9,127
Other current receivables and financial assets	98	–
	14,673	**20,206**

34. Contingencies, commitments, and other financial obligations

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Obligations under guarantees	5,532	7,771

The commitments and potential obligations primarily serve as security for bank loans, contract performance, warranty obligations, and advance payments. Most guarantees 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)	2016	2015	2016	2015	
HOCHTIEF AG					
Syndicated guarantee facility (EUR)	1.50	1.50	0.78	0.86	April 2019
Further guarantee facilities (EUR)	1.68	1.50	1.03	0.92	n.a.
Turner/Flatiron					
Bonding (USD)	7.30	7.30	5.78	6.49	n.a.
Flatiron syndicated guarantee (CAD)	0.25	0.25	0.16	0.13	December 2018
CIMIC					
Syndicated guarantee facility (AUD)	1.28	1.05	1.14	0.73	July 2022
Further guarantee facilities (AUD)	3.82	3.63	2.24	2.42	n.a.

*See glossary on page 258.

The EUR 1.5 billion syndicated guarantee facility* continues to be a central long-term financing instrument for HOCHTIEF Aktiengesellschaft. The facility permits the furnishing of guarantees for ordinary activities, mainly of the HOCHTIEF Europe division.

**See glossary on page 257.

HOCHTIEF Aktiengesellschaft has provided an unlimited bonding** guarantee in favor of U.S. insurance companies in respect of obligations of the Turner Group and the Flatiron Group. There is also a syndicated credit facility in favor of Flatiron, which is likewise backed by a Group guarantee furnished by HOCHTIEF Aktiengesellschaft. No recourse has ever been made to these guarantees provided by HOCHTIEF, and none is currently anticipated for the future.

Group order exposure from awarded capital expenditure projects is EUR 55,707 thousand (2015: EUR 2,468 thousand) and mostly relates to the CIMIC Group in the amount of EUR 55,448 thousand (2015: EUR 2,211 thousand). In addition, letters of credit were issued in the CIMIC Group in the amount of EUR 77,191 thousand (2015: EUR 174,269 thousand). The CIMIC Group also has EUR 656,482 thousand (2015: EUR 603,145 thousand) in contingent liabilities relating to insurance, fulfillment, and payment guarantees.

There are cash call commitments in the amount of EUR 10,607 thousand to non-consolidated entities in the HOCHTIEF Asia Pacific division (2015: cash call commitments in the amount of EUR 4,209 thousand to joint ventures in the HOCHTIEF Europe division).

The term breakdown of minimum lease payments under operating leases is as follows:

Operating leases

	Dec. 31, 2016	Dec. 31, 2015
(EUR thousand)	Nominal value	Nominal value
Due within 1 year	198,043	199,808
Due in 1–5 years	421,346	461,618
Due after 5 years	183,142	54,793

The obligations from operating leases mainly relate to plant and machinery leased by the CIMIC Group. Lease payments under operating leases came to EUR 282,874 thousand in 2016 (2015: EUR 280,026 thousand).

Several companies in the HOCHTIEF Asia Pacific division have a number of leasing arrangements. The 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, as a result of which they are not consolidated. The minimum lease payments under operating leases come to EUR 129,693 thousand (2015: EUR 143,184 thousand).

Amounts due under long-term tenancies are EUR 146,725 thousand (2015: EUR 176,665 thousand). The term for which such tenancies cannot be terminated is between two and eleven years (2015: two and twelve years). The amounts due under tenancies are partly offset by anticipated rental income of EUR 61,174 thousand (2015: EUR 65,786 thousand).

Other financial obligations include EUR 69,314 thousand (2015: EUR 103,307 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.

35. 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:

*Detailed information on the various operating segments is included in the Management Report on pages 76 to 89.

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.

The Corporate Headquarters/Consolidation unit 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	External sales		Intersegment sales		Sales by division (external plus intersegment)	
(EUR thousand)	**2016**	2015	**2016**	2015	**2016**	2015
HOCHTIEF Americas	10,905,814	10,354,362	–	–	10,905,814	10,354,362
HOCHTIEF Asia Pacific	7,302,970	8,946,139	–	–	7,302,970	8,946,139
HOCHTIEF Europe	1,586,004	1,655,532	10,505	4,618	1,596,509	1,660,150
Corporate Headquarters/ Consolidation	113,540	140,585	7,306	13,837	120,846	154,422
HOCHTIEF Group	**19,908,328**	**21,096,618**	**17,811**	**18,455**	**19,926,139**	**21,115,073**

Divisions	Profit after tax		Depreciation/ amortization		Impairment losses	
(EUR thousand)	**2016**	2015	**2016**	2015	**2016**	2015
HOCHTIEF Americas	154,059	123,662	24,630	23,510	–	–
HOCHTIEF Asia Pacific	305,342	275,717	227,192	332,861	6,733	33,700
HOCHTIEF Europe	11,520	(29,916)	26,831	21,474	–	158
Corporate Headquarters/ Consolidation	(37,427)	(36,269)	2,335	2,286	–	–
HOCHTIEF Group	**433,494**	**333,194**	**280,988**	**380,131**	**6,733**	**33,858**

Divisions	Non-cash expenses		Carrying amount of equity-method investments		Purchases of intangible assets, property, plant, equipment, and investment properties	
(EUR thousand)	**2016**	2015	**2016**	2015	**2016**	2015
HOCHTIEF Americas	160,809	139,256	183,080	166,598	38,448	35,934
HOCHTIEF Asia Pacific	195,009	147,259	422,378	720,362	197,891	180,116
HOCHTIEF Europe	119,367	164,618	99,439	92,760	36,225	58,735
Corporate Headquarters/ Consolidation	50,897	127,794	–	–	1,001	1,052
HOCHTIEF Group	**526,082**	**578,927**	**704,897**	**979,720**	**273,565**	**275,837**

Regions	External sales by customer location		Property, plant and equipment		Intangible assets	
(EUR thousand)	**2016**	2015	**2016**	2015	**2016**	2015
Germany	935,537	890,141	67,983	78,041	45,809	49,564
Rest of Europe	575,914	663,363	29,653	32,437	576	1,603
Americas	11,082,190	10,545,460	150,907	123,557	398,456	388,237
Asia	2,336,941	3,075,811	309,789	293,953	275,718	118,000
Australia	4,977,136	5,920,984	619,219	587,524	587,313	325,780
Africa	610	859	–	–	–	–
HOCHTIEF Group	**19,908,328**	**21,096,618**	**1,177,551**	**1,115,512**	**1,307,872**	**883,184**

Profit/(loss) from operating activities (segment result)		EBITDA		Operational earnings (EBIT)		Profit before tax (PBT)	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
160,611	110,057	248,156	214,842	223,526	191,332	203,771	154,898
531,283	562,979	793,016	994,179	559,092	627,619	431,944	424,370
(15,104)	(73,351)	68,489	1,864	41,659	(19,610)	18,696	(27,487)
(48,254)	(24,335)	(5,258)	(68,349)	(7,595)	(70,636)	(33,700)	(28,377)
628,536	**575,350**	**1,104,403**	**1,142,536**	**816,682**	**728,705**	**620,711**	**523,404**

Impairment reversals		Share of profits and losses of equity-method associates and joint ventures		Interest and similar income		Interest and similar expenses	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
–	–	54,309	60,784	4,601	4,010	12,460	16,701
1,036	3,147	(29,623)	(7,515)	25,312	38,940	124,921	200,137
64	44	50,431	25,766	3,603	9,169	24,859	28,679
82	833	–	–	6,344	7,678	(447)	(5,270)
1,182	**4,024**	**75,117**	**79,035**	**39,860**	**59,797**	**161,793**	**240,247**

Purchases of financial assets		Total purchases		Total assets (balance sheet total)		Gross debt	
2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
25,678	88,509	64,126	124,443	4,275,574	3,657,469	3,924,336	3,301,939
480,481	86,890	678,372	267,006	7,035,987	6,692,309	4,690,342	3,854,287
16,364	3,838	52,589	62,573	2,115,921	2,223,535	1,502,719	1,622,470
–	–	1,001	1,052	622,905	696,670	1,347,493	1,344,539
522,523	**179,237**	**796,088**	**455,074**	**14,050,387**	**13,269,983**	**11,464,890**	**10,123,235**

Carrying amount of equity-method investments		Total assets (balance sheet total)		Purchases	
2016	2015	**2016**	2015	**2016**	2015
34,677	41,942	1,489,377	1,642,483	12,804	13,168
2,672	2,668	1,077,220	1,122,771	12,130	38,321
245,169	214,748	4,310,362	3,724,646	92,691	136,453
253,479	386,109	2,633,146	2,352,024	62,080	65,784
168,900	329,151	4,540,282	4,428,059	616,383	201,348
–	5,102	–	–	–	–
704,897	**979,720**	**14,050,387**	**13,269,983**	**796,088**	**455,074**

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, in the amount of EUR 16,946,731 thousand (2015: EUR 17,965,879 thousand). The sum of external sales and intersegment sales gives total sales revenue for each division.

The share of profits and losses of equity-method associates and joint ventures comprises income and expenses, including impairment losses, relating to equity-method investments.

Depreciation and amortization relates to intangible assets with finite useful lives, property, plant and equipment, and investment properties.

The impairment losses relate to intangible assets, property, plant and equipment, investment properties, and financial assets.

Purchases comprise additions to intangible assets, property, plant and equipment, investment properties, equity-method investments (excluding equity-method adjustments), subsidiaries, and other participating interests.

Total assets are equivalent to the divisions' totals in the Consolidated Balance Sheet. Gross debt equals total assets minus consolidated shareholders' equity.

Operational earnings (EBIT) are derived from profit from operating activities as follows:

(EUR thousand)	2016	2015
Earnings from operating activities	628,536	575,350
+ Net income from joint ventures	76,592	102,224
– Non-recurring items	(+) 111,554	(+) 51,131
Operational earnings (EBIT)	**816,682**	**728,705**

The net income from participating interests included in EBIT consists exclusively of net income from joint ventures. Non-recurring items consist of income and expenses classified as exceptional for business management purposes or resulting from exceptional transactions or not attributable to operating activities. The non-recurring items mainly relate to non-recurring expenses from leases at CIMIC as well as in connection with real estate properties at HOCHTIEF Europe and HOCHTIEF Asia Pacific (Devine), gains/losses on disposals and impairment losses, restructuring expenses, and exchange rate gains/losses.

36. 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 (2015: EUR 465,847 thousand decrease) comprised EUR 164,555 thousand (2015: EUR – thousand) in cash and cash equivalents from acquisitions and EUR 569 thousand (2015: EUR 465,847 thousand) in cash and cash equivalents in disposals.

The EUR 2,847,426 thousand (2015: EUR 2,808,707 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 (2015: EUR 913 thousand) in cash in hand, EUR 2,209,678 thousand (2015: EUR 2,243,934 thousand) in cash balances at banks, and EUR 637,020 thousand (2015: EUR 563,860 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 137,745 thousand are subject to restrictions (2015: EUR 110,963 thousand).

Cash flow from operations was EUR 1,173,391 thousand in 2016. Cash flow changes as a result of capital expenditure and asset disposals resulted in a net cash outflow from investing activities of EUR 66,172 thousand. The EUR 1,135,574 negative cash flow from financing activities includes the stock buyback programs at HOCHTIEF Aktiengesellschaft and CIMIC, additional share purchases at subsidiaries in the course of the acquisitions of UGL and Sedgman, dividend payments, and debt repayments. Including exchange rate changes, cash and cash equivalents increased overall by EUR 38,719 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 49,381 thousand (2015: EUR 61,736 thousand),
- Interest expenses of EUR 161,793 thousand (2015: EUR 240,247 thousand),
- Income tax paid amounting to EUR 83,995 thousand (2015: EUR 428,899 thousand).

After deducting the non-cash component of income from equity-accounted interests, net income received (as dividends) from such interests was EUR 319,585 thousand (2015: EUR 116,703 thousand).

Divestments relate to the deconsolidation of fully consolidated subsidiaries. This reduced non-current assets by EUR 23,981 thousand (2015: EUR 832 thousand) and current assets by EUR 24,853 thousand (2015: EUR 548,510 thousand). Non-current liabilities decreased by EUR 21,765 thousand (2015: EUR 3 thousand) and current liabilities by EUR 12,633 thousand (2015: EUR 81,648 thousand). As in the prior year, the EUR 36,655 thousand (2015: EUR 494,008 thousand) sale proceeds as of the balance sheet date were settled in full from cash and cash equivalents.

Dividends of EUR 128,473 thousand (2015: EUR 128,926 thousand) were paid to HOCHTIEF's shareholders in the year under review. Dividends paid to minority shareholders totaled EUR 96,902 thousand (2015: EUR 107,294 thousand), of which EUR 68,796 thousand (2015: EUR 79,017 thousand) relates to the CIMIC Group.

Debt repayments came to EUR 936,495 thousand (2015: EUR 2,308,197 thousand), compared with EUR 681,803 thousand (2015: EUR 786,090 thousand) in new borrowing.

Financial assets and financial liabilities are made up as follows:

(EUR thousand)	Dec. 31, 2016	Dec. 31, 2015
Cash and cash equivalents	2,847,426	2,808,707
Marketable securities	463,424	576,898
Current financial receivables	55,985	66,083
Current tax receivables (excluding income taxes)	7,730	11,447
Total financial assets	**3,374,565**	**3,463,135**
Bonds or notes issued, and amounts due to banks	2,647,237	2,472,601
Lease liabilities	23,232	171,621
Financial liabilities to associates	–	1,000
Sundry other financial liabilities	223	12,512
Financial liabilities	**2,670,692**	**2,657,734**
Net financial assets	**703,873**	**805,401**

37. 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 year under review.

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)	**2016**	2015
Loans	615,145	487,544
Receivables	99,532	79,307
Payables	–	766
Interest income	24,198	21,732

All transactions with related parties were conducted on an arm's length basis, with the exception of an interest-free loan for EUR 141,820 thousand (2015: EUR 105,958 thousand) granted by CIMIC to the Habtoor Leighton Group. 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 2016. There were no conflicts of interest involving Executive Board or Supervisory Board members.

38. Total Executive Board and Supervisory Board compensation

The Compensation Report on pages 96–99 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			
	2015[1]	2016			2015	2016			2015	2016			2015	2016		
(EUR thousand)		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum
Fixed compensation	1,038	1,069	1,069	1,069	309	318	318	318	361	371	371	371	618	637	637	637
Fringe benefits	37	50	50	50	39	16	16	16	18	26	26	26	20	33	33	33
Total	**1,075**	**1,119**	**1,119**	**1,119**	**348**	**334**	**334**	**334**	**379**	**397**	**397**	**397**	**638**	**670**	**670**	**670**
One-year variable compensation	1,260	1,379	0	1,379	339	371	0	371	388	424	0	424	679	743	0	743
Multi-year variable compensation																
Long-term incentive component I[2]	1,066	1,167	0	1,167	339	371	0	371	388	424	0	424	679	743	0	743
Long-term incentive component II[3]																
LTIP stock awards (5-year term)[4]	533	583	0	583	170	186	0	186	194	212	0	212	339	371	0	371
LTIP stock appreciation rights (6-year term)[4]	533	583	0	583	170	186	0	186	194	212	0	212	339	371	0	371
Total	**4,467**	**4,831**	**1,119**	**4,831**	**1,366**	**1,448**	**334**	**1,448**	**1,543**	**1,669**	**397**	**1,669**	**2,674**	**2,898**	**670**	**2,898**
Pension expenses (service and interest cost)	1,824	1,742	1,742	1,742	246	233	233	233	313	288	288	288	548	534	534	534
Total compensation	**6,291**	**6,573**	**2,861**	**6,573**	**1,612**	**1,681**	**567**	**1,681**	**1,856**	**1,957**	**685**	**1,957**	**3,222**	**3,432**	**1,204**	**3,432**

[1]Excluding subsequent restatement (see compensation for past years)
[2]Transfer of shares with two-year bar
[3]Granted as long-term incentive plan
[4]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)	2016	2015[1]	2016	2015	2016	2015	2016	2015
Fixed compensation	1,069	1,038	318	309	371	361	637	618
Fringe benefits	50	37	16	39	26	18	33	20
Total	**1,119**	**1,075**	**334**	**348**	**397**	**379**	**670**	**638**
One-year variable compensation	1,379	1,260	371	339	424	388	743	679
Multi-year variable compensation								
Long-term incentive component I[2]	1,167	1,066	371	339	424	388	743	679
Long-term incentive component II	0	0	0	0	68	23	66	0
Total	**3,665**	**3,401**	**1,076**	**1,026**	**1,313**	**1,178**	**2,222**	**1,996**
Pension expenses (service and interest cost)	1,742	1,824	233	246	288	313	534	548
Total compensation	**5,407**	**5,225**	**1,309**	**1,272**	**1,601**	**1,491**	**2,756**	**2,544**

[1]Excluding subsequent restatement (see compensation for past years)
[2]Transfer of shares with two-year bar

The present value of pension benefits for current and former Executive Board members is EUR 104,427 thousand (2015: EUR 92,889 thousand).

Payments to former members of the Executive Board and their surviving dependents were EUR 4,471 thousand (2015: EUR 4,869 thousand). Pension obligations to former members of the Executive Board and their surviving dependents totaled EUR 90,698 thousand (2015: EUR 83,404 thousand).

(EUR thousand)		Present value of pension benefits
Fernández Verdes	2016	8,667
	2015	6,193
Legorburo	2016	774
	2015	432
von Matuschka	2016	934
	2015	537
Sassenfeld	2016	3,354
	2015	2,323
Executive Board total	2016	**13,729**
	2015	**9,485**

Executive Board compensation in relation to offices held at Group companies

For his services in Australia as CEO and Executive Chairman of CIMIC in 2016, Mr. Fernández Verdes received a lump-sum expense allowance of EUR 358 thousand*, fringe benefits in the amount of EUR 8 thousand*, and a special bonus of EUR 2,057 thousand for exceptional performance during his term in office. The stock appreciation rights granted by CIMC to Mr. Fernández Verdes in 2014 led to an expense in the amount of EUR 9,403 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 1,806,400 (2015: EUR 2,323,200).

39. Auditing fees

Fees for services provided by auditors Deloitte were paid and recognized as expenses as follows:

(EUR thousand)	2016	2015
Financial statement audits	1,188	1,189
Other assurance services	163	65
Tax consulting	7	–
	1,358	**1,254**

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 mostly 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. The other assurance services mainly relate to the assurance that sustainability reporting has been audited independently, as well as to other assurances.

40. 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.

41. Events since the balance sheet date and the report on post-balance-sheet events

On February 13, 2017, the marketing process for a new promissory note loan issue by HOCHTIEF Aktiengesellschaft began. The promissory note loan under German law is divided into maturity tranches of five, seven, and ten years. In the event of positive investor demand, the EUR 150 million principal amount stated at the start of marketing may be increased. The loan amount will be used for general corporate finance and refinancing.

On January 25, 2017, through a consortium including UGL and its joint venture partner CH2M, the CIMIC Group terminated its contract with JKC Australia LNG for the design, construction, and commissioning of the Ichthys Combined Cycle Power Plant project. The impact of the termination is covered by corresponding provisions as of December 31, 2016.

On January 24, 2017, the CIMIC Group announced its intention to acquire those shares in Macmahon which it did not already own pursuant to an off-market takeover at a price of AUD 0.145 per share.

42. 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 2016:
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 Construction Erste Vermögensverwaltungsgesellschaft mbH, 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 ÖPP Projektgesellschaft mbH, Essen,
HOCHTIEF Offshore Crewing GmbH, Essen,
HOCHTIEF PPAC GmbH, 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,
HTP Projekt 2 (zwei) GmbH & Co. KG, 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.

43. Subsidiaries, associates, and other significant participating interests of the HOCHTIEF Group at December 31, 2016

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/subsidiaries2016

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 24, 2017

HOCHTIEF Aktiengesellschaft

The Executive Board

Marcelino Fernández Verdes

Peter Sassenfeld

José Ignacio Legorburo Escobar

Nikolaus Graf von Matuschka

Independent Auditors' Report

We have audited the consolidated financial statements – comprising consolidated statement of earnings, consolidated statement of comprehensive income, consolidated balance sheet, statement of cash flows, statement of changes in equity, and notes to the consolidated financial statements, prepared by HOCHTIEF Aktiengesellschaft, Essen/Germany, as well as the combined management report for the financial year from January 1, to December 31, 2016. The preparation of the consolidated financial statements and the report on the position of the Company and the Group in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, and the regulations under German commercial law as complementarily applicable under Sec. 315a (1) German Commercial Code (HGB) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements, together with the bookkeeping system and the Group management report, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 German Commercial Code (HGB) in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with applicable accounting regulations and in the Report on the position of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on the results of our audit, the consolidated financial statements of HOCHTIEF Aktiengesellschaft, Essen/Germany, comply with the IFRS, as applicable in the EU, and the regulations under German commercial law as complementarily applicable under Sec. 315a (1) German Commercial Code (HGB) and convey a true and fair view of the Group's net assets, financial position and results of operations in accordance with these regulations. The Group management report is consistent with the consolidated financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company's and Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf/Germany, February 24, 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Schlereth)
Wirtschaftsprüfer (German Public Auditor)

(Bedenbecker)
Wirtschaftsprüfer (German Public Auditor)

Focus Area:
Corporate Citizenship

The Queensferry Crossing near the Scottish capital Edinburgh is a bridge to the future and an important addition to the region's infrastructure. The striking structure is slated to open in mid-2017.

Focus on pulling together

Building bridges is not just part of our business, as in Scotland. It is also a key focus of HOCHTIEF's sponsorship activities. In cooperation with the Bridges to Prosperity organization and local volunteers, we built our 20th pedestrian bridge in 2016. For the first time, two CIMIC staff members joined a team of HOCHTIEF colleagues from Europe in Rwanda. On completion of the project, everyone agreed—the team spirit made it a very special experience.

Index for the 10 Principles of the UN Global Compact (UNGC) and the Global Reporting Initiative (GRI)

UNGC principles		GRI G4 index (for "in accordance"—Core)			
		General GRI indicators	External review	Page number	Link/notes
	G4-1	**Strategy and analysis**			
	G4-1	Sustainability strategy and relevance of sustainability	✔	9–11, 32–37, 127, 144–157	www.hochtief.com/sustainability www.hochtief.com/interview-eb2016
	G4-3–16	**Organizational profile**			
	G4-3	Name of organization	✔	1, 2, 261	
	G4-4	Brands, products, and services	✔	3–4, 32–35, 78–89	www.hochtief.com/clientportal
	G4-5	Location of organization's headquarters	✔	261	
	G4-6	Number and names of countries where organization operates	✔	30–31	
	G4-7	Nature of ownership and legal form	✔	24, 28–31, 243, 261	
	G4-8	Markets in which organization operates	✔	30–31, 39–46, 78–89	www.hochtief.com/clientportal
	G4-9	Scale of organization	✔	21–25, 30–31, 168ff, 259f	www.hochtief.com/subsidiaries2016
06	G4-10	Detailed information on workforce	✔	17–19, 107–117	
03	G4-11	Employees covered by collective bargaining agreements	✔	93f, 108, CoC	www.hochtief.com/compliance
05	G4-12	Organization's supply chain	✔	118–121	
	G4-13	Changes during reporting period	✔	9–17, 32–37, 78–89, 107	
07, 08	G4-14	Precautionary principle	✔	110, 131, 133f, 167, 180, CoC	www.hochtief.com/commitments www.hochtief.com/compliance
01, 02, 05	G4-15	Commitments	✔	3, 11, 93f, 108, 121, 153	www.hochtief.com/commitments
	G4-16	Memberships	✔	3	www.hochtief.com/commitments
	G4-17-23	**Identified material aspects and boundaries**			
	G4-17	List of subsidiaries, associates, and other significant participating interests	✔	30–31, 247	www.hochtief.com/reports
	G4-18	Reporting principles and report content	✔	2, 36–37, 144f, 170	
	G4-19	Material aspects of report content	✔	36–37, 150–161	
	G4-20	Material aspects within organization	✔	32–35, 36–37, 158–161	
	G4-21	Material aspects outside organization	✔	36–37, 39–47, 158–161	
	G4-22	Restatements of information provided in previous reports	✔	2, 9–11, 144–161	
	G4-23	Changes in scope and aspect boundaries	✔	2, 11, 36–37, 118–123	
	G4-24-27	**Stakeholder engagement**			
	G4-24	Stakeholder groups engaged by organization	✔	2, 36–37, 144–145	
	G4-25	Basis for identification of stakeholder groups	✔	2, 36–37, 144–145	
	G4-26	Approach for engagement of stakeholder groups	✔	2, 36–37, 144–145	
	G4-27	Key topics raised through stakeholder engagement	✔	2, 36–37, 144–145	
	G4-28-33	**Report profile**			
	G4-28	Reporting period	✔	2, 170	
	G4-29	Date of previous report	✔	2	
	G4-30	Reporting cycle	✔	2, 170	
	G4-31	Contact point	✔	261	www.hochtief.com
	G4-32	GRI Index assurance report	✔	252–253	
08	G4-33	Basis and scope of assurance*; relationship between organization and auditors; Executive Board support	✔	2, 9–11, 14, 249, 254-255	www.hochtief.com/auditor
	G4-34	**Governance**			
	G4-34	Governance structure	✔	17f, 32f, 37, 92	www.hochtief.com/corporate-governance
01, 02, 04, 05, 06, 10	**G4-56**	**Ethics and integrity**			
	G4-56	Principles, values, and standards	✔	32, 51, 92ff, 107ff, 144f, CoC	www.hochtief.com/vision

CoC = Code of Conduct
***For the Independent Assurance Report, please see pages 254–255.**

UNGC principles	Specific GRI indicators in relation to HOCHTIEF's major sustainability focus areas		External review	Page number	Link/notes
	Focus area 1:	**Compliance**			
01,02,04, 05,10	**G4-SO3–4**	**Aspect: Anti-corruption**			
	G4-SO3	Risk analysis	✔	92–95, 127–137	www.hochtief.com/ corporate-governance
	G4-SO4	Compliance training	✔	94, 113, CoC	www.hochtief.com/compliance
	Focus area 2:	**Sustainable products and services**			
09		**Organization-specific indicator:** **Aspect: Building information modeling (BIM)—forward thinking working method**			
		Benefits and implications for stakeholder groups and the environment	✔	37, 81, 104	www.hochtief-vicon.com www.hochtief.com/rd
		Number of BIM projects	✔	104	www.hochtief.com/rd
		Number of employees trained in BIM	✔	104	www.hochtief.com/rd
	Focus area 3:	**Attractive working environment**			
03,06		**Aspect: Occupational safety and health**			
	G4-LA6	Accident rate, injuries, lost days, occupational diseases, absenteeism, and fatalities	✔	114–117	Due to differences in national legislation, we are unable to present statistics by gender for all companies. The differences are also not material.
	Focus area 4:	**Procurement**			
01-10		**Organization-specific indicator:** **Aspect: Prequalification**			
		Share of prequalified contract partners in percent	✔	121	
	Focus area 5:	**Active climate and resource protection**			
08	**G4-EN15–17**	**Aspect: Greenhouse gas emissions**			
	G4-EN15	Direct greenhouse gas emissions (Scope 1)	✔	154–155	
	G4-EN16	Energy indirect greenhouse gas emissions (Scope 2)	✔	154–155	Full reporting by combining Scopes 1, 2, and 3.
	G4-EN17	Other indirect greenhouse gas emissions (Scope 3)	✔	154–155	
		Aspect: Waste			
07, 08	G4-EN23	Waste by quantity, type, and disposal method	✔	151	As our products are unique, the choice of disposal method varies according to the project.
	Focus area 6:	**Corporate citizenship**			
		Organization-specific indicator: **Aspect: Supporting local communities**			
		Construction of pedestrian bridges in remote regions in cooperation with the organization Bridges to Prosperity	✔	146–147	www.hochtief.com/b2p www.bridgestoprosperity.org
		Average number of users per day	✔	146–147	www.bridgestoprosperity.org
		Added value for the population	✔	146–147	www.bridgestoprosperity.org
		Benefits to HOCHTIEF	✔	146–147	www.bridgestoprosperity.org

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Independent Assurance Report
To HOCHTIEF Aktiengesellschaft, Essen

Our Engagement
We have been engaged to perform a limited review of the materiality analysis, management approaches and quantitative and qualitative information in the chapter “Sustainability at HOCHTIEF” in the Group Report (hereinafter: the report) of HOCHTIEF Aktiengesellschaft, Essen (hereinafter: HOCHTIEF), for the business year starting January 1st to December 31st, 2016. It was not part of our engagement to review any product or service related statements, any links to external sources, future-looking statements or statements from external experts.

Management’s Responsibility
The Company’s Executive Board is responsible for the accurate preparation of the report in accordance with the criteria stated in the Sustainability Reporting Guidelines G4 of the Global Reporting Initiative (GRI).

This responsibility includes the selection and application of appropriate methods to prepare the report as well as the usage of reasonable assumptions and estimates for individual sustainability disclosures. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the report in a way that it is free of – intended or unintended – material misstatements.

Our Independence and Quality Control
We have met the requirements regarding independence along with the additional requirements relating to professional conduct of the IESBA “Code of Ethics for Professional Accountants”, which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct worthy of the profession.

The quality assurance system of Deloitte GmbH is based on the International Standard on Quality Control 1 “Quality Control for Audit, Assurance and Related Service Practices” (ISQC 1) and, in addition on national statutory requirements and professional standards, especially the Professional Code for Certified Accountants as well as the joint statement of WPK (Chamber of Public Accountants) and IDW (Institute of Public Auditors in Germany): Requirements for quality assurance in the auditing practice (VO 1/2006).

Practitioner‘s responsibility
Our responsibility is to express a conclusion based on our work performed and the evidences obtained on the above mentioned information of the report.

Procedures and extent of the assurance engagement
We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with our professional duties and give an attestation, based on the results of our work, as to whether anything has come to our attention that causes us to believe that the sustainability information as stated in the report 2016 does not comply, in all material respects, with the above mentioned criteria of the Sustainability Reporting Guidelines G4 of the GRI. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement. Hence, the scope of a limited review is less comprehensive and may not reasonably assure all material facts that a reasonable assurance could. The selection of audit activities is subject to the auditor’s own judgement. This includes the assessment of the risk of material misstatement in the report under consideration of the GRI reporting criteria.

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Within the scope of our work, we performed amongst others the following procedures when conducting the limited assurance engagement:

- Interviewing employees at group level in order to gain an understanding of the process for determining material sustainability topics and the stakeholder engagement process of HOCHTIEF
- Interviews with relevant staff at group level responsible for providing the data and information, carrying out internal control procedures and consolidating the data and information, including the explanatory notes
- Analytical procedures on relevant data
- Comparison of selected data with corresponding data in the HOCHTIEF consolidated financial statements and management report
- Evaluation of information on selected sustainability performance measurements

Our Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the information of the materiality analysis, management approaches and quantitative and qualitative sustainability information as stated in the report for the business year starting January 1st to December 31st, 2016 of HOCHTIEF Aktiengesellschaft, Essen, does not comply with the criteria of the Sustainability Reporting Guidelines G4 of the GRI.

Recommendations

Without qualifying our conclusion above, we make the following recommendations for the further development of the company's sustainability management and sustainability reporting:

- Development of strategy process with particular focus on stakeholder engagement and materiality analysis
- Further harmonization of reporting processes and structures among divisions
- Implementation of a centralized IT-system to increase automation of sustainability data collection, validation, consolidation processes and documentation

This assurance report is issued based on an assurance engagement agreed upon with HOCHTIEF Aktiengesellschaft. The assurance engagement to obtain limited assurance is issued for the purposes of HOCHTIEF Aktiengesellschaft and the report is intended solely to inform HOCHTIEF Aktiengesellschaft of the results of the assurance engagement. This assurance report is not intended as a basis for (financial) decision-making by third parties of any kind. We have responsibility only towards HOCHTIEF Aktiengesellschaft. We do not assume any responsibilities for third parties.

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Düsseldorf, February 24th, 2017

(André Bedenbecker)
Certified Public Accountant

(Vinzenz Fundel)
Manager Sustainability

Index

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.

BREEAM
BREEAM (Building Research Establishment Environmental Assessment Method) is a UK-developed, internationally used environmental assessment method for buildings.
www.breeam.com

CDP
The Carbon Disclosure Project is a global initiative launched by institutional investors with the goal of collating corporate climate change information and making it publicly available. Using a standardized questionnaire, the CDP annually surveys a wide range of companies.
www.cdp.net/de

Contract mining
In contract mining, a mine owner contracts out certain operations to a service provider. HOCHTIEF's Australian Group company CIMIC extracts commodities such as ores and coal under long-term contract to mine owners. Its services also include mine development and renaturalization after mine closure.

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. Recognized as the de facto standard, its guidelines are continuously revised in consultation with numerous stakeholders.
www.globalreporting.org

Greenroads
Greenroads is an independent non-profit organization which promotes sustainable infrastructure construction and manages an international certification process for eligible projects.
www.greenroads.org

Green Star
Green Star is a rating system developed by the Green Building Council of Australia that evaluates the environmental performance of buildings.
http://new.gbca.org.au/green-star

Infrastructure Sustainability Council of Australia (ISCA)
ISCA rates infrastructure projects according to sustainability criteria and to award them IS certification (in particular roads, bridges, tunnels, energy supply, water supply, and digital infrastructure). Via CPB Contractors, CIMIC is a founding member and sponsor of ISCA and has a seat on the ISCA Board.
www.isca.org.au

Further terms and explanations are provided in the Investor Relations section of the HOCHTIEF website, www.hochtief.com/glossary. Here, you will find a detailed glossary.

Issuer

An issuer of securities is 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.

LEED

LEED (Leadership in Energy and Environmental Design) is the United States Green Building Council rating system for green building projects. LEED certification specifies precise standards for green buildings on the basis of six major categories: Sustainable Sites, Water Efficiency, Energy & Atmosphere, Materials & Resources, Indoor Environmental Quality, and Innovation. LEED certification is awarded in the four categories Platinum, Gold, Silver, and Certified.
www.usgbc.org/leed

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.

LTIFR

The lost time injury frequency rate (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, the operators concerned are tagged as blocked in the system and thus "phased out" of the pool of potential trading partners.

PreFair

PreFair is 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 usually well-capitalized private-sector firms. 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.

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 Global Compact is a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment, and anti-corruption.
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.

Five Year Summary

		2012	2013	2014	2015	**2016**
New orders* (EUR million)		31,488	21,912	22,041	21,553	**24,813**
Of total:	domestic	2,127	1,870	1,716	1,133	**1,395**
	international	29,361	20,042	20,325	20,420	**23,418**
Work done (EUR million)		29,693	24,630	24,246	23,948	**22,292**
Of total:	domestic	2,129	2,130	1,463	1,025	**1,039**
	international	27,564	22,500	22,783	22,923	**21,253**
Order backlog at year-end* (EUR million)		49,794	35,885	36,255	36,023	**43,088**
Of total:	domestic	3,991	2,507	2,270	2,357	**2,739**
	international	45,803	33,378	33,985	33,666	**40,349**
Employees at year-end (number)		80,593	75,433	53,247	44,264	**51,490**
Of total:	domestic	10,108	5,662	3,909	3,548	**3,449**
	international	70,485	69,771	49,338	40,716	**48,041**
External sales (EUR million)		25,528	22,499	22,099	21,097	**19,908**
Increase/(decrease) on prior year (%)		9.6	-11.9	-1.8	-4.5	**-5.6**
Materials (EUR million)		17,312	15,541	15,746	15,484	**14,778**
Materials ratio (%)		67.6	69.3	71.3	73.3	**74.6**
Personnel costs (EUR million)		5,536	4,731	4,416	3,656	**3,285**
Payroll ratio (%)		21.6	21.1	20.0	17.3	**16.6**
Depreciation and amortization (EUR million)		919	686	440	414	**288**
Profit from operating activities (EUR million)		595	586	(75)	575	**629**
Net income from participating interests (EUR million)		186	210	118	156	**115**
Net investment and interest income (EUR million)		(240)	(266)	(220)	(208)	**(123)**
Profit before tax—continuing operations (EUR million)		541	530	(177)	523	**621**
Of which: Americas (EUR million)		57	94	108	155	**204**
Asia Pacific (EUR million)		411	230	(115)	424	**432**
Europe (EUR million)		29	63	(73)	(27)	**19**
Pre-tax return on sales (%)		2.1	2.4	-0.8	2.5	**3.1**
Profit after tax—continuing operations (EUR million)		383	371	(132)	333	**433**
Profit after tax—discontinued operations (EUR million)		–	174	538	–	**–**
Profit after tax—total (EUR million)		383	545	406	333	**433**
Return on equity (%)		9.0	16.5	13.1	10.6	**16.8**
Consolidated net profit/(loss)—continuing operations (EUR million)		155	71	(122)	208	**320**
Consolidated net profit/(loss)—discontinued operations (EUR million)		–	100	374	–	**–**
Consolidated net profit/(loss)—total (EUR million)		155	171	252	208	**320**
EBITDA—continuing operations (EUR million)		1,722	1,587	1,000	1,143	**1,104**
EBITDA—discontinued operations (EUR million)		–	321	897	–	**–**
EBITDA—total (EUR million)		1,722	1,908	1,897	1,143	**1,104**
Operational earnings (EBIT)—continuing operations (EUR million)		803	901	559	729	**817**
Operational earnings (EBIT)—discontinued operations (EUR million)		–	272	847	–	**–**
Operational earnings (EBIT)—total (EUR million)		803	1,173	1,406	729	**817**
Earnings per share—continuing operations (EUR)		2.11	0.98	(1.77)	3.11	**4.98**
Earnings per share—discontinued operations (EUR)		–	1.39	5.41	–	**–**
Earnings per share—total (EUR)		2.11	2.37	3.64	3.11	**4.98**
Dividend per share (EUR)		1.00	1.50	1.90	2.00	**2.60****
Dividends paid (EUR million)		77	115	132	139	**167**
Free cash flow from operations[1] (EUR million)		41	(214)	322	985	**986**

* New orders adjusted in 2015 and order backlog adjusted in 2015 and 2016 for discontinued Middle East projects

** 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

	2012	2013	2014	2015	**2016**
Assets					
Intangible assets (EUR million)	713	830	866	883	**1,308**
Property, plant and equipment (EUR million)	1,899	1,378	1,305	1,116	**1,178**
Investment properties (EUR million)	19	16	15	14	**12**
Financial assets (EUR million)	1,188	774	1,028	1,104	**776**
Other non-current assets (EUR million)	1,019	803	997	1,013	**1,311**
Non-current assets (EUR million)	**4,838**	**3,801**	**4,211**	**4,130**	**4,585**
As % of total assets	28.5	25.4	27.7	31.1	**32.6**
Inventories (EUR million)	1,426	1,159	919	768	**559**
Receivables and other assets (EUR million)	5,703	6,344	6,590	4,828	**5,562**
Marketable securities and cash and cash equivalents (EUR million)	3,143	3,313	3,327	3,386	**3,311**
Assets held for sale (EUR million)	1,852	334	172	158	**33**
Current assets (EUR million)	**12,124**	**11,150**	**11,008**	**9,140**	**9,465**
As % of total assets	71.5	74.6	72.3	68.9	**67.4**
Total assets (EUR million)	**16,962**	**14,951**	**15,219**	**13,270**	**14,050**
Liabilities and Shareholders' Equity					
Attributable to the Group (EUR million)	2,640	2,266	2,178	2,144	**1,824**
Minority interest (EUR million)	1,604	1,028	933	1,003	**761**
Shareholders' equity (EUR million)	**4,244**	**3,294**	**3,111**	**3,147**	**2,585**
As % of total assets	25.0	22.0	20.4	23.7	**18.4**
As % of non-current assets	87.7	86.7	73.9	76.2	**56.4**
Non-current provisions (EUR million)	833	748	829	803	**864**
Non-current financial liabilities (EUR million)	2,750	2,700	3,073	2,355	**1,633**
Other non-current liabilities (EUR million)	155	169	80	98	**72**
Non-current liabilities (EUR million)	**3,738**	**3,617**	**3,982**	**3,256**	**2,569**
As % of total assets	22.0	24.2	26.2	24.5	**18.3**
Current provisions (EUR million)	975	921	1,156	818	**822**
Current financial liabilities (EUR million)	1,706	727	982	309	**1,047**
Other current liabilities (EUR million)	6,299	6,392	5,988	5,740	**7,027**
Current liabilities (EUR million)	**8,980**	**8,040**	**8,126**	**6,867**	**8,896**
As % of total assets	53.0	53.8	53.4	51.8	**63.3**
Total assets (EUR million)	**16,962**	**14,951**	**15,219**	**13,270**	**14,050**
Property, plant and equipment ratio[2] (%)	11.2	9.2	8.6	8.4	**8.4**
Total capital expenditure, including acquisitions (EUR million)	1,781	1,453	716	455	**796**
Of total: Intangible assets (EUR million)	48	42	26	12	**13**
Of total: Property, plant and equipment (EUR million)	1,166	890	565	264	**260**
Of total: Investment properties (EUR million)	–	–	–	–	**–**
Of total: Financial assets (EUR million)	567	521	125	179	**523**
Capital expenditure ratio[3] (%)	23.2	21.3	13.9	7.0	**6.1**
Depreciation and amortization ratio[4] (%)	75.7	73.6	74.5	150.0	**105.5**
Receivables turnover[5]	5.1	3.9	4.0	4.4	**4.2**
Total assets turnover[6]	1.6	1.4	1.5	1.5	**1.5**
Net cash/(net debt) (EUR million)	(944)	(40)	470[7]	805	**704**

[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.

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Opernplatz 2, 45128 Essen, Germany
Tel.: +49 201 824-0, Fax: +49 201 824-2777
info@hochtief.de, www.hochtief.com

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HOCHTIEF Corporate Communications:
Indra Folke, Michael Kölzer, Julia Schockemöhle (project management)

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Contacts

HOCHTIEF Investor Relations
Michael Pinkney
Head of Capital Markets Strategy
Tel.: + 49 201 824-1824
investor-relations@hochtief.de

Nadine Wärmer
Investor Relations Officer
Tel.: + 49 201 824-2127
investor-relations@hochtief.de

Martina Horst
Investor Relations Assistant
Tel.: + 49 201 824-1870
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/gr16.

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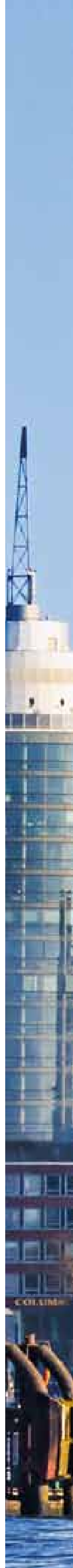

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HOCHTIEF Aktiengesellschaft
Opernplatz 2, 45128 Essen
Germany

HOCHTIEF Group Report 2016