

## **Business Results Press Conference**

February 21, 2019

### **Marcelino Fernández Verdes, CEO**

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Check against delivery.

Good afternoon

and welcome to our Business Results Press Conference.

Today, we would like to talk to you about HOCHTIEF's 2018 earnings and the positive future outlook for 2019 and beyond.

HOCHTIEF achieved a very robust operating performance in 2018 and took another major step forward strategically by investing in the leading international toll road operator Abertis. 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.

For the sixth consecutive year, we managed to increase our cash-backed operational net profit and as you can see from the guidance we have published we expect this positive trend to continue. Our focus on developed markets and a broad variety of business models gives us a robust, well-balanced profile in the infrastructure business that is paying off in a sustainable manner.

2018 was another very successful year for HOCHTIEF.

This is backed up by numerous successful projects and new large-scale orders in many different parts of the world.

We started construction on a 15-kilometer-plus subway tunnel under Sydney Harbour as well as a major transportation project in the Amsterdam region. We are in the final stages of constructing the three-kilometer bridge over the St. Lawrence River in Montreal and the Marienurm high-rise in Frankfurt.

Here are some projects we have completed or started operating:

- PPP projects to expand the A7 highway in northern Germany and to build the police headquarters in Aachen,
- the world's tallest statue in India, which stands at 182 meters,
- several tunnels with a total length of 31 kilometers built by CIMIC, and
- the Mercedes Plaza in Berlin.

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In 2018, we won several major contracts, such as for:

- seven airport projects, including at Los Angeles, Denver, Washington D.C., and in Poland,
- construction of The Spiral skyscraper in New York,
- a convention center in Las Vegas,
- a net zero energy building for the California Department of Natural Resources,
- subway projects, for example, in Melbourne, Copenhagen, and Munich,
- a solar farm in Australia, and
- mining projects in Australia and Chile.

Ladies and Gentlemen,

Let us first take a look at the key performance indicators.

HOCHTIEF has delivered **strong profit growth** in 2018. **Nominal net profit** rose by 29% to EUR 541 million which includes a EUR 84 million contribution from the 20% stake in Abertis from June to December 2018.

**Operational net profit**, which excludes non-operational impacts and the Abertis contribution, increased by 15% year on year to EUR 521 million. This

result is at the top end of the guidance range HOCHTIEF announced a year ago of EUR 470 to 520 million. All three divisions contributed to this solid increase in operational profit.

Adjusting for foreign exchange rate movements, **sales** were 11% higher year on year at EUR 24 billion, or up 6% in nominal terms. This growth was accompanied by increased margins. The Group's **operational PBT margin** was up 30 basis points year on year to 4.1%.

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HOCHTIEF remains focused in terms of risk management and generating cash-backed profits. Our **net cash from operating activities** was at a sustained high level of EUR 1.4 billion in 2018, driven by a solid level of cash conversion.

After EUR 340 million of net capital expenditure we achieved over EUR 1 billion of **free cash flow from operations** in the last twelve months. It is the fourth consecutive year that we generated around EUR 1 billion of free cash flow from operations. Due to the positive development in 2018, 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. All three divisions increased their net cash position both year on year and also during the fourth quarter of 2018. The Group's net cash position is after the EUR 1.4 billion investment in our 20% Abertis stake and the capital increase of EUR 0.9 billion in 2018.

The year-end **order backlog** of EUR 47.3 billion has increased by 7% year on year on an exchange rate adjusted basis. Almost half of our order backlog 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. New orders in Germany were up by EUR 340 million to EUR 1.2 billion. The disciplined bidding approach was maintained across the Group.

Now let us turn to the financial performance of our three divisions.

**Americas** 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 divisional guidance range of EUR 270 to 300 million. The operational PBT

margin expanded by 10 basis points year on year to 2.3% while sales, in local currency terms, rose by 14%. In Euro terms, sales reached EUR 13.1 billion, up 10% year on year.

Cash generation at HOCHTIEF Americas was once more solid during the year. Net cash from operating activities of EUR 318 million reflects a continuing high level of cash conversion. As a consequence of the good cash flow performance, divisional net cash ended December 2018 at an alltime high of over EUR 1.1 billion, up EUR 170 million year on year.

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The order situation developed again very positively. Americas delivered another high level of new orders at EUR 15.3 billion. The order backlog reached a new record level of EUR 21.1 billion at the end of the year, up 20% on December 2017.

For 2019, we expect the Americas division to further increase operational profit before tax to EUR 305 to 320 million.

Now to our **Asia Pacific** division:

Asia Pacific's nominal profit before tax 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 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 order backlog remains solid at EUR 22.6 billion and provides a consistently high visibility of 26 months of work.

For 2019, CIMIC expects net profit after tax of between AUD 790 million and AUD 840 million, after AUD 781 million in 2018.

Turning to **Europe**:

The division developed positively during 2018 continuing the trend seen in prior years as a result of our strategy implementation. Operational PBT increased by

EUR 14 million year on year to EUR 59 million, in line with the guidance of EUR 55 to 65 million. The division's operational PBT margin stands at 4.1%.

Net cash from operating activities remained at a high level at EUR 80 million. The variation year on year also reflects a high level of real estate divestments in 2017 and shows a continuing underlying improvement. At the end of 2018, Europe showed a strong net cash position of EUR 475 million, an increase of over EUR 264 million compared with the previous year.

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A solid level of new orders at EUR 1.9 billion was secured during 2018, on par 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 and includes EUR 2.3 billion of projects in Germany.

Looking ahead, we anticipate further growth in divisional operational profit before tax to EUR 65 to 70 million for 2019.

Let us talk about our strategy,

Since 2012, our economic performance has been continuously improving as a result of operational and strategic measures.

Two major transactions in the recent past have further improved our business profile:

- First was the acquisition of the services company UGL in 2016, which enjoys success in the Australian market. UGL's expertise—particularly in the rail sector—also gives us a competitive advantage in tenders.
- Last year, we invested EUR 1.4 billion to acquire a 20% stake in Abertis, a leading toll road operator. Abertis is the first national operator of toll roads in countries such as Spain, Chile and Brazil, and also has a significant presence in France, Italy and Puerto Rico. This investment will significantly increase our level of profit and cash flow and, at the same time, enhance our earnings visibility.

As a leading infrastructure group, HOCHTIEF today spans the entire life cycle of infrastructure projects in developed markets. Leveraging our core competency in

construction, we have a long track record of delivering complex projects worldwide, including bridges, subways, and high-rise buildings. Over time, we have expanded our portfolio which now encompasses engineering, mining, construction management, maintenance services as well as PPP projects and the concessions business.

Today HOCHTIEF has a well-balanced business profile. Construction management, services and mining—activities with a low risk profile—contributed two third to our 2018 sales, construction one third. This is paying off for our shareholders as we are now able to considerably increase our dividend. Compared with the dividend of EUR 2.60 paid out two years ago, our proposed dividend today is EUR 4.98. We will talk more about that later.

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Overall, we attach utmost importance to intensifying the collaboration among our Group companies to the benefit of our clients and shareholders and to systematically leveraging that competitive edge.

In the public-private partnership market, we see a growing pipeline of global opportunities that will enable the dynamic, reliable, and value-creating expansion of our business.

Together with our majority shareholder ACS, we are the largest PPP player based on the number of concessions and invested capital over the last 35 years.

During 2018, we together won orders with a combined contract value of around EUR 6 billion in the PPP field. This included awards for:

- the people mover at Los Angeles airport,
- a prison in New Zealand, and
- a school in Gladbeck, Germany.

Just last week we secured a PPP rail project with a volume of AUD 1.3 billion in New South Wales, Australia.

Our teams have identified a tender pipeline of PPP projects with a volume of approximately EUR 230 billion in our core U.S., Australian, Canadian, and European markets.

Innovation is one of our guiding principles and a key driver of HOCHTIEF's competitive strength. Building Information Modeling, for example, has already been used in the digital planning and efficient execution of more than 2,300 HOCHTIEF projects. But innovation goes further. It generates fascinating opportunities to build the world of tomorrow. To cite just one example: During expansion of the A6 highway in southern Germany last year, we launched a pilot project using drones with laser scanners for the first time to document the progress of construction. Known as "data capturing," this is a quick and easy method for gathering and processing geodata. Among other things, it lets us closely monitor schedules and budgets.

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This is just one small example of the many ways we aim to harness digitalization. Something else we are working on is developing standardized bridges, which can be adapted to local conditions by making a few minor modifications. This offers a host of advantages in light of the enormous need to replace aging infrastructure.

In addition, we have created a new organizational structure for innovation: In 2018 HOCHTIEF has set up Nexlore, a Group-wide digital innovation hub. Looking ahead, Nexlore will lend us huge support in transitioning to an enhanced digital future for our construction and services activities. HOCHTIEF's digital transformation is not about introducing technical innovations for their own sake. The fundamental objective is to create value for our clients, stakeholders and employees by changing the way we work. Drawing on our deep understanding of our clients' needs and priorities, we intend to offer superior solutions for the future.

Nexlore plans to establish several innovation centers worldwide: In addition to the existing locations in Essen, Frankfurt/Darmstadt, and Minneapolis, centers will be set up in Sydney and Madrid to bring together the Group's know-how and expertise.

Nexlore will cooperate closely with the world's leading universities and IT companies. A first series of research projects conducted jointly by scientists, students, and Nexlore's employees has started. The aim is to systematically take advantage of the opportunities for our business offered by digitalization,

with tapping the fields such as artificial intelligence, virtual reality, machine learning, the Internet of Things, and Industry 4.0. A key partnership with the MIT-IBM Watson Artificial Intelligence Lab in Cambridge, Massachusetts, USA, has recently commenced. This is an outstanding research and development program that brings together experts from the Massachusetts Institute of Technology and IBM to work on implementing artificial intelligence and software solutions into our day-to-day project management.

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HOCHTIEF will harness the products and processes developed by Nexlore to continuously increase efficiency and execution quality as well as to optimize project management. Our clients, project partners, and employees will benefit from these innovations.

Looking to the near future HOCHTIEF has a strong tender pipeline. In total our local teams have identified a pipeline worth about EUR 600 billion of relevant projects coming to our markets in North America, Asia-Pacific and Europe in 2019 and beyond. Regarding PPP projects we have a tender pipeline with a volume of approximately EUR 230 billion.

Ladies and Gentlemen,

We want to offer our shareholders attractive remuneration on a lasting basis. That's a key element of our capital allocation strategy.

As a consequence of the sustainable strength of HOCHTIEF's balance sheet and the further increased earnings visibility that results from the investment in Abertis, the dividend payout ratio is to increase from 50% to 65% of nominal net profit. Reflecting this and the Group's strong profit development, HOCHTIEF will propose a dividend of EUR 4.98 per share for 2018, an increase of 47% compared to 2017. Since 2012 the compound annual dividend per share growth rate has averaged 38%.

For 2019, we expect to achieve an operational net profit of between EUR 640 million and EUR 680 million. All divisions are expected to contribute to the continued improvement in Group earnings.

So, to sum up:

- Today HOCHTIEF has a well-balanced business profile as an engineering-led global infrastructure group with leading positions across its core activities of construction, services and concessions/public-private partnerships focused on Australia, North America and Europe.
- Together we delivered the sixth consecutive year of increasing operational profit with a strong cash flow generation.
- Our robust balance sheet combined with the deep presence in our core markets as well as our 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.
- HOCHTIEF has bright prospects for the future based on our global tender pipeline worth around EUR 600 billion.
- And we will benefit from innovations of our digital transformation.