

Annual General Meeting 2018

May 3, 2018

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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.

2017 was a great year for the entire HOCHTIEF Group.

Our business is developing very well in all three divisions. We have implemented our strategy which is based on sustainable, cash-backed profits and focused on disciplined risk management. For the fifth year in a row, we have thus continuously improved our results and significantly strengthened our performance. We can see this in our financial indicators, which I will address in a few minutes.

You have just watched our new HOCHTIEF film and seen the broad geographic range of our activities. From Frankfurt, we headed for Prague, further on to Los Angeles and Montreal, and then via Hong Kong to Australia. That's the world in which we work—and we are doing so in a fully committed manner.

Among the contracts we won last year are orders for

- the airports of Hong Kong, Brisbane, Denver, and San Diego,
- a subway tunnel under Sydney Harbor, more than 15 kilometers long
- operations and maintenance of the Melbourne suburban train network,
- a convention center in New York,
- a dam in California,
- the first IKEA store in India,
- the refurbishment of the Prague State Opera,
- numerous solar projects,
- mining projects in Australia and Indonesia and
- the Berlin base of the Federal Ministry of Health.

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In Germany and in many other countries around the world, we saw growth in infrastructure spending over the last year. HOCHTIEF is well positioned in these attractive markets.

Our success is based on our qualified and highly motivated people who want to carry out unique projects in our global company and are committed to delivering an exceptional performance.

Meine lieben Aktionäre,

I invite you to join me in thanking all HOCHTIEF employees for their commitment to successfully fulfilling the needs of our clients. They have done a great job.

Thank you very much to all our people!

I would also like to particularly give my special thanks to the Supervisory Board for its continued support.

Let us now have a look at the 2017 full-year results:

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- **Nominal net profit** rose by 31% to EUR 421 million, with the Americas, Asia Pacific and Europe divisions all contributing to this positive profit development.
- **Operational net profit** increased by over EUR 90 million, or 25%, year on year, to EUR 452 million. This result is at the top end of the guidance range we announced over a year ago of EUR 410-450 million.
- **Earnings per share** were 32% higher at EUR 6.55.
- **Sales** also developed positively with growth of 14% to EUR 22.6 billion, exceeding the revenue level since the beginning of our transformation in 2013 for the first time.
- The Group's **operational PBT margin** was up 40 basis points year on year to 3.8%.
- **Net cash from operating activities** increased by EUR 200 million, or 17%, to EUR 1.4 billion, driven by higher sales, increased margins and a further improvement in working capital management.
- HOCHTIEF ended 2017 with almost EUR 1.3 billion of **net cash**, over EUR 560 million higher year on year. Our strong balance sheet and positive business outlook were recognized in May 2017 when rating agency S&P assigned a solid BBB, investment-grade, debt rating for the Group, reaffirmed in October 2017.
- Our year-end **order book** of around EUR 45 billion is at its highest level since 2012 and has increased by 12% year on year on an exchange rate adjusted basis. At over EUR 30 billion, **new orders** were EUR 5.6 billion higher year on year, an increase of 23%.

We are pleased that again all divisions contributed to the positive overall development of the Group.

The **Americas** division delivered a positive performance in all areas in 2017.

Operational PBT rose by 21% year on year to EUR 258 million, exceeding the top end of the divisional guidance range of 235-250 million.

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The **cash generation** profile has steadily improved throughout the year with a particularly strong performance during the fourth quarter.

New orders and order backlog reached new record levels.

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

Now to **Asia Pacific**, which had an outstanding year and also saw the successful integration of services company UGL.

Asia Pacific's **nominal profit before tax** (PBT) advanced by 34% year on year to EUR 579 million. This strong increase was partly driven by **sales** growth of 24%. Furthermore, the divisional **PBT margin** rose 50 basis points to 6.4%.

New orders were up by 45% to EUR 13 billion.

CIMIC guides for 2018 a **net profit after tax** of between AUD 720 million and AUD 780 million. That represents an increase of 3% to 11% compared with AUD 702 million last year.

Turning to **Europe**:

The positive trend in the performance of Europe continued during 2017.

Operational PBT increased by EUR 9 million year on year to EUR 45 million and was at the top end of the divisional guidance range of EUR 40-45 million. On **sales** of EUR 1.6 billion, the division's profitability also progressed significantly, with the **PBT margin** expanding to 2.8% compared with 2.3% in 2016.

Europe delivered a strong level of cash flow. **Net cash** at the end of 2017 stood at over EUR 210 million.

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New orders in Europe remained at a healthy level.

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

Meine Damen und Herren,

2017 was also a good year for HOCHTIEF on the capital markets. HOCHTIEF's stock ranked among the best in its industry, as the share price gained 11%. Adding the dividend of EUR 2.60 per share to the increase in the share price, total shareholder return amounted to 13%.

Thanks to our further improved operating performance, the Supervisory and Executive Boards propose to distribute a dividend of EUR 3.38 per share. This would mean a 30% increase of the dividend compared to the prior year. HOCHTIEF would distribute an absolute amount of EUR 217 million in dividends to you, our shareholders. The average annual dividend growth has been 28% since we reinstated a dividend payment again in May 2013.

Let me now add some remarks on our PPP business.

As a key provider of public-private partnerships, we secure large-scale projects that we also continue to operate as a concession holder after finishing construction.

Just two recent examples:

First, New Champlain Bridge, in Montreal. With a 3.4-kilometer span over the St. Lawrence River, this is one of the key transport links on the U.S.-Canadian border.

The second example: We have just reached the Commercial Close as part of a joint venture for a major PPP rail project at Los Angeles International Airport. With a total volume of USD 4.6 billion.

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This new contract further underscores our established strong position in the PPP market. HOCHTIEF is currently working on around 40 PPP projects worldwide. We are very well positioned to benefit from growing international investment in road, rail, and social infrastructure.

The Los Angeles airport contract is part of a EUR 200 billion pipeline of PPP infrastructure projects in our core markets that our teams have identified for tender in the period 2018 to 2021.

Now let me update you on the Abertis transaction.

On October 18, 2017, HOCHTIEF launched a voluntary takeover offer for 100% of Abertis, one of the largest toll road operators worldwide. We offered a price of EUR 18.76 per share, with a combination of cash and new HOCHTIEF shares at EUR 146.42.

It was a competitive offer following the one previously presented by Atlantia in May 2017.

Subsequently, on March 13, 2018, HOCHTIEF, ACS and Atlantia signed an agreement to make a joint investment in Abertis.

The three companies agreed to structure this transaction in such a way that HOCHTIEF acquires Abertis through the takeover offer, and then transfers Abertis to an investment vehicle held by Atlantia with 50% plus 1 share, ACS with 30% and HOCHTIEF with 20% minus 1 share.

The investment vehicle will be capitalized with up to EUR 7 billion equity. HOCHTIEF will fund its EUR 1.4 billion equity contribution for its 20% stake from available resources and from a 10% capital increase, which will be fully

subscribed by ACS at EUR 143.04 per share. This price represents HOCHTIEF's initial offer price, minus the EUR 3.38 dividend per share for 2017.

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The revised takeover offer of HOCHTIEF is 100% in cash at a price of EUR 18.36 per Abertis share and is only conditional on obtaining more than 50% of the share capital of Abertis. The total funds needed for the takeover offer amount to EUR 18.2 billion. This has been fully provided by a pool of 27 international banks, which also secured the financing of the investment vehicle.

Finally, and as part of this agreement, ACS will sell to Atlantia a stake of up to 24.1% in HOCHTIEF at EUR 143.04 per share. ACS will, in any case, retain more than 50% of the shares in HOCHTIEF.

Following the withdrawal of Atlantia's offer, the CNMV, the Spanish stock market regular, approved the supplement of HOCHTIEF's offer on April 12, 2018.

The acceptance period of the revised offer started on April 13, 2018 and will end on May 8, 2018. If the offer is successful, it is expected that settlement of the offer will occur during mid-May, and the closing of the transaction is likely to take place in the third quarter of 2018.

As part of this agreement, HOCHTIEF, ACS and Atlantia have established a commercial framework agreement for the potential development of new toll road projects, both greenfield and brownfield.

This transaction will significantly increase profits, cash flows and dividends at HOCHTIEF in a sustainable manner.

Now I would like to talk to you about our strategy and goals.

HOCHTIEF is a global leader in infrastructure, PPPs and services and is focused on developed markets. Our objective is to create value for all our stakeholders. This means our clients, shareholders, suppliers, subcontractors, and our employees. And we aim to do this in a sustainable manner.

Over the last five years, we have successfully transformed HOCHTIEF. In particular, we have achieved this by implementing a **Group-wide culture that prioritizes a disciplined approach to risk management and cash-backed profits**. We are determined to develop and build the skills and know-how of our talented teams. Recruiting, developing and promoting our client-focused people is an essential part of our strategy.

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Fundamental to our corporate culture are our values. These are reflected in our key principles of integrity, accountability, innovation, delivery and sustainability.

- **Integrity** is about respect and honesty and helping each other.
- **Accountability** is a matter of taking responsibility.
- **Innovation** is key and I will talk about it more in a minute as HOCHTIEF's technical expertise is crucial for our reputation.
- **Delivery** is about credibility and reputation and achieving what we have committed to.
- Finally, we have **Sustainability**. For 145 years, HOCHTIEF has been part of the society and the industrial culture of Germany and abroad. And we aim to continue to play a leading role.

And of course **safety**: Safety is a precondition for everything we do. And we clearly want to provide a workplace where our employees return home safely to their families every day.

As a consequence of our transformation, the balance sheet has been converted from a net debt position of almost EUR 1 billion at the end of 2012 to a net cash position of nearly EUR 1.3 billion in 2017. The Group generated a consolidated net profit in 2017 of EUR 421 million compared with EUR 155 million in 2012 and this substantial increase has been accompanied by a strong level of cash generation. Free cash flow from operations of EUR 1.1 billion in 2017 compares with close to zero in 2012.

Now, looking forward, we will continue to focus on developing our core businesses based on our corporate culture and values. On that basis, we aim to

achieve an increasingly more sustainable profit and cash-flow profile whilst maintaining a robust balance sheet.

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Today, HOCHTIEF is a Group that was able to generate a free cash flow from operations of over EUR 1.1 billion in 2017.

This means that after all our Group expenses, such as for example personnel costs, tax expense, and after investing over EUR 250 million in capital expenditure, management has to decide how to allocate, distribute dividends and invest over EUR 1 billion.

These capital allocation decisions are a priority for us. With a robust balance sheet and a stronger and more balanced cash flow profile, we are well positioned to continue to attractively remunerate our shareholders whilst investing in growth opportunities. Let me give you some more color here:

- **Shareholder remuneration**—This is a top priority for HOCHTIEF and the continuing solid performance of the Group allows us to remunerate our shareholders in an attractive manner. As we have indicated in our revised takeover offer, upon the successful completion of the Abertis transaction, we have indicated that our future dividend policy will be to pay out 65% of consolidated net income to shareholders, up from 50% currently.
- **Organic growth opportunities**—Our expertise in PPPs combined with our strong geographic presence in the world's key PPP markets mean that HOCHTIEF is very well placed to take advantage of the EUR 200 billion pipeline our teams have identified in our key markets.
- **Strategic growth opportunities**—Our businesses remain flexible and adaptable to varying market conditions. Backed by the Group's strong balance sheet, this flexibility, combined with the Group's deep presence in its core regional markets and its engineering expertise, leaves HOCHTIEF well positioned to harness future investment opportunities.

As a consequence of our **value-creation focused strategy**, we aim to achieve an increasingly more balanced profit and cash-flow profile whilst

maintaining a robust balance sheet. The Abertis transaction is an important milestone to help us make our company more sustainable.

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Meine Damen und Herren,

Let me now come to our **innovation strategy**.

I would like to encourage you to join us for a journey that will transform HOCHTIEF.

The future will be driven by digitalization—artificial intelligence, automation and connected devices.

We have ambitious plans to drive further operational efficiencies and enhanced safety.

Improved analytics tools will help us to take predictive decisions based on real-time data.

We will still be grounded in our core business, but our company will be reshaped from within to become an even better performing enterprise.

This is a Group-wide transformation across all of our operations and systems, that will be recognized through the global collaborative approach we take. We are in the process of establishing innovation centers in each of our key regions: Northern America, Australia and Europe to develop technical solutions with our own people. The plan is to leverage our in-house expertise in close cooperation with leading universities worldwide.

This next transformation is not just about the implementation of technology but a vehicle that drives innovation and new ways of collaboration within the Group and with our markets.

Some of the solutions that we will deliver include, amongst others:

- More efficient project planning systems using the next generation of 5-dimensional Building Information Modeling in all business areas.

- Real-time monitoring of the execution of our projects.
- Systems that fully integrate our subcontractors and suppliers.

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This transformation is a fundamentally important development of our business and will result in improved levels of competitiveness, productivity and risk management across our projects. It will also provide new career opportunities for our employees, and will enable us to explore sustainable new business opportunities.

Meine Damen und Herren,

Delivering challenging projects and achieving economic success are not our only goals. We of course place the utmost value on safe workplaces and on occupational health for our employees. We work continuously to improve our prevention performance. In 2017, we managed to reduce even further the Group-wide accident rate. And I am very pleased to report that we did not have a single fatal accident on HOCHTIEF construction sites last year.

A key focus for our business is creating a workplace culture where each of our people are inspired to grow to their full potential. We focus on bias awareness and equal opportunity to further promote diversity and inclusion.

Looking ahead, we have a strong tender pipeline for PPP, construction, mining and services. In the U.S., Turner has its eye on USD 135 billion worth of relevant projects in the pipeline for 2018 and beyond, while Flatiron has identified new projects worth USD 70 billion in the same period. Around AUD 100 billion of tenders, relevant to CIMIC, have been identified for 2018 and around AUD 300 billion thereafter. HOCHTIEF Europe is pursuing a project pipeline worth EUR 70 billion. The projects in our core markets comprise a combined total of around EUR 500 billion.

Moving to our **guidance**:

We expect to achieve an operational net profit in the range of EUR 470-520 million, which represents an increase of 4% to 15% on the 2017 result, with all divisions driving this further improvement in our Group performance.

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Meine lieben Aktionäre,

let me **summarize**:

- Your company, our company HOCHTIEF once again increased profit, cash flow and dividends in 2017.
- We substantially increased margins in all three divisions.
- Our order backlog is good and the tender pipeline is very promising.
- The next transformation will result in improved levels of competitiveness, productivity and risk management.

Let me end with our motto in German:

Wir bauen die Welt von morgen.

Ich danke Ihnen vielmals.