

Annual General Meeting 2017

May 10, 2017

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Marcelino Fernández Verdes

Chief Executive Officer (CEO)

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Check against delivery.

Guten Morgen, meine sehr verehrten Damen und Herren, liebe Freunde von HOCHTIEF.

Im Namen des Vorstands begrüße ich Sie sehr herzlich.

Ich werde im Weiteren Englisch sprechen. Eine Übersetzung hören Sie über Kopfhörer.

2016 was a very successful year for the entire HOCHTIEF Group.

Our business is developing very well worldwide. We can see this in our financial indicators, which I will address later.

At first, please let me go into the core of our work: our projects. For HOCHTIEF, 2016 was marked by two flagship projects which kept us busy in Europe many years and were successfully completed and opened last year: the Elbe Philharmonic Hall and the Gotthard Tunnel.

This shows the extraordinary accomplishments of which our company and our employees are capable—not only here in Germany, but also in other countries in Europe and worldwide.

In Gdansk, we have recently completed the World War II Museum. In Prague, we are refurbishing the State Opera, and in New York the Museum of Modern Art.

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Or let's look at the U.S. West Coast where Flatiron started works on the California High-Speed Rail—the first high-speed railway link in the USA—and where Turner won the contract for the football stadium of the Los Angeles Rams. I would also like to mention Hong Kong, where we are building an important tunnel and where we have been selected recently to extend the airport. In Canada, we have been awarded our first mining contract. Amongst others, CIMIC also secured a Light Rail PPP-project in Canberra, a major road project in Perth, and is the preferred bidder for a multi-billion dollar infrastructure project in Melbourne.

A wide variety of new contracts and successful projects in many parts of the world underscore the sustainable development of HOCHTIEF. And the project pipeline in the markets relevant to us continues offering growth opportunities.

HOCHTIEF is based in Essen, but we successfully operate globally. Our new company film you watched earlier shows: HOCHTIEF is building the world of tomorrow. We are building the world of tomorrow as a team!

Dear shareholders, I'm sure I'm also speaking on your behalf if I therefore extend my cordial thanks to all HOCHTIEF employees. They have worked hard. This deserves the greatest credit. Thanks very much to all of you!

I would also like to particularly express my special thanks to the Supervisory Board for its commitment and support.

Please let me say a few personal words here. You will have read or heard that I have been proposed as an Executive Director on the Board of ACS.

Of course I will continue working as CEO of HOCHTIEF. As I said last year:

„Es ist mir eine Ehre, für HOCHTIEF zu arbeiten.“

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Let us take a look at last year's milestones and our outlook for 2017.

In 2016, HOCHTIEF has made very important progress, both operationally and strategically, in further improving the ability to achieve sustainable, cash-backed profits. We have increased our profits significantly and we have also enhanced our growth prospects via the acquisitions by CIMIC of services company UGL and mineral processing business Sedgman.

Let me start with a brief **overview** of the 2016 full-year results:

- **Nominal net profit** was up 54% year on year at EUR 321 million.
- **Operational net profit**, that is adjusted for one-off items, increased by almost EUR 100 million or 37% to EUR 361 million. We reached the top end of the guidance range between EUR 300 and EUR 360 million.
- In addition, including the benefit of the share buybacks carried out in 2015 and 2016, **earnings per share** were up by 60%.
- The increased level of profits has been driven by improved project performance and reduced financial costs. This resulted in the Group's **operational PBT margin** rising from 2.8% in 2015 to 3.4% in 2016.
- Revenues of nearly EUR 20 billion were at a slightly lower level compared with the previous year, but the trend has been positive. In the final three months of 2016, **sales** increased by almost 10% compared with the fourth quarter of 2015.
- **New orders** were up by 15% to almost EUR 25 billion and we maintained our disciplined approach to risk management. Our year-end EUR 43.1 billion **order book** is at the highest level since 2012 and stands 20% above the December 2015 figure.

- The improvements in operational project execution were reflected in excellent cash flow development. **Net cash from operating activities** increased to EUR 1.2 billion and our EBITDA cash conversion rate of 106% was outstanding.
- Despite the already mentioned acquisitions in Australia, HOCHTIEF ended 2016 with EUR 704 million of **net cash**. If we adjust for these investments, share buybacks and dividend payments, net cash would have stood at EUR 1.7 billion.

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A remarkable fact is that all divisions contributed to the positive overall development of the Group.

HOCHTIEF Americas put in another strong performance in 2016.

Operational profit before tax grew by 34% to EUR 214 million, just above the top end of our divisional guidance range. The **operational PBT margin** rose by 50 basis points to 2.0%. The sustained upward trend in Turner's building construction business as well as the further improvement of Flatiron, our civil works subsidiary, contributed to these strong results. **Sales** were up 5% to EUR 10.9 billion.

Net cash from operating activities rose by EUR 110 million to EUR 434 million. As a result, **net cash** ended the year at about EUR 840 million, up by over EUR 270 million year on year, or almost 50%.

New orders increased by 26% to EUR 13.7 billion, a new record level. A huge American football stadium as well as an airport project in Los Angeles and a bridge in Texas are among our largest new orders. Additionally, Flatiron won an increasing number of smaller tenders. The year-end order book stands at almost EUR 16 billion, up 24% versus December 2015.

In 2017, we expect Americas to achieve **operational profit before tax** of between EUR 235 million and EUR 250 million, compared with EUR 214 million in 2016.

Now to **HOCHTIEF Asia Pacific:**

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CIMIC made significant progress in 2016, with improved prospects for growth, and strengthened its competitive edge with two strategic company takeovers in Australia. One of these companies is UGL, a leading provider of end-to-end engineering, asset management and other services in the segments of rail, transportation, energy, communication systems, resources, water and defense. The acquisition has expanded CIMIC's portfolio considerably. Sedgman, a specialist in mineral processing, gives CIMIC a stronger position in the mining services sector.

In 2016, **nominal net profit** - or "NPAT" at CIMIC - rose by 12% to AUD 580 million at the top end of the company's guidance range. This favorable outcome reflects a substantial improvement in the division's **profit margin**.

CIMIC secured **new contracts** of almost EUR 9 billion in 2016. These include several major infrastructure projects in Australia and Hong Kong, project extensions in the contract mining business, and also the first mining contract in Canada with a volume of AUD 840 million. The **order backlog** rose by some 20% to EUR 23.3 billion, also helped by the acquisition of UGL.

For 2017, CIMIC has provided guidance for **net profit after tax** in the range of between AUD 640 million and AUD 700 million. This represents an increase of 10 to 20% year on year compared with AUD 580 million.

HOCHTIEF Europe:

Europe made further progress and improved significantly in financial terms.

Operational profit before tax more than doubled to EUR 36 million, at the top end of the divisional guidance range (EUR 20-35 million), with the **margin** increasing 140 basis points to 2.3%. At EUR 19 million, **nominal profit before tax** likewise improved by EUR 46 million.

Aside from higher profits, the key highlight for Europe was the EUR 125 million turnaround in **net cash from operating activities**. The division generated over EUR 60 million cash inflow in 2016, compared with EUR 64 million outflow in the previous year.

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New orders in Europe were slightly up at EUR 2.1 billion. New orders in Germany were up by more than EUR 600 million, or over 80%, to almost EUR 1.4 billion: For example, we were awarded the contract for further renewal works at Bochum University and for the expansion of the A6 highway in southern Germany. Works started recently. In February 2017, HOCHTIEF secured a billion-euro highway project in the Netherlands.

The **order book** has also developed positively, ending the year at EUR 3.9 billion.

For 2017, we expect a further improvement to between EUR 40 million and EUR 45 million of **operational profit before tax**.

Ladies and gentlemen,

2016 was also a very successful year for HOCHTIEF on the capital market. The stock price went up by 55%, closing the year at EUR 133.1 per share. A year earlier, the price was EUR 85.9 per share. The HOCHTIEF stock thus was the second-best performer in the MDAX.

Since the last Annual General Meeting, the stock price has risen by 53%.

In 2015, the Annual General Meeting authorized the Company to acquire treasury shares.

Between January and mid-March 2016, we acquired 954,717 treasury shares. Taking into account the treasury shares already held at the end of 2015, the total number of shares that were bought back was around 5 million. In September 2016, HOCHTIEF decided to retire these shares. This is equivalent to 7.2% of

the share capital. The free float thus increased from 26.2 to 28.2%. After cancellation of the shares, the stake of ACS was 71.7%.

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Thanks to our further improved operating performance, the Supervisory Board and Executive Board propose to you under item 2 of the agenda to distribute an **ordinary dividend of EUR 2.60 per share**. This would mean a 30% increase in the dividend distribution compared with the prior year. HOCHTIEF would distribute an absolute amount of EUR 167 million in dividends to you, our shareholders. In line with this distribution for 2016, it is our goal to pay out around 50% of our net profit in dividends in future.

Now let me say a few words about our strategy.

In the last four years, we strengthened the balance sheet significantly, restructured and reorganized business sectors. In addition, we placed the focus on the Group's core activities. We focus on the construction of infrastructure projects, engineering, contract mining, public-private partnerships and services.

This process ran parallel to the development and establishment of a Group-wide corporate culture that puts sustainable, cash-based profitability and more systematic risk management at center stage. These fundamental changes within the Group are progressing well.

The result of the transformation so far shows very significant improvements of key indicators between 2013 and 2016:

- The order backlog increased by 20%.
- Operational net profit doubled.
- Free cash flow from operations rose by EUR 1.2 billion.
- And the share price tripled.

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

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The strength of HOCHTIEF's balance sheet, positive business performance and outlook has been recognized by rating agency Standard & Poors which has just accorded HOCHTIEF a solid **investment grade rating** of BBB with a stable outlook. The BBB rating will contribute toward a further optimization of HOCHTIEF's Group financing.

It is with the greatest regret I have to inform you that despite all our efforts, three fatal accidents occurred on HOCHTIEF Group construction sites last year.

On behalf of the Executive Board, the Supervisory Board and all HOCHTIEF employees, I would like to express my deepest sympathy to the families and friends of the colleagues that passed away.

Safety remains a principle of top relevance. In 2015, we therefore had decided to adopt an indicator that represents the number of accidents per million hours worked as a non-financial key performance indicator. We are working continuously on improving our prevention in order to counter potential risks as much as possible. In 2016, we succeeded in further reducing the Group-wide accident rate.

Ladies and gentlemen,

Sustainability and corporate responsibility are a priority for HOCHTIEF and we remain committed to the communities where we operate. In February we published our third combined Annual and Sustainability Report. It describes how environmental, social and governance factors are integrated into our decision making.

HOCHTIEF is a pioneer of sustainability in our industry. Green buildings, for example, consume up to 90% less energy than traditionally built ones. The goal is to protect the environment to the greatest possible extent already during construction. Once completed, the buildings are designed to use a minimum of energy during operation.

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HOCHTIEF delivers green buildings worldwide; in the USA, our Group company Turner has been the leader in sustainable construction for many years. Over 500 buildings constructed by Turner received a corresponding certificate.

Our sustainability performance is also recognized externally. In 2016, for example, HOCHTIEF was listed again in the Dow Jones Sustainability Index and in the world's biggest climate protection ranking, CDP (formerly Carbon Disclosure Project).

Now let's look how we started in 2017.

The financial results for the first quarter that we published today show that we continue to move in the right direction. Highlights, compared with the prior comparable period, include:

- Operational net profit increased by 30% to EUR 93 million
- Nominal net profit rose by 40% to EUR 88 million
- Operational PBT margin went up by 20 basis points to 3.8%
- Net cash from operating activities improved by over EUR 100 million
- Net cash increased significantly to EUR 341 million, up EUR 317 million
- Order backlog went up by 23% to EUR 45 billion, the highest level since the transformation of HOCHTIEF was initiated
- New orders rose by 18% to EUR 7.4 billion

And finally we confirm the guidance for our Group for 2017.

Ladies and gentlemen,

HOCHTIEF is well positioned in attractive and growing public and private markets. Our customers continue to invest. The new U.S. administration is considering a major infrastructure program. We see great growth opportunities via the planned investments. The German Federal Transport Infrastructure Plan provides for investments to the tune of EUR 270 billion by 2030, primarily to maintain existing infrastructure. Australia is likewise very focused on expanding its network of railways and roads. In addition, an increase in demand for raw materials is expected. Due to increasing internationalization of CIMIC in the contract mining segment, the company is well positioned for such a positive development.

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HOCHTIEF has a strong tender pipeline in construction, mining, and PPP projects as well as in services. In the U.S., Turner has its eye on USD 40 billion worth of relevant projects in the pipeline for the remainder of 2017, while Flatiron has identified new projects worth USD 10 billion. Around AUD 80 billion of tenders, relevant to CIMIC, have been identified for 2017 and 2018. HOCHTIEF Europe is pursuing a project pipeline worth EUR 16 billion for the last three quarters of the current year. Overall, the projects in our core markets comprise a total of around EUR 120 billion until the end of 2017. For 2018 and beyond, all divisions are expecting tenders of around EUR 350 billion. On the basis of a portfolio augmented by services, an excellent order situation and a projected increase in sales, the Group sees good prospects for creating additional jobs.

Dear shareholders, let me **summarize**:

- Your company, our company HOCHTIEF once again increased profit and cash flow in 2016.
- We substantially increased margins in all three divisions.
- Our order backlog is solid and the tender pipeline is very promising.
- On the basis of our strong balance sheet, we are well positioned to take advantage of future opportunities.

For 2017, we expect to achieve an operational net profit of between EUR 410 million and EUR 450 million, which represents an increase of 13% to 25% on the 2016 result. We expect sales to increase by over 10% in 2017.

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Meine Damen und Herren,

ich danke Ihnen für Ihre Aufmerksamkeit und freue mich über Ihre Unterstützung.