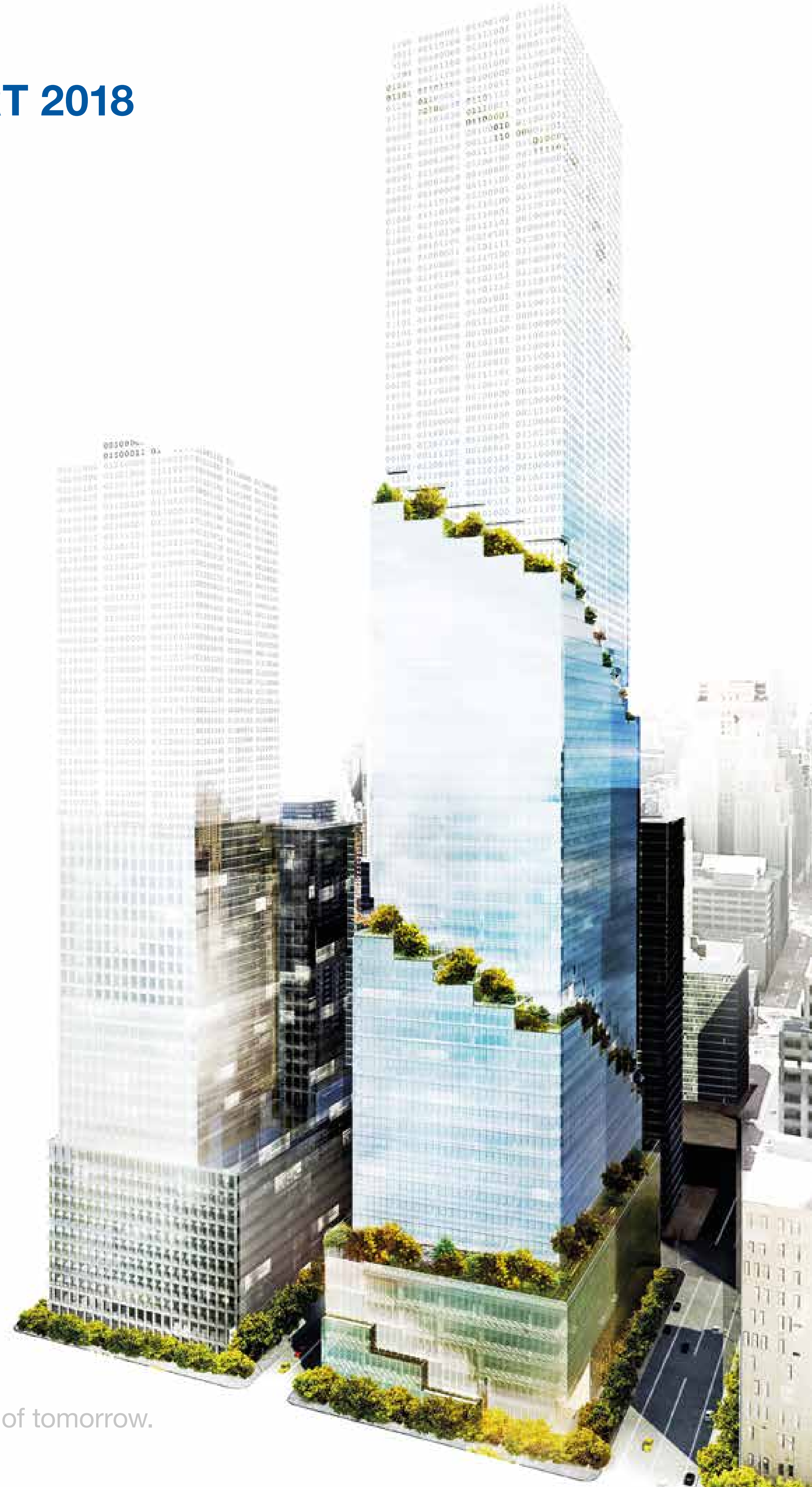
GROUP REPORT 2018

COMBINED ANNUAL
FINANCIAL AND
SUSTAINABILITY REPORT



HOCHTIEF

We are building the world of tomorrow.

Group Report 2018
Combined Annual Financial and Sustainability Report

[1] For further information on GRI and UN Global Compact, please see pages 255 to 257.

www.unglobal-compact.org

This combined Group Report contains HOCHTIEF's financial and sustainability reporting for 2018 and provides a comprehensive overview of the HOCHTIEF Group's financial and sustainability performance. In providing this 360-degree reporting, we bring out the close relationship between economic, environmental, and community aspects, together with their influence on the success of our business.

Information on this Report

This Group Report covers the period from January 1 to December 31, 2018 and follows on from the report published on February 21, 2018. Where data relates to a different reporting period or year-on-year comparisons are not possible without restriction, this is explicitly indicated. Indications are likewise given where there are any limits of coverage.

During 2018, HOCHTIEF acquired a 20% shareholding in Abertis, Spain, the leading international toll road operator. There were no further material divestments or acquisitions of companies or changes in business activities in the reporting year.

The Group Management Report is prepared in accordance with the German Commercial Code (HGB, including German CSR Directive Implementation Act) and the Notes to the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS). With regard to sustainability aspects and reporting quality, the Group Report follows the Global Reporting Initiative (GRI)[1], which is used pursuant to Section 289d HGB. This Group Report also serves as our report on progress in implementing the UN Global Compact principles. HOCHTIEF's Group Report 2018 is published as the required annual Communication on Progress (COP) on the Global Compact website.

In the information on sustainability issues, we address relevant focus areas that are the outcome of a materiality analysis across stakeholders. For further information, please see inside this Report and www.hochtief.com/gr2018.

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

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

The next Group Report is planned to appear in February 2020.

Cover:
The Spiral, a project under development by Turner in the Hudson Yards district on New York City's West Side, fully lives up to its name. This 306-meter, tapered tower features an ascending ribbon of cascading green oases around the entire height of the building. The project targets LEED certification.

Visual concept:
Digitalization, automation, artificial intelligence: Tomorrow is already with us today. HOCHTIEF, too, showcases innovative solutions for the construction industry. Their foundation is built on information and data. This is the principle we illustrate in our photo spreads this year. These equally highlight the pivotal role of people and their instrumental part in our projects. For further information on our projects, please see the Divisional Reporting section.

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.

(1) This symbol indicates the number of a chart or table on pages providing numeric performance information in each chapter.

This symbol indicates a link to an external website. The corresponding Internet addresses are shown on the respective pages.

Transparency, sustainability, and innovation: Fundamental values at HOCHTIEF

Our aspiration and our responsibility are reflected in memberships and voluntary commitments. In 2018, our Company was once again successfully rated in established sustainability rankings and included in indexes. Here is a selection:

Commitments

Transparency International
Member since 1999

International Labour Organization (ILO)
Agreement since 2000

UN GLOBAL COMPACT
WE SUPPORT

United Nations Global Compact
Participant since 2008

Code of Responsible Conduct for Business
Commitment since 2010

The SUSTAINABILITY Code Signatory 2017 | prepared according to CSR Directive Implementation Act

German Sustainability Code
Compliance declaration since 2012

Wirtschaft macht KLIMASCHUTZ
Active participation since 2017

Memberships

B.A.U.M.

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

encord

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

Stifterverband für die Deutsche Wissenschaft
Member since 1951

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

MITGLIED IM bauKULTUR FÖRDERVEREIN BUNDESSTIFTUNG
Member since 2016

Sustainability rankings/Indexes

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Dow Jones Sustainability Indices
Listing 2018, third-best result in construction industry worldwide

ROBECOSAM
Sustainability Award
Silver Class 2018

CDP
DRIVING SUSTAINABLE ECONOMIES

CDP
Climate Change Rating score: B (2018)
Supplier Engagement Rating score: A- (2018)

FTSE4Good

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

SILVER 2018 ecovadis CSR Rating

EcoVadis
Member with "Silver" status since 2016


New York University Langone Health, USA

HOCHTIEF Americas Division

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

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

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

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

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

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

The Group at a glance in 2018

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

HOCHTIEF Asia Pacific Division

The HOCHTIEF Asia Pacific division comprises our majority stake in Australia-based CIMIC as well as associated companies. CIMIC is a leading infrastructure, mining, services and public-private partnerships (PPP) provider in Australia and selected other Asia-Pacific markets. The CIMIC Group's operating companies rank among the top players in their sectors.

CPB Contractors, which includes the employees and projects of Leighton Asia, is one of the leading construction companies in the Asia-Pacific region.

Thiess is the world's largest provider of mining services. Sedgman specializes in mineral processing. UGL offers end-to-end, outsourced engineering, asset management, and maintenance services.

Pacific Partnerships develops and invests in PPP projects that are carried out by the CIMIC Group's operational units.

EIC Activities is the Group's engineering and consulting arm.

CIMIC also holds stakes in BIC Contracting (BICC, formerly HLG Contracting), Devine, and the services organization Ventia.

HOCHTIEF Europe Division

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

HOCHTIEF Infrastructure combines infrastructure activities with HOCHTIEF Building's construction business.

HOCHTIEF Engineering delivers engineering services, including services for virtual construction (HOCHTIEF ViCon).

HOCHTIEF PPP Solutions operates in public-private partnerships (PPP). The focus here is on the transportation as well as social and urban infrastructure segments.

Group company synexs provides cutting-edge facility management services.

HOCHTIEF is building the world of tomorrow.

HOCHTIEF is one of the world's most relevant building and infrastructure construction groups. The company's business activities focus on complex projects in the fields of transportation, energy, and social and urban infrastructure as well as contract mining and services. Our success operating in these segments is shaped by our expertise in developing, financing, building, and operating gained in 145 years of experience. Thanks to our global network, HOCHTIEF is on the map in the world's major markets.

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

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

All together now: Group sports activities promote team spirit. This was certainly true for the company run in Essen, in which 120 employees took part in 2018.

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Samuel De Champlain Bridge, Montreal


Copenhagen metro


Mercedes Platz, Germany


Mine and mineral processing projects


WestConnex M4 East, Australia

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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 non-operational effects

[3] Direct employees plus a proportional share of employees of CIMIC Group companies BICC, Devine, and Ventia.

The HOCHTIEF Group: Key Figures[1]

(EUR million)		2018	2017	Change yoy
Sales		**23,882.3**	22,631.0	**5.5%**
Operational profit before tax/PBT[2]		**968.0**	865.8	**11.8%**
Operational PBT margin[2] (%)		**4.1**	3.8	**0.3**
Operational net profit[2]		**521.4**	452.3	**15.3%**
Operational earnings per share (EUR)[2]		**7.97**	7.04	**13.2%**
EBITDA		**1,413.8**	1,320.8	**7.0%**
EBITDA margin (%)		**5.9**	5.8	**0.1**
EBIT		**1,022.2**	925.1	**10.5%**
Profit before tax/PBT		**978.4**	823.6	**18.8%**
Net profit		**541.1**	420.7	**28.6%**
Earnings per share (EUR)		**8.27**	6.55	**26.3%**
Net cash from operating activities		**1,374.7**	1,372.1	**0.2%**
Net operating capital expenditure		**343.9**	251.8	**36.6%**
Free cash flow from operations		**1,030.8**	1,120.3	**-8.0%**
Net cash (+)/net debt (-)		**1,562.2**	1,265.8	**23.4%**
New orders		**28,098.1**	30,443.5	**-7.7%**
Order backlog		**47,267.4**	44,644.2	**5.9%**
Employees (end of period)	(direct employees)	**55,777**	53,890	**3.5%**
	(total employees)[3]	**64,313**	67,112	**-4.2%**

Dear Shareholders and Friends of HOCHTIEF,

HOCHTIEF achieved a very **robust operating performance** in 2018 and took another major step forward strategically. Supported by strong cash flow, the Group substantially increased profits. This was accompanied by improved margins, solid top-line growth and further order book expansion. HOCHTIEF's balance sheet strengthened further even after the significant strategic investment in the leading international toll road operator Abertis. As a reflection of the strong operational performance and the positive Group outlook, enhanced by our investment in Abertis, the proposed 2018 dividend per share is almost 50% higher than the previous year due to an increased payout ratio of 65% (versus 50% for 2017) and solid profit growth.

Nominal net profit rose by 29% to EUR 541 million which includes a EUR 84 million contribution from our 20% equity-consolidated stake in Abertis from June to December 2018. **Operational net profit**, which excludes the Abertis contribution and non-operational effects, increased by 15% year on year to EUR 521 million. All three divisions contributed to this solid increase in operational profit.

Adjusting for foreign exchange rate movements, **sales** in the January–December 2018 period were **11% higher year on year** at EUR 24 billion, or up 6% in nominal terms. As a percentage of sales, the Group's **operational PBT margin was 4.1%** in 2018 compared with 3.8% in the prior corresponding period.

Wherever HOCHTIEF is present, be it in North America, the Asia-Pacific region or Europe, our management teams remain disciplined and focused in terms of risk management and generating cash-backed profits. **Net cash from operating activities** was at a sustained high level of **EUR 1.4 billion** in 2018, driven by strong growth in cash-backed profits and further cash inflow from working capital. As a result of increasing mining and job-costed tunneling work, net operating capital expenditure increased by EUR 92 million to EUR 344 million. HOCHTIEF achieved over EUR 1 billion of free cash flow from operations in the last twelve months.

Picture:
Marcelino Fernández Verdes, Chairman of the Executive Board

HOCHTIEF ended the year with a **net cash position of EUR 1.6 billion**, almost EUR 300 million higher compared with the end of 2017 due to the strong cash flow performance of the last twelve months. Our three divisions all increased their net cash position both year on year and also during the last quarter of 2018. The Group's net cash position is after the EUR 1.4 billion Abertis investment and the capital increase of EUR 0.9 billion in Q4 2018.

The period-end order book of EUR 47.3 billion has increased by 7% year on year on an exchange rate adjusted basis. Almost half of our order book is for projects located in the Asia-Pacific region, with 45% in Americas and about 8% in Europe. At **EUR 28.1 billion**, **new orders** in the last twelve months represented 1.1 times the Group's level of work done. The disciplined bidding approach was maintained across the Group.

The Abertis transaction was completed in October with HOCHTIEF investing EUR 1.4 billion to take a 20% stake in the leading international toll road operator. This stake has been funded by a capital increase of around EUR 0.9 billion and about EUR 0.5 billion of financial resources. Post the transaction completion in October, our majority shareholder, ACS, holds 50.4% of HOCHTIEF and Atlantia has a 23.9% stake.

HOCHTIEF management's focus on shareholder remuneration is a key element of our capital allocation strategy. As a consequence of the sustained strength of our balance sheet and the further increased earnings visibility that results from our investment in Abertis, the dividend payout ratio for fiscal year 2018 is to increase from 50% to 65% of nominal net profit. Reflecting this and the Group's strong profit and cash generation performance, the proposed **dividend for 2018 of EUR 4.98 per share** is an increase of 47% compared to 2017.

Our businesses remain focused on risk management, generating cash-backed profits and being adaptable to allow management to quickly adjust to changing market conditions. And we are focused on embracing the opportunities which digitalization and the application of new technologies brings to the Group.

The Group's strong balance sheet combined with HOCHTIEF's deep presence in its core regional markets and its engineering expertise, leaves us well positioned to take advantage of potential future opportunities. We maintain our disciplined approach to capital allocation with our focus on value creation and sustainable shareholder remuneration.

In total, our local teams have identified a pipeline worth around EUR 600 billion of relevant projects coming to our markets in North America, Asia-Pacific and Europe in 2019 and beyond. Our strong position in developed PPP markets is reflected in the **approximately EUR 230 billion PPP project pipeline** the Group has identified.

As a consequence of the positive Group outlook, we expect to achieve an **operational net profit in 2019 in the range of EUR 640–680 million**, with all our divisions driving this further improvement in our Group performance.

All the companies in the HOCHTIEF Group pursue common objectives: Our corporate culture, guiding principles, and vision enable us to achieve success together.

We owe this success chiefly to the outstanding performance of our teams: Our employees deliver highly professional work with superior skill, unflagging engagement, and a great willingness to assume responsibility. On behalf of the entire Executive Board, I wish to thank each and every employee for their commitment and dedication.

HOCHTIEF is a great place to work—and we aim to retain our solid long-term position on the labor market thanks to forward-looking human resources management. This includes attaching great importance to diversity in our teams and offering interesting, promising career opportunities for young talent. This also fosters sustainable management in our Group.

For us, responsible corporate management with a focus on sustainability is an active contribution to the future viability of our Group. We have been supporting the principles of the UN Global Compact for many years and are committed to the United Nations' Sustainable Development Goals.

Our integrated approach to project delivery involves clients, partners, subcontractors, and other stakeholders in a comprehensive way, and we carry out a wide variety of measures to make sure the impact of our construction activities on the environment and on communities is positive. We were again listed in the Dow Jones Sustainability Index in the reporting year, which underscores the overall quality of HOCHTIEF's sustainability performance. We hold a leading industry position in sustainability—a position that we intend to further consolidate and secure in the long term.

Driven by our core business as well as current developments and initiatives within the HOCHTIEF Group, we shape the future: HOCHTIEF is building the world of tomorrow.

Marcelino Fernández Verdes

Report of the Supervisory Board
Dear Shareholders,

Pedro López Jiménez, Chairman of the Supervisory Board

Throughout 2018, the Supervisory Board performed all tasks required of it by law and the Company's Articles of Association. It regularly advised and continuously oversaw the Executive Board in management of the Company. 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 management. Consequently, the Supervisory Board was involved in all decisions of fundamental importance. The Supervisory Board was also provided with full information on the current financial situation, risks, and risk management.

Four ordinary meetings and one extraordinary meeting were held in the reporting year. The Supervisory Board adopted its resolutions based on comprehensive reports and proposed resolutions submitted by the Executive Board. It had sufficient opportunity to consider the proposals in detail, both in plenary meetings and in the Audit Committee. In relation to particularly significant or urgent projects and transactions, the Executive Board also informed the Supervisory Board outside of meetings. The Supervisory Board adopted all resolutions as required by law and the Articles of Association. In cases of urgency, resolutions were adopted 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 in a timely manner. Twelve of the sixteen members of the Supervisory Board took part in all meetings. An overview of meeting attendance by each member at meetings of the Supervisory Board and its committees is provided in the table on the right.

Both the shareholder representatives and the employee representatives met separately on a regular basis to prepare 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 large number of topics in 2018. A focus in this year was on the takeover bid for all shares in Abertis Infraestructuras, S.A., the leading international toll road operator.

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

At the financial statements meeting on February 21, 2018, the Supervisory Board notably considered the Annual Financial Statements and Consolidated Financial Statements for 2017. Moreover, the Supervisory Board consulted on the Compliance Declaration pursuant to Section 161 of the German Stock Corporations Act, as well as the agenda and proposed resolutions for the May 2018 Annual General Meeting. Further topics included Executive Board remuneration as well as operational planning and both financial and balance sheet budgeting for the years 2018 to 2020. For this purpose, the Executive Board explained the key planning assumptions and provided an overview of significant developments in the HOCHTIEF Group. The Supervisory Board appraised the Executive Board's budget planning and noted it with approval.

At the extraordinary meeting on March 14, 2018, the Executive Board reported in depth on the intended change in the offer structure for the takeover of Abertis Infraestructuras, S.A. and on the discussions with Atlantia S.p.A. with regard to a co-investment for the Abertis acquisition. In this connection, the Supervisory Board was notably informed of the substance of the term sheet agreed with Atlantia. The Supervisory Board subsequently considered in detail the advantages and

Attendance at meetings in 2018 by Supervisory Board member[1)]

	Supervisory Board	Human Resources Committee	Audit Committee
Pedro López Jiménez (Chairman)	5/5	1/1	
Matthias Maurer (Deputy Chairman)	5/5		5/5
Ángel García Altozano	5/5		5/5
Beate Bell	5/5	1/1	
Christoph Breimann	5/5		
Carsten Burckhardt	5/5		4/5
José Luis del Valle Pérez	5/5	1/1	5/5
Dr. rer. pol. h. c. Francisco Javier Garcia Sanz	4/5		
Patricia Geibel-Conrad	5/5		4/5
Arno Gellweiler	4/5	1/1	
Luis Nogueira Miguelsanz	5/5		5/5
Nikolaos Paraskevopoulos	5/5		
Sabine Roth	3/5		4/5
Nicole Simons	5/5	0/1	
Klaus Stümper	5/5	1/1	5/5
Christine Wolff	4/5	1/1	

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

disadvantages of the modified offer structure and the resulting business opportunities for HOCHTIEF.

At the Supervisory Board meeting on May 3, 2018, the Executive Board reported on the performance of the business in the first quarter as well as on the upcoming Annual General Meeting. Furthermore, the Supervisory Board again addressed questions relating to Executive Board compensation.

At its meeting of September 18, 2018, the Supervisory Board considered the performance of the business in the first half year. In addition, the Supervisory Board resolved to conduct an efficiency audit in accordance with Section 5.6 of the German Corporate Governance Code, and consulted on the associated questionnaire.

The Supervisory Board's last meeting of the year was held on November 7, 2018. At that meeting, the Supervisory Board addressed the Company's business performance in the first nine months of the reporting year. The Supervisory Board also considered the findings of the completed efficiency audit. It discussed the main outcomes and measures for improvement.

As in previous years, the Supervisory Board consulted during the reporting year 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 in conjunction with the Declaration on Corporate Governance on the Company's website and in the Group Report.

With a view to the CSR Directive Implementation Act, the Supervisory Board consulted in-depth on non-financial Group reporting. In relation to this, the Supervisory Board engaged the auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, to provide limited assurance on the non-financial Group report for 2018.

The Supervisory Board has set up four committees, whose members are listed on pages 240 and 241. These are tasked with preparing agenda items and resolutions for Supervisory Board meetings. In some instances, the Supervisory Board has also delegated decision-making authority on individual topics to the committees. The committee chairpersons regularly informed the Supervisory Board about the committees' consultations and decisions.

The **Audit Committee** met on five occasions in 2018. It consulted in detail on the quarterly reports, the half-year financial statements, the Annual Financial Statements, and the Consolidated Financial Statements. In each instance, the Committee discussed the reports and financial statements with the Executive Board prior to publication. The Audit Committee provided the Supervisory Board with a recommendation for the latter's proposal to the Annual General Meeting regarding the appointment of auditors and prepared the audit engagement letter for issuance, including the agreement

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

on audit fees. In this connection, the Committee also considered the proposal for the focal points of the audit. Additionally, the Audit Committee discussed the Group's risk management system, the internal control system in relation to financial reporting, and questions of internal auditing. Furthermore, the Committee addressed the public invitation to tender for the audit of the 2019 Annual and Consolidated Financial Statements. The Chief Compliance Officer reported to the Committee in-depth on the development of the compliance organization, individual cases, and measures taken in consequence. A broad range of other topics on the Committee's meeting agendas in 2018 included reports on major projects in the HOCHTIEF Americas, HOCHTIEF Asia Pacific, and HOCHTIEF Europe divisions.

Another important topic of discussion comprised the audit strategy for the 2018 audit of the Consolidated Financial Statements, which was reported on by the elected auditors.

The **Human Resources Committee** held one meeting in 2018. In that meeting, it considered details of Executive Board compensation and the structure of the compensation system for the Executive Board, and adopted the necessary resolutions. The Human Resources Committee also prepared personnel-related decisions for the Supervisory Board, and made the requisite recommendations to the plenary meeting.

The **Nomination Committee** and the **Mediation Committee** pursuant to Sec. 27 (3) of the Codetermination Act (MitbestG) were not convened in 2018.

Conflicts of interest. Under 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. One member of the Supervisory Board had already made such a disclosure in 2017 that continued to apply until May 2018.

Dr. Garcia Sanz had already given notice in the past of his membership of the governing body of CAIXA Holding, S.A. The latter was a major shareholder in Abertis, the target company of the above-mentioned takeover bid by HOCHTIEF. For that reason, Dr. Garcia Sanz, in consultation with the Chairman of the Supervisory Board and in order to avoid potential conflicts of interest, refrained from taking part in those parts of Supervisory Board meetings which addressed the aforementioned takeover project, and dispensed with being sent information in that connection. Since completion of the takeover project, now that CAIXA Holding, S.A. has ceased to be a shareholder in the target company, there is no longer any such conflict of interest.

Annual Financial Statements 2018. 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 2018 have been audited and issued with an unqualified auditor's report. The audit was performed by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, the auditors elected by the Annual General Meeting on May 3, 2018 and engaged by the Supervisory Board to perform the audit of the Annual Financial Statements and Consolidated Financial Statements. The bookkeeping system was included in the audit. In addition, Deloitte GmbH Wirtschaftsprüfungsgesellschaft provided limited assurance on the non-financial Group report.

The audits have been performed by the same auditors since the 2006 Annual Financial Statements. The key audit partners responsible for carrying out the audit are changed in accordance with statutory requirements. For the reporting year, the key audit partners are Mr. Pfeiffer for the Consolidated Financial Statements and Mr. Schmitz for the Annual Financial Statements. Mr. Pfeiffer and Mr. Schmitz have been responsible for the assignment since 2018.

It was determined by the auditors that the Executive Board possesses a suitable early warning system for risk. The above-mentioned statements, the Group Report, the proposal for the use of net profit, and the auditor's reports were sent to all members of the Supervisory Board in good time prior to the meeting of the Audit Committee and the Supervisory Board's financial statements meeting on February 21, 2019. Also submitted was the separate non-financial Group report. In addition, the Executive Board provided verbal explanations at the same meetings.

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

Taking the Audit Committee's consultations into account, 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 for the use of net profit submitted by the Executive Board.

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

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

"Based on our duty audit and assessment we confirm that

1. the facts in the report are stated accurately,

2. the consideration given by the Company for the transactions specified in the report was not unreasonably high."

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

The Supervisory Board expresses its thanks and appreciation to the Executive Board, the Group company management teams, and all employees for their work, dedication, and loyal contribution to the Group's success in 2018.

Essen, February 2019
On behalf of the Supervisory Board

Pedro López Jiménez
Chairman

<MANAGEMENT>
EXECUTIVE BOARD
</MANAGEMENT>

<NAMES>
**José Ignacio Legorburo,
Nikolaus Graf von Matuschka,
Marcelino Fernández Verdes (Chairman of the Executive Board)
and Peter Sassenfeld (l. to r.)**
</NAMES>

Executive Board

Marcelino Fernández Verdes, Chairman of the Executive Board

Born in 1955, Marcelino Fernández Verdes has been a member of the Executive Board of HOCHTIEF Aktiengesellschaft in Essen since April 2012. In November 2012, he was appointed Chairman of the Executive Board of HOCHTIEF Aktiengesellschaft and assumed responsibility for the HOCHTIEF Americas and Asia Pacific divisions. From March 2014 to October 2016, he was Chief Executive Officer (CEO) of HOCHTIEF's Australian Group company CIMIC, and has been Executive Chairman at CIMIC since June 2014. In May 2017, he became member of the Board of Directors of HOCHTIEF's majority shareholder, Grupo ACS, as CEO. Since May 2018, he has been President of the Board of Directors of HOCHTIEF's financial holding Abertis.

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

Peter Sassenfeld, Chief Financial Officer

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

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

Nikolaus Graf von Matuschka

Born in 1963, Nikolaus Graf von Matuschka has been a member of the Executive Board of HOCHTIEF Aktiengesellschaft in Essen since May 2014 and the company's Labor Director since November 2015. He is responsible for the activities in the PPP, real estate, and facility management segments in the HOCHTIEF 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 Executive Board of HOCHTIEF Solutions AG starting in February 2013. In May 2014, he was appointed Chief Executive Officer (CEO) of HOCHTIEF Solutions. Previously, he was directly responsible for several segments and regions of HOCHTIEF's European business. Graf von Matuschka has earned various qualifications in business administration, including two degrees from the University of Applied Sciences Utrecht.

José Ignacio Legorburo

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

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

<PROJECT>

PROXIMO

</PROJECT>

<FACTS>

Offices for tomorrow: The Proximo II office complex in Warsaw was designed to meet BREEAM Very Good sustainable building certification standards. Equal importance is given to economic and ecological aspects on the one hand, and users' well-being on the other.

</FACTS>

HOCHTIEF on the capital markets

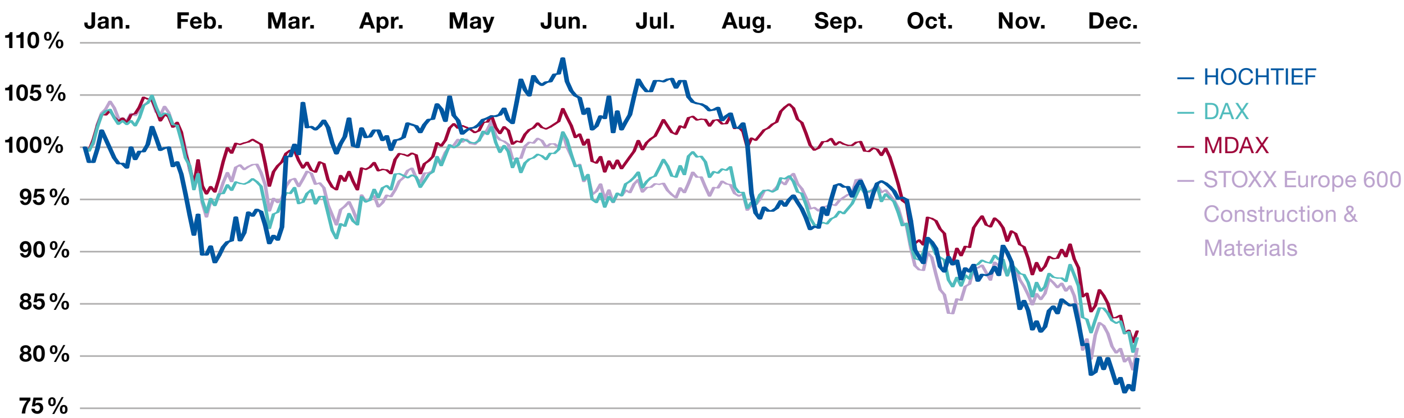
Global stock markets were volatile in 2018. In February, stock markets came under pressure globally, as talk of central bank policy tightening and expectations of higher inflation boosted borrowing costs. A good corporate earnings outlook and solid economic growth led to a recovery of the markets in the following months. Since summer, the ongoing trade war between the USA and China, disappointing economic data in Europe as well as rising uncertainties from Brexit and Italy's budget row with the European Union provoked fears of a peak in corporate earnings growth. The outlook of further interest rate hikes in the USA during the fourth quarter in addition, led to a downturn in stock markets across the globe. Germany's DAX and MDAX indices both fell by around 18% in 2018, the STOXX Europe 600 Construction & Materials index lost 19%.

Performance of HOCHTIEF share

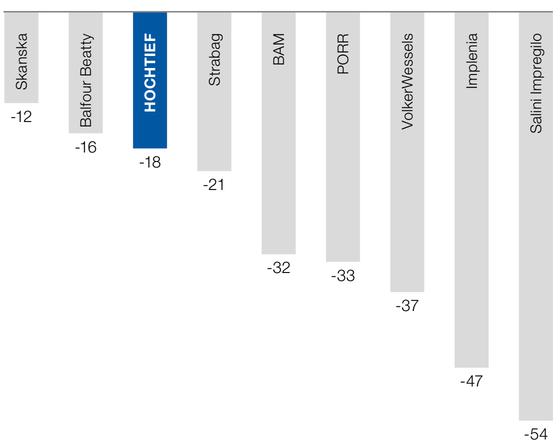
In 2018, the HOCHTIEF share price performed in line with its main benchmark stock indices. During the first half of the year, HOCHTIEF's share price performed positively, helped in particular by the announcement of a joint bid for Abertis in March. In the second half, our share price was affected by reduced earnings expectations of several peers and overall stock market weakness. The HOCHTIEF share ended the year at EUR

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

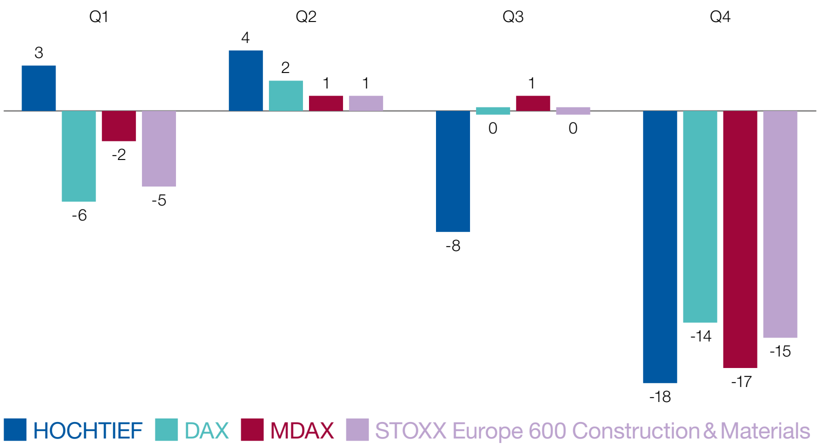
Performance of HOCHTIEF share versus benchmark stock indices in 2018



Total shareholder return: HOCHTIEF versus peers in %



Total shareholder return by quarter in % (2018)



117.70. Including the dividend of EUR 3.38 per share paid in July, the total shareholder return was -18% during 2018. In a difficult market environment, we thereby outperformed our closest peers once again.

HOCHTIEF stock: Key figures

		2018	2017
Number of shares[1]	million	70.65	64.3
Average number of shares	million	65.85	64.25
Market capitalization[1]	EUR million	8,315.1	9,490.7
High	EUR	160.20	172.20
Low	EUR	112.90	131.45
Close	EUR	117.70	147.60
Shares traded (average per day on Xetra)		71,331	80,568
Shares traded (average per day on Xetra)	EUR million	10.2	12.1
Dividend per share	EUR	4.98[2]	3.38
Total dividend pay-out	EUR million	352[2]	217
Earnings per share (operational)[3]	EUR	7.97	7.04
Earnings per share (nominal)[3]	EUR	8.27	6.55

[1] As of year-end

[2] Proposed dividend

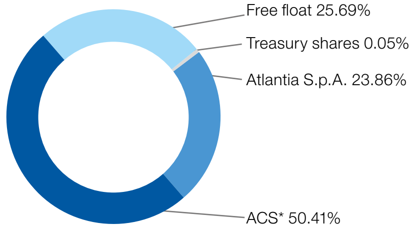
[3] Excluding non-operational effects

Key data on HOCHTIEF stock

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

Shareholder structure

With the completion of our Abertis transaction in October, which saw HOCHTIEF invest EUR 1.4 billion for a 20% stake in Abertis, the leading international toll road operator, HOCHTIEF issued 6.35 million new shares at EUR 143.04 to ACS. HOCHTIEF's total shares outstanding therefore increased to 70.65 million shares from 64.3 million. At the same time, ACS sold 23.86% of HOCHTIEF at the same price, to Atlantia. As a consequence, ACS remained HOCHTIEF's largest shareholder with 50.41% (35,611,834 shares), Atlantia held a 23.86% stake (16,852,995 shares) and HOCHTIEF held 34,824 shares of treasury stock. In absolute terms, the free float remained largely unchanged, at 25.69%.



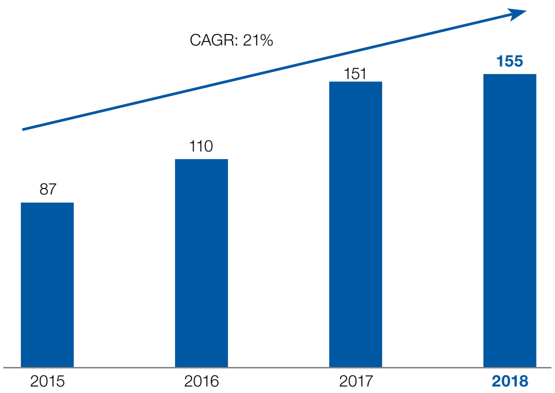
As of December 31, 2018
*ACS ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A., Madrid

Shareholder remuneration

HOCHTIEF management's focus on shareholder remuneration is a key element of our capital allocation strategy. As a consequence of the sustained strength of our balance sheet and the further increased earnings visibility that results from our investment in Abertis, the dividend payout ratio for 2018 is to increase from 50% to 65% of nominal net profit. Reflecting this and the Group's strong profit and cash generation performance, the proposed dividend for 2018 of EUR 4.98 per share is an increase of 47% compared to 2017 (EUR 3.38 per share). Over the last five years, the compound average growth rate of the HOCHTIEF dividend per share has been around 27%.

Analysts

The strong operational performance of our Group during 2018 and the strategic EUR 1.4 billion investment in Abertis received a positive assessment from the analysts covering HOCHTIEF during 2018. Their average target price at year-end was EUR 155 per share, a 3% increase year on year (2017: EUR 151) and a 15% increase compared to July 1, 2017 (i.e. before any market speculation of an offer for Abertis involving HOCHTIEF). Current ratings and the average target price of our analysts are available on our website (www.hochtief.com/investor-relations).



Capital markets communication

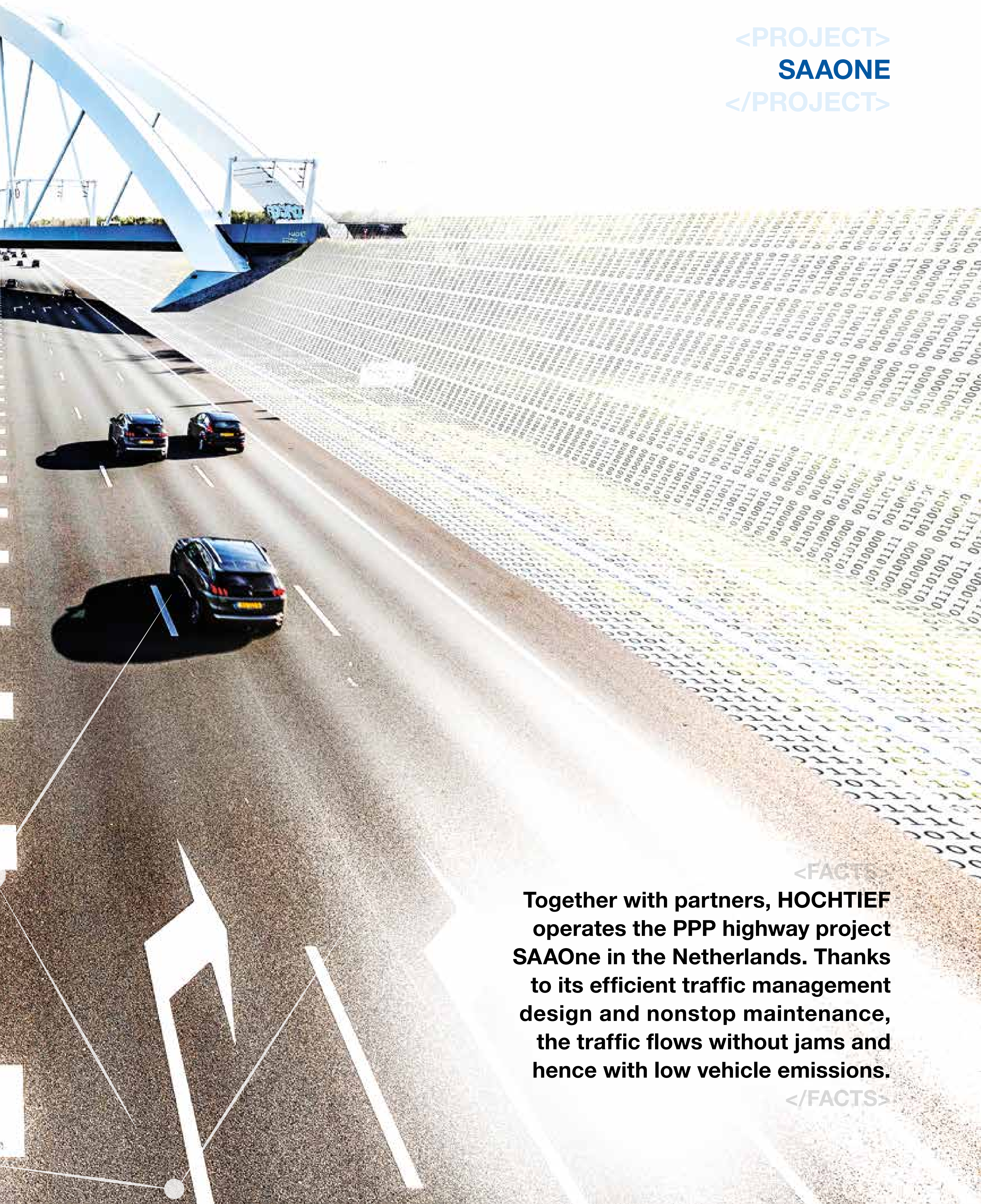
Transparent and timely communication with the markets is a key priority for HOCHTIEF management and our Capital Markets Strategy/Investor Relations department. During 2018, we once again participated in a series of international investor conferences and conducted several roadshows. We regularly presented our quarterly results to the market via conference calls. All activities were reported on a timely basis on our website where we also provide a wide range of additional information (www.hochtief.com/investor-relations).

HOCHTIEF in key sustainability indices

As in previous years, HOCHTIEF qualified for inclusion in several major sustainability indices in 2018. For the 13th year in a row, the Group was included in the internationally recognized Dow Jones Sustainability Index (DJSI) World and Europe. HOCHTIEF was again awarded RobecoSAM Silver Class in the Construction and Engineering category of the RobecoSam Sustainability Yearbook 2018. The prestigious Silver Class features the best 5% participating companies. The company's shares were also listed in the FTSE4Good Index. We are likewise longstanding participants in the Carbon Disclosure Project (CDP)[1)], where we were listed once more in 2018. CDP represents institutional investors with some USD 100 trillion in funds under management and its indices are used as an assessment tool by many investors.

[1)] See glossary.

<PROJECT>
SAAONE
</PROJECT>



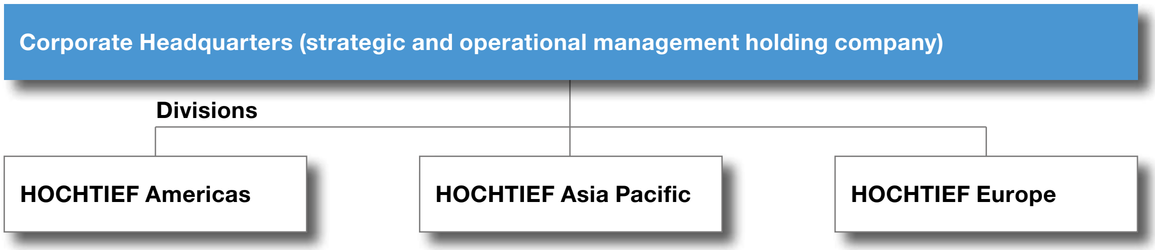
<FACTS>

Together with partners, HOCHTIEF operates the PPP highway project SAAOne in the Netherlands. Thanks to its efficient traffic management design and nonstop maintenance, the traffic flows without jams and hence with low vehicle emissions.

</FACTS>

Combined Management Report
Group Structure and Business Activities

Group structure 2018



Group structure 2018

The operating companies within the HOCHTIEF Group are organized under the three divisions HOCHTIEF Americas, HOCHTIEF Asia Pacific, and HOCHTIEF Europe. This structure reflects the Group's strong regional presence, focused on developed markets.[1)]

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

In March 2018, HOCHTIEF announced a joint bid for Abertis, the leading international toll road operator (by kilometers managed), with ACS and Atlantia. In October 2018, the Abertis transaction has been completed with HOCHTIEF investing EUR 1.4 billion to take a 20% (less one share) stake in Abertis. This HOCHTIEF stake has been funded by a capital increase of around EUR 0.9 billion and about EUR 0.5 billion of financial resources. Post the transaction completion in October, our majority shareholder, ACS, holds 50.4% and Atlantia has a 23.9% stake in HOCHTIEF. As a consequence of the increased earnings visibility that results from our investment in Abertis, the dividend payout ratio from fiscal year 2018 is to increase after the Abertis transaction from 50% to 65% of nominal net profit. The shareholding in Abertis is strategically managed at Corporate Headquarters level and together with the partners.

Through its participation in Abertis, HOCHTIEF expects a sizable earnings contribution as the access to brownfield[2)] concessions and PPP projects has improved significantly. Abertis manages high-capacity roads in 15 countries in Europe, the Americas and Asia. The company combines the advances in efficient infrastructure with new technologies to drive innovative solutions for the challenges of the mobility of the future.

Business activities of the HOCHTIEF Group[3)]

A global infrastructure group specializing in activities in construction, services and mining, and public-private partnership (PPP) and concessions, HOCHTIEF spans the entire life cycle of infrastructure projects in developed markets. HOCHTIEF delivers these services drawing on longstanding experience in development, financing, construction, and operation. With its capability portfolio, the Group has a balanced business profile in terms of cash flow visibility, capital intensity, and margins.

The operating companies and corporate departments work in close cooperation internally, making for a trans-

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

[2)] See glossary.

[3)] For further information on the divisions' business activities, please see pages 3 and 4 as well as pages 66 to 77.

fer of expertise that also provides efficiency gains for our clients.

We also collaborate in a productive spirit of trust with external partners selected on the basis of transparent criteria. Each is required to comply with our high standards, in particular the conditions laid down in our Code of Conduct for Business Partners.

In our work, we embrace flexibility, innovation, and excellent quality in order to serve clients as a reliable, long-term partner. We deliver made-to-measure solutions for the design and implementation of every single one of our unique projects. Sustainability is a strategic principle and an essential criterion in our activities.

As one of the most international companies in the construction industry, HOCHTIEF generates approximately 95% of work done outside of its German home market. The focus of our activities is on the Australian, North American, and European markets. This global footprint enables the Group to exploit diverse regional market opportunities.

Key performance indicators at HOCHTIEF

The key performance indicators used in managing the HOCHTIEF Group are operational net profit and net cash/net debt, subject to capital allocation, as these best reflect our focus on cash-backed profits.

Financial performance indicators

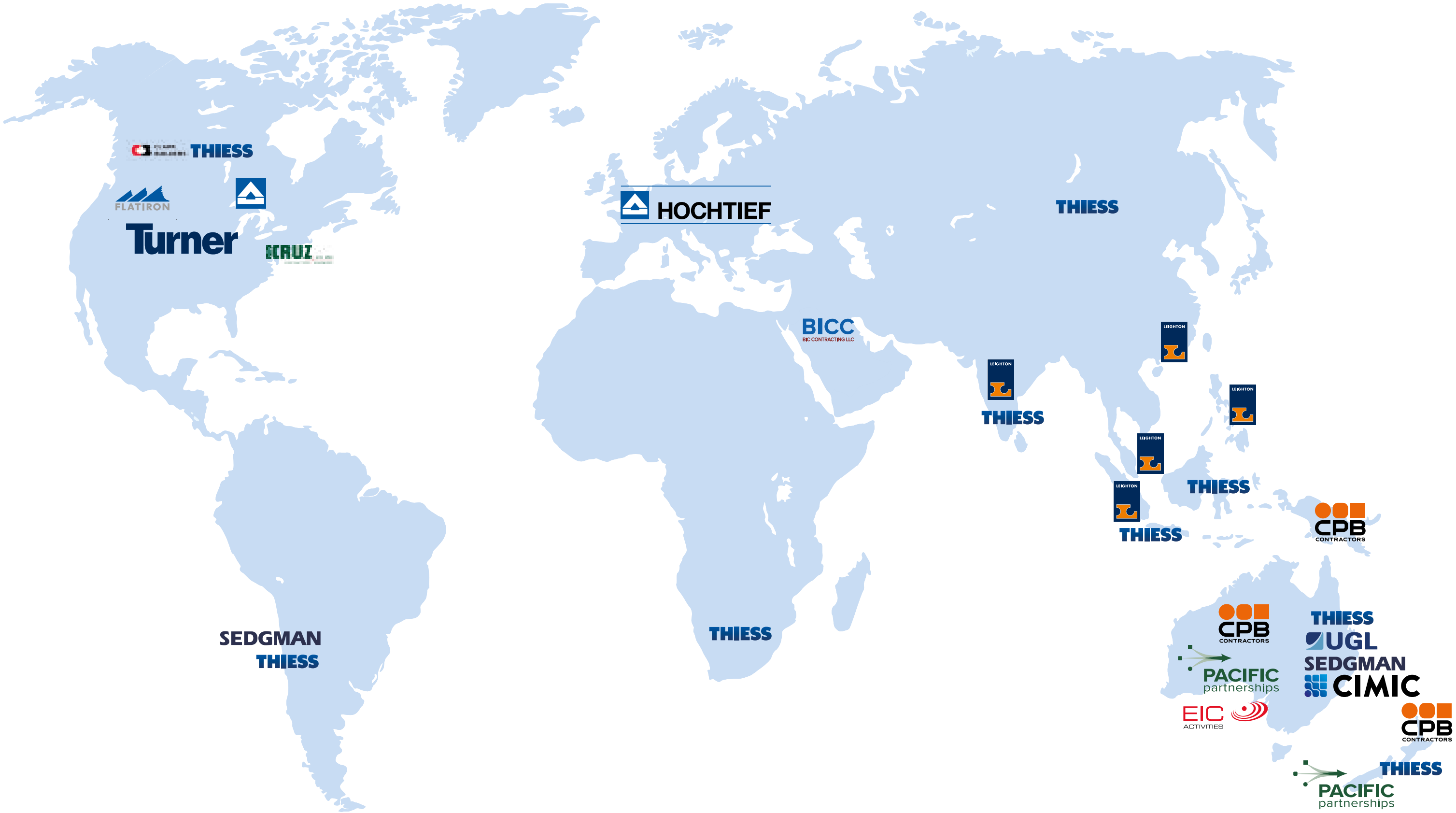
- Net cash/Net debt
- Operational net profit

Non-financial performance indicator

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

[1)] See glossary.

Global presence:
HOCHTIEF is focused on developed markets. This map shows a selection of our operating companies and their geographic spread of activity according to the 2018 Group structure.



HOCHTIEF Americas

Turner (USA, Canada)
Flatiron (USA, Canada)
E.E. Cruz (USA)
Clark Builders (Canada)
(Selection of the most important activities)

HOCHTIEF Asia Pacific

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

HOCHTIEF Europe

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

For further information, please see www.hochtief.com/subsidiaries2018

The companies featured on the map by way of example illustrate HOCHTIEF's international lineup. Activities are carried out through branches, offices or separate companies. For more information on the corporate divisions, turn to pages 3 and 4 and the segment reporting on pages 66 to 77. Alongside HOCHTIEF Aktiengesellschaft, the consolidated financial statements take in 424 fully consolidated companies, 146 equity-accounted companies, and 71 joint operations included proportionately. This organizational presentation goes together with legal information given in the list of shareholdings.
For the address and contact information of our subsidiaries and associates as well as their branches and offices, please see our website.

Strategy

Creating sustainable value for all stakeholders

HOCHTIEF is an engineering-led global infrastructure group with leading positions across its core activities of construction, services and concessions/public-private partnerships (PPP) focused on Australia, North America and Europe.

Sales by divisions

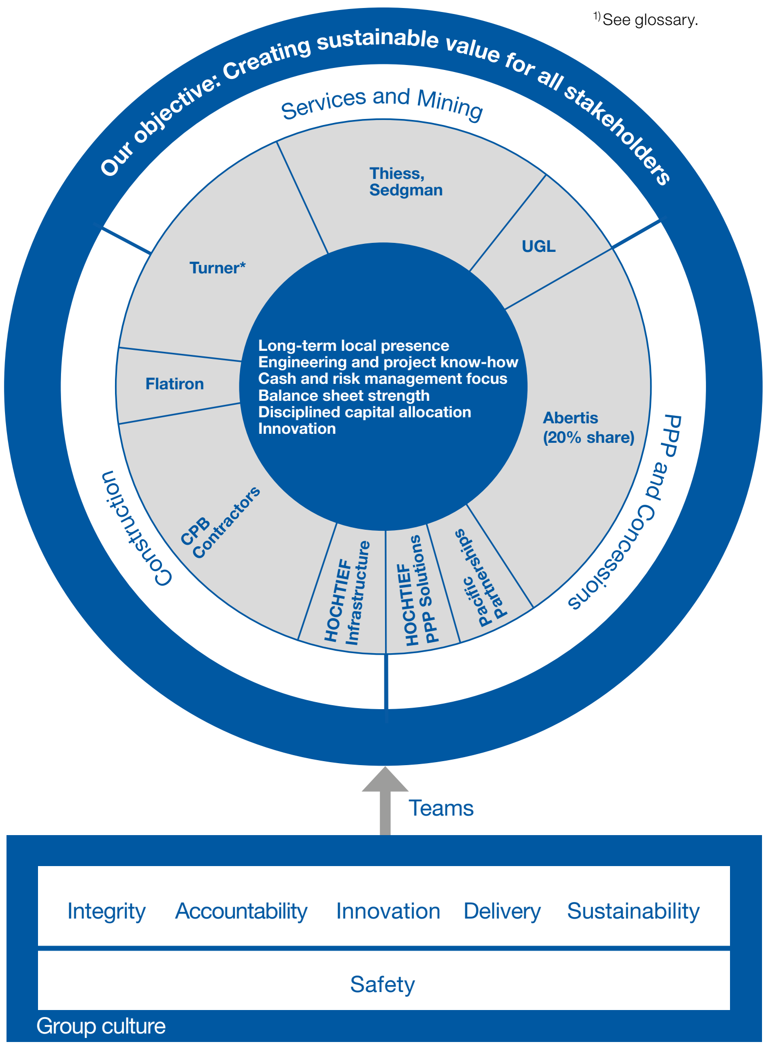
For 145 years, HOCHTIEF has been delivering complex projects for its clients based on its core competence in construction, including building construction and civil engineering. Over time, it diversified geographically and incorporated expertise in engineering, mining and maintenance services as well as greenfield public-private partnership projects and brownfield concessions[1]. Today, HOCHTIEF is a leading infrastructure group in developed markets spanning the full infrastructure life cycle. The recent acquisitions of services company UGL in 2016 and a 20% stake in Abertis, the leading international toll road operator, in 2018 mean the Group now has a balanced business profile in terms of cash flow visibility, capital intensity and margins.

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

Our strategy is to further strengthen HOCHTIEF’s position in core markets and to focus on market growth opportunities while sustaining cash-backed profitability and a rigorous risk management approach. Our businesses are flexible, allowing management to quickly adapt to varying market conditions. Active and disciplined capital allocation is a high priority and we intend to continue focusing on attractive shareholder remuneration as well as in-

Strategy and risk diversification profile

[1] See glossary.



(The graphic depicts selected Group companies and an order of magnitude for the normalized contribution to Group results.)

*Construction management business

vesting in strategic growth opportunities to create sustainable value for all stakeholders.

Key elements of our strategy to achieve our objective are as follows:

Focus on activities and geographies with strong competitive positions

With a goal to deliver a sustainable increase in profitability, risk management is a key process and amongst others includes a decision on the scope of activities and the geographic footprint. We focus on the strong competitive positions that our subsidiaries have with an aim to foster the existing positions and address the existing and new market growth opportunities. Opportunities to expand geographically and in related activities are tackled in a very disciplined fashion based on our governance, risk, growth and return requirements.

Construction

Drawing on our expertise spanning from the design and financing to the construction, operation and maintenance of transportation, energy, social and urban infrastructure, we are well positioned to benefit from public as well as private investments in projects that deliver new or upgrade existing infrastructure. Our local teams are used to executing complex projects to drive a successful outcome for everyone involved. Our key subsidiaries that we look to foster and grow in a disciplined fashion are positioned as follows:

- **Turner**, our construction management business, is the largest U.S. general building company[1)] with leading positions in the construction of green buildings and for educational, healthcare and sports facilities in the U.S.
- **Flatiron** is a top 10 civil engineering contractor in the U.S./Canada.
- **CPB Contractors** is the largest civil engineering and building contractor in Australia.
- **Leighton Asia** has a leading position as construction company in Hong Kong, Macao, Singapore and across selected countries in Southeast Asia.
- **HOCHTIEF** is a leading contractor in Germany and neighboring countries for civil engineering and nonresidential building construction.

Services and mining

Our diversified services footprint addresses two dedicated key activities: (1) mining services, and (2) engineering, construction and maintenance services.

Our mining activities come under CIMIC companies Thiess and Sedgman. **Thiess** is the world's largest mining services provider, offering the widest range of in-house surface and underground mining capabilities across most of the world's commodities and tailoring services to optimize the mining value chain unique to each mine. **Sedgman** is a market leader in the design, construction, and operation of state-of-the-art mineral processing plants and associated mine-site infrastructure.

CIMIC's company **UGL** is a market leader in end-to-end asset solutions, delivering operational value and enhanced customer experiences through its whole-of-life offer for critical assets in power, water, resources, transport, defense and security, and social infrastructure.

In Europe, our facility management subsidiary **synexs**, founded in 2016, provides a consistent digital approach in its service offering.

PPP and concessions

Our concessions/PPPs portfolio has significantly broadened from greenfield to also include substantial brownfield[2)] activities through the recent acquisition of a 20% stake in **Abertis,** the leading international toll road operator.

Our subsidiary **HOCHTIEF PPP Solutions** has focused over the last two decades on greenfield PPP project development in Europe and North America, including investing own equity into the project companies while at the same time delivering substantial parts of the construction work. The same activity is led by **Pacific Partnerships** within our Australian subsidiary CIMIC.

[1)] See glossary.
[2)] See glossary.

Together with our majority shareholder ACS, we have a combined track record since 1985 of being the largest PPP developer by number of transportation concessions and invested capital[1] which provides us with an unparalleled experience in the world.

Our EUR 1.4 billion investment for a 20% stake in **Abertis** in October 2018 has materially increased the Group's portfolio to brownfield concessions/PPPs as HOCHTIEF therefore owns a sizable stake in the leading international toll road operator with a strong presence in France, Spain, Chile as well as other markets.

Focus on sustainable and cash-backed profitability

Achieving sustainable profits which are consistently backed by cash generation is a core element of our strategy and the basis for an attractive shareholder remuneration policy as well as further strategic growth investments.

In 2018, HOCHTIEF again delivered on this objective, achieving a high EBITDA cash conversion rate of 97%. The Group generated a strong cash inflow from operating activities of almost EUR 1.4 billion in 2018, in line with the strong prior-year level, with solid performance across all divisions. Cash inflow from working capital remained at a high level at close to EUR 260 million. Net capital expenditure of over EUR 340 million, a EUR 92 million increase year on year, was a consequence of a higher level of contract mining and job-costed tunneling work in Asia Pacific as well as lower proceeds from equipment disposals. Free cash flow from operations, which is after working capital and capital expenditure, thus remained strong at over EUR 1.0 billion in 2018. This marks the fourth consecutive year of free cash flow generation of at least around EUR 1 billion. As a result of this strong cash generation, the year-end balance sheet for 2018 shows a net cash position of almost EUR 1.6 billion, an improvement of around EUR 300 million compared with December 2017. The increase was achieved despite a close to EUR 500 million net impact during the fourth quarter from the EUR 1.4 billion investment in Abertis and the EUR 0.9 billion proceeds from the capital increase.

Continuous improvement in risk management

In all our projects, effective risk management is essential. Effective risk management requires constant improvements. That is why we work continuously to adapt and improve our risk management processes[2] and, in doing so, contribute toward enhancing profitability. We focus on selected, attractive markets where our engineering and project management know-how coupled with the benefits of a long-term local presence provide a sound basis for execution of our core activities, and constantly assess market opportunities with a view to complementing our activities accordingly.

Diversification and optimization of financing instruments

Improving the financial structure is an ongoing strategic goal for HOCHTIEF. Diversifying the available financing instruments and notably expanding long-term debt financing sources outside of the traditional banking market is key to attaining that goal. In July 2018, we issued our first rated corporate bond with a nominal value of EUR 500 million, a coupon of 1.75% and a maturity of seven years to make use of attractive bond market conditions to secure long-term financing, in particular for our committed investment in Abertis.

Active and disciplined capital allocation a key priority for management

Capital allocation remains a key priority for management, particularly as our balance sheet remains in a strong position with a year-end 2018 net cash position of almost EUR 1.6 billion. We follow an active and disciplined approach to the opportunities we identify, including strategic acquisitions, PPP investments as well as additional shareholder remuneration through dividends and share buybacks.

2018 has seen two major developments for HOCHTIEF's capital allocation. In March, we submitted a joint bid for Abertis with ACS and Atlantia in order to substantially

[1] Public Works Financing Major International Projects Database, November 2018

[2] Please see the Opportunities and Risks Report starting on page 113.

invest in the leading international toll road operator in a disciplined fashion. Our EUR 1.4 billion investment executed in October had been financed by a near-10% capital increase for EUR 0.9 billion as well as EUR 0.5 billion allocated from our existing financial resources. With the successful closing of the Abertis transaction, we are now targeting an increased dividend payout ratio of 65% of nominal net profit from 2018 onwards to attractively remunerate shareholders who will benefit from the improved cash flow visibility and cash flow generation through Abertis.

Accelerating innovation by making use of digital developments

Together with ACS and the Group's operating companies, HOCHTIEF has launched a new strategic initiative and set up the company Nexplore[1], which will actively drive our development into the digital future of construction. The unit plans to set up several innovation centers around the world, supplementing the existing locations in Essen and Frankfurt/Darmstadt with centers in Madrid, Minneapolis and Sydney. Nexplore will cooperate closely with leading universities and IT companies. The shared goal is to systematically exploit the opportunities that digitalization—for example through artificial intelligence, virtual reality, machine learning, the Internet of Things and Industry 4.0—has to offer for the construction business. Through the products and processes developed by Nexplore, HOCHTIEF aims to continuously increase its efficiency, raise execution quality and improve project controlling. Our employees, clients and project partners will likewise profit from these innovations.

[1] Founded in 2018 as HT Technology GmbH

Further enhancing our attractiveness as an employer

HOCHTIEF and its Group companies are attractive employers—a reputation we aim to maintain and further enhance. A skilled and dedicated workforce is critical to our business success. In future years, too, HOCHTIEF aims to offer its 55,777 employees challenging and fulfilling jobs with safe, fair working conditions. Our human resources management is geared to finding the right people for each project and securing their lasting loyalty to the Group. We are committed to ongoing training and invest in individual development. During 2018, the number of employees increased by 1,887 or 3.5% versus year-end 2017, which underlines our strong position to attract talented and dedicated new colleagues across the Group.

Occupational safety and health have top priority in all our activities. We work continuously to optimize safety. In addition, we have established the lost time injury frequency rate (LTIFR) as a non-financial performance indicator. Our target remains to further reduce LTIFR.[2]

[2] For further information on the LTIFR, please see pages 102 to 105.

Dedicated sustainability strategy

HOCHTIEF delivers on its responsibility as a corporate citizen and contributes to sustainable development. We define sustainability as a systematic approach to harmonizing economy, ecology, and social responsibility across the breadth and depth of all our business activities with the aim of securing the long-term viability of the Company. This includes an analysis of our business and its activities both from within and from the outside. Our sustainability strategy is presented in detail starting on page 32.

Sophisticated project solutions for challenges arising from global megatrends

A global and diversified business like HOCHTIEF's is naturally impacted by current megatrends that provide both complex challenges and attractive opportunities. We actively manage the positioning of our Group companies, including processes and systems, with a focus on the resulting organic growth opportunities that will, in particular, be driven by megatrends such as globalization, urbanization, digitalization, demographic change, and climate change. We have done so in the past and keep our focus on the opportunities that will continue to arise. For instance:

HOCHTIEF addresses megatrends

Current challenge	HOCHTIEF approach
Urbanization is driving increasing population density in cities and triggers congestion problems.	CIMIC is delivering parts of the Sydney and Melbourne Metro tunneling works to ease congestion in Australia's biggest cities and make life more livable. We deliver similar projects in our relevant markets all over the world.
Globalization effects make business activities and relationships more flexible.	The companies in the HOCHTIEF Americas division are currently involved in modernizing airports to increase capacity and passenger convenience, seven projects were won in 2018 alone. Our U.S. subsidiary Turner builds data centers for large U.S.-based groups, which ensure secure data flows. In this way, we deliver a variety of contributions to the functionality of global business.
Climate change brings new challenges worldwide.	Turner is a leading builder of "green buildings" in the U.S. The concept of certified buildings is based, among others, on high energy efficiency to reduce CO_2 emissions—an important criterion in the worldwide efforts to limit global warming. In Germany, we have a leading position in the construction of flood protection; our Australian subsidiary CPB Contractors is leading in the construction of sustainable infrastructure. Simultaneously, HOCHTIEF as a sustainable group actively works itself to reduce emissions.
The share of **renewable energies** in worldwide energy generation is growing due to greater cost efficiency. This also leads to a more favorable ecological footprint.	We are a leading player in the build-up and operation of solar parks in Australia. In the USA, Turner delivers a growing number of zero-energy projects, and in Europe, we offer green buildings and passive houses.
Rapid advancements in **digitalization** create application opportunities today and significant scope for more sophisticated applications in the future.	Globally we are recognized for state-of-the-art building construction, including latest building technology, using Building Information Modeling (BIM) for digital planning and efficient project execution already in more than 2,300 HOCHTIEF projects. CIMIC's company Thiess uses automation technology for fleet operation in mines which it operates in Australia. We established Nexplore in 2018 to systematically exploit the opportunities that digitalization can bring to our construction and services operations in cooperation with leading universities and IT companies.
Demographic change in our core markets is driving a significant acceleration of demand for smaller apartments in urban areas.	Our Group companies are involved in a growing number of inner city high-rise apartment buildings that cater for today's rising need for apartments in buildings with all modern amenities.
Public budget constraints limit actual investment in new or upgraded infrastructure leading to growing investment backlogs and a crumbling infrastructure backbone in many developed markets.	HOCHTIEF's extensive international experience in project delivery through public-private partnerships provides solutions to the company's public partners to deliver on road, rail or social infrastructure needs in a constrained environment. We arrange everything from financing to planning and construction to operation from a single source.

Sustainability strategy

The HOCHTIEF sustainability strategy is derived from the Group's corporate strategy. We define sustainability as a systematic approach to harmonizing economy, ecology, and social responsibility across the depth and breadth of all our business activities with the aim of safeguarding the company's long-term viability. To this end, we apply a holistic focus, taking in our business segments and operating activities as well as our surroundings and the interests of our stakeholders.

As a global infrastructure group, we take responsibility for direct environmental and social impacts. We set out to shape this influence in a positive direction. This is why HOCHTIEF considers sustainability to be part and parcel of results-oriented business, flanking the performance maximization goal in contracting. We aim to preserve, create, and grow value for clients and for the Group alike. This mindset is deeply rooted in our corporate vision—"HOCHTIEF is building the world of tomorrow"—and our Group's guiding principles[1)], which explicitly include sustainability as a precondition. At the same time, our corporate success is tied to existing environmental conditions, giving rise to risks that we actively address and opportunities that we exploit.

[1)] For further information on our vision and guiding principles, please see page 27.

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

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

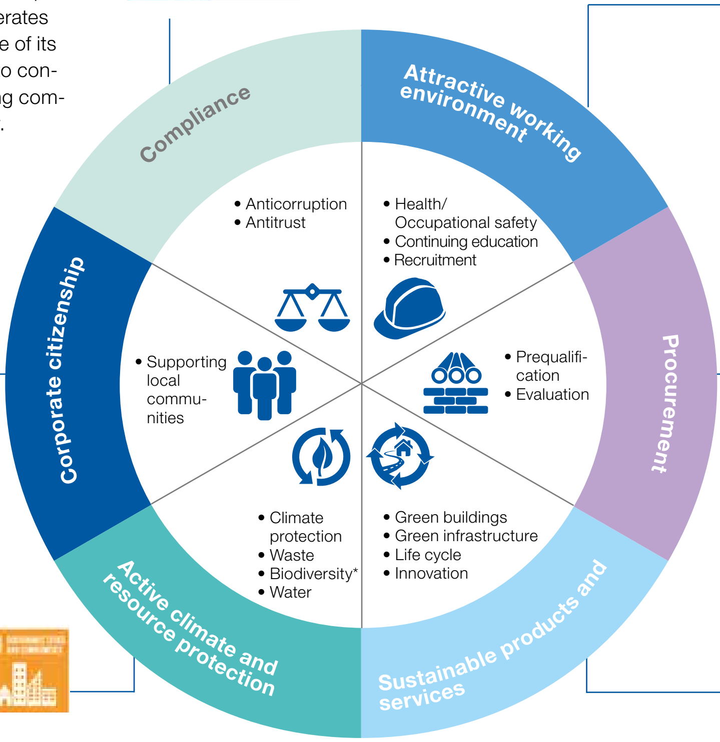
Social issues

Focus area: Compliance
We aim to set standards.

Anticorruption

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

Employee-related issues, social issues, human rights**



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

Environmental issues, social issues, human rights, anticorruption**

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

Environmental issues

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

Environmental issues, social issues

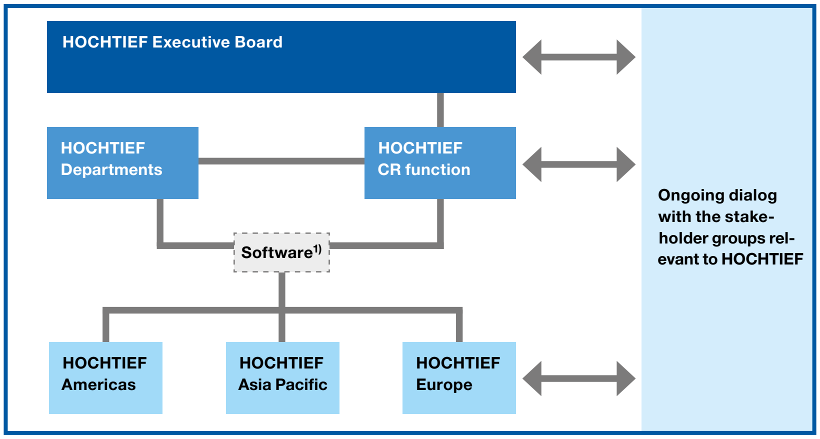
*non-material under CSR-RUG
**interdisciplinary topics at HOCHTIEF

Legend

Aspects of CSR-RUG

Sustainable Development Goals

CR data capture and reporting at HOCHTIEF



Within our markets, we contribute in various ways, including with green buildings, sustainable infrastructure, and environmentally and socially responsible construction processes. Innovations in products and services lead to tailor-made, resource-conserving solutions in our business segments. Seeking to positively influence the impact of our business activities, we pursue the goal of being a leading, long-term market provider of sustainable infrastructure solutions.

We are constantly working to penetrate and enshrine Corporate Responsibility (CR) issues effectively throughout the Group. In this connection, we also undertake projects such as analyzing the impacts of construction activity as well as those devoted to climate change mitigation and human rights due diligence. Over the long term, we aim for full integration of CR into financial reporting and for comprehensive CR management based on sound sustainability planning and control.

CR organizational structure

The principle of sustainability is coordinated by the Corporate Responsibility organization, which ensures HOCHTIEF's own contribution in this regard (see chart above). This is laid down in our CR directive, which defines Group-wide standards. The work of both the CR function and the CR bodies (CR Committee, Sustainability Competence Team) is geared toward the ongoing strategic and operational fine-tuning of sustainability at HOCHTIEF. The Executive Board member responsible for CR is provided with regular reporting on current developments in CR matters. A software application deployed throughout the Group gathers CR data and information.

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

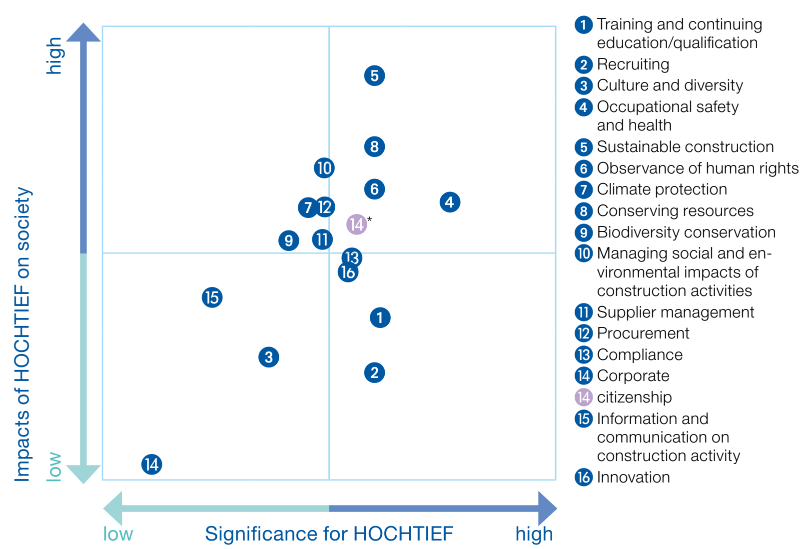
Materiality approach

The selection of key sustainability focus areas is subject to annual internal and external review with regard to business relevance, impacts, and stakeholder interests (see chart opposite). Materiality analysis in the reporting year revealed a uniform picture across the various survey groups[2)]: Occupational safety and health, green building, resource conservation, and respect of human rights are shown to be highly relevant in terms both of their importance to HOCHTIEF and of their impacts. Unprompted mention was notably made of aspects relating to ecology and working conditions. Internal evaluation by the functions and by HOCHTIEF management confirm this relevance assessment. At the same time, we still see significant responsibility for our company with regard to corporate citizenship. Overall, HOCHTIEF continues to be well placed with regard to the six CR focus areas and is now moving on to specifically process the analysis findings within its CR program.

[1)] Pooling of sustainability data and information

[2)] In November/December 2018, YouGov Deutschland conducted a survey with a total of 1,655 participants from groups including the general public, decision makers, employees, subcontractors, and CR experts.

Materiality matrix 2018



Methodology: The various stakeholder groups are included with the same weighting in the totals for purposes of comparability.

*HOCHTIEF relevance assessment

<PROJECT>

MEDICAL OFFICE BUILDING IN SANTA ROSA

</PROJECT>

<FACTS>

State of the art: The Kaiser Santa Rosa medical office building offers a wide range of primary care services, providing healthcare to people throughout the region. Turner handed over the cutting-edge complex in September 2018.

</FACTS>

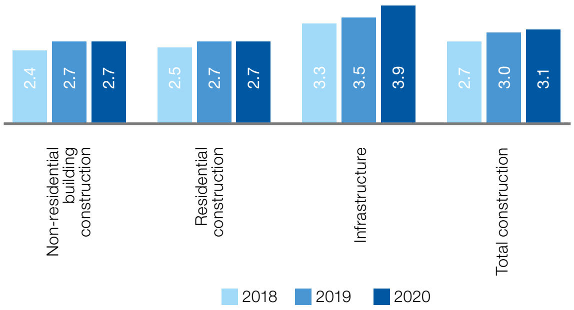
Markets and operating environment

Construction

Global construction market trends[1)]

According to IHS estimates, the total volume of investments in the global construction industry reached EUR 8.9 trillion in 2018 (measured in 2010 USD). This marks a 2.7% rise on 2017 and is the ninth year of consecutive growth in the global construction industry. The positive trend is expected to continue over the next two years with slightly higher growth rates of 3.0% in 2019 and 3.1% in 2020. Global growth during these years should be driven by all regions and segments, but especially by the infrastructure segment and Asia Pacific—which accounts for 49% of the total market size.

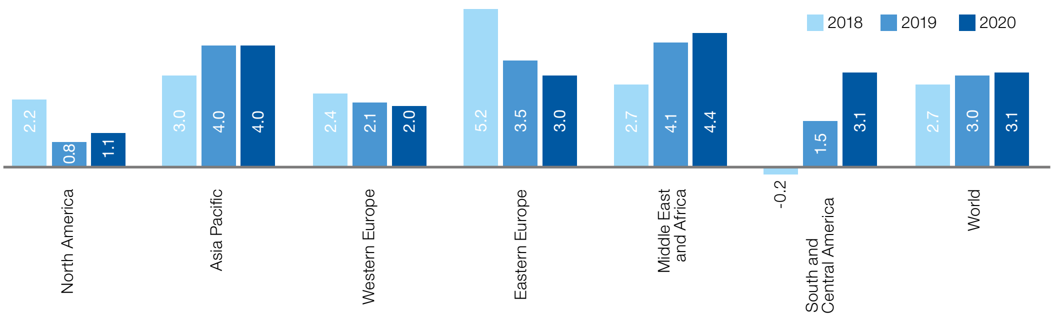
Increase in total construction sector investment by segment[2)]



[1)] Source unless otherwise specified: IHS Markit, Global Construction Outlook, as of January 2019

[2)] Percentage change on prior year, measured in 2010 USD; IHS Markit; Global Construction Outlook, as of January 2019

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



North America[3)]

The construction industry in North America grew faster at 2.3% in 2018 (2017: 1.6%), which was mainly due to a much stronger infrastructure segment (6.3% in 2018 versus -3.7% in 2017). The total volume reached a level of about EUR 1.1 trillion. Growth is forecast to slow down but remain positive at 0.7% in 2019 and 1.0% in 2020.

The construction market in the **United States** is forecast to modestly expand in 2019 and 2020 at 0.6% and 1.2%. The good growth in the infrastructure construction market in 2018 is expected to continue into 2019. The outlook for 2020 is, however, less certain for reasons including the expiry in 2020 of the FAST Act (signed in 2015) and the fact that the current administration has yet to pass legislation to compensate for this. Non-residential building construction is expected to remain stable.

In **Canada**, the construction market grew by 7.3% in 2018, mainly due to very high growth rates of 14.0% in the infrastructure segment. The government remains committed to investing in this segment, even if growth rates normalize at a lower level. Non-residential construction is expected to slow down due to its close ties to the U.S. economy.

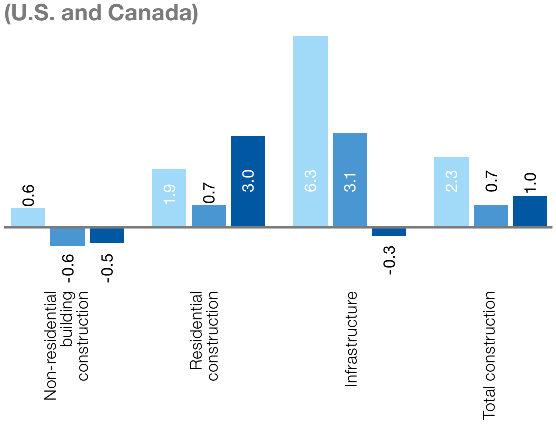
[3)] Source unless otherwise specified: IHS Markit, Global Construction Outlook, as of January 2019

Growth in regional construction markets of relevance for HOCHTIEF[1]

Region	2018				2019				2020			
	Non-residential building construction	Residential construction	Infrastructure	**Overall market**	Non-residential building construction	Residential construction	Infrastructure	**Overall market**	Non-residential building construction	Residential construction	Infrastructure	**Overall market**
United States	-0.3	1.3	4.3	**1.2**	-0.5	0.6	2.7	**0.6**	-0.4	3.5	-0.7	**1.2**
Canada	6.7	4.4	14.0	**7.3**	-1.4	1.2	4.5	**1.3**	-1.1	0.6	1.1	**0.2**
North America	**0.6**	**1.9**	**6.3**	**2.3**	**-0.6**	**0.7**	**3.1**	**0.7**	**-0.5**	**3.0**	**-0.3**	**1.0**
Australia	-0.3	3.1	0.9	**1.4**	1.3	1.9	1.1	**1.4**	2.3	1.6	2.2	**2.0**
New Zealand	2.9	2.3	1.5	**2.2**	1.4	1.6	2.3	**1.8**	1.1	1.3	1.9	**1.5**
South-east Asia[2]	5.3	3.2	7.3	**5.1**	5.4	4.1	7.4	**5.5**	5.8	4.7	7.4	**6.0**
Asia Pacific	**4.4**	**3.2**	**4.7**	**4.1**	**4.7**	**3.5**	**4.9**	**4.4**	**5.2**	**3.9**	**5.5**	**4.8**
Germany	2.3	5.8	2.9	**4.5**	4.4	5.4	4.1	**5.0**	3.5	4.0	3.0	**3.7**
Netherlands	2.8	3.1	2.7	**2.9**	2.5	1.7	1.5	**1.8**	2.0	1.3	1.0	**1.4**
Austria	3.4	3.2	2.5	**3.1**	3.3	2.5	2.5	**2.8**	2.7	1.8	1.9	**2.1**
Poland	10.4	4.2	14.2	**10.6**	7.2	4.3	8.2	**7.1**	4.0	2.2	4.5	**3.8**
Scandinavia[3]	2.6	4.0	3.1	**3.4**	2.7	2.6	3.3	**2.8**	2.2	2.6	2.9	**2.6**
Czech Republic	5.7	3.4	6.0	**5.4**	3.8	2.2	4.7	**3.9**	2.6	2.5	4.6	**3.5**
United Kingdom	-1.4	0.9	0.5	**-0.1**	0.0	1.0	1.0	**0.6**	0.7	1.2	1.9	**1.1**
Europe	**2.2**	**3.7**	**4.2**	**3.4**	**2.7**	**3.2**	**3.6**	**3.1**	**2.2**	**2.6**	**2.8**	**2.5**

1) Percentage change on prior year, measured in 2010 USD; IHS Markit; Global Construction Outlook, as of January 2019
2) South-east Asia includes Hong Kong, India, Indonesia, Philippines, Singapore.
3) Scandinavia includes Denmark, Finland, Norway and Sweden.

Increase in investment by sector in North America (U.S. and Canada)



4) Source unless otherwise specified: CIMIC Annual Report 2018, Operating Environment Outlook, and IHS Markit, Global Construction Outlook, as of January 2019

Asia-Pacific[4]

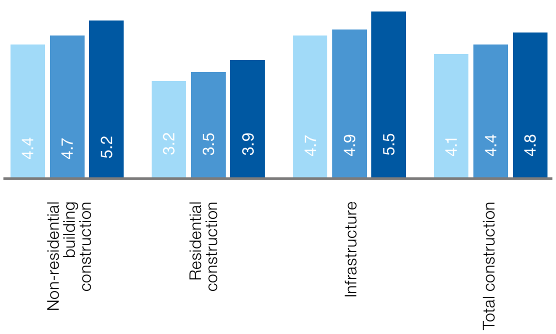
In the countries relevant for HOCHTIEF in the Asia-Pacific region, growth is expected to continue at a strong level of above 4%, according to IHS. Historic under-investment, growing populations, increasing urbanization, and the demands of economic development are driving governments across Australia and the Asia-Pacific region to invest ever larger amounts of capital in social and economic infrastructure projects. It is expected that the growing rate of government spending will be supplemented by sustained levels of private sector investment in oil and gas, mining, renewable energy generation and transmission, telecommunications, and commercial property projects.

In **Australia**, investment in transportation infrastructure is expected to be a significant driver of the non-residential construction market over the next five years, supported primarily by substantial funding commitments from the federal and various state governments, and complemented by collaboration with the private sector on PPP projects. The federal government proposed investing AUD 75 billion (EUR 46 billion) in nationally significant transport infrastructure over the next decade.[1] At the same time, State and Territory Governments are also progressing substantial infrastructure investment programs in their own right. Total infrastructure growth is estimated to be held back by continuing declines in spending in the energy infrastructure subsector, according to IHS.

The government in **New Zealand** remains focused on improving the nation's infrastructure and demonstrated its commitment to investing for the future. In the 2018 budget, the government outlined a commitment to spend NZD 42 billion (EUR 25 billion) of net new capital over the five years to 2022. Funds will go predominantly to transport, housing and regional infrastructure projects, as well as investments in health and education.[2]

Across the other construction markets in **South-east Asia**, strong macroeconomic and demographic trends are continuing to provide a broad range of opportunities for all construction subsectors.

Increase in investment by sector in Asia-Pacific in the markets of relevance for HOCHTIEF



Europe[3]

In the countries relevant for HOCHTIEF in Europe, growth remained at a high level in 2018 at 3.4%, which resulted in a total volume of about EUR 1.1 trillion, according to IHS. The outlook for the following years is positive with growth rates of 3.1% in 2019 and 2.5% in 2020. The highest growth rates are expected for the infrastructure segment with 3.6% in 2019 and 2.8% in 2020. The non-residential buildings segment is solid, with growth rates projected to range between 2.2% and 2.7% during 2018–2020. Good growth in Germany and the countries in Eastern Europe will be dampened somewhat by slower growth in the UK.

The construction market in **Germany** enjoyed strong growth of 4.5% in 2018 and is expected to grow in 2019, at 5.0%. Reasons for the currently strong development are pent-up housing demand, additional migrant needs and the likely persistence of historically low interest rates. While growth in 2018 was mainly driven by the residential buildings segment, infrastructure and non-residential buildings are expected to also be strong drivers in 2019 and 2020.

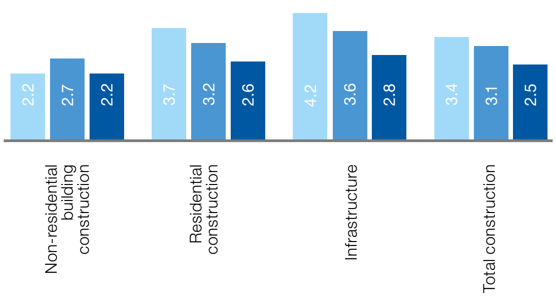
The strongest growth rates in 2018 were experienced in Eastern Europe. Growth in **Poland** was 10.6% in 2018, mainly due to the inflow of European funds from the 2014–20 budget and a more dynamic than expected economy. The **Czech Republic** also developed strongly (5.4%) due to renewed drawdowns of European funds. These trends are expected to continue, despite the moderation in growth rates from a high level.

For the **UK**, IHS expects low growth rates to persist due to the ongoing uncertainty resulting from Brexit.

In **other countries,** there was consistent growth in construction investment across all segments.

2018 2019 2020

Increase in investment by sector in Europe in the markets of relevance for HOCHTIEF



[1] Commonwealth of Australia, Budget Statement 1: Budget Overview, May 2018, pages 1-18 to 1-19

[2] New Zealand Treasury, Fiscal Strategy Report, 2018, May 2018, pages 22 to 24

[3] Source unless otherwise specified: IHS Markit, Global Construction Outlook, as of January 2019

Group Management Report

Services and Mining

Services

The outlook for the maintenance services market in **Australia** continues to improve, as the market continues to grow and offer new opportunities. The maintenance market is expected to grow by more than 6.0% per annum from 2018 to 2023 and by almost 50% over the next seven years from an estimated AUD 25.5 billion (EUR 15.7 billion) in 2018 to around AUD 38 billion (EUR 23.4 billion) in 2025. A substantial level of investment in the infrastructure and resources sectors, combined with the further aging of existing infrastructure, is driving demand for maintenance services. In addition, an increasing number of asset owners are seeing the benefit of outsourcing their maintenance services. Currently in Australia, around 56% of the infrastructure maintenance service market is outsourced—however this number is expected to gradually increase over time.

According to the latest Lünendonk study, the volume of the facility management market in **Germany** was expected to reach more than EUR 55 billion in 2018, marking an increase of 3.7%. The short-term and long-term outlook for facility management providers in Germany remains positive. For 2019, Lünendonk expects the market to grow by 3.8%, driven by a strong economic trend with particular strength in the construction industry. Annual growth of 4.0% is expected from 2020 until 2025.[1)]

Mining[2)]

In the long term, rising living standards across much of the developing world, along with continued population growth, and increasing urbanization will continue to underpin demand for energy, metals, and minerals. After a period of underinvestment by resources companies in new greenfield developments, there is also a growing need for the sector to invest in new and expanded sources of supply.[3)]

The **Australian** government's Resources and Energy Quarterly reported in September 2018 that exports by volume of metallurgical coal, thermal coal, and iron ore are expected to grow by a compound annual growth rate of 5.1%, 1.2%, and 1.7% per annum respectively from 2017–18 until 2019–20.[4)] Strong demand for coal and iron ore, copper, and nickel are expected to underpin a good level of mining activity. Meanwhile, an accelerating transition to renewable energy sources, such as solar and wind, as well as the need for storage in the form of batteries, is increasing demand—and therefore mining opportunities—for the metals and minerals used in this infrastructure.

Concessions and PPP

Europe

The wider European greenfield public-private partnership (PPP) market saw an overall rise in value during 2018 driven by a significant increase in transportation infrastructure projects.[5)] Based on the activity in HOCHTIEF's current greenfield PPP pipeline, we expect the European market relevant to the Group to remain at a solid level.

In **Germany**, the federal government's program for the procurement of eleven roads through a PPP scheme is progressing as planned. The new coalition agreement from 2018 has confirmed the current program, which therefore should lead to a good level of transportation infrastructure activity for the years ahead. The pipeline of social infrastructure PPP projects, mainly procured at state and community level, should remain on a steady level driven by education and administration projects.[6)]

The public roads authority in **Norway**, Statens vegvesen, continued with the procurement of major road projects through PPPs. This complements the unprecedented investment in infrastructure which is outlined in the Norwegian Ministry of Transport and Communications' 12-year National Transport Plan (NTP) for 2018–2029.[7)]

In October 2018, the **UK** government announced that it will no longer use PF2 (Private Finance 2), the current model of Private Finance Initiative (PFI), previously used to procure certain new transportation and social infrastructure projects through the private sector. Existing PFI and PF2 contracts will continue because of this an-

[4)] Australian Government (Office of the Chief Economist) Department of Industry, Innovation and Science: Resources and Energy Quarterly, September 2018, page 7

[5)] Inframation Deals, January 2019

[6)] Partnerschaften Deutschland: overview of PPP projects in building construction and civil engineering in Germany, December 2018

[1)] Lünendonk study 2018 "Facility-Service-Unternehmen in Deutschland" (facility services companies in Germany)

[2)] CIMIC Annual Report 2018, Operating Environment Outlook

[7)] Inframation News, April 2017

[3)] BHP. "BHP's economic and commodity outlook", August 2018, page 2.

nouncement, according to the government.[1] As a result, there is uncertainty surrounding the medium and long-term opportunities for private involvement in the UK. In the near term, projects well advanced in the procurement process are still going ahead toward financial close.

In other relevant European PPP markets for HOCHTIEF, such as **Poland**, the **Czech Republic** and the **Netherlands**, there remains a steady flow of individual projects. In particular, prospects have improved in Poland due to the new policy for the development of PPPs that is intended to increase the scale and efficiency of private infrastructure investment.[2)]

North America

In 2018, the North American greenfield PPP market saw an increase in the number and value of projects to reach financial close driven by an acceleration of activity in the Canadian market. Based on the activity in HOCHTIEF's current greenfield PPP pipeline, we expect the North American market to show a strongly positive trend in the coming years helped by the increasing adoption of PPPs for infrastructure procurement in the U.S. and major project developments in Canada.

The **U.S.** PPP market continued to show encouraging signs of progress during 2018 with new asset types, such as airport assets, being procured on a PPP basis. At the same time, an increasing number of road, bridge, and tunnel projects are coming to the market, those earmarked for 2019 mainly under the demand-risk model, which seems to currently offer a more attractive risk-reward profile for authorities and investors alike.[3)]

In **Canada**, the outlook for infrastructure procurement through PPP schemes remains promising and strong, as illustrated by the number of projects where bidders are already shortlisted or selected as preferred proponent. The activity level is also broadening toward more provinces offsetting the potential impact from the review of project priorities in Ontario and British Columbia after political changes.[4)]

Asia-Pacific[5)]

In the PPP markets relevant for HOCHTIEF in the Asia-Pacific region, i.e., Australia and New Zealand, federal and state governments are supporting the use of PPP procurement as part of the countries' infrastructure agendas.

Federal and state governments in **Australia** acknowledge the advantages of project procurement via PPP. This is reflected in the National PPP Policy Framework, which has been signed by the Council of Australian Governments and requires that all projects valued at over AUD 50 million be considered for PPP agreements.[6)] Furthermore, new PPP contracting models are enabling greater flexibility in allocating risk between the public and private sectors, leading to better outcomes for all parties involved.

In **New Zealand**, the government is actively pursuing non-traditional procurement options—specifically PPP approaches with greater private sector involvement in providing both infrastructure and services at better value for money to the public sector.

1) HM Treasury: Budget 2018 – Pricate Finance Initiative (PFI) and Private Finance 2 (PF2), October 2018

4) Inframation News, December 2018

5) CIMIC Annual Report 2018, Operating Environment Outlook

2) Ministry of Investment and Economic Development: The government policy for the development of PPPs (Poland), July 2017

6) Department of Infrastructure and Regional Development, National PPP Policy Framework, October 2015, page 7

3) Inframation News, December 2018

Orders and Work Done in 2018

Solid order backlog growth as new orders remain on a high level

HOCHTIEF's order backlog rose further during the reporting period to EUR 47.3 billion, corresponding to an increase of 7% on an exchange rate adjusted basis as well as 6% on a reported basis. The increase was driven by a continued high level of new orders that exceeded the work done LTM by 10% whilst maintaining a disciplined bidding approach across the Group.

HOCHTIEF Americas: Sustained high level of new orders keeps comfortably exceeding a growing work done level

The order backlog in the HOCHTIEF Americas division reached a new record level of EUR 21.1 billion at the end of 2018, up 20% year on year, highlighting the strength of the business. New orders remained on a very high level of EUR 15.3 billion during the year, an increase of 3% in local currency terms and stable on a reported basis compared to the previous year. While work done grew strongly during 2018 to EUR 12.7 billion, up 9%, the order intake level still exceeded this by 20% and drove the backlog up further.

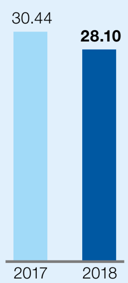
HOCHTIEF Asia Pacific: Solid backlog level with an underlying positive trend in the operating companies

At the end of 2018, the Asia Pacific division's order backlog remained at a solid level of EUR 22.6 billion, providing a consistently high visibility of 26 months. In local currency terms and focusing on the operating companies, this represents an increase of 6% year on year as a good level of new orders exceeded the 2018 work done level. The reported order backlog development in Euro terms equates to a 4% decline given foreign currency headwinds and CIMIC's strategic focus.

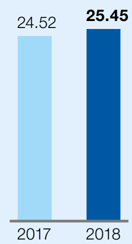
HOCHTIEF Europe: Solid level of new orders compared to a strategy-driven reduced work done level in 2018

In Europe, the divisional order backlog at the end of December 2018 stood at EUR 3.6 billion, representing a modest reduction of 2% in reported terms driven by deconsolidation effects. A solid level of new orders at EUR 1.9 billion was secured during 2018, matching the level seen in 2017. Work done in the reporting period reduced to below EUR 1.8 billion, down 7%, on a lower level of real estate revenues and a disciplined bidding approach in construction, in line with the current strategy.

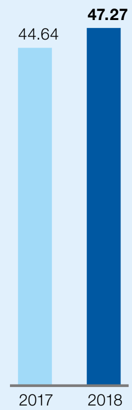
New orders
EUR billion



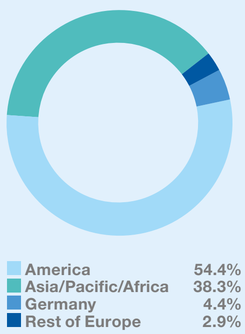
Work done[1]
EUR billion



Order backlog
EUR billion

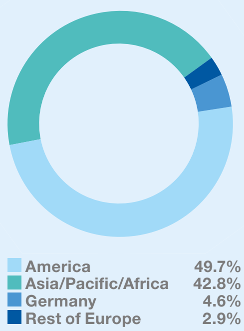


New orders by region



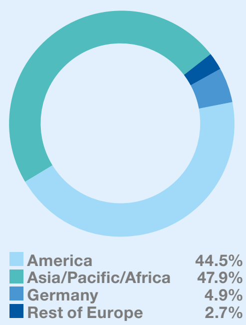
100% = EUR 28.10 billion

Work done[1] by region



100% = EUR 25.45 billion

Order backlog by region



100% = EUR 47.27 billion

[1] The reporting term work done 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.

<PROJECT>

AUDI FIELD

</PROJECT>

<FACTS>

For love of the game: Turner built a new stadium in Washington D.C. for the D.C. United soccer team. It achieved LEED Gold certification. The stadium is also a key element in the transformation of the surrounding area.

</FACTS>

Value creation 2018

HOCHTIEF's value added analysis serves to show how its added value is generated while quantifying what benefit is derived from that value added for public and private stakeholder groups.

In 2018, the continued focus on cash-backed profits drove further gains in profitability and liquidity. Our renewed listing in the Dow Jones Sustainability Index (DJSI) is the result of our sustainable business practices. This commitment to sustainability itself further enhances our attractiveness to customers as well as on the capital and labor markets.

Net value added as a percentage of Group performance was 22.1% in 2018, at the same level as in the prior year. As in past years, the HOCHTIEF Group once again distributed the lion's share of net value added to employees in 2018. This large proportion of value added means that we can continue offering attractive employment on fair terms. Distributions to minority shareholders accounted for EUR 177.5 million of value added in 2018. The increase relative to the prior year relates to the higher dividend.

The proportion distributed to public authorities in 2018, at 4.9% (EUR 259.9 million), was slightly higher than in the prior year (4.7%).

In an uncertain market environment with persistently low interest rates, 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 the year under review was EUR 160.8 million, which is on a par with 2017.

Sources of value added

	2018		2017	
	EUR million	%	EUR million	%
Sales	23,882.3	99.4	22,631.0	99.5
Changes in inventories	(19.4)	-0.1	(53.6)	-0.2
Other operating income	170.4	0.7	171.4	0.8
Corporate performance	**24,033.2**	**100.0**	**22,748.8**	**100.0**
Materials	(17,396.9)	-72.4	(16,229.4)	-71.3
Other operating expenses	(1,304.0)	-5.4	(1,239.1)	-5.4
Other investment expenses	17.8	0.1	(37.2)	-0.2
Input costs	**(18,683.1)**	**-77.7**	**(17,505.7)**	**-77.0**
Investment and interest income	66.6	0.3	87.1	0.4
Net income from participating interests	290.1	1.2	176.6	0.8
Gross value added	**5,706.9**	**23.7**	**5,506.8**	**24.2**
Depreciation and amortization	(391.6)	-1.6	(395.6)	-1.7
Net value added	**5,315.3**	**22.1**	**5,111.2**	**22.5**

Distribution of value added

	2018		2017	
	EUR million	%	EUR million	%
Employees	4,176.1	78.6	4,129.4	80.8
Lenders	160.8	3.0	158.2	3.1
Minority shareholders	177.5	3.3	161.8	3.2
Public authorities	259.9	4.9	241.1	4.7
– Shareholders	410.1	7.7	429.1	8.4
– Company	131.0	2.5	(8.4)	-0.2
Company and shareholders	541.1	10.2	420.7	8.2
Net value added	**5,315.3**	**100.0**	**5,111.2**	**100.0**

HOCHTIEF aims to afford shareholders their commensurate share in the Group's positive earnings performance. The correspondingly higher dividend in 2018 resulted in a further significant increase in the portion distributed to our shareholders and the Group itself, to EUR 541.1 million or 10.2% of net value added.

<PROJECT>
NECKARTAL BRIDGE ON THE A6 HIGHWAY
</PROJECT>

<FACTS>

Engineering marvel that's kind to the environment: A key structure that forms part of the PPP A6 highway project in Germany, the 1,336-meter-long Neckartal Bridge is being built using the incremental launching method. The entire bridge is scheduled for completion in 2022.

</FACTS>

Financial Review

Overview

HOCHTIEF performed strongly in 2018. A particular highlight was the successful conclusion of the takeover of Abertis, the leading international toll road operator, together with our co-shareholders ACS and Atlantia. The operational business also developed very well. Based on improved margins and solid sales growth, the Group achieved a significant increase in its earnings figures. Cash flow development continued to be very robust with free cash flow from operations once more exceeding EUR 1 billion in 2018. The order backlog expanded further and backlog visibility increased. The dividend payout ratio will increase from 50% to 65% of the Group's nominal net profit providing another significant step-up in the proposed dividend payment for 2018. The Group's net cash position increased further to EUR 1.6 billion, after a net investment of EUR 0.5 billion for the acquisition of a 20% stake in Abertis, underlining the HOCHTIEF Group's cash flow generation and balance sheet strength.

Solid sales growth

HOCHTIEF generated **sales** of EUR 23.9 billion in 2018. With an increase of EUR 1.3 billion, solid growth of 6% up on the prior year (EUR 22.6 billion) was achieved. Adjusted for foreign exchange rate movements, the sales volume was 11% higher than in the previous year.

Sales

(EUR million)	2018	2017	Change
HOCHTIEF Americas	13,068.7	11,838.9	10.4%
HOCHTIEF Asia Pacific	9,266.3	9,077.0	2.1%
HOCHTIEF Europe	1,422.6	1,609.0	-11.6%
Corporate	124.7	106.1	17.5%
HOCHTIEF Group	**23,882.3**	**22,631.0**	**5.5%**

Based on the strong performance of our U.S. subsidiaries, the HOCHTIEF Americas division continued its strong prior-year sales performance. With sales of EUR 13.1 billion, the division exceeded the prior-year figure (EUR 11.8 billion) by 10%. On an exchange rate adjusted basis, sales in the HOCHTIEF Americas division were up 14%.

The HOCHTIEF Asia Pacific division generated sales of EUR 9.3 billion in 2018, an increase of 2% on the prior year (EUR 9.1 billion). In local currency terms, the increase was significantly higher at 9%, up AUD 1.2 billion to AUD 14.7 billion, highlighting a very healthy demand environment. As the leading company in the Asia-Pacific region in the sectors of construction, mining, services, and public-private partnerships, CIMIC recorded sales growth across all operating companies.

Sales of the HOCHTIEF Europe division reflect our strategic focus. Our disciplined bidding approach in construction and the ongoing reduction of our real estate development activities in particular have led the division's sales level to EUR 1.4 billion (2017: EUR 1.6 billion) during the year.

HOCHTIEF generated sales of EUR 23.0 billion on markets outside Germany in 2018. The proportion of sales generated internationally was 96% unchanged relative to the prior year.

EBITDA and EBIT restated

Operational Statement of Earnings

(EUR million)	2018	2017	Change
Sales	**23,882.3**	**22,631.0**	**5.5%**
Change in inventories	(19.4)	(53.6)	
Materials	(17,396.9)	(16,229.4)	
Personnel costs	(4,168.1)	(4,119.8)	
Other operating income	170.3	171.4	
Other operating expenses	(1,304.0)	(1,239.1)	
Net income from joint ventures	192.8	111.3	
Net non-operating expenses adjustment	56.8	49.0	
EBITDA	**1,413.8**	**1,320.8**	**7.0%**
Depreciation and amortization	(391.6)	(395.7)	
EBIT	**1,022.2**	**925.1**	**10.5%**
Net interest income and other financial result	(57.4)	(56.8)	
Result from equity-accounted associates	70.4	4.3	
Net non-operating expenses adjustment	(56.8)	(49.0)	
Profit before tax/PBT	**978.4**	**823.6**	**18.8%**
Taxes	(259.8)	(241.1)	
Tax rate (taxes/PBT in %)	26.6	29.3	
Profit after tax	718.6	582.5	
Minority interest	(177.5)	(161.8)	
Consolidated net profit	**541.1**	**420.7**	**28.6%**

Strong increase in earnings figures
HOCHTIEF's earnings performance in 2018 shows a further significant improvement. The Group benefited from higher margins and solid growth in the divisions as well as from the earnings contribution from our investment in Abertis (consolidated from June 1, 2018).

EBIT improved by 10% compared with the previous year (EUR 925 million) and exceeded the EUR 1 billion level for the first time in 2018. The **net non-operating expenses adjustments** of EUR 57 million (2017: EUR 49 million) mainly related to one-off effects as well as income and expenses from the valuation of receivables, asset disposals (excluding financial assets), provisions and changes in exchange rates.

Net income from joint ventures and from the disposal of participating interests amounted to EUR 193 million in 2018, significantly exceeding the previous year's figure (EUR 111 million) by EUR 82 million. This was mainly due to higher earnings contributions from joint ventures at CIMIC and at Flatiron. The EUR 66 million increase in **result from equity-accounted associates** to EUR 70 million was mainly due to the contribution of our participation of 20% in Abertis, which has been equity-accounted in HOCHTIEF's consolidated financial statements since June 1, 2018.

At minus EUR 57 million, **net interest income and other financial result** were at the previous year's level and comprise the result from loans, net income from other participating interests and net interest income/expenses.

HOCHTIEF significantly increases nominal and operational profit

Nominal profit before tax (PBT) improved significantly in 2018 by 19% to EUR 978 million compared with the prior-year figure (EUR 824 million).

Profit before tax (PBT)

(EUR million)	2018	2017	Change
HOCHTIEF Americas	298.6	254.0	17.6%
HOCHTIEF Asia Pacific	620.2	578.9	7.1%
HOCHTIEF Europe	48.0	32.5	47.7%
Corporate	11.6	(41.8)	127.8%
Group nominal PBT	**978.4**	**823.6**	**18.8%**
Non-operational effects	**(10.4)**	**42.2**	**–**
Restructuring	29.6	7.9	274.7%
Investments/Divestments	(58.3)	13.4	–
Impairments	2.5	10.5	-76.2%
Other	15.8	10.4	51.9%
Group operational PBT	**968.0**	**865.8**	**11.8%**

In the HOCHTIEF Americas division, the higher sales volume and improved margins at Turner and Flatiron had a significant positive impact. With the PBT margin improving, nominal earnings before tax rose by a strong 18% year on year to EUR 299 million (2017: EUR 254 million).

CIMIC's good earnings performance is reflected in nominal PBT, which improved by 12% to AUD 1.1 billion. The company benefited from sales growth while sustaining a high margin level through a diligent focus on project delivery and cost discipline, further efficiency improvements and focus on delivering enduring value for clients. At divisional level, exchange rate effects slowed the increase, as the average AUD/EUR exchange rate was 7% below prior year in 2018. At EUR 620 million, HOCHTIEF Asia Pacific's nominal PBT was up 7% on the prior-year figure (EUR 579 million).

The HOCHTIEF Europe division benefited in 2018 from improved earnings contributions from the core business. Nominal PBT rose by EUR 15 million to EUR 48 million compared with the previous year.

Operational PBT—meaning nominal PBT adjusted for non-operational effects—improved by 12% to EUR 968 million in 2018 (2017: EUR 866 million) due to growth at all operating divisions. The earnings contribution of EUR 84 million from the equity-accounted investment in Abertis is not included in operational PBT in 2018.

Income tax expense amounted to EUR 260 million in 2018 and was higher (in absolute terms) than the prior-year figure of EUR 241 million, in line with the improvement in PBT of the operating divisions. The effective tax rate decreased compared with the prior-year period (29%) by 2 percentage points to 27%. This was primarily due to the significantly higher earnings contributions from equity-method associates in connection with our investment in Abertis.

Profit after tax increased by 23% year on year to EUR 719 million (2017: EUR 582 million) in 2018.

Nominal consolidated net profit increased significantly in the reporting period. Following EUR 421 million in 2017, the figure achieved in 2018 amounted to EUR 541 million and was thus 29% higher. Non-controlling interests primarily related to the CIMIC Group and, at EUR 177 million, were EUR 15 million higher than in the previous year (EUR 162 million). The increase in minorities primarily resulted from CIMIC's higher consolidated net profit.

Operational consolidated net profit improved significantly as well. At EUR 521 million, the figure for 2018 was EUR 69 million or 15% higher than the comparable prior-year figure (EUR 452 million).

Consolidated net profit

(EUR million)	2018	2017	Change
HOCHTIEF Americas	190.5	162.6	17.2%
HOCHTIEF Asia Pacific	299.7	275.4	8.8%
HOCHTIEF Europe	36.7	23.7	54.9%
Corporate	14.2	(41.0)	134.6%
Group nominal net profit	**541.1**	**420.7**	**28.6%**
Non-operational effects	**(19.7)**	**31.6**	**–**
Restructuring	28.1	6.1	360.7%
Investments/ Divestments	(57.6)	13.0	–
Impairments	2.5	7.9	-68.4%
Other	7.3	4.6	58.7%
Group operational net profit	**521.4**	**452.3**	**15.3%**

Cash flow

During 2018, HOCHTIEF continued to concentrate on the Group's cash flow performance. Management focused on risk control in the tender processes and delivery of projects as well as on improving cash-backed profitability, and working capital measures. On this basis, HOCHTIEF again generated a strong cash flow development in the reporting period.

Cash flow components

(EUR million)	2018	2017	Change
Net cash from operating activities pre net working capital (NWC) change	1,119.0	1,038.9	80.1
Net working capital change	255.7	333.2	(77.5)
Net cash from operating activities	**1,374.7**	**1,372.1**	**2.6**
Gross operating capital expenditure	(411.4)	(357.4)	(54.0)
Operating asset disposals	67.5	105.6	(38.1)
Net operating capital expenditure	(343.9)	(251.8)	(92.1)
Free cash flow from operations	**1,030.8**	**1,120.3**	**(89.5)**
Other investments (-)/divestments (+)	(1,452.2)	(151.8)	(1,300.4)
Free cash flow (w/o change in current marketable securities)	**(421.4)**	**968.5**	**(1,389.9)**

Net cash from operating activities amounted to EUR 1.4 billion in 2018 and once again reached the high level of the previous year. At EUR 1.1 billion, net cash from operating activities pre net working capital change was EUR 80 million higher than in the previous year (EUR 1.0 billion) and driven by higher profitability and a continued focus on cash-backed profits. The cash inflow from net working capital change was once more clearly positive at EUR 256 million (2017: EUR 333 million).

Gross operating capital expenditure amounted to EUR 411 million in 2018 and was thus EUR 54 million higher than in the previous year (EUR 357 million). This was mainly due to CIMIC's investments in job-costed tunneling equipment and ongoing spend on mining equipment driven by volume growth in the mining business. The HOCHTIEF Asia Pacific division accounted with EUR 349 million for 85% of the HOCHTIEF Group's gross operating capital expenditure. Receipts from **operating asset disposals** amounted to EUR 68 million in 2018. The decrease of EUR 38 million compared to the previous year's figure of EUR 106 million is primarily due to lower sales of assets at CIMIC. Cash outflows for **net operating capital expenditure** amounted to EUR 344 million in 2018, up EUR 92 million on the comparable prior-year figure (EUR 252 million).

At EUR 1.0 billion, our **free cash flow from operations** again reached a high level in 2018. Compared with the previous year (EUR 1.1 billion), the change is mainly driven by the increase in net operating capital expenditure in connection with operational growth at CIMIC.

The EUR 1.4 billion cash outflow in **other investments/ divestments** in 2018 mainly reflects HOCHTIEF's investment in Abertis. In 2017, other investment/divestments of minus EUR 152 million mainly resulted from the granting of loans and borrowings to joint ventures.

Free cash flow (excluding changes in marketable securities) amounted to a negative EUR 421 million in 2018 (2017: EUR 968 million) due to the cash outflow for the acquisition of the investment in Abertis (EUR 1.4 billion).

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

(EUR million)	2018	2017
Net cash from operating activities	**1,374.7**	**1,372.1**
Net operating capital expenditure	(343.9)	(251.8)
Other investments (-)/ divestments (+)	(1,452.2)	(151.8)
Change in current marketable securities	(8.1)	11.2
Cash flow from investing activities	**(1,804.2)**	**(392.4)**
Cash flow from financing activities	**832.5**	**(465.4)**
Net cash increase in cash and cash equivalents	**403.0**	**514.3**
Cash and cash equivalents at year-end	**3,565.9**	**3,094.9**

The HOCHTIEF Group Statement of Cash Flows shows an outflow of liquidity in the **cash flow from investing activities** of EUR 1.8 billion in 2018 (2017: outflow of EUR 392 million). The significant year-on-year change was largely due to our investment in Abertis (EUR 1.4 billion).

Cash flow from financing activities amounted to EUR 833 million in 2018 (2017: cash outflow of EUR 465 million). The cash inflow in the reporting period primarily related to the financing of the investments in 20% of the shares in Abertis (EUR 1.4 billion). A substantial portion of the liquidity required for this resulted from a EUR 908 million cash capital increase by HOCHTIEF Aktiengesellschaft. A further portion of the financing was covered by the issue of a EUR 500 million corporate bond of HOCHTIEF Aktiengesellschaft. EUR 318 million (2017: EUR 261 million) was mainly used for dividend payments to HOCHTIEF shareholders and other CIMIC shareholders.

HOCHTIEF had EUR 3.6 billion in cash and cash equivalents at the December 31, 2018 balance sheet date. The good and solid liquidity position thus improved by a further EUR 471 million compared with the level at the end of 2017 (EUR 3.1 billion).

Balance sheet

Since January 1, 2018, HOCHTIEF has applied the new financial reporting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. Application of the new standards resulted in adjustments to a number of items in the opening balance sheet as of January 1, 2018 based on the HOCHTIEF Consolidated Financial Statements as of December 31, 2017. The main adjustments related to trade receivables, financial receivables, equity-method investments, and equity. As a net outcome of the adjustments in the HOCHTIEF Group's opening balance sheet as of January 1, 2018, there was a decrease in total assets by EUR 1.4 billion.

[1)] The full Consolidated Statement of Cash Flows appears on page 154, in the Consolidated Financial Statements and Notes section of this Group Report.

Consolidated Balance Sheet

(EUR million)	Dec. 31, 2018	Dec. 31, 2017
Assets		
Non-current assets		
Intangible assets, property, plant and equipment, and investment properties	2,145.8	2,161.2
Financial assets	1,938.9	650.7
Other non-current assets and deferred taxes	790.2	1,148.4
	4,874.9	**3,960.3**
Current assets		
Inventories, trade receivables and other current assets	5,561.5	5,864.8
Marketable securities, cash and cash equivalents	4,011.4	3,523.7
	9,572.9	**9,388.5**
	14,447.8	**13,348.8**
Liabilities		
Shareholders' equity	**2,465.4**	**2,534.1**
Non-current liabilities		
Provisions	760.3	716.5
Other non-current liabilities and deferred taxes	2,219.4	2,345.5
	2,979.7	**3,062.0**
Current liabilities		
Provisions	842.1	728.6
Other current liabilities	8,160.6	7,024.1
	9,002.7	**7,752.7**
	14,447.8	**13,348.8**

Total assets increased, rising by EUR 1.1 billion year on year to EUR 14.4 billion as of December 31, 2018 (December 31, 2017: EUR 13.3 billion) mainly due to the Abertis investment.

Non-current assets increased by EUR 915 million compared with the end of the previous year (EUR 4.0 billion) to a total of EUR 4.9 billion as of December 31, 2018. The increase was mainly driven by the EUR 1.4 billion investment for 20% in Abertis. This increase was partly offset in the amount of EUR 527 million, by adjustments to the opening balance sheet carrying amounts of equity-method investments and financial receivables in connection with the first-time application of IFRS 9 and IFRS 15. Intangible assets of EUR 1.2 billion mainly related to goodwill recognized on initial consolidation of fully consolidated subsidiaries. At EUR 979 million, property, plant and equipment was slightly up on the comparable prior-year figure (EUR 960 million) and—as in the previous year—was mainly attributable to the CIMIC Group. Non-current financial receivables decreased by EUR 349 million to EUR 487 million. This was due in particular to the first-time application of IFRS 9 and the resulting reduction in the opening balance sheet values as of January 1, 2018. The position mainly includes loans granted by CIMIC to Group companies.

Current assets amounted to EUR 9.6 billion as of December 31, 2018. Compared with the figure at the end of the previous year (EUR 9.4 billion), this represents an increase of EUR 184 million. This was mainly due to the EUR 471 million increase in cash and cash equivalents to EUR 3.6 billion. The adjustment of the opening balance sheet carrying amounts carried out on January 1, 2018 in connection with the first-time application of the IFRS 9 and IFRS 15 accounting standards had an impact of minus EUR 811 million on trade receivables. After additional accounting for operating changes and foreign exchange rate effects, trade receivables decreased net by EUR 383 million to EUR 4.4 billion.

The first-time application of IFRS 9 and IFRS 15 resulted in a EUR 1.4 billion reduction in **shareholders' equity** in the HOCHTIEF Group's restated opening balance sheet as of January 1, 2018. This was partially offset by the EUR 908 million capital increase by HOCHTIEF Aktiengesellschaft in October 2018 in connection with the financing of the Abertis investment. Further changes in Group equity in 2018 resulted from profit after tax (EUR 719 million), exchange rate effects (EUR 55 million), dividend payments (minus EUR 318 million) and other effects (minus EUR 39 million). As a result, the HOCHTIEF Group's equity at December 31, 2018, stood at EUR 2.5 billion, down EUR 69 million and nearly unchanged compared to the end of 2017. The equity ratio (equity to total assets) stood at a solid 17%.

Non-current liabilities amounted to EUR 3.0 billion as of December 31, 2018 and declined by EUR 82 million compared with the end of the previous year. The reduction resulted primarily from the repayment of amounts due to banks. HOCHTIEF Aktiengesellschaft launched a EUR 500 million corporate bond in the third quarter of 2018. The proceeds of the issue were used to fund general corporate purposes and the Abertis investment. The increase in bond liabilities from this issue was offset by the reclassification of a HOCHTIEF Aktiengesellschaft bond maturing in May 2019 from non-current to current financial liabilities, also with a nominal value of EUR 500 million. At EUR 1.5 billion, non-current bond liabilities therefore remained at prior-year level. Total non-current financial liabilities of the HOCHTIEF Group were EUR 2.1 billion (2017: EUR 2.2 billion).

Current liabilities increased by EUR 1.2 billion in the reporting period and amounted to EUR 9.0 billion as of December 31, 2018. Strong growth in operating business led to an increase in trade payables by a total of EUR 882 million to EUR 7.1 billion. In addition, the aforementioned reclassification of the EUR 500 million bond of HOCHTIEF Aktiengesellschaft due in May 2019 increased current financial liabilities. This increase was partially offset by the repayment of short-term borrowings. Current financial liabilities amounted in total to EUR 600 million at the end of 2018, EUR 364 million more than at December 31, 2017.

The development of **net cash** was driven by the strong cash flow performance of our operating companies as well as the Abertis investment and a capital increase in 2018. At the end of 2018, all three operating divisions showed a significantly improved net cash position compared with the previous year. The Abertis investment of approximately EUR 1.4 billion and the capital increase of EUR 0.9 billion led to a net impact of minus EUR 494 million and is the main reason for the decrease of EUR 542 million in the net financial position of Corporate. HOCHTIEF's net cash position at year-end 2018 was a strong EUR 1.6 billion (December 31, 2017: EUR 1.3 billion), a significant improvement of EUR 296 million year on year.

Net cash (+)/net debt (-)

(EUR million)	Dec. 31, 2018	Dec. 31, 2017	Change
HOCHTIEF Americas	1,142.1	972.4	169.7
HOCHTIEF Asia Pacific	982.6	578.5	404.1
HOCHTIEF Europe	475.3	210.6	264.7
Corporate	(1,037.8)	(495.7)	(542.1)
Group	**1,562.2**	**1,265.8**	**296.4**

Securing Group liquidity long-term and optimizing the financial structure

Financial events 2018—HOCHTIEF Aktiengesellschaft

Investment in Abertis

On March 14, 2018, HOCHTIEF Aktiengesellschaft (HOCHTIEF), Actividades de Construcción y Servicios, S.A. (ACS), and Atlantia S.p.A. (Atlantia) agreed to present a joint takeover offer for Abertis. In this regard, a modification to the characteristics of the takeover bid originally made by HOCHTIEF was submitted to the Spanish Securities Market Commission, CNMV, on March 23, 2018. Under the modified takeover offer, the share component was removed, meaning that the acquisition was to be settled in full in cash. To finance the acquisition, HOCHTIEF signed a new syndicated credit facility in the amount of approximately EUR 18.2 billion on April 13, 2018. CNMV confirmed on May 14, 2018 that the voluntary takeover offer for Abertis had been accepted by a total of 78.79% of the share capital. Additional shares were subsequently purchased, at a maximum of the offer price, resulting in a shareholding of 98.7% (taking into account treasury shares retired by Abertis). On October 29, 2018, HOCHTIEF transferred 98.7% of Abertis shares to Abertis Participaciones S.A.U., a company capitalized and owned by Abertis HoldCo, S.A. which, in turn, is owned by the following shareholders: Atlantia 50% plus one share, ACS 30%, and HOCHTIEF 20% less one share. In return for the transfer of the shareholding, Abertis HoldCo, S.A. paid back the EUR 18.2 billion syndicated credit facility on October 29, 2018, which was thus cleared in full.

HOCHTIEF invested approximately EUR 1.4 billion for its stake in the leading international toll road operator. This 20% HOCHTIEF stake was funded by a capital increase of around EUR 0.9 billion and about EUR 0.5 billion in financial resources procured by means of a EUR 500 million rated corporate bond issue launched on the capital market in July 2018 and maturing in July 2025. In the capital increase, HOCHTIEF issued 6.35 million new shares at EUR 143.04 (EUR 908 million) to ACS. ACS sold 16.85 million HOCHTIEF shares at the same price to Atlantia. In the course of the Abertis transaction, ACS thus sold a 23.9% stake in HOCHTIEF to Atlantia. Following completion of the transaction in October, ACS holds 50.4% and Atlantia has a 23.9% stake in HOCHTIEF.

In May and July 2018, the rating agency S&P, based on the joint acquisition announcement, reaffirmed its BBB investment grade rating on HOCHTIEF and upgraded its outlook to “stable”.

Other financing

In July 2018, the first of the two extension options on the existing syndicated credit and guarantee facility[1] was exercised, thus extending the term of the facility to August 2023. The facility for a total of EUR 1.7 billion and with an original term to August 2022 consists of a guarantee facility tranche totaling EUR 1.2 billion and a credit facility tranche for EUR 500 million that can be drawn on a revolving basis. This syndicated credit and guarantee facility continues to be one of HOCHTIEF Aktiengesellschaft’s most important financing instruments. The guarantee facility tranche permits the furnishing of guarantees for ordinary activities, mainly in 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 2018.

[1] See glossary.

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 run to a total of around EUR 180 million, have to be renewed annually. Approximately 39% of the facilities 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 1.6 billion as of the 2018 year-end. The various borrowing instruments secure long-term, broadly diversified funding for the Group on borrowing terms and conditions that continue to be attractive. None of the borrowing instruments taken out by HOCHTIEF is secured and all are pari-passu, with all lenders having equal seniority.

The syndicated and bilateral facilities are supplemented with project-related borrowing as needed. Such borrowings are each negotiated and agreed on the basis of a specific project, can be put to flexible use, and are repaid out of the proceeds at the latest when the project is sold. If at all, loans are secured exclusively 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 outstanding of approximately EUR 7.5 billion (approximately USD 8.6 billion) and, as before, represents the cornerstone of funding for the U.S. business. Both the Turner and the Flatiron groups use the facility for bonding[1)] purposes. The local surety bonding facility continues to be backed by a Group guarantee from HOCHTIEF. Flatiron additionally maintains bilateral arrangements with banks as well as a syndicated credit and guarantee facility in the amount of EUR 224 million (CAD 350 million). In November 2018, this syndicated facility with an original term up to December 2018 was extended by one year to November 2019. These facilities are primarily used in Canadian activities, where bank guarantees are frequently required rather than surety bonds.

With the exception of the aforementioned syndicated facility 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.

As in 2018 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. In June 2018, HOCHTIEF Aktiengesellschaft consequently launched a Debt Issuance Program (DIP) with a maximum volume of EUR 3 billion, under which bonds can be issued on the market on an ongoing basis. This enables HOCHTIEF Aktiengesellschaft not only to borrow more rapidly, taking advantage of favorable issue windows, but also to spread borrowing over a broader range of lenders. The July 2018 corporate bond issue with a principal amount of EUR 500 million was the first issue under the program.

1) See glossary.

Financial events 2018—CIMIC Group Ltd.
As before, borrowing activities are carried out by the holding company on a bilateral or syndicated basis. CIMIC continues to have a good standing in the international capital market. One indicator of this is the unaltered classification of CIMIC Group Limited in the investment grade rating segment. Independent rating agency S&P continues to rate CIMIC as BBB, while Moody's has held CIMIC's rating at Baa2. S&P and Moody's confirmed these ratings during the course of the year.

Summary assessment of the business situation by the Executive Board
HOCHTIEF achieved a very robust performance in 2018. Nominal net profit rose by 29% to EUR 541 million which includes a EUR 84 million contribution from our 20% equity-consolidated stake in Abertis from June to December 2018. Operational net profit, which excludes the Abertis contribution and non-operational effects, increased by 15% year on year to EUR 521 million.

A sustainable and attractive shareholder remuneration continues to be a focus at HOCHTIEF and a key element of our capital allocation strategy. We will propose to the Annual General Meeting an ordinary dividend of EUR 4.98 per share, an increase of 47% compared to 2017.

Our businesses remain focused on risk management, generating cash-backed profits. The Group's strong balance sheet combined with HOCHTIEF's deep presence in its core regional markets and its engineering expertise, leaves us well positioned to take advantage of potential future opportunities.

As a consequence of the positive Group outlook we expect to achieve an operational net profit in 2019 in the range of EUR 640–680 million, with all our divisions driving this further improvement in our Group performance.

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

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

"There were two reportable transactions 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, 2018.

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

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

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

The annual financial statements of HOCHTIEF Aktiengesellschaft are prepared in accordance with the German Commercial Code (HGB) and Stock Corporations Act (AktG). There are no recognition and measurement changes relative to the prior year. The 2018 Annual Financial Statements and Combined Management Report of HOCHTIEF Aktiengesellschaft and the Group are published in the Bundesanzeiger (Federal Official Gazette).

HOCHTIEF Aktiengesellschaft
Statement of Earnings (Summary)

(EUR million)	2018	2017
Sales	77.1	66.4
Changes in the balance of construction work in progress	(3.0)	(0.2)
Other operating income	34.6	235.8
Materials	(12.1)	(13.1)
Personnel costs	(36.2)	(32.5)
Depreciation and amortization	(2.3)	(2.7)
Other operating expenses	(148.1)	(78.2)
Net income from financial assets	464.1	297.6
Net interest income	(27.4)	(50.1)
Profit before tax	**346.7**	**423.0**
Income taxes	(0.7)	(0.3)
Profit after tax	346.0	422.7
Other taxes	34.5	(6.5)
Net profit/(loss) before changes in reserves	**380.5**	**416.2**
Net profit brought forward	0.2	0.1
Changes in retained earnings	(28.9)	(199.0)
Distributable profit	**351.8**	**217.3**

Earnings

HOCHTIEF Aktiengesellschaft's reported sales mainly relate to services in connection with performing the functions of a holding company. This primarily consists of remuneration for administration and other services as well as of rental income. Compared with the prior year (EUR 66 million), sales increased by EUR 11 million to EUR 77 million. Other operating income came to EUR 35 million (2017: EUR 236 million). The prior-year figure mostly comprised EUR 204 million in income from reversal of the writedown on the carrying amount of the investment in HOCHTIEF Solutions AG. Other operating expenses amounted to EUR 148 million in 2018 (2017: EUR 78 million). The increase mainly related to a year-on-year rise in reimbursement claims charged on to subsidiaries.

Amounting to EUR 464 million (2017: EUR 298 million), net income from financial assets in 2018 chiefly comprised income and expense from profit/loss transfer agreements, and income from long-term equity investments. Most of the EUR 166 million year-on-year increase related to higher profit transfers and income from long-term equity investments from HOCHTIEF Americas GmbH and HOCHTIEF Asia Pacific GmbH. Principally due to higher interest income, net interest income improved compared with the prior year (negative EUR 50 million) to a negative EUR 27 million.

HOCHTIEF Aktiengesellschaft's net profit before changes in reserves amounted to EUR 381 million in 2018 (2017: EUR 416 million).

Balance sheet

In keeping with its function as a holding company, HOCHTIEF Aktiengesellschaft's balance sheet is dominated by financial assets and receivables from affiliated companies. These items accounted for 93% of total assets as of the December 31, 2018 reporting date, as they did as of December 31, 2017.

HOCHTIEF Aktiengesellschaft's financial assets as of December 31, 2018 mostly related to shares in affiliated companies and participating interests. These stood at EUR 4.4 billion, up EUR 1.5 billion on the prior-year figure (EUR 2.9 billion). The bulk of the increase—EUR 1.4 billion—related to an additional shareholding of just under 20% in investment company Abertis HoldCo, S.A., Madrid, Spain, in connection with the joint takeover by HOCHTIEF, ACS, and Atlantia of toll road operator Abertis Infraestructuras, S.A. Alongside this, shares in affiliated companies mostly comprised the carrying amounts of the investments in HOCHTIEF Asia Pacific GmbH, HOCHTIEF Americas GmbH, HOCHTIEF Solutions AG, and HOCHTIEF Insurance Broking and Risk Management Solutions GmbH.

HOCHTIEF Aktiengesellschaft Balance Sheet (Summary)

(EUR million)	**Dec. 31, 2018**	Dec. 31, 2017
Non-current assets		
Intangible assets and property, plant and equipment	19.2	23.5
Financial assets	4,379.0	2,879.4
	4,398.2	**2,902.9**
Current assets		
Inventories, receivables and other assets, and prepaid expenses	888.9	665.0
Cash and cash equivalents, and marketable securities	250.3	149.2
	1,139.2	**814.2**
Excess of plan assets over obligations	**14.7**	**17.9**
Total assets	**5,552.1**	**3,735.0**
Shareholders' equity	2,754.8	1,682.2
Provisions	109.6	101.4
Liabilities	2,687.7	1,951.4
Total liabilities	**5,552.1**	**3,735.0**

Receivables and other assets went up by EUR 248 million to EUR 867 million, primarily in connection with intra-Group financial management with affiliated companies.

Cash and cash equivalents increased by EUR 101 million to EUR 249 million as a result of larger holdings of liquidity at banks.

HOCHTIEF Aktiengesellschaft's subscribed capital was increased by the issue of 6,346,707 no-par-value shares in October 2018 and divided into 70,646,707 no-par-value shares as of the December 31, 2018 reporting date. At nominal value, and calculated taking into account shares of treasury stock, subscribed capital stands at EUR 181 million (2017: EUR 164 million). The capital reserve increased, mainly as a result of the premium on the issue of the new shares, by EUR 892 million to EUR 1.7 billion (2017: EUR 818 million).

The equity ratio (equity to total assets) improved to 50% as of the December 31, 2018 reporting date (December 31, 2017: 45%).

Liabilities went up relative to the prior year-end by EUR 736 million to EUR 2.7 billion. Most of the increase related to the launch of a corporate bond issue for a principal amount of EUR 500 million. The issue proceeds are for general business purposes and the Abertis acquisition. The EUR 366 million (2017: EUR 125 million) in amounts due to affiliated companies is related to intra-Group financial management.

Out of the total figure for bonds as of December 31, 2018, a carrying amount of EUR 504 million relates to a July 2018 bearer bond issue with a nominal coupon of 1.75% and maturing in July 2025. Furthermore, a carrying amount of EUR 508 million is recognized for a May 2014 bearer bond issue with a nominal coupon of 2.625% and maturing in May 2019, and a carrying amount of EUR 773 million for a March 2013 bearer bond issue with a nominal coupon of 3.875% and maturing in March 2020.

HOCHTIEF Aktiengesellschaft's net profit before changes in reserves for 2018 is EUR 381 million. Deducting the appropriation to retained earnings (EUR 28.9 million) and adding in profit carried forward (EUR 0.2 million), distributable profit stands at EUR 351.8 million.

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

The distributable profit of HOCHTIEF Aktiengesellschaft for 2018 in the amount of EUR 351,820,600.86 will be used to pay a dividend of EUR 4.98 per eligible no-par-value share for the capital stock of EUR 180,855,569.92, divided into 70,646,707 no-par-value shares.

The dividend is payable on July 5, 2019.

The amount that would have been payable on shares of treasury stock held by the Company as of the day of the Annual General Meeting and that, under Section 71b of the German Stock Corporations Act (AktG), are not eligible for a dividend will be carried forward. As of the date of preparation of the annual financial statements, February 20, 2019, HOCHTIEF Aktiengesellschaft held a total of 34,824 shares of treasury stock, which would mean an amount of EUR 173,423.52 to be carried forward. The number of no-par-value shares with dividend entitlement for 2018 may change in the run-up to the Annual General Meeting. In any such event, while the distribution of EUR 4.98 for each no-par-value share with dividend entitlement for 2018 will stay the same, an adjusted proposal for the appropriation of net profit will be made to the Annual General Meeting.

Disclosures pursuant to Section 298 (2) Sentence 2 of the German Commercial Code
The disclosures pursuant to Section 160 (1) 2 of the German Stock Corporations Act are contained in the Notes to the Annual Financial Statements of HOCHTIEF Aktiengesellschaft.

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

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

Holdings of more than 10% of voting rights within the meaning of Section 289a (1) 3 and Section 315a (1) 3 of the German Commercial Code: On May 11, 2015, we were notified by ACS, Actividades de Construcción y Servicios, S.A., Madrid, Spain, pursuant to Section 25a (1) of the German Securities Trading Act (WpHG, old version), that its voting share in HOCHTIEF Aktiengesellschaft pursuant to Sections 21 and 22 WpHG (old version) amounted to 60.70% on May 8, 2015. The share of HOCHTIEF shareholder ACS was 50.41% as of December 31, 2018 (December 31, 2017: 71.72%).

We were notified by Atlantia S.p.A., Rome, Italy, that its voting share pursuant to Section 33 WpHG amounted to 23.86% on October 26, 2018.

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 noncash consideration in one or more issues by up to a total of EUR 65,752 thousand by or before May 9, 2022 (Authorized Capital I). Detailed provisions are contained in the stated section of the Articles. Pursuant to Section 4 (4) of the Articles of Association, the Company's capital stock has been conditionally increased by up to EUR 46,080 thousand divided into up to 18 million no-par-value bearer shares (conditional capital). Detailed provisions are contained in the stated section of the Articles.

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

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

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

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

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

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

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

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

Change-of-control clauses in connection with loan agreements and financing instruments:
HOCHTIEF Aktiengesellschaft issued a corporate bond on March 20, 2013. The bond issue is for a principal amount of EUR 750 million, matures in March 2020, and has a coupon of 3.875% p.a. Another corporate bond was issued on May 28, 2014. This second HOCHTIEF bond issue is for a principal amount of EUR 500 million, matures in May 2019, and has a coupon of 2.625% p.a. A third corporate bond was issued on July 3, 2018. The bond issue is for a principal amount of EUR 500 million, matures in July 2025, and has a coupon of 1.750% p.a. The bond terms include change-of-control clauses entitling each holder to require early redemption of the

[2] See glossary.

[1] See glossary

bonds held at their principal amount together with interest accrued, provided that the holder submits a completed exercise notice within 68 days (or 45 days in the case of the third, July 2018 corporate bond issue) of the issuer[1] publishing the put event notice. A change of control is defined in this context as the acquisition of control within the meaning of Section 29 (2) of the German Securities Acquisition and Takeover Act (WpÜG) over HOCHTIEF Aktiengesellschaft by a party or group of parties acting in concert within the meaning of Section 30 (2) WpÜG—excluding shareholder ACS (ACS Actividades de Construcción y Servicios, S.A.) and its affiliates—or entering into a profit and loss transfer agreement, control agreement or other intercompany agreement within the meaning of Sections 291 and 292 of the German Stock Corporations Act (AktG) to the extent that the agreement results in the issuer becoming a controlled company. Comprehensive ring-fencing clauses for dealings and transactions with ACS were also built into the bond documentation.

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

HOCHTIEF Aktiengesellschaft entered into a syndicated credit and guarantee facility[2] for a total of EUR 1.7 billion with an international banking syndicate on August 9, 2017. Set to run until August 2023, the syndicated facility comprises a EUR 1.2 billion guarantee facility tranche and a EUR 500 million credit facility tranche. The facility includes change-of-control clauses. Lenders may each withdraw from their credit exposure early subject to satisfaction of an agreed condition precedent if negotiations with the borrower to continue the facility have failed, such negotiations having given consideration to the credit standing of the party taking control, the risk of any change in corporate strategy, and the risk of the lenders being restricted in any way in provision of the facility. The condition precedent is satisfied if a party, or group of parties acting in concert, secures control of the borrower within the meaning of Section 29 (2) WpÜG. Lenders may give notice of termination of their credit exposure within 70 days of it becoming known to HOCHTIEF Aktiengesellschaft that the condition precedent has been satisfied, subject to a minimum of ten days to consider the options available. As before, the change-of-control clauses outlined do not apply to shareholder ACS and its affiliates.

HOCHTIEF Aktiengesellschaft also extended a global credit facility for an initial amount of EUR 175 million with a German bank on November 29, 2018. The agreement contains a provision under which, in the event of a change of control, HOCHTIEF Aktiengesellschaft must repay the loan early if it and the lender do not reach agreement on the loan's continuation within 60 days of announcement of the change of control, and the lender demands early repayment within ten days of the 60-day period expiring. In this context, a change of control is defined as a party, or group of parties acting in concert within the meaning of Section 30 (2) WpÜG, acquiring control of HOCHTIEF Aktiengesellschaft within the meaning of Section 29 (2) WpÜG. The outlined change-of-control clauses for the foregoing loan agreement do not apply to shareholder ACS and its affiliates.

Alongside the above-mentioned loan agreements, HOCHTIEF agreed a EUR 131 million (USD 150 million) bilateral guarantee facility with a foreign bank on October 17, 2014. In addition, HOCHTIEF concluded a guarantee facility for an initial facility amount of EUR 25 million 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 an approximately EUR 7.5 billion (approximately USD 8.6 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 349 million (USD 400 million) by way of security; under the agreed terms, this sum is reduced by the amount of any bank guarantees already provided as security for the bonding facility. The condition precedent is satisfied if a party, or group of parties acting in concert within the meaning of Section 30 (2) WpÜG (with the exception of shareholder ACS and its affiliates), acquires in total 30% or more of all shares in HOCHTIEF Aktiengesellschaft. The security payment must then be made within 30 bank working-days of notification that it is required.

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

[1] See glossary.

Above and beyond the mandatory disclosures under Sections 289a (1) 8/315a (1) 8 of the German Commercial Code, other Group companies are party to further agreements that are conditional upon a change of control. The following is a non-exhaustive presentation: In the PPP segment, project contracts frequently accord the client substantial rights that make it difficult to effect a change of ownership structure in the project company.

As of the balance sheet date, there are no agreements with members of the Executive Board or employees providing for compensation in the event of a takeover offer.

Explanatory report by the Executive Board of HOCHTIEF Aktiengesellschaft pursuant to Section 176 (1) of the German Stock Corporations Act (AktG) on the disclosures pursuant to Sections 289a (1) and 315a (1) of the German Commercial Code (HGB) as of the balance sheet date December 31, 2018.

The Executive Board provides the following explanatory notes on disclosures provided in the combined Group and HOCHTIEF Aktiengesellschaft Management Report and required under Sections 289a (1) and 315a (1) of the German Commercial Code:

Our disclosures relate to the situation in fiscal year 2018 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. The shareholding held by Atlantia S.p.A. is known from the voting rights notification published on October 30, 2018.

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

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

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

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

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

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

Essen, February 2019

Marcelino Fernández Verdes

Peter Sassenfeld

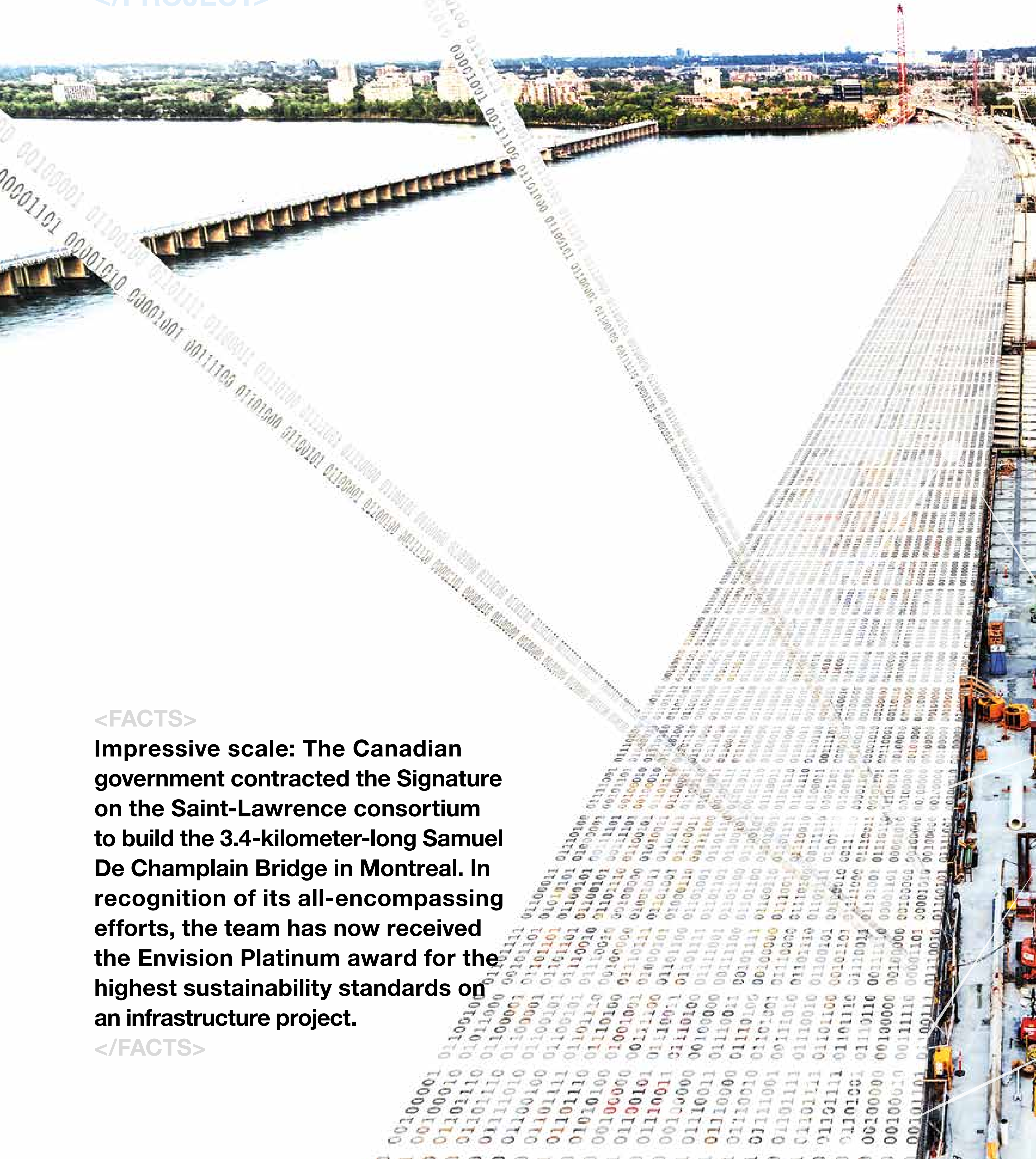
José Ignacio Legorburo Escobar

Nikolaus Graf von Matuschka

<PROJECT>

SAMUEL DE CHAMPLAIN BRIDGE

</PROJECT>



<FACTS>

Impressive scale: The Canadian government contracted the Signature on the Saint-Lawrence consortium to build the 3.4-kilometer-long Samuel De Champlain Bridge in Montreal. In recognition of its all-encompassing efforts, the team has now received the Envision Platinum award for the highest sustainability standards on an infrastructure project.

</FACTS>

Divisional Reporting
HOCHTIEF Americas Division

The operating companies in the HOCHTIEF Americas division each have their own focus in different segments of the building and infrastructure construction market, delivering transportation infrastructure projects and buildings. The divisional companies work in collaboration to generate synergies.

Turner, headquartered in New York, is highly successful and long-established as market leader with over 110 years in the market. Operating as construction manager, Turner carries out general building projects across a broad range of market segments.

The success of this approach is regularly reflected in ratings by the highly regarded Engineering News-Record (ENR), which once again listed Turner as the leading U.S. general builder in 2018 and again rated the company number one among the top green contractors. Turner likewise leads the ranking in the healthcare, education and commercial offices segments. The company is among the top three builders for entertainment, hotels, and sports facilities.

A key business driver is innovation: Turner deploys cutting-edge technologies and methods such as Building Information Modeling (BIM) and lean construction[1] to maximize construction process efficiency as well as with client and user satisfaction.

[1] See glossary.

Clark Builders delivers building construction projects in Western and Northern Canada—including institutional, commercial, and healthcare properties along with sports facilities—frequently in collaboration with Turner.

Flatiron, headquartered in Colorado, specializes in transportation and infrastructure projects including bridges, highways, rail/transit, airports, dams, and water treatment and storage facilities. Flatiron's success is reflected in its continued growth and consistent favorable ranking with the highly regarded ENR—coming in ninth on the top transportation contractor 2018 list. The company is also an ENR Top Contractor that consistently ranks high in other notable segments including highway, bridge, transport/rail, and water contractors.

E.E. Cruz is HOCHTIEF's subsidiary in the states of New York and New Jersey. The company's focus is on transportation infrastructure, deep foundation, and geotechnical projects.

Engineering units at Turner and Flatiron ensure that their own projects and also those of E.E. Cruz and Clark Builders are able to draw upon the Group's extensive specialized engineering expertise.

The four companies have an outstanding reputation that extends well beyond their home markets, not only for quality and reliability, but also as attractive employers and innovators, leaving HOCHTIEF very well positioned in North America.

The construction industry in North America grew at solid pace in 2018, which was mainly due to a much stronger infrastructure segment compared to the prior year. Growth is to remain positive in 2019 and 2020. Non-residential building construction is expected to remain stable, while good growth in the infrastructure construction market is expected to continue into 2019.

Project highlights

Construction (including construction management by Turner)

In a further addition to the New York City skyline, Turner has been contracted to build The Spiral by the end of 2022. With its striking facade featuring cascading terraces, the 65-story building will represent a new landmark. The Spiral is targeting LEED certification.

At the Ronald Reagan Washington National Airport in Washington, D.C., Turner is managing construction of a two-story connector building and of a three-story terminal servicing 14 gates. The project also includes public circulation space, moving walkways, and electric vehicle charging stations. The EUR 303 million project is to be handed over in 2021.

Under a joint venture, Turner has been selected to expand the Las Vegas Convention Center, creating a total future usable space of 130,000 square meters. The EUR 580 million project is to be completed by the end of 2020.

Together with a partner, Turner has been selected to design and build the new headquarters of the California Department of Natural Resources in Sacramento. The approximately EUR 420 million project will meet the zero energy standard, meaning that it can operate fully autonomously with regard to energy. Water consumption is also planned to be 50% lower than for comparable conventional structures. Slated for LEED platinum certification, the complex is expected to be completed in summer 2021. The 20-story building will provide workspace for 3,500 people.

Turner leads construction management of the 270-room, 12-story new hospital tower for MetroHealth in Cleveland, Ohio. Scheduled for completion in 2022, the project includes a central utility plant and a connector building to the existing complex. The contract value is some EUR 365 million.

Turner is building West Park High School in Roseville, California, for 1,200 students. The school comprises academic, sports, and administrative buildings, including a 4,500-seat stadium. In terms of contract value, the project runs to some EUR 100 million.

On the University of Chicago campus, Turner is managing construction of the Woodlawn Residential Commons project, which will provide accommodation for over 1,300 students. The project includes one 16-story and three seven-story residential towers linked by a shared podium.

In the Zeiss Innovation Center under construction in Dublin, California, Turner is building an ultramodern complex featuring offices, a lab, research and development facilities, cleanrooms, and storage.

In a joint venture, Flatiron is building another segment of the North Coast Corridor project in California with a contract value just short of EUR 190 million. The HOCHTIEF subsidiary's work includes constructing high occupancy vehicle (HOV) lanes in both directions on the Interstate 5 by 2021. North Coast Corridor will significantly improve passenger and freight transport in San Diego County while driving substantial environmental measures in this ecologically sensitive region.

The Metropolitan Transit Authority in New York City has awarded E.E. Cruz the contract to construct a new emergency vent plant for a Manhattan subway station.

PPP and concessions

Flatiron is part of the consortium building the Automated People Mover at Los Angeles International Airport (see also page 76). This is a driverless, dual-track elevated rail system extending over 3.6 kilometers and featuring six stations plus a maintenance and storage facility. Construction is to be completed by 2023.

HOCHTIEF Americas Division: Key Figures[1]			
(EUR million)	2017	2016	Change yoy
Operational profit before tax/PBT[2]	303.9	258.4	17.6%
Operational PBT margin[2] (%)	2.3	2.2	0.1
Operational net profit[2]	194.3	165.2	17.6%
Profit before tax/PBT	298.6	254.0	17.6%
Net profit	190.5	162.6	17.2%
Net cash from operating activities	318.2	449.1	-29.1%
Gross operating capital expenditure	40.3	30.4	32.6%
Net cash (+)/net debt (-)	1,142.1	972.4	17.5%
Divisional sales	13,068.7	11,838.9	10.4%
New orders	15,290.8	15,381.5	-0.6%
Work done	12,662.8	11,630.3	8.9%
Order backlog (year on year)	21,057.9	17,517.1	20.2%
Employees (end of period)	11,720	10,460	12.0%

[1] All figures are nominal unless otherwise indicated
[2] Operational earnings are adjusted for deconsolidation effects and other non-operational effects

HOCHTIEF Americas division's key figures

The HOCHTIEF Americas division delivered a positive performance on all fronts in 2018. **Operational PBT** rose by 18% year on year to EUR 304 million, at the top end of the guidance range of EUR 270–300 million that we provided at the start of 2018. The operational PBT margin expanded by 10 basis points year on year to 2.3% while **sales**, in local currency terms, rose by 15% in 2018. In Euro terms, sales reached EUR 13.1 billion, up 10% year on year. Both Turner and Flatiron contributed to these positive operating trends.

Cash generation at HOCHTIEF Americas reached a solid level during the year. **Net cash from operating activities** of EUR 318 million reflect a continuing high level of cash conversion.

As a consequence of the good cash flow performance, divisional **net cash** ended December 2018 at an all-time high of over EUR 1.1 billion, up EUR 170 million year on year.

In 2018, HOCHTIEF Americas delivered another high level of **new orders** at EUR 15.3 billion, exceeding the work done LTM by more than 20%. In local currency terms, new orders increased by 3%.

The **order backlog** reached a new record level of EUR 21.1 billion at the end of the year, up 20% on December 2017, highlighting the strength of the business.

HOCHTIEF Americas Outlook

We expect further growth at HOCHTIEF Americas in 2019 with **operational profit before tax** in the range of EUR 305–320 million compared with EUR 304 million in 2018.

<PROJECT>
NORTHERN BEACHES HOSPITAL
</PROJECT>

<FACTS>

CPB Contractors successfully completed the 488-bed Northern Beaches Hospital in Sydney in 2018. It is the first hospital in New South Wales to achieve Green Star certification.

</FACTS>

HOCHTIEF Asia Pacific Division

The performance of the HOCHTIEF Asia Pacific division is based on HOCHTIEF's stake in the CIMIC Group (72.7% at December 31, 2018, unchanged year on year) as well as associated financing and holding costs, and the impact of variations in the AUD/EUR exchange rate.

The CIMIC Group is an engineering-led construction, mining, services, and public-private partnerships leader. CIMIC is a family of industry leaders integrating a world of experience and expertise to drive insight, develop future-ready solutions, and deliver enduring value across the life cycle of assets, infrastructure, and resources projects.

CPB Contractors, which also includes Leighton Asia and Broad Construction, is a leading international construction contractor that delivers projects spanning all key sectors of the construction industry—including roads, rail, tunneling, defense, building, and resources infrastructure—across a range of delivery models.

Thiess is the world's largest mining services provider and operator, offering the widest range of in-house surface and underground mining capabilities across most of the world's commodities and tailoring services to optimize the mining value chain unique to each mine.

Sedgman is a market leader in the design, construction, and operation of state-of-the-art mineral processing plants and associated mine-site infrastructure.

Pacific Partnerships develops, invests in, and manages infrastructure concession assets for the CIMIC Group, offering clients seamless, value-for-money solutions for key infrastructure under public-private partnership and build-own-operate-transfer structures.

UGL is a market leader in end-to-end asset solutions, delivering operational value and enhanced customer experiences through its whole-of-life offer for critical assets in rail and road infrastructure, power, water, resources, health, and defense.

EIC Activities is CIMIC Group's engineering and technical services business, providing a competitive advantage for profitable projects that generate value for clients, leveraging the CIMIC's collective experience, technical capabilities and leading technologies.

CIMIC holds a 45% stake in the construction company BIC Contracting (formerly HLG Contracting) and in services company Ventia (47%).

The market prospects for CIMIC remain strong.[1)] Global megatrends and rising living standards are driving governments across Australia and the Asia-Pacific region to invest increasing amounts of capital into social and economic infrastructure projects. In Australia, for example, the federal government is committed to prioritize investments in transport infrastructure and plans to invest AUD 75 billion in transportation projects of national importance over the next ten years.[2)] In addition, State and Territory Governments are also progressing substantial infrastructure investment programs in their own right. On top of the rising public investment spending, the private sector in Australia and the Asia-Pacific region is expected to continue investing in oil, gas, mining, renewable energy generation and transmission, telecommunications, and commercial real estate.

As a pioneer in sustainable construction, CIMIC is a leader in the execution of projects certified as "green." In the market, sustainability is increasingly a mandated feature of construction projects and is especially in demand among public clients. Thanks to its in-depth experience, CIMIC can offer its clients significant added value. CIMIC was once again listed on the Australian Dow Jones Sustainability Index, FTSE4Good as well as the CDP climate ranking in 2018.

[1)] For further information, please see the Markets section starting on page 35.

[2)] Commonwealth of Australia, Budget Statement 1: Budget Overview, May 2018, pages 1-18 to 1-19.

In order to make processes safer and more effective as well as to enhance quality, CIMIC champions innovation. Spearheaded by EIC Activities, CIMIC's innovation program supports ground-breaking ideas from generation to implementation and encourages advances in project activities. In this respect, and through its digitalization initiative, CIMIC maintains close contact with HOCHTIEF and the company Nexplore.

Project highlights

Construction

CPB Contractors is part of a joint venture selected to deliver WestConnex M4-M5 Link Rozelle Interchange, which is where two key freeway feeder roads intersect in Sydney. Scheduled for completion by 2023, the project is valued at some EUR 2.5 billion, half of which will be earned by the CIMIC company. EIC Activities will support the venture with geotechnical, structural, mechanical and electrical engineering expertise, thus ensuring cost-efficient construction. Since the traffic arteries will run underground, a roughly ten-hectare public area will be freed up above ground.

CPB Contractors and UGL will participate in Australia's largest regional transportation project: In New South Wales, the Sydney Metro City & South West project valued at some EUR 875 million is slated for completion by 2024. Fifteen-kilometer twin subway tunnels are to be built. The existing Sydney Metro trains facility in Rouse Hill will be expanded and another constructed in Marrickville. With this contract, the CIMIC Group yet again demonstrates its reliability as an integrated-services partner for rail projects.

In addition, the company has been selected to design and build Stage 1 of the Parramatta Light Rail project in New South Wales in a joint venture. Scheduled for completion by 2023, the project is valued at some EUR 262 million for CPB Contractors.

CPB Contractors is also a member of the Rail Infrastructure Alliance (RIA), which won the contract to work on the subway tunnel system in Victoria. The project with a contract value of some EUR 620 million is part of the nearly EUR 7 billion large-scale Metro Tunnel project in the Melbourne region. The RIA is collaborating with client Rail Projects Victoria and rail franchisee Metro Trains Melbourne, of which UGL holds 20%. EIC Activities will support the joint venture. The contract value for CPB Contractors amounts to some EUR 250 million, and work will continue until 2025.

In Singapore, Leighton Asia is part of a joint venture set to design and build a road tunnel project by 2026. The contract value for CIMIC amounts to EUR 245 million.

Services and mining

Thiess secured a EUR 700 million contract to deliver services for the Mt Arthur operation in Hunter Valley. This five-year contract builds on existing collaboration. The project will create up to 300 jobs for people in the region.

The contract for the QCoal Northern Hub project in Queensland was also extended. With a value of approximately EUR 304 million, the four-year contract underscores the longstanding partnership with the client. Having established itself in the region as a provider of local jobs, Thiess maintains a strong relationship with the surrounding communities.

In addition, Thiess will also expand operations at the Encuentro open pit copper mine located in northern Chile. The contract extension valued at EUR 258 million comprises maintenance infrastructure, a fleet management system, and the transfer to Thiess of short-term mine planning responsibilities. As always, the project team's firm focus is on safety—and its efforts were rewarded in 2017 with the Chilean government's National Geology and Mining Service Award.

In northern Australia, Sedgman is providing operations and maintenance works at the New Century Resources zinc tailings processing facility. Together with the earlier engineering, procurement and construction contract for reconfiguration and refurbishment of this moth-balled facility, the total contract value from this site is EUR 94 million.

UGL and CPB Contractors have been selected by TasWater, in an alliance partnership, to manage the delivery of its capital works program to support and develop Tasmania's water and wastewater infrastructure and major regional water projects. The joint venture between CPB Contractors and UGL will generate revenue to CIMIC Group of approximately EUR 373 million, over a four-year period.

Equis Energy awarded UGL the contract to build the 127-megawatt Tailem Bend solar farm in South Australia and operate it for five years. Valued at around EUR 108 million, the project is expected to start power generation to the grid in 2019. It will produce enough electricity for some 41,600 households. EIC Activities has assisted the project with leading innovative solutions during the design phase.

PPP and concessions

CIMIC has won a third public-private partnership contract in New Zealand: Together with other consortium partners, Pacific Partnerships and CPB Contractors are financing, designing, building and operating the Waikeria prison facility. Valued at EUR 423 million, the project is scheduled for completion in 2022 and will be operated for 25 years.

HOCHTIEF Asia Pacific division's key figures

The performance of the **HOCHTIEF Asia Pacific division** reflects HOCHTIEF's stake in CIMIC (72.7% at the end of December 2018, unchanged year on year) as well as associated financing and holding costs, and the impact of variations in the AUD/EUR exchange rate.

HOCHTIEF Asia Pacific's nominal **profit before tax (PBT)** grew by 7% year on year to EUR 620 million. On sales of EUR 9.3 billion, the PBT margin reached 6.7% compared with 6.4% in 2017. The reported divisional result was influenced by exchange rate movements with the Australian dollar being, on average during the period, 7% lower versus the Euro year on year.

Cash conversion remained at a high level at HOCHTIEF Asia Pacific in 2018 and resulted in a year-end divisional **net cash** position of EUR 983 million, up by EUR 404 million year on year. The division's order backlog remains solid at EUR 22.6 billion and provides a consistently high visibility of 26 months.

CIMIC's key figures

Net profit after tax (NPAT) at CIMIC increased by 11% in 2018 to AUD 781 million. This result was at the top end of the guidance range indicated by the company at the start of 2018 of AUD 720–780 million. Margins across the Group remained broadly stable at a good level while **sales** grew 9% to AUD 14.7 billion, with all operating companies recording growth.

Cash generation at CIMIC remained strong. **Net cash from operating activities** in 2018 of AUD 1.9 billion was up over AUD 335 million year on year. Net capital expenditure was increased by nearly AUD 160 million to AUD 465 million, reflecting increased work in mining and job-costed tunneling projects.

As a consequence of this strong cash flow performance, CIMIC's balance sheet strengthened further, ending 2018 with a **net cash** position of AUD 1.6 billion, up AUD 709 million year on year.

HOCHTIEF Asia Pacific Division: Nominal Figures[1)]

(EUR million)	**2018**	2017	Change yoy
Profit before tax/PBT	620.2	578.9	7.1%
PBT margin (%)	6.7	6.4	0.3
Net profit	299.7	275.4	8.8%
Net cash (+)/net debt (-)	982.6	578.5	69.9%
Divisional sales	9,266.3	9,077.0	2.1%
Order backlog (year on year)	22,630.0	23,465.5	-3.6%
Employees (end of period)	38,425	37,781	1.7%

During the year, **work in hand** reached a solid level of AUD 36.7 billion. The operating companies' work in hand grew by a solid 6% whilst maintaining bidding discipline. In total, new work of AUD 17.9 billion was secured in 2018.

[1)] All figures are nominal unless otherwise indicated

HOCHTIEF Asia Pacific Outlook

CIMIC announced its **NPAT (net profit after tax)** guidance for 2019 in the range of **AUD 790–840 million**, subject to market conditions, compared to the AUD 781 million reported for 2018.

<PROJECT>
MARIENTURM TOWER
</PROJECT>

<FACTS>

A new landmark on the Frankfurt skyline: HOCHTIEF will complete the 155-meter Marienturm tower in spring 2019 and seek LEED Platinum certification.

</FACTS>

This chapter is part of Focus Area Sustainable Products and Services

HOCHTIEF Europe Division

The HOCHTIEF Europe division comprises the Group's construction and PPP activities in Europe under the umbrella of HOCHTIEF Solutions AG. During recent years, HOCHTIEF in Europe has been positioned as a mid-sized company. Additionally, the division benefits from being part of an international infrastructure group and its technical expertise, risk management and financial strength. This adds up to a powerful and successfully operating organization.

Our companies offer a diverse range of services covering many aspects of the construction business: HOCHTIEF Infrastructure, HOCHTIEF PPP Solutions, and HOCHTIEF Engineering in particular complete infrastructure and building construction projects, also as public-private partnerships (PPP), and offer engineering services. The division focuses on transportation, energy, and social/urban infrastructure. synexs offers facility management services in the German market.

For transportation infrastructure and building construction projects, the division focuses on Germany, Poland, the Czech Republic, the UK, Scandinavia, and the Netherlands.

HOCHTIEF Engineering, which delivers engineering services for internal and external construction project clients, is divided into four business lines: Infrastructure; Energy, Industrial and Special Services; Virtual Design and Construction (ViCon); and Construction and Project Management Services.

As a partner to public-sector clients, HOCHTIEF PPP Solutions delivers comprehensive design, finance, build, and operate services for transportation and social infrastructure. The company takes a 360-degree view of PPP projects and optimizes the entire life cycle. Clients can count on the expertise HOCHTIEF brings to the table as one of the world's leading infrastructure groups, thereby benefiting from higher reliability, lower risk, and greater experience in implementing innovations.

In the countries relevant for HOCHTIEF in Europe, growth remained at a high level in 2018. The outlook for the coming years is positive. The highest growth rates are expected for the infrastructure segment, while the non-residential buildings segment should remain solid. Good growth in Germany and the countries in Eastern Europe could be partly compensated by slower growth in the UK.

Project highlights

Construction

HOCHTIEF is making an additional contribution to the expansion of Copenhagen's subway network following the Cityring's Nordhavn connector tunnel project already secured in 2014: A joint venture with HOCHTIEF as the technical leader received the contract to build the Sydhavn Metro Line (Line 4) with a total value of EUR 460 million. The joint venture is designing and building the 4.4-kilometer rail tunnel and five stations—work that is scheduled for completion in 2024. This is the first project in Denmark to use Building Information Modeling (BIM) across the board.

HOCHTIEF, together with a joint venture partner, has secured a contract from Deutsche Bahn for the second trunk route of the suburban railway in Munich. The joint venture will build the subterranean Marienhof station. The contract value is approximately EUR 400 million, with the two companies each having a 50% stake. The second trunk route provides for a second subterranean inner-urban link running roughly parallel to the first central Munich trunk route, which opened in 1972.

HOCHTIEF is also responsible for building a replacement for the Schwelmetal bridge on the A1 freeway. The contract entails demolishing and replacing the two partial sections of the bridge dating back to the 1960s. It is one of the first infrastructure projects in North Rhine-Westphalia to be delivered using BIM. The project is slated for completion in 2022.

HOCHTIEF Polska is to build a new Air Traffic Control Center at Poznań Airport by 2019. The project includes demolishing existing structures, designing and building a new office building, converting and modernizing the 24-meter-high tower, and installing the technical infrastructure. BIM will be used for the design and construction.

In Stockholm, HOCHTIEF is working as part of a joint venture to build a power-supply tunnel measuring 14 kilometers in length and five meters in diameter. Slated for completion by 2023, the tunnel is to make the local supply network fit for the future.

In Munich, HOCHTIEF is building an innovation center that, starting in 2020, will provide a shared home base for start-ups, established businesses, creative talents, and researchers to work on innovative urban design solutions. Dubbed the Munich Urban Colab, the center's architecture will feature light structures and communicative room design to provide a high degree of transparency and open space—ideal conditions to foster innovative thinking. To lower greenhouse gases the building emits in operation, it will feature concrete core activation and solar panels.

In a project slated for completion by the end of 2019, HOCHTIEF is constructing a residential and commercial building on Schellerdamm in Hamburg. This project will employ Building Information Modeling. Thanks to the company's early involvement, HOCHTIEF was able to provide engineering input during the design phase, thus optimizing both the construction time and the costs through the use of precast and hollow-core slabs.

In Exeter in the south-west of England, HOCHTIEF is expanding a train maintenance depot. Scheduled for completion by summer 2019, the work is part of a comprehensive modernization program aiming to improve the region's link to the rail network. The building targets BREEAM Excellent sustainable certification. In addition, the project team is collaborating with local schools and showing young people the diversity of jobs that exist in construction.

HOCHTIEF CZ is renovating the Baník Ostrava soccer team's home stadium in the Czech Republic. In a construction phase lasting a little over a year, the stadium will be converted into a training center for young soccer talents from all over the region.

HOCHTIEF Polska secured two additional construction contracts from the retailer Leroy Merlin. The company will be building retail space and showrooms as well as office and parking areas in Katowice and Wieliczka. Both projects are scheduled to be completed in 2019.

PPP and Concessions

An important project that expanded California's public infrastructure reached financial close in June 2018: the Automated People Mover at Los Angeles International Airport, a PPP project being built by a joint venture to which HOCHTIEF PPP Solutions belongs. It is anticipated that the automated railway will be finished by 2023. HOCHTIEF's U.S. subsidiary Flatiron is a partner in the construction consortium (see also page 67). Once the project is completed, the concession company will operate the 3.6-kilometer, elevated dual guideway for 25 years. The project has a total investment volume of approximately EUR 4 billion.

A HOCHTIEF project company comprising HOCHTIEF Infrastructure and HOCHTIEF PPP Solutions will work in a public-private partnership to design and build the new Heisenberg High School in Gladbeck, North Rhine-Westphalia, and operate it for 25 years. HOCHTIEF will also secure financing for the new build. This is the second PPP project for the community after the town hall.

HOCHTIEF Europe division's key figures

HOCHTIEF Europe developed positively during 2018 continuing the trend seen in prior years. **Operational PBT** increased by EUR 14 million year on year to EUR 59 million, in line with the guidance of EUR 55–65 million set at the start of 2018. The division's operational PBT margin rose to 4.1% compared with 2.8% end of 2017.

Net cash from operating activities remained at a high level at EUR 80 million. The variation year on year is impacted by a higher level of real estate divestments in 2017 and shows a continuing underlying improvement. At the end of December 2018, HOCHTIEF Europe's balance sheet showed a strong **net cash** position of EUR 475 million, an increase of over EUR 264 million compared with the previous year.

A solid level of **new orders** at EUR 1.9 billion were secured during the January–December 2018 period in line with the prior-year figure and exceeding the level of work done during the year by 10%.

The divisional **order backlog** at the end of December stood at EUR 3.6 billion, representing around two years of work.

HOCHTIEF Europe Outlook

Looking forward we expect further growth in divisional **operational profit before tax** to EUR 65–70 million for 2019 compared with EUR 59 million in 2018.

HOCHTIEF Europe Division: Key Figures[1)]

(EUR million)	2018	2017	Change yoy
Operational profit before tax/PBT[2)]	58.6	45.0	30.2%
Operational PBT margin[2)] (%)	4.1	2.8	1.3
Operational net profit[2)]	47.6	36.2	31.5%
Profit before tax/PBT	48.0	32.5	47.7%
Net profit	36.7	23.7	54.9%
Net cash from operating activities	79.8	106.6	-25.1%
Gross operating capital expenditure	14.4	18.9	-23.8%
Net cash (+)/net debt (-)	475.3	210.6	125.7%
Divisional sales	1,422.6	1,609.0	-11.6%
New orders	1,938.1	1,962.0	-1.2%
Work done	1,760.8	1,893.9	-7.0%
Order backlog (year on year)	3,585.9	3,663.6	-2.1%
Employees (end of period)	5,435	5,448	-0.2%

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

<PROJECT>

COPENHAGEN METRO

</PROJECT>

<FACTS>

HOCHTIEF is part of a joint venture contracted to build the Sydhavn Metro Line 4 in Copenhagen, which comprises dual tunnels, five underground stations, and two crossover structures to be completed by 2024. As is the case with all projects, compliance is a key component of the job: The project partners joined hands to develop a code of conduct.

</FACTS>

Corporate Governance and Compliance

Corporate Governance Report

The principle of good corporate governance applies throughout the HOCHTIEF Group. Corporate governance relates to the principles and regulatory framework for the management and supervision of business enterprises. The Executive Board and Supervisory Board of HOCHTIEF are bound by the principles of responsible, transparent business management and control geared to long-term financial success. This serves to strengthen the confidence of investors, clients, employees, and the general public in HOCHTIEF.

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

In February 2019, the Executive Board and Supervisory Board published the annual Compliance Declaration pursuant to Section 161 of the German Stock Corporations Act (AktG). The declaration is reprinted verbatim at the end of this section. We provide comprehensive information on our corporate governance practices online. There you will also find our Code of Conduct and all past compliance declarations, as well as the current Declaration on Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code (HGB).

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

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

With its current composition as the outcome of the Supervisory Board elections in spring 2016, the Supervisory Board complied with the requirements of the above-mentioned diversity policy in 2018:

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

- No member of the Supervisory Board holds a board office or acts in an advisory capacity at a major competitor of the HOCHTIEF Group.
- The Supervisory Board includes no former members of the Executive Board, with the exception of one member of the Supervisory Board who was formerly, for a brief period within the meaning of Section 105 (2) AktG, acting deputy to an absent member of the Executive Board.

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

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

In accordance with Section 5.6 of the Code, the Supervisory Board once again reviewed the efficiency of its activities in 2018.

Compliance

Compliance organization

Compliance is a key element of our corporate principles and is therefore firmly integrated into all processes at HOCHTIEF. Responsibility for compliance is held by the Chairman of the Executive Board of HOCHTIEF Aktiengesellschaft. In this capacity, he is supported by the Chief Compliance Officer and the Corporate Compliance and Legal department. Compliance in HOCHTIEF's divisions has a similar organizational structure, in each case headed by a compliance officer. The divisional compliance officers report on a regular basis to the Chief Compliance Officer, who in turn reports once annually to the Supervisory Board Audit Committee. Ad-hoc reporting is also provided in case of special need. The compliance officers ensure that the compliance program is implemented in the divisions, that compliance risks are identified at an early stage, and that appropriate action is taken. Compliance managers provide a direct point of contact for employees in each company. They support the implementation and onward development of the program and report to the responsible compliance officers.

All divisions have compliance committees of their own, in which the functional departments (human resources, auditing, procurement, etc.) are represented. These committees meet at least once every quarter to advise and support the compliance organization in integrating the program into business workflows and processes.

We are committed to effectively pursuing corruption and antitrust violations from an early stage. Infringements in areas that do not come under Compliance are the responsibility of the respective functional departments, such as the OSHEP Center[1] or the Data Protection Officer[2].

The HOCHTIEF compliance program

Responsibility for compliance lies with all employees and managers at HOCHTIEF, who undertake to meet the requirements in order to prevent compliance violations. It is part of our corporate philosophy that no business deal is worth undermining the high degree of trust enjoyed by HOCHTIEF or jeopardizing the Group's good reputation.

HOCHTIEF expects all employees to embrace and comply with the Code of Conduct in their daily work. Alongside important statutory requirements, the Code of Conduct also contains the standards that we adhere to and aim to foster under our voluntary commitments. These include the UN Global Compact and the ILO Core Labour Standards.

HOCHTIEF established the HOCHTIEF Code of Conduct in 2002, subject to ongoing review. It is binding for employees of HOCHTIEF Aktiengesellschaft and the HOCHTIEF Europe division. Available in 13 languages, it incorporates our compliance requirements. The same standards have been integrated into the codes of conduct

[1] For further information, please see pages 102 to 105.

[2] For further information, please see the Opportunities and Risks Report on pages 123 to 124.

for the companies in the HOCHTIEF Americas and HOCHTIEF Asia Pacific divisions.

Focus area indicator Compliance

Aspect: Antitrust law: Security in dealing with competitors

See GRI Index.

Our HOCHTIEF Code of Conduct gives employees guidance regarding, for example, questions of antitrust law, potential conflicts of interest, or negotiations with trading partners. It also helps in identifying bribery situations and corruption as well as in dealing appropriately with donations and sponsorship funding. The Code of Conduct can also be consulted with regard to matters of specific information, insider knowledge, confidentiality, and data protection. The areas it covers include:

- Occupational safety and health, and environmental protection
- Company assets, including documentation of transactions, dealing with company-owned property and assets, and insider rules
- Principles of corporate social responsibility
- Respect for human dignity
- Rejection of child and forced labor
- Equal opportunities
- Non-discrimination
- Right of assembly
- The right to collective bargaining

Compliance.
Save Your Business!

Employees in all divisions are additionally supported by Group directives and work instructions that detail and explain the required conduct.

In order to ensure fair play, HOCHTIEF also calls upon business partners, clients, and suppliers to comply with our high standards. For this purpose, the Group has developed the HOCHTIEF Code of Conduct for Business Partners, which is available in 14 languages.

Our aim is to establish good, successful, long-term business relationships. Accordingly, we conduct due-diligence reviews before entering into business transactions. For example, the compliance organization screens joint venture partners and consultants in a precisely defined selection procedure and approves signing subject to integrity criteria. We also check potential partners for integrity and reliability, making use of external databases as needed. This business partner compliance due diligence process is fully documented.

We keep employees informed about the compliance program, points of contact, and internal directives via the customary in-house media. Our training programs are available on the corporate intranet. Among other things, 2018 saw the launch of an e-learning program on the HOCHTIEF Code of Conduct for all employees.

In 2018, a total of 38,725 employees in Germany and internationally took part in training provided by Compliance—this corresponds to a share of almost 70% of employees within the Group. The figure comprised 23,837 employees in the HOCHTIEF Asia Pacific division, 10,689 employees in the HOCHTIEF Americas division, and 4,209 employees in the HOCHTIEF Europe division (including the holding company).

By 2020, we want all HOCHTIEF employees to complete at least one compliance training course. Another aim is to provide our employees with maximum security in dealing with competitors.

Number of Compliance training courses

	2018	2017
HOCHTIEF Americas	10,689	7,619
HOCHTIEF Asia Pacific	23,837	18,870
HOCHTIEF Europe (incl. holding company)	4,209	683
HOCHTIEF Group	**38,735**	**27,172**

We require all HOCHTIEF employees to report any suspected compliance violations. Various channels are provided for this purpose. If employees do not wish to go directly to their direct superior, they can use whistleblower systems that are in place in all divisions. Both hotlines and e-mail addresses are available. All reports are escalated to compliance officers or Corporate Compliance. To protect whistleblowers, reports can be rendered anonymous on request.

Outside stakeholders such as business partners and subcontractors are also able to report issues. HOCHTIEF publishes all contact channels for this purpose on the Group website.

If a violation of compliance rules is suspected, Corporate Compliance or Corporate Auditing initiates compliance checks. Auditing also monitors adherence to compliance processes and the corresponding directives. Checks were made in 64 instances during 2018. The Compliance organization also regularly asks about adherence to compliance rules in self-assessments and interviews. A compliance spot check is additionally held once annually in the HOCHTIEF Europe division to show the importance of compliance in day-to-day activities. In 2018, the compliance spot check was integrated into the Europe-wide employee survey, which addresses the following compliance issues: the general perception of compliance within the Group, responsibility for compliance, reporting of suspected compliance violations, and the potential consequences of violations. Great importance is also attached to implementing Compliance in the companies of the HOCHTIEF Americas and HOCHTIEF Asia Pacific divisions.

Corporate Compliance and Corporate Auditing also cooperate in compliance audits for HOCHTIEF projects, in which adherence to compliance requirements is assessed on-site against a risk matrix. Additionally, Corporate Auditing conducts quick checks on projects to analyze compliance conduct and respect of human rights for early identification of potential risks.

We investigate any breaches of the law and internal directives without compromise and with the highest priority. As a matter of course, we take care to guard against anonymous false accusations.

If disciplinary measures such as dismissal follow, the respective superiors or management are responsible for initiating and implementing them.

In the event of a potential breach of the rules, the compliance officer responsible checks whether the prevailing standards and processes are adequate and sufficient. If not, the compliance officer causes the appropriate action to be taken or revises the requirements.

Focus area indicator Compliance

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

Compensation report

This compensation report, which is an integral part of the Management Report, describes the essential features of the compensation policy for the Executive Board and Supervisory Board. In addition, the compensation received for 2018 by each member of the Executive Board and Supervisory Board of HOCHTIEF Aktiengesellschaft is individually disclosed.

Compensation policy

Developed in 2011, the current compensation system for members of the Executive Board is geared toward long-term, sustainable management. It was adopted by resolution of the Supervisory Board following preparation by the Human Resources Committee and approved by the Annual General Meeting on May 3, 2012 (agenda item 5) with a majority of 98.08% of votes cast. The compensation system has also been regularly reviewed by the Supervisory Board. For that purpose, the Human Resources Committee regularly reviews the appropriateness of compensation—both as a whole and with regard to the individual compensation components—and, where necessary, puts forward modifications to the Supervisory Board. Criteria for determining the appropriateness of compensation comprise the duties of each member of the Executive Board, their personal performance, the economic situation, the performance and future prospects of the Company, as well as the customary level of compensation, taking into account peer companies as well as employment terms for employees.

The objective of the compensation system is to support successful and sustainable management by linking the compensation of Executive Board members to both the short-term and long-term performance of the Company. It comprises personal and corporate performance parameters. Variable compensation components have a predominantly multi-year assessment basis and thus provide long-term incentives. The structure of long-term variable compensation, which also reflects share price performance, additionally ensures that the goals of management are aligned with immediate shareholder interests.

Structure and components of the compensation system for the Executive Board

The compensation for Executive Board members for 2018 comprises the following non-performance-related and performance-related elements:

1. Fixed compensation
   Fixed compensation for members of the Executive Board is paid pro rata as a monthly salary.

2. Fringe benefits
   In addition to the fixed compensation, the members of the Executive Board also receive fringe benefits. These comprise amounts to be recognized for tax purposes for private use of company cars and other non-cash benefits.

3. Pension plan
   All members of the Executive Board have company pension plans in the form of individual contractual pension arrangements that provide for a minimum pension age of 65. The amount of the pension is determined as a percentage of fixed compensation, the percentage rising with the number of years in office. The maximum amount an Executive Board member can receive is 65% of their final fixed compensation. Surviving dependents receive 60% of the pension. For new contracts and material modifications to existing contracts, the Human Resources Committee reviews pension provision for the members of the Executive Board as well as the resulting annual and long-term service cost.

4. Variable compensation
   The variable compensation is intended as remuneration for performance. If targets are not met, variable compensation can drop to zero. Between 60% and 70% of variable compensation is not at the immediate disposal of Executive Board members. This amount is dependent upon the development of future performance indicators and is thus geared to the Company's long-term business performance.

In order to determine variable compensation, overall target attainment is calculated annually on the basis of Group performance in the year concerned in relation to adjusted free cash flow and consolidated net profit (absolute and delta against prior year). The Supervisory Board has the right, in the event of exceptional individual performance, to adjust upward the overall target attainment resulting from achievement of the financial targets, and upward or downward according to its assessment of the attainment of agreed strategic targets. Overall target attainment can range from zero to 200%. Pursuant to Section 87 (2) of the German Stock Corporations Act (AktG), the Supervisory Board has a clawback right in the event of deterioration in the Company's situation. This ensures that the compensation system for Executive Board members contributes to the corporate strategy and long-term development of the Company.

Target amounts (at 100% target attainment) have been agreed with each member of the Executive Board for the following three variable compensation components:
Short-term Incentive Plan (STIP)
Long-term Incentive Plan I (LTIP I)
Long-term Incentive Plan II (LTIP II)

Depending on the individually agreed target amounts and overall target attainment, variable compensation is determined and paid out as follows:

a. The STIP is paid out in cash;
b. LTIP I is paid out by transfer of shares in HOCHTIEF Aktiengesellschaft in the net amount, subject to a two-year bar;
c. LTIP II is paid out by the granting of an annual long-term incentive plan.

This ensures that the amounts granted for long-term incentive components I and II are dependent on attainment of the targets for the respective year.

Variable compensation component	**Paid out**	**Percentage share** (depending on individual target amounts)
Short-term Incentive Plan (STIP)	In cash	Between 30 % and 40 %
Long-term Incentive Plan I (LTIP I)	By transfer of shares in HOCHTIEF Aktiengesellschaft in the net amount, subject to a two-year bar	Between 60 % and 70 %
Long-term Incentive Plan II (LTIP II)	By the granting of an annual long-term incentive plan, subject to a three-year waiting period	

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 under the age of 65. In case of early termination of Executive Board mandates, severance payments will not exceed the value of two years' annual compensation (severance cap) and compensation will not be payable for more than the remaining term of the contract. There is no entitlement to any severance payment in the event of a change of control.

Loans and advances

As in past years, no loans or advances were granted to members of the Executive Board in 2018.

Share ownership

As a result of the LTIP I component being granted in shares, the Executive Board members hold barred HOCHTIEF shares as follows:

	Number of barred shares as of December 31, 2018 from the granting of the LTIP I component in the last two years	**Value on the basis of the average price of a HOCHTIEF share in 2018** (EUR thousand)
Fernández Verdes	7,431	1,059
Legorburo	2,482	354
von Matuschka	2,618	373
Sassenfeld	4,787	682

Executive Board compensation for 2018

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			
	2017	2018			2017	2018			2017	2018			2017	2018		
(EUR thousand)		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum
Fixed compensation	1,225	1,262	1,262	1,262	328	338	338	338	382	394	394	394	656	675	675	675
Fringe benefits	40	39	39	39	16	16	16	16	26	29	29	29	20	19	19	19
Total	**1,265**	**1,301**	**1,301**	**1,301**	**344**	**354**	**354**	**354**	**408**	**423**	**423**	**423**	**676**	**694**	**694**	**694**
One-year variable compensation	1,610	1,658	0	1,658	382	394	0	394	437	450	0	450	765	788	0	788
Multi-year variable compensation																
Long-term incentive component I[1]	1,274	1,312	0	1,312	382	394	0	394	437	450	0	450	765	788	0	788
Long-term incentive component II[2] (5-year term)	1,274	1,312	0	1,312	382	394	0	394	437	450	0	450	765	788	0	788
Total	**5,423**	**5,583**	**1,301**	**5,583**	**1,490**	**1,536**	**354**	**1,536**	**1,719**	**1,773**	**423**	**1,773**	**2,971**	**3,058**	**694**	**3,058**
Pension expenses (service and interest cost)	1,916	1,526	1,526	1,526	276	276	276	276	333	323	323	323	628	613	613	613
Total compensation[3]	**7,339**	**7,109**	**2,827**	**7,109**	**1,766**	**1,812**	**630**	**1,812**	**2,052**	**2,096**	**746**	**2,096**	**3,599**	**3,671**	**1,307**	**3,671**

[1] Transfer of shares with two-year retention period
[2] Granted as long-term incentive plan/Value at grant date
[3] Excluding Executive Board compensation in relation to offices held at Group companies

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)	2018	2017	2018	2017	2018	2017	2018	2017
Fixed compensation	1,262	1,225	338	328	394	382	675	656
Fringe benefits	39	40	16	16	29	26	19	20
Total	**1,301**	**1,265**	**354**	**344**	**423**	**408**	**694**	**676**
One-year variable compensation	1,610	1,379	382	371	437	424	765	743
Multi-year variable compensation								
Long-term incentive component I[1]	1,274	1,167	382	371	437	424	765	743
Long-term incentive component II[2]	2,526	707	0	0	533	139	1,357	1,019
Total	**6,711**	**4,518**	**1,118**	**1,086**	**1,830**	**1,395**	**3,581**	**3,181**
Pension expenses (service and interest cost)	1,526	1,916	276	276	323	333	613	628
Total compensation[3]	**8,237**	**6,434**	**1,394**	**1,362**	**2,153**	**1,728**	**4,194**	**3,809**

[1] Transfer of shares with two-year retention period
[2] Payout amount after exercise of LTIP 2014
[3] Excluding Executive Board compensation in relation to offices held at Group companies

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	2018	2,075
	2017	2,392
Legorburo	2018	515
	2017	434
von Matuschka	2018	629
	2017	647
Sassenfeld	2018	1,202
	2017	1,374
Executive Board total	**2018**	**4,421**
	2017	**4,847**

The present value of pension benefits for current and former Executive Board members is EUR 101,439 thousand (2017: EUR 100,999 thousand).

Pension payments to former members of the Executive Board and their surviving dependents were EUR 5,283 thousand (2017: EUR 5,443 thousand). Pension obligations to former members of the Executive Board and their surviving dependents totaled EUR 84,633 thousand (2017: EUR 86,464 thousand).

Executive Board compensation for past years

In 2018, the Supervisory Board adopted a Long-term Incentive Plan 2018 (LTIP 2018) for Executive Board members to satisfy the long-term incentive component II from 2017. This comprises grants of performance stock awards (performance-linked phantom stocks). The terms of the 2018 performance stock awards provide that, after the three-year waiting period, those entitled have, for each performance stock award within the two-year exercise period, a monetary claim against the Company equal to the closing price of HOCHTIEF stock on the last day of stock market trading prior to the exercise date plus a performance bonus. The size of the performance bonus is relative to adjusted free cash flow. The value of all entitlements to performance stock awards under Long-term Incentive Plan 2018 is capped so that the amount of compensation stays appropriate in the event of extraordinary, unforeseeable developments. Mr. Fernández Verdes was granted 5,714 performance stock awards worth EUR 1,274 thousand at the grant date. Mr. Legorburo was granted 1,715 performance stock awards worth EUR 382 thousand at the grant date. Mr. von Matuschka was granted 1,960 performance stock awards worth EUR 437 thousand at the grant date. Mr. Sassenfeld was granted 3,430 performance stock awards worth EUR 765 thousand at the grant date. Additional information on the plans is provided in the Notes to the Consolidated Financial Statements on pages 195 to 197.

Executive Board compensation in relation to offices held at Group companies

For his services in Australia as Executive Chairman of CIMIC in 2018, Mr. Fernández Verdes received a lump-sum expense allowance of EUR 319 thousand[1] and fringe benefits in the amount of EUR 4 thousand[1]. The stock appreciation rights granted to Mr. Fernández Verdes by CIMIC in 2014 resulted in an expense in the amount of minus EUR 788 thousand.

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

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

Supervisory Board compensation

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

(EUR)	Fixed compensation (without VAT)	Attendance fees (without VAT)	Total compensation (without VAT)
Pedro López Jiménez	195,000	11,500	206,500
Ángel García Altozano	130,000	20,000	150,000
Beate Bell	97,500	11,500	109,000
Christoph Breimann	65,000	10,000	75,000
Carsten Burckhardt	97,500	18,000	115,500
José Luis del Valle Pérez	97,500	21,500	119,000
Patricia Geibel-Conrad	97,500	18,000	115,500
Dr. rer. pol. h. c. Francisco Javier Garcia Sanz	65,000	8,000	73,000
Arno Gellweiler	97,500	9,500	107,000
Matthias Maurer	130,000	20,000	150,000
Luis Nogueira Miguelsanz	97,500	20,000	117,500
Nikolaos Paraskevopoulos	97,500	10,000	107,500
Sabine Roth	97,500	14,000	111,500
Nicole Simons	97,500	10,000	107,500
Klaus Stümper	97,500	21,500	119,000
Christine Wolff	97,500	9,500	107,000
Supervisory Board total	**1,657,500**	**233,000**	**1,890,500**

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

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

HOCHTIEF Aktiengesellschaft complies with the recommendations of the Government Commission on the German Corporate Governance Code dated February 7, 2017 and published on April 24, 2017 by the German Ministry of Justice and Consumer Protection in the official section of the electronic Bundesanzeiger (Federal Official Gazette). In addition, HOCHTIEF Aktiengesellschaft has complied with these recommendations since publication of the last Compliance Declaration in February 2018. The following exceptions apply:

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

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

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

Essen, February 2019

HOCHTIEF Aktiengesellschaft

For the Supervisory Board   For the Executive Board

Pedro López Jiménez   Marcelino Fernández Verdes   Peter Sassenfeld

<PROJECT>

CALIFORNIA NATURAL RESOURCES AGENCY HEADQUARTERS

</PROJECT>

<FACTS>

Net zero energy standards: The new headquarters of California's Natural Resources Agency in Sacramento will provide its own energy, among other features. Turner is responsible for the construction, which is slated for completion in 2021 and will seek LEED Platinum certification.

</FACTS>

This chapter is part of Focus Area Sustainable Products and Services

Research and Development

Innovation for project success

Innovation is a key factor that makes HOCHTIEF competitive. Alternative proposals that are custom-developed for construction projects account for a substantial proportion of HOCHTIEF's project success. That is because they enhance quality, efficiency, and sustainability in our projects. Our outstanding position in this arena is due to our innovative workforce as well as our Group-wide research and development (R&D) activities.

Innovation is one of our guiding principles: We continuously grow our technical expertise and are constantly seeking new ways to optimize.

The strategic goals of the work HOCHTIEF puts into innovation are to improve operational efficiency and safety as well as to ensure all our operating companies' competitiveness and the marketability of our services on a long-term basis. At HOCHTIEF, innovation is embedded in project activities. We aim to inspire our employees to adapt improved technologies and processes as well as to generate innovations themselves, thereby contributing to progress. That calls for a flexible organization that can learn, and the tools to support that. It also means maintaining a comprehensive view of the big picture and assessing trends that can impact the construction industry long-term. Chief among today's trends are new technologies that optimize construction methods, which offer significant opportunities to leverage potential.

New focus for innovation management

HOCHTIEF is currently concentrating on harnessing opportunities presented by digitalization, where fields such as artificial intelligence, virtual reality, machine learning, the Internet of Things, and Industry 4.0 are opening up new opportunities and perspectives. Innovation management, which forms part of the Risk Management, Organization and Innovation corporate department, will further accelerate innovation activities. The team is responsible for strategic innovation management at Group level and for operative innovation management at our European subsidiary, HOCHTIEF Solutions (1).

Our goal is to drive digital processes forward effectively and ensure that all team members are optimally connected. With this in mind, HOCHTIEF established a new organization in the reporting year: Nexplore[1], a company positioned at the intersection between HOCHTIEF, its majority shareholder ACS, and the Group's operating companies; it will focus mainly on promoting digitalization in our core business. This unit plans to establish several innovation centers worldwide: In addition to the existing locations in Essen and Frankfurt/Darmstadt, centers will be set up in Madrid, Minneapolis, and Sydney. HOCHTIEF is among the first companies in the industry to embrace the megatrend of digitalization in this form.

The new company will work with both IT-savvy HOCHTIEF employees and with partners. Cooperation agreements with prestigious IT departments at universities and long-term partnerships are being selectively pursued by Nexplore. Research projects conducted jointly by scientists, students, and the new company's employees are planned. In addition, the innovation team is in discussions with associations, panels, and other companies on topics such as the use of artificial intelligence.

The Group's existing innovation units remain the basis for innovation-related work: The operational units' innovation organizations support Group Innovation Management at the holding company level. Collaboration with the innovation managers at the subsidiaries will be intensified further. One of Nexplore's key roles will revolve around innovation topics that are important for the entire Group, for which the team will act as the point of contact, also driving their development centrally.

An IT work platform providing information for everyone involved throughout the Group will ensure the ongoing, systematic transfer of expertise. That way, project results and best practices can be shared all over the world.

[1] Founded in 2018 as HT Technology GmbH

Our American subsidiary Turner also adjusted the structure of its innovation management in 2018. In a bottom-up process, innovation ideas are passed on to topic sponsors and managers in mid-level positions. This process employs existing tools such as the web-based Turner Learning Tree knowledge platform as well as collaborative tools such as Yammer. Outstanding innovations or topics with company-wide significance are then taken up by the Innovation department. Ultimately, the top management decides which innovations Turner commits to implementing. The company launched the Turner Innovation Challenge Program to raise employees' awareness about the topic of innovation and generate enthusiasm. It defined several focus areas for 2018, including artificial intelligence and prefabrication. In 2018, over 200 ideas were shared during the first phase of the three-tier competition. Phase two comprises workshops to define and test ideas, and in the third step teams progress to the specific implementation and company-wide fine-tuning.

CIMIC also fosters a culture of innovation as a road to improvement. The company EIC Activities, which focuses on engineering and technical services, works with all CIMIC units to promote this. It is brought in as early as the bid phase, which indeed offers the best opportunities to generate innovations, minimize risk, and add value. EIC Activities' involvement in operating projects leads to significant improvements in efficiency and cost savings. In addition, the expert team gives all CIMIC operating companies access to the Group's and the industry's collective experience, as well as to technical resources and leading-edge technology applications.

CIMIC also places emphasis on effective knowledge transfer in-house. This is accomplished chiefly through an interactive database that serves as a shared CIMIC Group platform. Known as the interactive Project Knowledge Library (iPKL), it makes available information such as contract documents, project data sheets, case studies, lessons learned, technical knowledge, tender documents, and more. It also provides technical and functional Communities of Practice where colleagues from across the CIMIC Group come together to find and share knowledge.

HOCHTIEF continues to concentrate on Building Information Modeling (BIM) as innovation focus. This digital form of planning and execution relies on actively networking all those involved with the help of a 3D computer model, which can incorporate additional information such as schedules and budgets. BIM is a key driver of HOCHTIEF's new innovation campaign and paves the way for further digital advances in construction.

All the innovation units in the Group maintain an ongoing dialog with Group Innovation Management and the new company Nexplore to discuss innovation topics and jointly drive them forward.

Innovative projects: Current examples

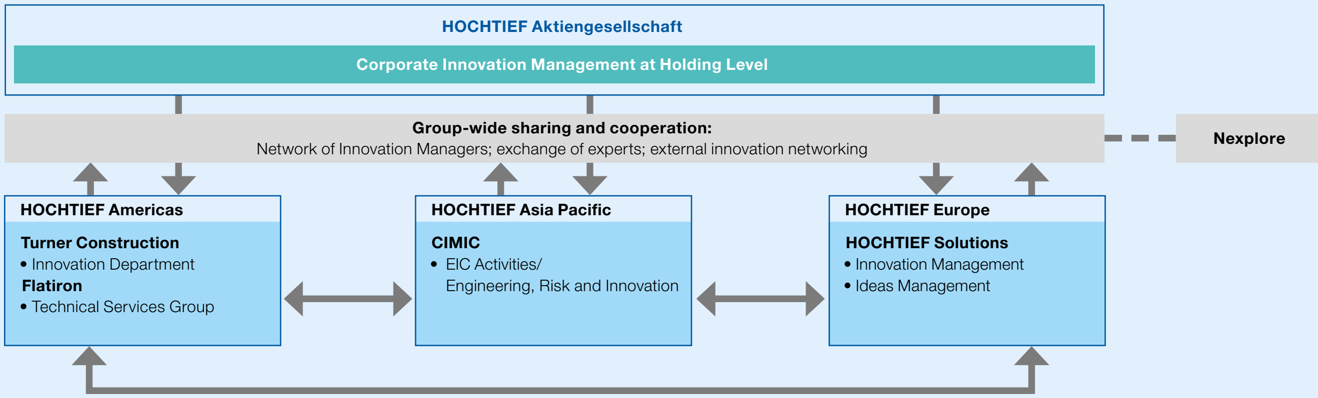
Software-based solutions to monitor construction progress

HOCHTIEF is currently working on a software-based solution to compare the actual and target status of construction projects in real time—tools our business currently lacks, since virtually everything we produce is unique. Our aim is to use a standardized software solution to reduce, or ideally even replace, data entry and gathering at various points and in various phases of a project. With an objective like this, it is vital to ensure that the tools are precisely aligned with needs. In the current project, programming is underway in Nexplore's innovation center in the U.S. making use of survey and point cloud data from existing construction projects.

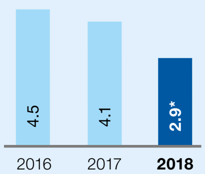
As developed so far, the software monitors construction progress using networked databases along with 4D and 5D modeling. In the future, it will be able to match the design model against a point cloud scan of the current project status, and to detect and compute discrepancies automatically.

Facts and figures

(1) Innovation organization



(2) Investment volume of R&D projects (EUR million)



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

(3) Number of employees provided with BIM or similar training in 2018

Division	HOCHTIEF Group	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe
Employees	**1,179**	301	659	219

*New R&D priorities were set in 2018 with consistent focus on the long-term Group strategy. Expenditure in connection with the reorientation of innovation management will not show through until the following year.

Geodata acquisition

Another recent digital technology features in a data capturing project for quick and easy acquisition and processing of geodata. This involves an imaging system where a drone-mounted laser scanner is used to capture volume, progress, and quality data on, for example, earthworks in a construction project. The aim is then to transform the resulting point cloud of 3D coordinates in software so the data can be easily integrated with the time (4D) and cost schedule (5D). With the programs, it will also be possible to check further parameters such as quality, standards compliance, and tolerances. Use of this special data capturing system is now being tested and validated in a pilot project on the A6 freeway project, with a stretch of the freeway scanned by drone in trial runs commencing in October 2018.

Data acquisition enhances site efficiency

Various other data acquisition systems are in deployment. Excavators and trucks, for example, are monitored using the Global Navigation Satellite System (GNSS). A digital map of the construction site stored in the system enables vehicle movements, idle time, loading time, key positions, and downtime to be precisely queried at any time. This information can be used to visualize and analyze construction site efficiency.

Standardizing bridge construction

The principle behind standardized products and processes can be applied, among others, to the design and execution of bridges. To this end, HOCHTIEF Engineering is working toward developing bridges with a similar structure that only require minor adjustments to local conditions. For the operators of major infrastructure projects, this approach offers a wealth of advantages such as planning certainty regarding quantities, cost benefits through repetition effects, enhanced design quality, more dependable planning as well as better quality assurance including benefits as regards life-cycle costs.

Steel-fiber reinforced tunnel segments

The Metro Sydney extension—one of the biggest infrastructure construction projects currently underway in Australia—involves the construction of dual, 14-kilometer-long subway tunnels underneath the city's central business district and the Sydney Harbor. HOCHTIEF Engineering is in charge of designing both the segmental tunnel lining in all tunnels and the 58 cross passages that interconnect both tunnel tubes. The design of the steel-fiber reinforced tunnel segments is based on the results of a test program launched by HOCHTIEF some years ago to promote the construction method.

Innovation focus: BIM

We remain strongly focused on growing expert BIM skills throughout the Group. We want to make the use of this method our standard for all projects in the long term. To date, HOCHTIEF has gathered experience in more than 2,300 projects Group-wide. In the reporting year, HOCHTIEF launched a major training initiative in Germany through its company HOCHTIEF ViCon (see (3)). All employees involved in operations are expanding their BIM expertise. HOCHTIEF ViCon is responsible for the content and coordinates the courses. The goal here is to provide as complete a picture as possible of the many ways BIM can be used in the Group. HOCHTIEF ViCon also successfully trains future "BIM Professionals" at external institutes, cooperating with the Ruhr University in Bochum and Technical University Munich.

Focus area indicator Sustainable Products and Services

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

With its Road Map for Digital Design and Construction, Germany's Federal Ministry of Transport and Digital Infrastructure is aiming to gradually phase BIM into infrastructure construction. A working group has been charged by the ministry with overseeing implementation of the road map. As a member of the working group, HOCHTIEF ViCon is helping delineate the requirements key to achieving it.

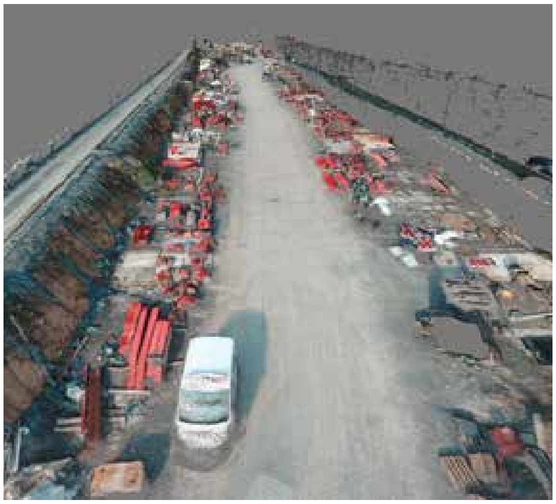
To this end, consultation on and research into pilot projects to trial BIM are underway in the roads and waterways sectors. Insights drawn from the results will be used as the basis for the specific BIM standards that come into force in 2020. Drawing on analyses as a point of departure, a framework for achieving the targeted performance level was outlined in detail—including recommendations in the form of guidelines and sample contracts.

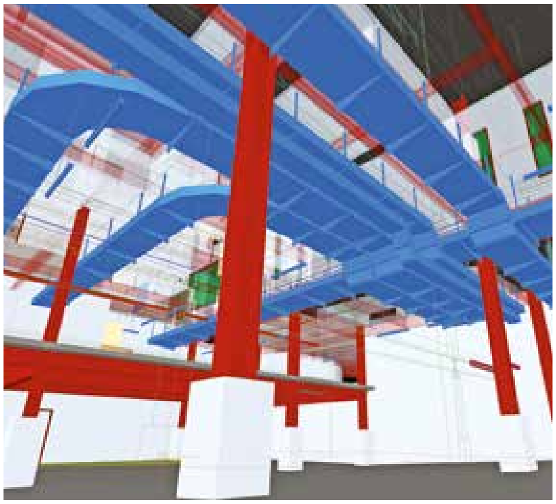
In tandem with these pilot projects, DB Netz AG is running additional BIM pilots with support from the ministry. Thirteen of the projects are currently flanked by separate research, which documents and processes user experiences. HOCHTIEF ViCon is part of the BIM4RAIL working group that has been lending scientific support to the project since early 2018.

Launched in the reporting year, BIM Speed is an additional research project that falls under the EU research program Horizon 2020. Within four years, 22 partners will develop refurbishment and upgrading solutions using BIM. HOCHTIEF ViCon spearheads work package 1, which captures digital data on visible structures, hidden structures, external sources, sensors, and user reports. Used to plan renovations, the data serves as a benchmark against which the implemented plans can be measured.

BIM is already used at many of our companies. In 2017, EIC Activities was instrumental in securing the CIMIC Group's Kitemark certification from the British Standards Institution (BSI) in recognition of its expertise and implementation of BIM. EIC Activities plays a pivotal role in ensuring consistent implementation of digital engineering across the CIMIC Group.

Leighton Asia, for example, used BIM in the Passenger Clearance Building project in Hong Kong. To mount the 40,000 square-meter roof at a height of 30 meters, the





The earthworks in the construction pit are being recorded by a drone fitted with a laser scanner. The point cloud resembles a grid that is to be converted by software in such a way that the data can be easily linked to scheduling and cost planning (left).

First digital, then actual construction: Building Information Modeling brings a wealth of benefits when it comes to designing, executing, and operating building projects (right).

structure was divided into modules, each measuring 60 by 25 meters and weighing 690 metric tons. BIM was deployed in the installation of the prefabricated components, and it optimized the work processes by giving all the teams access to the same data even though they were using different software systems. This prevented the need for subsequent adjustments on site.

At present, CIMIC is the only company in Australia to have been awarded the BSI Kitemark for Design and Construction (BSI PAS 1192-2, BS 1192, and BS 1192-4).

Turner in the U.S. also uses BIM for nearly all of its projects. A BIM pioneer, the HOCHTIEF company has gained experience in projects valued at some USD 30 billion.

The increasingly widespread use of BIM not only promotes good construction-process planning and management but also simplifies maintenance and operations. When combined with other digital applications such as information from 3D printing, this yields additional optimization options for the project teams. They can improve project safety, lower the risks in project execution, and enhance overall quality, among other benefits.

Networks and collaboration

HOCHTIEF is a founding member of ENCORD (the European Network of Construction Companies for Research and Development), a platform for exchanging information about research, development, and innovation. The working groups help us with issues such as infrastructure expansion, occupational safety and health, lean construction[1], virtual construction, and environmental protection.

[1] See glossary.

Together with other industry experts, HOCHTIEF aims to move the needle on forward-looking topics. We work with consortium partners from other business sectors as well as renowned universities on issues such as the future of infrastructure and mobility, for example, and technology in construction, where we contribute our know-how.

<PROJECT>
KIDSTON SOLAR FARM
</PROJECT>

<FACTS>

A thorough job: The Kidston solar farm in North Queensland is being expanded. The CIMIC company UGL helped to deliver the first stage of the solar farm and has been selected as preferred engineering procurement and construction contractor for the second phase which will increase output by more than 400% and power 143,000 homes.

</FACTS>

This chapter is part of Focus Area Attractive Working Environment

Employees
Earning our good reputation as an employer

Human resources strategy
HOCHTIEF's human resources strategy actively supports our Group strategy: Our employees' expertise, skills, dedication, and teamwork are the foundations on which the success of our business is built. We see selectively fostering our employees and giving them responsibility and scope to develop new ideas as our core strategic mission. Our guiding principles—integrity, accountability, innovation, delivery, sustainability, and safety—provide a firm Group-wide framework for this.

We work in a cooperative, constructive manner with all Group units, developing measures together to achieve our shared goals. As part of this process, we pursue fundamental topics centrally, while operational HR matters are set up in a decentralized manner and implemented at each location.

HOCHTIEF provides its workforce with a safe working environment coupled with performance-based pay. Finding and retaining the best talent for our projects long-term is our top-level goal. In order to spark interest among potential new employees, we work continuously to maintain and enhance the reputation we enjoy on the market as an attractive employer.

In addition, the Group's digital transformation generates new opportunities for and demands on our workforce, whom we support and foster as fully as possible through targeted HR measures. Expertise in the digital realm, for example, is just as important a part of this as a basic flexibility and openness to innovation.

Number of employees
Thanks to the good orders situation, HOCHTIEF employed more people worldwide in 2018 than in the previous year. The number of employees in the Group grew by 3.5% to 55,777. (1) HOCHTIEF also works with subcontractors on projects worldwide.

Group-wide, 24,468 new salaried/office employees or waged/industrial employees were hired, while 23,284 left the company. (2) Due to the large number of employees hired on a project-by-project basis at our international Group companies, staff turnover rates are not comparable Group-wide. Staff turnover in Germany stood at 9.6% (2017: 10.3%), once again bringing it in line with our targeted range of 8–12%. As of the December 31, 2018 reporting date, the percentage of Group-wide contracts with permanent positions is 77% (2017: 73%). The low fluctuation underscores the reliability and continuity HOCHTIEF stands for as an employer.

Winning the right employees for HOCHTIEF
HOCHTIEF is stepping up its efforts to find, foster, and retain talented employees in all divisions and across all areas of operation. That is the only way to achieve our goal of meeting our staffing needs reliably in the long term, despite the growing lack of specialists. To that end, our companies continue to collaborate with selected universities around the world. In 2018, we again increased our presence at schools, universities as well as trade and career fairs in Germany and at our international locations. Demand is still significantly higher than the number of job seekers notably in technical professions. We offer activities designed to spark interest in technical professions among young people while they are still in school. This year, our efforts to attract young engineers again met with success: In Germany alone, we hired 70 young talents in the reporting year (2017: 69), of whom 22.9% are females.

Our dual study programs, which combine training with a degree program, are very popular. In 2018, 34 men and women started an apprenticeship in Germany. With a total of 94 trainees in our employ as of December 31, 2018 (2017: 94), our training quota is 2.7%. Our intern retention programs, which help us stay in close contact with interns over the long term and have already resulted in numerous contracts, are proving very successful.

As numerous rankings confirm, our Group's operating companies continue to enjoy reputations as good places to work.

Focus area indicator Attractive Working Environment

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

Apprenticeships at HOCHTIEF

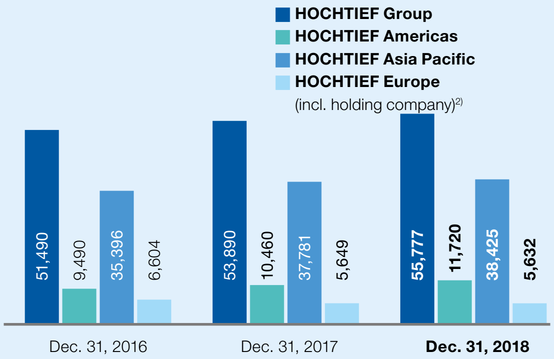
Commercial/administrative careers:
Industrial administrator
Office communications administrator
Bachelor of Arts (Industrial administrator)

Technical careers:
Technical drafter
Bachelor of Engineering

Industrial careers:
Concretor
Conduit builder
Construction equipment operator
Mechatronics technician
Electronics technician specializing in industrial engineering
Surveying technician

Facts and figures

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

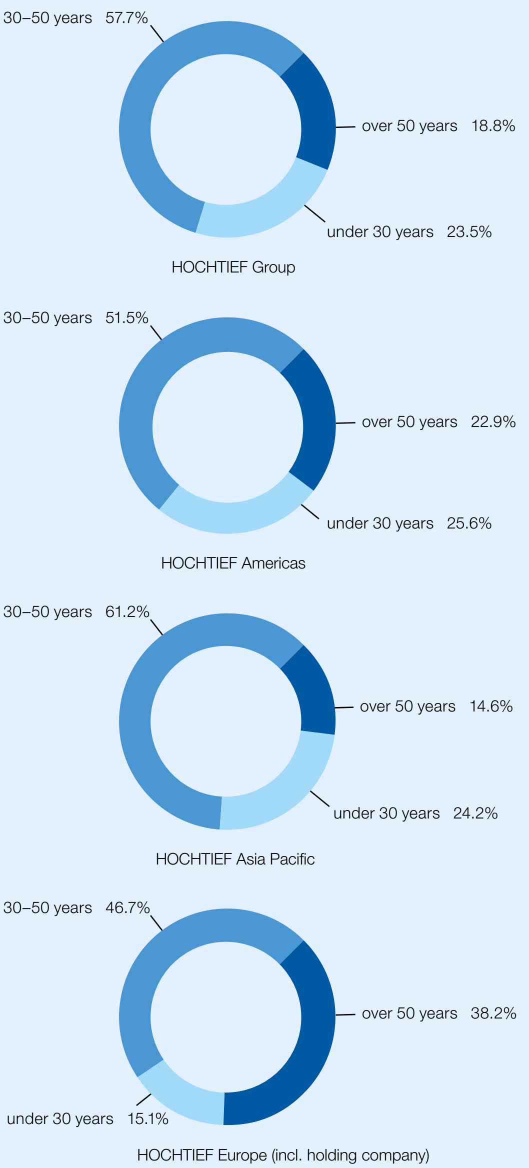


Footnotes to chart:
[1] Total workforce: All persons who are employed by a fully consolidated HOCHTIEF Group company as of the reporting date (except for the Executive Board). Employees are counted per capita.
[2] The holding company had 158 employees as of the reporting date.

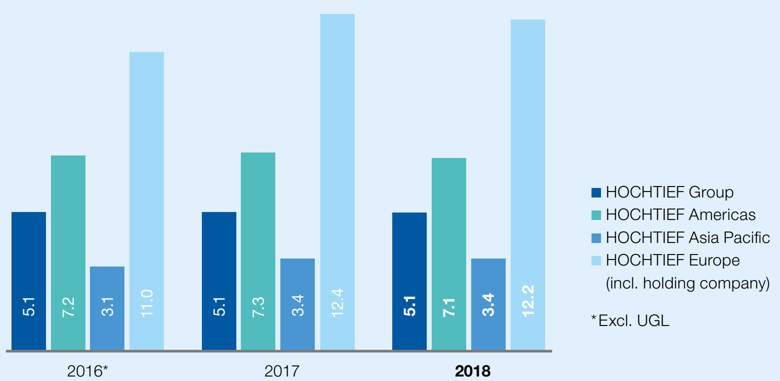
(2) Total number of employees in the HOCHTIEF Group by gender and employment type (reporting date Dec. 31, 2018) and number of new hires and departures (2018 total)

	HOCHTIEF Group	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe (incl. holding company)
Employees (total workforce)	**55,777**	**11,720**	**38,425**	**5,632**
– of which men	47,838	9,190	34,453	4,195
– of which women	7,939	2,530	3,972	1,437
– women in management positions (%)	12.3%	11.0%	11.8%	14.3%
White-collar workers (incl. apprentices)	**26,255**	**8,946**	**12,960**	**4,349**
– of which men	19,545	6,492	10,105	2,948
– of which women	6,710	2,454	2,855	1,401
Blue-collar workers (incl. apprentices)	**29,522**	**2,774**	**25,465**	**1,283**
– of which men	28,293	2,698	24,348	1,247
– of which women	1,229	76	1,117	36
New hires	**24,468**	**3,434**	**20,245**	**789**
Departures	**23,284**	**2,506**	**20,025**	**753**
Fixed-term contracts	**12,732**	**178**	**12,165**	**389**
– of which men	12,216	117	11,836	263
– of which women	516	61	329	126
Permanent positions	**43,045**	**11,542**	**26,260**	**5,243**
– of which men	35,622	9,073	22,617	3,932
– of which women	7,423	2,469	3,643	1,311

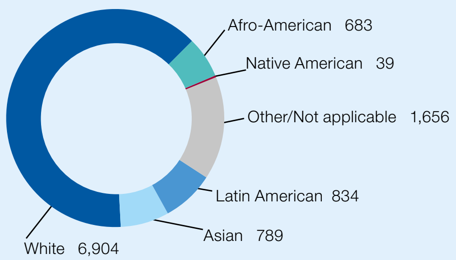
(3) Age structure in the HOCHTIEF Group in 2018
(%, as of Dec. 31, 2018)



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



(5) Employees by ethnic group in North America
(as of Dec. 31, 2018)



A Group directive governs the consistent definition and method of counting employees in the HOCHTIEF Group.

(6) Percentage of full-time and part-time employees by gender in Germany

	Total	Full-time	Part-time	Part-time %
Total workforce	**3,462**	**3,033**	**429**	**12.4%**
– of which men	2,558	2,412	146	5.7%
– of which women	904	621	283	31.3%

Data is gathered quarterly and annually worldwide for purposes of HR reporting.

(7) Employees on parental leave in Germany

	Employees on parental leave	of whom returned to work after parental leave	of whom did not return to work after parental leave	Proportion of employees who return to work %
Total	**138**	**52**	**19**	**73.2%**
– of which men	46	31	6	83.8%
– of which women	92	21	13	61.8%

We have further stepped up our social media presence so as to reach our target groups reliably. Our accounts on XING, LinkedIn, kununu, YouTube, Twitter, Facebook, and Instagram reach wide audiences and substantially enhance our image as an attractive employer. In addition to traditional recruitment channels, we are also increasingly approaching potential candidates directly.

Selectively developing and fostering employees

We offer our employees a wealth of further training measures to equip them for current and future tasks such as digital work methods. Growth opportunities at HOCHTIEF are wide-ranging. We put talented people on specialist or managerial career paths. CIMIC, for example, launched a new management development program in the reporting year. The Group companies are currently focusing on training in digital construction methods. In Germany, our series of courses for site managers proved especially popular during 2018. In addition, HOCHTIEF ViCon is collaborating with the operational units and the HOCHTIEF Academy to develop an in-house training concept. The aim here is to offer e-learning courses in design, construction, and management from 2019 onwards.

The courses run by our in-house continuing education facilities—such as HOCHTIEF Academy and Turner University—are in high demand. A great many employees at all levels are taking advantage of the wide array of training options to enhance their technical, methodological, and personal capabilities: In 2018, our staff spent an average of 20.5 hours on training (2017: 24 hours), once again far exceeding our target of at least 13 hours on average per employee. We constantly improve the quality of our education offerings with new and revised courses on an ongoing basis.

Special entry-level programs for technically-minded new talent, which nearly all HOCHTIEF companies offer, are designed to prime new hires for their duties in the operating business. In Germany, a series of inter-company and inter-site workshops promote the exchange of specialist knowledge and help the engineers network early on. Comparable programs in the international companies equip young engineers with project management skills, thus fostering a homogeneous Group-wide understanding of the requisite tasks and capabilities.

In the future, we aim to fill even more specialist and management positions with in-house candidates in order to offer our staff attractive, tailored career opportunities. Annual employee interviews—a forum that lets HOCHTIEF and the employees enter into dialog to explore vital perspectives together—create a sound basis for developing our staff's potential as fully as possible.

Appreciating diversity

As a Group with international operations, HOCHTIEF attaches particular importance to the diversity of its workforce in terms of such factors as age, gender, nationality, religion, and social background. (5) This diversity promotes creativity and performance within each team, which in turn boosts our potential to attract new talent. As a signatory of the Charta der Vielfalt (diversity charter), HOCHTIEF is committed to the principles of diversity, tolerance, mutual regard, and fairness. We operate

Focus area indicator Attractive Working Environment

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

according to the philosophy that professional qualifications are the deciding factor in filling job openings.

Our goal is to promote diversity and the awareness of its importance, as shown by a wealth of initiatives that the Group again pursued in 2018: Girls' Day events, programs focusing on the inclusion of socially disadvantaged groups, as well as awards from outside organizations for equal-opportunity efforts within the Group all underscore this. CIMIC and Turner held training sessions in dealing with unconscious bias again in the reporting year. Flatiron launched the Talent Growth Initiative in 2018 to support underrepresented groups.

We counter the challenges of demographic change by ensuring that our teams' age structure is as varied as possible (cf. (3)). A good distribution of expertise and experience along with the long-term transfer of specialized knowledge help us implement our projects successfully.

In the construction industry, people with disabilities can generally only be employed in administrative positions. When conducting job interviews with people with severe disabilities, a disability officer is always present to ensure that all options are fully explored. As of December 31, 2018, people with severe disabilities comprised 3.8% of the HOCHTIEF workforce in Germany; this is below the statutory 5% quota, which means that we pay a compensatory levy.

Compliance with human rights standards

Respecting human rights and actively preventing human rights violations are integral parts of HOCHTIEF's mission. HOCHTIEF underscored this early on by committing to initiatives such as the ILO[1] and the UN Global Compact. We regard human and employee rights as more than just legal statutes. Our corporate culture is rooted in a shared understanding of respect and fairness—and this includes our business partners and clients. The HOCHTIEF Code of Conduct[2], which applies to all of our employees, defines key, binding standards of behavior.

[1] For further information, please see page 81.

[2] For further information, please see the Compliance section on pages 80 to 83.

We provide our employees with continuous updates, enter into dialog with them, and guarantee them codetermination. We encourage open dialog with immediate supervisors and elected employee representatives. Our employees are welcome to join unions. In Germany, 97.1% of the workforce is represented by works councils, and a European works council is responsible for the European units. In the HOCHTIEF Americas division, 23.0% of employees are represented by unions, while the quota in the HOCHTIEF Asia Pacific division stands at 65.4%.

Feedback through the employee survey

We want to grow HOCHTIEF successfully, and we consider our employees' satisfaction and loyalty along with a positive working environment to be an important part of that. For this reason, we conducted a Europe-wide survey entitled Dialog@HOCHTIEF in 2018, which had a response rate of 52%. The detailed assessment of the findings currently underway will enable us to identify and implement appropriate measures.

Work-life balance

It is important to us that our employees achieve a good balance between their work and private lives. We offer various measures and programs designed to give them the personal space to plan their lives, including part-time models, the option of working from home, flextime, and telecommuting. These options allow employees with young children or relatives who require care, for example, to better reconcile these tasks with their careers. (6)

A total of 138 employees (46 men and 92 women) claimed parental leave in Germany in the reporting year. (7) Out of all the employees whose parental leave ended in 2018, 73.2% returned to work.

In our efforts to promote our employees' health, we offer targeted preventive health measures at various locations, including checkups, health screenings, and vaccinations. Additionally, we make a wide variety of occupational safety and health seminars available as part of our continuing education program. Very popular with staff, these offerings are eagerly taken on.

Sharing experience on the Neckartal Bridge: HOCHTIEF employees gain insights into how the old structure is dismantled as well as the different incremental launch methods employed to build the new bridge on the A6 freeway in Baden-Württemberg (left).

The Leighton Asia team completed two large-scale projects in the reporting year: The West Kowloon Station of the Express Rail Link, the world's biggest subway station, and the Passenger Clearance Building for the Hong Kong-Zhuhai-Macao Bridge. Employees are justifiably proud of the achievement (right).

Competitive salaries

HOCHTIEF works on the basis of performance-based pay. This is supplemented with an array of social benefits that allow our employees to maintain an adequate standard of living. Our compensation systems are economically efficient, competitive, attractive, and fair. In 2017, for example, HOCHTIEF became the first company in the construction industry in Germany to establish a company collective bargaining agreement lifting the union salaries in the former East Germany to the same levels as in the West. This voluntary adjustment to collectively agreed pay across the country 27 years after reunification clearly differentiates HOCHTIEF from other construction companies in Germany. Our compensation systems are also aligned with the existing local conditions in the countries and markets where we are active.

In order to be able to pay competitive salaries, we regularly review the principles underpinning both the fixed and variable remuneration components. We supplement this with internal analyses and external benchmarks, thereby ensuring objectivity and fulfilling the requirements of the German Corporate Governance Code.

Our employees' compensation is primarily based on their duties, qualifications, experience, and responsibilities. Hence, gender pay gap analyses at HOCHTIEF do not indicate any need to take action.

Pensions

We offer employees at many of our locations pension options that supplement the legally regulated pension systems. These include insurance options or deferred compensation. Such models are adapted to the legal framework and systems prevalent in each country. This way, we help ensure that employees remain well looked after in their golden years.

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

Occupational safety and health

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

Since our core business is construction—which involves physical labor with all the associated risks—safety is a top priority in our day-to-day work. The health of our employees and contractual partners is of the utmost importance to us. As the fundamental principle that underpins the HOCHTIEF vision[1], safety is not only deeply embedded in our culture but is also constantly being advanced. Basic aspects and the organizational structure are defined in a Group directive. Furthermore, the topics of safety and health are also enshrined in the Code of Conduct.

Our overarching objective is to complete projects without a single accident. Against this backdrop, we make concerted efforts to identify and reduce risks associated with the workplace—be it a construction site or office—at an early stage. This is because every accident or near miss is one too many. For this reason, the lost time injury frequency rate (LTIFR)—a non-financial key performance indicator which measures the number of work-related accidents across the Group—is critical for us. By 2030, we aim to reduce this figure to 0.9 at Group level.[2]

With this in mind, it is essential that employees are sensitized and informed on the topic. We aim to achieve this through a comprehensive training and continuing education program.

In 2018, our activities focused above all on near misses and unsafe situations, which were also discussed at the annual Occupational Safety Day held on project sites and in offices. To further raise awareness of these topics and provide notably industrial employees with a suitable feedback tool, we have begun setting up information boards at selected construction sites in Germany. Here, all those involved in a project can report hazardous conditions and near misses as well as offer suggestions for improvements. The construction site management evaluates the cards and notes the measures taken in response to them on the boards. For some time now, this approach has proven successful on projects in the United Kingdom. In order to learn from each other and share tried-and-trusted practices, a fruitful exchange of information between the individual divisions forms part of our culture of occupational safety.

[1] For further information, please see page 27.

[2] For further information, please see pages 103 and 105.

Organization

The OSHEP Center, HOCHTIEF's internal competence center for occupational safety, health, and environmental protection, is responsible for organizing and fine-tuning measures in these areas. (1) Group-wide standards are defined in a directive adapted by the individual companies in line with relevant legislation and requirements.

Staff at the OSHEP Center coordinate occupational safety matters at Group level and report directly to the Executive Board. They remain in regular contact with the divisions' central liaisons. Other responsible officers in the operating companies are charged with implementing occupational safety guidelines, laws, and standards.

In addition to the prescribed standards, our companies develop their own supplementary processes and structures if necessary in order to ingrain occupational safety and health in all construction phases. These precesses and structures are based on standards such as BS OHSAS 18001, an international standard for the assessment and certification of occupational health and safety management systems. In 2018, 85.1% (2017: 87.1%) of active HOCHTIEF employees worked in units certified to such standards (3).

Early hazard identification

In selecting our subcontractors and suppliers, we place high demands on their performance in the fields of occupational safety, health, and environmental protection. To ensure that all those involved in a project share a common understanding of our standards, we expect subcontractors and suppliers to sign the HOCHTIEF Code of Conduct for Business Partners, which is available in 13 languages.

Since each of our projects is unique, occupational safety concepts have to be developed on a case-by-case basis. From as early as the bid phase, safety experts are consulted in designing prevention plans that take the potential hazards duly into consideration. The earlier this assessment is conducted, the better the chances that the execution phase will go off smoothly. Risks are, of course, identified and evaluated on an ongoing basis also during this subsequent phase. With these insights as a point of departure, measures are then derived and safety con-

This chapter is part of Focus Area Attractive Working Environment

Simple but effective: Construction sites feature occupational safety information boards with cards for reporting incidents and collection boxes. In this way, we encourage everyone on a project to report hazardous situations and near misses as well as to offer suggestion for improvements (left).

Award winner: Built by Leighton Asia, the Passenger Clearance Building in Hong Kong received the coveted Lighthouse Club International Design for Safety Award. It recognizes outstanding performance in significantly reducing occupational safety and health risks. The team employed innovative methods to install the roof structure (right).

cepts adapted. Overall, effective occupational safety adds to a project's commercial success: After all, healthy team members who are well equipped with safety gear are a precondition for completing projects on schedule.

In the operating business, the relevant unit's safety experts monitor the implementation of occupational safety and environmental protection measures, thereby providing an important control function. The OSHEP Center is assisted by HOCHTIEF's internal auditing department that regularly checks up on the structures and measures implemented at construction sites in Germany and abroad.

Work-related accidents and illnesses

The lost time injury frequency rate (LTIFR) is a non-financial key performance indicator reported to the Executive Board on a monthly basis. The rate captures the number of accidents per million hours worked and, in accordance with International Labor Organization (ILO) standards, records accidents involving at least one lost day. A good LTIFR reflects a company's strong performance in occupational safety, which also makes the company attractive to potential clients. In the reporting year, the LTIFR for HOCHTIEF was 1.37 (2017: 1.23) (5), due to an increase of the number of accidents in the HOCHTIEF Europe division. Our goal is to reduce this rate to 0.9 by 2030. Programs such as Turner's Road to Zero initiative in the U.S. help to bring us closer to achieving that.

Furthermore, we actively involve our subcontractors, thus promoting the safety of all those working on projects.

In 2018, the continuing education program was rounded out with additional courses focusing on occupational safety and health, including the topics of mental health and resilience. This measure was taken in direct response to the stakeholder dialog conducted in 2017.

We are working on encouraging managerial staff on construction sites to lead by example and assume greater responsibility. Our plans for 2019 include integrating occupational safety management and defect tracking into Building Information Modeling.

We capture notifications regarding accidents, near misses, and other safety-related events in a structured reporting system which is firmly based on the ILO code of practice, "Recording and Notification of Occupational Accidents and Diseases." Given the importance of reconstructing accident causes, or potential causes, in detail, we systematically analyze them and, depending on the severity of the incident, consult with management. We use the findings to develop concrete counter- and preventative measures.

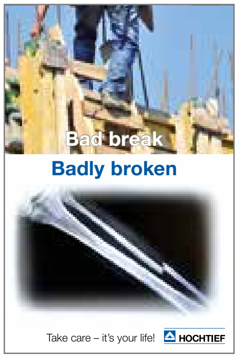
During feedback interviews, managerial staff help employees to process situations that gave rise to accidents. Using this behavioral approach, we aim to prevent similar hazardous conditions from ever occurring again.

Focus area indicator Attractive Working Environment

Aspect: Occupational safety and health
See GRI index.

Unfortunately, despite diligently pursuing prevention and safety measures, accidents do happen on HOCHTIEF construction sites—in some instances with severe or fatal consequences (2). Our deepest condolences go to the families of employees who have lost their lives. We cooperate closely with the authorities to exhaustively shed light on fatal accidents and do our utmost to ensure that comparable situations do not recur in the future.

At HOCHTIEF, we regularly determine the occupational illness frequency rate (OIFR) which, much like the LTIFR, is calculated based on recorded cases of occupational diseases per million hours worked. The OIFR includes data for the HOCHTIEF Asia Pacific and HOCHTIEF Europe divisions as of 2018, when the figure for HOCHTIEF was 0.49. We intend to further improve on this figure and are cooperating with accident insurers to this end. In contrast to work-related accidents, occupational diseases take longer to emerge. Determining the OIFR helps us to design work processes that take work-related health hazards into consideration.



Motif from the new poster campaign on occupational safety.

In addition, we offer our employees the services of occupational health physicians who consult on psychological and physical issues. The “Fit for Work, Fit for Life” campaign we initiated also regularly disseminates health-related information. The focus in 2018 was on drug abuse and addiction. Additionally, we offer a wealth of courses on topics such as resilience through our continuing education program. The operating companies also organize their own custom offerings, including health fairs and fitness competitions.

Promoting a culture of occupational safety through continuing education

Regular training keeps occupational safety the focus of attention and top of mind on construction sites and in the office. With every step they take, our employees should be cognizant of their own safety as well as that of their coworkers. We aim to foster this culture of responsible action. Using the Group-wide occupational safety and health structures as their point of departure, the individual companies have developed their own programs and approaches, which take into account the relevant country’s legal and social systems as well as the local culture. These are then adapted in line with specific project conditions.

Project highlights

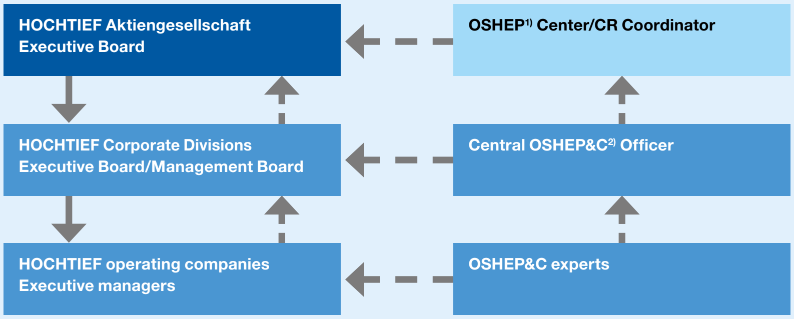
In the reporting year, Flatiron garnered second place in the California Construction Safety Excellence Award in the Heavy/Civil/Highway division for its exemplary safety record. The award is conferred by the Associated General Contractors of California. This honor is a true testament to the company’s achievements in this field. Aspects assessed by the judges included management and executives’ level of involvement, active employee participation, the integration of safety training in daily operations as well as hazard identification and control.

In 2018, CIMIC launched the One HSE Culture program, which is a set of uniform behavioral patterns shared by employees across the entire CIMIC Group. In this way, safety becomes the focus of each and every activity. One HSE Culture provides a behavioral framework defining what each individual can do to promote this culture.

In Europe, health and safety inspections performed together with management members have become standard practice and are also regularly attended by Executive Board members. Additionally, practices such as five-minute safety talks at the start of the workday are also becoming established. As already mentioned, an initial number of construction sites in Germany now feature occupational safety information boards. All those involved in a project are not only encouraged to report hazardous situations and near misses but also to make suggestions for improvements. This is a simple but effective method of actively helping to shape a culture of occupational safety.

Facts and figures

(1) Structure of occupational safety and health at HOCHTIEF



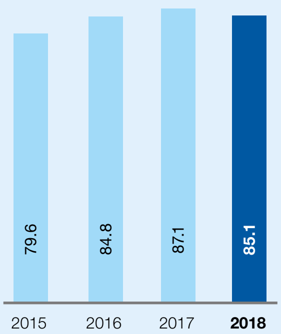
[1] Occupational safety, health, and environmental protection
[2] Occupational safety, health, environmental and climate protection

(2) Number of fatal accidents in the HOCHTIEF Group (as of Dec. 31, 2018)

Division	HOCHTIEF Group	HOCHTIEF Americas	HOCHTIEF Asia Pacific (incl. subcontractors)	HOCHTIEF Europe (incl. holding company)
2015	**2**	0	1	1
2016	**3**	0	3	0
2017	**0**	0	0	0
2018	**3**	1	1	1

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

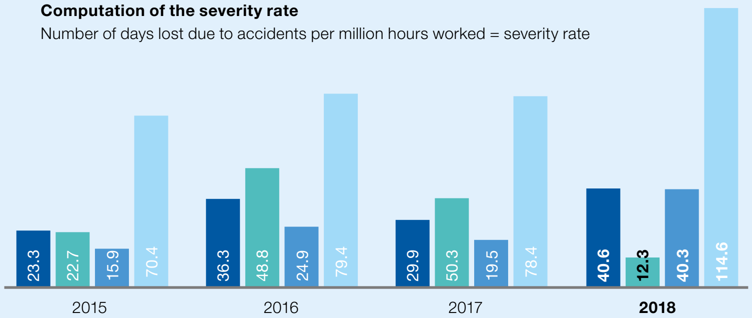
(3) Proportion of units in the HOCHTIEF Group certified in accordance with occupational safety management systems (e.g. BS OHSAS 18001), relative to number of employees (%)



(4) Severity rate in the HOCHTIEF Group

Computation of the severity rate

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

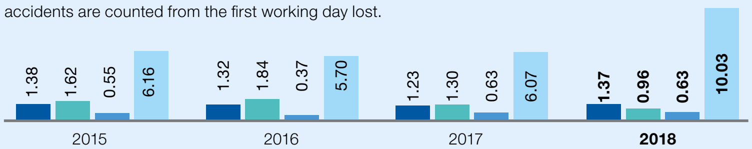


- HOCHTIEF Group
- HOCHTIEF Americas
- HOCHTIEF Asia Pacific
- HOCHTIEF Europe (incl. holding company)

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

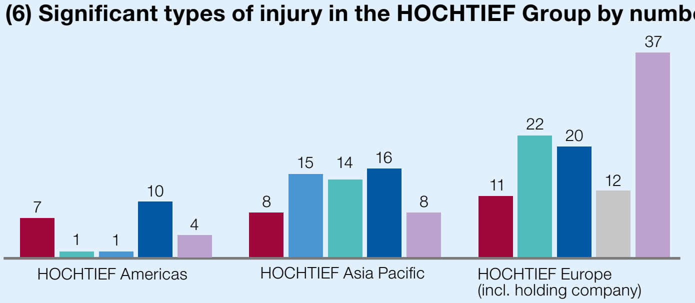
(5) Lost time injury frequency rate (LTIFR) in the HOCHTIEF Group (as of Dec. 31, 2018)

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



- HOCHTIEF Group
- HOCHTIEF Americas
- HOCHTIEF Asia Pacific
- HOCHTIEF Europe (incl. holding company)

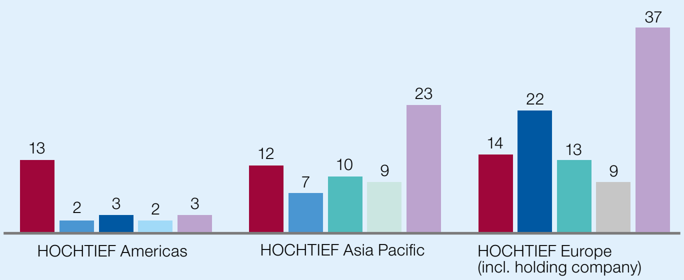
(6) Significant types of injury in the HOCHTIEF Group by number (as of Dec. 31, 2018)



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

In an accident, several injuries can occur.

(7) Causes of accidents in the HOCHTIEF Group by number (as of Dec. 31, 2018)



- Misjudgment
- Work equipment
- Handling
- Work preparation
- Material/(Material) handling
- Transportation
- Coordination
- Other causes

Procurement

Procurement at HOCHTIEF, as with other functions, is centered on innovative and sustainable processes. The key role played by procurement is highlighted by the figures: In 2018, HOCHTIEF expended EUR 17.4 billion on the procurement of materials—mostly concrete, steel, and timber—and the services of subcontractors such as craft trades. This is equivalent to 73% of Group work done. Efficient procurement processes are a key success factor for our business. That is why we also focus on innovation and sustainability in procurement.

Objectives for the procurement of materials and services

Procurement at HOCHTIEF follows a uniform, clear-cut objective throughout the Group: We aim to choose the right partners—subcontractors and suppliers—in order to safeguard our economic, ecological, and social standards—the interplay of which is how we define sustainability. In this regard, we attach great importance to high-quality goods and services, impeccable conduct on the part of our partners' employees as defined in the Code of Conduct for Business Partners, as well as sustainable manufacturing and work processes. Accordingly, we seek to work exclusively with partners who operate sustainably and meet our standards for materials and services.

HOCHTIEF procurement objectives

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

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

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

We actively manage procurement risk in order to counter quality risk (quality of materials, products, or services), price risk (e.g. higher payment demands, exchange rate risk, or commodity price risk), supply risk (e.g. supply of incorrect quantities), and contractor default risk (e.g. default due to insolvency, force majeure, or changes in the legal or political framework). We also want those involved in projects to abide by compliance rules. Economic growth drives greater demand for materials such as gravel and sand as well as for skilled trades, which is in turn resulting in higher prices. We are addressing this increasing scarcity with proactive procurement management.

We also set ourselves the goal of further improving transparency in our supply chain and of continuing to integrate sustainability aspects more strongly into our procurement processes. In the medium term, by 2030 at the latest, we wish to establish supplier and subcontractor CR performance as a quantifiable metric and a fixed selection criterion in prequalification. Especially in light of the Group's large procurement volumes, we aim high when it comes to choosing our contractual partners.

Performance evaluation

We assess our contractual partners' performance in an end-to-end, multistage subcontractor and supplier management system.

In each of our three divisions, we have established a prequalification process. When assessing potential contractual partners, we include information from supplier self-assessments as well as internal and external data (such as from rating agencies). By way of this process, new contractual partners are required to provide proof that their products and services meet our economic, ecological, and social requirements.

This chapter is part of Focus Area Procurement

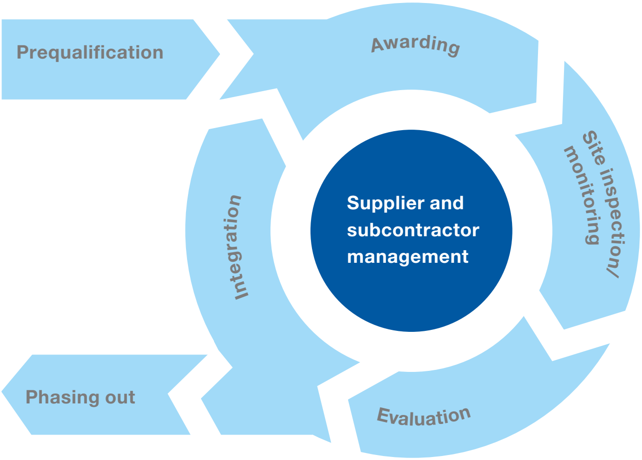
We began working with rating agency EcoVadis during the reporting year and plan to continue the relationship in the future. Subcontractors and suppliers provide information about their businesses that EcoVadis analysts assess against sustainability criteria. The focus is on environment protection, employment rights and human rights, fair business practices, and the supply chain. If risks are identified, we work with the subcontractor or supplier concerned to develop specific measures (referred to internally as "corrective action plans"). In this way, we aim to further enhance sustainability and transparency in our supply chain.

As we consolidate our supplier selection processes, we continually add further requirements, as with those provided by EcoVadis. This brings us a major step closer to our medium-term goal of integrating quantifiable CR performance into supplier selection.

HOCHTIEF applies the lost time injury frequency rate (LTIFR) as a Group-wide non-financial key performance indicator.[1] As an active aid in the management of procurement risk, this indicator is also a mandatory feature of our prequalification process in Europe. It underscores the high priority we give to occupational safety and health on our construction sites.

Our project activities directly and indirectly involve large numbers of people. In this connection, we place special emphases on respect for human rights at every link in our supply chain. We apply special focus in screening potential suppliers and subcontractors from countries with heightened risk of human rights violations. To ensure that potential trading partners from such countries meet our standards in their conduct with regard to safeguarding human rights, we require suppliers to provide self-disclosure information, which we assess on a targeted basis.

Procurement process at HOCHTIEF



We also take due account of compliance risks in our extensive prequalification process. Among other factors, this incorporates information on convictions or pending lawsuits involving corruption, money laundering, and antitrust violations. At HOCHTIEF Europe, we perform separate business partner due diligence in cases where partners come from countries with a critical corruption score in Transparency International's Corruption Perceptions Index. Approximately 97% of our contractual partners were prequalified in 2018. We work continuously to further increase this figure (2017: B-).

Our ranking in the Dow Jones Sustainability Index in the reporting year once again confirmed that HOCHTIEF is on the right track in procurement: HOCHTIEF is European leader in supply chain management, and one of the three most sustainable construction groups in the world. In addition, HOCHTIEF responded to the supplier engagement questionnaire for the CDP carbon disclosure ranking for the second time, attaining a score of A- (2017: B-).

[1] For further information, please see the Occupational Safety and Health section on pages 102 to 105.

Focus area indicator Procurement

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

Focus area indicator Procurement

Aspect: Evaluation: Number of evaluations
See GRI index.

Prequalified business partners submit bids for the various trades involved in our projects. In this way, we provide an effective basis for competition in line with our Procurement Directive in contract award. Together with the selected suppliers and subcontractors, we specify requirement profiles, quality of service, costs, and relevant performance dates in binding contracts. On each contract award, all subcontractors and suppliers—both new and longstanding—are required via prequalification to commit to the HOCHTIEF Code of Conduct for Business Partners. In doing so, our business partners undertake to adhere to human rights, employment, social and environmental standards—and to require the same from their contractors.

Our construction and contracting business constantly takes us to new locations across the globe. We promote the regional economies around our construction projects by giving preference to local subcontractors and suppliers based in the vicinity of our project sites. This strengthens economic development in the regions where we are active on a lasting basis and secures jobs. It additionally keeps transportation routes short and minimizes carbon emissions. We also engage supraregional business partners with whom we have worked successfully in the past. Globally, we awarded approximately 64.52% of our procurement volume to regional suppliers and subcontractors in 2018.

Oversight of subcontractors and suppliers on construction sites is performed by our project teams. These check deliveries of materials and inspect the contractually agreed works and services. In this connection, they place emphasis, for instance, on adherence to all occupational safety rules and instructions as well as the proper disposal or recycling of waste. We also make sure that our business partners comply with the applicable minimum wage laws.

In addition to these checks, following delivery of goods or services, the HOCHTIEF project teams also conduct structured evaluations of our contract partners. This applies equally to both new and longstanding subcontractors and suppliers. In the HOCHTIEF Europe and Asia Pacific divisions, these in-project evaluations, which we perform both using established IT systems and manually, cover not only economic matters (such as the handling of change orders), but also environmental aspects (such as the management of hazardous materials and waste and awareness of resource conservation) as well as social issues (for instance, observing human rights, work safety directives, and fair pay).

The evaluations are supplemented with visits to suppliers, audits, analysis of external information, and the sustainability assessments by EcoVadis. We attach great importance to on-site subcontractor and supplier audits. These are performed either by outside partners or by in-house units, depending on each country's conditions.

Positively evaluated contractual partners are included in future contract award processes. In 2018, we carried out 1,056 evaluations (2017: 735) in the HOCHTIEF Europe division for the main goods and services provided by our subcontractors, suppliers, and planners. This corresponds to transactions totaling approximately EUR 502 million. We plan to further increase the number of evaluations.

If contractual partners fail to meet our requirements and are given a negative assessment by our project teams, they are either provided with targeted support as part of our supplier development process—such as under the collaboration with EcoVadis—or are flagged in our system and no longer considered for future contracts. In that case, they are phased out of future selection processes, i. e. the business relationship ends.

Organizational structure of procurement

Operating procurement is part of the project and subsidiary organization. It is supported by the central, divisional procurement units to create a well-functioning procurement network.

Decentralized procurement at project level

Every construction project is unique, not only in terms of location, but also with regard to the lineup of parties involved. Each project therefore also brings with it a different set of challenges surrounding the selection of subcontractors and suppliers. This is why procurement at HOCHTIEF is carried out directly at project level, with subcontractor and supplier management primarily handled on a project-specific and local basis. Our project buyers have detailed knowledge of regional, national, and international markets combined with in-depth expertise when it comes to selecting suitable contractual partners. The constant changes of location in its project activities mean that HOCHTIEF has ongoing demand for new suppliers and subcontractors.

Centralized procurement at Group and division levels

Each division has a centralized procurement unit. These are tasked with ensuring adherence to all purchasing directives and compliance requirements. They are interconnected and in constant touch with one another, providing mutual support where necessary in selecting and managing international subcontractors and suppliers.

Within each division, the central procurement units oversee and assist project buyers. Additionally, the procurement function at Group level is performed by HOCHTIEF Solutions AG, which promotes Group-wide exchange and launches strategic initiatives to improve procurement overall. One example is the procurement directive in the HOCHTIEF Europe and HOCHTIEF Asia Pacific divisions, which has the purpose of safeguarding transparency, fair competition, the application of proper procedures, and sustainability when purchasing materials and services. It aims to ensure consistent language and shared, binding rules as well as proven, risk-minimizing processes in the procurement of materials and services. Our procurement processes are in line with the ISO 20400 guideline for sustainable procurement.

Procurement activities: countries

In 2018, as in previous years, HOCHTIEF largely bought materials and services from subcontractors and suppliers in countries with high human rights standards, in compliance with UN conventions. In the very few countries where the UN conventions are not followed, our requirements set new benchmarks.

<PROJECT>

MOTEL ONE

</PROJECT>

<FACTS>

Contemporary elegance: Motel One on Cologne's Neumarkt square opened in 2018. Thanks to the spirit of partnership demonstrated by all those involved, the handover took place ahead of schedule. HOCHTIEF designed, developed, and built the hotel.

</FACTS>

Looking ahead

General economic environment for 2019[1)]

According to the International Monetary Fund (IMF), global economic growth amounted to 3.7% in 2018. The IMF expects global growth to come out at 3.5% for 2019 followed by 3.6% in 2020. In the markets and regions relevant to HOCHTIEF, the growth outlook remains positive, too. This also applies for the number of projects of relevance for HOCHTIEF. At the end of 2018, our order backlog stood at EUR 47.3 billion, corresponding to a 6% increase and a visibility of over 22 months of work done. HOCHTIEF remains very well positioned with its global presence and capabilities. Considering the fundamental outlook for 2019 and beyond as well as our operational performance in 2018, we anticipate that we will be able to further improve our key performance figures.

The HOCHTIEF Group's strategic focus[2)]

Our strategy is to further strengthen HOCHTIEF's position in core markets and to focus on market growth opportunities while sustaining cash-backed profitability and a rigorous risk management approach. Our businesses are flexible, allowing management to quickly adapt to varying market conditions. Active and disciplined capital allocation is a high priority and we intend to continue focusing on attractive shareholder remuneration as well as investing in strategic growth opportunities to create sustainable value for all stakeholders.

Assessment of the current business situation by the Executive Board[3)]

HOCHTIEF achieved a very robust operating performance in 2018 and took another major step forward strategically through the EUR 1.4 billion investment in a 20% stake in Abertis. The company can report a significant improvement across all financial key performance indicators for 2018. Operational net profit came out at EUR 521 million, at the top end of our guidance range (EUR 470–520 million) given at the start of 2018 and up 15% year on year. All divisions contributed to this positive performance as we benefit from our focus on respective core business segments. Furthermore, net cash went up as expected by 23% year on year to EUR 1.56 billion driven by a continued focus on cash-backed profits and working capital management. The EUR 296 million net cash increase year on year is after the EUR 1.4 billion Abertis investment and the capital increase of EUR 0.9 billion in Q4 2018.

Reflecting the very high priority attached to occupational safety at HOCHTIEF, the lost time injury frequency rate (LTIFR)[4)] was established as a non-financial key performance indicator in 2015. In the reporting year, the LTIFR was 1.37 (2017: 1.23) which is above our long-term target of 0.9.

Overall assessment of future developments

The positive outlook is also reflected in our expectations for HOCHTIEF's key performance indicators in 2019. For the HOCHTIEF Group, we expect an operational net profit in the range of EUR 640–680 million for 2019, with all our divisions likely driving this further improvement in our Group performance. Furthermore, we aim for a solid increase in our net cash position, subject to capital allocation. We will maintain our focus on safety as the pre-

[1)] For further information, please see the Markets and Operating Environment section starting on page 35.

[3)] For further information, please see the Financial Review section starting on page 45.

[2)] For further information, please see the Strategy section on pages 27 to 31.

[4)] See glossary.

condition underlying HOCHTIEF's guiding principles, and aim to improve the lost time injury frequency rate (LTIFR) towards our 2030 target of 0.9.

Dividend

HOCHTIEF retains its policy of remunerating shareholders their commensurate share in the success of the business. The Executive Board and Supervisory Board of HOCHTIEF Aktiengesellschaft are proposing to distribute an ordinary dividend of EUR 4.98 per share for 2018. This represents a payout ratio of approximately 65% of the nominal net profit and an increase of 47% on 2018.

Opportunities and Risks Report

Our projects and business segments vary in nature, size, duration, complexity, and engineering requirements. An opportunity and risk management system specially tailored to our business activities is therefore a key success driver for HOCHTIEF.

HOCHTIEF's established risk management system embraces all layers of the organization and defines directives, responsibilities, processes, and custom-designed instruments. Based on early assessments, we devolop suitable measures to take advantage of opportunities as well as for effective risk reduction.

HOCHTIEF keeps constant track of developments in the markets and regions relevant to the Group and gives due account to such developments in relevant planning. If influencing factors in a project or segment develop differently than assumed prior to this time, this could have an impact on HOCHTIEF's key performance indicators and possibly alter the growth figures predicted for 2019 and beyond.

Group-wide risk and opportunity management/ early warning system

Numerous individual components make up the Group-wide risk management system. The framework is provided by directives. Group-wide procedures also contribute toward minimizing risk. They include standards on occupational safety and health, social standards, and rules on conduct and compliance such as the Code of Conduct. Individual systems, processes, and organizational instructions that allow for the identification, assessment, and management of opportunities and risks supplement risk and opportunity management in the divisions and operational units.

The corporate department Risk Management, Organization and Innovation promotes and enhances risk management in the divisions on an ongoing basis. To this end, different risk matters are analyzed, the implementation of measures is monitored, and the use of forward-looking technologies supported.

HOCHTIEF is very well placed to avoid and manage long-term risks. A risk is defined as any contingency with a potential negative impact on the attainment of qualitative or quantitative business goals, particularly HOCHTIEF's earnings, liquidity, and reputation. This includes financial, market, human resources, investment, project, and contract risks, internal risks, as well as environmental and social risks that have a direct or indirect impact on HOCHTIEF's business activities. In our assessment, we generally also take into account risks that arise from our products and services for our stakeholders and the environment. We also simultaneously analyze opportunities that present themselves for our projects and markets.

For an overview of current market opportunities and megatrends, please see page 31.

All divisions have continued to adjust to the market environment and persistently improved their own risk management.

HOCHTIEF Infrastructure GmbH, which is responsible for the construction business in Europe, splits risk management into five groups: Project Acquisition and Implementation (assisting operational units in all aspects of bid preparation); Project Risk Management (supporting operational units in risk monitoring); Dispute Resolution and Litigation (providing project management for dispute handling); the Technical Quality Control Group (reducing technical risks and improving project execution); and Quality Management (QM; development, documentation, and further improvement of processes for our operating business; internal and external QM audits; continuous improvement process (CIP); best practices; and lean construction[1)]). Additional evidence of HOCHTIEF's successful application of opportunities and risk management is provided by our certification according to ISO 9001: 2015, which also takes into account how opportunities and risks are handled.

[1)] See glossary.

Turner and Flatiron in the HOCHTIEF Americas division are also embedded in HOCHTIEF's risk management system. The Risk Management Steering Committee at Turner assumes a key role, coordinating and overseeing all risk-related issues. A specially developed risk matrix enables Turner to identify and—where necessary—monitor potential risks from an early stage. Business unit-level risk analysis is also compiled on a quarterly basis and the findings aggregated into a risk memorandum. At Flatiron, the Risk Management Department covers all aspects of risk management, in particular regarding project and contract risks. All projects are systematicially analyzed and assessed with a view to risks right from the bid phase. Risks and related mitigation measures are identified at an early stage in all significant projects and the current status of the risk situation coordinated and assessed in monthly meetings at top management level. Establishing the Turner Engineering Group and the Flatiron Technical Services Group as in-house engineering centers of excellence has additionally contributed to avoiding project risks within both companies.

In the HOCHTIEF Asia Pacific division, CIMIC lays down directives for risk management. This includes defining the risk management system as well as the identification, assessment, and treatment of risks with the potential to materially impact the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group. The risk management system at CIMIC incorporates risks also in contract mining. It is mostly embedded within existing processes and aligned to corporate objectives, both short and longer term. Given CIMIC's activities, markets, and broad geographic footprint, certain risk factors have the potential to affect the achievement of its business objectives. As in all other divisions, risk management at CIMIC is in line with the HOCHTIEF Group directive on risk reporting.

Risk culture

HOCHTIEF pursues the continuous improvement of risk management as a key strategic goal. This is a priority for all HOCHTIEF employees.[1] The importance of risk management, and HOCHTIEF's strategic approach, are communicated among other things in dialog events between the top management and employees. We offer initial and further training on risk management in-house and place great importance on regular participation by all employees. HOCHTIEF has a remuneration system with fixed and variable components which is regularly reviewed. A key element of this system comprises risk-based metrics and targets for employee performance measurement on the basis of individual performance agreements tailored to each employee's job profile and responsibilities. The Group provides a wide range of systems and tools enabling employees to identify potential risks for HOCHTIEF, escalate them, and take action when necessary.

Risk and opportunity reporting

Risk reporting is uniformly governed by a Group-wide directive accessible to all employees. It encompasses risk reporting and communication, describes the structure and procedures, and lays down the Group-wide framework. This risk reporting process supplements operating risk management as part of the Group-wide processes for managing risk.

Risks are incorporated into the planning and forecasting process. In a multi-stage process, the operating and holding companies together with Management and Divisional Controlling assess their risk exposures. Relevant risks are then submitted to Corporate Controlling, stating the potential impact of a risk on earnings and liquidity in the current and two subsequent years, the risk category, the possible time scale, the probability of occurrence, and any measures already taken to avert and reduce the risks identified. Finally, a

[1] For further information, please see the Employees section starting on page 97.

risk report summarizes and documents the entire risk situation for the Executive Board. At its meetings, the Audit Committee of the Supervisory Board receives regular reports on the Group's current risk situation.

Opportunity management is primarily a function of strategic management and the decentralized continuous improvement process. In order to spot opportunities early on and ensure that the Group is ready to act on them, we keep a very close watch on our markets and their development. Notable current opportunities include acquisitions and increased levels of investment in our core markets.

Scenarios, correlations, and sensitivities

Risk scenarios are additionally compiled on a case-by-case basis to present potential impacts on HOCHTIEF and correlations between risks, as well as to perform sensitivity analyses. Consequently, the risk situation is continuously monitored and—independently of the regular updates—material changes are reported without delay (internal ad-hoc reporting). The Investment Committee is a key element of risk management at HOCHTIEF in this connection, enabling potential risks to HOCHTIEF associated with planned capital expenditure, divestments, and investments requiring approval to be assessed and, where applicable, avoided before being put into effect. This serves to provide a framework of standard criteria and processes and thus to ensure that all decisions are made on the basis of identical approved principles. Project size and complexity are important criteria for the type and scope of risk analysis.

Corporate Auditing integral to risk management

Another key role in the risk management system at HOCHTIEF is performed by Corporate Auditing[1]. This is an independent internal audit function tasked with monitoring business processes and risk management with regard to compliance with the law, regulations, directives, internal control systems, and corporate objectives. To this end, Corporate Auditing has extensive and unrestricted powers of information and examination within the Group. It is an independent internal institution which performs audits on behalf of the HOCHTIEF Executive Board in the business segments, Group companies, project companies, and third-party entities for which it has contractual auditing powers, and which supports the Executive Board in this regard and in its managerial role with independent analyses, assessments, and recommendations.

Corporate Auditing aims to protect corporate assets, to assess the reliability of the risk management and monitoring systems, and to contribute toward improving those systems as well as toward cost efficiency in internal business processes. Ad-hoc special audits supplement the risk-based audit program. To document the observance of human rights, HOCHTIEF established a basic check on human rights for project audits in 2017.

Our Group companies Turner and CIMIC additionally have their own independent audit units. Audit findings are used to further optimize risk management and notably 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 to management and the Executive Board on each audit and, in summary form, to the Audit Committee of HOCHTIEF.

HOCHTIEF Insurance Broking and Risk Management Solutions as an essential part of Group-wide insurance and risk management

As the company's in-house insurance broker, HOCHTIEF Insurance Broking and Risk Management Solutions GmbH falls directly under HOCHTIEF Aktiengesellschaft and is responsible for coordinating insurance-related risk management for the Group's divisions worldwide.

[1] For further information, please see the Compliance section on pages 80 to 83.

The company's objective is to protect the consolidated balance sheet with adequate insurance cover for the HOCHTIEF Group's manifold projects and activities at a minimal total cost of risk, among other things by providing own insurance resources. Localized risk management at the operational units is further supported by aggregated information obtained through collection and analysis of data as part of Group-wide insurance reporting processes.

Thanks to insurance solutions, both for transportation infrastructure projects and for social and urban infrastructure projects, the relevant insurable risks are covered both before and during the construction phase as well as in the operating phase. The comprehensive, primarily international insurance concepts focus on the provision of proper insurance cover for property damage and financial losses. Instruments that typically serve this purpose not only offer liability insurance but also builders' risk insurance and all-risk property insurance. In addition to HOCHTIEF Group units, project insurance cover often also extends to external companies, notably project partners, owners, and end users.

To optimize the Group's risk and cost structure, additional products and services are also provided to HOCHTIEF Group units and external customers by the insurance companies Builders Reinsurance S.A. and Builders Direct S.A., as well as by consulting company Independent (Re)insurance Services S.A. In the reporting year, the two insurance companies were once again awarded a rating of A- (Excellent) in a financial strength rating by the renowned rating agency A.M. Best.

Internal control and risk management system in relation to the financial reporting process

Proper and reliable financial reporting is of key significance in making management decisions as well as in providing information for the public. Risks associated with the Group financial reporting process are dealt with in a variety of ways at the HOCHTIEF Group. IFRS Guidelines ensure uniform accounting recognition and measurement throughout the Group. These are updated annually. There are also annually updated German Commercial Code (HGB) accounting guidelines for German Group companies. Subsidiaries—in close consultation with Corporate Accounting—are responsible for adhering to the Group-wide accounting policies in their financial statements.

Accounting for financial instruments is carried out in consultation with the Corporate Finance department in order to guarantee the reliability and accuracy of the figures used in this connection.

The measurement of derivative financial instruments is additionally supported by a treasury management tool established throughout the industrial and banking sectors. HOCHTIEF also makes use of external service providers—for example, for the assessment of pension obligations.

The correct performance of capital, liability, expense, and income consolidation as well as interim profit elimination is aided by IT-supported preparation of the consolidated financial statements and systems for validating the figures generated. If there is nonetheless any need for clarification in specific instances, the matters are investigated and remedied by Corporate Accounting. The consolidation system utilized by the Group is access-protected. This ensures that employees are only able to access the data of relevance to them. The consolidation system is regularly reviewed by Corporate Auditing.

Classification of opportunities and risks
The term “risk” primarily refers to events with potential impacts on profit before tax and on liquidity. Individual risks are classified into risk categories for a transparent presentation of the risk structure. Risk assessment and reporting serve to quantify risks, after accounting for any action taken, with regard to potential impact and probability. In the following, risks are classified according to expected value as “low,” “medium,” or “high.” Expected value is defined as probability of occurrence times impact on financial position and financial performance. The term “opportunity” similarly relates primarily to opportunities with potential impacts on profit before tax and on liquidity as a result of opportunities being identified and realized at an early stage.

We also analyze the risks and potential impact associated with non-financial items. Material risks here are those that are likely to have a substantial negative impact on non-financial aspects according to HOCHTIEF’s materiality analysis[1]. The risk analysis will be fully integrated into HOCHTIEF’s risk management system in accordance with the German CSR Directive Implementation Act (CSR-RUG) starting from 2019.

Elements of project risk management at HOCHTIEF

[1] For further information, please see the Sustainability Strategy section on pages 32 and 33.

Opportunity and risk situation in the HOCHTIEF Group
The overall risk exposure for the HOCHTIEF Group is determined by taking the sum total of the expected individual risk exposures and aggregating at Group level by divisions and the stated categories. Opportunities are primarily established by closely observing markets and identifying available market potential in all segments served by the Group.

The overall risk identified at HOCHTIEF principally relates to the risk categories covered in the following.

Market risk
The HOCHTIEF Group’s economic performance is closely tied to macroeconomic trends and business cycles in the countries and regions where HOCHTIEF operates. We therefore closely monitor world economic and geopolitical developments in the regions and mar-

kets key to HOCHTIEF. HOCHTIEF's operations focus on selected developed markets that are attractive to the Group. We occupy leading market and technology positions in our chosen segments. From this base, we continue to see good opportunities to further bolster our market position and core business in line with our goals and to continuously grow profitably in the long term.

Changes in the geopolitical situation may have negative long-term impacts on the global economy and notably lead to decreased public investment spending. This may lower the long-term growth outlook in the markets key to HOCHTIEF and/or impair future business development. With its global presence in all key markets coupled with its prestigious local operations, HOCHTIEF can offset potential regional fluctuations and respond flexibly to risks of this kind.

In 2018, the U.S. economy registered slower growth than in the previous year. Looking ahead, the trade conflict that has arisen between the United States and China may also negatively impact global economic growth and potentially contribute to a fall in economic output. Despite rising uncertainty and the ongoing delay to the investment program initiated by the U.S. government, the current economic data and market forecasts give us reason to be confident that HOCHTIEF will be able to further consolidate and expand its already strong position there. The transportation infrastructure, commercial building construction, and public-private partnership (PPP) segments are expected to benefit in this connection. The Canadian market registered particularly good economic performance. Although the growth rate is likely to slow here, HOCHTIEF continues to see large potential for PPP road and bridge building as well as rail infrastructure projects.

The Asian and Australian markets recorded a similar performance. The outlook for transportation infrastructure remains positive. In combination with its robust PPP capabilities, the HOCHTIEF Asia Pacific division is very well placed through our Group company CIMIC to continue delivering sustained profitable growth. In addition, demand for resources is increasing worldwide. This is likely to drive an expansion of resource extraction in the Australian market in particular and have a substantial, positive impact on our activities in contract mining and mineral processing. Increasing internationalization in this segment means that CIMIC is additionally well positioned for a positive trend of this kind.

Persistent political uncertainties in Europe may have negative effects on the European economic region. Brexit and the dispute in the European Union about adoption of the Italian budget in particular could have as yet unforeseeable consequences for the UK and European Union economies and hence an impact on HOCHTIEF. Furthermore, rising political populism and protectionism—notably tariff policy measures—in some countries outside and within the European Union could have an adverse effect on contract awards. Given the slight decrease in the still large investment spending backlog and the numerous state investment programs in connection with PPP projects in individual European countries, we see very good opportunities, notably in the transportation infrastructure segment, which we intend to continue capitalizing upon.

A rise in the oil price may have a negative impact on our operating costs. In our contract mining activities especially, this risk is continuously watched and assessed. The resulting higher operating costs may have adverse implications for the projects concerned. 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. This places HOCHTIEF in a position to reduce the risk to a negligible level.

Overall, we do not see any significant market risk for HOCHTIEF and therefore classify such risk as low.

Financial risk

Coordinating financial requirements within the Group and safeguarding its long-term financial independence at all times is a central task in the financial management process. HOCHTIEF achieves this goal with sound Group financing secured for the years ahead and by limiting financial risk.

Financial activities in the HOCHTIEF Group are conducted on the basis of a Group-wide financial directive. The general financial directive is supplemented with functional, operating-level work instructions. They also govern the use of financial instruments and derivatives, which may only be entered into for hedging purposes.

The primary objective of financial risk management is to safeguard Group liquidity at all times. For the HOCHTIEF Group, liquidity not only means solvency in the strict sense, but also the long-term availability of the financial headroom needed for the basic operating business (such as collateral management/bank guarantees). Safeguarding liquidity at all times therefore requires integrated management of all Group financial resources, including its credit standing and hence borrowing capacity.

A further objective is to minimize financial risks affecting the value and profitability of the HOCHTIEF Group (currency, interest rate, exchange rate, and commodity price risks of all kinds, as well as counterparty risks). 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.

HOCHTIEF is exposed to currency risk (transaction risk) arising from receivables, liabilities, cash and cash equivalents, marketable securities, and pending transactions in currencies other than the functional currency of the Group company concerned 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 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.

The HOCHTIEF Group is exposed to credit risk from operations and from certain financing activities. HOCHTIEF performs risk management for operations by continuously monitoring trade receivables at divisional level. If a specific credit risk is detected, it is countered by recognizing an individual impairment in the necessary amount.

In addition, a strict separation of responsibilities is maintained within the Group between financing and trading activities on the one hand and the corresponding control and settlement activities on the other. All trading transactions are compulsorily subject to dual control at minimum. Compliance with all directives and requirements is regularly checked by the internal audit function.

Potential financial risks are tracked and monitored via the monthly reporting system. This includes cash budgeting with a long-term planning horizon (18 months) and thus provides the basis for coordinating and securing finance requirements at Group level. In addition to known amounts due under existing Group financing arrangements, cash budgeting also includes budgeting for cash inflows and outflows. The impacts of specified stress scenarios on the cash position are also presented.

The financial covenants on credit facilities are monitored continually and are rated non-critical as before. No financial covenants are featured in the respective documentation to HOCHTIEF Aktiengesellschaft's main financing instruments, comprising three corporate bond issues, a promissory loan note, and a syndicated credit and guarantee facility.

In light of our efficient financial management, we assess our overall financial risk as low.

Employees

All employees contribute decisively to HOCHTIEF's business success. In this connection, our human resources strategy delivers a valuable contribution to the HOCHTIEF corporate strategy. While competition for good employees has become significantly fiercer, HOCHTIEF is successful in meeting its demand for qualified staff. It nonetheless remains our goal to continue enhancing our positive image and attractiveness as an employer for different target groups and skill profiles. Furthermore, we want to develop and make optimum use of our workforce potential. If we are able to exceed our expectations in this regard with a significant and lasting increase in workforce qualification levels, this will have a positive impact on our business performance.

For early detection of potential personnel risks, we have established risk management in the human resources function based on our risk guide. Since January 2014, a systematic survey has captured major risk categories such as skill, motivation, staff turnover, and succession risk together with the potential impacts on HOCHTIEF. The risk management classification scheme in human resources is regularly reviewed for new risks and adapted as necessary.

Based on the most recent surveys, we classify personnel risk as low.

We attach top priority to occupational safety and health protection for our employees. Effective occupational safety guards against project risks, since accidents at work also have a negative impact on profitable project execution. Deficiencies in the area of occupational safety can also harm the company's reputation. Safety is the foundation underpinning all of our Group's guiding principles. Project hazard assessments serve to identify safety risks on project sites and in our offices as well as to counter those risks either preventively or with targeted action. The lost time injury frequency rate (LTIFR) is a non-financial key performance indicator. This underscores the importance of safety for HOCHTIEF.

Our focus is on proactively avoiding work accidents and workplace-related illness. Regular action days, intranet and poster campaigns as well as training raise employee awareness of issues surrounding occupational safety, health, and environmental protection. This applies in equal measure to the contractual partners and subcontractors for whom we are legally responsible.[1)]

[1)] For further information, please see the Occupational Safety section on pages 102 to 105.

We classify the risk to our companies and activities with regard to occupational safety and health protection as low.

Risk arising from pension obligations

Largely covered by plan assets and pension liability insurance, pension obligations at HOCHTIEF are backed by sound asset holdings. Plan assets comprise a range of different asset classes based on balanced strategic portfolio allocation as well as the matching of portfolio structure to pension durations and the expected development of pension obligations. This puts HOCHTIEF in a position to offset capital market movements that affect the value of plan assets and any pension plan deficit. Changes in measurement parameters such as the discount factor or life expectancies can also lead to an increase in the pension obligations as measured on actuarial principles.

Risk arising from HOCHTIEF's pension obligations is rated as low.

Risks arising from projects, investments, legal disputes, regulatory proceedings, and third-party claims

Project and contract risks are a key risk management category in our mainstream construction business. Engineering risks resulting from factors such as complex geology in construction projects thus feature among the challenges of our business. We address these risks with the engineering expertise and longstanding contracting experience of our expert workforce. Costing and pricing risks are inherent in all projects and the appraisal of project-specific change orders also harbors risks that are continuously monitored. Risks that require monitoring—such as a changed demand situation—also arise in our non-construction businesses such as contract mining, public-private partnerships, and services.

As an international construction group, HOCHTIEF also faces numerous legal risks. Compliance is a key element of our guiding principles. However, our normal business operations expose us to a number of risks in connection with lawsuits, claims, and regulatory proceedings, even if it is our aim to avoid court cases wherever possible. The outcome of legal disputes and regulatory proceedings is in most cases difficult to predict. By involving our legal departments at an early stage prior to legal proceedings, assigning specialized in-house teams to accompany such proceedings, and mandating experienced law firms, we ensure that process risks are mitigated wherever possible. In addition to the costs and expenses arising from proceedings themselves, the possibility of adverse rulings cannot be ruled out in individual cases. Provisions for ongoing litigation are recognized on the basis of estimated risk. We consider these accounting provisions to be sufficient.

In connection with the Gorgon LNG Jetty and Marine Structures Project (Gorgon Contract), CIMIC recognized an amount of AUD 1.15 billion as a contract debtor as of the end of 2018. Since 2015, CIMIC's CPB Contractors together with its consortium partners, Saipem SA and Saipem Portugal Comércio Maritimo LDA, has been in negotiations with Chevron Australia Pty Ltd (Chevron) in relation to collection of contract debtors from the project. On February 9, 2016, the Consortium formally issued a Notice of Dispute to Chevron in connection with the Gorgon Contract. Following a period of prescribed negotiation, the parties have entered a private arbitration as prescribed by the Gorgon Contract. Since December 2016, the arbitration has continued in accordance with the contractual terms. The Arbitrators have been appointed and have made orders for the conduct of the proceedings. It is anticipated that the hearings will take place in 2019, with a determination thereafter.

In addition there is an arbitration procedure against Saipem pursuant to the Consortium Agreement seeking recovery of outstanding amounts. The Consortium Arbitration continues in accordance with the contractual processes; arbitrators have been appointed, orders for the conduct of the arbitration have been made, and it is anticipated that hearings will occur in 2020 with a determination thereafter.

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 continued until the end of 2018.

In February 2012, CIMIC announced to the Australian Securities Exchange ASX that it had reported to the Australian Federal Police (AFP) a possible breach by employees within the Leighton International business of its Code of Ethics. The AFP is investigating the Group's international operations. In March 2014, ASIC informed that it had commenced a formal investigation relating to the above mentioned AFP investigations. ASIC has now advised CIMIC that its investigation has concluded and it will take no further action. Further, CIMIC has become aware that the UK Serious Fraud Office (SFO) and the U.S. Department of Justice are inquiring into related matters. The SFO has announced it has charged individuals, neither of whom are employees of CIMIC, and a company, which is not a member of the CIMIC Group, with offences. Those matters will be tried in the UK Crown Court commencing January 6, 2020. CIMIC continues to cooperate with the AFP but does not know when the investigation will be concluded.

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 are still ongoing.

In the Rastatt Tunnel project—a joint venture for the construction of a tunnel as part of the Karlsruhe-Basel high-speed rail link for German rail track operator DB Netz AG—a collapse occurred in the partially constructed tunnel during August 2017, with the subsequent closure of the existing rail link along the Rhine Valley. The joint venture and DB Netz AG agreed to identify the causes and responsibilities in extrajudicial dispute resolution proceedings, which are still ongoing.

In connection with the Alto Maipo hydropower project in Chile, arbitration proceedings are underway in which both parties assert claims for damages due to termination of the construction contract in June 2017. The arbitration ruling is expected to be issued in the first half of 2020.

The Consolidated Statement of Financial Position as of December 31, 2018 includes loan receivables (including interest) from equity interest BIC Contracting LLC (BICC, formerly Habtoor Leighton Group) in the amount of AUD 641 million (December 31, 2017: AUD 1,046 million) with repayment expected on September 30, 2021. The repayment of the above loans is subject to certain restrictions as a result of the loans being subordinate to other external debt held by BICC, such as its syndicated loan facility. Repayment of these amounts can be subject to prior written consent from the financier, or where a permitted payment under the financing arrangement occurs.

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.

Based on the foregoing, we classify the risk arising from projects, investments, legal disputes, regulatory proceedings, and third-party claims as moderate overall.

Compliance

The aim of our compliance system[1] is to prevent corruption and antitrust infringements from the outset. This is put into effect through regular workforce training as well as the adoption of suitable processes and systematic controls. It is thus the job of the compliance organization to put organizational precautions in place so as to secure compliance with prevailing law on the part of the company, its decision-making bodies, and the workforce.

We therefore rate the risks in connection with compliance as low.

Procurement

HOCHTIEF's procurement management ensures that capable operating partners—both subcontractors and suppliers—are selected. By maintaining a constant watch over the market and close contact with subcontractors, suppliers, and institutions, we ensure that we can quickly spot changes on the procurement market and respond accordingly. Although HOCHTIEF generates a high volume of sales with individual trading partners and certain services can only be provided by a handful of business partners, the company is not critically or solely dependent on any one client or supplier. With our detailed prequalification system for business partners and by evaluating projects already completed, we maintain a comprehensive overview of our partners' capabilities, both technical and commercial. This minimizes default risk and opens the way to alternatives, enabling us to meet customer needs with the best possible solution.

Resource availability is a highly important issue for procurement at HOCHTIEF. That is why we place special emphasis on resources that are subject to growing scarcity—with regard to materials, for example, of basic materials such as gravel and sand—and also on the availability of trade subcontractors in areas such as technical building systems and drywall construction. We address any anticipated scarcity with proactive procurement management.

[1] For further information, please see the Compliance section on pages 80 to 83.

We classify HOCHTIEF's overall procurement risk as low.

Regulatory environment
As a result of our business activities and significant international presence, HOCHTIEF has to contend with risks arising from regulatory changes, particularly in the areas of tax and environmental protection.

Such risks can affect our key performance indicators and impact our earnings situation, notably in the case of projects lasting several years. HOCHTIEF continuously monitors national and international regulatory initiatives as well as any potential resultant changes which could affect the company in the various markets.

We currently do not consider there to be any significant regulatory risks for HOCHTIEF and therefore classify the risk as low.

Information security and data protection
HOCHTIEF counters IT risks with a professional risk management department and by working closely with capable service providers. IT service categories are clearly set out in service certificates forming part of our service contracts. Compliance with technical availability and data security requirements is ensured by stipulating measurable targets. We take care to ensure that the relevant business systems maintain high availability levels. The deployment of cutting-edge hardware and software coupled with digital and physical access control protect data from unauthorized access. Key data is kept in separate fire compartments inside certified data centers. Regular external penetration tests verify the ability of our firewall systems to withstand cyber attacks. Confidential data and files—for data storage and e-mail, for example—are protected by technical and organizational measures such as the use of encryption systems. We are also vigilant with regard to cyber crime, adapt our systems to the latest threats on an ongoing basis, and provide corresponding staff awareness training.

Our IT security directive, which applies to the HOCHTIEF Europe division as well as the HOCHTIEF Americas division, is continuously refined with the support of experts and verified by audits both in Germany and internationally. Our Group company CIMIC in the HOCHTIEF Asia Pacific division uses its own information and communication systems as well as corresponding directives, which are in line with the applicable HOCHTIEF directives. This ensures that the requirements on data security, confidentiality, and availability are met.

In addition, our service providers cooperate with the Group's Data Protection Officer to ensure that personal data are processed solely in accordance with statutory requirements. Pursuant to the General Data Protection Regulation (EU GDPR), which came into effect in the reporting year, HOCHTIEF has taken not only comprehensive measures to protect personal data but also precautions concerning data exchanges in order to meet the new requirements.

HOCHTIEF has not had any notable incidents regarding IT or data protection. Due to the measures taken, and despite the general risk situation, we estimate the overall probability of a security incident to be low.

Natural and social environment
HOCHTIEF's business activities have a direct impact on the environment. At the same time, the Group's business success is inextricably linked to environmental conditions. Foresighted planning covering all aspects of sustainability forms part of the management of the short, medium and long-term impacts of our contract work. Furthermore, our risk management takes into account environmental and social risks with a direct or indirect bearing on HOCHTIEF's business activities, and likewise to our stakeholders and the environment—air, water, and soil purity, health, species conservation, etc.—as a result of our products and services.

Another factor in this connection is climate risk. Global average temperatures have risen by about 1°C over the last century. Climate researchers warn that further warming in excess of 1.5°C would have disastrous consequences. Some world regions are seeing more frequent extreme weather events such as storms and increasing precipitation, while others are subject to extreme heatwaves and drought.

At HOCHTIEF, climate risk is defined as damage caused by climate events that potentially has negative impacts on the qualitative or quantitative attainment of business targets. Climate risk is addressed centrally for the entire Group. In order to identify the impacts of climate change for HOCHTIEF as a whole and to adequately assess the risks involved, we make use of external frameworks such as that of the Task Force on Climate-related Financial Disclosures (TCFD). CIMIC has thus published a paper looking at the main risks and opportunities of its business activities.

Significant carbon emissions in HOCHTIEF's construction business are found in the upstream and downstream value chains (Scope 3 emissions). This brings with it a major responsibility to manage impacts, while at the same time sustainable business practices offer an opportunity to contribute toward climate action.

At operating level, we analyze climate risk for our construction projects. This is regarded as part of project risks because it is directly connected to project execution. Needs-based analysis is performed by project teams in collaboration with environment and safety specialists from the relevant entities. Scenarios are compiled and analyzed in the context of risk assessments.

Our construction projects can be held up by exceptional weather conditions such as heavy rain, floods, storms, and extreme heat and cold. This can lead to reduced productivity. It can also endanger the safety of employees, subcontractors, and third parties. It is therefore a priority in this regard for HOCHTIEF to raise awareness of safety during project execution. Our use of cutting-edge equipment and methods helps protect against the elements and ensure work safety. Project teams monitor current weather conditions during project execution and take action to avoid hazardous situations.

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.

Along with the risk assessment for extreme weather conditions, the prevention of environmental incidents is also a top priority: Even minor environmental incidents can have a lasting negative impact on the environment, people, and wildlife. Additionally, they can adversely impact project profitability and the company's reputation. As part of our environmental and risk management, we identify potential hazards and factor them into project planning. Recording and analysis of environmental incidents provides important information about risks and enables us to prevent potential environmental damage by adopting targeted countermeasures.

HOCHTIEF must comply with a growing tide of statutory requirements in the markets it serves, including environmental protection measures such as emission levels and energy efficiency. With the resources and know-how to continue meeting ever more exacting requirements, we offer an extensive range of energy-efficient building construction and civil engineering solutions. Environmental regulations can drive up operating costs in our projects, although these are generally passed on to clients. Consequently, also in this connection, we do not consider there to be any material risk to HOCHTIEF.

Potential shifts in demand, such as the likelihood of a gradual fall in demand for thermal coal, can have an impact on profits in specific lines of business. As a diversified business, however, CIMIC company Thiess also has activities in, for instance, copper, iron ore and gold mining

In light of the ongoing controls and the fact that potential impacts are accounted for, we do not consider there to be any significant environmental and social risks to HOCHTIEF.

Climate change also holds commercial opportunities for HOCHTIEF as a result of changing needs and requirements. Built structures for renewable energy, flood control, water supply and wastewater management, reconstruction of infrastructure damaged by extreme weather events, and investment in resilient infrastructure all offer new business potential. In addition, buildings and infrastructure projects increasingly target sustainable certification. HOCHTIEF serves these markets and is exceptionally well placed for the tasks ahead.

No significant risks according to CSR Directive Implementation Act

At the present time, we see no significant risks likely to have a substantial negative impact on the sustainability aspects in the work of HOCHTIEF. Likewise, we currently anticipate no noteworthy risks arising from negative deviations from our major stakeholders' expectations.

Opportunities from systematically pursuing the strategy/sustainability strategy

As an engineering-led, global infrastructure group with leading positions across its core activities of construction, services, and concessions/public-private partnerships (PPP) as well as operations focused in Australia, North America, and Europe, HOCHTIEF's strategy is to further strengthen its position in core markets and pursue market growth opportunities. At the same time, we are committed to cash-backed profitability and rigorous risk management. Our businesses are flexible, allowing management to quickly adapt to varying market conditions. Active and disciplined capital allocation is a high priority, and we intend to continue focusing on attractive shareholder remuneration as well as investment in strategic growth opportunities in order to generate lasting value for all stakeholders. We systematically balance economy, ecology, and social responsibility throughout all our business activities with the aim of safeguarding the Company's long-term viability. To this end, we apply a 360-degree focus, taking in our business segments and operating activities as well as our surroundings and the interests of our stakeholders.

Our strategy comprises the following elements:
- Focus on sustainable and cash-backed profitability
- Effective risk management
- Diversification and optimization of the financing instruments
- Acceleration of innovation processes with digital developments
- Enhancing our position as an attractive place to work
- Contributing to sustainable development

HOCHTIEF has substantially improved across its key performance indicators over the last several years. We aim to fully exploit the room for improvement that still remains. The related initiatives will deliver additional positive outcomes and have a positive effect on HOCHTIEF's business activities.

We center our sustainability management on six sustainability focus areas. A key element of our 360-degree approach is stakeholder involvement in HOCHTIEF's business conduct. Active stakeholder management seeks to anticipate issues of relevance to us, utilize business opportunities and market potential, and mitigate risk.

In both building and infrastructure construction, we profit from our early engagement for sustainable construction and we see further development potential in our markets.

Opportunities based on successful research and development

Our ability to innovate is a key driver of HOCHTIEF's business success and effectively contributes to making our activities sustainable. HOCHTIEF clients value the project-specific alternative proposals and the technical expertise that enables us to successfully execute our ambitious projects.

The organizational framework for innovation at HOCHTIEF provides the basis to generate value with and for innovation—in particular in the field of digital construction. Innovation will remain important at HOCHTIEF into the future. It helps us further improve the quality of our work and enhance our competitiveness, especially in competitive markets. The further improvement in the area of innovation can have a correspondingly positive impact on our business success as well as with regard to exercising our environmental and social responsibility.

Regulatory risk

Complex large-scale projects can involve legal and regulatory risks. Provisioning has been made for all risks known to HOCHTIEF associated with legal disputes that are nearing conclusion or are anticipated, legal claims, and official procedures relating to individual large-scale projects.

Executive Board's overall assessment of opportunities and risks

The Group's overall risk position did not change significantly in 2018. HOCHTIEF will continue to work intensively to optimize its risk position even further. The risk management approach is kept under constant review and adjusted as necessary to preclude any volatility in HOCHTIEF's key performance indicators.

Systematic implementation of our uniform Group-wide strategy helps HOCHTIEF exploit opportunities as they arise. We expect to be able to counter potential risks and thereby avoid or reduce the negative impact on our business activities.

From the current perspective, based on their probability and potential impact on HOCHTIEF, the risks described in the foregoing report do not cast any doubt over the HOCHTIEF Group's ability to continue as a going concern. Based on our analyses and the sound development of the business in 2018, we continue to assess HOCHTIEF's risk-bearing capacity as good.

Forward-looking statements

This Group Report contains forward-looking statements. These statements reflect the current views, expectations and assumptions of the Executive Board of HOCHTIEF Aktiengesellschaft concerning future events and developments relating to HOCHTIEF Aktiengesellschaft and/or the HOCHTIEF Group and are based on information currently available to the Executive Board of HOCHTIEF Aktiengesellschaft. Such statements involve risks and uncertainties and do not guarantee future results (such as profit before tax or consolidated net profit) or developments (such as with regard to possible future divestments, planned investments or acquisitions, general business activities or business strategy). Actual results (such as profit before tax or consolidated net profit), dividends and other developments (such as with regard to possible future divestments, planned investments or acquisitions, general business activities or business strategy) relating to HOCHTIEF Aktiengesellschaft and the HOCHTIEF Group may therefore differ materially from the expectations and assumptions described or implied in such statements due to, among other things, changes in the general economic, sectoral and competitive environment, capital market developments, currency exchange rate fluctuations, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, the conduct of other shareholders, and other factors. Any information provided on dividends is additionally subject to the recognition of a corresponding unappropriated net profit in the published separate financial statements of HOCHTIEF Aktiengesellschaft for the fiscal year concerned and the adoption by the competent decision-making bodies of HOCHTIEF Aktiengesellschaft of appropriate resolutions taking into account the prevailing situation of the Company. Aside from statutory publication obligations, HOCHTIEF Aktiengesellschaft does not assume any obligations to update any forward-looking statements.

<PROJECT>

MERCEDES PLATZ

</PROJECT>

<FACTS>

Mercedes Platz in Berlin is a new sports, culture, and business quarter HOCHTIEF built as a general contractor. During the two-year construction phase, around 200 companies were involved in the project, with up to 1,000 people working on the site. The development opened on schedule in 2018.

</FACTS>

Non-financial Group Report

Vision and strategy: the cornerstone of sustainability

The principle of sustainability is a fundamental part of the HOCHTIEF vision, our Group guiding principles, and HOCHTIEF's corporate strategy.[1)] Our sustainability strategy is derived from these elements. The stipulations are internally binding, and their implementation is managed at Group level. HOCHTIEF's understanding of sustainability is based on the concept of systematically reconciling economy, ecology, and community in all business activities.[2)]

[1)] For further information, please see the Strategy and Sustainability Strategy sections on pages 27 to 33.

[2)] For detailed information, please see the sections Sustainability Strategy starting on page 32 and Sustainability at HOCHTIEF starting on page 132.

A corporate responsibility organization was established at HOCHTIEF in the 1990s. Regular non-financial reporting has been provided since 2001. The core areas addressed today are compliance, employees, occupational safety, procurement, research and development, environment, and corporate citizenship. HOCHTIEF also maintains transparency regarding its sustainability performance by taking part in sustainability ratings—such as the CDP[3)] and the Dow Jones Sustainability Index—as well as via channels such as the Group website.

[3)] See glossary.

In accordance with Section 315b (3) 2a of the German Commercial Code (HGB), the non-financial Group report is published together with the Group Management Report. The framework used is the Global Reporting Initiative (GRI) standards.[4)]

[4)] For the GRI index in accordance with the GRI standards, please see pages 255 to 257.

[5)] More further information, please see pages 32 to 33 and 133.

HOCHTIEF Aktiengesellschaft is not subject to the preparation requirement under Section 289b (1) HGB and publishes no separate non-financial report in addition to the non-financial Group report.

Business model

HOCHTIEF is an engineering-oriented, global infrastructure group with leading positions across its core activities of construction, services, and concessions/public-private partnerships (PPP). Its operations are focused in Australia, North America, and Europe. With a 145-year track record, HOCHTIEF delivers complex projects for clients based on its core competence in construction—primarily building construction and civil engineering—and has extensive experience in developing, financing, building, and operating.[1)]

Aspects pursuant to the German Act Implementing the EU Non-Financial Reporting Directive

All information required under the CSR Directive Implementation Act on environmental, social, and employee-related issues as well as compliance with human rights standards and combating corruption and bribery is presented in full in this Group Report. For this purpose, we use a non-financial key performance indicator (LTIFR) and also indicators for each focal area; however, the latter are not non-financial key performance indicators within the meaning of Section 289c (3) 5 HGB. The page references in the table opposite indicate where the policies, processes, results, and risks relating to each aspect are presented in this report.

Topics are considered material if they are relevant to the Company and are capable of having an impact on the development and performance of the business and its environment. The interests of HOCHTIEF's stakeholders are taken into account in this analysis. We assess the materiality of topics through a regular review and evaluation in terms of business relevance, effects, and stakeholder interests.[5)]

A detailed presentation of the opportunities and risks significant for HOCHTIEF, including risks in connection with the above-mentioned aspects, is provided in the combined Management Report, in the Opportunities and Risks Report starting on page 113. At the present time, the Group sees no significant risks likely to have a substantial negative impact on the sustainability aspects listed above. Likewise, we currently anticipate no noteworthy risks arising from negative deviations from our major stakeholders' expectations.

Placement of content required under the CSR Directive Implementation Act in this Group Report[1)]

[1)] For further information, please see our CR Program starting on page 144.

		Page
Non-financial Group Report		
Non-financial aspects in relation to business activities		
Business model		24–25, 26, 27–33
Environmental matters (policies/processes)		
	Climate protection	137–138, 140
	Water	139-140, 142
	Waste	137, 140
	Green building	141, 142–143
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Employee issues (policies/processes)		
	Occupational safety/Health	102–105
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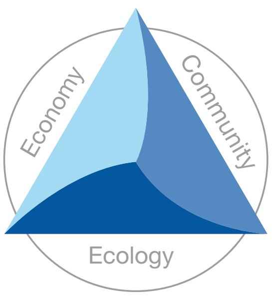
Sustainability at HOCHTIEF
Solutions-oriented project business

Sustainability in project business

In its project work, HOCHTIEF fundamentally embraces a 360-degree management approach. We start by considering all project phases across the entire life cycle and processing them in an integrated manner—also looking at their later, long-term use beyond the scope of the HOCHTIEF project. Chief among the measures designed to ensure this is a lasting, partnership-based dialog with the stakeholders, which paves the way for our project work. Taking the broad range of expectations and demands into account is an essential factor in minimizing risk on an ongoing basis. Offerings such as the PreFair[1] collaborative contracting model, to which we invite our clients, are part of the program that supports this project-optimization dialog.

Active management of construction work impacts

Construction projects always impact the existing fabric and have long-term effects. So HOCHTIEF's activities have a direct impact on people and the environment. We aim to promote the benefits of our work and minimize its impact. Foresighted, end-to-end planning is therefore instrumental in ensuring responsible management of the impacts of our business activities. We fulfill our obligation to take remedial action without delay in the event of any situation that needs rectifying.



The environmental impacts resulting from our work include land use, excavation, changes to the water supply, the consumption of energy, water, and resources, as well as the generation of noise, dust, vibrations, emissions, wastewater, and other wastes. These factors vary depending on the nature and scale of each project. Our objective is to best protect and conserve the natural world—even after completion of our projects. We achieve this objective through individualized project management that meets each project's unique requirements.

Social benefits include job creation, our contribution to boosting economic factors, and community engagement for local residents in the areas surrounding our projects. In its role as corporate citizen and employer, HOCHTIEF contributes to developing society by creating value. We attach great importance to respecting diversity aspects among our employees, partners, and stakeholders.

In order to best address social and environmental impacts in project planning, this process encompasses factors such as environmental protection, energy efficiency or environmental footprint, fair working conditions, and occupational safety and health.[2] A research collaboration project launched in 2018 together with Zeppelin University in Friedrichshafen aims to develop a standardized tool to measure sustainability in projects, which will also comprise possible key metrics systems.

The best way to achieve a balanced interplay of economic, environmental, and social factors (see illustration at left) is with certified sustainable projects based on standards such as DGNB, LEED, BREEAM, Green Star, or ISCA. Certified projects comprise systematic management of impacts, integrate diverse sustainability aspects, and include a construction and operating process for buildings and infrastructure that conserves resources and the environment. HOCHTIEF promotes this trend. The company is recognized in rankings such as the ENR as a top supplier of green buildings and again received a wealth of awards in 2018. HOCHTIEF actively recommends sustainable construction to its clients.

Our employees' willingness and commitment are vital to our work when it comes to identifying and incorporating relevant sustainability issues. That is why internal communication on this topic, such as articles in the intranet and employee magazines, plays such a crucial role.

Quality management

In order to perform at the highest levels both now and in the future, HOCHTIEF employs a well established quality management system. HOCHTIEF Solutions, for example, operates on the basis of the DIN EN ISO 9001 quality management system. Under this standard, HOCHTIEF Europe attains a 97% certification rate (expressed as a share of sales, 2017: 94%) in the reporting year. CIMIC Group companies Thiess, CPB Contractors, Leighton Asia, UGL, and Sedgman also use ISO 9001 quality management systems. Quality managers are responsible for ensuring compliance with the standards and developing improvement measures as well as checks and balances. At Turner, the Quality Gold Star program provides site-specific quality assurance. As a rule, audits and continuous improvement

[2] For further information on the regulations for occupational safety, health and environmental protection, please see pages 102 to 105 and page 136 et seq.

[1] See glossary.

Observance of human rights

HOCHTIEF pledges to respect and observe human rights as well as to actively prevent human rights violations.[1] This commitment is an inherent part of our corporate culture and our internal standards.[2] In the HOCHTIEF Code of Conduct and in the HOCHTIEF Code of Conduct for Business Partners, we require our employees and our partners respectively to uphold human rights.[3] Our ethics guidelines are based particularly on the UN Global Compact, the ILO conventions, and the United Nations' Universal Declaration of Human Rights.

With an external partner's support, we launched a project towards the end of the reporting year that will be concluded in 2019. The purpose of this collaboration is to take stock of our current activities as regards human rights due diligence. Our focus here is on analyzing internal processes around the execution of construction projects and elaborating proposals for potential improvements.

As far as is possible, we aim to rule out human rights violations in all project workflows where HOCHTIEF is able to exert influence. Through dialog with an independent, non-profit human rights organization, we appraised the risks to human rights due diligence that are particularly relevant to a construction company in order to set the right priorities in every project.

Furthermore, HOCHTIEF has deployed a human rights quick check in project audits by the internal audit function since 2017. In 2018, CIMIC conducted a Human Rights Impact Assessment (HRIA) across the mining operations in Indonesia.

contribute to optimizing HOCHTIEF's quality assurance processes.

Stakeholder management

HOCHTIEF's business activities are influenced by diverse internal and external stakeholder groups. In order to systematize requirements and give them strategic consideration, HOCHTIEF takes a multifaceted approach to stakeholder management. Stakeholder groups and their representatives (see box) are identified through a differentiated process, integrated into the network, and motivated to actively contribute by providing feedback. In this way, we strive to maintain an ongoing dialog.[4] We take the stakeholder perspective into account when defining CR focus areas.[5]

Various corporate units assume responsibility for target group-specific activities and formats for engaging stakeholders. These are held regularly or on an ad-hoc basis and include:

- Communication at construction sites (continuous)
- Employee feedback (roughly every two years)
- Executive Board events for senior executives (regular)
- Public relations (continuous)
- Capital market communications (continuous)
- Trade shows, congresses, and events (continuous/ad hoc)
- Market studies (regular)
- Customer surveys/customer satisfaction analyses (regular)
- Image and reputation polls (annual)
- Corporate responsibility stakeholder dialog (annual)
- Quality assessments/audits (continuous)

HOCHTIEF obtains internal feedback primarily through employee surveys: These provide valuable insights into the workforce's levels of satisfaction and engagement as well as indicating desired improvements. In the reporting year, HOCHTIEF conducted an employee survey for the whole of Europe. A total of 52% of staff members participated. Following detailed assessment of the responses, measures will be put in place in 2019 to address the issues raised by the employees.

Customer orientation

Customer satisfaction plays an important role in our business success. This is why we actively pursue customer feedback through, for instance, surveys and their evaluation via databases. HOCHTIEF's good standing is also evident in its reputation score, which we measure in a regular survey[6] and which has remained consistently high:

HOCHTIEF's reputation values (%)

2015	2016	2017	2018[7]
85	84	87	**83**

This chapter is part of Focus Area Corporate Citizenship

[1] HOCHTIEF signed the standards of the International Labor Organization (ILO) in 2000 and the UN Global Compact on supporting and respecting human rights in 2008.
[2] The Group's expectations are incorporated in the HOCHTIEF Vision, the Corporate Principles and the Code of Conduct.
[3] For further information, please see www.hochtief.com/sustainability

HOCHTIEF's stakeholder groups
Analysts
Associations/NGOs
Bankers
Clients
Employees
Government/public authorities
High school and college/university students, recent graduates
Investors
Journalists
Neighbors/local residents
Scientific institutions
Shareholders
Subcontractors
Suppliers
Universities/colleges

[6] The survey is addressed to decision-makers in large companies by market research institute YouGov Deutschland.
[4] For further information, please see the Sustainability Strategy section on pages 34 and 35.
[7] 83% of people surveyed by market research institute YouGov in Germany in the reporting year rated HOCHTIEF's reputation as excellent/very good/good.
[5] Comparative presentation in the Sustainability Strategy section

Corporate citizenship at HOCHTIEF

Focus area indicator Corporate Citizenship

Aspect: Taking responsibility for local communities
See GRI index.

[1] Figures based on data provided by B2P and reused by HOCHTIEF

As an international infrastructure group, HOCHTIEF shapes living spaces around the world and interacts closely with many people. We work with and for them and impact their daily lives. While the effects are usually positive, sometimes challenges are involved. We see ourselves as corporate citizens, and we embrace social and environmental responsibility wherever we work.

Since donation and sponsorship activities tend to occur at a local level and are associated with locations and projects, their organization is decentralized. The HOCHTIEF companies take their cue from the local conditions and requirements; CIMIC, for instance, focuses among other things on involving the Indigenous population. The Group companies have budgets available for community engagement. In this regard, the Group Directive on Donations and Sponsoring provided by Corporate Communications clearly defines focal areas for these activities, facilitates the efficient use of financial resources, and regulates responsibilities and reporting processes within the Group. Our key focus areas are, firstly, educating and promoting young talent; and secondly, designing and preserving living spaces. We support these causes through monetary donations, donations in kind, by contributing expertise, corporate volunteering, and personally committing time and effort to practical projects. No specific targets are set for these activities because we take our cues from immediate conditions and needs on the ground. In 2018, the Group's budget for donations and sponsorship totaled around EUR 5.1 million (2017: EUR 4.98 million).

Our operating business is characterized by dialog with various stakeholder groups, whose needs and feedback we take into account in our processes. We prepare tailored stakeholder management plans for our projects. These include providing timely information about any inconveniences that may result from the construction process and pursuing constructive dialog. Our goal is to support and foster the communities in the vicinity of our construction projects. And we strive to make our engagement measurable by checking it against indicators.

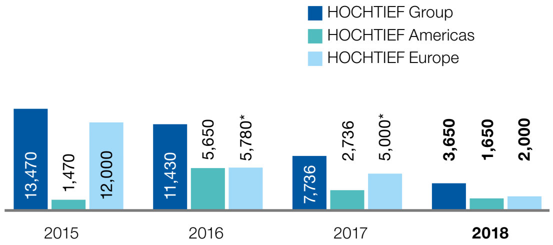
www. bridgestoprosperity.org

For further information, please see www.hochtief.com/b2p

For further information, please sse www.hochtief. com/community

[2] For further information, please see https://bridgestoprosperity. org/why-bridges/

Number of people who benefit from B2P bridges constructed by HOCHTIEF[1]



*incl. HOCHTIEF Asia Pacific

Bridges to Prosperity

As part of the sponsorship focus "design and preservation of living spaces," we support projects run by the NGO Bridges to Prosperity (B2P). This collaboration revolves around the construction of pedestrian bridges in remote regions. The bridges give local residents a safe way to access education, health facilities, and markets—especially during the rainy season, when rivers often rise so dramatically that crossing them poses a serious danger. HOCHTIEF and its Group companies have been working with B2P since 2010. As regards the B2P projects, we intentionally get involved in regions where we do not actively work. By helping to improve people's connections to other areas, we enable them to participate in economic development on both national and local levels. Improved access to educational institutions is especially important in boosting the potential for economic success—and it translates into better prospects for young people. According to B2P estimates, household incomes in areas that gain regular access to markets rise by an average of 30%.

Added value for the population:
According to Bridges to Prosperity's[2] estimates, the 25 footbridges built by HOCHTIEF since 2010 have meant that:

- around 14,000 children have safe access to educational facilities (13%)
- around 43,000 people have easier access to medical care (40%)
- 107,400 locals have benefited from the bridges built by HOCHTIEF

This chapter is part of Focus Area Corporate Citizenship

The projects benefit not only the people who live near the structures but also our employees: One team of ten people at a time travels to the region to build the bridges together with the locals. This creates a special network within the HOCHTIEF team—and strengthens loyalty to the company. Over 260 people in the Group have taken part in B2P projects to date. Their reactions have been decidedly positive. Among those who worked on the Rwanda project in the reporting year, for example, the number who would recommend the bridge-building experience to others was yet again 100%.

In order to ensure that the bridges continue to function long-term, local helpers are recruited on the ground. Their assistance and the training they receive provide them with sound knowledge to maintain and repair the bridges later. As a rule, regional subcontractors and suppliers are tasked with building the bridges; they benefit from fair pay. And last but not least, our employees also get involved in the communities socially—for example, by visiting schools and sharing in sports activities. In this way, we aim to contribute to long-term growth and knowledge transfer. In the reporting year, HOCHTIEF built a bridge in Rwanda (in the Muganza sector) and Flatiron built another in Nicaragua (in the Matiguas district).

Currently, we are also focusing on promoting the Hex House project in collaboration with the non-profit organization Architects for Society, as a way to support needy people. As part of this, in 2018 we helped the Hamburg-based refugee organization Flüchtlingshilfe HafenCity with the planning and construction of the world's third prototype. Capable of being combined in a variety of ways, the hexagonal houses can easily be expanded into multi-family complexes or even larger buildings, making them ideal as temporary living structures suitable for use after natural disasters, for example. Their design is based on an easy-to-install modular concept. Construction reduced to the bare essentials, lean building processes, and prefab components make for significant cost savings while retaining high quality. The Hex House in Hamburg is the first prototype in daily use.

Donations and sponsorship: Organization and reporting

A Group directive specifies how donations and sponsorship activities are defined and distributed. It governs responsibilities, obligations, and reporting lines. Corporate Communications, the department responsible, works with the Executive Board to define the strategic direction and is in charge of coordination. Guided by the Group directive, the operating companies decide autonomously about their donations and sponsorships.

Reliable: The new bridge lets local Rwandans access schools, markets, and healthcare facilities safely even during the rainy season. This year, the team used Building Information Modeling to optimize communications among all those involved.

Footbridges constructed by HOCHTIEF and B2P, by country (since 2010)

	Number of realized projects
HOCHTIEF Americas (Flatiron, Turner, E.E. Cruz)	
Honduras:	1
Guatemala:	1
El Salvador:	2
Nicaragua:	14
HOCHTIEF Europe and HOCHTIEF Asia Pacific	
Rwanda:	7
HOCHTIEF Group:	**25**

You can find a selection of community projects in which our companies were involved in 2018 at www.hochtief.com/sustainability.

No donations to political parties

HOCHTIEF's business units and companies are not permitted to make any direct or indirect donations to political organizations, parties, or individual politicians. This is laid down in our Code of Conduct. The Code of Conduct can be found in full on the Internet at www.hochtief.com/codeofconduct.

Environmental protection:

Our core business activities—construction and mining—have an effect on the environment. At the same time, we are committed to safeguarding soils, water, air, the climate, and biological diversity. This makes active environmental protection a focus for the entire HOCHTIEF Group. We aim to make our operating activities environment-friendly. To this end, we develop environmental protection measures for the projects we undertake, covering all relevant environmental aspects. The reach of our influence here mainly extends to the construction process as such and its direct effects.

Environmental management, first and foremost, also means risk management, because environmental damage compromises the environment long-term, threatens the safety of the people involved, impacts construction activities, and raises project costs. Here, we look beyond our own sphere of responsibility, taking in the areas surrounding our construction projects such as adjacent developments and open spaces when developing environmental protection programs. The measures we take are tailored to each project, enabling our teams to reduce the risks of environmental damage and other impacts as far as possible. We draw upon expert analysis right from the design phase and incorporate options such as reusing or recycling material, thus helping to minimize environmentally and climate-damaging emissions.

The figures provided in this section to illustrate our impacts are to be viewed relative to Group work done in each year. For 2018, this came to EUR 25.45 billion (2017: EUR 24.52 billion). The coverage[1] figures mean the coverage of each indicator in relation to Group work done. Factors affecting the indicators include the quantity, type, location, and size of our projects. Greenhouse gas emissions vary relative to changes in Group work done. We monitor and assess this relationship.

In order to set specific reduction targets in the years ahead, we plan to specify a base year for our performance indicators by 2020.

Organizational structure of environmental protection in the HOCHTIEF Group

Responsibility for environmental protection at HOCHTIEF lies with the Center for Occupational Safety, Health and Environmental Protection (OSHEP). A Group directive[2] specifies how environmental protection matters are coordinated and organized. The head of the OSHEP Center reports directly to the Group Executive Board. An integral part of the Group directive, our Group-wide environmental policies underpin HOCHTIEF's environmental protection culture and pave the way for our project activities.

The experts in the OSHEP Center assist management in meeting statutory and in-house requirements as well as implementing environmental standards in project work. This ensures fully compliant organizational processes. Environmental and climate protection is enshrined as an independent responsibility within the organizational structure of each of the HOCHTIEF divisions. The corporate auditing function reviews specific projects for compliance with all requirements.

Environmental protection is integrated into processes in all projects. For this purpose, management systems are in place in accordance with the ISO 14001 international standard. In 2018, the proportion of Group units certified on the basis of environmental management systems was 75.3% (by number of employees, 2017: 77.3 %) (1).

Early risk identification

To ensure that projects are not only commercially successful but also environment-friendly and accident-free, compliance with the underlying statutory and standards-based requirements is a constant focus for all managers at HOCHTIEF.[3] We identify and evaluate the environmental risk in each project in close consultation with project teams and take the corresponding factors into account from the outset in investment decisions. Preventive measures are already put in place in the planning phase and integrated into the construction process.

[1] See glossary.

[2] See chart on page 105.

[3] For further information, please see the Opportunities and Risks Report section on pages 124 to 126.

This chapter is part of Focus Areas Active Climate and Resource Protection

Involving employees

A critical requirement for comprehensive occupational safety, health, and environmental protection is for all project teams to be well informed and trained. Accordingly, we involve and sensitize the workforce to ensure that everyone understands environmental correlations. The resulting package of measures includes personal training, on-site instruction, and training presentations. Our environmental experts engage in professional development and share knowledge in working groups to ensure that they can provide project teams with competent advice in implementing environmental protection measures.

Environmental issues at HOCHTIEF[1)]

HOCHTIEF reports on environmental aspects in its operating business under two CR focus areas: Active Climate and Resource Protection, and Sustainable Products and Services.

Waste management

Waste management is a priority for HOCHTIEF as our construction activities often generate large amounts of waste. As a matter of principle, we seek to eliminate avoidable waste and reduce or recycle unavoidable waste with a view to the increasing scarcity of resources. Our aim is a constantly high recycling rate (including recovery) of at least 85% each year.[2)]

The total volume of waste increased in 2018 compared with the prior year (5). This was largely driven by ongoing tunneling projects at CIMIC, which produce large quantities of excavated material. Much of this is used for purposes such as backfill in other construction projects. HOCHTIEF's focus on waste recycling is reflected in the Group-wide recycling rate, which stood at 87.1% in 2018 (2017: 90.6%). Fluctuations in waste volumes are normal due to the pronounced variation in our contracting business, with major infrastructure projects, for example, generating large quantities of waste.

Materials use is monitored and planned in detail. Our project-specific teams work from an early stage to develop waste disposal plans that optimize economic and environmental performance in material flows. We also aim to minimize material and waste transportation by reusing materials in the same project wherever possible.

Where projects involve hazardous materials or products containing them, responsible and correct handling of such materials is a major priority for us as these can threaten people and the environment. Legal and company requirements vary from country to country. In the HOCHTIEF Europe division, we continuously address this with an electronic tool in which employees can look up the relevant stipulations from hazardous materials databases. The tool also contains workplace-specific instructions, precise information on individual hazardous substances, and safety data sheets.

Critical substances contained within built-in materials are a special challenge in demolition, conversion, and revitalization projects. These need to be identified and removed in a safe and environmentally compatible manner before starting construction. We provide ongoing training to ensure the necessary level of employee information and awareness. A particular challenge is found in refurbishment contracts where there are installed materials that were permitted at the time of construction but nowadays count as a health hazard. This is something we keep a close watch on. We aim to maximize recycling quality in the long term by segregating construction waste into high-purity fractions (3).

Water management

Conservation and responsible use of water resources is highly important to HOCHTIEF as construction projects often require large volumes of water (4) or have an impact on groundwater. Activities such as ground leveling or clearing surrounding vegetation, changes in water levels, impacts on drainage areas, sedimentation, fragmentation of groundwater bodies, and the loss of recharge areas all have implications for the condition and function of our local water resources and natural regions.

[1)] See Sustainability Matrix on page 33.

You can find examples of environmental protection topics in practice on our website at hochtief.com/sustainability.

Focus area indicator Active Climate and Resource Protection

Aspect: Waste
See GRI index.

[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.

Focus area indicator Active Climate and Resource Protection

Aspect: Water
See GRI index.

Focus area indicator Active Climate and Resource Protection

Aspect: Biodiversity
See GRI index.

To ensure that work is performed in an efficient, environmentally compatible, and responsible manner, each project team devises tailored water conservation plans. They comprise groundwater and drinking water use during the course of a project, disposal of used and waste water, infiltration, water pollution, and water treatment.

Most projects, certified projects in particular, include responsible water management. A case in point is the WestConnex M4 East project in Sydney, where the consortium led by CPB Contractors captures rainwater specifically in order to spray construction access roads and thus bind dust. The team made use of 350,000 liters of rainwater in this way between June and September 2018. At Turner, too, projects are planned so as to minimize soil erosion and sediment loss as well as surface water and groundwater pollution.

Effective water management is all the more important on projects in water-scarce regions, where water is generally recycled or reused multiple times. CIMIC, which operates in regions where water use is of special relevance due to scarcity, likewise actively investigates opportunities for conserving and recycling water in every project. For this reason, its water management planning process evaluates the potential volume of water required, available sources, the regulatory environment, and obligations to landowners. Further aims are to minimize the use of mains water as well as increase water recycling and recovery. Reused water accounted for some 53% of total water consumption at CIMIC in 2018, which represents a significant improvement on the prior year (2017: 35%). CIMIC achieved a B- score (2017: B score) in the 2018 CDP water ranking.

CDP™ SUPPORTER 2018

Biodiversity conservation

HOCHTIEF's activities can affect the natural environment and biodiversity. We endeavor to minimize such impacts and to reduce adverse effects of our work on biodiversity and ecosystems. Where this is not possible on a specific project, we develop disturbance avoidance strategies so that project work can continue effectively and safely. We thus work in consultation with authorities to compile environmental assessments before commencing construction and include species conservation in detailed environment plans. Special care is called for where projects adjoin protected areas. Measures include biodiversity management strategies, assessments, regular monitoring, and specialist analysis. To cite just a few examples: On the A6 freeway project, an area of approximately 3.6 hectares by the River Neckar that frequently floods is being set down to a lower level. Various new deadwood features, ponds, willows, marshes, and reedbeds will help provide a retreat for numerous fauna species including the large copper butterfly and birds such as reed warblers and yellowhammers. The A5 (Lot 5) road-building project, which is led by HOCHTIEF, includes construction of a wildlife bridge with anti-glare screening, numerous amphibian guidance systems, wildlife warning reflectors with sound alerts, and kilometers of wildlife barrier fences.

As mining activities have considerable environmental impacts, CIMIC uses environment-friendly mining practices and rehabilitates sites when mining is complete. In 2018, CIMIC companies rehabilitated a total of around 614 hectares of land following mining activities.

Energy efficiency and climate protection

HOCHTIEF's core business—construction and mining—is energy and emission-intensive. The greatest impacts of our activities are found at the upstream end of the construction value chain—the production of materials such as steel and cement—and at the downstream end comprising product operation. Buildings, in general, are a significant climate factor in any case, accounting for about a third of total energy consumption and, in a country such as Germany, for a third of carbon emissions. HOCHTIEF supports the goal of limiting global warming to not more than 2°C or, if possible, just 1.5°C. At the 22nd World Climate Conference in 2016, we joined with other companies in signing a declaration calling for dedicated targets for individual sectors. We actively participate in the "Wirtschaft Macht Klimaschutz" dialog forum launched by Germany's Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety. This initiative supports the development of joint strategies and implementation measures in industry. HOCHTIEF is involved in a working group on climate-friendly supply chains.

In 2018, the non-governmental organization CDP once again recognized HOCHTIEF for its contribution to protecting the climate and reducing pollutants. HOCHTIEF achieved a B score (2017: B) in the climate ranking and thus attains Management status according to the CDP criteria. Our goal is to improve this rating to an A score.

We take specific steps to mitigate the impact of our operating business on the climate. To an increasing extent, we are transitioning to temporary LED lighting on construction sites around the world. Thanks to the lamps' low energy consumption and longer service life, this technology has a positive impact on greenhouse gas emissions and costs. With regard to construction site machinery, we increasingly deploy earthmoving equipment, such as excavators and wheel loaders, with reduced energy consumption compared with conventional alternatives.

Turner launched a pilot program in 2018 to measure energy, fuel, and water consumption at project level. In a first step, four construction sites have been equipped with the necessary metering equipment. A total of 25 to 30 projects—around 2% of all ongoing projects—are to be included in the program over the next two years.

Lizards released home: At the Transmission Gully Motorway project in New Zealand, three species of lizard were resettled and after three years released into freedom in a newly created field.

Climate protection

The indicators specified in this report under the heading of climate protection (in particular (9)) relate exclusively to materials (6) and services purchased by the HOCHTIEF Group. In the HOCHTIEF Asia Pacific division, the indicators comply with the statutory requirements of the National Greenhouse and Energy Reporting Act 2007.

Focus area indicator Active Climate and Resource Protection

Aspect: Climate Protection
See GRI index.

Wirtschaft macht KLIMASCHUTZ

The nature, scope, and location of construction projects ongoing during the year have a direct impact on energy consumption levels and the emissions inferred from them. By their very nature, projects are not mutually comparable. Using a tunneling machine to bore through hard rock, for example, is much more energy-intensive than a building construction site operating on softer soil.

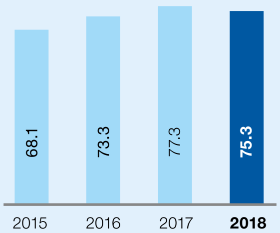
In data collection, we aim for a uniform level of detail across divisional companies for enhanced data comparability and verifiability. To this end, consumption figures will also be recorded on a project-related basis from 2019.

Practical examples

HOCHTIEF's major office locations in Germany have been using green power since as far back as 2010. At CPB Contractors, 18% of all electricity used—both in offices and on construction sites—came from renewable sources in 2018.

Facts and figures

(1) Proportion of units in the HOCHTIEF Group certified in accordance with environmental management systems, relative to number of employees (%)



(2) Number of environmental damage incidents within the HOCHTIEF Group[1]

	2016	2017	2018
Category 1	0	0	**0**
Category 2	6	12	**14**

[1] Minor instances of environmental damage and low-severity Category 3 incidents are dealt with under the auspices of the relevant company and are not reported Group-wide. The figures in the table also include incidents for which only a warning was issued.

(3) Waste volume by type within the HOCHTIEF Group (t)

	Waste volume total	Thereof: hazardous	Thereof: non-hazardous	Group Coverage
2018	**14,538,068**	**34,507**	**14,503,561**	**95%**[1]
2017	8,860,189	123,481	8,736,708	95%
2016	2,143,758	48,729	2,095,029	98%
2015	3,897,625	308,375	3,589,250	100%

[1] Does not include all companies in the HOCHTIEF Americas division.

(4) Water consumption by source within the HOCHTIEF Group (m³)

	2016[1]	2017[1]	2018
Municipal water supplies	3,598,315	577,274	12,744,000[2]
Fresh surface water	765,599	3,221,417	4,596,236
Fresh ground water	3,292,075	1,676,121	1,438,948
Water reused	5,425,000	4,052,000	2,344,010
Total water consumption	**13,080,989**	**11,957,981**	**21,123,194**
Group Coverage	50%	52%	95%[3]

[1] Notionally applying at HOCHTIEF Europe the percentage distribution of sources used at HOCHTIEF Asia Pacific.
[2] Incl. HOCHTIEF Americas
[3] Does not include all companies in the HOCHTIEF Americas division.

(5) Waste volume by disposal method within the HOCHTIEF Group (t)

	Waste volume total	Thereof: recycled/ reused	Thereof: landfilled/ disposed	Recycling rate	Group Coverage
2018	**14,538,068**	**13,627,330**	**910,738**	**87.1%**	**95%**[1]
2017	8,860,189	8,024,991	835,198	90.6%	95%
2016	2,143,758	1,592,591	551,167	74.3%	98%
2015	3,897,625	3,192,247	705,378	81.9%	100%

[1] Does not include all companies in the HOCHTIEF Americas division.

(6) Main materials used within the HOCHTIEF Group in 2018

	Asphalt (t)	Concrete (m³)	Wood (m³)	Steel (t)
HOCHTIEF Americas	749,019	1,535,384	3,725,928	354,666
HOCHTIEF Asia Pacific	362,700	1,569,542	34,533	814,700
HOCHTIEF Europe	–[1]	538,063	12,657	98,960
HOCHTIEF Group	**1,111,719**	**3,642,989**	**3,773,118**	**1,268,326**
Group Coverage	48%[2]	100%	100%	100%

[1] HOCHTIEF will continue its efforts to improve data quality in order to achieve a consistent, standardized basis of calculation across the Group.
[2] Does not include all companies in the HOCHTIEF Americas and HOCHTIEF Europe divisions.

(7) Business travel within the HOCHTIEF Group in 2018 (km)

	Train	Plane[1]	Rental car
HOCHTIEF Americas	2,050,114	73,295,253	3,756,042
HOCHTIEF Asia Pacific	–[2]	99,745,359	6,202,514
HOCHTIEF Europe[3]	5,516,151	8,615,639	746,982
HOCHTIEF Group	**7,566,265**	**181,656,251**	**10,705,538**
Group Coverage	52%	100%	95%

[1] For a detailed list of air travel broken down by short, medium, and long-haul flights, please see www.hochtief.com/sustainability.
[2] Category not applicable
[3] The information includes figures for locations in Germany.

(8) Main energy consumption within the HOCHTIEF Group in 2018 (MWh)

	Gasoline	Diesel	Electricity	LPG[1]
HOCHTIEF Americas	116,360	551,229	9,423[2]	184
HOCHTIEF Asia Pacific	8,276	9,872,119	153,100[3]	49,846
HOCHTIEF Europe	10,532	85,889	166,854[4]	0
HOCHTIEF Group	**135,168**	**10,509,237**	**337,502**	**50,030**
Group Coverage	100%	100%	95%	48%

[1] Liquefied Petroleum Gas
[2] Including district heating and district cold (857 MWh)
[3] Including green energy (14,000 MWh)
[4] Including district heating (8,125 MWh)

(9) Greenhouse gas emissions[1] within the HOCHTIEF Group

Scope 1 (t/CO_2)	2015	2016	2017	2018
HOCHTIEF Americas	1,148,432[2]	12,186	3,692	176,611
HOCHTIEF Asia Pacific	1,913,000	1,964,000	2,202,000	2,689,100
HOCHTIEF Europe	38,628	31,356	46,278	25,611
HOCHTIEF Group	**3,100,060**	**2,007,542**	**2,251,970**	**2,891,322**
Group Coverage	95%	100%	100%	100%

Scope 2[3] (t/CO_2)	2015	2016	2017	2018
HOCHTIEF Americas	37,112[2]	6,057[2]	5,034	4,002
HOCHTIEF Asia Pacific	93,000	89,000	128,000	125,400
HOCHTIEF Europe	80,762	112,451	191,964	82,884
HOCHTIEF Group	**210,874**	**207,508**	**324,998**	**212,286**
Group Coverage	95%	95%	95%	95%[4]

Scope 3[5] (t/CO_2)	2015	2016	2017	2018
HOCHTIEF Americas	1,086,608	1,440,197	835,092	1,714,011
HOCHTIEF Asia Pacific	3,497,000	2,666,000[6]	1,653,000	1,062,100
HOCHTIEF Europe	449,472	391,571	453,300	350,138
HOCHTIEF Group	**5,033,080**	**4,495,768**	**2,941,392**	**3,126,249**
Group Coverage	74%	80%	85%	86%

[1] Sources for carbon conversion factors: GHG Protocol, DEFRA and Germany's Federal Environmental Agency, NGER
[2] Data are based on assumptions and projections.
[3] Calculated on basis of local emission factors.
[4] Does not include all companies in the HOCHTIEF Americas division.
[5] For a detailed breakdown of Scope 3, please see www.hochtief.com/sustainability.
[6] restated

(10) Number of green buildings within the HOCHTIEF Group

Buildings[1]	2015	2016	2017	2018
HOCHTIEF Americas[2]	522	546	605	632
HOCHTIEF Asia Pacific[3]	57	63	65	76
HOCHTIEF Europe[4]	42	55	79	81
HOCHTIEF Group	**621**	**664**	**749**	**789**

[1] Cumulative number of certified (since 2000) "green" buildings constructed by HOCHTIEF by the year-end
[2] LEED, other
[3] Green Star, LEED, other
[4] DGNB, LEED, BREEAM, other; including precertifications

(11) Number of green infrastructure projects within the HOCHTIEF Group

Infrastructure projects[1]	2015	2016	2017	2018
HOCHTIEF Americas[2]	1	1	1	1
HOCHTIEF Asia Pacific[3]	12	16[4]	19	25
HOCHTIEF Europe[5]	7	7	7	7
HOCHTIEF Group	**20**	**24[4]**	**27**	**33**

[1] Cumulative number of certified and registered (since 2013) "green" infrastructure projects as of December 31, 2018.
[2] Greenroads
[3] ISCA, Greenroads
[4] restated
[5] CEEQUAL

HOCHTIEF HAS COMMITTED
▸ to report climate change information in mainstream reports as a fiduciary duty.

Focus area indicator Sustainable Products and Services

Aspect: Life cycle
See GRI index.

Turner GREEN ZONE

Focus area indicator Sustainable Products and Services

Aspect: Green Building: Number of accredited auditors
See GRI index.

Focus area indicator Sustainable Products and Services

Aspect: Green Building: Number of certified projects
See GRI index.

We have developed strict criteria for the selection of company cars. The CO_2 emissions of company cars in Germany averaged 122 grams per kilometer in 2018 (2017: 122 grams per kilometer). When replacing company cars, there is a growing preference for engines with lower CO_2 emissions—also out of economic considerations.

For the last eight years, Turner has regularly analyzed the workplace situation of its employees in the in-house Green Zone competition. The Green Zone“. designation is awarded to various categories when there have been measurable processes to improve the health and working conditions of Turner employees on construction sites and at office locations. Examples of influencing factors include recycled paper, access to public transportation, the use of biodegradable cleaning supplies, and automatic lighting controls. In 2018, the competition had 195 entrants (2017: 279), 140 of whom were awarded Green Zone status (2017: 178).

CO_2 reductions from sustainable construction

Green buildings (10) make a substantial contribution when it comes to cutting carbon emissions. Certified buildings are made to be resource-efficient, using sustainably produced or recycled materials, contracting out works regionally, and favoring short transportation distances. Social and environmental criteria are included in subcontractor selection. Green buildings deliver considerable benefits during their subsequent operation. According to the World Green Building Council, their carbon emissions are nearly a third lower. In a U.S. study, certified buildings showed an average energy saving of 36% relative to conventional buildings.

Instead of new builds, many HOCHTIEF projects involve converting, modernizing, revitalizing, or refurbishing existing structures. This prevents additional ground surface sealing, preserves the urban skyline, and ensures that materials are reused. Environmental benefits include less transportation, smaller waste volumes, and reduced resource use, while more energy-efficient design significantly improves energy performance. An example is the Werk 4 project in Munich, Germany, where HOCHTIEF is converting and adding to what was formerly a potato silo. Pulling down the silo would have resulted in a negative energy footprint.

In addition, we have developed a concept to illustrate how using the sustainable Cradle to Cradle® approach, where materials are repurposed, can be integrated into a building without neglecting economic aspects as well as structural demands and construction processes. This involves a potential analysis that applies the Cradle to Cradle® product certification principles to buildings.

Greenhouse gas emissions and operating resource consumption are demonstrably lower in green buildings than in comparable uncertified buildings. HOCHTIEF actively promotes sustainable building and recommends it to clients.

Certified projects also play an ever more prominent role in infrastructure construction (11). Here, too, the construction phase offers considerable scope for resource-conserving project delivery. Operation, maintenance, and repair can likewise be made more efficient.

We aim to further expand our portfolio of sustainable projects in the long term. Capable employees trained to supervise the certification process enable us to achieve this aim. A total of 1,418 accredited auditors were employed across the HOCHTIEF Group in 2018.

Sales through green building

HOCHTIEF handled projects totaling some EUR 8.2 billion in the green building and green infrastructure segments in 2018 (2017: EUR 7.6 billion).

According to the Engineering News-Record ranking, our North American HOCHTIEF company Turner once again led the U.S. market in green building in 2018. In the reporting year, Turner generated sales of some USD 4.8 billion (2017: EUR 4.7 billion) with green buildings.

In Australia, our company CPB Contractors likewise leads the market as a highly sought-after provider of sustainable infrastructure projects. In Australia, our company CPB Contractors likewise leads the market as a highly sought-after provider of sustainable infrastructure projects. Total sales in sustainable building construction and infrastructure came to approximately EUR 3.1 billion.

Environmental damage

Despite all precautions, environmental damage cannot be completely ruled out (2). Where such impacts occur, we classify them into three categories, which in some cases are further subdivided within the corporate units:

- Category 1: Severe potential damage with irreversible or long-term assumed impacts
- Category 2: Minor to medium potential damage
- Category 3: Negligible incidents without substantial potential damage, and near-misses

Any significant damage that occurs during construction projects must be immediately reported using the in-house crisis information system. As a matter of principle, we collate environmental damage incidents in a reporting system for analysis and resolution. We follow the same procedure for environmental near-misses, as these provide an indication of where processes harbor risks. Measures are developed to avoid potential environmental damage.

Fines

In 2018, no significant monetary fines were imposed on HOCHTIEF due to infringement of environmental laws.[1)]

[1)] The internal reporting limit is EUR 10,000.

CR Program

Our CR program presents the aspects and objects that we link with our six sustainability focus areas. For each focus area, we have derived an overarching objective, specified subject areas on significant issues in progress, and adopted long-term goals and measures.

Sustainable corporate responsibility and CR management

Subject area	Goals by 2030	Status as of December 31, 2018
Sustainability evaluation	• Full integration of CR into financial reporting • Installation of sustainability control and management system	• 76 users of SoFi sustainability software Group-wide (2017: 46 users) • Key data on construction contract consumption collated via HOCHTIEF Europe project control system (from Q1 2019)
Green building capabilities	• Become established as leading provider of green building solutions	• Active interconnection of in-house and external partners for development of green infrastructure

Focus Area: Compliance
Overarching objective: We aim to set standards.

Subject area	Goals by 2030	Status as of December 31, 2018
Anti-corruption	• Ensure compliance training for all employees	• Group-wide training for 38,735 employees (2017: 27,172)
Antitrust law	• Security in dealing with competitors	• Antitrust law training implemented at HOCHTIEF Europe

Focus Area: Attractive working environment
Overarching objective: We aim to further strengthen our position as a sought-after employer and, over the long term, make a name for ourselves among the most attractive employers in the industry.

Subject area	Goals by 2030	Status as of December 31, 2018
Occupational safety and health	• Reduce lost time injury frequency rate (LTIFR) Group-wide to 0.9	• LTIFR: 1.37 (2017: 1.23)
Further training	• Maintain average number of further training hours per employee (2015 comparative figure: 13 hours)	• Further training hours per employee: 20.5 (2017: 24)
Recruitment	• Meet Group-wide requirements for skilled labor	• 70 young engineers (of which 16 women) recruited in Germany (2017: 69)

Focus Area: Procurement
Overarching objective: As a partner to subcontractors, we aim to redouble our efforts to ensure fair, transparent procurement processes and further step up purchases of sustainable products and materials.

Subject area	Goals by 2030	Status as of December 31, 2018
Prequalification	• Subcontractor CR performance defined as metric and established as selection criterion in prequalification	• EcoVadis assessments integrated as additional element of prequalification process at HOCHTIEF Europe
Evaluation	• Increased number of subcontractor, supplier, and business partner evaluations and implementation of corrective action plans	• Systematic supplier and subcontractor evaluations at HOCHTIEF Europe: 1,056 (2017: 735); this includes corrective action plans

Focus Area: Sustainable products and services
Overarching objective: We aim to develop sustainable products and services for transportation infrastructure, energy infrastructure, social and urban infrastructure, and mining. For this reason, we take an integrated approach to our projects and ensure top quality from end to end.

Subject area	Goals by 2030	Status as of December 31, 2018
Green building und green infrastructure	• Group-wide expansion of sustainable project portfolio	• Cumulative figures as of Dec. 31, 2018: Certified green buildings (LEED, DGNB, Green Star, BREEAM, other certificates): 789 (2017: 749) Certified and registered green infrastructure projects (ISCA, CEEQUAL, Greenroads): 33 (2017: 27) • Accredited auditors in HOCHTIEF Group (Dec. 31, 2018): 1,418
Innovation	• BIM used in all large-scale projects	• Current innovation focus; BIM projects delivered in HOCHTIEF Group as of Dec. 31, 2018: more than 2,300 (2017: 2,025) • BIM training 2018: 1,179 employees trained (2017: 819)

Focus Area: Active climate and resource protection
Overarching objective: We aim to conserve natural resources and enhance resource protection. We work actively to save CO_2 emissions ourselves and jointly with our clients and business partners.

Subject area	Goals by 2030	Status as of December 31, 2018
Climate protection, water, biodiversity	• Reduction targets/target quotas defined relative to a base year (by 2020) • CDP A rating in Climate Change Disclosure	• Data quality improved thanks to increased use of SoFi with 76 users • CDP rating—Climate Change Disclosure program: B (2017: B) • Participation in CDP Water Disclosure program
Waste	• Recycling rate (including reuse) constantly ≥85%	• Recycling rate: 87.1% (2017: 90.6%)

Focus Area: Corporate citizenship
Overarching objective: We aim to get involved in the community wherever our company is at work or can offer added value by virtue of its capabilities.

Subject area	Goals by 2030	Status as of December 31, 2018
Supporting local communities	• Continued Group commitment to Bridges to Prosperity NGO • Continued commitment to Architects for Society NGO's Hex House project	• 2 projects (1 in Nicaragua, 1 in Rwanda) (2017: 3 projects) • Support for completion of the first prototype in Hamburg

Other/future topics (selection)

Topic	Goal
Integration of CR	• CR/sustainability training provided for all employees
Employee satisfaction	• Average duration of service maintained (comparative 2014 figure: 5.4 years)
Diversity	• Labor market potential enhanced through workforce diversity
Life cycle management	• Expansion of circular economy products and services in capability range
Connecting on climate protection	• Creating climate-friendly processes across industry
Human rights due diligence	• Compilation of suggestions for improvement from the review of current activities in human rights due diligence

Sustainable Development Goals at HOCHTIEF

HOCHTIEF's contributions to the United Nations Sustainable Development Goals

HOCHTIEF is committed to the Agenda 2030 for Sustainable Development and the 17 Sustainable Development Goals (SDGs). In connection with our business activities, the goals and indicators listed below are of particular relevance to sustainability management at the HOCHTIEF Group. In this overview, we spell out HOCHTIEF's concrete contributions.

3	**Ensure healthy lives and promote well-being for all at all ages:** • Construction of healthcare properties • Active promotion of occupational safety and health • Corporate citizenship/donation and sponsorship projects for local communities
4	**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all:** • Continuing education for HOCHTIEF employees • Construction and operation of educational properties • Support for academic projects/collaboration with universities • Corporate citizenship/donations and sponsorship for educational projects
6	**Ensure availability and sustainable management of water and sanitation for all:** • Construction of flood protection projects and water treatment plants • Construction of water supply and wastewater disposal projects • Responsibility for sustainability in the construction process
7	**Ensure access to affordable, reliable, sustainable, and modern energy for all:** • Construction of sustainable/certified building and infrastructure projects • Construction and operation of renewable energy projects • Construction of energy infrastructure projects
9 *	**Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation:** • Construction of sustainable, certified projects • Implementation of PPP models • Expansion and new construction of transportation infrastructure as well as grid expansion (telecommunications) • Digitalization projects with our own innovation company Nexplore • Involvement in associations and industry initiatives • Support for academic projects/collaboration with universities
11 *	**Make cities and human settlements inclusive, safe, resilient, and sustainable:** • Construction of sustainable, certified projects • Construction of cultural and educational properties, public buildings, and public transportation • Implementation of PPP models • Corporate citizenship/donation and sponsorship projects for local communities • Involvement in associations and industry initiatives
12	**Ensure sustainable consumption and production patterns:** • Sustainability in procurement and in the value chain • Collaboration with EcoVadis • Life cycle management/Cradle-to-Cradle® design
13 *	**Take urgent action to combat climate change and its impacts:** • Construction of flood protection projects • Responsibility for sustainability in the construction process • Involvement in associations and industry initiatives
15	**Protect, restore, and promote sustainable use of terrestrial ecosystems:** • Responsibility for sustainability in the construction process • Measures to conserve biodiversity • Site rehabilitation measures after mining projects
16	**Promote peaceful and inclusive societies for sustainable development:** • Active compliance work • Corporate citizenship/donation and sponsorship projects for local communities
17	**Strengthen the means of implementation and revitalize the global partnership for sustainable development:** • Involvement in associations and industry initiatives • Active participation in the "Wirtschaft macht Klimaschutz" initiative

* These SDGs were rated as the most important for HOCHTIEF overall in a survey conducted by YouGov Deutschland in November/December 2018 among 1,655 participants in the following groups: general populace, decision makers, employees, subcontractors, and CR experts.

<PROJECT>
MINE AND MINERAL PROCESSING PROJECTS
</PROJECT>

<FACTS>
In mine operation and mineral processing, great emphasis is placed on occupational health and safety, as well as productivity and technology. CIMIC companies Thiess and Sedgman set standards in this area in their projects.
</FACTS>

HOCHTIEF Group Consolidated Financial Statements as of and for the year ended December 31, 2018

Consolidated Statement of Earnings

(EUR thousand)	Note	2018	2017
Sales	(2)	23,882,290	22,630,950
Changes in inventories		(19,438)	(53,552)
Other operating income	(3)	170,360	171,439
Materials	(4)	(17,396,911)	(16,229,440)
Personnel costs	(5)	(4,168,083)	(4,119,809)
Depreciation and amortization	(6)	(391,590)	(395,621)
Other operating expenses	(7)	(1,303,961)	(1,239,080)
Profit from operating activities		**772,667**	**764,887**
Share of profits and losses of equity-method associates and joint ventures	(8)	231,842	115,215
Net income from other participating interests	(8)	58,285	61,338
Investment and interest income	(9)	107,406	87,091
Investment and interest expenses	(9)	(191,761)	(204,912)
Profit before tax		**978,439**	**823,619**
Income taxes	(10)	(259,888)	(241,132)
Profit after tax		**718,551**	**582,487**
Thereof: Attributable to non-controlling interest	(11)	[177,455]	[161,751]
Thereof: Attributable to HOCHTIEF shareholders (net profit)		[541,096]	[420,736]
Earnings per share (EUR)			
Diluted and basic earnings per share	(33)	8.27	6.55

Consolidated Statement of Comprehensive Income

(thousand EUR)	Note (25)	2018	2017
Profit after tax		**718,551**	**582,487**
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		54,544	-383,501
Changes in fair value of financial instruments			
Primary		(7,707)	(19,259)
Derivative		494	6,057
Share of other comprehensive income of equity-method associates and joint ventures		(8,584)	(8,714)
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		(13,667)	39,947
Other comprehensive income (after tax)		**25,080**	**(365,470)**
Total comprehensive income after tax		**743,631**	**217,017**
Of which: Non-controlling interest		[191,610]	[71,091]
Of which: HOCHTIEF Group		[552,021]	[145,926]

Consolidated Balance Sheet

(EUR thousand)	Note	Dec. 31, 2018	Dec. 31, 2017
Assets			
Non-current assets			
Intangible assets	(12)	1,159,395	1,191,858
Property, plant and equipment	(13)	979,232	959,854
Investment properties	(14)	7,195	9,488
Equity-method investments	(15)	1,865,368	577,171
Other financial assets	(16)	73,481	73,528
Financial receivables	(17)	486,760	835,518
Other receivables and other assets	(18)	168,385	153,785
Non-current income tax assets	(19)	21,162	3,328
Deferred tax assets	(20)	113,894	155,754
		4,874,872	**3,960,284**
Current assets			
Inventories	(21)	378,018	424,942
Financial receivables	(17)	178,045	144,183
Trade receivables	(22)	4,435,453	4,818,231
Other receivables and other assets	(18)	545,708	411,936
Current income tax assets	(19)	23,444	44,516
Marketable securities	(23)	445,474	428,759
Cash and cash equivalents	(24)	3,565,888	3,094,924
Assets held for sale	(1)	920	20,983
		9,572,950	**9,388,474**
		14,447,822	**13,348,758**
Liabilities and Shareholders' Equity			
Shareholders' equity	(25)		
Attributable to the Group			
Subscribed capital		180,856	164,608
Capital reserve		1,710,499	818,177
Retained earnings		(34,387)	844,150
Of which: Deduction for treasury stock		[2,557]	[3,252]
Accumulated other comprehensive income		(302,797)	(256,155)
Distributable profit		351,821	217,334
		1,905,992	**1,788,114**
Non-controlling interest		**559,391**	**745,988**
		2,465,383	**2,534,102**
Non-current liabilities			
Provisions for pensions and similar obligations	(27)	390,013	367,751
Other provisions	(28)	370,271	348,751
Financial liabilities	(29)	2,069,838	2,183,235
Trade payables	(30)	69,690	99,049
Other liabilities	(31)	28,249	30,333
Deferred tax liabilities	(20)	51,702	32,848
		2,979,763	**3,061,967**
Current liabilities			
Other provisions	(28)	842,152	728,590
Financial liabilities	(29)	599,623	235,561
Trade payables	(30)	7,148,875	6,266,960
Other liabilities	(31)	399,071	498,332
Current income tax liabilities	(32)	12,955	23,246
		9,002,676	**7,752,689**
		14,447,822	**13,348,758**

Consolidated Statement of Cash Flows

(EUR thousand)	Note (37)	2018	2017
Profit after tax		718,551	582,487
Depreciation, amortization, impairments, and impairment reversals		378,223	369,441
Changes in provisions		107,359	(33,518)
Changes in deferred taxes		136,567	119,235
Gains/(losses) from disposals of non-current assets and marketable securities		(40,174)	(30,070)
Other non-cash income and expenses (primarily equity accounting) and deconsolidations		(183,398)	29,138
Changes in working capital (net current assets)		255,686	333,153
Changes in other balance sheet items		1,840	2,224
Net cash from operating activities		**1,374,654**	**1,372,090**
Intangible assets, property, plant and equipment, and investment properties			
Purchases		(411,373)	(357,373)
Proceeds from asset disposals		67,551	105,583
Acquisitions and participating interests			
Disbursements for the acquisition of Abertis HoldCo		(1,406,752)	–
Other purchases		(142,915)	(65,540)
Proceeds from asset disposals/divestments		60,157	69,122
Income tax payments in connection with divestments		–	(39,878)
Disbursements for the acquisition of Abertis Infraestructuras (HOCHTIEF shareholding)		(3,303,908)	–
Proceeds from the sale of Abertis Infraestructuras (HOCHTIEF shareholding)		3,303,908	–
Disbursements for the acquisition of Abertis Infraestructuras (Atlantia/ACS shareholdings)		(13,215,633)	–
Proceeds from the sale of Abertis Infraestructuras (Atlantia/ACS shareholdings)		13,215,633	–
Changes in cash and cash equivalents due to changes in the scope of consolidation		28,118	–
Changes in marketable securities and financial receivables		1,027	(104,343)
Cash flow from investing activities		**(1,804,187)**	**(392,429)**
Payment from capital increase		907,833	–
Payments received from sale of treasury stock		1,432	1,326
Payments into equity from non-controlling interests		26,305	13,564
Payments from equity to non-controlling interests		(31,664)	–
Payments for the purchase of additional shares in subsidiaries		–	(19,804)
Other financing activities		–	(18,798)
Dividends to HOCHTIEF's and non-controlling interests		(317,905)	(260,852)
Proceeds from new borrowing		1,025,773	1,926,387
Debt repayment		(779,223)	(2,107,217)
New borrowing for the acquisition of Abertis Infraestructuras (HOCHTIEF shareholding)		3,191,463	–
Repayment of debt for the acquisition of Abertis Infraestructuras (HOCHTIEF shareholding)		(3,191,463)	–
New borrowing for the acquisition of Abertis Infraestructuras (Atlantia/ACS shareholdings)		13,215,633	–
Repayment of debt for the acquisition of Abertis Infraestructuras (Atlantia/ACS shareholdings)		(13,215,633)	–
Cash flow from financing activities		**832,551**	**(465,394)**
Net change in cash and cash equivalents		**403,018**	**514,267**
Effect of exchange rate changes		67,946	(266,769)
Overall change in cash and cash equivalents		**470,964**	**247,498**
Cash and cash equivalents at the start of the year		3,094,924	2,847,426
Cash and cash equivalents at year-end		**3,565,888**	**3,094,924**

Consolidated Statement of Changes in Equity

Note 25 (EUR thousand)	Subscribed capital of HOCHTIEF Aktiengesellschaft	Capital reserve of HOCHTIEF Aktiengesellschaft	Retained earnings	Accumulated other comprehensive income: Remeasurement of defined benefit plans	Accumulated other comprehensive income: Currency translation differences	Accumulated other comprehensive income: Changes in fair value of financial instruments	Distributable profit	Attributable to HOCHTIEF shareholders	Attributable to non-controlling interest	Total
Balance as of Jan. 1, 2017*	164,608	817,427	645,960	(346,630)	371,060	(5,775)	167,180	1,813,830	757,279	2,571,109
Dividends paid	–	–	–	–	–	–	(167,044)	(167,044)	(93,808)	(260,852)
Profit after tax	–	–	–	–	–	–	420,736	420,736	161,751	582,487
Currency translation differences and changes in fair value of financial instruments	–	–	–	–	(291,762)	(22,995)	–	(314,757)	(90,660)	(405,417)
Changes from remeasurement of defined benefit plans	–	–	–	39,947	–	–	–	39,947	–	39,947
Total comprehensive income	–	–	–	39,947	(291,762)	(22,995)	420,736	145,926	71,091	217,017
Transfer to retained earnings	–	–	203,538	–	–	–	(203,538)	–	–	–
Other changes not recognized in the Statement of Earnings	–	750	(5,348)	–	–	–	–	(4,598)	11,426	6,828
Balance as of Dec. 31, 2017	**164,608**	**818,177**	**844,150**	**(306,683)**	**79,298**	**(28,770)**	**217,334**	**1,788,114**	**745,988**	**2,534,102**
Change in accounting policies	**–**	**–**	**(1,067,010)**	**–**	**(57,567)**	**–**	**–**	**(1,124,577)**	**(269,918)**	**(1,394,495)**
Balance as of Jan. 1, 2018 **	**164,608**	**818,177**	**(222,860)**	**(306,683)**	**21,731**	**(28,770)**	**217,334**	**663,537**	**476,070**	**1,139,607**
Dividends paid	–	–	–	–	–	–	(217,184)	(217,184)	(100,721)	(317,905)
Profit after tax	–	–	–	–	–	–	541,096	541,096	177,455	718,551
Currency translation differences and changes in fair value of financial instruments	–	–	–	–	40,598	(16,006)	–	24,592	14,155	38,747
Changes from remeasurement of defined benefit plans	–	–	–	(13,667)	–	–	–	(13,667)	–	(13,667)
Total comprehensive income	–	–	–	(13,667)	40,598	(16,006)	541,096	552,021	191,610	743,631
Capital increase	16,248	891,585	–	–	–	–	–	907,833	–	907,833
Transfer to retained earnings	–	–	189,425	–	–	–	(189,425)	–	–	–
Other changes not recognized in the Statement of Earnings	–	737	(952)	–	–	–	–	(215)	(7,568)	(7,783)
Balance as of Dec. 31, 2018	**180,856**	**1,710,499**	**(34,387)**	**(320,350)**	**62,329**	**(44,776)**	**351,821**	**1,905,992**	**559,391**	**2,465,383**

* Restated due to finalization during 2017 of the purchase price allocation for the acquisition of UGL as of December 31, 2016.

** Restated in accordance with IFRS 9 and IFRS 15. For explanatory information, please see page 167 et seq.

Notes to the Consolidated Financial Statements

1. Accounting policies

General information

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with supplementary provisions of German commercial law applicable under Section 315e (1) of the German Commercial Code (HGB). There have been no changes to the accounting policies during the reporting year.

Alongside the Consolidated Statement of Earnings, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, and the Consolidated Statement of Cash Flows, the Consolidated Financial Statements also include a Consolidated Statement of Changes in Equity. Segment reporting is provided in these Notes.

For purposes of understandability, various items are combined in the Balance Sheet and in the Statement of Earnings. These items are broken down into their constituents and commented on elsewhere in these Notes. The Statement of Earnings is presented using the nature of expense method 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 of HOCHTIEF Aktiengesellschaft are published in the Bundesanzeiger (Federal Official Gazette); the consolidated financial statements of ACS are published in the register of Comisión Nacional del Mercado de Valores.

The Consolidated Financial Statements relate to the 2018 reporting year, comprising the reporting period from January 1 to December 31, 2018.

The Executive Board of HOCHTIEF Aktiengesellschaft released the financial statements for publication on February 20, 2019. They will be approved at the Supervisory Board meeting on February 21, 2019.

Basis of consolidation

The Consolidated Financial Statements generally include HOCHTIEF Aktiengesellschaft as well as all German and foreign subsidiaries under its direct or indirect control. Control is defined as when HOCHTIEF Aktiengesellschaft holds the majority of voting rights in a company. This generally goes hand in hand with a majority shareholding. Thirteen companies are fully consolidated by virtue of contractual arrangements. Associates and joint ventures are accounted for using the equity method. Companies in which HOCHTIEF Aktiengesellschaft holds a majority of voting rights but over which it exercises joint control by contractual arrangement with other parties are likewise accounted for using the equity method unless classified as joint operations.

Holdings in subsidiaries or associated companies or joint ventures deemed to be of minor overall significance from a Group perspective are not consolidated and are accounted for in accordance with IFRS 9.

A number of the subsidiaries included in the Consolidated Financial Statements make partial use of the exempting provisions in either Section 264 (3) or Section 264b of the German Commercial Code. A list of the companies that make use of these exemptions is included in Note 44.

The Consolidated Financial Statements as of and for the year ended December 31, 2018 include HOCHTIEF Aktiengesellschaft and a total of 45 German and 379 foreign consolidated companies as well as four special-purpose investment funds (Spezialfonds). The number of consolidated companies decreased by 28 compared with the previous year. The number of special-purpose investment funds stayed the same. A total of 17 foreign companies were consolidated for the first time in the reporting year. The additions were in the HOCHTIEF Asia Pacific division (8), the HOCHTIEF Americas division (6), and the HOCHTIEF Europe division (3). A total of six German and 39 foreign companies were removed from the consolidated group. The companies removed from the consolidated group related to the HOCHTIEF Asia Pacific division (27), the HOCHTIEF Americas division (10), and the HOCHTIEF Europe division (8). 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-three 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.

Seventeen domestic and 129 foreign associates were accounted for using the equity method. This number declined by a total of six companies, with 19 companies added and 25 removed. The additions were in the HOCHTIEF Asia Pacific division (8), the HOCHTIEF Americas division (6), the HOCHTIEF Europe division (4), and Corporate Headquarters (1). The removals related to the HOCHTIEF Asia Pacific division (17), the HOCHTIEF Europe division (4), and the HOCHTIEF Americas division (4). Due to their minor overall significance, a further 11 companies were not accounted for using the equity method.

A total of 71 joint operations from the HOCHTIEF Asia Pacific division are included in the Consolidated Financial Statements in relation to the interest in these joint operations. In the reporting year, five entities were added and one removed.

Acquisition of shareholding in toll road operator Abertis

On October 18, 2017, HOCHTIEF Aktiengesellschaft (HOCHTIEF) submitted a takeover offer for the entire outstanding share capital of Abertis Infraestructuras, S.A. (Abertis). Atlantia S.p.A (Atlantia), Italy, had submitted a takeover offer of its own for Abertis on May 15, 2017.

On March 14, 2018, HOCHTIEF, its parent company Actividades de Construcción y Servicios, S.A. (ACS), and Atlantia agreed on a joint acquisition of Abertis. The agreement stipulated that HOCHTIEF should amend the terms of the takeover offer it made to the shareholders of Abertis in the prior year in such a way as to remove the originally envisioned share component, with the result that the consideration under the offer amounted to EUR 18.36 per Abertis share (adjusted for the gross dividend paid out in the meantime) and was to be paid in cash. HOCHTIEF announced on May 14, 2018 that 78.8% of shareholders had accepted the offer. This was further raised to 98.7% by the purchase of shares on the stock exchange and the cancellation of treasury shares and by means of bilateral share purchase agreements. Abertis was delisted on August 6, 2018.

HOCHTIEF, ACS, and Atlantia established a holding company, which they provided with EUR 6.91 billion in equity (HOCHTIEF EUR 1.38 billion, ACS EUR 2.07 billion, and Atlantia EUR 3.46 billion). On October 29, 2018, this holding company, named Abertis HoldCo, S.A. (Abertis HoldCo), via another holding company (Abertis Participaciones S.A.U.), then acquired all Abertis shares held by HOCHTIEF against payment of a purchase price that corresponded to the price paid by HOCHTIEF. In addition to the equity, Abertis HoldCo financed the takeover with debt in the amount of EUR 9.82 billion. Following the transaction, Atlantia holds 50% plus one share of Abertis HoldCo, ACS holds 30%, and HOCHTIEF holds 20% minus one share. HOCHTIEF's shareholding in Abertis constitutes a significant influence and is therefore accounted for as an equity-method associate.

To finance its shareholding in Abertis HoldCo (EUR 1.38 billion), HOCHTIEF carried out a capital increase from authorized capital and issued 6.35 million new shares at EUR 143.04 per share (corresponding to EUR 907.8 million) to ACS. ACS sold 16.85 million shares (corresponding to 23.86% of HOCHTIEF's entire shareholding) to Atlantia in a further step and remains the majority shareholder in HOCHTIEF with 50.41%. On June 26, 2018, with a value date of July 3, 2018, HOCHTIEF completed a new corporate bond issue for EUR 500 million. The issue proceeds are for general business purposes and also for the Abertis acquisition.

Consolidation policies

The financial statements of German and foreign companies included in the Consolidated Financial Statements are prepared in accordance with uniform Group accounting principles. All business combinations are accounted for using the acquisition method. Business combinations are measured at the acquisition date by allocating the consideration given to the acquired subsidiary's net assets measured at fair value. Transaction costs arising in connection with such acquisitions are recognized directly as expense. All assets, liabilities, and contingent liabilities of an acquired subsidiary that satisfy the recognition criteria are measured at full fair value regardless of any 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 reporting entity or arise from contractual or other legal rights. Any remaining positive difference is recognized as goodwill. Goodwill is not subjected to amortization, but is tested instead for impairment in accordance with IAS 36 on an annual basis and whenever there are indications that the value may be impaired. A remaining negative difference arising from the initial measurement is recognized in profit and loss. On divestment, a pro rata share of the divesting division's goodwill is taken into account when measuring disposal proceeds.

Income, expenses, receivables, and liabilities between consolidated companies are eliminated. Unrealized intercompany profits and losses are eliminated unless they are of minor significance. Any impairment losses recognized for consolidated companies that are included in the consolidated financial statements are reversed.

The same policies apply to equity-method investments. These include the Group's associates and joint ventures. Any goodwill 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 included in the share of profits and losses of equity-method associates and joint ventures. The financial statements of all equity-method investments are prepared in accordance with uniform Group accounting policies.

Non-current assets held for sale

In view of the intention to sell, assets of the HOCHTIEF Asia Pacific division are accounted for in accordance with IFRS 5 as assets held for sale. Accordingly, the assets are presented separately in the balance sheet. The table below shows the major classes of assets held for sale.

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Property, plant and equipment	432	20,431
Inventories	488	552
Total assets	**920**	**20,983**

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)	2018	2017	2018	2017
1 U.S. dollar (USD)	0.85	0.88	0.87	0.83
1 Australian dollar (AUD)	0.63	0.68	0.62	0.65
1 British pound (GBP)	1.13	1.14	1.12	1.13
100 Polish złoty (PLN)	23.43	23.57	23.25	23.94
100 Qatari riyal (QAR)	23.22	23.88	23.91	22.73
100 Czech koruna (CZK)	3.89	3.80	3.89	3.92
100 Chilean pesos (CLP)	0.13	0.14	0.13	0.14

In their separate financial statements, Group companies disclose transactions denominated in foreign currency using the average exchange rate on the day of recording the transaction. Exchange gains or losses up to the reporting date on the measurement of foreign currency-denominated monetary assets or liabilities are included in other operating income or other operating expenses at the average exchange rate on the reporting date. Currency translation differences relating to a net investment in a foreign company are accounted for in accumulated other comprehensive income until the company is sold. This includes foreign currency receivables from fully consolidated Group companies for which settlement is neither planned nor likely to occur in the foreseeable future and which therefore resemble equity.

Financial statements of foreign companies are translated by applying the functional currency approach. As all companies outside the euro zone operate autonomously in their own national currencies, their balance sheet items are translated into euros using the average exchange rate prevailing on the reporting date in accordance with official requirements. The same method is used to translate the shareholders' equity of equity-method foreign associates following equity-method adjustment. Differences from the previous year's translated amount are recognized in other comprehensive income and are reversed to income or expense on sale of the equity interest. Goodwill of commercially independent foreign Group entities is translated at the exchange rate prevailing on the reporting date. Income and expense items are translated into euros using the annual average exchange rate.

Accounting policies

Intangible assets are reported at amortized cost. All intangible assets have a finite useful life with the exception of company names recognized as assets on initial consolidation and of goodwill. Intangible assets include concessions and other licenses with useful lives of up to 30 years. These are amortized according to the pattern of consumption of economic benefits. They also include future earnings from additions to the order backlog arising from business acquisitions; these are amortized over the period in which the corresponding work is billed. Intangible assets further encompass software for commercial and engineering applications, which is amortized on a straight-line basis over three to five years, and entitlements to various financing arrangements with banks amortized to profit or loss over a maximum of seven years in accordance with the term of the arrangement. Estimated useful lives and depreciation methods are reviewed annually.

Company names and goodwill are not subject to amortization. They are tested instead for impairment in accordance with IAS 36 on an annual basis and whenever there are indications that they may be impaired. The company names recognized in the HOCHTIEF Americas and HOCHTIEF Asia Pacific divisions were classified as intangible assets with an indefinite useful life as they do not have a product life cycle and are not subject to technical, technological, or commercial depletion or any other restriction.

Capitalized development costs are reported in intangible assets and amortized on a straight-line basis over five years.

Property, plant and equipment is carried at depreciated cost. Only amounts directly attributable to an item of property, plant or equipment are included in 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 classified as finance leases are recognized at fair value or the present value of the minimum lease payments, whichever is lower, and are depreciated on a straight-line basis over their estimated useful lives or over a shorter contract term if applicable.

Investment properties are stated at amortized cost. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in the Notes. The fair values are measured using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method. As with property, plant and equipment, investment properties are normally depreciated using the straight-line method.

Impairment losses are recognized for intangible assets (including goodwill), property, plant and equipment, or investment properties if their recoverable amount falls below their carrying amount. The recoverable amount of an asset or cash-generating unit is defined as fair value less cost of disposal or value in use, whichever is higher. Impairment testing may require assets and, in some cases, liabilities to be grouped into cash-generating units. For goodwill, impairment testing is performed on cash-generating units corresponding to the HOCHTIEF divisions that feature in segmental reporting. For any asset that is part of an independent cash-generating unit, impairment is determined with reference to the recoverable amount of the unit. If the recoverable amount of a cash-generating unit falls below its carrying amount, the resulting impairment loss is allocated first to any goodwill belonging to the unit and then to the unit's other assets, normally pro rata on the basis of the carrying amount of each asset. Except in the case of goodwill, impairment charges are reversed (up to a maximum of amortized cost) when the impairment ceases to exist.

A **joint arrangement** is an arrangement in which two or more parties have joint control. The parties to a joint arrangement classify it as a joint operation or a joint venture depending on their respective rights and obligations. In a joint operation, the parties have direct rights to the assets and direct obligations for the liabilities relating to the arrangement. Each party recognizes assets, liabilities, revenues, and expenses, in relation to its interests in a joint operation, relative to the HOCHTIEF Group's rights and obligations. In a joint venture, where the parties have rights to the net assets arising from the arrangement, the parties each account for their interests in the joint venture using the equity method.

Equity-method investments are stated at cost, comprising the acquired equity interest in an associate or joint venture plus any goodwill. The carrying amount is increased or decreased annually to recognize the Group's share of after-tax profits or losses, any dividends, and other changes in equity. The full carrying amount is tested for impairment in accordance with IAS 36 whenever there are indications that it may be impaired. If the recoverable amount of an equity-method investment is less than its carrying amount, an impairment loss is recognized for the difference. Any subsequent reversal of an impairment loss is recognized in profit or loss.

The interests in non-consolidated subsidiaries and other participating interests accounted for under **other financial assets** come under the “at fair value through profit or loss“ measurement category. For equity instruments not held for trading, IFRS 9 provides the option of measurement at fair value through other comprehensive income. 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 normally calculated using the most recent market transactions or a valuation method such as the discounted cash flow method. Initial measurement is performed as of the settlement date. Unrealized gains or losses on equity instruments measured at fair value through other comprehensive income are accounted for, after adjusting for deferred taxation, in other comprehensive income and are reclassified to retained earnings on disposal.

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). “Receivables” comprise financial receivables, trade receivables, and other receivables. Accounting provision is normally made for expected credit losses on receivables. For trade receivables, using the simplified approach, expected credit losses can be determined on the basis of loss rates calculated from historical and projected data taking into account the client and the regional economic environment. If there is objective material evidence that a financial asset may be impaired, the asset is tested separately for impairment. Objective evidence for impairment includes, for example, downgrading of a debtor’s credit rating and related interruptions in payment or potential insolvency. For financial receivables and other receivables, expected credit losses are determined according to credit risk on the basis of the losses expected either in the next twelve months or over the remaining term. Significant changes in credit risk are taken into account. Receivables may be derecognized in connection with factoring if substantially all risks and rewards of ownership are transferred. Sales are shown net of VAT and other taxes and expected reductions such as trade discounts and rebates. Revenue from service agreements is recognized according to the percentage of completion. Revenue under construction contracts is recognized as described in the following.

Construction contracts are accounted for on the basis of percentage of completion. Cumulative performance to date, including the Group’s share of net profit, is generally recognized as sales on a pro rata basis over time according to the percentage completed. Project progress is determined using the method that provides the best measure of progress toward completion. The input or output methods may be used consistently for similar performance obligations and in similar circumstances. The HOCHTIEF Group mainly uses input methods (such as the cost-to-cost method for revenue recognition on a percentage of completion basis) especially to determine construction revenue. For other types of project (especially in the services business), output methods such as the units-of-delivery method are better suited as they provide a more precise estimate of project execution progress and of the associated costs. Projects are accounted for under contract assets and contract liabilities, as applicable. If cumulative performance (contract costs and contract earnings) exceeds progress payments in a given construction contract, the project is presented as a contract asset. Where the net amount after deduction of progress payments received is negative, the difference is recognized as a liability and presented under contract liabilities. Part-performance already invoiced is accounted for in trade receivables. Expected contract losses are accounted for on the basis of the identifiable risks and immediately included in full in contract earnings. Contract income is recognized in accordance with IFRS 15 as the income stipulated in the contract plus contract modifications, meaning any claims and variation orders. Contract assets are realized within one operating cycle at the HOCHTIEF Group. In accordance with IAS 1, they are therefore included in current assets even if the entire receivable is not expected to be realized in full within twelve months of the balance sheet date.

Deferred taxes arising from temporary differences between the IFRS accounts and tax base of individual Group companies or as a result of consolidation are recognized as separate assets and liabilities. Deferred tax assets are also recognized for tax refund entitlements resulting from the anticipated use of existing tax loss carryforwards in subsequent years provided it is sufficiently certain that they will be realized. Deferred tax assets and liabilities are offset within each company or tax group. Deferred taxes are measured on the basis of tax rates applying or expected to apply in each country when they are realized. For domestic operations, as in the prior year, a tax rate of 31.5% is assumed, taking account of corporate income tax plus the German “solidarity surcharge” and the average rate of municipal trade tax faced by Group companies. For all other purposes, deferred taxes are measured on the basis of the tax regulations in force or enacted at the reporting date.

Inventories are initially stated at cost of purchase or production. Production cost includes costs directly related to the units of production plus an appropriate allocation of materials and production overhead, including production-related depreciation charges. Borrowing costs for inventories that are qualifying assets are capitalized as part of cost. Most materials and supplies are measured 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.

The **marketable securities** shown under current assets are classified in the “amortized cost“ measurement category or the “at fair value through other comprehensive income” measurement category, depending on business model and contractual cash flows. For marketable securities, IFRS 9 provides the option of measurement at fair value through profit or loss. These mainly comprise securities held in special-purpose funds 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 on debt instruments measured at fair value through other comprehensive income are reported in other comprehensive income and are reversed to income or expense on disposal. Accounting provision is made for expected credit losses on securities in the “amortized cost“ and “at fair value through other comprehensive income” measurement categories. Expected credit losses are calculated according to credit risk on the basis of the losses expected either in the next twelve months or over the remaining term. Significant changes in credit risk are taken into account. If there is objective evidence that a financial asset may be impaired, the asset is tested separately for impairment. Selected marketable securities are adjusted to fair value through other comprehensive income on the basis of the rules for use of the “overlay approach“.

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 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. 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 recognized 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 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 in accordance with the HOCHTIEF Group's risk management strategy. 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 entered into. Derivatives are also used for economic hedging purposes where no hedge accounting is applied, and as call options. In such cases, changes in fair value are recognized in income or expense.

Contingencies, commitments, and other obligations are possible or current obligations, based on past transactions, that are unlikely to lead to an outflow of resources. These are disclosed separately and not included in the Balance Sheet unless assumed in the course of a business combination. The amounts stated for contingent liabilities reflect the extent of the liability as of the reporting date.

Judgments made by management in applying the accounting policies primarily relate to the following matters:

- Construction and services
  - determination of stage of completion;
  - estimation of total contract costs;
  - estimation of total contract revenue, including recognizing revenue on contract variations and claims only to the extent it is highly probable that a significant reversal in the amount recognized will not occur in the future;
  - estimation of project completion date; and
  - assumed levels of project execution productivity.
- Estimation of allowance for expected credit losses on financial assets.
- Leases must be assessed to determine whether the substantial risks and rewards of beneficial ownership transfer to the lessee.
- Marketable securities may be grouped in different categories.
- Application of the risk management strategy to hedges.
- 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.

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 contract modifications, 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.
- The measurement of expected credit losses.
- Accounting for provisions.
- Testing goodwill and other assets for impairment.
- Testing deferred tax assets for impairment.

All estimates and assumptions are based on current circumstances and appraisals. Forward-looking estimates and assumptions made as of the balance sheet date with a view to future business performance take account of circumstances prevailing on preparation of the Consolidated Financial Statements and future trends considered realistic for the global and industry environment. Actual amounts can vary from the estimated amounts due to changes in the operating environment that are at variance with the assumptions and lie beyond management control. If such changes occur, the assumptions and, if necessary, the carrying amounts of affected assets and liabilities are revised accordingly.

Financial reporting standards applied for the first time in 2018

Adoption by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRS IC) of new and revised IFRS and IFRIC 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 from January 1 to December 31, 2018.

The changes relate to the following standards and interpretations:

IFRS 9 Financial Instruments:

The HOCHTIEF Group applied **IFRS** 9 for the first time in 2018. Primarily, the new standard introduces major changes relating to the classification and measurement of financial assets as well as new rules on hedge accounting. The introduction of IFRS 9 also results in additional disclosure requirements. First-time application was retrospective, as required.

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The changes in **classification** are:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost (AC);
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVOCI); and
- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVPL).

Despite the foregoing, the HOCHTIEF Group may make the following irrevocable designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration in connection with a business combination in other comprehensive income; and
- The Group may irrevocably designate a debt investment that meets the amortized cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

IFRS 9 had the following impact on the relevant asset items in the consolidated balance sheet as of January 1, 2018.

Balance sheet items (EUR thousand)	IAS 39 measurement category	IAS 39 carrying amount as of Dec. 31, 2017	IFRS 9 measurement category	IFRS 9 adjusted carrying amount as of Jan. 1, 2018
Other financial assets	Available-for-sale financial assets	73,528	Financial instruments at fair value through profit or loss	73,528
Financial receivables	Loans and receivables	979,701	Debt instruments at amortized cost	589,475
Trade receivables	Loans and receivables	2,698,995	Debt instruments at amortized cost	2,679,113
Other receivables and other assets	Loans and receivables	273,585	Debt instruments at amortized cost	273,585
	Financial assets at fair value through profit or loss	45,832	Financial instruments at fair value through profit or loss	45,832
Securities	Available-for-sale financial assets	428,759	Debt instruments at fair value through other comprehensive income	151,986
			Financial instruments at fair value through profit or loss	276,773
Cash and cash equivalents	Loans and receivables	3,094,924	Debt instruments at amortized cost	3,094,924

Under IFRS 9, available-for-sale **classification** is no longer permitted. HOCHTIEF's **other financial assets** under this category were transferred to fair value through profit or loss on transition as of January 1, 2018. These are all equity instruments and there was no impact on their carrying amount. HOCHTIEF's **securities** have been reclassified either to the fair value through profit or loss category or to the fair value through other comprehensive income category. The securities reclassified to the fair value through profit or loss category are mostly accounted for using the overlay approach. The carrying amount of **financial receivables** as well as **trade receivables** was adjusted for expected credit losses as of the transition date.

First-time application of **IFRS 9** had no impact on **financial liabilities**.

A methodological change in **measurement** consisted of the switch from incurred credit losses to expected credit losses in the presentation of impairments of financial assets. Quantifying expected credit losses involves determining the probability of default on initial recognition of an asset and subsequently whether there has been any significant increase in credit risk on an ongoing basis at each reporting period. In making this assessment, the HOCHTIEF Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the HOCHTIEF Group's core operations. In particular, as far as available, the following information is taken into account when assessing significant movements in credit risk:

- Actual or expected significant adverse changes in business, financial, or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.
- Actual or expected significant changes in the operating results of the borrower.
- Significant increases in credit risk on other financial instruments of the same borrower.
- External credit rating.
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.
- Macroeconomic information such as market interest rates and growth rates.

The change in method from recognition of incurred losses to recognition of expected credit losses for impairment of financial assets under IFRS 9 has led to an adjustment reducing financial receivables and trade receivables. This adjustment mainly relates to a EUR 318 million reduction in financial receivables from a joint venture, BIC Contracting LLC (BICC)—formerly HLG Contracting LLC—which is part of the CIMIC Group. CIMIC engaged an independent advisory expert to obtain a credit rating and applied the relevant expected credit loss rate to the loan in line with rating agency published rates and methodology.

An additional EUR 92 million expected credit loss has been recognized in relation to financial receivables and trade receivables.

A new **hedge accounting** model has also been introduced that aims to bring hedge accounting more closely into line with an entity's risk management activities. However these new hedge accounting requirements had no impact on the results of the Group.

IFRS 15 Revenue from Contracts with Customers:
The HOCHTIEF Group applied **IFRS 15 Revenue from Contracts with Customers** for the first time in 2018. This standard establishes a comprehensive framework for determining the timing and amount of revenue recognized. It primarily replaces IAS 11 Construction Contracts and IAS 18 Revenue. The core principle of IFRS 15 is that an entity recognizes revenue when control of a good or service transfers to a customer.

IFRS 15 has been applied in the HOCHTIEF Group as of January 1, 2018 using the **modified retrospective method**. Under this method, the effects of applying the standard have been recognized in consolidated equity and the presentation of the comparison period remains unchanged. Significant judgments are used in determining the impact of IFRS 15, such as assessment of the probability a client will accept variations and claims, or estimation of progress and productivity in project execution. In making this assessment, the HOCHTIEF Group has considered, for applicable contracts, the individual status of legal proceedings, including litigation and arbitration. The significant effects of applying the standard were as follows:

The contractual terms and the way in which the HOCHTIEF Group operates its **construction contracts** are predominantly derived from projects containing one performance obligation. Contracted revenue will continue to be recognized over time. IFRS 15 provides new requirements for variable consideration such as incentives, as well as accounting for claims and variations as contract modifications, which all impart a higher threshold of probability for recognition. Under IAS 11, revenue was recognized when it was probable that work performed would result in revenue, whereas under IFRS 15, revenue is recognized when it is highly probable that a significant reversal of revenue will not occur for such modifications. Where consideration in respect of a contract is variable, the expected value of revenue is recognized (constraint requirements). The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information, including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect them. Where the price of the modification has not been confirmed, an estimate is made of the amount of revenue to recognize whilst also considering the constraint requirement.

The HOCHTIEF Group accounts for ongoing construction contracts in receivables as **contract assets** if cumulative performance (contract cost and contract earnings) exceeds progress payments received. Separate **contract liabilities** are recognized for all construction contracts where progress payments received exceed cumulative performance. Part-performance already invoiced is presented in trade receivables.

Service revenue arises from maintenance and other services in the infrastructure business, which may involve a range of services and processes. Services combined as a single performance obligation are closely related and performed over time. Related revenues therefore continue to be recognized over time in the HOCHTIEF Group. As with construction revenue, service revenues also involve incentives, variations, and claims that are subject to the same strict requirement of only recognizing revenue to the extent it is highly probable that there will be no significant cancellations.

Under IAS 11, **costs incurred during the tender process** were capitalized within trade receivables when it was deemed probable the contract would be won. Under the new standard, costs are capitalized only if they are both expected to be recovered and either would not have been incurred if the contract had not been won or if they are intrinsic to the delivery of the project.

Costs incurred prior to the commencement of a contract (contract fulfillment costs) may arise due to mobilization/site setup costs, feasibility studies, environmental impact studies, and preliminary design activities as these are costs incurred to fulfill a contract. Where these costs are expected to be recovered, they are capitalized and amortized over the duration of the contract consistent with the transfer of service to the customer. Where the costs, or a portion thereof, are reimbursed by the customer, the amount received is recognized as deferred revenue and allocated to the performance obligations within the contract and recognized as revenue over the course of the contract.

The HOCHTIEF Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a **financing component**. As a consequence, the Group normally does not adjust any of the transaction prices for the time value of money.

Generally, construction and services contracts include **defect and warranty periods** following completion of the project. These obligations are not deemed to be separate performance obligations and are therefore estimated and included in the total costs of the contracts. Where required, amounts are recognized accordingly in line with IAS 37 under provisions.

Concerning **loss-making contracts,** a provision is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

The adjustment reflects the consistent application of HOCHTIEF Group revenue recognition criteria as outlined above. The higher recognition threshold and constraint criteria under IFRS 15 have led mainly to a reduction in the investment in BICC by EUR 160 million.

With regard to revenue recognition for **fully consolidated companies**, the increased revenue recognition requirements under IFRS 15 led to a reduction in equity by EUR 740 million (after tax) as of January 1, 2018.

In the case of equity-method **joint ventures**, the carrying amount of the investment in a joint venture reflects the Group's share of equity including the revenue from construction contracts (IFRS 15) recognized by the joint venture and accounted for by the Group as its share of profit or loss. In this connection, equity was reduced by EUR 245 million (after tax) as of January 1, 2018.

Overall effects of first-time application of IFRS 9 and IFRS 15

Impact on Consolidated Balance Sheet

The impact of first-time application of IFRS 9 and IFRS 15 on assets, liabilities and equity in the HOCHTIEF Consolidated Balance Sheet as of January 1, 2018 is as follows:

(EUR thousand)	Dec. 31, 2017	Restatement IFRS 9	Restatement IFRS 15	Total restatements	Jan. 1, 2018
Assets					
Non-current assets					
Equity-method investments	577,171	–	(271,632)	(271,632)	305,539
Financial receivables	835,518	(351,212)	–	(351,212)	484,306
Deferred taxes	155,754	–	95,466	95,466	251,220
		(351,212)	**(176,166)**	**(527,378)**	
Current assets					
Financial receivables	144,183	(39,014)	–	(39,014)	105,169
Trade receivables	4,818,231	(19,882)	(791,494)	(811,376)	4,006,855
		(58,896)	**(791,494)**	**(850,390)**	
		(410,108)	**(967,660)**	**(1,377,768)**	
Liabilities and Shareholders' Equity					
Shareholders' equity					
Attributable to HOCHTIEF shareholders	1,788,114	(323,066)	(801,511)	(1,124,577)	663,537
Non-controlling interest	745,988	(87,042)	(182,876)	(269,918)	476,070
	2,534,102	**(410,108)**	**(984,387)**	**(1,394,495)**	**1,139,607**
Current liabilities					
Trade payables	6,266,960	–	16,727	16,727	6,283,687
		–	**16,727**	**16,727**	
		(410,108)	**(967,660)**	**(1,377,768)**	

The equity adjustments on first-time application of the two standards led to a reduction in equity by EUR 1,394 million as of January 1, 2018, with the impact on equity attributable to non-controlling interests amounting to EUR 270 million.

Adjustments under the two new standards must also take deferred taxes into account and, therefore, the net deferred tax position is also impacted by the adjustments discussed above, which are shown net of tax. Deferred tax assets increased by a net amount of EUR 95 million as of January 1, 2018.

Impact on cash flows

First-time application of IFRS 9 and IFRS 15 has **no impact** on the HOCHTIEF Group's cash flows.

Further changes relate to the following standards and interpretations:

- **Amendments to IFRS 2 Share-based Payment:** Classification and Measurement of Share-based Payment Transactions
- **Amendments to IFRS 4 Insurance Contracts:** Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- **Amendments to IAS 40 Investment Property:** Transfers of Investment Property
- **Amendments to IFRIC 22 Foreign Currency Transactions and Advance Consideration**
- **Endorsement of Annual Improvements to IFRSs 2014–2016 Cycle**

The additional disclosure requirements resulting from the amendments to IFRS 2, IFRS 4, IAS 40 and IFRIC 22 and from the 2014–2016 cycle annual improvements had no material impact on the HOCHTIEF Consolidated Financial Statements.

For explanatory notes on standards and interpretations that do not have to be applied for 2018, please see Note 38.

Explanatory Notes to the Consolidated Statement of Earnings

2. Sales

The EUR 23,882,290 thousand (2017: EUR 22,630,950 thousand) sales figure comprises performance obligations recognized under the percentage of completion method in the mainstream construction/PPP business, construction management and services, and contract mining, plus products and services provided to construction joint ventures, and other related services. Sales relating to performance obligations recognized under the percentage of completion method came to EUR 19,086,753 thousand (2017: EUR 18,786,407 thousand). Contract mining sales accounted for EUR 2,505,653 thousand (2017: EUR 2,138,818 thousand). Secondly, the sales figure includes revenues from services such as construction planning, project development, logistics, asset management, and insurance and concessions business.

Sales by division are allocated to the types of activities “Construction/PPP,” “Construction management and services,” and “Other.” “Construction/PPP” includes Flatiron at HOCHTIEF Americas, CPB Contractors, Leighton Asia, and Pacific Partnerships at HOCHTIEF Asia Pacific, and HOCHTIEF Infrastructure and HOCHTIEF PPP Solutions at HOCHTIEF Europe. The main construction management/services companies are Turner at HOCHTIEF Americas, Thiess’ and Sedgman’s contract mining and mineral processing businesses and UGL at HOCHTIEF Asia Pacific, as well as HOCHTIEF Engineering and synexs at HOCHTIEF Europe. Sales from non-core businesses are allocated to the category “Other.”

The composition of sales is as follows (EUR thousand):

Activities / Divisions	Construction/PPP		Construction Management/Services		Other		**Total sales**	
HOCHTIEF Americas	1,307,074	5.5%	11,757,919	49.2%	3,679	–	**13,068,672**	**54.7%**
HOCHTIEF Asia Pacific	5,029,227	21.1%	4,194,643	17.6%	42,415	0.2%	**9,266,285**	**38.9%**
HOCHTIEF Europe	1,276,710	5.3%	44,162	0.2%	95,079	0.4%	**1,415,951**	**5.9%**
Corporate	–	–	505	–	130,877	0.5%	**131,382**	**0.5%**
HOCHTIEF Group	**7,613,011**	**31.9%**	**15,997,229**	**67.0%**	**272,050**	**1.1%**	**23,882,290**	**100.0%**

Revenues not related to contracts with clients amount to EUR 165,293 thousand.

Revenues recognized in the reporting period that were included in contractual liabilities at the beginning of the reporting period came to EUR 617 million. An amount of EUR 116 million in revenues was recognized in the reporting period in relation to performance obligations satisfied (or partially satisfied) in prior periods.

The Group’s order backlog (remaining performance obligations) by activities and divisions is as follows as of December 31, 2018 (EUR thousand):

Activities / Divisions	Construction/PPP		Construction Management/Services		Other		**Total order backlog**	
HOCHTIEF Americas	3,238,208	6.9%	17,819,728	37.7%	–	–	**21,057,936**	**44.6%**
HOCHTIEF Asia Pacific	9,404,396	19.9%	11,454,325	24.2%	1,771,327	3.7%	**22,630,048**	**47.8%**
HOCHTIEF Europe	3,544,380	7.5%	41,535	0.1%	–	–	**3,585,915**	**7.6%**
Corporate	–	–	–	–	(6,455)	–	**(6,455)**	**–**
HOCHTIEF Group	**16,186,984**	**34.3%**	**29,315,588**	**62.0%**	**1,764,872**	**3.7%**	**47,267,444***	**100.0%**

*includes EUR 7,085,383 thousand of HOCHTIEF’s share from equity-accounted joint ventures and associates

Contract durations vary between business activities. The average duration of contracts is given below; however, some contracts will differ from these typical durations. While revenue is typically earned over these varying contract durations, a larger proportion of the revenue shown above is expected to be earned in the short term.
• Construction: 1–5 years
• PPP: up to 30 years
• Construction Management/Services: up to 10 years

The forward order book visibility is equivalent to over 22 months of work.

3. Other operating income

(EUR thousand)	2018	2017
Income from reversal of provisions	36,563	45,921
Deconsolidation gains and gains from change in the method of consolidation	20,145	26,722
Foreign exchange gains	19,781	34,348
Income from disposal of intangible assets, property, plant and equipment, and investment properties	14,820	12,434
Income from derecognition of/reversals of impairments on receivables	3,087	3,234
Sundry other operating income	75,964	48,780
	170,360	**171,439**

Deconsolidation gains and gains from change in the method of consolidation relate to the HOCHTIEF Europe division. The item includes EUR 13,673 thousand (2017: EUR 10,812 thousand) in gains from remeasurement of investments retained in subsidiaries following loss of control during the reporting year.

Sundry other operating income includes income from insurance claims, value added tax refund entitlements, and other income not accounted for elsewhere.

4. Materials

(EUR thousand)	2018	2017
Raw materials, supplies, and purchased goods	2,269,359	2,122,974
Purchased services	15,127,552	14,106,466
	17,396,911	**16,229,440**

5. Personnel costs

(EUR thousand)	2018	2017
Wages and salaries	3,635,130	3,617,782
Social insurance, pensions, and support	532,953	502,027
	4,168,083	**4,119,809**

Expenditure on pensions totaled EUR 196,640 thousand (2017: EUR 189,130 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)

	2018	2017
Germany	3,221	3,397
International	52,375	50,839
	55,596	**54,236**

6. Depreciation and amortization

(EUR thousand)	2018	2017
Intangible assets	33,257	45,169
Property, plant and equipment	357,977	350,199
Investment properties	356	253
	391,590	**395,621**

Depreciation and amortization includes impairment losses in the HOCHTIEF Asia Pacific division in the amount of EUR 1,695 thousand (2017: EUR 5,407 thousand) and in the HOCHTIEF Europe division in the amount of EUR 134 thousand (2017: EUR – thousand).

7. Other operating expenses

(EUR thousand)	2018	2017
Rentals and lease rentals	327,060	328,770
Insurance expenses	326,508	295,562
Organization and programming	82,224	84,166
Travel expenses	79,886	67,746
Court costs, attorneys' and notaries' fees	75,439	60,540
Provisions for project risks	68,749	7,948
Technical and business consulting	61,330	56,993
Office supplies	44,680	46,274
Currency losses	28,120	34,415
Impairment losses and losses on disposal of current assets (except inventories)	12,801	7,939
Losses from disposal of non-current assets (excluding financial assets)	12,451	1,721
Mail and funds transfer expenses	11,920	11,305
Other taxes	6,711	28,065
Sundry other operating expenses	166,082	207,636
	1,303,961	**1,239,080**

The insurance expenses mainly relate to project risk management in the Turner Group. Insurance cover held by Turner and by other project stakeholders such as suppliers and clients is combined to minimize project execution risks to Turner and its clients. The insurance expenses are counterbalanced by insurance revenue reported in sales.

Sundry other operating expenses mostly comprise order processing, costs of materials for administrative purposes, costs of preparing the annual financial statements, and other expenses not reported elsewhere.

Including personnel and material expenses, a total of EUR 2,936 thousand was spent on Group-wide research and development projects by the central innovation management function in the reporting year (2017: EUR 4,123 thousand).

8. 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)	2018	2017
Share of profits and losses of equity-method associates and joint ventures	**231,842**	**115,215**
Of which: Impairment	[(6,274)]	[(346)]
Result from non-consolidated subsidiaries	(164)	(1,714)
Of which: Impairment	[(213)]	[(3,725)]
Result from other participating interests	4,308	25,399
Of which: Impairment	[(107)]	[–]
Income from the disposal of participating interests	31,362	370
Expenses on disposal of participating interests	–	(11)
Income from long-term loans to participating interests	27,057	39,494
Expenses relating to long-term loans to participating interests	(4,278)	(2,200)
Net income from other participating interests	**58,285**	**61,338**
	290,127	**176,553**

The share of profits and losses of equity-method associates and joint ventures was EUR 70,415 thousand (2017: EUR 4,272 thousand) relating to associates and EUR 161,427 thousand (2017: EUR 110,943 thousand) relating to joint ventures.

Net income from other participating interests in the reporting year comprises reversals of impairments on participating interests in the HOCHTIEF Asia Pacific division in the amount of EUR 4,363 thousand (2017: EUR 25,420 thousand).

As in the prior year, income from the disposal of participating interests related in its entirety to the HOCHTIEF Europe division.

The expenses relating to long-term loans to participating interests are in connection with impairments of loans in the HOCHTIEF Europe division.

9. Net investment and interest income

(EUR thousand)	2018	2017
Interest and similar income	36,112	41,763
Other investment income	71,294	45,328
Investment and interest income	**107,406**	**87,091**
Interest and similar expenses	(160,758)	(158,166)
Interest component of increase in non-current provisions	(8,459)	(10,205)
Of which: Net interest expense on pension obligations	[(7,987)]	[(9,584)]
Other investment expenses	(22,544)	(36,541)
Investment and interest expenses	**(191,761)**	**(204,912)**
	(84,355)	**(117,821)**

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 a negative EUR 124,646 thousand (2017: negative EUR 116,403 thousand).

Interest income of EUR 35,930 thousand was recorded in 2018 for financial instruments not carried at fair value through profit or loss (2017: EUR 41,687 thousand). Interest expense of EUR 160,758 thousand was recorded for financial instruments not carried at fair value through profit or loss (2017: EUR 158,166 thousand).

Other investment income includes EUR 40,037 thousand (2017: EUR – thousand) in interest on value added tax refund entitlements.

Net interest expense on pension obligations—an amount of EUR 7,987 thousand (2017: EUR 9,584 thousand)—consists of EUR 25,798 thousand (2017: EUR 26,423 thousand) in annual interest on the net present value of long-term pension obligations rolled over into the new year, offset against EUR 17,811 thousand (2017: EUR 16,839 thousand) in interest income on plan assets.

That portion of investment and interest income/expenses which is not included in interest and similar income/expenses or in the interest component of increases in non-current provisions is reported in other investment income and other investment expenses. These mostly comprise income and expenses relating to sales of securities and to derivatives as well as expenses relating to impairment losses on securities and on other long-term loans.

10. Income taxes

Income taxes include income taxes paid or owed in the various countries together with deferred taxes.

(EUR thousand)	2018	2017
Current income taxes	123,321	121,897
Of which: Current taxes of prior periods	[(3,398)]	[5,942]
Deferred taxes	136,567	119,235
Of which: Relating to temporary differences	[127,456]	[100,364]
Of which: Arising from tax loss carryforwards/tax credits	[19,237]	[38,186]
Of which: Relating to changes in tax rates/tax law	–	[(16,188)]
Of which: Arising from writedowns or reversal of past writedowns of deferred tax assets	[(10,126)]	[(3,127)]
	259,888	**241,132**

The amount by which tax expense is reduced by the utilization of tax loss carryforwards for which no deferred tax assets have been recognized and by unrecognized temporary differences and tax credits is EUR 14,063 thousand (2017: EUR 900 thousand).

Deferred taxes are calculated for foreign companies using the applicable country-specific tax rate. The theoretical tax expense is determined as in the prior year by applying the Group tax rate of 31.5% to profit before tax.

The following table shows the reconciliation of the theoretical tax expense to the effective tax charges:

(EUR thousand)	2018	2017
Profit before tax	978,439	823,619
Theoretical tax expense, at 31.5%	308,208	259,440
Difference between the above and foreign tax rates	(31,756)	(21,249)
Differences from tax base for German municipal trade tax	(9,755)	(1,235)
Changes in valuation allowances on deferred tax assets without recognition of deferred taxes/utilization of loss carryforwards/tax credits	9,606	24,706
Tax effects on:		
Tax-exempt income	(3,951)	(6,367)
Non-tax-allowable expenditure	20,667	32,267
Equity accounting of associates and joint ventures, including impairment of associates and joint ventures	(32,284)	3,593
Other	(847)	(50,023)
Effective tax charges	**259,888**	**241,132**
Effective rate of tax (percent)	26.6	29.3

As in the prior year, the tax-exempt income mostly relates to income from participating interests.

In the prior year, the "Other" item mainly included effects of the U.S. tax reform, Public Law No. 115–97, of December 2017. The applicable corporate tax rate fell from 35% to 21% as of January 1, 2018. These prior-year effects related to non-cash remeasurements of deferred tax assets and liabilities. The Base Erosion and Anti-Abuse Tax (BEAT) and Global Intangible Low-Taxed Income (GILTI) introduced in the tax reform were found to have no significant impact on HOCHTIEF's effective tax rate.

11. Non-controlling interest

The EUR 177,455 thousand (2017: EUR 161,751 thousand) non-controlling interest in consolidated net profit represents the balance of profits totaling EUR 177,940 thousand (2017: EUR 162,344 thousand) and losses totaling EUR 485 thousand (2017: EUR 593 thousand). The profits include EUR 130,396 thousand (2017: EUR 121,871 thousand) for non-controlling shareholders in the CIMIC Group.

Explanatory notes to the Consolidated Balance Sheet

12. Intangible assets

The table below shows the composition of and changes in intangible assets on the Consolidated Balance Sheet for 2018 and 2017:

(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, 2018	412,596	1,021,995	1,434,591
Additions or disposals due to changes in the scope of consolidation	14,409	11,768	26,177
Additions	4,648	–	4,648
Disposals	(11,741)	–	(11,741)
Reclassifications	(4,446)	–	(4,446)
Currency adjustments	(5,359)	(20,936)	(26,295)
Dec. 31, 2018	410,107	1,012,827	1,422,934
Cumulative amortization			
Jan. 1, 2018	242,733	–	242,733
Additions or disposals due to changes in the scope of consolidation	(86)	–	(86)
Additions	33,257	–	33,257
Disposals	(10,036)	–	(10,036)
Reclassifications	(218)	–	(218)
Currency adjustments	(2,111)	–	(2,111)
Impairment reversals	–	–	–
Dec. 31, 2018	263,539	–	263,539
Carrying amounts as of Dec. 31, 2018	**146,568**	**1,012,827**	**1,159,395**
Cost of acquisition or production			
Jan. 1, 2017	426,746	1,109,786	1,536,532
Additions or disposals due to changes in the scope of consolidation	(69)	(2,719)	(2,788)
Additions	17,756	–	17,756
Disposals	(2,280)	–	(2,280)
Reclassifications	(487)	–	(487)
Currency adjustments	(29,070)	(85,072)	(114,142)
Dec. 31, 2017	412,596	1,021,995	1,434,591
Cumulative amortization			
Jan. 1, 2017	214,273	–	214,273
Additions or disposals due to changes in the scope of consolidation	(61)	–	(61)
Additions	45,169	–	45,169
Disposals	(636)	–	(636)
Reclassifications	26	–	26
Currency adjustments	(16,038)	–	(16,038)
Impairment reversals	–	–	–
Dec. 31, 2017	242,733	–	242,733
Carrying amounts as of Dec. 31, 2017	**169,863**	**1,021,995**	**1,191,858**

As in the prior year, intangible assets are not subject to any restrictions. Development costs in the amount of EUR 550 thousand (2017: EUR 250 thousand) were capitalized in the reporting year.

Intangible assets include EUR 43,751 thousand (2017: EUR 43,728 thousand) for company names recognized on initial consolidation, comprising EUR 41,707 thousand (2017: EUR 39,818 thousand) in the HOCHTIEF Americas division and EUR 2,044 thousand (2017: EUR 3,910 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 1,695 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 as of December 31 in each reporting 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. This is the present value of expected future cash flows from each cash-generating unit. Value in use 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 without applying a terminal value growth rate. A sustained cash flow is determined on the basis of free cash flow in the last budget year. 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 in impairment testing for the cash-generating units HOCHTIEF Americas and HOCHTIEF Europe are 6.90% and 8.20% before tax (2017: 7.91% and 9.31%).

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 2018 were as follows:

(EUR thousand)	Jan. 1, 2018	Currency adjustments	Consolidation changes	**Dec. 31, 2018**
HOCHTIEF Americas	298,790	14,071	–	312,861
HOCHTIEF Asia Pacific	688,306	(35,007)	13,735	667,034
HOCHTIEF Europe	34,899	–	(1,967)	32,932
	1,021,995	**(20,936)**	**11,768**	**1,012,827**

13. Property, plant and equipment

(EUR thousand)	Land, similar rights and buildings, including buildings on land owned by third parties	Technical equipment and machinery, transportation equipment	Other equipment and office equipment	Prepayments and assets under construction	Total
Cost of acquisition or production					
Jan. 1, 2018	109,326	2,244,539	186,319	12,932	2,553,116
Additions or disposals due to changes in the scope of consolidation	–	(116)	7	–	(109)
Additions	6,902	383,126	13,964	11,386	415,378
Disposals	(5,328)	(389,834)	(9,415)	(1,041)	(405,618)
Reclassifications	8,074	29,417	135	(8,130)	29,496
Currency adjustments	(2,142)	2,773	7,196	514	8,341
Dec. 31, 2018	116,832	2,269,905	198,206	15,661	2,600,604
Cumulative depreciation					
Jan. 1, 2018	57,715	1,410,929	124,618	–	1,593,262
Additions or disposals due to changes in the scope of consolidation	–	(308)	7	–	(301)
Additions	5,690	334,120	18,167	–	357,977
Disposals	(2,522)	(339,085)	(8,914)	–	(350,521)
Reclassifications	–	21,522	99	–	21,621
Currency adjustments	(720)	(5,038)	5,092	–	(666)
Impairment reversals	–	–	–	–	–
Dec. 31, 2018	60,163	1,422,140	139,069	–	1,621,372
Carrying amounts as of Dec. 31, 2018	**56,669**	**847,765**	**59,137**	**15,661**	**979,232**
Cost of acquisition or production					
Jan. 1, 2017	138,431	2,540,949	268,919	10,959	2,959,258
Additions or disposals due to changes in the scope of consolidation	(5,614)	–	(49,531)	–	(55,145)
Additions	2,778	305,456	21,538	9,778	339,550
Disposals	(22,184)	(450,011)	(30,057)	(6,119)	(508,371)
Reclassifications	240	68,869	467	(955)	68,621
Currency adjustments	(4,325)	(220,724)	(25,017)	(731)	(250,797)
Dec. 31, 2017	109,326	2,244,539	186,319	12,932	2,553,116
Cumulative depreciation					
Jan. 1, 2017	68,863	1,555,238	157,606	–	1,781,707
Additions or disposals due to changes in the scope of consolidation	(562)	–	(15,439)	–	(16,001)
Additions	8,703	318,412	23,084	–	350,199
Disposals	(17,453)	(344,635)	(25,558)	–	(387,646)
Reclassifications	159	493	17	–	669
Currency adjustments	(1,994)	(118,575)	(15,092)	–	(135,661)
Impairment reversals	(1)	(4)	–	–	(5)
Dec. 31, 2017	57,715	1,410,929	124,618	–	1,593,262
Carrying amounts as of Dec. 31, 2017	**51,611**	**833,610**	**61,701**	**12,932**	**959,854**

Property, plant and equipment includes EUR 5,882 thousand (2017: EUR 4,645 thousand) in finance lease assets.

As in the prior year, no impairment losses were recorded on property, plant and equipment.

Property, plant and equipment is not subject to any restrictions. In the prior year, EUR 51,120 thousand in property, plant and equipment in the HOCHTIEF Asia Pacific division was subject to restrictions.

14. Investment properties

(EUR thousand)

Cost of acquisition or production	
Jan. 1, 2018	29,240
Additions	–
Disposals	(6,212)
Dec. 31, 2018	23,028
Cumulative depreciation	
Jan. 1, 2018	19,752
Additions	356
Disposals	(4,275)
Dec. 31, 2018	15,833
Carrying amounts as of Dec. 31, 2018	**7,195**
Cost of acquisition or production	
Jan. 1, 2017	35,636
Additions	67
Disposals	(6,463)
Dec. 31, 2017	29,240
Cumulative depreciation	
Jan. 1, 2017	23,629
Additions	253
Disposals	(4,130)
Dec. 31, 2017	19,752
Carrying amounts as of Dec. 31, 2017	**9,488**

Impairment losses of EUR 134 thousand were recognized on investment properties in 2018 (2017: EUR – thousand).

The fair values of investment properties was EUR 7,846 thousand as of December 31, 2018 (2017: EUR 10,119 thousand). This is 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. EUR 1,745 thousand of the fair value is based on a valuation by an independent valuer external to the Group (2017: EUR 1,435 thousand).

Rental income from investment properties in the reporting year totaled EUR 482 thousand (2017: EUR 675 thousand). Direct operating expenses totaling EUR 840 thousand (2017: EUR 829 thousand) consisted of EUR 353 thousand (2017: EUR 202 thousand) in expenses for rented and EUR 487 thousand (2017: EUR 627 thousand) for unrented investment properties.

As in the prior year, investment properties are not subject to any restrictions.

15. Equity-method investments

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Equity-method associates	1,493,952	31,886
Equity-method joint ventures	371,416	545,285
	1,865,368	**577,171**

Material associate and other associates

HOCHTIEF Aktiengesellschaft holds 20% minus one share of Abertis HoldCo, S.A., Madrid, Spain. HOCHTIEF Aktiengesellschaft's interest in Abertis HoldCo, S.A. gives it significant influence (within the meaning of IAS 28) and the latter is therefore accounted for in the Consolidated Financial Statements as an associate using the equity method. For further information on the chronological sequence of the acquisition of this interest in the Spanish toll road operator, please see Note 1 of the Notes to the Consolidated Financial Statements. The details of the material associate are as follows:

(EUR thousand)	Dec. 31, 2018
	100.00%
Non-current assets	39,204,828
Current assets	4,662,082
Assets held for sale	1,621,795
Non-current liabilities	32,464,618
Current liabilities	3,238,413
Liabilities associated with assets held for sale	519,773
Equity	**9,265,901**
Non-controlling interest	2,208,217
Equity attributable to owners of the Company	**7,057,684**
HOCHTIEF share of equity (shareholding 20.00%)	1,411,537
Other costs	55,005
Carrying amount of the investment	**1,466,542**

(EUR thousand)	June–Dec. 2018
	100.00%
Sales	3,138,704
Profit or loss from continuing operations	591,572
Post-tax profit/(loss) from discontinued operations	(43,002)
Profit/(loss) for the year	**548,570**
Non-controlling interest	127,148
Profit/(loss) for the year attributable to owners of the company	421,422
Income and expenses recognized directly in equity, after tax	**(100,201)**
Non-controlling interest	22,137
Income and expenses recognized directly in equity, after tax, attributable to owners of the company	(122,338)
Total comprehensive income (100%)	**448,369**
Non-controlling interest	149,285
Total comprehensive income attributable to owners of the company	299,084
HOCHTIEF share of total comprehensive income attributable to owners of the company (shareholding 20.00%)	**59,816**
Annual profit	**84,284**
Other comprehensive income	**(24,468)**
Dividends received from associate during the year	–

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)	2018	2017
Carrying amounts	**51,108**	**31,886**
Profit before tax	**12,671**	**6,318**
Income taxes	(2,842)	(2,046)
Profit after tax	**9,829**	**4,272**
Other comprehensive income	–	–
Total comprehensive income	**9,829**	**4,272**

Investments in associates, as in the prior year, are not subject to any restrictions.

Profit from equity-method associates (EUR 70,415 thousand) include provisions of EUR 23,698 thousand (2017: EUR – thousand).

Joint ventures

As BIC Contracting LLC (BICC)—formerly HLG Contracting LLC—is accounted for as an equity-method joint venture, the book carrying value of the investment in BICC reflects the Group's share of BICC's operating results, including BICC's recognition of construction revenue. The higher recognition threshold and constraint criteria in the new standard IFRS 15 have led to a reduction in the investment of EUR 160 million. The investment in BICC is now held at nil value and is therefore no longer material to the Group. A call option to purchase the remaining 55% shareholding in BICC is still in place. This option has no current impact on the control of the company. The fair value of the call option was unaltered at USD 54 million as of December 31, 2018, corresponding to EUR 46.9 million (2017: EUR 45.1 million). In accordance with IFRS 9 the option has been classified as a derivative asset measured at fair value through profit or loss. No gain or loss was recognized in the period.

Aggregated information on immaterial joint ventures

The HOCHTIEF Group's joint ventures 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 joint ventures:

(EUR thousand)	2018	2017
Carrying amounts	**371,416**	**545,285**
Profit before tax	**172,170**	**144,284**
Income taxes	(10,743)	(33,341)
Profit after tax	**161,427**	**110,943**
Other comprehensive income	15,884	(8,714)
Total comprehensive income	**177,311**	**102,229**

Profit from immaterial equity-method joint ventures contained EUR 6,274 thousand (2017: EUR 346 thousand) in impairment losses.

Investments in joint ventures are pledged in the amount of EUR 61,911 thousand (2017: EUR 43,601 thousand).

16. Other financial assets

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Non-consolidated subsidiaries	5,100	5,124
Other participating interests	68,381	68,404
	73,481	**73,528**

In other financial assets, impairment losses were recognized in the reporting year in the amount of EUR 213 thousand on non-consolidated subsidiaries (2017: EUR 3,725 thousand) and in the amount of EUR 107 thousand (2017: EUR – thousand) on other participating interests.

17. Financial receivables

	Dec. 31, 2018		Dec. 31, 2017	
(EUR thousand)	Non-current	Current	Non-current	Current
Loans to non-consolidated subsidiaries and to participating interests	486,476	26,320	822,647	19,190
Financial receivables from non-consolidated subsidiaries	–	7,205	–	11,784
Financial receivables from participating interests	–	139,709	–	110,256
Interest accruals	–	2,988	–	2,646
Other financial receivables	284	1,823	12,871	307
	486,760	**178,045**	**835,518**	**144,183**

Loans to non-consolidated subsidiaries and to participating interests comprise loans to BICC in the amount of EUR 395,020 thousand (2017: EUR 681,842 thousand).

Loans to and financial receivables from equity-accounted companies total EUR 652,323 thousand (2017: EUR 948,508 thousand).

18. Other receivables and other assets

	Dec. 31, 2018		Dec. 31, 2017	
(EUR thousand)	Non-current	Current	Non-current	Current
Claims for damages and claims under guarantee	–	229,736	–	192,271
Prepaid expenses	1,815	80,385	1,821	66,693
Derivative receivables	50,083	9,602	50,603	5,783
Tax receivables (excluding income taxes)	–	41,276	–	10,583
Entitlements from sales of participating interests	–	1,707	–	6,490
Pension fund credit balances	14,328	–	5,464	–
Sundry other assets	102,159	183,002	95,897	130,116
	168,385	**545,708**	**153,785**	**411,936**

Claims for damages and claims under guarantee include EUR 198,777 thousand (2017: EUR 163,012 thousand), mainly in reimbursement claims under insurance policies held by the Turner Group.

Prepaid expenses consist of insurance premiums and prepayments for maintenance and services. They also include commission paid by HOCHTIEF insurance companies for insurance arranged by direct insurers. Such commission is reversed to expense over the lifetime of the policy.

As in the prior year, sundry other assets are not subject to any restrictions in the reporting year.

19. Income tax assets

EUR 44,606 thousand (2017: EUR 47,844 thousand) in income tax assets comprises amounts receivable from domestic and foreign tax authorities. These consist of EUR 21,162 thousand (2017: EUR 3,328 thousand) classified as non-current assets and EUR 23,444 thousand (2017: 44,516 thousand) classified as current assets.

20. Deferred taxes

Deferred tax assets and liabilities break down as follows:

	Dec. 31, 2018		Dec. 31, 2017	
(EUR thousand)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets (restated)	Deferred tax liabilities
Non-current assets	59,509	128,893	50,444	137,634
Current assets	242,216	316,673	256,797	310,898
Non-current liabilities				
Pension provisions	110,440	–	107,495	–
Other provisions	12,987	28,472	8,751	21,542
Sundry non-current liabilities	1,291	220	1,173	194
Current liabilities				
Other provisions	71,269	–	74,123	10
Sundry current liabilities	81,248	116,260	70,298	103,779
	578,960	**590,518**	**569,081**	**574,057**
Losses carried forward/tax credits	73,750	–	127,882	–
Gross amount	**652,710**	**590,518**	**696,963**	**574,057**
Offsetting item	538,816	538,816	541,209	541,209
Reported amount	**113,894**	**51,702**	**155,754**	**32,848**

Deferred tax assets are usually recognized for tax-deductible temporary differences if it is probable that taxable profit is available against which the deductible temporary differences can be utilized.

Deferred tax liabilities totaling a gross amount of EUR 590,518 thousand (2017: EUR 574,057 thousand) are entirely due to taxable temporary differences, mostly from adjustments to ensure uniform Group-wide compliance with IFRS measurement principles.

Deferred tax assets and deferred tax liabilities are offset within each company or tax group. Within the amount of EUR 652,710 thousand (2017: EUR 696,963 thousand) of deferred tax assets, the following tax refund entitlements arising from the expected future use of tax loss carryforwards or tax credits are included:

(EUR thousand)	**Dec. 31, 2018**	Dec. 31, 2017
Corporate income tax (or comparable foreign income tax)	73,750	109,798
German municipal trade tax	–	18,084
	73,750	**127,882**

Deferred tax assets are only recognized for tax loss carryforwards in as far as it is sufficiently certain that the tax loss carryforwards can be utilized. To the extent that no sufficient taxable temporary differences are available, expected taxable income for the purpose of measuring deferred taxes on deductible temporary differences and/or tax loss carryforwards is derived from budget figures, taking account of restrictions due to rules to be observed with regard to minimum taxation.

Tax loss carryforwards for which no deferred tax assets have been recognized amount to EUR 1,644,236 thousand (2017: EUR 1,312,764 thousand) in respect of German and foreign corporate income tax and EUR 1,436,025 thousand (2017: EUR 1,182,408 thousand) in respect of German municipal trade tax.

Deferred tax assets have not been recognized for EUR 62,271 thousand (2017: EUR 46,148 thousand) in tax loss carryforwards that are subject to a time limit. There are time limits of two and nine years.

German and foreign Group companies that generated losses in 2018 or prior years have EUR 59,155 thousand (2017: EUR 63,128 thousand) in unimpaired deferred tax assets relating to temporary differences or tax loss carry-forwards.

No deferred tax assets have been recognized in relation to interest expense carryforwards in the amount of EUR 356,591 thousand (2017: EUR 354,888 thousand). The change in the interest expense carryforward figures relates to adjustments made on the basis of tax audits and ongoing changes.

No deferred tax liabilities have been recognized on temporary differences in the amount of EUR 17,049 thousand (2017: EUR 34,000 thousand) in connection with investments in subsidiaries because the Group is able to control the timing of the reversal of the temporary differences and it is not probable that they will reverse in the foreseeable future.

In the reporting year, minus EUR 20,122 thousand (2017: EUR 5,505 thousand) was recognized directly in equity in relation to currency translation of deferred taxes in foreign financial statements, and minus EUR 5,976 thousand (2017: EUR 13,637 thousand) was recognized directly in equity for the remeasurement through other comprehensive income of derivative and non-derivative financial instruments. An amount of EUR 6,474 thousand was recognized directly in equity (2017: negative EUR 45,586 thousand) for deferred taxes relating to actuarial gains and losses. As of the balance sheet date, deferred taxes recognized directly in equity in connection with the measurement of financial instruments amounted to minus EUR 4,624 thousand (2017: EUR 1,352 thousand), while EUR 141,754 thousand (2017: EUR 135,280 thousand) was recognized directly in equity in connection with actuarial gains and losses.

21. Inventories

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Raw materials and supplies	203,601	121,217
Work in progress	147,997	286,525
Finished goods	11,605	12,207
Prepayments	14,815	4,993
	378,018	**424,942**

Borrowing costs of EUR 15,293 thousand were capitalized under work in progress in accordance with IAS 23 (2017: EUR 8,473 thousand). The borrowing costs were determined on the basis of interest rates of between 3.06% and 6.63% (2017: between 1.50% and 3.73%).

Properties under development included in work in progress are not subject to any restrictions (2017: properties under development of EUR 103,249 thousand subject to restrictions).

22. Trade receivables

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Contract assets		
Gross amount	4,111,678	4,421,698
Progress payments received	(2,348,396)	(2,302,462)
	1,763,282	**2,119,236**
Trade receivables	2,493,505	2,487,742
From construction joint ventures	171,414	203,587
	4,428,201	**4,810,565**
From non-consolidated subsidiaries	604	371
From participating interests	6,648	7,295
	4,435,453	**4,818,231**

The figure of EUR 1,763,282 thousand (2017: EUR 2,119,236 thousand) representing contract assets less progress payments received relates to construction contracts where contract costs incurred (including shares of contract net profit) exceed progress payments received from customers. Contract assets include EUR 32,427 thousand from costs to obtain contracts. The prior-year amounts are unaltered and do not include the corresponding effects of first-time application of IFRS 15 as presented in Note 1.

Trade receivables include EUR 810,077 thousand (2017: EUR 741,138 thousand) in progress billings.

As in the prior year, the properties under development included in trade receivables are not subject to any restrictions.

Trade receivables include receivables from equity-accounted companies in the amount of EUR 5,699 thousand (2017: EUR 6,341 thousand).

23. Marketable securities

Marketable securities totaling EUR 445,474 thousand (2017: EUR 428,759 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.

Most marketable securities classified as at fair value through profit or loss are accounted for on the basis of the rules for use of the overlay approach. As before, the securities categorized in Level 2 of the fair value hierarchy were initially recognized as at fair value through profit or loss. The carrying amount decreased by EUR 15,017 thousand (2017: increased by EUR 2,984 thousand) due to fair value adjustments.

Marketable securities are pledged in the amount of EUR 13,437 thousand (2017: EUR 13,730 thousand) as security for employee benefit entitlements under semi-retirement programs.

Outside of externally managed investments, direct investment activities are exclusively restricted to the purchase of bonds from top-class issuers with broad diversification to ensure that concentration risks relative to specific issuers are strictly avoided.

24. Cash and cash equivalents

Cash and cash equivalents total EUR 3,565,888 thousand (2017: EUR 3,094,924 thousand) and comprise cash in hand, cash at banks, and marketable securities with maturities at the time of acquisition of no more than three months. These are subject to an insignificant risk of changes in value. Cash and cash equivalents in the amount of EUR 357,828 thousand (2017: EUR 174,444 thousand) are subject to restrictions in relation to the sale of receivables. In the prior year, in addition, cash and cash equivalents in the amount of EUR 21,960 thousand were subject to restrictions in relation to warranties.

25. Equity

The Consolidated Statement of Changes in Equity is part of the Consolidated Financial Statements.

On October 22, 2018, the Executive Board resolved to issue 6,346,707 new shares from Authorized Capital I against contributions in cash with shareholders' subscription rights excluded. The Supervisory Board gave its approval on October 24, 2018. The capital increase became effective on October 24, 2018 on entry in the Commercial Register.

The Company's capital stock is divided into 70,646,707 no-par-value bearer shares and amounts to EUR 180,855,569.92. Each share accounts for EUR 2.56 of capital stock. As of December 31, 2018, HOCHTIEF Aktiengesellschaft held a total of 34,824 shares of treasury stock. These shares were purchased since October 7, 2014 for the purposes provided for in the resolution of the Annual General Meeting of May 7, 2014 and that of May 6, 2015 and for all other purposes permitted under the German Stock Corporations Act (AktG). The holdings of treasury stock represent EUR 89,149.44 (0.05%) of the Company's capital stock.

The capital reserve comprises EUR 1,674,269 thousand (2017: EUR 782,684 thousand) constituting the premium on shares issued by HOCHTIEF Aktiengesellschaft together with EUR 3,718 thousand (2017: EUR 2,981 thousand) for the book gain on the sale of treasury stock, and the capital stock represented by the shares canceled in 2016 (EUR 12,824 thousand) and 2014 (EUR 19,688 thousand).

Distributable profit is identical for HOCHTIEF Aktiengesellschaft and the HOCHTIEF Group. A dividend of EUR 217,184 thousand was paid out in the reporting year (2017: EUR 167,044 thousand).

The Executive Board is unaware of any restrictions on voting rights or on transfers of shares.

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

Statutory rules on the appointment and replacement of Executive Board members are contained in Sections 84 and 85 and statutory rules on the amendment of the Articles of Association in Sections 179 and 133 of the German Stock Corporations Act (AktG). Under Section 7 (1) of the Company's Articles of Association, the Executive Board comprises at least two individuals. Section 23 (1) of the Articles of Association provides that resolutions of the Annual General Meeting require a simple majority of votes cast unless there is a statutory requirement stipulating a different majority. In instances where the Act requires a majority of the capital stock represented at the time of the resolution in addition to a majority of votes cast, Section 23 (3) of the Articles of Association provides that a simple majority will suffice unless there is a mandatory requirement stipulating a different majority.

As stipulated by resolution of the Annual General Meeting of May 10, 2017 and Section 4 (5) of the Articles of Association, which was amended on October 24, 2018, 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 65,752 thousand by or before May 9, 2022 (Authorized Capital I). Detailed provisions are contained in the stated section of the Articles.

Pursuant to Section 4 (4) of the Articles of Association, the Company's capital stock has been conditionally increased by up to EUR 46,080 thousand divided into up to 18 million no-par-value bearer shares (conditional capital). The detailed stipulations are contained in the aforementioned section of the Articles of Association and the aforementioned resolution of May 10, 2017. Under the resolution, the Executive Board is authorized, subject to the approval of the Supervisory Board, to issue on one or more occasions in the period up to May 9, 2022 registered or bearer warrant-linked and/or convertible bonds, profit participation rights or participating bonds, or any combination of such instruments (hereinafter collectively referred to as "bonds"), in an aggregate principal amount of up to EUR 4,000,000,000.00 with or without maturity restrictions and to grant or issue option rights or obligations to holders or creditors of warrant-linked bonds or of participatory notes with warrants or of warrant-linked participating bonds or to grant or issue conversion rights or obligations to holders or creditors of convertible bonds or convertible participatory notes or convertible participating bonds for up to 18 million no-par-value bearer shares in HOCHTIEF Aktiengesellschaft with an aggregate proportionate interest in the capital stock of up to EUR 46,080,000.00, as stipulated in greater detail in the terms and conditions of the bonds.

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) 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. 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 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. Subject to Supervisory Board approval, the Executive Board is also authorized 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 also 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 in 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.

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 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) 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 shares of treasury stock. The Executive Board has been authorized to acquire options which, when exercised, entitle the Company to acquire shares of the Company (call options). Furthermore, the Executive Board is authorized to sell options which, when exercised by their holder, 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 shares of treasury stock and the exclusion of shareholders' rights to sell shares and subscription rights are set forth in detail in the Annual General Meeting resolution.

In May 2018, 9,463 shares of treasury stock were transferred to members of the Company's Executive Board at a price of EUR 151.30 per share on condition that the shares be held for at least two years after transfer. This transfer settled the transferees' variable compensation entitlements. The shares represent EUR 24,225.28 (0.013%) of the Company's capital stock.

The non-controlling interest totals EUR 559,391 thousand (2017: EUR 745,988 thousand) and represents that portion of the equity of consolidated Group companies which is attributable to third parties; EUR 373,705 thousand (2017: EUR 587,344 thousand) of this relates to the CIMIC Group.

A Group company of HOCHTIEF Aktiengesellschaft, CIMIC Group Limited is based in Sydney, Australia. The Consolidated Financial Statements of HOCHTIEF Aktiengesellschaft include non-controlling interests in CIMIC that are material to HOCHTIEF. The ownership interest in our Australian Group company CIMIC is unaltered, at 72.68% as of December 31, 2018. Summary financial information on the Group company is provided in the table below.

(EUR thousand)	2018	2017
Non-current assets	2,198,819	2,782,114
Current assets	3,442,463	3,455,079
Non-current liabilities	411,404	559,830
Current liabilities	3,789,193	3,489,682
Shareholders' equity	**1,440,685**	**2,187,681**
Of which: Non-controlling interest	(27,366)	(14,214)
Total non-controlling interest in equity	**373,705**	**587,344**
Sales	9,266,285	9,077,028
Profit before tax	**678,815**	**648,373**
Income tax	(190,073)	(181,580)
Profit after tax	**488,742**	**466,793**
Of which: Non-controlling interest	(4,305)	(7,784)
Total non-controlling interest in profit after tax	**130,396**	**121,871**
Net cash from operating activities	1,079,190	920,839
Cash flow from investing activities	(344,389)	(292,507)
Cash flow from financing activities	(567,248)	(435,021)

Accumulated other comprehensive income is part of retained earnings. It includes amounts recognized in equity for changes in the fair value of derivative and non-derivative financial instruments and exchange differences from translation of foreign entity financial statements. Accumulated other comprehensive income also includes the Group's share of changes recognized directly in the other comprehensive income of equity-method associates and joint ventures, plus the portion of other comprehensive income from the remeasurement of defined benefit plans that will not subsequently be reclassified to profit or loss.

The changes in other comprehensive income are presented on a year-on-year basis in the following table:

(EUR thousand)	2018	2017
Currency translation differences		
Changes in other comprehensive income for the period	54,962	(383,525)
Amounts reclassified to profit or loss	(418)	24
	54,544	**(383,501)**
Changes in fair value of financial instruments – primary		
Changes in other comprehensive income for the period	(276)	(260)
Amounts reclassified to profit or loss	(7,431)	(18,999)
	(7,707)	**(19,259)**
Changes in fair value of financial instruments – derivative		
Changes in other comprehensive income for the period	494	6,057
Amounts reclassified to profit or loss	–	–
	494	**6,057**
Share of other comprehensive income of equity-method associates and joint ventures		
Changes in other comprehensive income for the period	(36,720)	(8,714)
Amounts reclassified to profit or loss	28,136	–
	(8,584)	**(8,714)**
Remeasurement of defined benefit plans	**(13,667)**	**39,947**
Other comprehensive income after tax	**25,080**	**(365,470)**

The income tax effects relating to changes in other comprehensive income are distributed as follows:

	2018			2017		
(EUR thousand)	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Currency translation differences	54,544	–	54,544	(383,501)	–	(383,501)
Changes in fair value of financial instruments – primary	(2,830)	(4,877)	(7,707)	(33,879)	14,620	(19,259)
Changes in fair value of financial instruments – derivative	1,593	(1,099)	494	7,040	(983)	6,057
Share of other comprehensive income of equity-method associates and joint ventures	(8,584)	–	(8,584)	(8,714)	–	(8,714)
Remeasurement of defined benefit plans	(20,141)	6,474	(13,667)	85,533	(45,586)	39,947
Other comprehensive income	**24,582**	**498**	**25,080**	**(333,521)**	**(31,949)**	**(365,470)**

26. Share-based payment

The following share-based payment plans were in force for managerial staff of HOCHTIEF Aktiengesellschaft and its affiliates in 2018:

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. Alongside grants of stock appreciation rights (SARs), LTIP 2012 also provided for grants of stock awards.

The SARs could only be exercised if, for at least ten consecutive stock market trading days before the exercise date, the ten-day average (arithmetic mean) stock market closing price of HOCHTIEF stock was higher relative to the issue price compared with the ten-day average closing level of the MDAX index relative to the index base (relative performance threshold) and, additionally, return on net assets (RONA) in the then most recently approved set of consolidated financial statements was at least 15% (absolute performance threshold). The relative performance threshold was waived if the average stock market price of HOCHTIEF stock exceeded the issue price by at least 10% on ten consecutive stock market trading days after the end of the waiting period. Provided that the targets were met, the SARs could be exercised at any time after a four-year waiting period except during a short period before publication of any business results. When SARs were exercised, the issuing entity paid out the difference between the then current stock price and the issue price. The gain was limited to EUR 25.27 per SAR.

The LTIP conditions for stock awards stipulated that for each stock award exercised within a two-year exercise period following a four-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 75.81 per stock award.

The plan was exercised in full in 2018.

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 differed from those of LTIP 2012 in only one point:

The performance target for RONA was replaced with a performance target for adjusted free cash flow. The number of SARs that could be exercised depended on attainment of the planned value range for adjusted free cash flow. This value range was set in the business plan for each exercise year.

The gain was limited to EUR 30.98 per SAR and EUR 92.93 per stock award.

The plan was likewise exercised in full in 2018.

Long-term Incentive Plan 2015

The Long-term Incentive Plan 2015 (LTIP 2015) was launched by resolution of the Supervisory Board in 2015 and is open to Executive Board members. The plan conditions do not differ in any material respect from those of LTIP 2014.

The gain is limited to EUR 31.68 per SAR and EUR 95.04 per stock award.

Long-term Incentive Plan 2016

The Long-term Incentive Plan 2016 (LTIP 2016) was launched by resolution of the Supervisory Board in 2016 and is open to Executive Board members. The plan conditions differ from those of LTIP 2015 solely in that the waiting period was shortened from four to three years and a total term of the plans accordingly to six years (SARs) and five years (stock awards).

The gain is limited to EUR 41.54 per SAR and EUR 124.62 per stock award.

Long-term Incentive Plan 2017

The Long-term Incentive Plan 2017 (LTIP 2017) was launched by resolution of the Supervisory Board in 2017 and is open to Executive Board members and selected managerial employees. The plan is based on performance stock awards.

The conditions stipulate that for each performance stock award (PSA) exercised within a two-year exercise period following a three-year waiting period, entitled individuals receive from the issuing entity a payment entitlement equal to the closing price of HOCHTIEF stock on the last stock market trading day before the exercise date, plus a performance bonus. The size of the performance bonus depends on the adjusted free cash flow of the last complete year before the exercise date.

The gain is limited to EUR 514.62 per PSA.

Long-term Incentive Plan 2018

The Long-term Incentive Plan 2018 (LTIP 2018) was launched by resolution of the Supervisory Board in 2018 and is open to Executive Board members and selected managerial employees. The plan is based on performance stock awards.

The conditions stipulate that for each performance stock award (PSA) exercised within a two-year exercise period following a three-year waiting period, entitled individuals receive from the issuing entity a payment entitlement equal to the closing price of HOCHTIEF stock on the last stock market trading day before the exercise date, plus a performance bonus. The size of the performance bonus depends for each company on the relevant cash performance indicator in the last complete year before the exercise date. For the members of the Executive Board and managerial employees of HOCHTIEF Aktiengesellschaft, the performance bonus depends on adjusted free cash flow.

The gain is limited to EUR 533.70 per PSA.

The conditions of all plans stipulate that on the exercise of SARs or stock awards—and the fulfillment of all other requisite criteria—HOCHTIEF Aktiengesellschaft normally has the option of delivering HOCHTIEF shares instead of paying out the gain in cash. Where the entitled individuals are not employees of HOCHTIEF Aktiengesellschaft, the expense incurred on exercise of SARs or stock awards is borne by the affiliated company concerned.

The quantities granted, expired, and exercised under the plans so far are as follows:

	Originally granted	Outstanding at Dec. 31, 2017	Granted in 2018	Expired in 2018	Exercised/ settled in 2018	Disposal/ sale	**Outstanding at Dec. 31, 2018**
LTIP 2012 – SARs	457,406	2,825	–	–	2,825	–	0
LTIP 2012 – stock awards	82,991	625	–	–	625	–	0
LTIP 2014 – SARs	86,907	86,907	–	–	86,907	–	0
LTIP 2014 – stock awards	20,453	20,453	–	–	20,453	–	0
LTIP 2015 – SARs	96,801	96,801	–	–	–	–	96,801
LTIP 2015 – stock awards	20,262	20,262	–	–	–	–	20,262
LTIP 2016 – SARs	93,235	93,235	–	–	–	–	93,235
LTIP 2016 – stock awards	17,850	17,850	–	–	–	–	17,850
LTIP 2017 – performance stock awards	19,081	19,081	1,000	–	–	–	20,081
LTIP 2018 – performance stock awards	–	–	20,069	–	–	–	20,069

Provisions recognized for the stated share-based payment plans totaled EUR 13,264 thousand as of the balance sheet date (2017: EUR 12,365 thousand). The total expense recognized for the stated plans in 2018 was EUR 5,611 thousand (2017: EUR 5,299 thousand). The intrinsic value of plans exercisable at the end of the reporting period was EUR 0 thousand (2017: EUR 119 thousand).

27. Provisions for pensions and similar obligations

Defined benefit plans

Under defined benefit plans, the Company's obligation is to provide agreed benefits to current and former employees. The main pension obligations in Germany consist of direct commitments under the current 2000+ pension plan and deferred compensation plans. The 2000+ plan in force since January 1, 2000 takes the form of a modular defined contribution plan. The size of the annual pension component depends on employee income and age (resulting in an annuity conversion factor) and a general pension contribution reviewed by HOCHTIEF Aktiengesellschaft every three years and adjusted as necessary. The future pension amount is the sum total of the pension components earned each year. In isolated instances, length-of-service and final salary pension arrangements are in existence for executive staff, although except at Executive Board level such arrangements have no longer been offered since 1995. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension, and in almost all cases are granted as a life-long annuity.

Up to December 31, 2013, employees in Germany additionally had the option of deferred compensation in a company pension plan. The deferred compensation was invested in selected investment funds. The pension amount is based on the present value of acquired fund units at retirement, subject to a minimum of the deferred compensation amount plus an increment that is guaranteed by HOCHTIEF and ranges from 3.50% down to 1.75% p.a. There is a choice at retirement between a lump sum payment and an annuity for five or six years.

Outside of Germany, there are defined benefit plans at Turner in the USA and HOCHTIEF (UK) in the United Kingdom. The plan at Turner was frozen as of December 31, 2003, and no new entitlements can be earned under it. Benefits comprise an old-age pension, an invalidity pension, and a surviving dependants' pension. There is a choice at retirement between a life-long annuity and a lump-sum payment. Commitments at Turner also include post-employment benefits in the form of medical care for retirees. 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, 2018	
(EUR thousand)	Germany	USA	UK
Active members	120,006	77,178	10,428
Final salary	[21,204]	–	[10,428]
Not final salary	[98,802]	[77,178]	–
Vested benefits	141,914	35,350	16,643
Retirees	501,274	87,212	15,413
Similar obligations	92	52,413	–
Total	**763,286**	**252,153**	**42,484**
Duration in years (weighted)	**13.9**	**8.9**	**17.7**

		Dec. 31, 2017	
(EUR thousand)	Germany	USA	UK
Active members	119,864	80,884	10,822
Final salary	[18,702]	–	[10,822]
Not final salary	[101,162]	[80,884]	–
Vested benefits	157,757	39,090	17,467
Retirees	497,150	90,180	16,706
Similar obligations	96	53,383	–
Total	**774,867**	**263,537**	**44,995**
Duration in years (weighted)	**14.0**	**9.6**	**18.1**

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 are administered 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, 2018 is about 52% (2017: 56%); the figure for Germany as a whole is about 58% (2017: 62%). It should be noted in this connection that pension obligations have increased significantly in recent years due to the low level of market interest rates and that the funding ratio is expected to significantly increase again when interest rates recover.

USA

The frozen defined benefit obligations in the Turner Group are likewise managed in a pension fund. Plan assets are administered in trust by BNY Mellon and serve exclusively to fund the plan. Investment decisions are not made by the trust but by a special committee.

The investment of plan assets is based on a regularly compiled ALM study. The investment objectives are to maximize the funding ratio and reduce volatility in the funding ratio. The pension obligations being fully funded at Turner, high-risk investments in equities were reduced and investments in bonds that are more stable in value were increased in 2018. These ideally perform in line with plan liabilities, thus ensuring full funding. There is no statutory minimum funding requirement, but low funding levels result in higher contributions to the Pension Benefit Guarantee Corporation, and limits to lump-sum payments, hence maximum funding is aimed for. The funding of obligations covered by Turner's pension fund as of December 31, 2018 is about 105% (2017: 100%); funding at Turner overall is about 82% (2017: 79%).

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 76% (2017: 74%).

Defined benefit obligations are covered by plan assets as follows:

Coverage of defined benefit obligations by plan assets

	Dec. 31, 2018		Dec. 31, 2017	
(EUR thousand)	Defined benefit obligations	Plan assets	Defined benefit obligations	Plan assets
Uncovered by plan assets	53,587	–	54,552	–
Partially covered by plan assets	739,156	402,730	961,696	648,497
Not fully covered by plan assets	**792,743**	**402,730**	**1,016,248**	**648,497**
Fully covered by plan assets	265,180	279,508	67,151	72,615
Total	**1,057,923**	**682,238**	**1,083,399**	**721,112**

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:

	2018			2017		
(Percent)	Germany	USA	UK	Germany	USA	UK
Discount factor*	2.00	4.45	2.90	2.00	3.68	2.55
Salary increases	2.75	–	2.05	2.75	–	2.00
Pension increases*	1.75	–	3.30	1.75	–	3.27
Health cost increases	–	5.00	–	–	5.00	–

*Weighted average

The discount factors are derived from the Mercer Pension Discount Yield Curve (MPDYC) model, taking into account the company-specific duration of pension liabilities. Salary and pension increases ceased to be taken into account in the USA (Turner Group) in 2004 due to the changeover in pension arrangements.

Mortality assumptions are based on published country-specific statistics and experience. The following mortality tables were used in the actuarial calculation of pension obligations:

Germany	Heubeck Richttafeln 2018 G
USA	RP 2014 mortality table projected generationally with MP2018
UK	S2PxA CMI_2017 [1,25 %] year of birth

The present value of defined benefit obligations and the market value of plan assets have changed as follows:

Changes in the present value of defined benefit obligations

	2018			2017		
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Defined benefit obligations at start of year	**774,867**	**308,532**	**1,083,399**	**818,539**	**357,772**	**1,176,311**
Current service cost	6,601	1,883	8,484	7,928	2,004	9,932
Past service cost	–	435	435	(1,504)	–	(1,504)
Interest expense	15,079	10,719	25,798	13,991	12,432	26,423
Remeasurements						
Actuarial (gains)/losses arising from changes in demographic assumptions	7,966	(670)	7,296	–	(15,098)	(15,098)
Actuarial (gains)/losses arising from changes in financial assumptions	–	(19,348)	(19,348)	(27,979)	9,771	(18,208)
Actuarial (gains)/losses arising from experience adjustments	(170)	(1,191)	(1,361)	1,320	(801)	519
Benefits paid from Company assets	(862)	(3,018)	(3,880)	(330)	(2,879)	(3,209)
Benefits paid from funds assets	(40,157)	(14,276)	(54,433)	(37,040)	(16,176)	(53,216)
Employee contributions	–	115	115	–	132	132
Effect of transfers	(38)	–	(38)	(58)	–	(58)
Currency adjustments	–	11,456	11,456	–	(38,625)	(38,625)
Defined benefit obligations at end of year	**763,286**	**294,637**	**1,057,923**	**774,867**	**308,532**	**1,083,399**

Changes in the market value of plan assets

	2018			2017		
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Plan assets at start of year	**479,125**	**241,987**	**721,112**	**491,451**	**247,189**	**738,640**
Interest on plan assets	9,501	8,310	17,811	8,560	8,279	16,839
Plan expenses paid from plan assets recognized in profit or loss	–	(1,446)	(1,446)	–	(1,499)	(1,499)
Remeasurements						
Return on plan assets not included in net interest expense/income	(12,841)	(14,646)	(27,487)	7,713	22,784	30,497
Difference between plan expenses expected and recognized in profit or loss	–	420	420	–	(1)	(1)
Employer contributions	6,559	10,272	16,831	8,441	9,461	17,902
Employee contributions	–	115	115	–	132	132
Benefits paid	(40,157)	(14,276)	(54,433)	(37,040)	(16,176)	(53,216)
Currency adjustments	–	9,315	9,315	–	(28,182)	(28,182)
Plan assets at end of year	**442,187**	**240,051**	**682,238**	**479,125**	**241,987**	**721,112**

Investing plan assets to cover future pension obligations generated an actual expense of EUR 9,676 thousand in 2018 (2017: actual returns of EUR 47,336 thousand).

The pension provisions are determined as follows:

Reconciliation of pension obligations to provisions for pensions and similar obligations

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Defined benefit obligations	1,057,923	1,083,399
Less plan assets	682,238	721,112
Funding status	**375,685**	**362,287**
Assets from overfunded pension plans	14,328	5,464
Provision for pensions and similar obligations	**390,013**	**367,751**

The fair value of plan assets is divided among asset classes as follows:

Composition of plan assets

Dec. 31, 2018

(EUR thousand)	Fair value: Quoted in an active market	Fair value: Not quoted in an active market	Total	%
Stock				
U.S. equities	31,542	–	31,542	4.62
European equities	29,473	15,700	45,173	6.62
Emerging market equities	11,619	–	11,619	1.70
Other equities	10,864	–	10,864	1.59
Bonds				
U.S. government bonds	1,488	1,501	2,989	0.44
European government bonds	33,916	–	33,916	4.97
Emerging market government bonds	22,903	–	22,903	3.36
Corporate bonds*	256,975	1,811	258,786	37.93
Other bonds	15,398	3,024	18,422	2.70
Secured loans				
USA	9,981	–	9,981	1.46
Europe	10,125	–	10,125	1.49
Investment funds	32,617	16,480	49,097	7.20
Real estate	–	51,896	51,896	7.61
Infrastructure	–	26,951	26,951	3.95
Insurance policies	–	77,510	77,510	11.36
Cash	20,391	–	20,391	2.99
Other	(1,068)	1,141	73	0.01
Total	**486,224**	**196,014**	**682,238**	**100.00**

*Of which EUR 3,183 thousand state-guaranteed bonds

Dec. 31, 2017	Fair value			
(EUR thousand)	Quoted in an active market	Not quoted in an active market	Total	%
Stock				
U.S. equities	56,963	–	56,963	7.90
European equities	43,650	18,267	61,917	8.59
Emerging market equities	24,215	–	24,215	3.36
Other equities	23,226	–	23,226	3.22
Bonds				
U.S. government bonds	25,555	1,500	27,055	3.75
European government bonds	29,120	–	29,120	4.04
Emerging market government bonds	28,709	–	28,709	3.98
Corporate bonds*	207,821	1,568	209,389	29.04
Other bonds	5,208	1,486	6,694	0.93
Secured loans				
USA	9,221	–	9,221	1.28
Europe	9,334	–	9,334	1.29
Investment funds	72,047	18,199	90,246	12.51
Real estate	–	30,134	30,134	4.18
Infrastructure	–	15,469	15,469	2.14
Insurance policies	–	78,785	78,785	10.93
Cash	18,478	–	18,478	2.56
Other	1,083	1,074	2,157	0.30
Total	**554,630**	**166,482**	**721,112**	**100.00**

*Of which: EUR 4,811 thousand in state-guaranteed bonds

Pension expense under defined benefit plans is made up as follows:

	2018			2017		
(EUR thousand)	Domestic	International	Total	Domestic	International	Total
Current service cost	6,601	1,883	8,484	7,928	2,004	9,932
Past service cost	–	435	435	(1,504)	–	(1,504)
Total personnel expense	**6,601**	**2,318**	**8,919**	**6,424**	**2,004**	**8,428**
Interest expense for accrued benefit obligations	15,079	10,719	25,798	13,991	12,432	26,423
Interest on plan assets	(9,501)	(8,310)	(17,811)	(8,560)	(8,279)	(16,839)
Net interest expense (net investment and interest income)	**5,578**	**2,409**	**7,987**	**5,431**	**4,153**	**9,584**
Plan expenses paid from plan assets recognized in profit or loss	**–**	**1,446**	**1,446**	**–**	**1,499**	**1,499**
Total amount recognized in profit or loss	**12,179**	**6,173**	**18,352**	**11,855**	**7,656**	**19,511**

In addition to the expenses recognized in profit or loss, the Consolidated Statement of Comprehensive Income includes EUR 20,142 thousand in actuarial losses in 2018 before deferred taxes and after changes in the scope of consolidation and exchange rate adjustments (2017: EUR 85,533 thousand in actuarial gains). Before deferred taxes, the cumulative amount is actuarial losses of EUR 462,105 thousand (2017: EUR 441,963 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, 2018 came to EUR 52,413 thousand (2017: EUR 53,383 thousand). Healthcare costs accounted for EUR 1,630 thousand (2017: EUR 1,642 thousand) of the current service cost and EUR 2,076 thousand (2017: EUR 2,483 thousand) of the interest expense.

Sensitivity analysis

Pension obligations in the HOCHTIEF Group are subject to the following material risks:

Interest rate risk

For defined contribution plans, (notional) contributions are translated into benefits using a table of fixed interest rates, independent of the current market interest rate. HOCHTIEF thus bears the risk of general capital market interest rate changes with regard to the determination of benefits. Pension obligations have increased significantly in recent years due to the generally low level of capital market interest rates. The correspondingly strong impact is due to the relatively long term of the obligations.

Inflation risk

By law, company pensions in Germany must be raised level with the inflation rate at least every three years. German company pensions under the 2000+ plan rise at a fixed 1% p.a., hence there is only minor inflation risk in the pension phase. Turner plans are free from inflation risk as the main defined benefit plan is frozen and no more adjustments to the company pension are made.

Longevity risk

The granting of life-long pensions means that HOCHTIEF bears the risk of pensioners living longer than actuarial calculations predict. This risk normally averages out across all pension plan members and only comes into play if life expectancy is greater than expected.

The impact of the stated risks on the defined benefit obligations under a corresponding change in actuarial assumptions is shown in the sensitivity analysis that follows.

Impact on the defined benefit obligation

	Dec. 31, 2018					
	Domestic		International		Total	
(EUR thousand)	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0.50% / -0.50%	(50,088)	56,453	(14,250)	15,686	(64,338)	72,139
Discount rate +1.00% / -1.00%	(94,701)	120,385	(27,232)	33,017	(121,933)	153,402
Salary increases +0.50% / -0.50%	593	(572)	404	(389)	997	(961)
Pension increases +0.25% / -0.25%	19,869	(19,026)	1,004	(964)	20,873	(19,990)
Medical costs +1.00% / -1.00%	–	–	78	(70)	78	(70)
Life expectancy +1 year	36,074	n/a	6,971	n/a	43,045	n/a

	Dec. 31, 2017					
	Domestic		International		Total	
(EUR thousand)	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0.50% / -0.50%	(51,166)	57,728	(15,936)	17,616	(67,102)	75,344
Discount rate +1.00% / -1.00%	(96,707)	123,157	(30,404)	37,158	(127,111)	160,315
Salary increases +0.50% / -0.50%	558	(537)	420	(404)	978	(941)
Pension increases +0.25% / -0.25%	19,259	(18,433)	1,070	(975)	20,329	(19,408)
Medical costs +1.00% / -1.00%	–	–	83	(76)	83	(76)
Life expectancy +1 year	34,920	n/a	7,687	n/a	42,607	n/a

Future cash flows

Benefit payments

As of December 31, 2018, anticipated pension payments for future years are as follows:

(EUR thousand)	
Due in 2019	59,925
Due in 2020	59,543
Due in 2021	58,957
Due in 2022	59,106
Due in 2023	59,492
Due in 2024 to 2028	281,580

Contributions to defined benefit plans

Contributions to defined benefit plans will probably be higher in reporting year 2019 than in 2018. The main reason for this is an extraordinary contribution to the Turner pension fund which is included in the 2018 figures.

Defined contribution plans

Under defined contribution plans, the Company pays into a state or private pension fund voluntarily or in accordance with statutory or contractual stipulations. It has no obligation to pay further contributions.

There are defined contribution plans at Turner, Flatiron, and E.E. Cruz in the USA as well as at CIMIC in Australia. Depending on length of service and salary level, Turner pays between 3% and 6% of an employee's salary into an external fund. In addition, Turner employees have an option to pay up to 25% of their salaries into an investment fund as part of a 401 (k) plan. Turner matches the first 5% of the deferred compensation by up to 100% depending on length of service. All employees can join the plan immediately, and are vested in the company's contributions after three years' service. Tax relief is granted on most payments into the fund, although it is also possible to pay contributions from taxed income and receive the investment earnings free of tax; the investment risk is borne by employees. The defined contribution plans at Flatiron and E.E. Cruz are similar to 401 (k) plans. All non-union employees are entitled. Flatiron pays a contribution in the amount of 6.0% of the wage or salary, while E.E. Cruz doubles one-third of employee contributions, in each case up to the statutory maximum. Since July 1, 2014, CIMIC in Australia has paid 9.50% (previously 9.25%) of the wage and salary total into the statutory pension (superannuation) scheme. The contribution rate is expected to rise incrementally up to 12.0% by 2025. Employees have a choice of investment funds and bear the investment risk. They are able to pay top-up contributions on a voluntary basis. Tax relief is granted on top-up contributions.

The following amounts were paid into defined contribution plans and state pension schemes:

(EUR thousand)	2018	2017
Amounts paid into defined contribution plans		
CIMIC	131,870	130,296
Turner	46,219	42,693
Other	8,783	6,882
Total	**186,872**	**179,871**
Amounts paid into state pension schemes (employer share)	**79,031**	**74,735**

The costs are reported as part of personnel costs.

28. Other provisions

(EUR thousand)	Dec. 31, 2018 Non-current	Current	Total	Dec. 31, 2017 Non-current	Current	Total
Provisions for taxes	**–**	**86,099**	**86,099**	**–**	**76,360**	**76,360**
Personnel-related provisions	148,433	333,963	482,396	145,835	323,076	468,911
Provisions for insurance claims	214,940	16,492	231,432	187,118	3,158	190,276
Warranty obligations	–	35,007	35,007	–	41,333	41,333
Litigation risks	–	15,447	15,447	–	17,839	17,839
Sundry other provisions	6,898	355,144	362,042	15,798	266,824	282,622
Other provisions	**370,271**	**756,053**	**1,126,324**	**348,751**	**652,230**	**1,000,981**
	370,271	**842,152**	**1,212,423**	**348,751**	**728,590**	**1,077,341**

Personnel-related provisions primarily comprise provisions for stock option schemes, employment anniversary bonuses, holiday accrual, termination benefits, and early retirement arrangements.

The size of provisions for insurance claims is computed annually by an external actuary.

Items covered by sundry other provisions include contract administration, contract costs incurred subsequent to invoicing, payments for damages, and other uncertain liabilities.

Statement of provisions

(EUR thousand)	Balance at Jan. 1, 2018	Additions	Reversal of provisions	Changes in the scope of consoli-dation, currency adjustments, reclassifications, and transfer	Use of provisions	Balance at Dec. 31, 2018
Provisions for taxes	**76,360**	**41,105**	**(7,248)**	**6,994**	**(31,112)**	**86,099**
Personnel-related provisions	468,911	281,976	(4,432)	(20,127)	(243,932)	482,396
Provisions for insurance claims	190,276	31,287	–	9,883	(14)	231,432
Warranty obligations	41,333	7,160	(7,540)	(22)	(5,924)	35,007
Litigation risks	17,839	2,412	(2,506)	241	(2,539)	15,447
Sundry other provisions	282,622	131,299	(22,085)	25,651	(55,445)	362,042
Other provisions	**1,000,981**	**454,134**	**(36,563)**	**15,626**	**(307,854)**	**1,126,324**
	1,077,341	**495,239**	**(43,811)**	**22,620**	**(338,966)**	**1,212,423**

29. Financial liabilities

(EUR thousand)	Dec. 31, 2018 Non-current	Dec. 31, 2018 Current	Dec. 31, 2017 Non-current	Dec. 31, 2017 Current
Bonds or notes issued	1,519,592	534,703	1,510,108	96,610
Amounts due to banks	525,185	55,694	650,381	124,911
Financial liabilities to non-consolidated subsidiaries	–	1,005	–	3,581
Financial liabilities to participating interests	10,650	5,479	9,100	8,715
Lease liabilities	3,506	2,004	2,380	1,722
Sundry other financial liabilities	10,905	738	11,266	22
	2,069,838	**599,623**	**2,183,235**	**235,561**

Bonds

	Carrying amount Dec. 31, 2018 (EUR thousand)	Carrying amount Dec. 31, 2017 (EUR thousand)	Principal amount Dec. 31, 2018 (EUR thousand)	Coupon (%)	Initial term (in years)	Matures
HOCHTIEF AG bond (2014)	500,876	–	500,000 EUR	1.75	7	July 2025
HOCHTIEF AG bond (2013)	507,488	506,561	500,000 EUR	2.63	5	May 2019
HOCHTIEF AG bond (2012)	771,280	769,914	750,000 EUR	3.88	7	March 2020
CIMIC US$ Senior Notes (2012)	174,792	168,169	201,300 USD	5.95	10	November 2022
CIMIC US$ Senior Notes (2010)	99,859	96,075	115,000 USD			
Series C-Notes	[99,859]	[96,075]	115,000 USD	5.78	10	July 2020
CIMIC US$ Senior Notes (2008)	–	65,999	79,000 USD	7.66	10	October 2018
	2,054,295	**1,606,718**				

Amounts due to banks

	Carrying amount Dec. 31, 2018 (EUR thousand)	Average interest rate (%)	Carrying amount Dec. 31, 2017 (EUR thousand)	Average interest rate (%)
Variable-rate loans	190,578	1.56	392,091	2.30
Fixed-rate loans	390,301	1.67	383,201	1.67
	580,879		**775,292**	

The syndicated facility for a total of EUR 1.7 billion with a term to August 2022 and extension options of up to two more years was extended in July 2018 on the basis of the first of the two extension options by one year to August 2023. As in the prior year, there are no drawings on the credit facility tranche as of the reporting date.

On April 13, 2018, HOCHTIEF Aktiengesellschaft signed a new syndicated credit facility amounting to approximately EUR 18.2 billion pursuant to the agreement entered into with ACS, Actividades de Construcción y Servicios, S.A. and Atlantia S.p.A regarding the joint approach to be taken in the acquisition of Abertis Infraestructuras, S.A. of March 14, 2018. CNMV confirmed on May 14, 2018 that the voluntary takeover offer for Abertis had been accepted by a total of 78.79% of the share capital. Additional shares were subsequently purchased on the open market, at a maximum of the offer price. The credit facility was progressively drawn upon between May and October 2018 in order to finance the 98.7% total acquired shareholding in Abertis (taking into account treasury shares retired by Abertis). On October 29, 2018, this shareholding was transferred to Abertis Participaciones S.A.U., in return for which Abertis HoldCo, S.A. paid back the EUR 16,407,096 thousand drawings on the EUR 18.2 billion syndicated credit facility, which is thus cleared in full. HOCHTIEF Aktiengesellschaft consequently no longer has any financial liabilities under the acquisition facility as of the reporting date.

In November 2018, a syndicated guarantee and credit facility in the amount of CAD 350 million in favor of Flatiron Constructors Canada Ltd., Flatiron Construction Corp., and E.E. Cruz & Company, Inc., which had an initial term ending December 2018, was extended by one year to November 2019. Drawings on the facility were CAD 75.7 million as of the reporting date (2017: CAD 107.1 million) as a result of guarantees issued.

Financial liabilities to equity-accounted companies total EUR 16,129 thousand (2017: EUR 15,203 thousand).

The minimum lease payments for liabilities under finance leases break down as follows:

Finance leases

		Dec. 31, 2018			Dec. 31, 2017	
(EUR thousand)	Nominal value	Discount	Present value	Nominal value	Discount	Present value
Due in up to 1 year	2,106	102	2,004	1,783	61	1,722
Due in 1–5 years	3,530	93	3,437	2,409	49	2,360
Due after 5 years	83	14	69	21	1	20

30. Trade payables

	Dec. 31, 2018		Dec. 31, 2017	
(EUR thousand)	Non-current	Current	Non-current	Current
Contract liabilities				
Gross amount	–	(722,769)	–	(629,192)
Progress payments received	–	1,660,660	–	1,494,205
	–	**937,891**	**–**	**865,013**
Trade payables	69,690	5,938,245	99,049	5,175,462
To construction joint ventures	–	242,770	–	191,757
	69,690	**7,118,906**	**99,049**	**6,232,232**
Advance payments received	–	18,277	–	20,815
From non-consolidated subsidiaries	–	476	–	331
From participating interests	–	11,216	–	13,582
	69,690	**7,148,875**	**99,049**	**6,266,960**

The EUR 937,891 thousand (2017: EUR 865,013 thousand) contract liabilities represent construction contracts with a net negative balance in favor of customers where progress payments received exceed incurred contract costs including a pro rata allocation of contract net profit. The combined total of progress payments received and offset against the contract assets and contract liabilities in the reporting year stands at EUR 4,009,056 thousand (2017: EUR 3,796,667 thousand).

Trade payables include payables to equity-accounted companies in the amount of EUR 10,906 thousand (2017: EUR 13,260 thousand).

A distinction was made between non-current and current trade payables for the first time in 2018. The prior-year figures have been restated accordingly.

31. Other liabilities

	Dec. 31, 2018		Dec. 31, 2017	
(EUR thousand)	Non-current	Current	Non-current	Current
Liabilities to employees	–	84,145	–	210,288
Deferred income	28,149	25,695	29,975	30,058
Tax liabilities (excluding income taxes)	–	48,608	–	53,547
Liabilities under derivative financial instruments	–	747	258	3,863
Social insurance liabilities	–	2,412	–	2,012
Sundry other liabilities	100	237,464	100	198,564
	28,249	**399,071**	**30,333**	**498,332**

Deferred income mainly comprises insurance premiums received in advance for subsequent years (these are reversed to income over the life of the policies) and rental payments.

Sundry other current liabilities include EUR 198,777 thousand (2017: 163,012 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.

32. Current income tax liabilities

The EUR 12,955 thousand (2017: EUR 23,246 thousand) in current income tax liabilities comprises amounts payable to domestic and foreign tax authorities.

Other disclosures

33. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the Group share of profit after tax attributable to the shares by the average number of shares in circulation. This indicator can become diluted as a result of potential shares (mainly stock options and convertible bonds). HOCHTIEF's share-based payment arrangements do not have any dilutive effect. Diluted and basic earnings per share are consequently identical.

	2018	2017
Profit after tax attributable to HOCHTIEF shareholders (EUR thousand)	541,096	420,736
Number of shares in circulation in thousands (weighted average)	65,444	64,253
Earnings per share attributable to HOCHTIEF shareholders (EUR)	**8.27**	**6.55**
Dividend per share (EUR)		3.38
Proposed dividend per share (EUR)	4.98	

34. Reporting on financial instruments

Financial instruments include financial assets and liabilities as well as contractual claims and obligations relating to exchanges and transfers of financial assets. Financial instruments can be derivative or non-derivative.

Non-derivative financial assets mostly comprise cash and cash equivalents, marketable securities, receivables, and other financial assets. Marketable securities are carried at fair value. The fair values of financial assets classified in the at fair value through profit or loss category and in the at fair value through other comprehensive income category are determined with reference to market prices or, in the absence of such prices, using accepted valuation methods.

Non-derivative financial liabilities are mostly current liabilities measured at amortized cost.

According to their fair value, derivative financial instruments are reported either in other receivables and other assets or in other liabilities. Derivatives are used in the HOCHTIEF Group exclusively for the hedging of existing transactions and in asset management.

Holdings of non-derivative and derivative financial instruments are carried on the Balance Sheet; the maximum risk of loss or default is equal to total financial assets. Any such risk identified in respect of financial assets is accounted for with impairment losses or expected credit losses.

Risk management strategy

All finance activities in the HOCHTIEF Group are conducted on the basis of a Group-wide financial directive. This is complemented by function-specific operating work instructions on issues such as currency and collateral management. These lay down the risk management strategy and the principles for dealing with the various classes of financial risk.

The primary objective of financial risk management is to safeguard Group liquidity at all times. For the HOCHTIEF Group, liquidity not only means solvency in the strict sense, but also the long-term availability of the financial headroom needed for the basic operating business (such as collateral management/bank guarantees). Safeguarding liquidity at all times therefore requires integrated management of all Group financial resources, including its credit standing and hence borrowing capacity.

A further objective is to minimize financial risks affecting the value and profitability of the HOCHTIEF Group (currency, interest rate, exchange rate, and commodity price risks of all kinds, as well as counterparty risks).

The HOCHTIEF Group's operating business gives rise to new or changing financial risk exposures all the time. Risk minimization therefore does not mean excluding all financial risk, but substantially reducing, within specified bounds, financial risk exposures quantifiable at any time. This serves to ensure rapid response and adaptation capability in the event of unforeseen situations.

Management of liquidity risk

HOCHTIEF uses largely centralized liquidity structures—notably cash pooling—to pool liquidity at Group level, among other things to avoid cash flow bottlenecks at the level of individual entities. The central liquidity position is calculated at regular monthly intervals and budgeted in a bottom-up process over a rolling 18-month period. Liquidity budgets are supplemented with monthly stress testing. HOCHTIEF uses liquidity budgets in active management of the marketable securities and loans portfolios.

The tables below show maximum payments. The tables show the worst-case scenario for HOCHTIEF, i.e. the earliest possible contractual payment date in each case. Creditors' rights of termination are taken into account. Foreign currency items are translated using the closing rate as of the balance sheet date. Interest payments on variable rate items are translated uniformly using the last interest rate fixed prior to the balance sheet date. Both derivative and non-derivative financial instruments (for example, forward exchange contracts and interest rate swaps) are taken into account. Credit facilities granted but not yet drawn in their full amount are also included, as are financial guarantees issued by the Group.

The maximum payments shown in the following tables (worst-case scenario) are offset by contractually fixed receipts in the same periods that are not shown here (for example, from trade receivables). These cover most of the cash outflows shown.

Maximum payments as of December 31, 2018

(EUR thousand)	2019	2020	2021–2022	after 2022	**Total**
Non-derivative financial liabilities	7,058,120	999,157	408,174	869,290	9,334,741
Derivative financial instruments	747	–	–	–	747
Loan commitments and financial guarantees	73,358	–	–	–	73,358
	7,132,225	**999,157**	**408,174**	**869,290**	**9,408,846**

Maximum payments as of December 31, 2017

(EUR thousand)	2018	2019	2020–2021	after 2021	**Total**
Non-derivative financial liabilities	5,943,242	576,813	1,065,183	707,217	8,292,455
Derivative financial instruments	3,863	199	–	59	4,121
Loan commitments and financial guarantees	80,844	–	–	–	80,844
	6,027,949	**577,012**	**1,065,183**	**707,276**	**8,377,420**

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, 2018**	Dec. 31, 2017
Cash in hand and on deposit	2,489,689	2,127,418
Marketable securities	1,150,408	1,186,131
Undrawn revolving credit facilities	2,682,008	2,519,134
	6,322,105	**5,832,683**
Undrawn guarantee facilities	1,459,432	3,298,454

No refinancing risk is currently seen with regard to the long-term guarantee and credit facilities in light of the broad international syndication in each instance, the refinancing of the syndicated credit and guarantee facility ahead of schedule in August 2017, and the early extension to the term of the syndicated credit and guarantee facility in July 2018 until mid-2023. The authorized capital in the amount of up to EUR 65,752 thousand and conditional capital in the amount of up to EUR 46,080 thousand provide appropriate scope for raising additional capital as needed.

Financial assets and financial liabilities are presented net in the balance sheet when there is a legally enforceable right to set off the recognized amounts. There must also be an intention either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. In the HOCHTIEF Asia Pacific division, under a legally binding arrangement with banks, financial assets in the amount of EUR 51,973 thousand (2017: EUR 31,664 thousand) and financial liabilities in the amount of EUR 19,297 thousand (2017: EUR 3,179 thousand) are offset and presented in the balance sheet with their net amount of EUR 32,676 thousand (2017: EUR 28,485 thousand).

Management of currency risk

HOCHTIEF is exposed to currency risk (transaction risk) arising from receivables, liabilities, cash and cash equivalents, marketable securities, and pending transactions in currencies other than the functional currency of the Group company concerned 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 from foreign currency transactions.

Hedges for Group companies—with the exception of hedges in the CIMIC Group—are mainly administered via HOCHTIEF Aktiengesellschaft. A binding guideline clarifies 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. As a matter of policy, 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, their nominal amounts, and maximum remaining maturities:

(EUR thousand)	**Dec. 31, 2018**	Dec. 31, 2017
Assets		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedge accounting)	5,476	5,938
for hedging purposes (no cash flow hedge accounting)	4,134	321
	9,610	**6,259**
Liabilities and shareholders' equity		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedge accounting)	670	1,451
for hedging purposes (no cash flow hedge accounting)	77	2,647
	747	**4,098**
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounting) – recognized in other comprehensive income	319	7,530
of derivatives held for hedging purposes (no cash flow hedge accounting) – recognized immediately in profit or loss	6,383	(6,109)
Nominal amounts		
Forward exchange contracts/currency swaps		
for hedging purposes (cash flow hedge accounting)	303,106	307,078
for hedging purposes (no cash flow hedge accounting)	262,504	151,912
Maximum remaining maturity		
(months)		
for hedging purposes (cash flow hedge accounting)	26	26
for hedging purposes (no cash flow hedge accounting)	14	22

Where hedge accounting is used, unrealized gains and losses on hedges are initially recognized in other comprehensive income, taking into account deferred tax. Gains and losses are not realized until a hedged item affects income. Derivatives are measured on the basis of current market rates as of the balance sheet date. When interpreting positive or negative fair value changes relating to derivatives, it is important to remember that they balance hedged items whose values move in the opposite direction.

The following sensitivity analyses demonstrate what material impact on HOCHTIEF Group equity and profit would result from a 10% fluctuation in foreign currencies relative to each Group company's functional currency. The analysis is based on holdings as of the balance sheet date.

		Dec. 31, 2018		Dec. 31, 2017	
		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 accounting)					
Functional currency	Foreign currency				
EUR	CHF	–	–	(337)	337
AUD	EUR	1,466	(1,466)	289	(289)
AUD	GBP	64	(64)	64	(64)
AUD	NZD	1,306	(1,306)	–	–
AUD	USD	17,337	(17,337)	3,395	(3,395)
PLN	EUR	(3,649)	3,649	(8,778)	8,778
USD	EUR	40	(40)	–	–
Change in profit or loss due to unhedged currency exposures in primary financial instruments and to market value fluctuations in derivative financial instruments (no cash flow hedge accounting)					
Functional currency	Foreign currency				
EUR	CZK	338	(338)	345	(345)
EUR	DKK	157	(157)	77	(77)
EUR	HUF	134	(134)	(194)	194
EUR	NOK	1,283	(1,283)	1,422	(1,422)
EUR	PLN	33	(33)	4,938	(4,938)
EUR	SEK	229	(229)	1,147	(1,147)
EUR	USD	(9,715)	9,715	5,714	(5,714)
AUD	CAD	1,486	(1,486)	721	(721)
AUD	EUR	4,113	(4,113)	2,588	(2,588)
AUD	HKD	3,949	(3,949)	4,283	(4,283)
AUD	SGD	2,941	(2,941)	766	(766)
AUD	USD	10,356	(10,356)	9,610	(9,610)
CZK	EUR	–	–	(3,217)	3,217
QAR	EUR	165	(165)	2,726	(2,726)
USD	CAD	(9,760)	9,760	(14,097)	14,097
USD	EUR	(2,253)	2,253	(2,094)	2,094
USD	GBP	(1,546)	1,546	(1,967)	1,967

Management of interest rate risk

HOCHTIEF is exposed to interest rate risk through financial items primarily consisting of non-current interest-bearing marketable securities, 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 a guideline, and derivatives are used solely for hedging (i.e. not speculatively) as a matter of principle. As a matter of policy, 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, their nominal amounts, and maximum remaining maturities:

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Assets		
Interest rate swaps		
for hedging purposes (cash flow hedge accounting)	–	–
for hedging purposes (no cash flow hedge accounting)	–	397
	–	**397**
Liabilities and shareholders' equity		
Interest rate swaps		
for hedging purposes (cash flow hedge accounting)	–	–
for hedging purposes (no cash flow hedge accounting)	–	23
	–	**23**
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounting) – recognized in other comprehensive income	–	–
of derivatives held for hedging purposes (no cash flow hedge accounting) – recognized immediately in profit or loss	(374)	209
Nominal amounts	–	–
Maximum remaining maturity		
(months)		
for hedging purposes (cash flow hedge accounting)	–	–
for hedging purposes (no cash flow hedge accounting)	–	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, 2018		Dec. 31, 2017	
	Market interest rate		Market interest rate	
(EUR thousand)	1% increase	1% decrease	1% increase	1% decrease
Change in equity due to market value fluctuations of interest rate derivatives used for hedging (cash flow hedge accounting) and of fixed-interest securities measured at fair value through other comprehensive income (OCI)	(2,817)	2,816	(1,593)	1,591
Change in profit or loss due to unhedged variable rate interest rate exposures on primary financial instruments and to market value fluctuations in derivative financial instruments (no cash flow hedge accounting)	291	(290)	(1,157)	1,107

Management of other price risk

At HOCHTIEF, other price risk results from investing in non-interest-bearing marketable and non-current securities. In addition, price risk stems from other financial assets, primarily participating interests. Such items are shown in the following table.

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Price risk exposure on non-current assets	73,481	65,683
Price risk exposure on current assets	242,164	229,076

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 markets 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 other price risk only in exceptional instances.

The following table shows the fair values of equity options and stock forward contracts, changes in their fair values, their nominal amounts, and maximum remaining maturities:

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Assets		
Equity options and stock forward contracts		
for hedging purposes (cash flow hedge accounting)	3,185	4,616
for hedging purposes (no cash flow hedge accounting)	46,890	45,114
	50,075	**49,730**
Liabilities and shareholders' equity	–	–
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounting) – recognized in other comprehensive income	(1,431)	(6,140)
of derivatives held for hedging purposes (no cash flow hedge accounting) – recognized immediately in profit or loss	1,776	(6,270)
Nominal amounts		
Equity options and stock forward contracts		
for hedging purposes (cash flow hedge accounting)	–	3,398
for hedging purposes (no cash flow hedge accounting)	–	–
Maximum remaining maturity		
(months)		
for hedging purposes (cash flow hedge accounting)	3	15
for hedging purposes (no cash flow hedge accounting)	108	120

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, 2018		Dec. 31, 2017	
	Market value		Market value	
(EUR thousand)	10% increase	10% decrease	10% increase	10% decrease
Change in equity due to changes in market price of unimpaired securities	24,216	(24,216)	22,908	(22,908)
Change in equity due to changes in value of unimpaired participating interests measured at fair value	6,551	(6,551)	6,568	(6,568)

In insurance activities, the HOCHTIEF Group applies the overlay approach to selected securities, as a result of which changes in fair value are recognized through other comprehensive income. The carrying amount of securities subject to the overlay approach as of December 31, 2018 amounts to EUR 242,164 thousand. Changes in fair value recognized through other comprehensive income in the reporting period amounted to a negative EUR 10,587 thousand.

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. For trade receivables, using the simplified approach, expected credit losses can be determined in accordance with IFRS 9 on the basis of loss rates calculated from historical and projected data, taking into account the client and the regional economic environment.

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, minimizing the probability of the guarantees being drawn upon.

The maximum credit risk exposure of financial assets is equivalent to their carrying amounts in the balance sheet. However, the actual credit risk exposure is lower due to collateral given in favor of the HOCHTIEF Group. The maximum risk exposure on financial guarantees issued by HOCHTIEF is the maximum amount to be paid by HOCHTIEF. The maximum credit risk for loan commitments is the amount of the commitment. As of December 31, 2018, the maximum credit risk from financial guarantees and loan commitments amounted to EUR 73,358 thousand (2017: EUR 80,844 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 generally cannot be measured reliably.

The following table shows the gross carrying amounts of trade receivables past due and not past due as of December 31, 2018 that are impaired either on the basis of an impairment matrix (simplified approach) or via specific valuation allowances.

Dec. 31, 2018

			Impairment matrix					
(EUR thousand)	Gross carrying amount	Impairment matrix not applied – specific valuation allowances	Not past due	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	Over 120 days past due
Trade receivables	5,020,836	4,449,639	503,930	35,542	2,510	1,281	774	27,160
	5,020,836	**4,449,639**	**503,930**	**35,542**	**2,510**	**1,281**	**774**	**27,160**

The age structure of trade receivables 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 trade receivables that are past due are from public-sector clients and industrial companies with top credit ratings, meaning that they are mostly subject to low credit risk.

The adjustment to trade receivables on the date of first-time application of IFRS 9 amounted to EUR 19,882 thousand, resulting in an adjusted opening balance of EUR 178,536 thousand. Changes during the 2018 reporting year relate to additions, reversals, utilizations, exchange rate adjustments, and consolidation changes, and come to a total of EUR 9,227 thousand (2017: EUR 9,441 thousand), as a result of which impairments on trade receivables amounted to EUR 187,763 thousand as of December 31, 2018. The impairments (expected credit losses) on trade receivables mostly consist of impairments typical for the industry.

The following table shows changes in the expected credit losses (ECLs) on financial assets that come under the general impairment model in accordance with IFRS 9:

(EUR thousand)	Stage 1 12-month ECL	Stage 2 lifetime ECL gross carrying amount	Stage 3 lifetime ECL net carrying amount	Total
Financial receivables				
Dec. 31, 2017				**33,785**
Adjustment (expected credit loss)	–	–	–	390,226
Jan. 1, 2018	**21,270**	**25,313**	**377,428**	**424,011**
Remeasurement (changed measurement parameters)	2,252	2,337	45,302	49,891
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Newly acquired/issued financial assets	–	–	–	–
Repaid or derecognized financial assets	(9,042)	(3,197)	–	(12,239)
Other changes*	(8)	–	(50,003)	(50,011)
Dec. 31, 2018	**14,472**	**24,453**	**372,727**	**411,652**
Other current receivables and other current assets				
Dec. 31, 2017				**177**
Adjustment (expected credit loss)	–	–	–	–
Jan. 1, 2018	**177**	**–**	**–**	**177**
Remeasurement (changed measurement parameters)	47	–	–	47
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Newly acquired/issued financial assets	1	–	–	1
Repaid or derecognized financial assets	(1)	–	–	(1)
Other changes*	1	–	–	1
Dec. 31, 2018	**225**	**–**	**–**	**225**

*The other changes relate to exchange rate adjustments and consolidation changes.

The expected credit loss (ECL) stages are defined in further detail based on the following risk classes:

Risk class	Company definition of risk class	Basis for recognition of expected credit loss
Performing	Customers have a low risk of default, no past due amounts	12-month expected losses or lifetime expected losses (simplified approach) where asset life is less than 12 months
Underperforming	Amount is initially past due (unless there is reasonable and supportable information to prove otherwise) or there has been a significant increase in credit risk since initial recognition.	Lifetime expected losses – not credit impaired; gross carrying amount
Non-performing	Amount is significantly past due (unless there is reasonable and supportable information to prove otherwise) and there is evidence indicating the asset is reasonable and supportable information to prove credit impaired.	Lifetime expected losses – credit impaired; net carrying amount
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Asset is written off

In order to enable an assessment of the HOCHTIEF Group’s credit risk exposure, the following table shows the gross carrying amounts of financial assets by risk class within the ECL stages.

	Gross carrying amounts			
(EUR thousand)	Stage 1 12-month ECL	Stage 2 lifetime ECL gross carrying amount	Stage 3 lifetime ECL net carrying amount	Total
Risk classes				
Performing	4,754,876	191,370	–	4,946,246
Underperforming	17,186	22,986	–	40,172
Non-performing	8,948	54,605	909,518	973,071
	4,781,010	**268,961**	**909,518**	**5,959,489**

Capital risk management

The HOCHTIEF Group manages capital with the aim of ensuring that all Group companies can continue to operate as a going concern. The Group keeps the cost of capital as low as possible by optimizing the balance between equity and debt as the need arises. These measures primarily serve to secure the best possible credit standing as well as to maximize shareholder returns.

The Group’s capital structure consists of the balance sheet items comprising net debt (defined as current and non-current liabilities less cash and cash equivalents) and equity. The overall capital risk management strategy did not change in the reporting year compared with the prior year.

Additional information on financial instruments

In the following, carrying amounts and fair values are shown for each class of financial instrument and carrying amounts for each IFRS 9 category as of December 31, 2018 and each IAS 39 category as of December 31, 2017.

2018 (EUR thousand)	Carrying amount by category – Financial assets – At fair value through other compre-hensive income	At fair value through profit or loss	At amortized cost	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, 2018	Total fair value Dec. 31, 2018
Assets									
Other financial assets									
At fair value	–	73,481	–	–	–	–	–	73,481	73,481
At amortized cost	–	–	–	–	–	–	–	–	–
	–	**73,481**	**–**	**–**	**–**	**–**	**–**	**73,481**	**73,481**
Financial receivables									
Non-current	**–**	**–**	**486,760**	**–**	**–**	**–**	**–**	**486,760**	**486,760**
Current	**–**	**–**	**178,045**	**–**	**–**	**–**	**–**	**178,045**	**178,045**
Trade receivables	**–**	**–**	**2,672,171**	**–**	**–**	**–**	**1,763,282**	**4,435,453**	**4,435,453**
Other receivables and other financial assets									
Non-current									
At fair value	–	46,890	–	–	–	3,193	–	50,083	50,083
At amortized cost	–	–	–	–	–	–	–	–	–
Not covered by IFRS 7	–	–	–	–	–	–	118,302	118,302	n/a
	–	**46,890**	**–**	**–**	**–**	**3,193**	**118,302**	**168,385**	**50,083**
Current									
At fair value	–	4,134	–	–	–	5,468	–	9,602	9,602
At amortized cost	–	–	279,044	–	–	–	–	279,044	279,044
Not covered by IFRS 7	–	–	–	–	–	–	257,062	257,062	n/a
	–	**4,134**	**279,044**	**–**	**–**	**5,468**	**257,062**	**545,708**	**288,646**
Marketable securities	**154,263**	**291,211**	**–**	**–**	**–**	**–**	**–**	**445,474**	**445,474**
Cash and cash equiva-lents	**–**	**–**	**3,565,888**	**–**	**–**	**–**	**–**	**3,565,888**	**3,565,888**
Liabilities and shareholders' equity									
Financial liabilities									
Non-current	**–**	**–**	**–**	**–**	**2,066,332**	**3,506**	**–**	**2,069,838**	**2,109,937**
Current	**–**	**–**	**–**	**–**	**597,619**	**2,004**	**–**	**599,623**	**597,055**
Trade payables									
Non-current	**–**	**–**	**–**	**–**	**69,690**	**–**	**–**	**69,690**	**69,690**
Current	**–**	**–**	**–**	**–**	**6,192,707**	**–**	**956,168**	**7,148,875**	**7,148,875**
Other liabilities									
Non-current									
At fair value	–	–	–	–	–	–	–	–	–
At amortized cost	–	–	–	–	85	–	–	85	85
Not covered by IFRS 7	–	–	–	–	–	–	28,164	28,164	n/a
	–	**–**	**–**	**–**	**85**	**–**	**28,164**	**28,249**	**85**
Current									
At fair value	–	–	–	77	–	670	–	747	747
At amortized cost	–	–	–	–	231,266	–	–	231,266	231,266
Not covered by IFRS 7	–	–	–	–	–	–	167,058	167,058	n/a
	–	**–**	**–**	**77**	**231,266**	**670**	**167,058**	**399,071**	**232,013**

2017	Carrying amount by category					Not belonging to any category			
	Financial assets			Financial liabilities					
(EUR thousand)	Available for sale	Held for trading	Loans and receivables	Held for trading	At amortized cost	Hedge accounting and finance leases	Not covered by IFRS 7	**Total carrying amounts Dec. 31, 2017**	**Total fair value Dec. 31, 2017**
Assets									
Other financial assets									
At fair value	65,683	–	–	–	–	–	–	65,683	65,683
At amortized cost	7,845	–	–	–	–	–	–	7,845	n/a
	73,528	**–**	**–**	**–**	**–**	**–**	**–**	**73,528**	**65,683**
Financial receivables									
Non-current	**–**	**–**	**835,518**	**–**	**–**	**–**	**–**	**835,518**	**835,518**
Current	**–**	**–**	**144,183**	**–**	**–**	**–**	**–**	**144,183**	**144,183**
Trade receivables	**–**	**–**	**2,698,995**	**–**	**–**	**–**	**2,119,236**	**4,818,231**	**4,818,231**
Other receivables and other financial assets									
Non-current									
At fair value	–	45,510	–	–	–	5,093	–	50,603	50,603
At amortized cost	–	–	–	–	–	–	–	–	–
Not covered by IFRS 7	–	–	–	–	–	–	103,182	103,182	n/a
	–	**45,510**	**–**	**–**	**–**	**5,093**	**103,182**	**153,785**	**50,603**
Current									
At fair value	–	322	–	–	–	5,461	–	5,783	5,783
At amortized cost	–	–	273,585	–	–	–	–	273,585	273,585
Not covered by IFRS 7	–	–	–	–	–	–	132,568	132,568	n/a
	–	**322**	**273,585**	**–**	**–**	**5,461**	**132,568**	**411,936**	**279,368**
Marketable securities	**428,759**	**–**	**–**	**–**	**–**	**–**	**–**	**428,759**	**428,759**
Cash and cash equivalents	**–**	**–**	**3,094,924**	**–**	**–**	**–**	**–**	**3,094,924**	**3,094,924**
Liabilities and shareholders' equity									
Financial liabilities									
Non-current	**–**	**–**	**–**	**–**	**2,180,855**	**2,380**	**–**	**2,183,235**	**2,256,830**
Current	**–**	**–**	**–**	**–**	**233,839**	**1,722**	**–**	**235,561**	**235,561**
Trade payables									
Non-current	**–**	**–**	**–**	**–**	**99,049**	**–**	**–**	**99,049**	**99,049**
Current	**–**	**–**	**–**	**–**	**5,381,132**	**–**	**885,828**	**6,266,960**	**6,266,960**
Other liabilities									
Non-current									
At fair value	–	–	–	59	–	199	–	258	258
At amortized cost	–	–	–	–	85	–	–	85	85
Not covered by IFRS 7	–	–	–	–	–	–	29,990	29,990	n/a
	–	**–**	**–**	**59**	**85**	**199**	**29,990**	**30,333**	**343**
Current									
At fair value	–	–	–	2,611	–	1,252	–	3,863	3,863
At amortized cost	–	–	–	–	191,987	–	–	191,987	191,987
Not covered by IFRS 7	–	–	–	–	–	–	302,482	302,482	n/a
	–	**–**	**–**	**2,611**	**191,987**	**1,252**	**302,482**	**498,332**	**195,850**

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 are measured at fair value through profit or loss at fair value; as such, their carrying amounts also correspond to fair value. Where insufficient recent information is available for fair value measurement of shares in non-consolidated subsidiaries and other participating interests, cost may be used as an appropriate estimate of fair value.

In the disclosures on the fair value hierarchy for financial instruments measured at fair value as set out below, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e., the exit price). For non-financial assets, fair value is measured assuming the highest and best use of the asset by market participants. The following three-level hierarchy is applied that reflects the observability of the inputs to valuation techniques used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; e.g. quoted securities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); e.g. interest rate swaps and forward exchange contracts.

Level 3: No relevant observable inputs available, hence unobservable inputs are determined as an exit price from the perspective of a market participant that holds the asset or owes the liability; e.g. investments measured at fair value determined by business valuation.

Disclosures relating to the fair value hierarchy for financial instruments measured at fair value

		Dec. 31, 2018			Dec. 31, 2017	
(EUR thousand)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Other financial assets	–	8,497	64,984	1,005	687	63,991
Other receivables and other assets						
Non-current	–	3,193	46,890	–	5,489	45,114
Current	–	9,602	–	–	5,783	–
Marketable securities	410,435	35,039	–	396,204	32,555	–
Liabilities						
Other liabilities						
Non-current	–	–	–	–	258	–
Current	–	747	–	–	3,863	–

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There were no transfers of assets measured at fair value between Level 1 and Level 2 of the fair value hierarchy in the reporting year. This means that there were likewise no changes in Level 3.

In Level 3, the fair value of investments in unlisted entities is measured using generally recognized valuation techniques based on discounted cash flow analysis. The unobservable inputs used for this purpose are an internal rate of return of 9%, growth rates of between 2.5% and 3.0%, and required discount rates of between 10% and 15%. Call options are measured using Monte Carlo simulation. Assumed inputs are an expected exercise period of one to ten years, an EBITDA multiplier of six to twelve times, and a 15% discount factor. Changes in the unobservable inputs have no material effect on total comprehensive income, total assets and liabilities, or equity.

Reconciliation of beginning to ending balances for Level 3 measurements of financial instrument fair values

(EUR thousand)	Balance as of Jan. 1, 2018	Currency adjustments	Gains/(losses) recognized in profit or loss	Other changes	**Balance as of Dec. 31, 2018**
Other financial assets	63,991	(3,557)	4,363	187	64,984
Other receivables and other assets					
Non-current	45,114	1,776	–	–	46,890
Current	–	–	–	–	–

(EUR thousand)	Balance as of Jan. 1, 2017	Currency adjustments	Gains/(losses) recognized in profit or loss	Other changes	Balance as of Dec. 31, 2017
Other financial assets	40,103	(2,922)	25,464	1,346	63,991
Other receivables and other assets					
Non-current	51,384	(6,270)	–	–	45,114
Current	–	–	–	–	–

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 371,265 thousand are pledged as collateral for recognized financial liabilities and unrecognized contingent liabilities as of December 31, 2018 (2017: EUR 210,134 thousand).

The following table shows the net profit from financial instruments by IFRS 9 category for 2018 and by IAS 39 category for 2017:

Net profit from financial instruments

(EUR thousand)	2018	2017
Available for sale	–	48,369
Held for trading	–	(7,178)
Loans and receivables	–	66,197
At amortized cost	33,158	–
At fair value through profit or loss	10,387	–
At fair value through other comprehensive income	11,187	–
Liabilities at amortized cost	(160,758)	(158,166)
	(106,026)	**(50,778)**

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.

35. Contingencies, commitments, and other financial obligations

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Obligations under guarantees	369,785	409,486

Of this total, obligations in the amount of EUR 368,741 thousand (2017: EUR 405,136 thousand) relate to associates and joint ventures, of which the entire amount (2017: EUR 404,603 thousand) is accounted for by the CIMIC Group. The remaining commitments and potential obligations relate to HOCHTIEF Aktiengesellschaft and primarily serve as security for bank loans, contract performance, warranty obligations, and advance payments. Most guarantees given by HOCHTIEF Aktiengesellschaft as of the reporting date related to participating interests and construction joint ventures. HOCHTIEF Aktiengesellschaft is also jointly and severally liable for all construction joint ventures in which it has an interest in Germany.

Material guarantee facilities

	Total available		Utilized		Expires
(EUR billion)	2018	2017	2018	2017	
HOCHTIEF AG					
Syndicated guarantee facility (EUR)	1.20	1.20	0.94	0.80	August 2023
Further guarantee facilities (EUR)	1.60	16.47	0.84	15.82	n.a.
Turner/Flatiron					
Bonding (USD)	8.61	7.30	8.61	6.76	until further notice
Flatiron syndicated guarantee (CAD)	0.25	0.25	0.08	0.11	November 2019
CIMIC					
Syndicated guarantee facility (AUD)	1.35	1.05	0.95	0.78	March 2021
Further guarantee facilities (AUD)	4.30	3.81	3.24	2.51	n.a.

In the context of the takeover offer submitted in October 2017 for all outstanding shares in Abertis Infraestructuras, S.A., HOCHTIEF Aktiengesellschaft provided a bank guarantee in the amount of approximately EUR 15 billion to CNMV, the National Securities Market Commission of Spain. The commitment to CNMV was required under Spanish law, which stipulates that on announcement of a takeover offer, a guarantee must be furnished to cover the funds needed for the transaction in order to secure the cash tranche of the offer.

Following approval of the offer by CNMV on March 12, 2018, HOCHTIEF Aktiengesellschaft, ACS (Actividades de Construcción y Servicios, S.A.), and Atlantia S.p.A agreed on March 14, 2018 to present a joint takeover offer for Abertis Infraestructuras, S.A. This involved submitting to CNMV a modification to the characteristics of the takeover bid on March 23, 2018. Under the modified takeover offer, the share component was removed from the offer, meaning that the acquisition was to be settled in full in cash. As a result, additional guarantees in the amount of approximately EUR 3.2 billion were submitted to CNMV. On April 12, 2018, CNMV approved the joint takeover offer for Abertis Infraestructuras, S.A. dated March 23, 2018.

On April 13, 2018, HOCHTIEF Aktiengesellschaft signed a new credit facility amounting to approximately EUR 18.2 billion pursuant to the agreement entered into with ACS and Atlantia S.p.A on March 14, 2018 regarding the joint approach to be taken in the acquisition of Abertis Infraestructuras, S.A. The bank guarantees provided by the lenders and originally submitted to CNMV in connection with submission of the offer were replaced by the bank guarantees provided by the lenders under the new syndicated credit facility.

CNMV confirmed on May 14, 2018 that the voluntary takeover offer for Abertis Infraestructuras, S.A. had been accepted by a total of 78.79% of the share capital. The ensuing drawing on the aforementioned credit facility on May 17, 2018 in order to settle the offer price of approximately EUR 14.3 billion resulted in expiration of the outstanding bank guarantees in the amount of EUR 18.2 billion. As of the December 31, 2018 reporting date, there were consequently no longer any bank guarantees in connection with the takeover offer.

The EUR 1.7 billion syndicated credit facility continues to be a central long-term financing instrument for HOCHTIEF Aktiengesellschaft. The facility, with a term to August 2022 and extension options of up to two more years, was extended in July 2018 on the basis of the first of the two extension options by one year to August 2023.

Group order exposure from awarded capital expenditure projects is EUR 106,331 thousand (2017: EUR 92,183 thousand) and mostly relates to the CIMIC Group in the amount of EUR 106,162 thousand (2017: EUR 91,881 thousand). In the HOCHTIEF Asia Pacific division, there were additionally cash call commitments to non-consolidated entities in the amount of EUR 9,433 thousand (2017: EUR 10,100 thousand).

The term breakdown of minimum lease payments under operating leases is as follows:

Operating leases

(EUR thousand)	Dec. 31, 2018 Nominal value	Dec. 31, 2017 Nominal value
Due within 1 year	238,621	215,680
Due in 1–5 years	457,058	438,180
Due after 5 years	84,618	131,739

The obligations from operating leases mainly relate to plant and machinery leased by the CIMIC Group. Lease payments under operating leases came to EUR 292,772 thousand in 2018 (2017: EUR 262,085 thousand).

Several companies in the HOCHTIEF Asia Pacific division have a number of leasing arrangements. The companies concerned are financed by third parties. HOCHTIEF itself holds neither interests in their equity nor assets such as loans or receivables. Relevant activities are managed by third parties under contractual agreement and are therefore not consolidated. The minimum lease payments under operating leases come to EUR 190,751 thousand (2017: EUR 123,486 thousand).

Amounts due under long-term tenancies are EUR 87,257 thousand (2017: EUR 116,716 thousand). The term for which such tenancies cannot be terminated is between two and nine years (2017: two and ten years). The amounts due under tenancies are partly offset by anticipated rental income of EUR 29,000 thousand (2017: EUR 48,937 thousand).

Other financial obligations include EUR 38,526 thousand (2017: EUR 40,690 thousand) in commitments relating to shareholder loans and under long-term contracts for the supply of goods and services.

Legal disputes

HOCHTIEF Group companies are involved in various legal disputes and arbitration proceedings in the context of their operating activities. As currently assessed, however, HOCHTIEF does not anticipate that the disputes and arbitration proceedings will have any material adverse impact on the Group's business and financial situation.

36. Segment reporting

HOCHTIEF's structure reflects the operating focus of the business as well as the Group's presence in key national and international regions and markets. Segmental reporting in the HOCHTIEF Group is based on the Group's divisional operations. The breakdown mirrors the Group's internal reporting systems.

The Group's reportable segments (divisions) are as follows:

HOCHTIEF Americas encompasses the construction activities of operational units in the USA and Canada;

HOCHTIEF Asia Pacific pools the construction activities and contract mining in the Asia-Pacific region;

HOCHTIEF Europe brings together the core business in Europe as well as selected other regions and designs, develops, builds, operates, and manages real estate and infrastructure.

Corporate comprises Corporate Headquarters, other activities not assignable to the separately listed divisions, including management of financial resources and insurance activities, our investment in Abertis, plus consolidation effects. Insurance activities are managed from Corporate Headquarters under the responsibility of HOCHTIEF Insurance Broking and Risk Management Solutions GmbH with various companies in Luxembourg, including Builders Reinsurance S.A. The HOCHTIEF insurance companies primarily provide reinsurance offerings for contractors' casualty and surety, subcontractor default, liability, and occupational accident insurance.

Divisions (EUR thousand)	External sales 2018	External sales 2017	Intersegment sales 2018	Intersegment sales 2017	Sales by division (external plus intersegment) 2018	Sales by division (external plus intersegment) 2017
HOCHTIEF Americas	13,068,672	11,838,947	–	–	13,068,672	11,838,947
HOCHTIEF Asia Pacific	9,266,285	9,077,028	–	–	9,266,285	9,077,028
HOCHTIEF Europe	1,415,951	1,604,274	6,630	4,776	1,422,581	1,609,050
Corporate	131,382	110,701	6,084	6,570	137,466	117,271
HOCHTIEF Group	**23,882,290**	**22,630,950**	**12,714**	**11,346**	**23,895,004**	**22,642,296**

Divisions (EUR thousand)	EBITDA 2018	EBITDA 2017	Ordinary depreciation/ amortization 2018	Ordinary depreciation/ amortization 2017	Share of profits and losses of equity-method associates and joint ventures 2018	Share of profits and losses of equity-method associates and joint ventures 2017
HOCHTIEF Americas	338,746	290,751	24,072	25,446	70,802	70,753
HOCHTIEF Asia Pacific	1,073,992	1,020,285	351,539	345,595	36,990	(33,736)
HOCHTIEF Europe	76,331	70,448	11,999	16,918	63,558	78,198
Corporate	(75,265)	(60,730)	2,151	2,255	60,492	–
HOCHTIEF Group	**1,413,804**	**1,320,754**	**389,761**	**390,214**	**231,842**	**115,215**

Divisions (EUR thousand)	Carrying amount of equity-method investments 2018	Carrying amount of equity-method investments 2017	Purchases of intangible assets, property, plant, equipment, investment properties and financial assets 2018	Purchases of intangible assets, property, plant, equipment, investment properties and financial assets 2017	Net cash (+)/ Net debt (-) 2018	Net cash (+)/ Net debt (-) 2017
HOCHTIEF Americas	136,245	185,143	106,952	52,744	1,142,098	972,433
HOCHTIEF Asia Pacific	84,231	249,384	374,468	308,218	982,642	578,483
HOCHTIEF Europe	186,525	127,644	42,734	21,420	475,269	210,577
Corporate	1,458,367	15,000	1,414,273	11,892	(1,037,782)	(495,647)
HOCHTIEF Group	**1,865,368**	**577,171**	**1,938,427**	**394,274**	**1,562,227**	**1,265,846**

Regions (EUR thousand)	External sales by customer location 2018	External sales by customer location 2017	Non-current assets 2018	Non-current assets 2017
Germany	897,892	854,197	86,719	93,728
Rest of Europe	547,132	725,408	45,581	37,670
USA	12,466,086	11,247,760	402,175	380,494
Rest of America	789,932	796,211	57,446	90,474
Asia	2,222,798	2,205,966	734,150	740,402
Australia	6,547,961	6,798,876	819,751	818,432
Rest of Oceania	410,401	2,146	–	–
Africa	88	386	–	–
HOCHTIEF Group	**23,882,290**	**22,630,950**	**2,145,822**	**2,161,200**

Work done		Profit before tax (PBT)		Net profit*	
2018	2017 (restated)	2018	2017	2018	2017
12,662,830	11,630,329	298,640	254,007	190,484	162,595
10,897,559	10,889,222	620,164	578,893	299,695	275,443
1,760,844	1,893,944	47,960	32,538	36,735	23,716
124,974	104,921	11,675	(41,819)	14,182	(41,018)
25,446,207	**24,518,416**	**978,439**	**823,619**	**541,096**	**420,736**

*Share of HOCHTIEF shareholders in profit after tax

Interest and similar income		Interest and similar expenses		Non-cash expenses	
2018	2017	2018	2017	2018	2017
4,990	4,154	17,297	13,138	110.532	126.497
19,893	25,490	134,203	137,658	190.197	153.567
3,567	4,681	12,460	16,932	152.129	127.660
7,662	7,438	(3,202)	(9,562)	77.097	50.314
36,112	**41,763**	**160,758**	**158,166**	**529.955**	**458.038**

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 sales relating to performance obligations recognized using the percentage of completion method in the mainstream construction business, construction management, and contract mining. The sum of external sales and intersegment sales adds up to total sales revenue for each division.

Work done also includes the proportional share of work done in joint ventures.

The definition of EBITDA was harmonized Group-wide in 2018 and the prior-year figures were restated accordingly.

Profit from operating activities is derived from EBITDA as follows:

(EUR thousand)	2018	2017 (restated)
Profit from operating activities	**772,667**	**764,887**
– Depreciation and amortization	391,590	395,621
+ Net income from joint ventures	161,427	110,943
+ Gains/losses from disposals of participating interests	31,362	359
+ Adjustment for non-operating net expenses	56,758	48,944
EBITDA	**1,413,804**	**1,320,754**

Ordinary depreciation and amortization relates to intangible assets with finite useful lives, property, plant and equipment, and investment properties.

The share of profits and losses of equity-method associates and joint ventures comprises income and expenses, including impairment losses, relating to equity-method investments.

The non-cash expenses consist of additions to provisions.

Purchases comprise additions to intangible assets, property, plant and equipment, investment properties, equity-method investments (excluding equity-method adjustments), subsidiaries, and other participating interests.

Net cash is made up as follows:

(EUR thousand)	Dec. 31, 2018	Dec. 31, 2017
Cash and cash equivalents	3,565,888	3,094,924
Marketable securities	445,474	428,759
Current financial receivables	178,045	144,183
Current tax receivables (excluding income taxes)	41,276	10,583
Financial assets included in net cash	**4,230,683**	**3,678,449**
Bonds or notes issued, and amounts due to banks	2,635,174	2,382,010
Lease liabilities	5,510	4,102
Financial liabilities to associates	16,129	15,203
Sundry other financial liabilities	11,643	11,288
Financial liabilities included in net cash	**2,668,456**	**2,412,603**
Net cash	**1,562,227**	**1,265,846**

Non-current assets comprise intangible assets, property, plant and equipment, and investment properties.

37. Notes to the Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows classifies cash flows into operating, investing, and financing activities. Exchange rate effects are eliminated and their influence on the cash position is disclosed separately. Changes in cash and cash equivalents due to acquisitions and disposals of consolidated companies are shown separately under cash flow from investing activities. The EUR 28,118 thousand (2017: EUR – thousand) increase in cash and cash equivalents due to consolidation changes in the prior year comprised EUR 28,702 thousand in cash and cash equivalents from acquisitions and EUR 584 thousand in cash and cash equivalents in disposals.

The EUR 3,565,888 thousand (2017: EUR 3,094,924 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 556 thousand (2017: EUR 728 thousand) in cash in hand, EUR 2,846,961 thousand (2017: EUR 2,323,094 thousand) in cash balances at banks, and EUR 718,371 thousand (2017: EUR 771,102 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 357,828 thousand are subject to restrictions (2017: EUR 196,404 thousand).

Cash flow from operations was EUR 1,374,654 thousand in 2018.

The EUR 16,519,541 thousand in cash resources required by HOCHTIEF during the year for the acquisition of shares in Abertis Infraestructuras, S.A. was raised through new borrowing. All Abertis shares acquired by HOCHTIEF were sold on to Abertis Participaciones S.A.U., the holding company established in the course of the takeover transaction, against payment of a purchase price that corresponded to the price paid by HOCHTIEF. The shares attributable to HOCHTIEF (20%)—corresponding to EUR 3,303,908 thousand—were accounted for during the year as equity-method investments and presented accordingly in cash flow from investing activities as disbursements and proceeds from the resale, respectively. The disbursements and proceeds for the shares attributable to Atlantia/ACS (80%)—corresponding to EUR 13,215,633 thousand—are likewise included in cash flow from investing activities. In the course of the takeover, HOCHTIEF, ACS, and Atlantia established a further holding company (Abertis HoldCo, S.A.). The acquisition of 20% of the shares in this company, which are included in equity-method investments as of December 31, 2018, resulted in a cash outflow of EUR 1,406,752 thousand. Total cash flow from investing activities was a negative EUR 1,804,187 thousand in 2018.

Cash flow from financing activities in 2018 came to EUR 832,551 thousand. Factors here were the EUR 907,833 thousand capital increase at HOCHTIEF Aktiengesellschaft and the issue of a HOCHTIEF corporate bond (for a principal amount of EUR 500 million). The proceeds were used to, among others, acquire the shares in Abertis HoldCo, S.A. An amount of EUR 3,191,463 thousand related to new borrowing and the repayment of debt to finance the shareholding in Abertis Infraestructuras, S.A. (20%) acquired by HOCHTIEF during the year. Also included is an amount of EUR 13,215,633 thousand in new borrowing/repayment of debt for the shares attributable to Atlantia/ACS (80%).

Including exchange rate changes, cash and cash equivalents increased overall by EUR 470,964 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 47,853 thousand (2017: EUR 50,633 thousand)
- Interest expenses of EUR 160,758 thousand (2017: EUR 158,166 thousand)
- Income tax paid amounting to EUR 100,476 thousand (2017: EUR 86,613 thousand).

After deducting the non-cash component of income from equity-accounted interests, net income received (as dividends) from such interests was EUR 105,544 thousand (2017: EUR 175,492 thousand).

Divestments relate to the deconsolidation of fully consolidated subsidiaries. This reduced non-current assets by EUR 1,967 thousand (2017: EUR 2,719 thousand) and current assets by EUR 69,195 thousand (2017: EUR 85,747 thousand). Non-current liabilities decreased by EUR – thousand (2017: EUR 2,248 thousand) and current liabilities by EUR 39,493 thousand (2017: EUR 38,298 thousand). Of the sale proceeds totaling EUR 15,396 thousand (2017: EUR 54,076 thousand), there was no amount settled in cash and cash equivalents as of the reporting date (2017: EUR 29,076 thousand).

Dividends of EUR 217,184 thousand (2017: EUR 167,044 thousand) were paid to HOCHTIEF's shareholders in the reporting year. Dividends paid to non-controlling interests totaled EUR 100,721 thousand (2017: EUR 93,808 thousand), of which EUR 81,133 thousand (2017: EUR 73,048 thousand) relates to the CIMIC Group.

Liabilities from financing activities changed as follows:

	Jan. 1, 2018	Cash changes		Non-cash changes		**Dec. 31, 2018**
(EUR thousand)		Borrowings	Principal repayments	Currency translation adjustments	Changes in the scope of consoli-dation	
Bonds or notes issued and amounts due to banks	2,382,010	1,012,576	(763,975)	4,563	–	2,635,174
Financial liabilities to non-consolidated subsidiaries and equity interests	21,396	8,669	(11,842)	(1,090)	1	17,134
Lease liabilities	4,102	3,048	(1,754)	114	–	5,510
Other financial liabilities	11,288	1,480	(1,652)	528	(1)	11,643
Total financial liabilities	**2,418,796**	**1,025,773**	**(779,223)**	**4,115**	**–**	**2,669,461**

	Jan. 1, 2017	Cash changes		Non-cash changes		Dec. 31, 2017
(EUR thousand)		Borrowings	Principal repayments	Currency translation adjustments	Changes in the scope of consoli-dation	
Bonds or notes issued and amounts due to banks	2,647,237	1,906,812	(2,081,626)	(71,898)	(18,515)	2,382,010
Financial liabilities to non-consolidated subsidiaries and equity interests	9,563	17,783	(6,198)	229	19	21,396
Lease liabilities	23,232	1,771	(19,186)	(1,715)	–	4,102
Other financial liabilities	223	21	(207)	(633)	11,884	11,288
Total financial liabilities	**2,680,255**	**1,926,387**	**(2,107,217)**	**(74,017)**	**(6,612)**	**2,418,796**

38. New accounting pronouncements

IFRS 15 Revenue from Contracts with Customers

If the 2018 Group Report had been prepared in accordance with IAS 11 Construction Contracts and IAS 18 Revenues instead of in accordance with IFRS 15, this would have had the following impacts on the financial position and results of operations of the HOCHTIEF Group:

- Equity would be EUR 984,387 thousand higher as of December 31, 2018 due to reversal of the restatements. For an analysis of the impact on the affected items in the Consolidated Balance Sheet, please see the table on page 172 of the Group Report 2018.
- The impacts on all items in the Consolidated Statement of Earnings and Consolidated Statement of Comprehensive Income for the reporting period January 1, 2018 to December 31, 2018 would not have been material. Similarly, reversal of the aforementioned restatements for the reporting period would not have any further material impact on the Consolidated Balance Sheet as of December 31, 2018.

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued new accounting pronouncements in the form of standards and interpretations that affect the HOCHTIEF Consolidated Financial Statements but do not have to be applied for the 2018 year and in some cases have not yet been endorsed by the EU:

IFRS 16 Leases
IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17 and has no material impact on the Group.

From a lessee perspective, at the commencement date of a lease, a lessee will recognize a liability to make lease payments ("lease liability") and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (such as a change in the lease term or lease payments). The amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset.

The Group plans to adopt IFRS 16 using the full retrospective method, with the effect of initially applying this standard recognized at the date of January 1, 2019. As a result, the Group will apply the requirements of IFRS 16 to the financial year ending December 31, 2019 and the comparative period presented.

HOCHTIEF did apply the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application. It will apply the definition of a lease requirement only to contracts entered into (or changed) on or after the date of initial application.

Based on the current assessment, the adoption of IFRS 16 will lead to an expected increase in lease liabilities of approximately EUR 800 million.

The lease liabilities mainly relate to technical equipment and machinery as well as office leases. There will be a corresponding but slightly smaller value of (long-term) right-of-use assets especially due to discounting effects.

Operating lease expenses will continue to exist for short-term leases (up to 12 months) as well as for low-value assets. The remaining expenses for operating leases will be replaced by scheduled depreciation on the right-of-use assets and interest expenses for the lease liabilities. These changes will lead to an improved EBITDA but net operating profit will remain unchanged over the full lease term.

Due to the changed disclosure of lease expenses for operating leases, cash flow from operating activities will increase and cash flow from financing activities will be correspondingly lower. Adjustments arising on application of IFRS 16 have no impact on cash and cash equivalents and HOCHTIEF's net cash position.

IFRS 17 Insurance Contracts
This standard published by the IASB in May 2017 will supersede the current IFRS 4 Insurance Contracts. It provides for various approaches in accounting for insurance contracts. First-time application is expected for reporting periods beginning on or after January 1, 2022. EU endorsement is still pending. The implications of the new standard for the HOCHTIEF Group are currently still being analyzed.

As part of its **annual improvements process**, the IASB published an omnibus standard in December 2017 (Annual Improvements Cycle 2015–2017). This involved minor but necessary changes to various standards. The 2015–2017 cycle contains amendments to IFRS 3, IAS 12, and IAS 23. EU endorsement is expected for the first quarter of 2019. 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 new pronouncements adopted by the IASB and the IFRS IC are not expected to have any major relevance to the HOCHTIEF Group. Potential implications for the Consolidated Financial Statements are currently still being assessed and cannot be conclusively determined until transposed into European law:

- **Amendments to IFRS 9 Financial Instruments:** Prepayment Features with Negative Compensation

- **Amendments to IAS 19 Employee Benefits:** Plan Amendment, Curtailment or Settlement

- **Amendments to IAS 28 Investments in Associates and Joint Ventures:** Long-term Interests in Associates and Joint Ventures

- **Amendments to IFRS 3 Business Combinations**

- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:** Definition of Material

- **Amendments to the Conceptual Framework for Financial Reporting:** References to the Conceptual Framework in IFRS Standards

- **IFRIC 23 Uncertainty over Income Tax Treatments**

39. Related party disclosures
Significant related parties of the HOCHTIEF Group include our parent company ACS and our new shareholder Atlantia. No material transactions were entered into between HOCHTIEF Aktiengesellschaft or any Group company and ACS or Atlantia or their affiliates during the year under review.

Related parties material to the Group as of the balance sheet date comprise associates Abertis HoldCo., Abertis Participaciones, and Abertis Infraestructuras as well as joint venture BICC. Transactions with these entities gave rise to items in the financial statements as follows:

(EUR thousand)	2018	2017
Loans	395,020	681,842
Receivables	15,071	29,523

All transactions with related parties were conducted on an arm's length basis.

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 2018.

40. Total Executive Board and Supervisory Board compensation

The Compensation Report on pages 84 to 87 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			
	2017	**2018**			2017	**2018**			2017	**2018**			2017	**2018**		
(EUR thousand)		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum		Granted	Minimum	Maximum
Fixed compensation	1,225	1,262	1,262	1,262	328	338	338	338	382	394	394	394	656	675	675	675
Fringe benefits	40	39	39	39	16	16	16	16	26	29	29	29	20	19	19	19
Total	**1,265**	**1,301**	**1,301**	**1,301**	**344**	**354**	**354**	**354**	**408**	**423**	**423**	**423**	**676**	**694**	**694**	**694**
One-year variable compensation	1,610	1,658	0	1,658	382	394	0	394	437	450	0	450	765	788	0	788
Multi-year variable compensation																
Long-term incentive component I[1]	1,274	1,312	0	1,312	382	394	0	394	437	450	0	450	765	788	0	788
Long-term incentive component II[2] (5-year term)	1,274	1,312	0	1,312	382	394	0	394	437	450	0	450	765	788	0	788
Total	**5,423**	**5,583**	**1,301**	**5,583**	**1,490**	**1,536**	**354**	**1,536**	**1,719**	**1,773**	**423**	**1,773**	**2,971**	**3,058**	**694**	**3,058**
Pension expenses (service and interest cost)	1,916	1,526	1,526	1,526	276	276	276	276	333	323	323	323	628	613	613	613
Total compensation[3]	**7,339**	**7,109**	**2,827**	**7,109**	**1,766**	**1,812**	**630**	**1,812**	**2,052**	**2,096**	**746**	**2,096**	**3,599**	**3,671**	**1,307**	**3,671**

[1] Transfer of shares with two-year retention period
[2] Granted as long-term incentive plan/Value at grant date
[3] Excluding Executive Board compensation in relation to offices held at Group companies

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)	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Fixed compensation	1,262	1,225	338	328	394	382	675	656
Fringe benefits	39	40	16	16	29	26	19	20
Total	**1,301**	**1,265**	**354**	**344**	**423**	**408**	**694**	**676**
One-year variable compensation	1,610	1,379	382	371	437	424	765	743
Multi-year variable compensation								
Long-term incentive component I[1]	1,274	1,167	382	371	437	424	765	743
Long-term incentive component II[2]	2,526	707	0	0	533	139	1,357	1,019
Total	**6,711**	**4,518**	**1,118**	**1,086**	**1,830**	**1,395**	**3,581**	**3,181**
Pension expenses (service and interest cost)	1,526	1,916	276	276	323	333	613	628
Total compensation[3]	**8,237**	**6,434**	**1,394**	**1,362**	**2,153**	**1,728**	**4,194**	**3,809**

[1] Transfer of shares with two-year retention period
[2] Payout amount after exercise of LTIP 2014
[3] Excluding Executive Board compensation in relation to offices held at Group companies

The present value of pension benefits for current and former Executive Board members is EUR 101,439 thousand (2017: EUR 100,999 thousand).

Payments to former members of the Executive Board and their surviving dependents were EUR 5,283 thousand (2017: EUR 5,443 thousand). Pension obligations to former members of the Executive Board and their surviving dependents totaled EUR 84,633 thousand (2017: EUR 86,464 thousand).

(EUR thousand)		Present value of pension benefits
Fernández Verdes	2018	9,836
	2017	8,558
Legorburo	2018	1,301
	2017	1,014
von Matuschka	2018	1,514
	2017	1,199
Sassenfeld	2018	4,155
	2017	3,764
Executive Board total	**2018**	**16,806**
	2017	**14,535**

Executive Board compensation in relation to offices held at Group companies

For his services in Australia as Executive Chairman of CIMIC in 2018, Mr. Fernández Verdes received a lump-sum expense allowance of EUR 319 thousand* and fringe benefits in the amount of EUR 4 thousand*. The stock appreciation rights granted by CIMC to Mr. Fernández Verdes in 2014 led to an expense in the amount of minus EUR 788 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 1,890,500 (2017: EUR 1,954,500).

41. Auditing fees

Fees for services provided in Germany by auditors Deloitte were paid and recognized as expenses as follows:

(EUR thousand)	2018	2017
Financial statement audit services	1,200	1,247
Other assurance services	253	703
Tax consulting	–	–
Other services performed for HOCHTIEF Aktiengesellschaft	72	46
	1,525	**1,996**

The fees for services provided in Germany relate to services of the appointed Group financial statement auditors Deloitte GmbH Wirtschaftsprüfungsgesellschaft and its affiliates within the meaning of Section 271 (2) of the German Commercial Code. The fees for financial statement audits relate to fees charged by Group auditors Deloitte for auditing the HOCHTIEF Group consolidated financial statements, the combined HOCHTIEF Group and HOCHTIEF Aktiengesellschaft management report, and the financial statements of HOCHTIEF Aktiengesellschaft and its domestic subsidiaries, together with fees for the review of the half-year report as of June 30, 2018. The auditors provided other assurance services for HOCHTIEF Aktiengesellschaft in connection with the issuance of a comfort letter and carried out agreed-upon procedures in accordance with ISAE 3000—such as the limited assurance report on independent assurance of the non-financial reporting. Further assurance services related to the profit guidance and to financial information in accordance with IDW PS 480, and pursuant to Section 16 of the Real Estate Agents and Developers Ordinance (MaBV) and Section 20 of the Securities Trading Act (WpHG). The other services mainly consist of audit-related consulting services.

42. Declaration pursuant to Section 161 of the German Stock Corporations Act

The declaration on corporate governance required by Section 161 of the German Stock Corporations Act (AktG) has been made available for the general public to view at any time on the HOCHTIEF website.

43. Events since the balance sheet date and the report on post-balance-sheet events

There were no reportable events during the subsequent events period.

44. Use of the exempting provisions in Section 264 (3) (and Section 264b) of the German Commercial Code

The following domestic, fully consolidated subsidiaries made partial use of the exempting provisions in 2018:
A.L.E.X.-Bau GmbH, Essen,
Deutsche Baumanagement GmbH, Essen,
Deutsche Bau- und Siedlungs-Gesellschaft mbH, Essen,
Eurafrica Baugesellschaft mbH, Essen,
forum am Hirschgarten Nord GmbH & Co. KG (formerly: MK 3 Nord GmbH & Co. KG), Essen,
forum am Hirschgarten Süd GmbH & Co. KG (formerly: MK 3 Süd GmbH & Co. KG), Essen,
HOCHTIEF Americas GmbH, Essen,
HOCHTIEF Asia Pacific GmbH, Essen,
HOCHTIEF Bau und Betrieb GmbH, Essen,
HOCHTIEF Engineering GmbH, Essen,
HOCHTIEF Engineering International GmbH, Essen,
HOCHTIEF Infrastructure GmbH, Essen,
HOCHTIEF Insurance Broking and Risk Management Solutions GmbH, Essen,
HOCHTIEF OBK Vermietungsgesellschaft mbH, Essen,
HOCHTIEF Offshore Crewing GmbH, Essen,
HOCHTIEF ÖPP Projektgesellschaft mbH, Essen,
HOCHTIEF PPP Europa GmbH, Essen,
HOCHTIEF PPP Operations GmbH, Essen,

HOCHTIEF PPP Schulpartner Braunschweig GmbH, Braunschweig,
HOCHTIEF PPP Solutions GmbH, Essen,
HOCHTIEF PPP Transport Westeuropa GmbH, Essen,
HOCHTIEF Projektentwicklung GmbH, Essen,
HOCHTIEF Projektentwicklung “Helfmann Park” GmbH & Co. KG, Essen,
HOCHTIEF Solutions AG, Essen,
HOCHTIEF Solutions Real Estate GmbH, Essen,
HOCHTIEF ViCon GmbH, Essen,
HTP Immo GmbH, Essen,
I.B.G. Immobilien- und Beteiligungsgesellschaft Thüringen-Sachsen mbH, Essen,
LOFTWERK Eschborn GmbH & Co. KG, Essen,
Maximiliansplatz 13 GmbH & Co. KG, Essen,
MK 1 Am Nordbahnhof Berlin GmbH & Co. KG, Essen,
MOLTENDRA Grundstücks- und Vermietungsgesellschaft mbH & Co. Objekt Mainoffice KG, Essen,
Projektgesellschaft Börsentor Frankfurt GmbH & Co. KG, Essen,
Projektgesellschaft Konrad-Adenauer-Ufer Köln GmbH & Co. KG, Essen,
Projektgesellschaft Marco Polo Tower GmbH & Co. KG, Hamburg,
Projekt Messeallee Essen GmbH & Co. KG, Essen,
SCE Chile Holding GmbH, Essen,
Spiegel-Insel Hamburg GmbH & Co. KG, Essen,
synexs GmbH, Essen,
Tivoli Garden GmbH & Co. KG, Essen,
Tivoli Office GmbH & Co. KG, Essen,
TRINAC GmbH, Essen.

45. Subsidiaries, associates, and other significant participating interests of the HOCHTIEF Group at December 31, 2018

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/subsidiaries2018

46. Boards

a) Membership in other supervisory boards prescribed by law (as of December 31, 2018)
b) Membership in comparable domestic and international corporate governing bodies (as of December 31, 2018)

Supervisory Board

Pedro López Jiménez

Madrid, Chairman of the Supervisory Board of HOCHTIEF Aktiengesellschaft, Member of the Board and Vice-Chairman of the Executive Committee of ACS, Actividades de Construcción y Servicios, S.A., Madrid

b) Abertis Infraestructuras, S.A.
ACS Servicios y Concesiones, S.L. (Chairman)
ACS Servicios, Comunicaciones y Energía, S.L. (Vice-Chairman)
CIMIC Group Limited
Dragados, S.A. (Chairman)

* Supervisory Board member representing employees

Matthias Maurer*

Hamburg, Deputy Chairman of the Supervisory Board, Chairman of the Central Works Council of HOCHTIEF Infrastructure GmbH

b) Medizinischer Dienst der Krankenversicherung Mecklenburg-Vorpommern e.V. (Chairman of the Administrative Board)

Ángel García Altozano

Madrid, Corporate General Manager of ACS, Actividades de Construcción y Servicios, S.A., Madrid

b) ACS Servicios y Concesiones, S.L.
ACS Servicios, Comunicaciones y Energía, S.L.
Dragados, S.A.
GED Capital
MásMóvil Ibercom, S.A.

Dipl.-Ing., Dipl.-Wirtsch.-Ing. Beate Bell

Cologne, Managing Director of immoADVICE GmbH

a) Deutsche EuroShop AG

Christoph Breimann*

Lüdinghausen, Head of Technical Office Building of HOCHTIEF Infrastructure GmbH

Carsten Burckhardt*

Dortmund, Member of the Federal Board of IG Bauen-Agrar-Umwelt (the Construction, Agricultural and Environmental Employees' Union)

a) Zusatzversorgungskasse des Baugewerbes AG
Zusatzversorgungskasse Steine und Erden Bayern

b) Urlaubs- und Lohnausgleichskasse der Bauwirtschaft (ULAK)

José Luis del Valle Pérez

Madrid, Member, Director 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

Wiesbaden, former Member of the Board of Management of Volkswagen Aktiengesellschaft, Wolfsburg, retired

b) Criteria Caixa, S.A.U.

Dipl. oec. Patricia Geibel-Conrad

Leonberg, Business consultancy—Auditing/Tax consultancy in own office

a) CEWE Stiftung & Co. KGaA, Oldenburg
DEUTZ AG, Cologne

Arno Gellweiler*
Oberhausen, structural engineering and bridge designer,
HOCHTIEF Engineering GmbH, Consult Infrastructure

Luis Nogueira Miguelsanz
Madrid, Secretary-General, Dragados, S.A.

Nikolaos Paraskevopoulos*
Bottrop, Chairman of the European Works Council and Member of the Group Works Council of HOCHTIEF Aktiengesellschaft; Chairman of the Works Council Essen of TRINAC GmbH

Sabine Roth*
Ratingen, internal sales administrator

Nicole Simons*
Niddatal, Attorney-at-law and Member of the Federal Board of IG Bauen-Agrar-Umwelt (the Construction, Agricultural and Environmental Employees' Union)

a) HOCHTIEF Infrastructure GmbH
b) DGB-Rechtsschutz GmbH

Klaus Stümper*
Lohmar, Chairman of the Group Works Council of HOCHTIEF Aktiengesellschaft

Dipl.-Geol. MBA Christine Wolff
Hamburg, management consultant

a) Berliner Wasserbetriebe A. ö. R.
KSBG Kommunale Verwaltungsgesellschaft GmbH
b) Sweco AB

Supervisory Board Committees

Audit Committee

Ángel García Altozano (Chairman)
Carsten Burckhardt
José Luis del Valle Pérez
Patricia Geibel-Conrad
Matthias Maurer
Luis Nogueira Miguelsanz
Sabine Roth
Klaus Stümper (Deputy Chairman)

Human Resources Committee

Pedro López Jiménez (Chairman)
Beate Bell
José Luis del Valle Pérez
Arno Gellweiler
Nicole Simons
Klaus Stümper
Christine Wolff

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

Mediation Committee pursuant to Sec. 27 (3) of the German Codetermination Act (MitbestG)
Pedro López Jiménez (Chairman)
Beate Bell
Matthias Maurer
Nikolaos Paraskevopoulos

Executive Board

Marcelino Fernández Verdes
Düsseldorf, Chairman of the Executive Board of HOCHTIEF Aktiengesellschaft, Essen and
Chief Executive Officer (CEO) of ACS, Actividades de Construcción y Servicios, S.A., Madrid

b) Abertis Infraestructuras, S.A. (President)
CIMIC Group Limited (Executive Chairman)
Flatiron Holding, Inc.
The Turner Corporation (Member of the Board of Directors)

Peter Sassenfeld
Duisburg, Member of the Executive Board (Chief Financial Officer—CFO) of HOCHTIEF Aktiengesellschaft, Essen and
Member of the Executive Board of HOCHTIEF Solutions AG, Essen

b) CIMIC Group Limited
Flatiron Holding, Inc.
HOCHTIEF AUSTRALIA HOLDINGS Ltd.
The Turner Corporation

José Ignacio Legorburo Escobar
Düsseldorf, Member of the Executive Board and Chief Operating Officer (COO) of HOCHTIEF Aktiengesellschaft,
Essen, and of HOCHTIEF Solutions AG, Essen

Nikolaus Graf von Matuschka
Aldenhoven/Jüchen, Member of the Executive Board and Labor Director of HOCHTIEF Aktiengesellschaft, Essen
and Chairman of the Executive Board and Labor Director of HOCHTIEF Solutions AG, Essen

a) HOCHTIEF Infrastructure GmbH (Chairman)
Malteser Deutschland gGmbH

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which is combined with the management report of HOCHTIEF Aktiengesellschaft, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Essen, February 20, 2019

HOCHTIEF Aktiengesellschaft

The Executive Board

Marcelino Fernández Verdes

Peter Sassenfeld

José Ignacio Legorburo Escobar

Nikolaus Graf von Matuschka

Independent auditor's report
To HOCHTIEF Aktiengesellschaft, Essen/Germany
Report on the audit of the consolidated financial statements and of the combined management report

Audit opinions

We have audited the consolidated financial statements of HOCHTIEF Aktiengesellschaft, Essen/Germany, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of HOCHTIEF Aktiengesellschaft, Essen/Germany, which was combined with management report of the Parent for the financial year from January 1 to December 31, 2018. In accordance with the German national regulations, we have not audited the content of the consolidated statement on corporate governance pursuant to Section 315d German Commercial Code (HGB), referred to in the section "Corporate Governance and Compliance" of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the consolidated statement on corporate governance referred to above.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recognition of revenue and recoverability of the receivables from customer-specific construction contracts, in particular the additional claims concerning the project Gorgon LNG Jetty and Marine Structures
2. Recoverability of goodwill
3. Valuation of the investment in Abertis HoldCo S.A.

Our presentation of these key audit matters has been structured as follows:

a) Description of the fact (including reference to corresponding information within the consolidated financial statements)
b) Auditor's response
c) Key observations

1. Recognition of revenue and recoverability of the receivables from customer-specific construction contracts, in particular the additional claims concerning the project "Gorgon LNG Jetty and Marine Structures"

a) A material part of the business activity of HOCHTIEF Group refers to the handling of customer-specific construction contracts. These primarily relate to the classic construction business, construction project management and contract mining. Here, the rendered service, including the proportionate result, is disclosed under the revenue according to its degree of completion. The degree of completion is determined on each balance sheet date as ratio of rendered service to the entire service volume. Revenue is recognized as soon as management has assessed all of the respective relevant contract components, including – to the extent applicable in the single case – the following components:

- Determination of the degree of completion;
- Estimation of the entire order performance and the total order costs including unforeseen cost rises;
- Determination of contractual performance claims and assessment of the probability of the customer approval of variations and the acceptance of additional claims;
- Estimation of the presumed date of completion.

The construction contracts are disclosed under the trade receivables and/or trade payables. The components exceeding the contract price (additional claims and variations) may bear uncertainties with regard to their recognition and measurement. The recognition of the contract receivables is based on the executive directors' assessments about the expected realizability of the amounts. In addition, discretionary powers arise when assessing the recoverability of outstanding receivables.

The recognition of revenue and the recoverability of receivables from customer-specific construction contracts were classified by us as key audit matter since these are, on the one hand, complex facts that are strongly based on discretionary estimations and assessments of the Management and are, on the other hand, disclosed within the consolidated statement of financial position as at December 31, 2018 with a material amount as additional claims.

In November 2009, the group company CIMIC Group Limited (CIMIC), Sydney/Australia, and its business partners were selected by Chevron as preferred contractor for the project "Gorgon LNG Jetty and Marine Structures". The project was accepted on August 15, 2014. Significant contract modifications arose when realizing the project. The respective additional claims to the principal have been negotiated since 2015. In connection with the additional claims at the project "Gorgon LNG Jetty and Marine Structures", an amount of bAUD 1.15 (mEUR 712.1) was capitalized under the receivables within the statement of financial position at the end of the past financial year. Included therein are not only the additional claims but also the costs incurred in this context as well as interest ("total receivables"). The executive directors hold the opinion that CIMIC may claim these total receivables. In February 2016, CIMIC was initiating, together with its business partners, a private arbitration process according to the contractual rules to claim the open receivables from the principal Chevron. This process is still running and, since the contractual rules do not stipulate any time limit for a private arbitration process, the date of completion of these negotiations is not foreseeable at present. In addition to these private arbitration proceedings, CIMIC has initiated a litigation against Chevron within the U.S. in August 2016 to claim the amounts arisen from the project "Gorgon LNG Jetty and Marine Structures" also by taking legal action.

The information provided by the executive directors on the recognition of the revenue and recoverability of the receivables from customer-specific construction orders as well as on the project "Gorgon LNG Jetty and Marine Structures", are included in the section "Accounting and valuation principles" of the consolidated notes and in the section "Risks from projects, investments, litigations, authority proceedings and claims of third-parties" making part of the opportunity and risk reporting of the combined management report.

b) Our audit procedures in particular comprised:

- Recording of the material processes from project acceptance to project handling including the audit of the respective accounting-related controls,
- Selection of a sample of projects – in parts for the inspection on-site in Germany and abroad – on the basis of a risk-orientated and random-based selection; material criteria here were in particular the project history, the amount of the order volume, the amount of recognized additional claims as well as the project result,
- With regard to the projects selected as sample: Gaining of an understanding of the underlying contracts, audit of the incurred and forecasted costs by means of respective evidence, audit of the stricter requirements put on the capitalization ability of additional claims and audit of the opening balance sheet values in this context, audit of the recoverability of additional claims, assessment of the risk of occurrence of penalized delays of the project progress as well as audit of the recoverability of outstanding receivables on the basis of the negotiation state as well as historical information,
- With regard to the project "Gorgon LNG Jetty and Marine Structures": Audit of the recoverability of the outstanding receivables through estimation of the probability and the date of receipt of payments on the basis of the negotiation state discussed with the executive directors as well as with internal and external jurists as well as historic information,

c) The executive directors have determined the project-related degrees of completion required for the customer-specific construction contracts on the basis of detailed project calculations. When assessing the recoverability of additional claims, the executive directors have considered the project-related information gained from negotiations with the respective customers and discussions with internal or external jurists.

2. Recoverability of goodwill

a) The consolidated statement of financial position as of December 31, 2018 shows goodwill of bEUR 1.01 (i.e. 7.0% of the consolidated balance sheet total). Before, the executive directors have performed an impairment test. The realizable value is determined on the basis of a discounted-cash-flow model based on weighted capital cost. The impairment test is subject to a high estimation uncertainty in particular with regard to the applied discounting factors, the expected new projects and growth rates as well as the future cash flows. This estimation uncertainty goes hand in hand with a significant margin of discretion on part of the executive directors. In doing so, the recoverability of the goodwill disclosed within the consolidated statement of financial position was determined by us to be a key audit matter.

The disclosures made by the executive directors with regard to the recoverability of the goodwill, disclosed in the consolidated statement of financial position, are provided within the sections “intangible assets” and “Impairments” within the “Significant accounting policies” as well as within the section “Intangible assets” under the “explanations to the consolidated statement of financial position” in the consolidated notes.

b) We performed the following audit procedures on the recoverability of the goodwill, disclosed within the consolidated statement of financial position, under involvement of experts from the Valuation Services segment.

- Audit of the discounted cash flow model applied by the management of the respective division for the measurement of the realizable value, determined as value in use, of the goodwill, disclosed within the consolidated statement of financial position, including a critical assessment of the following assumptions:

- Discounting factor for the respective division;
- Forecast of the future cash flows of the respective division;
- Long-term growth rates.

In doing so, we have validated single market-related assumptions with external data.

- Sample-based audits of the arithmetic correctness of the discounted cash flow model used for the respective division,
- Reconciliation with the plan figures of the divisions,
- Assessment of the Group’s historic forecasts on the cash flows of single division with regard to their reliability (adherence to budget),
- Performance of sensitivity analyses for material assumptions (e.g. as regards the revenue) for the respective division,
- Reconciliation of the market price used for the listed group company CIMIC with externally available data.

c) The discounted future cash flows assigned to the goodwill of the respective cash-generating units considerably exceed the respective book values. The valuation parameters and assumptions used by the executive directors are within the range of the industry-specific market expectations.

3. Valuation of the investment in Abertis HoldCo S.A.

a) The consolidated statement of financial position as at December 31, 2018 includes the investment in Abertis HoldCo S.A., Madrid/Spain, measured at equity with a book value of bEUR 1.47 (corresponding to 10.1% of the consolidated balance sheet total), which in turn indirectly participates with a share of 98.7% in the Spanish toll road operator Abertis Infraestructuras S.A., Madrid/ Spain (Abertis), that was acquired in the financial year. When using the at-equity method, the executive directors have considerable discretionary powers, in particular with regard to the purchase price allocation and here with regard to the assumptions to be taken, e.g. on the discounting rates, on the long-term growth rate and the future cash flows of the existing concessions under taking into account currency effects and synergies. For these reasons, we have classified the valuation of the investment as key audit matter.

The disclosures of the executive directors on the equity method are included in the consolidated notes' section "Financial assets measured at equity" and here in the sections "Accounting and valuation principles" as well as in "Explanations to the consolidated statement of financial position".

b) We have performed the following audit procedures on the investment in Abertis that is measured at equity:

- Inspection and assessment of the set of agreements on the acquisition of the investment,
- Audit of the acquisition cost in accordance with IAS 28 by means of adequate evidence,
- Understanding of the preliminary expert opinion that was ordered by the executive directors on the purchase price allocation, including a critical assessment of the following assumptions:

- Discounting rates,
- Forecast of the future cash flows,
- Long-term growth rate.

The critical assessment in particular included the sensitivity analysis of selected discounting rates as well as tax assumptions.

- Understanding and assessment of the forward projection of the effects resulting from the purchase price allocation, under taking into account sensitivities
- Audit of the result transfer by means of adequate evidence,

c) The valuation parameters and assumptions used by the executive directors to account for the at equity investment in Abertis HoldCo S.A. as well as the effects on net profit are within the ranges usual in the market.

Other information

The executive directors are responsible for the other information. The other information comprises:

- the consolidated statement on corporate governance in accordance with Section 315d German Commercial Code (HGB) including a reference to section "Corporate Governance and Compliance" of the combined management report
- the non-financial statement included in the combined financial and sustainability report in accordance with Sections 315b to 315c German Commercial Code (HGB),
- the executive directors' confirmation relating to the consolidated financial statements and to the combined management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB) respectively, and
- the remaining parts of the combined financial and sustainability report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the combined management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibility for the audit of the consolidated financial statements and the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of the accounting policies used by the executive directors and the reasonableness of accounting estimates and related disclosures made by the executive directors.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB).

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the shareholders' general meeting on May 3, 2018. We were engaged by the supervisory board on May 3, 2018. We have been the group auditor of HOCHTIEF Aktiengesellschaft, Essen/Germany, without interruption since the financial year 2006.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Michael Pfeiffer.

Düsseldorf/Germany, February 20, 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Holger Reichmann
Wirtschaftsprüfer
[German Public Auditor]

Signed: Michael Pfeiffer
Wirtschaftsprüfer
[German Public Auditor]

<PROJECT>
WESTCONNEX M4 EAST
</PROJECT>

<FACTS>

CPB Contractors is responsible for delivering several stretches of WestConnex, Sydney's major new integrated motorway network. Through its Indigenous and Social Inclusion Strategy, the company is committed to supporting people who are disadvantaged in terms of access to employment and training opportunities.

</FACTS>

<PROJECT>

AUTOMATED PEOPLE MOVER

</PROJECT>

<FACTS>

Making trips smoother: An automated train system will take passengers to their terminals at Los Angeles International Airport starting in 2023. HOCHTIEF is responsible for the high-volume PPP project together with consortium partners. Flatiron is part of the construction joint venture.

</FACTS>

Index for the 10 Principles of the UN Global Compact (UNGC) and the Global Reporting Initiative (GRI)

UNGC principles		GRI index to GRI standards (2016) (for "in accordance"—Core)			
	GRI 101	**Foundation**			
	Part 2	Using the GRI Standards for sustainability reporting	✔		
	GRI 102	**General information**	External review	Page Number	Link/notes
	1.	**Organizational profile**			
	102-1	Name of the organization	✔	1, 2, 267, 268	
	102-2	Activities, brands, products, and services	✔	3–4, 24–26, 66–77	www.hochtief.com/subsidiaries2018 We have no knowledge of our products and services not being permitted in specific markets.
	102-3	Location of headquarters	✔	264	
	102-4	Location of operations	✔	3–4, 26	
	102-5	Ownership and legal form	✔	20, 234, 264	
	102-6	Markets served	✔	3–4, 24–26, 35–39	www.hochtief.com/clientportal
	102-7	Scale of the organization	✔	265–266	www.hochtief.com/subsidiaries2018
	102-8	Information on employees and other workers	✔	97–101	
	102-9	Supply chain	✔	106–109	
	102-10	Significant changes to the organization and its supply chain	✔	107–108	
7	102-11	Precautionary principle or approach	✔	81–83, 97–105, 122, 136–143, CoC	www.hochtief.com/commitments www.hochtief.com/compliance
5, 8	102-12	External initiatives	✔	2, 134–135	www.hochtief.com/commitments
8	102-13	Membership of associations	✔	2, 134–135	www.hochtief.com/commitments
	2.	**Strategy**			
	102-14	Statement from senior decision-maker	✔	9–11, 12–15, 54, 62–63	www.hochtief.com/interview-eb2018
	3.	**Ethics and integrity**			
1, 2, 4, 5, 6, 10	102-16	Values, principles, standards, and norms of behavior	✔	5, 27–33, 80–83, 97–101, 102–105, 132–143, CoC	www.hochtief.com/vision www.hochtief.com/compliance
	4.	**Governance**			
	102-18	Governance structure	✔	17, 24–25, 80	www.hochtief.com/corporate-governance
8	**5.**	**Stakeholder engagement**			
	102-40	List of stakeholder groups	✔	133	www.hochtief.com/sustainability
3	102-41	Collective bargaining agreements	✔	100, 101	
	102-42	Identifying and selecting stakeholders	✔	33, 133	www.hochtief.com/sustainability
	102-43	Approach to stakeholder engagement	✔	33, 133	www.hochtief.com/sustainability
10	102-44	Key topics and concerns raised	✔	32, 144–146, see chart on page 257	www.hochtief.com/sustainability
	6.	**Reporting practice**			
	102-45	Entities included in the consolidated financial statements	✔	26, 156–157	www.hochtief.com/subsidiaries2018
	102-46	Defining report content and topic boundaries	✔	2, 32–33, 130–133	
	102-47	List of material topics	✔	27, 31, 32, 144–146, 147	
	102-48	Restatements of information	✔	2, 32, 130–131	
	102-49	Changes in reporting	✔	2, 32, 130–131	
	102-50	Reporting period	✔	2	
	102-51	Date of most recent report	✔	267	
	102-52	Reporting cycle	✔	2	
	102-53	Contact point for questions regarding the report	✔	267	
	102-54	Claims of reporting in accordance with the GRI Standards	✔	2, 255-257	
	102-55	GRI content index	✔	255–257	
	102-56	External assurance	✔	243–251, 258–261	www.hochtief.com/auditor

CoC = Code of Conduct
CoCB = Code of Conduct for Business Partners

	GRI 103	Management Approach	External review	Page Number	Link/notes
	103-1	Explanation of the material topic and its boundary	✔	27–31, 32–33, 130–131	
	103-2	The management approach and its components	✔	24–25, 80–81	
	103-3	Evaluation of the management approach	✔	113–126	
	GRI 201	**Economic Performance**			
	201-1	Direct economic value generated and distributed	✔	8, 43, 265–266	
	201-2	Financial implications and other risks and opportunities due to climate change	✔	124–125	
	201-3	Defined benefit plan obligations and other retirement plans	✔	120, 198–203	
	GRI 203	**Indirect Economic Impacts**			
	203-1	Infrastructure investments and services supported	✔	32–33, 41, 124–125, 130–131, 132, 134, 136	
	GRI 204	**Procurement Practices**			
	204-1	Proportion of spending on local suppliers	✔	108	
1, 2, 4, 10	**GRI 205**	**Anti-corruption**			www.hochtief.com/compliance
	205-1	Operations assessed for risks related to corruption	✔	83	
	205-2	Communication and training about anti-corruption policies and procedures[1)]	✔	82	
	205-3	Confirmed incidents of corruption and actions taken	✔	83, 122	
7	**GRI 301**	**Materials**			
	301-1	Materials used by weight or volume[2)]	✔	140	
	301-3	Reclaimed products and their packaging materials	✔	137, 140	
7	**GRI 302**	**Energy**			
	302-1	Energy consumption within the organization[2)]	✔	141	
	302-4	Reduction of energy consumption	✔	136–143	
	302-5	Reductions in energy requirements of products and services	✔	136–143	
7	**GRI 303**	**Water[2)]**			
	303-1	Water withdrawal by source	✔	137–138, 140	
	303-3	Water recycled and reused	✔	137–138, 140	
7	**GRI 304**	**Biodiversity[2)]**			
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	✔	138–139	www.hochtief.com/sustainability
	304-2	Significant impacts of activities, products, and services on biodiversity	✔	138–139	www.hochtief.com/sustainability
7	**GRI 305**	**Emissions[2)]**			
	305-1	Direct (Scope 1) GHG emissions	✔	141	
	305-2	Energy indirect (Scope 2) GHG emissions	✔	141	
	305-3	Other indirect (Scope 3) GHG emissions	✔	141	
7, 8	**GRI 306**	**Effluents and Waste[2)]**			
	306-2	Waste by type and disposal method	✔	137–138, 140	
7	**GRI 307**	**Environmental Compliance**			
	307-1	Non-compliance with environmental laws and regulations	✔	124–125, 143	
7, 8	**GRI 308**	**Supplier Environmental Assessment[3)]**			
	308-1	New suppliers that were screened using environmental criteria	✔	107, 108	www.hochtief.com/interview-eb2018

[1)] Aspect for HOCHTIEF focus area Compliance (number of training courses, security in dealing with competitors)
[2)] Aspect for HOCHTIEF focus area Active climate and resource protection (water, biodiversity, climate protection, waste)
[3)] Aspect for HOCHTIEF focus area Procurement
[4)] Aspect for HOCHTIEF focus area Attractive working environment (Occupational safety/health)
[5)] Aspect for HOCHTIEF focus area Attractive working environment (further training)

CoC = Code of Conduct von HOCHTIEF
CoCB = Code of Conduct for Business Partners

	GRI 401	Employment	External review	Page Number	Link/notes
	401-1	New employee hires and employee turnover	✔	97, 98	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	✔	101	
	401-3	Parental leave	✔	99, 101	
	GRI 403	**Occupational Health and Safety**			
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities[4)]	✔	103, 105	
	GRI 404	**Training and Education**			
	404-1	Average hours of training per year per employee	✔	99	
	404-2	Programs for upgrading employee skills and transition assistance programs[5)]	✔	82, 91–95, 99	
1, 2, 4, 10	**GRI 412**	**Human Rights Assessment**			
	412-1	Operations that have been subject to human rights reviews or impact assessments	✔	133	
	412-2	Employee training on human rights policies or procedures	✔	82	Human rights are observed at HOCHTIEF under the Code of Conduct and form part of training seminars.
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	✔	82, 107 (CoCB)	
	GRI 413	**Local Communities**			www.hochtief.com/corporate-citizenship
	413-1	Operations with local community engagement, impact assessments, and development programs	✔	132, 134–135	
	GRI 414	**Supplier Social Assessment[3)]**			
2, 4, 6, 10	414-1	New suppliers that were screened using social criteria	✔	107, 109	www.hochtief.com/interview-eb2018
	GRI 415	**Public Policy**			
2	415-1	Political contributions	✔	135, CoC	

[1)] Aspect for HOCHTIEF focus area Compliance (number of training courses, security in dealing with competitors)
[2)] Aspect for HOCHTIEF focus area Active climate and resource protection (water, biodiversity, climate protection, waste)
[3)] Aspect for HOCHTIEF focus area Procurement
[4)] Aspect for HOCHTIEF focus area Attractive working environment (Occupational safety/health)
[5)] Aspect for HOCHTIEF focus area Attractive working environment (further training)

	Organization-specific indicators in relation to HOCHTIEF's major sustainability focus areas	External review	Page Number	Link/notes
	Focus area: Attractive working environment			
6	Aspect: Recruitment	✔	97, 99	
	Focus area: Procurement			
1–10	Aspect: Prequalification (number of prequalified business partners)	✔	107	
1–10	Aspect: Evaluation (number of evaluations)	✔	108	
	Focus area: Sustainable products and services			
9	Aspect: Innovation (BIM as a future-oriented work method)		91–95	
7,8,9	Aspect: Green building (number of accredited auditors, number of certified projects)	✔ ✔	141	www.hochtief.com/rd
7,8,9	Aspect: Life cycle	✔	27, 142	
	Focus area: Corporate citizenship			
	Aspect: Supporting local communities	✔	134–135	www.hochtief.com/b2p

Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information[1)]

To HOCHTIEF Aktiengesellschaft, Essen

[1)] We have performed a limited assurance engagement on the German version of the chapter "Sustainability at HOCHTIEF" in the Group Report and issued an independent assurance report in German language, which is authoritative. The following text is a convenience translation of the independent practitioner's assurance report.

Our engagement

We have performed a limited assurance engagement on the disclosures made within the section "Sustainability at HOCHTIEF" within the group report 2018 – Combined Financial and Sustainability Report (hereinafter: "sustainability report") of HOCHTIEF Aktiengesellschaft, Essen (Germany), (hereinafter: "the Company") for the period from January 1 to December 31, 2018.

Our engagement has not covered the references on websites of the Company.

Responsibility of the executive directors

The executive directors of the Company are responsible for the preparation of the sustainability report in compliance with the Sustainability Reporting Standards of the Global Reporting Initiative provided in the "Core" option (hereinafter: "GRI criteria") as well as for the selection of the disclosures to be assessed.

This responsibility of the Company's executive directors includes the selection and application of appropriate methods for the sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. In addition, the executive directors are responsible for such internal control they have determined necessary to enable the preparation of the sustainability report that is free from material misstatements, whether intentional or unintentional.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the disclosures within the sustainability report, based on the assurance engagement we have performed.

We are independent of the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit company applies the German national legal requirements and the German profession's pronouncements for quality control, in particular the bylaws governing the rights and duties of public auditors and chartered accountants (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)], which comply with the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB).

We conducted our assurance engagement in compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement in a form that enables us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the information disclosed in the sustainability report has not been prepared, in material respects, in compliance with the relevant GRI criteria. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and, therefore, a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's professional judgment.

Within the scope of our limited assurance engagement, which was performed from November 2018 to February 2019, we conducted, amongst others, the following audit procedures and other activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- An onsite visit to the American subsidiary Turner Construction Company in New York/New York, United States of America, as part of an investigation into the processes for collecting, analyzing and aggregating selected data
- Interview of the executive directors and the relevant employees that participated in the preparation of the sustainability report about the process of preparation, the measures on hand and precautionary measures (system) for the preparation of the sustainability report as well as about the information within the sustainability report
- Identification of the risks of material misstatement within the sustainability report
- Analytical assessment of disclosures within the sustainability report
- Comparison of disclosures within the sustainability report with corresponding data in the consolidated financial statements and combined management report
- Evaluation of the presentation of the disclosures

Practitioner's conclusion

Based on the assurance work performed and evidence obtained, nothing has come to our attention that causes us to believe that the information disclosed in the sustainability report of the Company, for the period from January 1 to December 31, 2018 has not been prepared, in material respects, in compliance with the relevant GRI criteria.

Our audit opinion does not refer to the references on websites of the Company.

Purpose of the assurance statement

We issue this report on the basis of the engagement agreed with HOCHTIEF Aktiengesellschaft. The limited assurance engagement has been performed for purposes of HOCHTIEF Aktiengesellschaft and the report is solely intended to inform HOCHTIEF Aktiengesellschaft on the results of the assurance engagement.

Liability

The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility exclusively refers to HOCHTIEF Aktiengesellschaft and is also restricted under the engagement agreed with HOCHTIEF Aktiengesellschaft on November 7, 2018 as well as in accordance with the "General engagement terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German public auditors and German public audit firms)" from January 1, 2017 of the Institut der Wirtschaftsprüfer in Deutschland e.V. We do not assume any responsibility to third parties.

Düsseldorf (Germany), February 20, 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Thomas Krick

Signed: (Prof. Dr. Holger Reichmann)
Certified Public Accountant

Signed: (Thomas Krick)

Independent Practitioner's Report on a Limited Assurance Engagement on the Non-Financial Group Report[1)]

To HOCHTIEF Aktiengesellschaft, Essen

1) We have performed a limited assurance engagement on the German version of the **Non-Financial Group Report** and issued an independent assurance report in German language, which is authoritative. The following text is a convenience translation of the independent practitioner's assurance report.

Our engagement
We have performed a limited assurance engagement on the separate non-financial Group Report of HOCHTIEF Aktiengesellschaft, Essen/Germany, (hereinafter: "the Company") in accordance with Section 315b German Commercial Code (HGB), for the period from January 1 to December 31, 2018 (hereinafter: "Non-Financial Group Report").

Our engagement has not covered the references on websites of the Company.

Responsibility of the executive directors
The executive directors of HOCHTIEF Aktiengesellschaft are responsible for the preparation of the Non-Financial Group Report in accordance with Sections 315b, 315c German Commercial Code (HGB) in connection with Sections 289c to 289e German Commercial Code (HGB).

In preparing the Non-Financial Group Report, the executive directors used the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) stated under the "Core" option and have indicated these within the Non-Financial Group Report.

This responsibility of the Company's executive directors includes the selection and application of appropriate methods for preparing the Non-Financial Group Report as well as making assumptions and estimates related to individual non-financial disclosures, which are reasonable in the circumstances. In addition, the executive directors are responsible for such internal control they have determined necessary to enable the preparation of the Non-Financial Group Report that is free from material misstatements, whether intentional or unintentional.

Practitioner's responsibility
Our responsibility is to express a limited assurance conclusion on the Non-Financial Group Report, based on the assurance engagement we have performed.

We are independent of the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit company applies the German national legal requirements and the German profession's pronouncements for quality control, in particular the bylaws governing the rights and duties of public auditors and chartered accountants (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)], which comply with the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB).

We conducted our assurance engagement in compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement in a form that enables us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the information disclosed in the Non-Financial Group Report has not complied, in all material respects, with Sections 315b, 315c in connection with Sections 289c to 289e German Commercial Code (HGB). In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and, therefore, a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's professional judgment.

Within the scope of our limited assurance engagement, which was performed from November 2018 to February 2019, we conducted, amongst others, the following audit procedures and other activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- An onsite visit to the American subsidiary Turner Construction Company in New York/New York, United States of America as part of an investigation into the processes for collecting, analyzing and aggregating selected data
- Interview of the executive directors and relevant employees that participated in the preparation of the Non-Financial Group Report about the process of preparation, the measures on hand and precautionary measures (system) for the preparation of the Non-Financial Group Report as well as about the information within the Non-Financial Group Report
- Identification of the risks of material misstatement within the Non-Financial Group Report
- Analytical evaluation of selected disclosures within the Non-Financial Group Report
- Reconciliation of the disclosures within the Non-Financial Group Report with the respective data within the consolidated financial statements as well as the combined management report
- Evaluation of the presentation of the disclosures

Practitioner's conclusion

Based on the assurance work performed and evidence obtained, nothing has come to our attention that causes us to believe that the information disclosed in the Non-Financial Group Report of the Company, for the period from January 1 to December 31, 2018 has not complied, in all material aspects, with Sections 315b, 315c German Commercial Code (HGB) in connection with Sections 289c to 289e German Commercial Code (HGB).

Our audit opinion does not refer to the references on websites of the Company.

Purpose of the assurance statement

We issue this report on the basis of the engagement agreed with HOCHTIEF Aktiengesellschaft. The limited assurance engagement has been performed for purposes of HOCHTIEF Aktiengesellschaft and the report is solely intended to inform HOCHTIEF Aktiengesellschaft on the results of the assurance engagement.

Liability

The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility exclusively refers to HOCHTIEF Aktiengesellschaft and is also restricted under the engagement agreed with HOCHTIEF Aktiengesellschaft on November 7, 2018 as well as in accordance with the "General engagement terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German public auditors and German public audit firms)" from January 1, 2017 of the Institut der Wirtschaftsprüfer in Deutschland e.V. We do not assume any responsibility to third parties.

Düsseldorf/Germany, February 20, 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Thomas Krick

Signed: (Prof. Dr. Holger Reichmann)
Certified Public Accountant

Signed: (Thomas Krick)

Glossary

Bonding
A statutory form of security used in the U.S. to guarantee performance of public projects, bonding is also employed for selected other clients. A facility of this magnitude is necessary in the U.S. market. Whereas construction projects in the U.S. often have to be bonded with 100% of the contract value, other jurisdictions generally call for 10% performance guarantees.

Brownfield projects
Investment in and management of an existing asset. Opposed to “greenfield projects”, which refers to projects that start from bare ground and lack constraints from prior work, i.e. investment in, construction and maintenance of entirely new or newly rehabilitated facilities or infrastructure.

CDP
The Carbon Disclosure Project is a global carbon transparency initiative launched by institutional investors with the goal of collating corporate climate change information and making it publicly available. www.cdp.net/

Contract mining
Contracting out of certain mine owner operations to a service provider. Via its company Thiess, HOCHTIEF’s Group company CIMIC extracts and processes commodities under long-term contract. Its services include mine development and subsequent renaturalization.

Corporate responsibility (CR)
CR relates to the HOCHTIEF-specific contribution to sustainability that is coordinated by the CR organization.

DGNB (German Sustainable Building Council)
Since January 2009, the German Sustainable Building Council (DGNB) has awarded DGNB certification to projects that are environmentally compatible, economically efficient, and user-friendly. The certification system addresses all areas of green building. www.dgnb.de

Directors and officers (D&O) insurance
D&O insurance is a liability insurance for financial loss 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.

Green buildings
Buildings certified by relevant organizations for satisfying sustainability criteria in design, construction, and operation. BREEAM, DGNB, Green Star, and LEED are currently the certifications most frequently used in HOCHTIEF projects.

Greenfield projects
Projects that start from bare ground and lack constraints from prior work, i.e. investment in, construction and maintenance of entirely new or newly rehabilitated facilities or infrastructure. Opposed to brownfield projects, i.e. investment in and management of an existing asset.

Green infrastructure
Sustainable infrastructure projects (such as transportation projects and power plants) delivered to efficiency and resource conservation standards and certified as such by relevant organizations such as CEEQUAL, Greenroads, or ISCA.

Issuer
An issuer of securities: a company in the case of shares and a company, public body, the state, or other institution in the case of bonds.

Lean construction
Integrated approach that takes into account the entire life cycle of a building for the optimized planning and execution of construction projects.

Long-term incentive plan (LTIP)
A long-term incentive plan is an incentives system or pay component offered to selected managerial staff so that they participate in the company’s long-term success, thus securing their loyalty to the company.

Lost Time Injury Frequency Rate (LTIFR)

LTIFR represents the number of accidents per million hours worked. Under international standards, accidents are counted from the first working day lost.

OSHEP

The HOCHTIEF Group's occupational safety, health, and environmental protection organization.

Phasing out

If, based on current findings, a decision has been made to no longer engage specific subcontractors or suppliers, they are tagged as blocked in the system and thus "phased out" of the pool of potential trading partners.

PreFair

A collaborative contracting model at HOCHTIEF in which building is preceded by a preconstruction phase. Planning management prevents inconsistencies in the planning process, optimizes coordination, and reduces the risk of supplemental work. Timely teamwork among all those involved in the project ensures reliable scheduling and budgeting as well as quality assurance.

Public-private partnership (PPP)

Cooperation between the public sector and private-sector entities. A characteristic feature of such cooperation is that the parties pursue common objectives and interests as regards the project itself even though they differ in terms of their broader functions.

Scope 1/2/3 in relation to greenhouse gas emissions

Direct and indirect emissions of CO_2 and other greenhouse gases, divided in accordance with the Greenhouse Gas Protocol (GHGP) into scopes relating to the emission sources included. Scope 1: direct emission sources in the possession or control of the company; Scope 2: indirect emissions from consumption of energy by the company; Scope 3: other indirect emissions from the company's supply chain.

Services

At HOCHTIEF, the term "services" relates to maintenance and operating services. In the Australian market, this covers the following sectors: roads, non-residential building, mining, light and heavy manufacturing, electricity, water and wastewater, rail, telecommunications, ports, defense, and gas pipelines. In Germany, facility management services comprise the following: facility cleaning, building services, security guard services, catering/restaurant/canteen operation, commercial management, energy management, garden and landscape maintenance, contracting, industrial cleaning, (small-scale) plant engineering, reception and office services, fleet management, and logistics.

Stakeholders

Internal and external groups that either significantly influence the economic, ecological, and social performance of HOCHTIEF or may do so in the future, or that are significantly affected by the Group's economic, ecological, and social performance or may be so in the future. Stakeholder management serves the purpose of systematically surveying and giving strategic consideration to the requirements of key stakeholder groups with regard to sustainable, responsible business practices and HOCHTIEF's public positioning.

Sustainability

Defined at HOCHTIEF as a systematic approach to harmonizing economy, ecology, and social responsibility in business activities with the aim of securing the long-term viability of the Company.

Syndicated guarantee facility

A loan facility structured by an international banking syndicate in order to furnish financial guarantees by way of assurance for clients.

UNGC (United Nations Global Compact)

The UN strategic policy initiative for businesses committed to aligning their operations and strategies with ten accepted principles. www.unglobalcompact.org

Work done

This reporting term covers all construction work completed by the company itself, together with its fully consolidated subsidiaries, and by joint ventures on a pro rata basis, plus all other sales generated by non-construction operations during the reporting period.

Further terms and explanations are provided in the Investor Relations section of the HOCHTIEF website, www.hochtief.com, where you will find a detailed glossary.

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Forward-looking statements
This Group Report contains forward-looking statements. These statements reflect the current views, expectations and assumptions of the Executive Board of HOCHTIEF Aktiengesellschaft concerning future events and developments relating to HOCHTIEF Aktiengesellschaft and/or the HOCHTIEF Group and are based on information currently available to the Executive Board of HOCHTIEF Aktiengesellschaft. Such statements involve risks and uncertainties and do not guarantee future results (such as profit before tax or consolidated net profit) or developments (such as with regard to possible future divestments, planned investments or acquisitions, general business activities or business strategy). Actual results (such as profit before tax or consolidated net profit), dividends and other developments (such as with regard to possible future divestments, planned investments or acquisitions, general business activities or business strategy) relating to HOCHTIEF Aktiengesellschaft and the HOCHTIEF Group may therefore differ materially from the expectations and assumptions described or implied in such statements due to, among other things, changes in the general economic, sectoral and competitive environment, capital market developments, currency exchange rate fluctuations, changes in international and national laws and regulations, in particular with respect to tax laws and regulations, the conduct of other shareholders, and other factors. Any information provided on dividends is additionally subject to the recognition of a corresponding unappropriated net profit in the published separate financial statements of HOCHTIEF Aktiengesellschaft for the fiscal year concerned and the adoption by the competent decision-making bodies of HOCHTIEF Aktiengesellschaft of appropriate resolutions taking into account the prevailing situation of the Company. Aside from statutory publication obligations, HOCHTIEF Aktiengesellschaft does not assume any obligations to update any forward-looking statements.

Five Year Summary

		2014	2015	2016	2017	**2018**
New orders (EUR million)		22,041	21,553	24,813	30,443	**28,098**
	Of total: domestic	1,716	1,133	1,395	884	**1,226**
	international	20,325	20,420	23,418	29,559	**26,872**
Work done (EUR million)		24,246	23,948	22,292	24,518	**25,446**
	Of total: domestic	1,463	1,025	1,039	1,069	**1,173**
	international	22,783	22,923	21,253	23,449	**24,273**
Order backlog at year-end (EUR million)		36,255	36,023	43,088	44,644	**47,267**
	Of total: domestic	2,270	2,357	2,739	2,470	**2,316**
	international	33,985	33,666	40,349	42,174	**44,951**
Employees total1) at year-end (number)		–	–	66970	67112	**64313**
Direct employees at year-end (number)		53,247	44,264	51,490	53,890	**55,777**
	Of total: domestic	3,909	3,548	3,449	3,403	**3,462**
	international	49,338	40,716	48,041	50,487	**52,315**
External sales (EUR million)		22,099	21,097	19,908	22,631	**23,882**
Increase/(decrease) on prior year (%)		-1.8	-4.5	-5.6	13.7	**5.5**
Materials (EUR million)		15,746	15,484	14,778	16,229	**17,397**
Materials ratio (%)		71.3	73.3	74.6	71.9	**72.9**
Personnel costs (EUR million)		4,416	3,656	3,285	4,120	**4,168**
Payroll ratio (%)		20.0	17.3	16.6	18.2	**17.5**
Depreciation and amortization (EUR million)		440	414	288	396	**392**
Profit from operating activities (EUR million)		(75)	575	629	765	**773**
Net income from participating interests (EUR million)		118	156	115	177	**290**
Net investment and interest income (EUR million)		(220)	(208)	(123)	(118)	**(85)**
Profit before tax—continuing operations (EUR million)		(177)	523	621	824	**978**
Of which:	Americas (EUR million)	108	155	204	254	**299**
	Asia Pacific (EUR million)	(115)	424	432	579	**620**
	Europe (EUR million)	(73)	(27)	19	33	**48**
Pre-tax return on sales (%)		-0.8	2.5	3.1	3.6	**4.1**
Profit after tax—continuing operations (EUR million)		(132)	333	433	582	**719**
Profit after tax—discontinued operations (EUR million)		538	–	–	–	**–**
Profit after tax—total (EUR million)		406	333	433	582	**719**
Return on equity (%)		13.1	10.6	16.8	23.0	**29.2**
Consolidated net profit/(loss)—continuing operations (EUR million)		(122)	208	320	421	**541**
Consolidated net profit/(loss)—discontinued operations (EUR million)		374	–	–	–	**–**
Consolidated net profit/(loss)—total (EUR million)		252	208	320	421	**541**
EBITDA[1)] —continuing operations (EUR million)		1,000	1,143	997	1,321	**1,414**
EBITDA[1)] —discontinued operations (EUR million)		897	–	–	–	**–**
EBITDA[1)] —total (EUR million)		1,897	1,143	997	1,321	**1,414**
Operational earnings (EBIT)[2)] —continuing operations (EUR million)		559	729	716	925	**1,022**
Operational earnings (EBIT)[2)] —discontinued operations (EUR million)		847	–	–	–	**–**
Operational earnings (EBIT)[2)] —total (EUR million)		1,406	729	716	925	**1,022**
Earnings per share—continuing operations (EUR)		(1.77)	3.11	4.98	6.55	**8.27**
Earnings per share—discontinued operations (EUR)		5.41	–	–	–	**–**
Earnings per share—total (EUR)		3.64	3.11	4.98	6.55	**8.27**
Dividend per share (EUR)		1.90	2.00	2.60	3.38	**4.98***
Dividends paid (EUR million)		132	139	167	217	**352**
Free cash flow from operations[3)] (EUR million)		322	985	986	1,120	**1,031**

* Proposed dividend per share

[1)] Direct employees plus a proportional share of employees of CIMIC Group companies BICC, Devine, and Ventia.

[2)] EBITDA and EBIT have been standardized Group-wide in 2018 and the figures for 2017 restated accordingly.

[3)] 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

	2014	2015	2016 (restated)*	2017	2018
Assets					
Intangible assets (EUR million)	866	883	1,322	1,192	**1,159**
Property, plant and equipment (EUR million)	1,305	1,116	1,178	960	**979**
Investment properties (EUR million)	15	14	12	9	**7**
Financial assets (EUR million)	1,028	1,104	776	651	**1,939**
Other non-current assets (EUR million)	997	1,013	1,324	1,148	**791**
Non-current assets (EUR million)	**4,211**	**4,130**	**4,612**	**3,960**	**4,875**
As % of total assets	27.7	31.1	32.8	29.7	**33.7**
Inventories (EUR million)	919	768	559	425	**378**
Receivables and other assets (EUR million)	6,590	4,828	5,562	5,419	**5,183**
Marketable securities and cash and cash equivalents (EUR million)	3,327	3,386	3,311	3,524	**4,011**
Assets held for sale (EUR million)	172	158	33	21	**1**
Current assets (EUR million)	**11,008**	**9,140**	**9,465**	**9,389**	**9,573**
As % of total assets	72.3	68.9	67.2	70.3	**66.3**
Total assets (EUR million)	**15,219**	**13,270**	**14,077**	**13,349**	**14,448**
Liabilities and Shareholders' Equity					
Attributable to the Group (EUR million)	2,178	2,144	1,814	1,788	**1,906**
Non-controlling interest (EUR million)	933	1,003	757	746	**559**
Shareholders' equity (EUR million)	**3,111**	**3,147**	**2,571**	**2,534**	**2,465**
As % of total assets	20.4	23.7	18.3	19.0	**17.1**
As % of non-current assets	73.9	76.2	55.7	64.0	**50.6**
Non-current provisions (EUR million)	829	803	864	717	**760**
Non-current financial liabilities (EUR million)	3,073	2,355	1,633	2,183	**2,070**
Other non-current liabilities (EUR million)	80	98	72	162	**150**
Non-current liabilities (EUR million)	**3,982**	**3,256**	**2,569**	**3,062**	**2,980**
As % of total assets	26.2	24.5	18.2	22.9	**20.6**
Current provisions (EUR million)	1,156	818	822	729	**842**
Current financial liabilities (EUR million)	982	309	1,047	236	**600**
Other current liabilities (EUR million)	5,988	5,740	7,068	6,788	**7,561**
Current liabilities (EUR million)	**8,126**	**6,867**	**8,937**	**7,753**	**9,003**
As % of total assets	53.4	51.8	63.5	58.1	**62.3**
Total assets (EUR million)	**15,219**	**13,270**	**14,077**	**13,349**	**14,448**
Property, plant and equipment ratio[4] (%)	8.6	8.4	8.4	7.2	**6.8**
Total capital expenditure, including acquisitions (EUR million)	716	455	796	394	**1,938**
Of total: Intangible assets (EUR million)	26	12	13	18	**5**
Of total: Property, plant and equipment (EUR million)	565	264	260	339	**415**
Of total: Investment properties (EUR million)	–	–	–	–	**–**
Of total: Financial assets (EUR million)	125	179	523	37	**1,518**
Capital expenditure ratio[5] (%)	13.9	7.0	6.0	8.9	**10.4**
Depreciation and amortization ratio[6] (%)	74.5	150.0	105.5	110.9	**93.3**
Receivables turnover[7]	4.0	4.4	4.2	4.6	**5.2**
Total assets turnover[8]	1.5	1.5	1.5	1.7	**1.7**
Net cash/(net debt) (EUR million)	470[9]	805	704	1,266	**1,562**

[4]Property, plant and equipment ratio: Property, plant and equipment as a percentage of total assets

[5]Capital expenditure ratio: Capital expenditure on intangible assets, property, plant and equipment and investment properties as a percentage of cumulative cost of acquisition

[6]Depreciation and amortization ratio: Depreciation and amortization as a percentage of intangible assets, property, plant and equipment and investment properties

[7]Receivables turnover: Ratio of sales to average trade receivables

[8]Total assets turnover: Ratio of sales to average total assets

[9]Including receivables from the disposal of discontinued activities

*Adjusted due to finalization of the purchase price allocation from the UGL acquisition as of December 31, 2016

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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/gr18.

The editorial deadline for this Group report was February 20, 2019; the report was published on February 21, 2019.

If your cell phone supports QR codes, scan the code to view further information on the HOCHTIEF Group Report 2018 on our website.

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