

Group Report 2019

COMBINED ANNUAL
FINANCIAL AND
SUSTAINABILITY REPORT



We are building the world of tomorrow.

The HOCHTIEF Group at a glance

HOCHTIEF Americas Division

The HOCHTIEF Americas division combines our construction activities in the U.S. and Canada. Our subsidiaries operate in the building construction management as well as in the civil engineering markets. Turner is the number one general builder in the U.S., and Flatiron ranks among the top ten in civil and structural engineering (Engineering News-Record 2019).

More information starting on page 64



HOCHTIEF Asia Pacific Division

The HOCHTIEF Asia Pacific division comprises our majority stake in Australia-based CIMIC. With its operating companies, CIMIC occupies leading positions in infrastructure construction, public-private partnerships, mining services, mineral processing, as well as engineering, asset management, and maintenance services in Australia and selected markets in the Asia-Pacific region.

More information starting on page 66



HOCHTIEF Europe Division

Our core business in Europe is organized under the HOCHTIEF Europe division. The operating companies provide infrastructure and building construction services as well as public-private partnerships in transportation, social, and urban infrastructure. The portfolio also comprises engineering services, including Virtual Construction, and facility management.

More information starting on page 71



**HOCHTIEF
Aktiengesellschaft**

Abertis Investment

The investment in Abertis Infraestructuras, S.A., one of the world's leading international toll road operators, falls under its own HOCHTIEF division. The company operates a total of over 8,600 kilometers of toll road in 15 countries, particularly France, Spain, and Chile.

More information starting on page 75



Group Report 2019

COMBINED ANNUAL FINANCIAL AND SUSTAINABILITY REPORT

This combined Group Report contains the financial and sustainability reporting of the HOCHTIEF Group for 2019. It highlights the close relationship between economic, environmental, and community aspects, together with their influence on the success of our business.

Information on this Report

The Group Report covers the period from January 1 to December 31, 2019 and follows on from the report published on February 21, 2019. We indicate explicitly whenever data relates to a different reporting period, year-on-year comparisons are not possible without restriction, or limits of coverage are reached.

There were no material divestments or acquisitions of companies or fundamental changes in business activities in the reporting year.

The Group Management Report is prepared in accordance with the German Commercial Code (HGB) and the Notes to the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS). With regard to sustainability aspects, 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 and is published on the organization's websites. Disclosures that are not normally part of the management report are marked as such.

The information on sustainability issues addresses relevant focus areas that resulted among other things from a materiality analysis among stakeholders.

We have assigned selected United Nations Sustainable Development Goals (SDGs) to HOCHTIEF's sustainability focus areas and integrated them 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 2021.


Visual concept:


We tie up all the threads with an integrated approach that brings all the participants together. This creates a unique network for each project, and added value for all stakeholders. Let us show you exactly what's behind this principle on our picture pages.


Cover:

Underground underway: Using mining techniques, over nine kilometers of underground passages are being tunneled for the future commuter and long-distance rail links for the Bad Cannstatt Tunnel that forms part of the Stuttgart 21 rail project.

¹⁾For further information on GRI and UN Global Compact, please see pages 259 to 263.

 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.

Commitment to fairness, sustainability, and innovation

Our aspiration and our responsibility are reflected in memberships and voluntary commitments. Our Company was once again successfully rated in a number of established sustainability rankings and included in indexes, of which the examples below are just a sampling.

COMMITMENTS (EXAMPLES)



Further commitments:

- Transparency International
- ILO
- Leitbild für verantwortliches Handeln in der Wirtschaft (Code of Responsible Conduct in Business)

MEMBERSHIPS (EXAMPLES)



SUSTAINABILITY RATINGS/INDEXES (EXAMPLES)



MEMBER OF

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM





HOCHTIEF IS BUILDING THE WORLD OF TOMORROW.

HOCHTIEF is an engineering-led global infrastructure group with leading positions across its core activities of construction, services, and concessions/public-private partnerships (PPP). Our success operating in these segments is based on our expertise in development, financing, construction, and operations gained in 145 years of experience. The Group's activities focus on the Australian, North American, and European markets.

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

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. For this reason, we maintain a dialog with diverse stakeholder groups. With an eye toward our long-term success, we systematically nurture the relationship between business, the environment, and social responsibility.

Contents

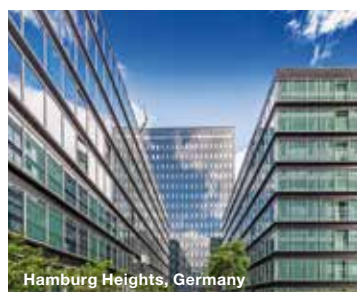


Information for Our Shareholders

Letter from the CEO	9
Report of the Supervisory Board	12
Executive Board	16
HOCHTIEF on the capital markets	18

Combined Management Report

Group structure and business activities	22
Strategy	25
Markets and operating environment	33
Order backlog development in 2019	38
Value creation 2019	41
Financial review	43
HOCHTIEF Aktiengesellschaft (holding company): Financial review	52
Explanatory report of the Executive Board	60
Divisional reporting	
– HOCHTIEF Americas division	64
– HOCHTIEF Asia Pacific division	66
– HOCHTIEF Europe division	71
– Abertis Investment	75
Corporate Governance and Compliance	80
Research and development	91
Employees	
– HOCHTIEF as an employer	95
– Occupational safety and health	100
Procurement	104
Looking ahead	109
Opportunities and risks report	111



Non-financial Group Report

Non-financial Group Report	128
Sustainability at HOCHTIEF	
– Solutions-oriented business	130
– Human rights	132
– Corporate citizenship at HOCHTIEF	133
– Environmental protection	134
CR program	144
Sustainable Development Goals at HOCHTIEF	146

Financial Statements and Notes

Contents of the HOCHTIEF Group consolidated financial statements	150
Consolidated statement of earnings	151
Consolidated statement of comprehensive income	152
Consolidated balance sheet	153
Consolidated statement of cash flows	154
Consolidated statement of changes in equity	155

Notes to the Consolidated Financial Statements

Accounting policies	156
Explanatory notes to the consolidated statement of earnings	176
Explanatory notes to the consolidated balance sheet	184
Other disclosures	214
Post-balance-sheet events	239
Boards	241
Responsibility statement	244
Independent auditor's report	245

Further Information

Forward-looking statements	258
GRI and UN Global Compact Index	259
Independent Practitioner's Report on a Limited Assurance Engagement on Sustainability Information	264
Independent Practitioner's Report on a Limited Assurance Engagement on the Non-Financial Group Report	267
Glossary	270
Publication details and credits	272
Five year summary	273

2018 figures restated for IFRS 16

¹⁾All figures are nominal unless otherwise indicated

²⁾Operational earnings are adjusted for deconsolidation effects and other non-operational effects

The HOCHTIEF Group: Key Figures ¹⁾		2019	2018	Change yoy
(EUR million)				
Sales		25,851.9	23,882.3	8.2%
Operational profit before tax/PBT ²⁾		1,108.1	968.6	14.4%
Operational PBT margin ²⁾ (%)		4.3	4.1	0.2
Operational net profit ²⁾		668.9	523.3	27.8%
Operational earnings per share (EUR) ²⁾		9.47	8.00	18.4%
EBITDA		1,892.8	1,686.2	12.3%
EBITDA margin (%)		7.3	7.1	0.2
EBIT		1,191.5	1,124.0	6.0%
Nominal profit before tax/PBT		(627.5)	979.0	-
Nominal net profit ex-BICC (reported)		627.0	541.1	15.9%
Nominal consolidated net profit (+)/loss (-)		(206.2)	543.0	-
Nominal earnings per share (EUR)		(2.92)	8.30	-
Net cash from operating activities		1,602.5	1,573.9	28.6
Net cash from operating activities pre factoring		1,559.4	600.3	959.1
Net operating capital expenditure		518.1	343.9	174.2
Free cash flow from operations		1,084.4	1,230.0	(145.6)
Net cash (+)/net debt (-)		1,529.0	1,564.3	(35.3)
New orders		30,428.8	28,098.1	8.3%
Order backlog		51,362.1	47,267.4	8.7%
Employees (end of period)	(end of period)	53,282	55,777	-4.5%
	(full year average)	54,494	56,493	-3.5%

Dear Shareholders and Friends of HOCHTIEF,



In January this year, our subsidiary CIMIC announced its decision to exit its 45% non-controlling financial investment in the Middle East (BICC) in the context of an accelerated deterioration of local market conditions. This will allow CIMIC to focus its resources and capital allocation on the growth opportunities in its core markets.

In this context, HOCHTIEF has recognized a one-off, post-tax, charge of EUR 833 million, after minorities, in its 2019 Group financial statements. As a consequence, the Group reported a nominal net loss of EUR 206 million. We expect an associated cash outlay, net of tax, of around EUR 0.4 billion during 2020. This is a very disappointing outcome but exiting the region is the right decision for the Group and improves the quality and visibility of our business mix going forward. Following the announcement, the rating agency S&P's "BBB" investment-grade rating for HOCHTIEF is unchanged with a stable outlook.

Focusing on our core businesses, **operational net profit**, which excludes non-operational effects, rose by EUR 146 million, or 28%, year on year to EUR 669 million. All three HOCHTIEF divisions achieved an increase in the Group's operational net profit which also includes

a first-time contribution from our 20% equity-consolidated stake in Abertis of EUR 122 million. The latter represents 18% of our total operational net profit in 2019.

Nominal net profit, ex-BICC impact, rose by 16% year on year to EUR 627 million.

Sales rose by EUR 2 billion, or 8%, to EUR 25.9 billion. On an f/x-adjusted basis, sales were up 6% year on year.

The Group delivered **net cash from operating activities** of EUR 1.6 billion. This corresponds to a significant underlying increase of EUR 1.0 billion year on year. The Group remains focused on cash-backed profits. Due to increased mining and job-costed tunneling work, net operating capital expenditure increased by EUR 174 million to EUR 518 million. Post this significant investment in the business, the Group achieved **free cash flow from operations** of over EUR 1.0 billion.

HOCHTIEF ended December 2019 with a **net cash position** of EUR 1.53 billion after distributing EUR 352 million to its shareholders.

The Group's **order book** reached EUR 51 billion at the end of 2019, an increase year on year of EUR 4 billion, or 9%. All divisions expanded their order books over the twelve months. The quality of our order book is enhanced by the high level of visibility which our construction management, mining, alliance-style contracts and services activities provide and which account for two-thirds of HOCHTIEF's order book. A strong level of **new orders**, EUR 30.4 billion, was secured during the year, a 9% increase compared with 2018. A disciplined bidding approach remains a priority across the Group.

Looking forward, our local teams have identified a **project tender pipeline** worth around EUR 600 billion of relevant projects coming to our markets in North America,

Picture:
Marcelino Fernández Verdes,
Chairman of the Executive
Board

Asia-Pacific and Europe for 2020 and beyond. Our strong position in developed PPP markets is reflected in the **PPP project pipeline** the Group has identified and which stands at EUR 230 billion.

HOCHTIEF's geographically diversified core businesses delivered a solid operational performance in 2019 with its focus on developed markets. Shareholder remuneration continues to be a key element of the Group's capital allocation strategy along with focusing on attractive organic and strategic growth opportunities. Given the positive prospects for our operating divisions and Abertis, management intends to propose a **dividend for full year 2019 of EUR 5.80 per share**, which represents a 16% increase compared with 2018.

Group Outlook

As a consequence of the positive Group outlook, we expect to achieve an **operational net profit in 2020 in the range of EUR 690–730 million** compared with EUR 669 million in 2019, with all our businesses contributing to this growth.

The year-end net cash position in 2020 is expected to be slightly below 2019 but remains at a solid level prior to the one-off cash outflow related to the BICC impact as financial obligations materialize and subject to capital allocation decisions.

Innovation is a corporate guiding principle at HOCHTIEF. Our strategic goal is to improve operational efficiency and safety on an ongoing basis to maintain and enhance our competitive advantage and resilience. With Nex-plore, our Group-wide innovation hub, we have been working systematically to harness the opportunities that digitalization offers for our core activities. Our ambition is to pioneer the digital transformation of the construction industry and play a key role in driving its development by expanding our digital expertise. This will benefit our clients, project partners, and employees alike.

In 2019, we again made good progress. Nex-plore now operates with innovation centers in Europe, North America, the Asia-Pacific region, and beyond: We have set up research and development centers and launched various projects. We work with renowned IT companies, develop new industry standards, and optimize construction processes using artificial intelligence (AI), sensor-controlled Internet of Things (IoT) technology, and block chain—to name just a few.

We cooperate with institutes such as the Massachusetts Institute of Technology (MIT), the University of Madrid, and the University of Darmstadt, jointly undertaking a series of research projects designed to advance tomorrow's world of construction. Additional collaborations lie ahead. Digitalization will enable us to increase safety, boost efficiency, cut costs, and minimize risks.

HOCHTIEF is building the world of tomorrow. As a global infrastructure group we have a responsibility to create a positive legacy for all our stakeholders, for communities and for the environment. We are supporting the principles of the UN Global Compact for many years and we are committed to the United Nations' Sustainable Development Goals. The Dow Jones Sustainability Index recognizes our performance in the area of sustainability and has again ranked HOCHTIEF among the best companies in the industry. We work continuously to improve our sustainability performance and aim to maintain our standing in this field over the long term. Today, our Group is already among the market leaders for green buildings.

Operating sustainably also provides HOCHTIEF with opportunities to be part of the solution to help address the climate change challenge and to expand our operations as a trusted partner to clients and other stakeholders seeking to transition to a low-carbon future: We can access new markets, develop new services and save costs with low-emission machinery. While delivering sustainable projects for our clients we also provide rewarding and fulfilling careers for our people.

Our engineering expertise and robust balance sheet combined with the deep presence in our core markets leaves us well positioned to take advantage of future opportunities. We maintain our disciplined approach to capital allocation with our focus on value creation and sustainable shareholder remuneration. Based on our solid order book and our strong global tender pipeline, the outlook is clearly positive.

HOCHTIEF will harness all opportunities that arise: We are shaping the future.

Yours,



Marcelino Fernández Verdes
Chairman of the Executive Board

Report of the Supervisory Board

Dear Shareholders,



Pedro López Jiménez,
Chairman of the Supervisory
Board

Throughout 2019, the Supervisory Board performed all tasks required of it by law and the Company's Articles of Association. Those tasks notably include advising the Executive Board in its management of the Company and overseeing the Executive Board's activities. The Executive Board provided the Supervisory Board continuously, comprehensively, and promptly with information on all key aspects of business development, both in writing and verbally. Consequently, the Supervisory Board was involved in all key decisions.

In the four ordinary meetings held in 2019, the Supervisory Board made the decisions necessary on the basis of comprehensive reports and proposed resolutions provided by the Executive Board. Both in its plenary and committee meetings, the Supervisory Board had sufficient opportunity to consider the proposals in detail. In the case of particularly significant or urgent projects and transactions, the Executive Board also apprised the Supervisory Board outside of meetings. The Supervisory Board adopted all resolutions as required by law and the Articles of Association, where necessary by written procedure. To ensure that events of exceptional importance to the situation and development of the Group were addressed on a timely basis, the Chairman of the Supervisory Board maintained constant contact

with the Chairman of the Executive Board. With two exceptions, all members took part in all Supervisory Board meetings. An overview of meeting attendance by each member at meetings of the Supervisory Board and its committees is provided in the adjacent table.

Both the shareholder representatives and the employee representatives met separately on a regular basis to prepare the Supervisory Board meetings. On individual topics, the Supervisory Board consulted without the attendance of the Executive Board.

Main points of discussion. The Supervisory Board addressed a large number of topics in the 2019 reporting year. Notable subject matters of discussion at the four meetings were as follows:

At the meeting on February 21, 2019, the Supervisory Board consulted on the Annual Financial Statements and Consolidated Financial Statements for 2018. It likewise addressed the Compliance Declaration pursuant to Section 161 of the German Stock Corporations Act, as well as the agenda and proposed resolutions for the May 2019 Annual General Meeting. The selection procedure for the future auditors was also discussed in the same connection. Executive Board remuneration was a further topic of this meeting, as were operational planning as well as both financial and balance sheet budgeting for the years 2019 to 2021. In this regard, 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.

In the Supervisory Board meeting on May 7, 2019, the Executive Board reported on the performance of the business in the first quarter as well as on the upcoming Annual General Meeting. The Supervisory Board once again addressed variable compensation for members of the Executive Board. Furthermore, the Chairman of

Attendance at meetings in 2019 by Supervisory Board member¹⁾

	Supervisory Board	Human Resources Committee	Audit Committee
Pedro López Jiménez (Chairman)	4/4	1/1	
Matthias Maurer (Deputy Chairman)	4/4		5/5
Ángel García Altozano	4/4		5/5
Beate Bell	4/4	1/1	
Christoph Breimann	4/4		
Carsten Burckhardt	3/4		2/5
José Luis del Valle Pérez	4/4	1/1	5/5
Dr. rer. pol. h. c. Francisco Javier Garcia Sanz	3/4		
Patricia Geibel-Conrad	4/4		4/5
Arno Gellweiler	4/4	1/1	
Luis Nogueira Miguelsanz	4/4		5/5
Nikolaos Paraskevopoulos	4/4		
Sabine Roth	4/4		5/5
Nicole Simons	4/4	1/1	
Klaus Stümper	4/4	1/1	5/5
Christine Wolff	4/4	1/1	

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

the Audit Committee provided information on the reports submitted to the Committee by the Chief Compliance Officer and the Head of Corporate Auditing. At its meeting on September 18, 2019, the Supervisory Board considered the course of business in the first half year. The Chairman of the Audit Committee reported on the findings of the review of the half-year financial statements and the audit strategy for the audit of the 2019 Consolidated Financial Statements.

The final Supervisory Board meeting of the reporting year was held on October 31, 2019. At that meeting, the Supervisory Board discussed the course of business in the first nine months of the year. The full Supervisory Board was also informed about the Audit Committee's consultations on the risk management system and the risk report. Furthermore, the Chief Compliance Officer delivered a presentation on the HOCHTIEF compliance system covering the organizational structure, the compliance program, and the communication channels provided.

During the course of the year—as in previous years—the Supervisory Board concerned itself with the recommendations of the German Corporate Governance Code [▶](#). On this topic, pursuant to Section 3.10 of

the Code (in the version applicable in 2019), it prepared a joint report together with the Executive Board. That report is published in conjunction with the Declaration on Corporate Governance on the Company's website. The resolution to issue an updated compliance declaration pursuant to Section 161 of the Stock Corporations Act was adopted by the Supervisory Board and the Executive Board by way of circularization in December 2019.

In addition, the Supervisory Board consulted on non-financial Group reporting. For the purposes of the Group Report 2019, the Supervisory Board engaged the auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, as auditors for the non-financial reporting.

The Supervisory Board has set up four committees, whose members are listed on pages 242 and 243. These are tasked with preparing topics and resolutions for Supervisory Board meetings. In some cases, the committees also exercise decision-making powers delegated to them by the Supervisory Board. The committee chairpersons are under obligation to keep the Supervisory Board regularly informed about the committees' consultations and decisions.

[▶](#) For further information, please see: www.hochtief.com/corporate-governance

The **Audit Committee** met five times in 2019. Topics of intensive discussion were the quarterly reports, the half-year financial statements, the Annual Financial Statements, and the Consolidated Financial Statements. In each instance, the Supervisory Board or the Audit 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 on audit fees. Ahead of this, the Committee had presided over the selection procedure for the future auditors. Additionally, the Audit Committee addressed the Group's risk management system, the internal control system in relation to financial reporting, and questions of internal auditing. The Chief Compliance Officer reported to the Committee with an in-depth presentation on the development of the compliance organization, individual potential compliance cases, and measures taken in consequence. A broad range of other topics on the Committee's meeting agendas in 2019 included reports on major projects in the HOCHTIEF Americas, HOCHTIEF Asia Pacific, and HOCHTIEF Europe divisions.

There was one meeting of the **Human Resources Committee** in 2019. Notable topics of that meeting were details of Executive Board remuneration and the structure of the Executive Board remuneration system. The Committee adopted the necessary resolutions in this regard and prepared the corresponding decisions for the full Supervisory Board.

The **Nomination Committee** and the **Mediation Committee** pursuant to Sec. 27 (3) of the Codetermination Act (MitbestG) were not convened in 2019.

Conflicts of interest. Under the rules of the German Corporate Governance Code and the Supervisory Board's Code of Procedure, members of the Supervisory Board are required to disclose any conflicts of interest without delay. No such disclosures were made in 2019.

Annual Financial Statements 2019. 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 2019 have been audited and issued with an unqualified auditors' report. The audit was performed by KPMG AG Wirtschaftsprüfungsgesellschaft, the auditors elected by the Annual General Meeting on May 7, 2019 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, KPMG AG Wirtschaftsprüfungsgesellschaft audited the non-financial Group report with limited assurance.

This was the first time the audit was performed by these auditors following the change of auditors. The key audit partners responsible for carrying out the audit are changed in accordance with statutory requirements. For the reporting year, the key audit partner for the Consolidated Financial Statements and for the Annual Financial Statements is Ms. Charlotte Salzmänn.

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 11, 2020. 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 audit and assessment carried out in accordance with our duties and obligations as auditors, we confirm that

1. the statements of the report are factually accurate,
2. in the case of the legal transactions set forth in the report, the performance by the Company 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 2019.

Essen, February 2020
On behalf of the Supervisory Board



Pedro López Jiménez
Chairman



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

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. He has also been Chairman of Abertis since December 2018.

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 and was directly responsible for several segments and regions of HOCHTIEF's European business. Since February 2013, he has been a member of the Executive Board of HOCHTIEF Solutions AG and was appointed Chief Executive Officer (CEO) of HOCHTIEF Solutions in May 2014. 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 AG. He has over 25 years' experience in the European construction sector. Previously, 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.

HOCHTIEF on the capital markets

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

¹⁾As of year-end

²⁾Proposed dividend

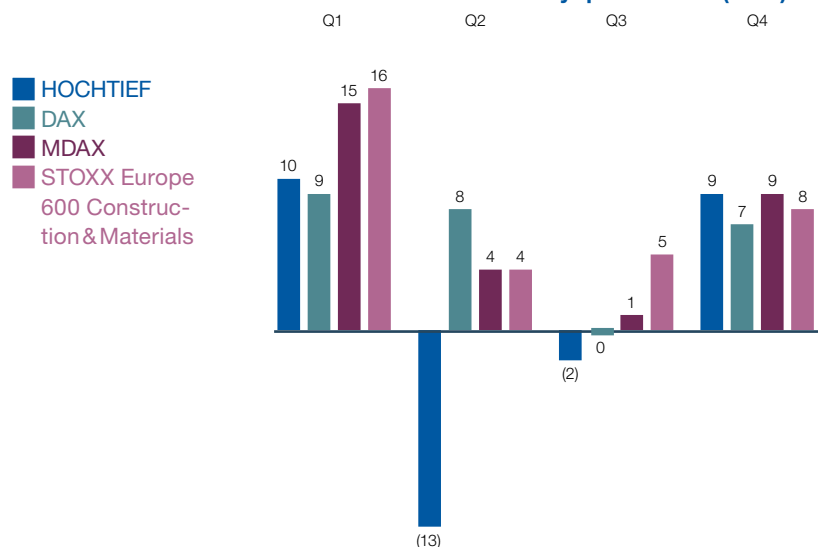
³⁾Excluding one-off impacts

European stock market development

In 2019, European stock markets recovered the losses of 2018. In particular, the European Central Bank and the U.S. Federal Reserve took monetary policy decisions during the year that supported the appeal of equities as an asset class while they attempted to continue stimulating investment. The outlook for economic growth in developed countries has been supported by strong consumer spending and there were signs of stabilization in industrial production and exports towards the end of 2019. Corporate earnings development remained solid despite some uncertainties in the outlook for global trade.

Germany's DAX increased by 25% in 2019 after falling 18% in 2018 with similar developments observed for MDAX (+31%/-18% year on year) and the sector index STOXX Europe 600 Construction & Materials (+37%/-19% year on year).

Total shareholder return by quarter in % (2019)



Performance of HOCHTIEF shares

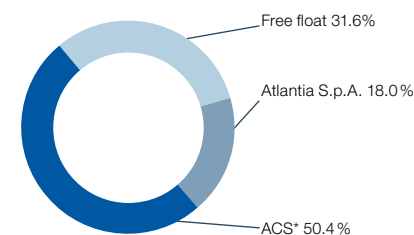
The HOCHTIEF share price ended the year at EUR 113.70. Including the dividend of EUR 4.98 per share, the total shareholder return therefore stood at 1% for 2019.

HOCHTIEF stock: Key figures

		2019	2018
Number of shares outstanding ¹⁾	million	70.6	70.6
Average number of shares	million	70.6	65.4
Market capitalization ¹⁾	EUR million	8,033	8,315
High	EUR	143.50	160.20
Low	EUR	94.65	112.9
Close	EUR	113.70	117.70
Shares traded (average per day on Xetra)		113,966	71,331
Shares traded (average per day on Xetra)	EUR million	13.2	10.2
Dividend per share	EUR	5.80 ²⁾	4.98
Total dividend payout	EUR million	410 ²⁾	352
Earnings per share (operational) ³⁾	EUR	9.47	8.00
Earnings per share (nominal) ³⁾	EUR	(2.92)	8.30

Shareholder structure

HOCHTIEF's total shares issued remained unchanged at 70.65 million shares during 2019. The largest shareholder is ACS with an unchanged 50.4% stake (35,611,834 shares). Atlantia reduced its stake to 18.0% (12,725,470 shares) from 23.9% following a collar transaction with an investment bank announced at the end of March. As a result, the free float increased to 31.6% at the end of 2019 compared to 25.7% end of 2018. HOCHTIEF held 22,346 treasury shares at year-end (34,824 at the end of 2018).



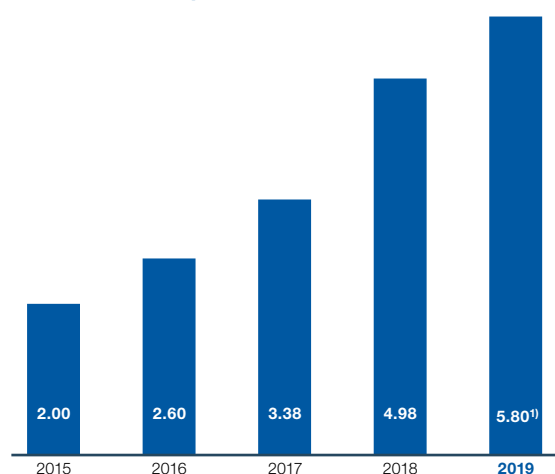
*ACS ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A., Madrid

Shareholder remuneration

HOCHTIEF continues to focus on attractive shareholder remuneration. Reflecting the Group's strong profit and cash generation performance and supported by our strong, investment grade-rated balance sheet, the proposed dividend for 2019 of EUR 5.80 per share is an

increase of 16% compared to 2018 (EUR 4.98 per share). This corresponds to an unchanged dividend payout ratio of 65% of nominal net profit. Over the last five years, the compound annual growth rate of the HOCHTIEF dividend per share has been around 25%.

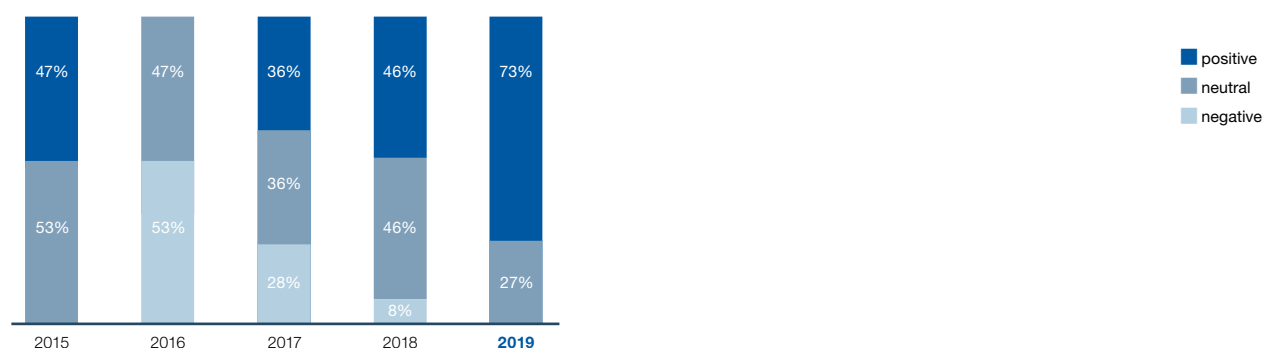
Dividend development



Analysts

The analyst community continues to recognize HOCHTIEF's strong market position in developed markets and diversified activities. At the end of the year, HOCHTIEF had the highest proportion of Buy ratings since 2014 with 8 Buy and 3 Hold recommendations. The analysts' average target price stood at EUR 140 per share by year-end, which represented an upside potential of more than 20% at that time. The latest ratings and the average target price provided by our analysts are available on our website (www.hochtief.com/investor-relations).

Analysts' rating distribution (end of year)



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 2019, 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 2019. For the 14th year in a row, the Group was included in the internationally recognized Dow Jones Sustainability Index (DJSI) World and Europe. Based on its good score in the DJSI, HOCHTIEF has once again been listed in the RobecoSAM Sustainability Yearbook. The Group was awarded a bronze medal in "Construction and Engineering," meaning that HOCHTIEF ranks among the top ten percent of companies in its industry worldwide. The company's shares also remain listed in the FTSE4Good Index. We are likewise longstanding participants in the Carbon Disclosure Project (CDP)²⁾, where we were listed once more in 2019. HOCHTIEF has again received a B rating, putting the Group above the average among all companies assessed. CDP represents institutional investors with some USD 100 trillion in funds under management and its indices are used as an assessment tool by investors worldwide.

¹⁾proposed dividend

²⁾See glossary.

WESTCONNEX M4 EAST MOTORWAY, SYDNEY



Successfully completed

There was good news for Sydney motorists when the M4 East Motorway opened in August 2019. CPB Contractors and its joint venture partners delivered this major section of the WestConnex project, which extended the existing M4 Motorway with a 5.5-kilometer tunnel accommodating three lanes in each direction. CPB Contractors is also involved in other WestConnex work packages. The project will better connect Sydney's west and south-west to the city center, airport and port.

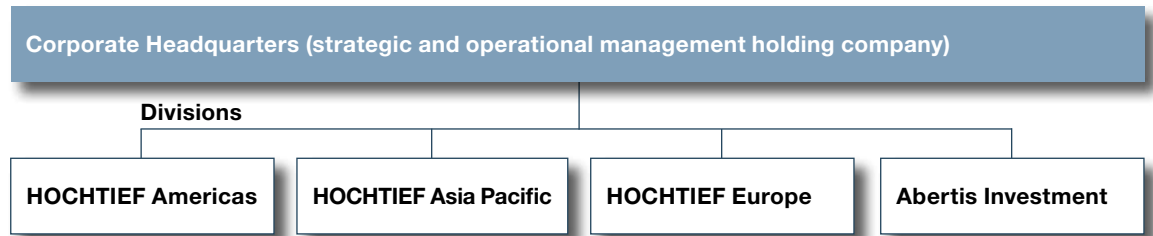
 **SPEED CAMERA**
24 HOURS IN TUNNEL
VARIABLE SPEED
LIMIT ENFORCED

20

Combined Management Report

Group Structure and Business Activities

Group structure 2019



Group structure 2019

The operating companies within the HOCHTIEF Group are organized under the three divisions HOCHTIEF Americas, HOCHTIEF Asia Pacific, and HOCHTIEF Europe. Since October 2018, the HOCHTIEF portfolio has been supplemented with a 20% stake in toll road operator Abertis Infraestructuras. This stake has been reported in the Abertis Investment unit from the end of 2019.

Abertis is the leading international toll road operator by kilometers managed and manages high-capacity roads in several countries in Europe, the Americas, and Asia. This structure reflects the Group's strong regional presence, focused on developed markets.¹⁾ The global footprint in core markets enables the Group to exploit diverse regional market opportunities. As one of the most international companies in the construction industry, HOCHTIEF generates approximately 97% of work done outside of its German home market.

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.

Business activities of the HOCHTIEF Group²⁾

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, with a focus on developed markets. HOCHTIEF delivers these services drawing on longstanding experience in development, financing, construction, and operation. With its capability portfolio and global footprint, the Group has a balanced business profile.

By cooperating closely, the operating companies and corporate departments ensure a continuous global transfer of knowledge for the benefit of our stakeholders.

²⁾For further information on the divisions' business activities, please see page 2 as well as pages 64 to 77.

¹⁾For further information, please see page 2 as well as page 24.

We also aim to collaborate with external partners in a productive spirit of trust. Subcontractors, suppliers, and service providers are selected on the basis of transparent criteria and proven processes. They are required to comply with our high standards, in particular, by acknowledging the conditions laid down in our Code of Conduct for Business Partners.

Each of our projects is one of a kind, which is why we develop tailor-made solutions every time. In line with our guiding principles, our work is characterized by a high level of innovation and quality. Sustainability is a strategic principle guiding our activities.

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

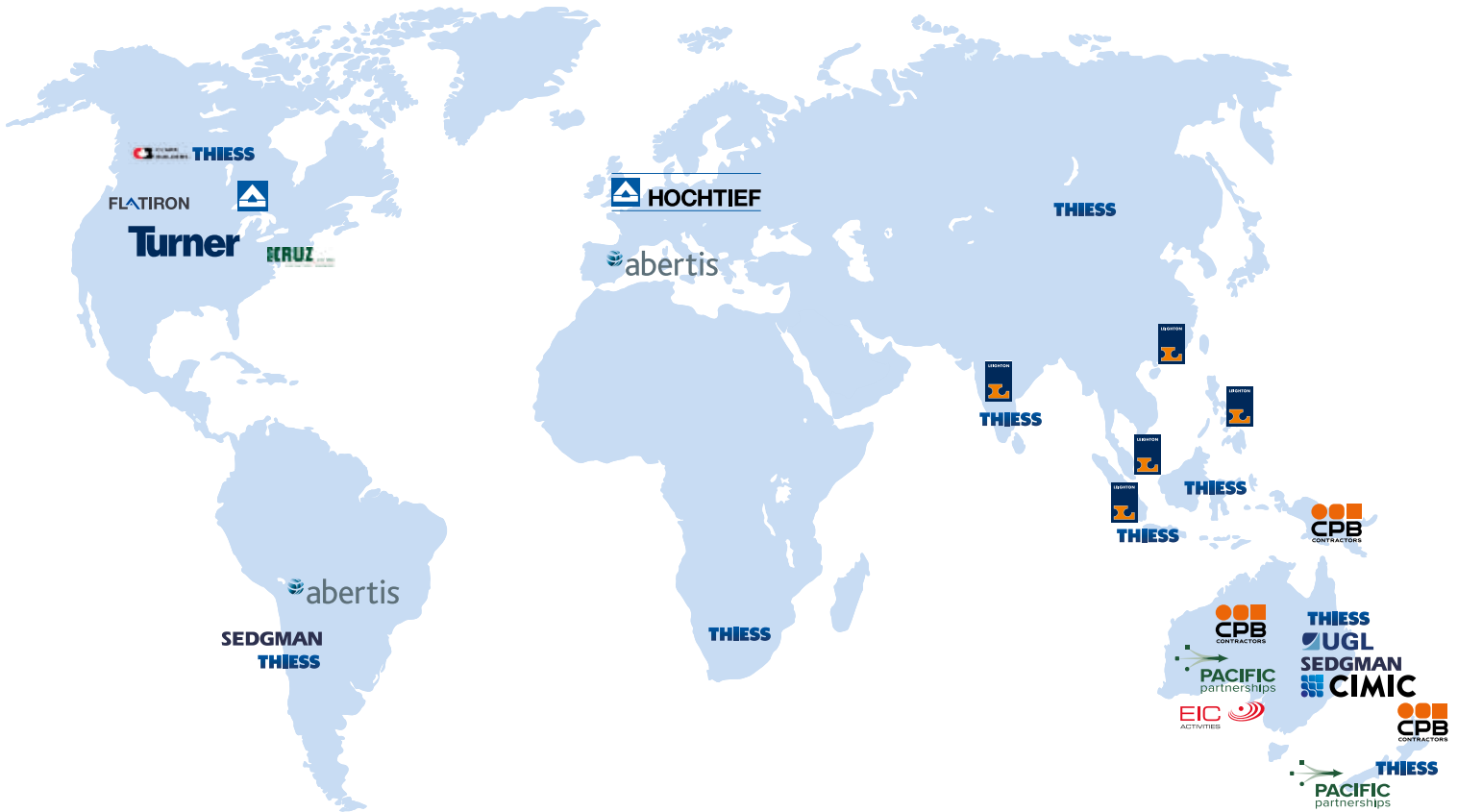
Non-financial performance indicator

- 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 2019 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, South Africa) • Sedgman (Australia, Canada, Chile, China, South Africa)
- CPB Contractors (Australia, New Zealand, Papua New Guinea) • UGL (Australia, New Zealand, Southeast Asia) • Leighton Asia, India and Offshore (Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore) • Pacific Partnerships (Australia, New Zealand) • EIC Activities (Australia) • Leighton Properties (Australia)
- Broad Construction (Australia) • Ventia (Australia, New Caledonia, New Zealand) (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) • synex (Germany)
- (Selection of the most important activities)

Abertis Investment

- Abertis Infraestructuras, S.A.

For further information, please see www.hochtief.com/subsidiaries2019

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 the segment reporting on pages 64 to 77. Alongside HOCHTIEF Aktiengesellschaft, the consolidated financial statements take in 418 fully consolidated companies, 127 equity-accounted companies, and 75 joint operations included proportionately. This organizational presentation goes together with legal information given in the list of shareholdings.

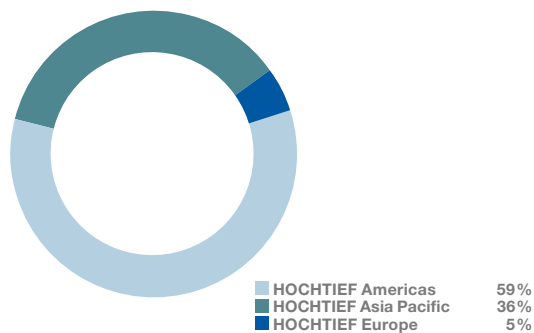
For the address and contact information of our subsidiaries and associates as well as their branches and offices, please see our website.

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 (2019)



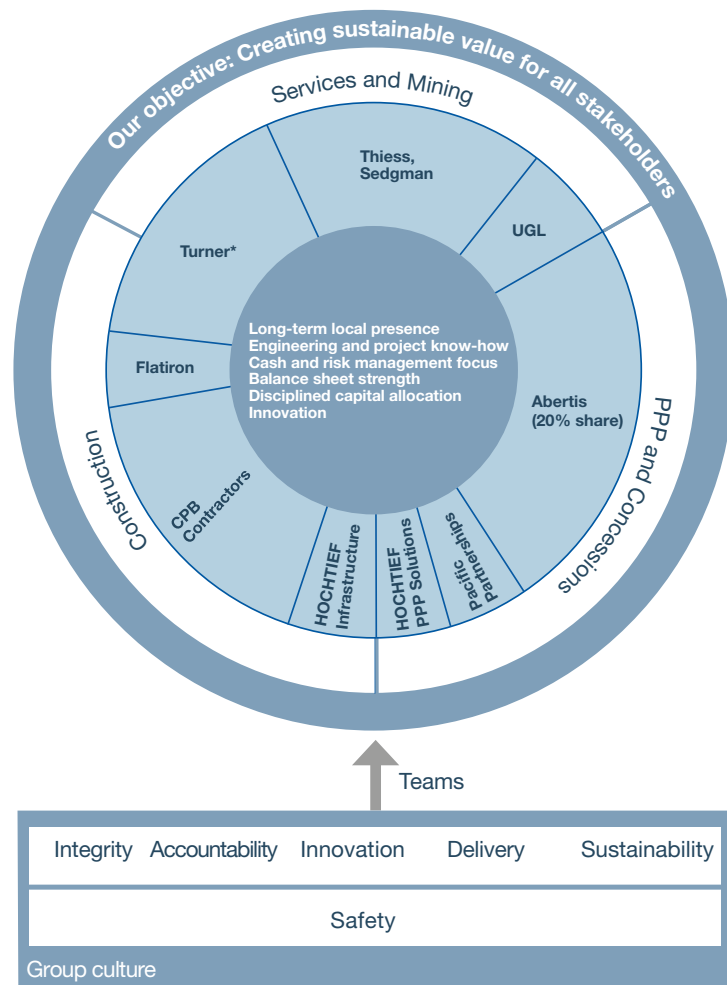
For 145 years, HOCHTIEF has been delivering complex projects for its clients based on its core competence in construction. The Group has undertaken ongoing geographic diversification and incorporated expertise in engineering, mining, and maintenance services as well as greenfield public-private partnership projects and brownfield concessions.¹⁾ Today, HOCHTIEF is a leading infrastructure group (based on share of sales) in developed markets spanning the full infrastructure life cycle. As a result, the Group 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 the 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 continue to focus on attractive shareholder remuneration as well as investing in strategic growth opportunities to create sustainable value for all stakeholders.

¹⁾ See glossary.

Strategy and risk diversification profile



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

*Construction management business

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

With our expertise encompassing design, financing, 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 draw on in-depth experience in executing complex projects with a view to driving 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, ranks number one¹⁾ in general and green building in the U.S. The company has achieved leading positions in the construction of educational, healthcare, and office facilities in the U.S.
- **Flatiron** ranks among the top civil engineering contractors (based on share of sales) in the U.S./Canada.
- **CPB Contractors** is one of the largest civil engineering and building contractors in Australia.
- **Leighton Asia** offers comprehensive construction services primarily in Hong Kong and other select Southeast Asian countries.
- **HOCHTIEF** is a leading contractor in Germany and neighboring countries for civil engineering and non-residential building construction.

²⁾ See glossary.

¹⁾ According to Engineering-News Record ranking 2019

Services and mining

Our diversified services footprint addresses two dedicated key activities: on the one hand, mining services, and on the other, engineering, construction, and maintenance services.

Our mining activities come under CIMIC companies Thiess and Sedgman. **Thiess** is one of the world's largest mining services providers, offering a wide 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** provides customized solutions spanning design, construction, and operation of state-of-the-art mineral processing plants and associated mine-site infrastructure.

The services business is bundled primarily in **UGL**, which serves the market with end-to-end solutions for the entire life cycle of critical assets in power, water, resources, transport, and social infrastructure.

In Europe, facility management subsidiary **synex** provides a consistent digital approach in its service offering.

PPP and concessions

Our concessions/PPPs portfolio has a broad base that includes not only greenfield but also substantial brownfield activities²⁾.

Our subsidiary **HOCHTIEF PPP Solutions** focuses on greenfield PPP project development in Europe and North America, including investing own equity into the project companies while at the same time delivering major parts of the construction work. In Australia, the same activity is led by **Pacific Partnerships** within our Group company CIMIC.

Thanks above all to the acquisition of a 20% stake in **Abertis**, the leading international toll road operator, we have tapped into the market for brownfield activities. HOCHTIEF now holds a substantial stake in one of the world's leading toll road operators with a strong presence in France, Spain, Chile, and other markets. Abertis manages a total of over 8,600 kilometers of toll roads in 15 countries.

In October 2019, Abertis and the sovereign wealth fund GIC announced that they had reached an agreement to acquire a 70% stake in brownfield toll road company RCO (Red de Carreteras de Occidente), one of the largest transport operators in Mexico, which manages 876 kilometers of toll roads. Abertis will fully consolidate RCO and will invest EUR 1.5 billion for a 50.1% stake.

Together with our majority shareholder ACS, HOCHTIEF has a combined track record since 1985 of being the largest PPP developer by number of transportation concessions and invested capital¹⁾ which provides us with unparalleled experience.

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 2019, HOCHTIEF delivered a strong level of cash flow from operating activities of EUR 1.6 billion, at a similar level to the prior year. Operating cash flow pre net working capital remained solid across all divisions, including dividends from the Abertis Investment, and net working capital saw an inflow of EUR 100 million.

Net capital expenditure of EUR 518 million was increased by EUR 174 million year on year, a consequence of a higher level of contract mining activity 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 EUR 1.1 billion in 2019. As a result of this strong cash generation, the year-end balance sheet shows a robust net cash position of more than EUR 1.5 billion, which is after distributing a total of EUR 449 million to shareholders.

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 optimize our risk management processes²⁾ 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 evaluate market opportunities with a view to complementing our activities accordingly.

Diversification and optimization of the 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, including outside of the traditional banking market, is key to attaining that goal.

As examples of this, HOCHTIEF Aktiengesellschaft completed two corporate bond issues in September 2019. The capital market transaction was divided into one bond issue with an issue size of EUR 500 million, an annual coupon of 0.5%, and a maturity of eight years to September 3, 2027. The second bond issue with an issue size of EUR 250 million features an annual coupon of 1.25% and a maturity of 12 years to September 3, 2031. S&P has awarded the bonds with a solid BBB investment-grade rating.

The use of promissory note loans, private placements, and public bond issues on attractive terms to refinance existing debt significantly extended the maturity profile, additionally reduced average interest expense, and further expanded HOCHTIEF's investor base in the reporting year.

Active and disciplined capital allocation a key priority for management

Capital allocation remains a key priority for management, particularly as our balance sheet is in a strong position with a year-end 2019 net cash position of more than EUR 1.5 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.

²⁾Please see the Opportunities and Risks Report starting on page 111.

¹⁾Public Works Financing Major International Projects Database, November 2018

Accelerating innovation by making use of digital developments

HOCHTIEF is working with ACS and the Group's operating companies to actively drive digitalization in its core activities via the company Nexlore, which was set up in 2018. The unit operates through innovation centers, with the current locations in Essen, Frankfurt/Darmstadt, Madrid, Minneapolis, Sydney, and Hong Kong, and also collaborates 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 business. Through the products and processes developed by Nexlore, HOCHTIEF aims to continuously increase its efficiency, raise execution quality, and improve project controlling. These innovations are designed to deliver immediate benefits to our employees, clients, and project partners.

Further enhancing our attractiveness as an employer¹⁾

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 53,282 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.

Occupational safety and health are priorities. 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⁾

Sustainability as an element in our strategy¹⁾

Our sustainability strategy forms part of the Group strategy and pursues the same goal: to generate value sustainably for all stakeholders. We define sustainability as a systematic approach to harmonizing economy, ecology, and social responsibility across the breadth and depth of all our business activities, both in our areas of specialization and our administration, with the aim of securing the long-term viability of the Company. To this end, we apply a 360-degree focus, taking in our business segments and operating activities as well as our surroundings and the diverse interests of our stakeholders.

The strategic development of our sustainability management is coordinated by the Corporate Responsibility (CR) organization. This is laid down in our CR directive, which defines our standards. The work of both the CR function and the CR bodies, particularly the CR Committee, 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 initiate dialog and welcome suggestions and requirements in order to make sure our selected focus areas are both relevant and valid.

¹⁾The content in this section is not part of the statutory audit of the annual financial statements and consolidated financial statements but is subject instead to a separate assurance engagement in accordance with ISAE 3000, providing limited assurance, by KPMG AG Wirtschaftsprüfungsgesellschaft.

²⁾For further information on the LTIFR, please see pages 100 to 103.

Business success through sustainable action

As a global infrastructure group, we take responsibility for direct environmental and social impacts, while aiming to have a positive effect. 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 and

our Group’s guiding principles¹⁾, which explicitly include sustainability as a precondition. Aspects of sustainability also affect our Company—we both actively address risk and aim to harness opportunities. At the same time, our corporate success is tied to 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 25.

HOCHTIEF’s main sustainability focus areas, taking into account the Sustainable Development Goals (SDGs)

Focus area:

Corporate citizenship

Our goal: 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.



Focus area: Compliance

Our goal: We aim to set compliance standards.



Focus area: Working environment

Our goal: We aim to further strengthen our position as a sought-after employer.



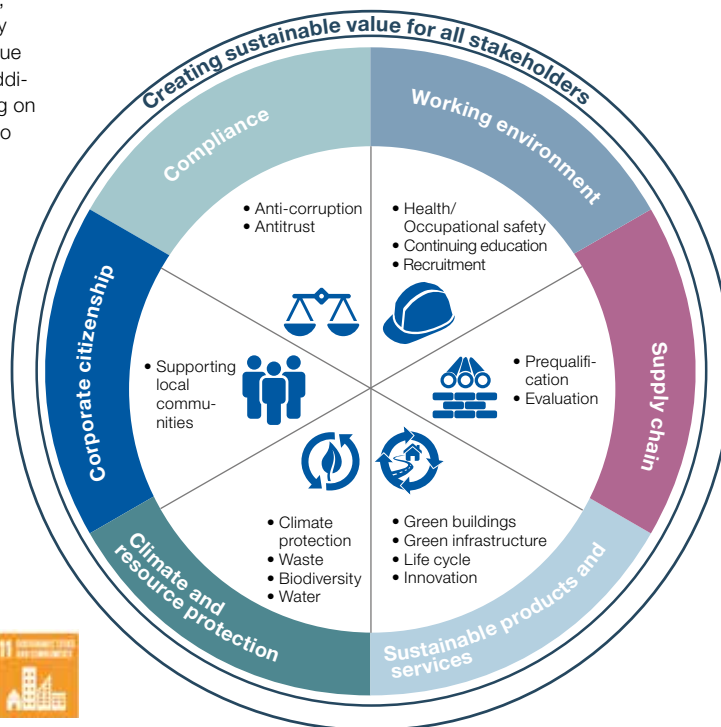
Focus area: Supply chain

Our goal: 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.



Focus area: Sustainable products and services

Our goal: 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.

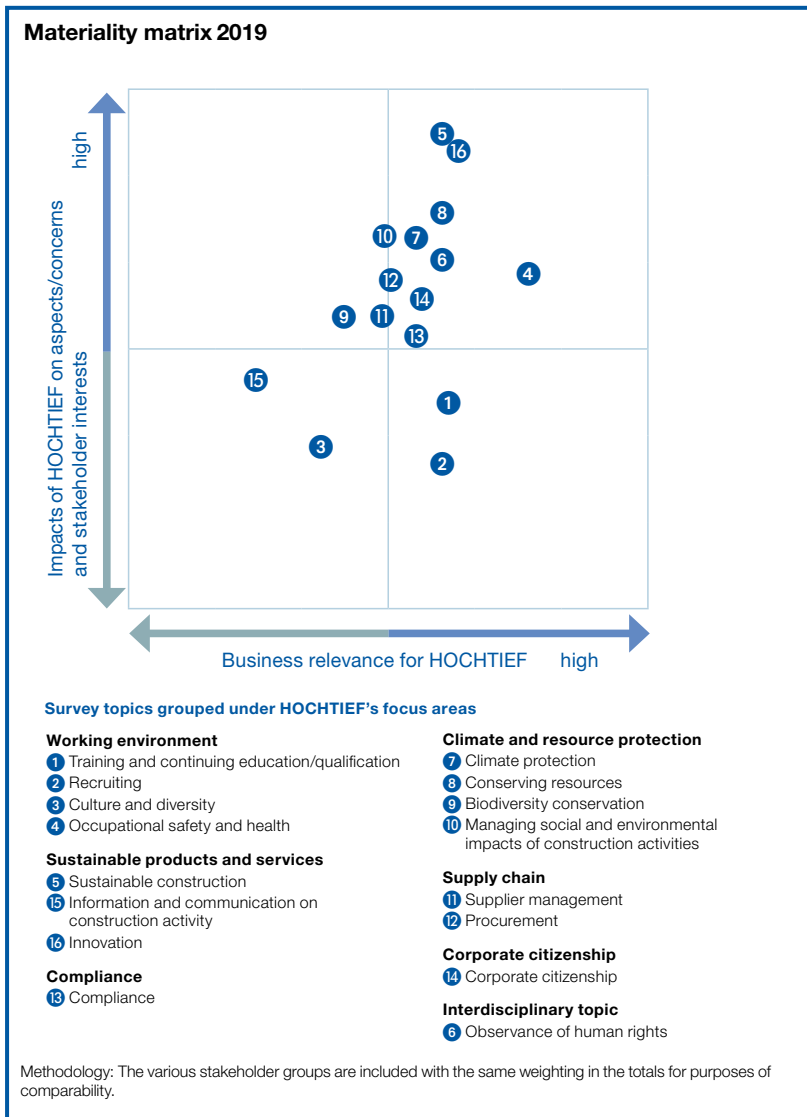


Focus area: Climate and resource protection

Our goal: We aim to conserve natural resources. We aim to reduce carbon emissions both independently and together with our clients and partners.



Human rights is an interdisciplinary topic worked on in various focus areas and functions.



construction activity as well as those devoted to climate protection 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.

Materiality approach is reviewed regularly

The selection of key sustainability focus areas is subject to regular internal and external review with regard to business relevance, impacts, and stakeholder interests (see chart at left). The 2018 materiality analysis revealed a uniform picture across the various survey groups (a sampling of the public, employees, CR experts, subcontractors, decision makers): Occupational safety and health, green building, resource conservation, and respect of human rights were shown to be highly relevant in terms of both their importance to HOCHTIEF and their impacts. In 2019, a new evaluation was carried out in-house by the specialist departments and management as part of the CR Committee. In light of current projects and fundamental external and internal developments, this process indicated that climate protection and innovation are considered highly relevant topics. These two topics thus shifted upward in the matrix.

HOCHTIEF sees its six CR focus areas reaffirmed and is continuing to address key issues as part of its CR program.

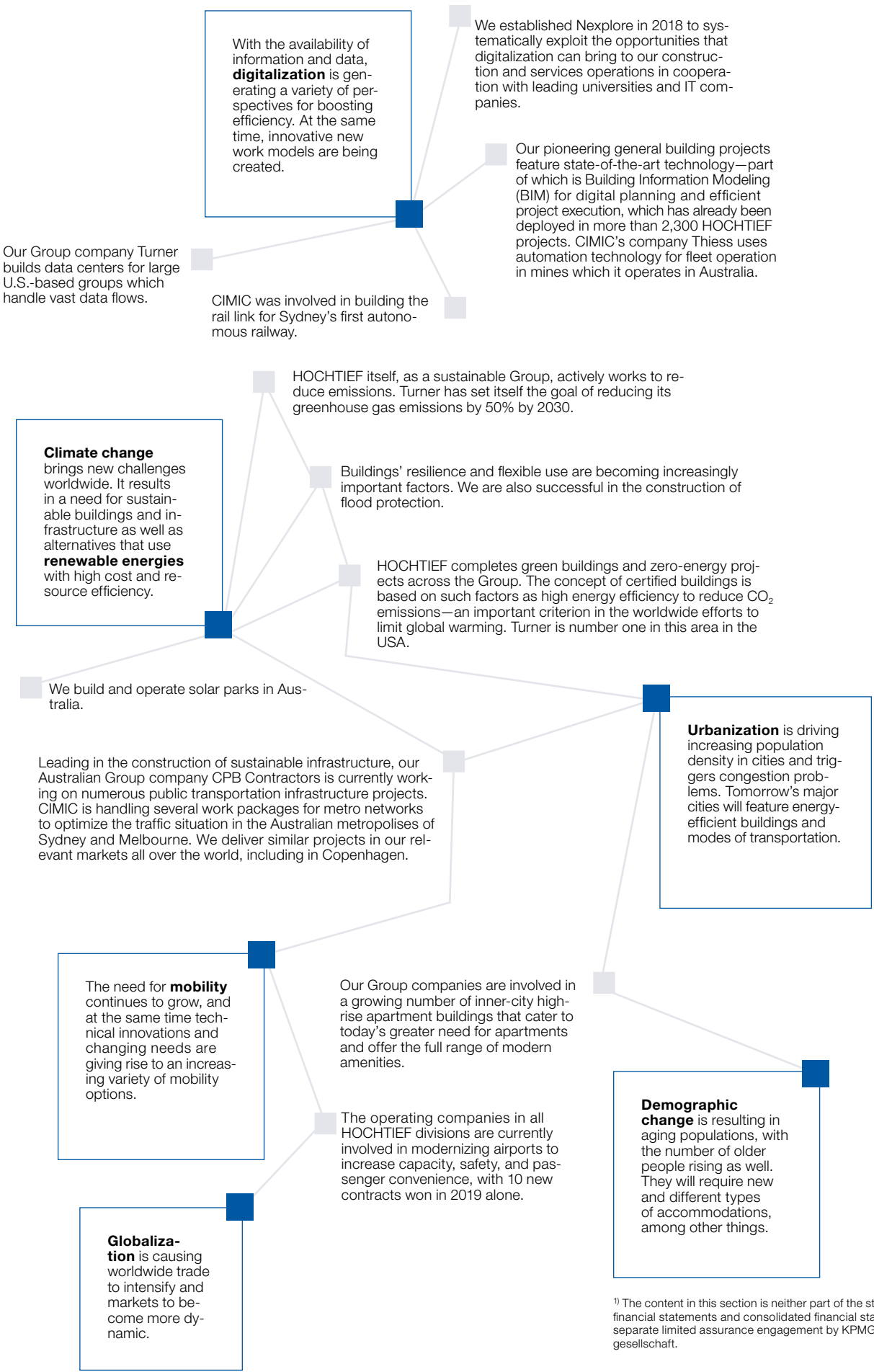
Sophisticated project solutions for challenges arising from global megatrends¹⁾

A global and diversified business like HOCHTIEF's is naturally impacted by current megatrends and must respond to far-reaching changes. These present us with increasingly complex challenges as well as 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.

¹⁾The content in this section is not part of the statutory audit of the annual financial statements and consolidated financial statements but is subject instead to a separate assurance engagement in accordance with ISAE 3000, providing limited assurance, by KPMG AG Wirtschaftsprüfungsgesellschaft.

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. We pursue the goal of being a leading, long-term market provider of sustainable infrastructure solutions, seeking also in this area to positively influence the impact of our business activities. We are constantly working to penetrate and enshrine Corporate Responsibility (CR) issues effectively throughout the Group. In this connection, we carry out projects including such current examples as analyzing the impacts of

Shaping the future: Solutions for megatrends—examples¹⁾



¹⁾ The content in this section is neither part of the statutory audit of the annual financial statements and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

GREEN POINT, PRAGUE

Bright ideas

The atrium of the Green Point project in the center of Prague is simply breathtaking. HOCHTIEF CZ completed the office complex in 2019. With attributes such as a green roof terrace, low-energy air conditioning and steam heating with heat recovery, the building targets BREEAM Excellent sustainable certification.

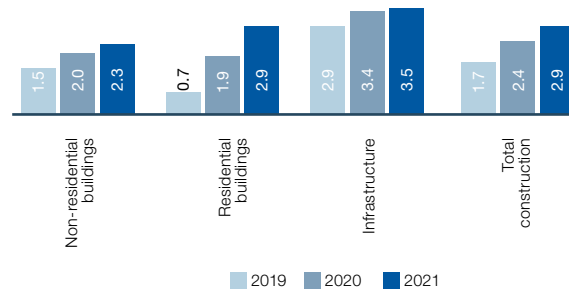
Markets and operating environment

Construction

Global construction market trends¹⁾

According to IHS estimates, the total volume of investments in the global construction industry reached EUR 9.4 trillion in 2019 (measured in 2010 USD). This marks a 1.7% rise (in real terms) on 2018 and is the tenth year of consecutive growth in the global construction industry. The positive trend is expected to continue over the next two years at a higher pace, with growth rates of 2.4% in 2020 and 2.9% in 2021. Global growth during these years is expected to be especially driven by the infrastructure segment and the Asia-Pacific region—which accounts for 50% of the total market size.

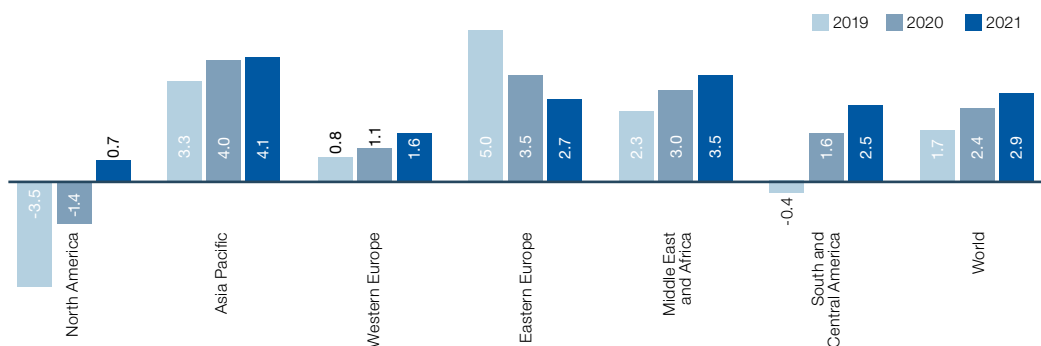
Increase in total construction sector investment by segment²⁾



¹⁾ Source unless otherwise specified: IHS Markit, Global Construction Outlook, as of January 2020

²⁾ Percentage change on prior year, measured in 2010 USD; IHS Markit; Global Construction Outlook, as of January 2020

Increase in total construction sector investment by region²⁾



North America³⁾

The construction industry in the markets relevant for HOCHTIEF in North America declined by 3.8% in 2019, which was primarily driven by the residential segment in the United States (-7.9% in 2019) according to IHS. Total volume reached a level of about EUR 1.1 trillion. Growth is expected to return in 2021 with a 0.6% increase, after -1.7% in 2020.

The construction market in the **United States** is not forecast to recover until 2021 (0.7%), after a decline of 4.6% in 2019 and 2.0% in 2020. The infrastructure segment had good growth of 4.6% in 2019. The outlook for 2020, an election year, is less certain. The FAST Act is set to expire in 2020 and the current administration has yet to pass legislation to compensate for this. The

local governments are expected to partly compensate for lower federal spending. However, mainly due to the decline of 9.7% in the residential market, the overall market declined. In non-residential construction, a decline is forecast for all three years from 2019 to 2021. Amid very high activity levels, the institutional building segment is expected to outperform while trade tensions persist.

In **Canada**, the construction market saw stable development in 2019, which is expected to continue in 2020 and 2021. Solid growth in infrastructure spending is compensating for a non-residential building segment impacted through its ties to the U.S. economy.

³⁾ Source unless otherwise specified: IHS Markit, Global Construction Outlook, as of January 2020

Growth in HOCHTIEF's regional construction markets¹⁾

Region	2019				2020				2021			
	Building construction (excl. residential)	Residential construction	Infrastructure	Overall market	Building construction (excl. residential)	Residential construction	Infrastructure	Overall market	Building construction (excl. residential)	Residential construction	Infrastructure	Overall market
United States	-3.7	-9.7	4.6	-4.6	-2.7	-0.6	-3.2	-2.0	-1.4	5.3	-4.2	0.7
Canada	-3.8	-0.6	3.7	-0.4	-2.6	0.1	1.3	-0.3	-0.2	-0.5	2.2	0.3
North America	-3.7	-7.9	4.4	-3.8	-2.7	-0.4	-2.2	-1.7	-1.2	4.0	-2.7	0.6
Australia	-1.9	-1.2	-3.9	-2.8	1.5	1.6	1.8	1.7	2.4	2.2	2.7	2.5
New Zealand	1.4	1.4	1.5	1.4	0.9	0.8	0.9	0.8	1.1	1.2	1.7	1.3
Southeast Asia ²⁾	4.4	3.1	6.7	4.7	5.4	4.2	6.5	5.3	4.9	4.7	7.1	5.6
Asia-Pacific	3.4	2.1	2.7	2.7	4.8	3.5	4.8	4.3	4.5	4.1	5.6	4.7
Germany	1.0	2.9	2.2	2.3	1.4	2.0	2.3	1.9	2.2	2.7	2.5	2.6
Netherlands	4.4	3.0	3.8	3.6	1.9	1.7	1.5	1.7	1.5	1.6	0.6	1.3
Austria	2.5	1.8	1.7	2.0	2.3	1.5	1.5	1.8	2.7	0.6	1.1	1.4
Poland	7.2	3.5	7.4	6.6	4.3	2.8	4.9	4.3	2.0	2.3	2.5	2.3
Scandinavia ³⁾	1.9	0.8	1.8	1.4	1.9	1.4	2.1	1.7	2.1	2.1	2.5	2.2
Czech Republic	2.4	3.3	5.0	3.7	2.3	3.0	4.3	3.3	2.2	3.1	4.0	3.2
United Kingdom	-2.0	-0.7	-0.2	-1.1	-0.8	-0.4	0.8	-0.4	1.0	0.6	2.4	1.1
Europe	1.4	1.6	2.9	1.9	1.3	1.3	2.5	1.6	1.7	1.8	2.3	1.9

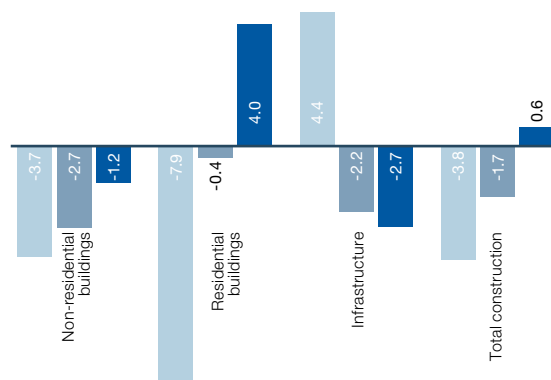
¹⁾ Percentage change on prior year, measured in 2010 USD; IHS Markit; Global Construction Outlook, as of January 2020

²⁾ Southeast Asia includes Indonesia, India, Philippines, Hong Kong and Singapore.

³⁾ Scandinavia includes Sweden, Norway, Finland and Denmark.

■ 2019 ■ 2020 ■ 2021

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



⁴⁾ Source unless otherwise specified: CIMIC Annual Report 2019, Strategy and Operating Environment Outlook, and IHS Markit, Global Construction Outlook, as of January 2020

Asia-Pacific⁴⁾

In the countries relevant for HOCHTIEF in the Asia-Pacific region, growth is expected to continue at a strong level of above 4% from 2020 onwards, according to IHS. Across the Group's core construction markets of Aus-

tralia, New Zealand, and selected countries in the Asia-Pacific region, governments and the private sector are continuing to invest significantly to meet sustained demand for economic and social infrastructure. This investment is necessary to address relative historic underinvestment, support population growth and aging populations, meet market and technological changes—such as the transition to renewables and the digital transformation—tackle climate change, and to facilitate economic growth and productivity. This infrastructure investment should continue to deliver a broad and growing suite of project opportunities that underpins the Group's positive outlook for the construction market.

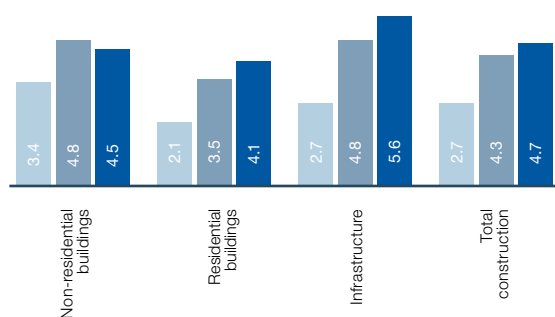
Australia's construction market is expected to remain strong, with transport infrastructure remaining a key contributor of opportunities. Underpinning the transport sector are a number of very substantial road and rail projects in the major capital cities, supplemented

by the continued upgrading of interstate transport routes and investment to facilitate rail freight. The federal government proposed investing AUD 100 billion (EUR 63 billion), up from AUD 75 billion (EUR 47 billion) a year earlier, to fund nation-building infrastructure over the next decade, with major investments in every state and territory.¹⁾ In November 2019, the federal government announced that it was bringing forward AUD 3.8 billion (EUR 2.4 billion) of infrastructure spending to provide more economic stimulus.²⁾ At the same time, state and territory governments are also progressing with substantial infrastructure investment programs. Total infrastructure growth is expected to be limited by continuing declines in spending in the energy infrastructure subsector, according to IHS.

In **New Zealand**, the government remains committed to improving the nation's infrastructure, removing bottlenecks, and improving productivity. As part of this commitment, New Zealand's newly established independent infrastructure commission, Te Waihanga, released a planned infrastructure projects pipeline of NZD 21.1 billion (EUR 12.6 billion). The pipeline identifies over 500 credibly proposed and committed infrastructure projects from 15 government agencies and local councils that are planned for delivery over the next decade.³⁾

Across the other construction markets in **Southeast Asia**, high levels of investment in economic and social infrastructure projects are expected to be sustained, which should continue to deliver a broad range of opportunities.

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



Europe⁴⁾

In the countries relevant for HOCHTIEF in Europe, activity remained at a solid level in 2019 with a growth rate of 1.9%, which resulted in a total volume of about EUR 1.2 trillion, according to IHS. The outlook for the following years is positive with growth rates of 1.6% in 2020 and 1.9% in 2021. The highest growth rates during that period are expected for the infrastructure segment with 2.5% in 2020 and 2.3% in 2021. The non-residential buildings segment is solid with growth rates between 1.3% and 1.7% during 2019–2021. The good growth in Germany and the countries in Eastern Europe will be partially dampened by slow growth in the UK.

The construction market in **Germany** had solid growth of 2.3% in 2019 and is expected to continue expanding with 1.9% in 2020 and 2.6% in 2021. The construction sector is working close to capacity. Structural reasons for this development are pent-up housing demand, migrant needs, persistently low interest rates, and additional public spending on transport, energy, and IT infrastructure. IHS expects that these factors will protect against any cyclical downturn in demand. While growth in prior years was mainly driven by the residential building segment, the infrastructure and non-residential building segments are expected to be on similar levels in 2020 and 2021.

The strongest growth rates in 2019 have been experienced in Eastern Europe. Growth in **Poland** was 6.6% in 2019 with continued high growth of 4.3% in 2020. EU transfers will support fixed investment through 2020 by boosting infrastructure spending. The **Czech Republic** also developed strongly with growth over 3% due to a mix of inflows of EU transfer funds, housing shortages, and investments in productivity-boosting technologies, according to IHS.

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

In other countries, **Scandinavia, Netherlands and Austria**, there is consistent growth in construction investment across all segments.

⁴⁾Source unless otherwise specified: IHS Markit, Global Construction Outlook, as of January 2020

¹⁾Commonwealth of Australia, Budget Strategy and Outlook, Budget Paper No. 1 2019–20, April 2019, p. 1–15

²⁾"Government to bring forward infrastructure spending to help stimulate the economy," www.news.com.au, November 20, 2019

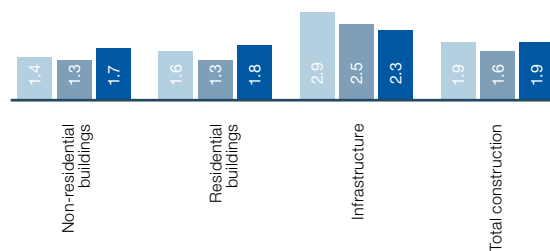
³⁾New Zealand Infrastructure Commission—Te Waihanga, November 11, 2019, <https://infracom.govt.nz/news/commission-news/step-closer-to-improved-infrastructure-planning/>

■ 2019 ■ 2020 ■ 2021

²⁾CIMIC Annual Report 2019, Strategy and Operating Environment Outlook

■ 2019 ■ 2020 ■ 2021

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



Services and mining

Services

Sustained investment in infrastructure—creating a larger capital stock—and a relative historic underinvestment in maintenance services should continue to support a growing market for the provision of operations and maintenance services. In addition, asset owners are increasingly seeing the benefit of outsourcing their maintenance services to drive productivity improvements and to pursue operational efficiencies. The **Australian** maintenance services market is expected to be worth approximately AUD 42.4 billion (EUR 26.5 billion) in 2018–19, of which 56% is outsourced to the private sector. The outsourced maintenance market is forecast to increase by 33% over the next decade with growth expected in engineering, construction, maintenance, and operation services in the rail, transportation, technology, energy, resources, water, renewable energy, and defense sectors.¹⁾

According to the latest Lünendonk study, the volume of the facility management market in **Germany** was expected to reach more than EUR 56 billion in 2019, marking an increase of 3.9%. Annual growth of 3.9% is expected until 2025, driven by opportunities from digitalization including the Internet of Things and Artificial Intelligence.

Mining²⁾

Population growth, increasing urbanization, rising living standards, and sustained economic growth are expected to continue across much of Asia for the foreseeable future and to sustain demand for energy and minerals. Additionally, the fact that there are limited substitutes for the major commodities mined or processed supports a positive outlook for this market.

Australia's resource and energy exports are forecast to increase to a record AUD 282 billion (EUR 176 billion) in 2019–20, helped by a 5.5% rise in export volumes this year. According to current forecasts, Australian exports by volume are expected to grow by 4.0% per annum for metallurgical coal, 1.0% for thermal coal, 2.9% for iron ore, and 12.1% for nickel until 2020–21.³⁾ Demand remains robust with opportunities to provide additional value-adding services. Furthermore, the ongoing transition to cleaner energy sources and solutions will gradually create opportunities for the extraction and processing of minerals used in alternative technologies, such as solar and batteries.

Concessions and PPP

Europe

The wider European greenfield public-private partnership (PPP) market saw an overall increase in the number of transactions during 2019, but with smaller transaction sizes. 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.⁴⁾

In **Germany**, the federal government's program for the procurement of eleven roads through a PPP scheme is progressing, with some delays on an individual project level. The government 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.⁵⁾

³⁾Australian government (Office of the Chief Economist) Department of Industry, Innovation and Science: Resources and Energy Quarterly, September 2019, p. 7 and 14

¹⁾BIS Economics, Maintenance in Australia 2019–23, February 2019, p. 8 and Appendix A.1—Australia (Outsourced)

⁴⁾Inframation News, Outlook 2020 European Greenfield, December 2019

⁵⁾Partnerschaften Deutschland: overview of PPP projects in building construction and civil engineering in Germany, December 2018

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 2018–2029.¹⁾

In other relevant European PPP markets for HOCHTIEF, such as **Scotland, Wales, and Eastern Europe**, there remains a steady flow of individual projects. In particular, prospects have improved in Scotland after Transport Scotland is set to appoint a financial advisor for its GBP 3 billion (EUR 2.5 billion) A9 project, of which at least part is expected to be procured as a PPP.²⁾

North America³⁾

In 2019, the North American greenfield PPP market saw mixed development bolstered by the social infrastructure market and low activity in the transportation sector. Based on the activity in HOCHTIEF's current greenfield PPP pipeline, we expect the North American market to show a robust 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 PPP market in the **United States** in 2020 could potentially be impacted by local and federal elections, which could delay large project procurement processes. At the same time, 2020 could be a strong year for social infrastructure PPPs.

In **Canada**, the outlook for infrastructure procurement through PPP schemes remains positive, as recently elected governments in Alberta and Ontario confirmed their support for PPPs during 2019.

Asia-Pacific⁴⁾

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, notably in the sectors of transport and social infrastructure.

In **Australia**, the coalition of governments continues to support the National PPP Policy Framework which established that projects valued over AUD 50 million (EUR 31 million) should be considered for PPP procurement.⁵⁾

In **New Zealand**, the government is actively pursuing non-traditional procurement options, involving greater private sector involvement in the provision of both infrastructure and services, where these can demonstrate greater value for money to the public sector.

⁴⁾CIMIC Annual Report 2019, Strategy and Operating Environment Outlook

¹⁾Inframation News, Norway's multi-billion euro transport plan could yield more PPPs, April 2017

⁵⁾Department of Infrastructure and Regional Development, National PPP Policy Framework, October 2015, p. 7

²⁾Inframation News: Transport Scotland close to hiring advisor for A9, January 2020

³⁾Inframation News, Outlook 2020 US and Canada, December 2019

Order Backlog Development in 2019

Record order backlog driven by continued strong new orders development

HOCHTIEF's order backlog rose EUR 4.1 billion to a record high of EUR 51.4 billion during the reporting period, corresponding to an increase of 7% on an exchange rate adjusted basis as well as 9% on a reported basis. The increase was driven by a continued strong level of new orders that exceeded the work done by 12% while maintaining a disciplined bidding approach across all divisions.

HOCHTIEF Americas: Record order backlog as a high level of new orders exceeds work done by 15%

The order backlog in the HOCHTIEF Americas division reached a new record level of EUR 23.6 billion at the end of 2019, up 10% year on year on an exchange rate adjusted basis (12% in nominal terms), highlighting the strength of the business. New orders came in at a very high level of EUR 16.9 billion during the year, an increase of 11% compared to the previous year or 5% adjusted for exchange rate effects. While work done grew strongly during 2019 to EUR 14.8 billion, up 17%, the order intake level still exceeded this by 15% and drove the backlog up further.

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

At the end of 2019, the Asia Pacific division's order backlog remained at a robust level of EUR 23.5 billion, up 4% year on year. This includes an increase of 6% for the operating companies and provides a consistently high visibility of 26 months. New orders stood at EUR 11.1 billion, an increase of 5% on the prior year adjusted for exchange rate changes (4% in nominal terms).

HOCHTIEF Europe: Very high level of new orders compared to a strategy-driven reduced work done level in 2019

In Europe, the divisional order backlog at the end of December 2019 stood at EUR 4.3 billion, representing an increase of 20% in reported terms; this was driven by a very high level of new orders of EUR 2.2 billion, up 15% year on year and exceeding the work done in the reporting period by a factor of 1.5. Work done in the reporting period decreased to EUR 1.5 billion, down 13%, 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



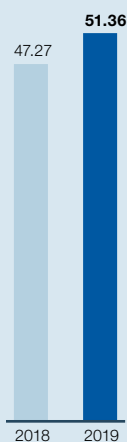
Work done¹⁾

EUR billion

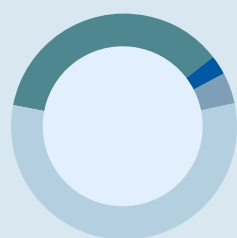


Order backlog

EUR billion



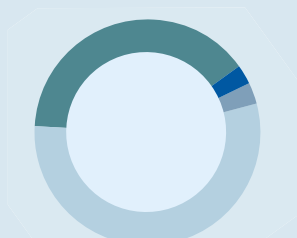
New orders by region



America	56%
Asia/Pacific/Africa	37%
Germany	4%
Rest of Europe	3%

100% = EUR 30.43 billion

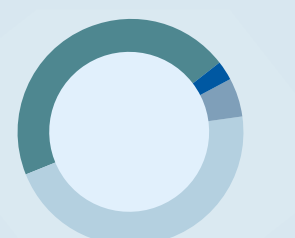
Work done¹⁾ by region



America	55%
Asia/Pacific/Africa	39%
Germany	3%
Rest of Europe	3%

100% = EUR 27.14 billion

Order backlog by region



America	46%
Asia/Pacific/Africa	46%
Germany	5%
Rest of Europe	3%

100% = EUR 51.36 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.

SAMUEL DE CHAMPLAIN BRIDGE

Free ride on leight lanes

In the summer of 2019, the 3.4-kilometer bridge over the St. Lawrence River in Montreal, Canada was opened for traffic. It was completed after less than four years of construction by a consortium comprising, among others, HOCHTIEF PPP Solutions and Flatiron. The bridge is an important link: Every year, up to 60 million vehicles cross the St. Lawrence River here. The partners of the project company "Signature on the Saint-Lawrence Group" will operate the route for 30 years.

Value creation 2019

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 2019, the continued focus on cash-backed profits drove further gains in underlying profitability and strong cash generation on Group level. 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.

Underlying net value added with 21.7% on consistent level and in line with positive business development, all value-add distribution metrics increased year on year. As in past years, the HOCHTIEF Group once again distributed the lion's share of net value added to employees in 2019. This large proportion of value added means that we can continue offering attractive employment on fair terms.

HOCHTIEF's unchanged favorable credit standing makes it an attractive investment opportunity for lenders in a market environment with persistently low interest rates. The proportion of value added distributed to lenders in the year under review was EUR 195.9 million, up 21.8% year on year.

HOCHTIEF aims to afford shareholders their commensurate share in the Group's positive underlying earnings performance, correspondingly. The correspondingly higher share attributable to HOCHTIEF shareholders increased 5.2% to EUR 431.4 million.

Sources of value added

	2019		2018	
	EUR million	%	EUR million	%
Sales	25,851.9	99.3	23,882.3	99.4
Changes in inventories	3.2	0.0	(19.4)	-0.1
Other operating income	191.4	0.7	170.4	0.7
Corporate performance	26,046.5	100.0	24,033.2	100.0
Materials	(18,989.7)	-72.9	(17,396.9)	-72.4
Other operating expenses	(1,062.6)	-4.1	(1,304.0)	-5.4
Other investment expenses	(25.1)	-0.1	17.8	0.1
Input costs	(20,077.4)	-77.1	(18,683.1)	-77.7
Investment and interest income	76.1	0.3	66.6	0.3
Net income from participating interests	316.2	1.2	290.1	1.2
Gross value added	6,361.4	24.4	5,706.9	23.7
Depreciation and amortization	(701.3)	-2.7	(391.6)	-1.6
Net value added	5,660.1	21.7	5,315.3	22.1
Provisions and reduction in carrying amount (Middle East exit)	(1,694.6)	-6.5	0.0	0.0
Net value added—nominal	3,965.5	15.2	5,315.3	22.1

Distribution of value added

	2019		2018	
	EUR million	%	EUR million	%
Employees	4,397.1	77.7	4,176.1	78.6
Lenders	195.9	3.5	160.8	3.0
Minority shareholders	182.3	3.2	177.5	3.3
Public authorities	257.9	4.6	259.9	4.9
– Shareholders	431.4	7.6	410.1	7.7
– Company	195.5	3.5	131.0	2.5
Company and shareholders	627.0	11.1	541.1	10.2
Net value added	5,660.1	100.0	5,315.3	100.0

When including the one-off impact from CIMIC's strategic decision to exit the Middle East region the net value add in nominal terms comes out at 15.2% with a corresponding one-off after tax impact on shareholders, public authorities and the Group itself.

TWA HOTEL, NEW YORK

High-class hotel

Turner has breathed new life into the former Trans World Airlines (TWA) flight center at John F. Kennedy Airport in New York by converting the iconic complex into a premium hotel. The impressive building offers 512 rooms, a restaurant, bar, and an infinity pool on the roof with a spectacular view of the airfield.

Financial Review

Overview

HOCHTIEF's geographically diversified core business performed well in 2019. The Group again significantly increased its operational earnings figures as well as sales, net cash from operating activities and order backlog compared to the previous year.

In 2019, HOCHTIEF saw a positive development in all core businesses of the HOCHTIEF Americas, HOCHTIEF Asia Pacific and HOCHTIEF Europe divisions. Furthermore, the investment in a 20% stake in the leading international toll road operator Abertis, completed in 2018, developed successfully and the equity-accounted earnings contribution amounted to EUR 122 million in 2019 (2018: EUR 84 million).

On January 23, 2020, CIMIC Group, a 72.8%-owned HOCHTIEF subsidiary, has completed an extensive strategic review of its financial investment of a non-controlling 45% interest in BIC Contracting (BICC), a company operating in the Middle East region. After thorough evaluation of all available options, CIMIC has decided to exit from the Middle East region. In this context, CIMIC has reassessed its financial exposure to BICC, mainly shareholder loans and financial guarantees. The associated one-off charge on earnings for 2019 amounted to a non-recurring, post-tax impact of minus EUR 833 million after minorities in HOCHTIEF's nominal consolidated net profit for a full-year loss of EUR 206 million.

The Group continues to focus on cash-backed earnings and achieved in the last twelve months an increased net cash from operating activities of EUR 1.6 billion. The net cash position amounted to a robust EUR 1.5 billion as of December 31, 2019.

While maintaining our disciplined bidding approach, the order backlog reached a new record level of EUR 51.4 billion at the end of 2019. Approximately two-thirds (EUR 34 billion) of the order backlog are derived from our construction management, mining, services and alliance-style construction activities which provide a high level of visibility for the business going forward.

Shareholder remuneration is a key element of HOCHTIEF's capital allocation strategy. Given the solid operational performance of HOCHTIEF's geographically diversified core businesses, the positive outlook and supported by a robust Group balance sheet, we propose a dividend for 2019 of EUR 5.80 per share (+16% year on year). Thus, the total dividend payout to HOCHTIEF shareholders will increase by EUR 58 million year on year in 2020 to EUR 410 million.

Group sales significantly above prior year

The HOCHTIEF Group generated sales of EUR 25.9 billion in 2019, exceeding the prior-year figure (EUR 23.9 billion) by EUR 2.0 billion or 8%. Adjusted for foreign exchange rate effects, the sales volume was 6% above the prior-year figure.

Sales

(EUR million)	2019	2018	Change
HOCHTIEF Americas	15,327.8	13,068.7	17.3%
HOCHTIEF Asia Pacific	9,143.2	9,266.3	-1.3%
HOCHTIEF Europe	1,225.5	1,415.9	-13.5%
Abertis Investment	-	-	-
Corporate	155.4	131.4	18.3%
HOCHTIEF Group	25,851.9	23,882.3	8.2%

The HOCHTIEF Americas division continued the strong growth trend in sales of the previous years. The development in 2019 was mainly due to the high order backlog going into the year and the sustained momentum in general commercial construction, transportation and airport projects as well as orders for congress and conference centers. Divisional sales amounted to EUR 15.3 billion, an increase of EUR 2.3 billion or 17% year on year. Adjusted for exchange rate effects, sales were 11% higher.

The CIMIC Group achieved sales of AUD 14.7 billion. The slight year-on-year increase in local currency terms reflects growth in Mining and Australian Construction and was offset by negative currency effects at the level of the HOCHTIEF Asia Pacific division. Sales in the

Operational Statements of Earnings

(EUR million)	2019	2018 (restated)	Change
Sales	25,851.9	23,882.3	8.2%
Change in inventories	3.2	(19.4)	
Materials	(18,989.7)	(17,355.3)	
Personnel costs	(4,388.7)	(4,168.1)	
Other operating income	191.4	170.5	
Other operating expenses	(1,062.6)	(1,143.6)	
Net income from equity-accounted associates	282.5	263.2	
Net non-operating expenses adjustment	4.8	56.6	
EBITDA	1,892.8	1,686.2	12.3%
Depreciation and amortization	(701.3)	(562.2)	
EBIT	1,191.5	1,124.0	6.0%
Net interest income and other financial result	(119.6)	(88.4)	
One-off BICC effect	(1,694.6)	0.0	
Net non-operating expenses adjustment	(4.8)	(56.6)	
Profit before tax/PBT	(627.5)	979.0	-164.1%
Profit before tax/PBT (excl. BICC effect)	1,067.1	979.0	9.0%
Taxes	292.3	(258.9)	
Taxes (excl. BICC effect)	(257.8)	(258.9)	
Tax rate (excl. BICC effect) (taxes/PBT in %)	24.2%	26.4%	
Profit after tax	(335.2)	720.1	
Minority interest	129.0	(177.1)	
Consolidated net profit	(206.2)	543.0	-138.0%
Consolidated net profit (excl. BICC effect)	627.0	543.0	15.5%

EBITDA and EBIT restated

HOCHTIEF Asia Pacific division totaled EUR 9.1 billion, up 0.2% on an exchange rate adjusted basis.

The HOCHTIEF Europe division generated sales of EUR 1.2 billion in 2019 (2018: EUR 1.4 billion). The division's sales performance was determined by the continued disciplined bidding approach in construction and the significantly reduced activities in real estate development, in line with our Group strategy.

The sales volume generated in the markets outside Germany amounted to EUR 25.1 billion in 2019. The HOCHTIEF Group's proportion of sales generated internationally thus reached a level of 97% comparable to the previous year (96%).

Earnings figures (excluding BICC effect) significantly above previous year

HOCHTIEF's operational business performed well in 2019 on the basis of solid performance in its core business segments. However, the nominal earnings figures were negatively affected by the one-off effect in connection with the exit from the Middle East region by CIMIC (BICC effect). Therefore, the consolidated net profit came to a loss of EUR 206 million, compared with a profit of EUR 543 million in the prior year.

Adjusted for this effect, **profit before tax (PBT) (excl. BICC effect)** for the HOCHTIEF Group was EUR 1.1 billion, up 9% on the prior-year figure (EUR 979 million). The **consolidated net profit (excl. BICC effect)** improved by almost 16% to EUR 627 million.

EBIT of HOCHTIEF improved by 6% to EUR 1.2 billion compared with the previous year (EUR 1.1 billion). This includes a positive development in net income from equity-accounted associates, up EUR 19 million year on year,

for which HOCHTIEF's 20% stake in Abertis is the main driver and contributor amounting to EUR 122 million for 2019 (2018: EUR 84 million). The **non-operating expenses adjustments** significantly decreased to EUR 5 million (2018: EUR 57 million).

Net interest income and other financial result

comprises the result from loans, net income from other participating interests and net interest income/expenses. The net expenses in 2019 amounted to EUR 120 million (2018: EUR 88 million). The 2018 figure benefited from interest income on value added tax refund entitlements.

Significant improvement in operational earnings figures

Nominal profit before tax (PBT) came out at a loss of EUR 627 million, negatively affected by the one-off BICC effect, compared with a prior-year profit of EUR 979 million. Operationally, all our divisions achieved a solid margin and sales development. Furthermore, the Abertis investment executed during 2018 has been fully incorporated as an operational item from 2019. As a result, **operational PBT** (meaning nominal PBT, adjusted for non-operational effects including the BICC effect) exceeded EUR 1.1 billion, improving by 14% compared with the prior year (EUR 969 million).

Profit before tax (PBT)

(EUR million)	2019	2018 (restated)	Change
HOCHTIEF Americas	309.8	297.3	4.2%
HOCHTIEF Asia Pacific	(1,065.6)	618.2	-
HOCHTIEF Europe	53.8	51.8	3.9%
Abertis Investment	122.4	84.3	45.2%
Corporate	(47.9)	(72.6)	34.0%
Group nominal PBT	(627.5)	979.0	-
Non-operational effects	1,735.6	(10.4)	-
Restructuring (incl. BICC effect)	1,712.4	29.6	-
Investments/Divestments	20.3	(58.3)	-
Impairments	0.0	2.5	-100.0%
Other	2.9	15.8	-81.6%
Group operational PBT	1,108.1	968.6	14.4%

The HOCHTIEF Americas division achieved a good earnings performance in the last year, benefiting from strong sales growth and solid margins. The nominal PBT rose by 4% to EUR 310 million compared to the previous year (EUR 297 million).

CIMIC's earnings performance in the last year was influenced on the one hand by a solid operational performance and on the other hand by the one-off effect on earnings in connection with the reassessment of the financial exposure in relation to BICC. The HOCHTIEF Asia Pacific division reported a nominal PBT of a negative EUR 1.1 billion for the last year. At CIMIC the PBT of the operational business—i.e. nominal PBT excluding the BICC effect—reached a value of AUD 1.1 billion and improved by 2.6% in local currency terms compared with the previous year.

By focusing on construction and public-private partnerships, the HOCHTIEF Europe division is pursuing a clear strategy. Thanks to improved earnings in these core business segments, the nominal PBT for 2019 improved by 4% year on year to EUR 54 million.

The **income tax expense (excl. BICC effect)** was EUR 258 million for 2019, on a similar level compared to 2018. This expense equates to a tax rate of 24%, compared with 26% for 2018. The nominal reported income tax benefit of EUR 292 million is a result of the provision and asset impairment in relation to the Middle East exit.

In line with the developments described above, **operational net profit** increased significantly year on year by EUR 146 million or 28% to EUR 669 million.

Consolidated net profit/loss

(EUR million)	2019	2018 (restated)	Change
HOCHTIEF Americas	212.4	189.5	12.1%
HOCHTIEF Asia Pacific	(525.9)	298.7	–
HOCHTIEF Europe	45.4	39.4	15.2%
Abertis Investment	122.4	84.3	45.2%
Corporate	(60.5)	(68.9)	-12.2%
Group nominal net profit/loss	(206.2)	543.0	–
Non-operational effects	875.1	(19.7)	–
Restructuring (incl. BICC effect)	849.1	28.1	–
Investments/Divestments	21.2	(57.6)	–
Impairments	0.0	2.5	-100.0%
Other	4.8	7.3	-34.2%
Group operational net profit	668.9	523.3	27.8%

Cash flow

In 2019, HOCHTIEF continued to focus on cash-backed profitability and generating sustainable cash inflows from operating activities. Cash flow performance remained strong over the last twelve months, with a significant improvement year on year on a pre factoring basis.

Net cash from operating activities pre factoring has improved substantially, increasing by EUR 959 million to EUR 1.6 billion in 2019. This is attributable to a strict focus on generating sustainable cash-backed profits and managing working capital. **Net cash from operating activities** improved by EUR 29 million to

EUR 1.6 billion, with a largely stable factoring balance year on year.

Gross operating capital expenditures amounted to EUR 542 million in 2019 (2018: EUR 411 million). The increased investment is due to growth in CIMIC's mining activities and job-costed tunneling work. The HOCHTIEF Asia Pacific division accounted for 91% of the HOCHTIEF Group's gross operating capital expenditure. Receipts from **operating asset disposals** amounted to EUR 24 million in 2019 (2018: EUR 68 million). Cash outflow for **net operating capital expenditure** therefore amounted to EUR 518 million (2018: EUR 344 million).

Due to the increased operating capital expenditure in 2019, **free cash flow from operations** was EUR 1.1 billion compared to EUR 1.2 billion in 2018.

The HOCHTIEF Group Statement of Cash Flows shows an outflow of liquidity in the **cash flow from investing activities** of EUR 966 million in 2019. The significantly higher cash requirement of EUR 1.8 billion in the previous year was mainly due to our investment in a 20% stake in Abertis.

The **cash flow from financing activities** resulted in a cash inflow of EUR 201 million in 2019. This reflected EUR 2.2 billion in proceeds from borrowings, mostly from bond issues and promissory note loans by HOCHTIEF Aktiengesellschaft and the CIMIC Group. This includes the issue of two corporate bonds of HOCHTIEF Aktiengesellschaft with a total nominal value of EUR 750 million. The issuance proceeds from these bonds will be used for the refinancing of a corporate bond due in March 2020 (nominal volume of also EUR 750 million), and for general corporate purposes. This was offset by a cash outflow from the repayment of financial liabilities in the amount of EUR 1.2 billion. This includes the full repayment of a EUR 500 million corporate bond issued by HOCHTIEF Aktiengesellschaft due in May 2019. A further EUR 301 million was attributable to the repayment

Cashflow

(EUR million)	2019	2018 (restated)	Change
Net cash from operating activities pre factoring	1,559.4	600.3	959.1
Net cash from operating activities	1,602.5	1,573.9	28.6
Gross operating capital expenditure	(542.5)	(411.4)	(131.1)
Operating asset disposals	24.4	67.5	(43.1)
Net operating capital expenditure	(518.1)	(343.9)	(174.2)
Free cash flow from operations	1,084.4	1,230.0	(145.6)
Cash flow from investing activities	(966.5)	(1,804.2)	837.7
Cash flow from financing activities	201.0	634.9	(433.9)

of lease liabilities. In addition, dividend payments, mostly to HOCHTIEF shareholders and other CIMIC shareholders, reduced liquidity by EUR 462 million. In the previous year, the cash inflow from financing activities of EUR 635 million primarily related to financing the acquisition of the 20% stake in Abertis.

Balance sheet

The HOCHTIEF Group's **total assets** amounted to EUR 17.9 billion as of December 31, 2019. Compared with the end of 2018, total assets thus grew by EUR 2.3 billion in the last twelve months.

Non-current assets increased by EUR 509 million to EUR 6.1 billion in 2019. Intangible assets of EUR 1.2 billion rose slightly compared with the previous year mainly relating to goodwill recognized on initial consolidation of fully consolidated subsidiaries. Property, plant and equipment increased by EUR 210 million to EUR 1.9 billion. The increase was primarily due to the investments made by CIMIC in mining equipment and job-costed tunneling machines. The right-of-use assets recognized under property, plant and equipment in connection with the application of IFRS 16 "Leases" amounted to EUR 677 million, slightly above the previous year's figure (EUR 668 million). Financial assets amounted to EUR 2.0 billion as of December 31, 2019 (December 31, 2018: EUR 1.9 billion). EUR 1.4 billion of the total amount related to the equity book value of our 20% stake in the toll road operator Abertis. Non-current financial receivables decreased by EUR 389 million to EUR 98 million as a result of the full impairment of the shareholder loans relating to BICC following CIMIC's decision to exit the Middle East. Deferred tax assets increased by EUR 595 million to EUR 721 million at the end of 2019 mainly due to the resulting tax asset from the one-off BICC impairment (EUR 550 million).

Consolidated Balance Sheet

(EUR million)	Dec. 31, 2019	Dec. 31, 2018 (restated)
Assets		
Non-current assets		
Intangible assets, property, plant and equipment, and investment properties	3,048.3	2,813.7
Financial assets	2,011.5	1,938.9
Other non-current assets and deferred taxes	1,004.9	802.7
	6,064.7	5,555.3
Current assets		
Inventories, trade receivables and other current assets	6,924.7	6,078.0
Marketable securities, cash and cash equivalents	4,912.1	4,011.4
	11,836.8	10,089.4
	17,901.5	15,644.7
Liabilities		
Shareholders' equity	1,584.8	2,411.3
Non-current liabilities		
Provisions	778.9	760.3
Other non-current liabilities and deferred taxes	3,489.6	2,727.5
	4,268.5	3,487.8
Current liabilities		
Provisions	1,046.6	842.2
Other current liabilities	11,001.6	8,903.4
	12,048.2	9,745.6
	17,901.5	15,644.7

Current assets amounted to EUR 11.8 billion as of December 31, 2019 and were thus EUR 1.7 billion higher than at the end of the previous year. This increase was mainly attributable to trade receivables which rose by EUR 619 million to EUR 5.6 billion, in line with the strong sales growth and foreign exchange rate movements. The factoring volume of the HOCHTIEF Group was on the previous year's level at EUR 1.7 billion. Cash and cash equivalents increased by a total of EUR 892 million, mostly due to the early refinancing of a bond issued by HOCHTIEF Aktiengesellschaft maturing in March 2020. With cash and cash equivalents of EUR 4.5 billion and a marketable securities portfolio of EUR 454 million, the HOCHTIEF Group's liquidity position remained very robust as of December 31, 2019.

HOCHTIEF Group had **shareholders' equity** totaling EUR 1.6 billion as of December 31, 2019. The overall decrease is due to the payment of dividends as well as the provisions and asset impairments in relation to the Middle East exit.

Non-current liabilities amounted to EUR 4.3 billion as of December 31, 2019, up EUR 781 million on the end of the previous year. The main factor here was a EUR 657 million increase in financial liabilities to EUR 2.7 billion following the issue of corporate bonds and promissory note loans by HOCHTIEF Aktiengesellschaft. The issuance proceeds were used to refinance corporate bonds that had fallen due or which are about to be repaid in 2020 as well as for general corporate purposes. A HOCHTIEF bond maturing in March 2020 (nominal value of EUR 750 million) was reclassified from non-current to current financial liabilities in 2019.

Current liabilities increased by EUR 2.3 billion to EUR 12.0 billion in the last year. Trade payables and other liabilities increased in total by EUR 785 million to EUR 8.8 billion. This development thus follows the HOCHTIEF Group's strong sales growth and was also influenced by exchange rate effects. In addition, CIMIC recognized

a financial liability (exit from Middle East) of EUR 927 million in connection with BICC facilities where CIMIC provides a guarantee. HOCHTIEF Group's financial liabilities increased net by EUR 344 million to EUR 944 million, mainly due to the reclassification of the HOCHTIEF bond due in March 2020 (nominal value of EUR 750 million) partly offset by the repayment of the HOCHTIEF bond due in May 2019 (nominal value EUR 500 million).

HOCHTIEF Group's **net cash** amounted to EUR 1.5 billion as of December 31, 2019 and was thus at the previous year-end level. This strong performance is despite a background of a significantly increased shareholder remuneration totaling EUR 449 million, the higher operating capex of EUR 518 million and the repayment of lease liabilities of EUR 301 million in 2019. Additional funding provided to BICC during fiscal year 2019 had an impact of minus EUR 248 million on the net cash position. Adjusted for this BICC effect, the underlying net cash position would have amounted to EUR 1.8 billion which would have represented an increase of EUR 213 million compared to the prior year.

HOCHTIEF Group net cash (+)/net debt (-) development

(EUR million)	Dec. 31, 2019	Dec. 31, 2018 (restated)	Change
HOCHTIEF Americas	1,467.4	1,142.1	325.3
HOCHTIEF Asia Pacific	558.6	984.8	(426.2)
HOCHTIEF Europe	511.3	475.3	36.0
Abertis Investment	-	-	-
Corporate	(1,008.3)	(1,037.9)	29.6
Group	1,529.0	1,564.3	(35.3)

Securing Group liquidity long-term and optimizing the financial structure

Financial events 2019

On account of what continues to be its very good capital and banking market reputation as well as the favorable interest rate environment, the HOCHTIEF Group was once again able to successfully refinance upcoming maturities on a long-term basis and on highly advantageous terms in 2019. In addition, with a view to optimizing the Group's finances, a number of key financing facilities were extended ahead of time and in some cases raised to meet requirements. The ongoing stable external rating was particularly beneficial in this regard, with rating agency S&P reaffirming HOCHTIEF's investment-grade BBB rating in June 2019 while holding the outlook for the Group at "stable". CIMIC Group Limited likewise benefited from an unaltered classification in the investment-grade rating segment. Independent rating agency S&P continues to rate CIMIC as BBB, while Moody's rates CIMIC as Baa2. S&P and Moody's confirmed these ratings during the course of the year.

Bank financing at HOCHTIEF Aktiengesellschaft

As before, borrowing activities are carried out by the holding company on a bilateral and syndicated basis. In July 2019, the second of the two extension options on the existing syndicated credit and guarantee facility¹⁾ was exercised, thus extending the term of the facility to August 2024. 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.

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 have to be renewed annually, run to a total of around EUR 225 million. Approximately 51% 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 1.4 billion as of the 2019 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.

¹⁾See glossary.

Capital market financing at HOCHTIEF Aktiengesellschaft

¹⁾The Debt Issuance Program launched in June 2018 with a maximum volume of EUR 3 billion allows bonds to 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.

In 2019, HOCHTIEF Aktiengesellschaft made use of the Debt Issuance Program¹⁾ launched in 2018 in order to issue several private placements in the form of bearer bond issues. In April 2019, HOCHTIEF Aktiengesellschaft issued a private placement for EUR 50 million with a maturity of 15 years. The bond has an annual coupon of 2.3%. In June 2019, HOCHTIEF Aktiengesellschaft issued a private placement for CHF 50 million (EUR 44.6 million) with a maturity to June 2025. The issue proceeds were converted into euros by means of a currency derivative. In July 2019, HOCHTIEF Aktiengesellschaft issued a private placement for NOK 1 billion (EUR 103.6 million). The bond has a maturity to July 1, 2029. The issue proceeds were likewise converted into euros by means of currency derivatives.

In May 2019, HOCHTIEF Aktiengesellschaft additionally issued a promissory note loan issue for EUR 300 million. The notes have staggered terms of four, seven, and ten years. In June 2019, HOCHTIEF Aktiengesellschaft issued a further bilateral loan for EUR 25 million with a maturity of four years. A partial amount of EUR 55.5 million of the promissory note loan issued in May 2019 was redeemed ahead of time in November 2019.

The issue proceeds from the three bearer bond issues and the promissory note loan issue, all of which were made on favorable terms, were used to refinance the full amount of a EUR 500 million corporate bond issue due in May 2019. That issue was repaid in full on maturity in May 2019.

HOCHTIEF Aktiengesellschaft completed two further corporate bond issues in September 2019. The capital market transaction was divided into one corporate bond issue with an issue size of EUR 500 million, an annual coupon of 0.5%, and a maturity of eight years

to September 3, 2027. The second bond issue with an issue size of EUR 250 million features an annual coupon of 1.25% and a maturity of 12 years to September 3, 2031. S&P has awarded the bond a solid BBB investment-grade rating. The issue proceeds will be used for the refinancing of the corporate bond due in March 2020 and for general corporate purposes.

As in 2019 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 further optimize and diversify the Group's financing.

Financing events in the Americas and Asia Pacific divisions

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 8.6 billion (approximately USD 9.6 billion) and, as before, represents the cornerstone of funding for the U.S. business. Both the Turner and the Flatiron group use this facility for bonding purposes²⁾. The local surety bonding facility continues to be backed by a Group guarantee from HOCHTIEF. Due to the sharp rise in orders and the related need for greater bonding capacity, committed bonding capacity was continuously increased during 2019 to meet the outstanding bonding demands.

In August 2019, HOCHTIEF Aktiengesellschaft as guarantor together with Flatiron Construction Corporation and several subsidiaries as borrowers entered into a USD 300 million syndicated guarantee and credit facility with an international banking syndicate. This replaces the previous CAD 350 million syndicated facility. Likewise in August 2019, HOCHTIEF, again acting as guarantor,

²⁾See glossary.

entered into a bilateral guarantee facility together with Flatiron Construction Corporation for CAD 100 million.

During 2019, CIMIC successfully refinanced its core working capital cash facility as part of its long-term financing strategy. The new syndicated bank facility is for AUD 1.9 billion, split equally across two tranches of four and five years. It replaced an existing tranche in CIMIC's current facility as well as some maturing U.S. dollar debt.

Summary assessment of the business situation by the Executive Board

In January 2020, our subsidiary CIMIC announced its decision to exit its 45% non-controlling financial investment in the Middle East (BICC) in the context of an accelerated deterioration of local market conditions. This will allow CIMIC to focus its resources and capital allocation on the growth opportunities in its core markets.

In this context, HOCHTIEF has recognized a one-off, post-tax, charge of EUR 833 million, after minorities, in its 2019 financial statements. As a consequence, the Group reported a nominal net loss of EUR 206 million. We expect an associated cash outlay, net of tax, of around EUR 0.4 billion during 2020. This is a very disappointing outcome but exiting the region is the right decision for the Group and improves the quality and visibility of our business mix going forward. Following the announcement, the rating agency S&P's "BBB" investment-grade rating for HOCHTIEF is unchanged with a stable outlook.

Focusing on our core businesses, operational net profit, which excludes non-operational effects, rose by EUR 146 million, or 28%, year on year to EUR 669 million.

Shareholder remuneration continues to be a key element of the Group's capital allocation strategy along with focusing on attractive organic and strategic growth

opportunities. Given the positive prospects for our operating divisions and Abertis, management intends to propose a dividend for full year 2019 of EUR 5.80 per share, which represents a 16% increase compared with 2018.

Our engineering expertise and robust balance sheet combined with the deep presence in our core markets leaves us well positioned to take advantage of future opportunities. We maintain our disciplined approach to capital allocation with our focus on value creation and sustainable shareholder remuneration. Based on our solid order book and our strong global tender pipeline, the outlook is clearly positive.

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:

"We declare that, according to the circumstances known to us at the time when the legal transactions were carried out with the controlling company or one of its affiliated companies within the meaning of Section 312 of the German Stock Corporations Act (AktG), our company received consideration under terms customary to the market for each legal transaction.

In the reporting period, no reportable legal transactions with third parties or measures were taken or refrained from at the instigation of or in the interests of the controlling company or one of its affiliated companies."

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 2019 Annual Financial Statements and Combined Management Report of HOCHTIEF Aktiengesellschaft and the Group are published in the Bundesanzeiger (Federal Official Gazette).

Earnings

HOCHTIEF Aktiengesellschaft's 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 77 million), sales increased by EUR 5 million to EUR 82 million. Other operating income came to EUR 22 million. The previous-year figure (EUR 35 million) included in particular higher prior-period income from the reversal of writedowns on receivables. Other operating expenses declined to EUR 91 million compared with the previous year (EUR 148 million). This was mainly due to the significantly lower expenses from the charging on of reimbursement claims to subsidiaries.

As in the previous year, net income from financial assets of EUR 521 million (2018: EUR 464 million) chiefly comprised income and expense from profit/loss transfer agreements, and income from long-term equity investments. Most of the EUR 57 million year-on-year increase related to significantly higher income from long-term equity investments from Abertis HoldCo S.A. and lower expenses from loss transfer agreements. Income from profit transfer agreements was lower in the year under review. Net interest income of negative EUR 47 million (2018: negative EUR 27 million) was mainly influenced by the lower interest income compared with the prior year.

HOCHTIEF Aktiengesellschaft's net profit before changes in reserves amounted to EUR 431 million in 2019 (2018: EUR 381 million).

HOCHTIEF Aktiengesellschaft Statement of Earnings (Summary)

(EUR million)	2019	2018
Sales	82.4	77.1
Changes in the balance of construction work in progress	(0.3)	(3.0)
Other operating income	21.8	34.6
Materials	(15.0)	(12.1)
Personnel costs	(29.1)	(36.2)
Depreciation and amortization	(2.7)	(2.3)
Other operating expenses	(91.4)	(148.1)
Net income from financial assets	521.2	464.1
Net interest income	(47.2)	(27.4)
Profit before tax	439.7	346.7
Income taxes	(21.7)	(0.7)
Profit after tax	418.0	346.0
Other taxes	12.8	34.5
Net profit/(loss) before changes in reserves	430.8	380.5
Net profit brought forward	0.2	0.2
Changes in retained earnings	(21.2)	(28.9)
Distributable profit	409.8	351.8

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 85% of total assets as of the December 31, 2019 (December 31, 2018: 93%).

HOCHTIEF Aktiengesellschaft's financial assets as of December 31, 2019 mostly related to shares in affiliated companies and participating interests. At EUR 4.5 billion, the amount was slightly higher than in the previous year (EUR 4.4 billion). 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. Other participating interests mainly relate to the shares in Abertis HoldCo S.A.

Inventories, receivables and other assets and prepaid expenses went up by EUR 130 million to EUR 1.0 billion, primarily in connection with intra-Group financial management with affiliated companies.

Financial resources increased by EUR 568 million to EUR 818 million following the early refinancing of the corporate bond maturing in March 2020 and the related significant increase in liquid bank deposits.

HOCHTIEF Aktiengesellschaft's subscribed capital is divided into 70,646,707 no-par-value shares as of December 31, 2019. As in the previous year, the nominal value and the value of the subscribed capital calculated taking into account shares of treasury stock, stands at EUR 181 million. The capital reserve mostly comprises the premium on the issue of shares by HOCHTIEF Aktiengesellschaft and remained at the prior-year level of EUR 1.7 billion.

The equity ratio (equity to total assets) was 45% on the reporting date December 31, 2019 (December 31, 2018: 50%).

HOCHTIEF Aktiengesellschaft Balance Sheet (Summary)

(EUR million)	Dec. 31, 2019	Dec. 31, 2018
Non-current assets		
Intangible assets and property, plant and equipment	13.7	19.2
Financial assets	4,459.4	4,379.0
	4,473.1	4,398.2
Current assets		
Inventories, receivables and other assets, and prepaid expenses	1,019.1	888.9
Financial resources	818.0	250.3
	1,837.1	1,139.2
Excess of plan assets over obligations	13.8	14.7
Total assets	6,324.0	5,552.1
Shareholders' equity	2,835.4	2,754.8
Provisions	124.0	109.6
Liabilities	3,364.6	2,687.7
Total liabilities	6,324.0	5,552.1

Liabilities went up relative to the prior year-end by EUR 677 million to EUR 3.4 billion. Most of the increase related to the launch of corporate bond issues and from the issue of promissory note loans. The issue proceeds were used for refinancing corporate bonds that had fallen due or were due for repayment and for the financing of general business purposes. The EUR 340 million (2018: EUR 366 million) in amounts due to affiliated companies was related to intra-Group financial management.

The total figure of bonds is as follows:

	Carrying amount Dec. 31, 2019 (EUR thousand)	Carrying amount Dec. 31, 2018 (EUR thousand)	Principal amount Dec. 31, 2019 (thousand)	Coupon (%)	Initial term (in years)	Matures
HOCHTIEF AG bond (2019)	50,788	–	50,000 EUR	2.3	15	April 2034
HOCHTIEF AG bond (2019)	251,027	–	250,000 EUR	1.25	12	September 2031
HOCHTIEF AG bond (2019)	104,435	–	1,000,000 NOK	1.7	10	July 2029
HOCHTIEF AG bond (2019)	500,822	–	500,000 EUR	0.5	8	September 2027
HOCHTIEF AG bond (2019)	44,762	–	50,000 CHF	0.77	6	June 2025
HOCHTIEF AG bond (2018)	504,363	504,363	500,000 EUR	1.75	7	July 2025
HOCHTIEF AG bond (2014)	–	507,839	500,000 EUR	2.63	5	May 2019
HOCHTIEF AG bond (2013)	772,852	772,852	750,000 EUR	3.88	7	March 2020
	2,229,049	1,785,054				

HOCHTIEF Aktiengesellschaft's net profit before changes in reserves for 2019 is EUR 430.8 million. Deducting the appropriation to retained earnings (EUR 21.2 million) and adding in profit carried forward (EUR 0.2 million), distributable profit stands at EUR 409.8 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 2019 in the amount of EUR 409,750,900.60 will be used to pay a dividend of EUR 5.80 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 falls due on July 6, 2020.

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 10, 2020, HOCHTIEF Aktiengesellschaft held a total of 22,346 shares of treasury stock, which would mean an amount of EUR 129,606.80 to be carried forward. The number of no-par-value shares with dividend entitlement for 2019 may change in the run-up to the Annual General Meeting. In any such event, while the distribution of EUR 5.80 for each no-par-value share

with dividend entitlement for 2019 will stay the same, an adjusted proposal for the appropriation of net profit will be made to the Annual General Meeting.

Outlook for HOCHTIEF Aktiengesellschaft (holding company) under German GAAP (HGB)

The performance indicator for HOCHTIEF Aktiengesellschaft under German GAAP (HGB) is the net profit. For the net profit in 2020 we expect an amount that will be at least slightly above the prior-year figure.

Disclosures pursuant to Section 289 (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 and 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, 2019 (2018: 50.41%).

We were notified by Atlantia S.p.A., Rome, Italy, that its voting share pursuant to Sections 33,38 WpHG amounted to 23.86% on April 24, 2019.

There are no shares with special control rights. The Executive Board is not aware of any employee shares where the control rights are not exercised directly by the employees.

Appointment and replacement of members of the Executive Board/changes to the Articles of Association:

The appointment and replacement of Executive Board members is governed by Sections 84 and 85 of the German Stock Corporations Act (AktG) and Section 31 of the Codetermination Act (MitbestG) read in conjunction with Sections 9 (2) and 7 (1) of the Company's Articles of Association. Statutory rules on the amendment of the Articles of Association are contained in Section 179 et seq. and Section 133 AktG. In instances where the Act requires a majority of the capital stock represented at the time of the resolution in addition to a majority of votes cast, Section 23 (3) of the Articles of Association provides that a simple majority will suffice unless there is a mandatory requirement stipulating a different majority. Under Section 15 of the Articles of Association, the Supervisory Board is authorized to make amendments that only affect the wording of the Articles of Association.

Executive Board authorization to issue new shares:

Pursuant to Section 4 (5) of the Articles of Association, the Executive Board is authorized, subject to Supervisory Board approval, to increase the capital stock by issuing new no-par-value bearer shares for cash and/or non-cash consideration in one or more issues 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 (6) of the Articles of Association, the Executive Board is authorized, subject to Supervisory Board approval, to increase the capital stock by issuing new no-par-value bearer shares for cash and/or non-cash consideration in one or more issues by up to a total of EUR 24,675 thousand by or before May 6, 2024 (Authorized Capital II). Detailed provisions are contained in the stated section of the Articles. Pursuant to Section 4 (4) of the Articles of Association, the Company's capital stock has been conditionally increased by up to EUR 46,080 thousand divided into up to 18 million no-par-value bearer shares (conditional capital). Detailed provisions are contained in the stated section of the Articles.

Authorization to repurchase shares: The Company is authorized by resolution of the Annual General Meeting of May 11, 2016 to repurchase its own shares in accordance with Section 71 (1) 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 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 11, 2016 (agenda item 8) may also be issued with the shares upon exercising the warrant and/or conversion rights and/or obligations attached to the bonds.

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

Shareholders' statutory subscription rights to such shares are barred pursuant to Sections 71 (1) 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 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.

Change-of-control clauses in connection with loan agreements and financing instruments:

Instrument	Issue date	Principal amount	Maturity
Bond issue	March 2013	EUR 750 million	March 2020
Bond issue	July 2018	EUR 500 million	July 2025
Bond issue	September 2019	EUR 500 million	September 2027
Bond issue	September 2019	EUR 250 million	September 2031
Private placement	April 2019	EUR 50 million	April 2034
Private placement	June 2019	CHF 50 million	June 2025
Private placement	July 2019	NOK 1 billion	July 2029

The terms of the above bond issues and private placements (issues from 2018 are based on the contractual framework for the Debt Issuance Program¹⁾) include change-of-control clauses entitling each holder to require early redemption of the bonds held at their principal amount together with interest accrued, provided that the holder submits a completed exercise notice within 68 days (in the case of the March 2013 corporate bond issue only) or 45 days of the issuer²⁾ 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 additionally built into the contractual documentation for the 2013 bond issue.

In March 2017, HOCHTIEF Aktiengesellschaft launched a promissory note loan issue for EUR 500 million. A further promissory note loan for an initial principal amount of EUR 300 million was issued in May 2019. In addition, HOCHTIEF Aktiengesellschaft issued a bilateral loan for EUR 25 million in June 2019. The contractual documen-

¹⁾The Debt Issuance Program launched in June 2018 with a maximum volume of EUR 3 billion allows bonds to 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.

²⁾See glossary.

tation for these loans likewise includes 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 facility¹⁾ for a total of EUR 1.7 billion with an international banking syndicate on August 9, 2017. Set to run until August 2024, 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.

A number of guarantee facility and global credit facility agreements entered into in 2019 feature change-of-control clauses:

On January 30, 2019, a global credit facility agreement for EUR 65 million was entered into with a German bank. 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.

A EUR 150 million bilateral guarantee facility was also arranged with a German insurance company. The agreement contains a change-of-control provision that gives the creditor the right to early termination in the event of a change of control (defined analogously to the above-mentioned January 2019 global credit facility agreement) if HOCHTIEF Aktiengesellschaft and the insurance institution do not reach agreement on continuation of the contractual relationship within 60 days of the change of control. Prior to that, HOCHTIEF is required to notify the creditor immediately after a change of control takes effect.

In August 2019, HOCHTIEF Aktiengesellschaft as guarantor together with Flatiron Construction Corporation and several subsidiaries as borrowers entered into a EUR 267 million (USD 300 million) syndicated guarantee and credit facility with an international banking syn-

¹⁾ See glossary.

licate that features a substantively identical change-of-control stipulation, corresponding with the definition in the August 2017 syndicated credit and guarantee facility, under which each creditor has the right to demand early repayment of the loan amount.

Likewise in August 2019, HOCHTIEF Aktiengesellschaft, again acting as guarantor, together with Flatiron Construction Corporation entered into a bilateral guarantee facility for EUR 69 million (CAD 100 million). The agreement contains a change-of-control provision that gives the creditor the right to early termination in the event of a change of control (defined analogously to the above-mentioned January 2019 global credit facility agreement) if HOCHTIEF and the bank do not reach agreement on continuation of the contractual relationship within 60 days of immediate notification of the change of control.

A EUR 100 million bilateral guarantee facility entered into with a foreign bank in September 2019 contains a substantively identical provision.

Alongside the above-mentioned loan agreements, HOCHTIEF Aktiengesellschaft agreed a EUR 134 million (USD 150 million) bilateral guarantee facility with a foreign bank on October 17, 2014. The agreement features a substantively identical change-of-control stipulation, corresponding with the definition in the syndicated credit and guarantee facility of August 2017, under which each creditor has the right to demand early repayment of the loan amount.

To secure an approximately EUR 8.6 billion (USD 9.6 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 445 million (USD 500 million) by way of security. The condition precedent is satisfied if a party, or group of parties acting in concert within the mean-

ing 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 policy¹⁾ 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.

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.

¹⁾See glossary.

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, 2019.

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 2019 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 May 2, 2019.

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, 2017 and 2019 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 2020



Marcelino Fernández Verdes



Peter Sassenfeld



José Ignacio Legorburo Escobar



Nikolaus Graf von Matuschka

TOLEDO LUCAS COUNTY PUBLIC LIBRARY—MOTT BRANCH, OHIO



Community hub

With its open-plan concept, quiet reading spaces, and interactive areas for children, the ultra-modern interior and exterior design of the Mott branch of the Toledo public library in Ohio is a hit with users. The Turner team was responsible for the construction management of the complete redesign. As a result, the community gets to enjoy a popular meeting point.

Divisional Reporting

HOCHTIEF Americas Division

In the HOCHTIEF Americas division, our companies operate on building construction and transportation infrastructure projects.

New York-based Turner Construction Company has established itself as the leader in several market segments. Involved in building construction projects for 117 years, Turner mainly applies the low-risk construction management approach. The company's status as the market leader is regularly recognized by ratings by the highly regarded publication Engineering News-Record (ENR), which once again listed Turner as the leading U.S. general builder in 2019 and rated the company number one among the top green contractors for the twelfth time. Furthermore, the company is a leader of the industry in education, healthcare, commercial offices, hotels, motels, and convention centers.

Turner stands out above all through cutting-edge techniques, such as Building Information Modeling and lean construction, which are used to efficiently execute high-quality construction projects. Both clients and users alike benefit from these tools and processes.

Clark Builders delivers building construction projects in Northern and Western Canada. The company, which frequently cooperates with Turner, has a particular focus on institutional, commercial, healthcare, and sports facilities.

Headquartered in Colorado, Flatiron is a specialist for transportation and infrastructure projects. Flatiron implements projects notably in the areas of freeways, bridges, rail/transit, airports, dams, water treatment plants, and storage facilities.

Flatiron is regularly featured in the ENR listings and ranks among the top four bridge builders and top ten highway construction contractors. Flatiron also maintains solid positions in rail transport and water segments.

The markets relevant for HOCHTIEF in North America continue to provide solid prospects. In 2019, the market experienced good growth in U.S. infrastructure projects and activity levels remained very high in non-residential building construction, according to IHS. In line with improving momentum in residential construction, the overall market is expected to return to growth in 2021 with a 0.6% increase, after a decline of 1.7% in 2020.

Project highlights

Turner is revitalizing the 2 Penn Plaza high-rise in New York City. This involves creating refreshed office and commercial space as well as renovating the facade and entrance area in conjunction with modifications to the infrastructure.

At 555 108th Avenue NE in Bellevue, Washington, the HOCHTIEF company is building a 42-story office tower. The base structure will house shops. It will be the tallest building in Bellevue.

In Pennsylvania, Turner was awarded another contract at the Children's Hospital of Philadelphia to construct a 17-story office building. In 2015, the company completed the striking Buerger Center.

Turner has been contracted to deliver the new Terminal C at Orlando International Airport in Florida. In addition to the structure, Turner's role includes adapting the transportation infrastructure, building a multi-story car park, and providing the connection to the Automated People Mover.



As part of a joint venture, Turner is designing and building the Columbus Crew Major League Soccer Stadium in Ohio. Scheduled to open in 2021, the stadium will provide seating for more than 20,000 spectators. An adjacent plaza in the making will host cultural events.

In New Rochelle, New York, Turner is constructing a residential high-rise. Due to be completed by the end of 2020, the 28-story building will provide residential and commercial space.

In Boston, the company is responsible for the construction of the Fan Pier E building with approximately 1,000 office workstations and a large public square. Turner has already completed several Fan Pier buildings in the city's port.

Turner's order book also includes a project from the Centers for Disease Control and Prevention (CDC) to design and build a parking deck and infrastructure project on a campus in Atlanta, Georgia.

Furthermore, Turner is building the International African American Museum in Charleston, South Carolina, which will be built at the historic site of Gadsden's Wharf where African slaves landed more than 300 years ago. The museum is scheduled to open in 2021.

Turner was selected to manage the construction of a seven-story, 120-bed Patient Care Tower at Salem Hospital in Oregon.

In North Carolina, Flatiron and partners are constructing the Triangle Expressway toll road. The 12-kilometer section includes 3.4 million cubic meters of earthwork, construction of 22 bridges and build-in-place brick sound walls. The contract value for Flatiron amounts to EUR 84 million, and the road is scheduled to open for traffic at the end of 2022.

Together with a partner, Flatiron is widening Interstate 405 highway over a 19.3-kilometer stretch in the state of Washington. Completion is scheduled for 2024. With Flatiron's share valued at approximately EUR 377 million, this is the second contract on this major project for the HOCHTIEF company.

Flatiron is working on a section of the new Redlands Passenger Rail project in California. Construction is scheduled for completion at the end of 2021. The contract value for Flatiron amounts to some EUR 137 million. When complete, this line will operate the first self-contained, fuel cell powered, zero emission train in the United States.

The company also is responsible for the Route 5 Oso Parkway project in California valued at around EUR 115 million.

By the end of 2022, Flatiron expects to complete a new bridge over the Bow River in Calgary, Canada, a EUR 57 million project that's part of a major ring road construction.

HOCHTIEF Americas division's key figures

The HOCHTIEF Americas division achieved a strong performance during 2019.

Operational PBT increased by 6% year on year to EUR 321 million, at the top end of the guidance range, EUR 305–320 million, that was provided at the start of 2019. Operational net profit rose 14% to EUR 220 million. **Sales** of EUR 15.3 billion were 17% higher compared with the previous year, or up 11% in local currency terms and margins remain at good levels.

HOCHTIEF Americas Division: Key Figures¹⁾

(EUR million)	2019	2018	Change yoy
Operational profit before tax/PBT ²⁾	320.7	302.6	6.0 %
Operational PBT margin ²⁾ (%)	2.1	2.3	-0.2
Operational net profit ²⁾	220.4	193.3	14.0 %
Profit before tax/PBT	309.8	297.3	4.2 %
Net profit	212.4	189.5	12.1 %
Net cash from operating activities	729.8	354.1	375.7
Gross operating capital expenditure	33.7	40.3	(6.6)
Net cash (+)/net debt (-)	1,467.4	1,142.1	325.3
Divisional sales	15,327.8	13,068.7	17.3 %
New orders	16,915.1	15,290.8	10.6 %
Work done	14,753.7	12,662.8	16.5 %
Order backlog (year on year)	23,592.9	21,057.9	12.0 %
Employees (end of period)	12,378	11,720	5.6 %

2018 figures restated for IFRS 16

¹⁾ All figures are nominal unless otherwise indicated

²⁾ Operational earnings are adjusted for deconsolidation effects and other non-operational effects

The Americas division delivered an outstanding increase in cash generation from the already high level of 2018.

Net cash from operating activities of EUR 730 million was over EUR 350 million higher year on year reflecting the division's strong and sustainable competitive position, a continued focus on cash generation as well as project timing effects.

The divisional **net cash** position at the end of December 2019 stood at almost EUR 1.5 billion, up EUR 325 million year on year.

The year-end **order backlog** rose to a new all-time high of EUR 23.6 billion, up EUR 2.5 billion or 12% compared with the end of 2018, with EUR 16.9 billion of new orders secured during the twelve months period.

HOCHTIEF Americas Outlook

We expect further growth at HOCHTIEF Americas in 2019 with **operational profit before tax** in the range of **EUR 330–350 million** compared with EUR 321 million in 2019.

HOCHTIEF Asia Pacific Division

The performance of the HOCHTIEF Asia Pacific division reflects HOCHTIEF's stake in CIMIC (72.8% at the end of 2019) as well as associated financing and holding costs, and the impact of variations in the AUD/EUR exchange rate.

CIMIC Group is an engineering-led construction, mining, services and public-private partnerships leader working across the life cycle of assets, infrastructure and resources projects. As a family of industry-leading, activity-focused businesses, the Group integrates a world of experience and expertise to drive insight, develop future-ready solutions and deliver enduring value for clients.

In January this year, our subsidiary CIMIC, announced its decision to exit its 45% non-controlling financial investment in the Middle East (BICC) in the context of an accelerated deterioration of local market conditions. This will allow CIMIC to focus its resources and capital allocation on the growth opportunities in its core markets.

In this context, HOCHTIEF has recognized a one-off, post-tax, charge of EUR 833 million, after minorities, in its 2019 financial statements. As a consequence, the Group reported a nominal net loss of EUR 206 million. We expect an associated cash outlay, net of tax, of around EUR 0.4 billion during 2020. This is a very dis-

SYDNEY METRO NORTHWEST, BELLA VISTA STATION

Australia's biggest public transport project

Sydney Metro Northwest opened to customers in May 2019. With safety and service at its heart, it will connect families and communities, enhance growth and bring great benefit to Sydney's northwest. CIMIC Group companies (CPB Contractors, UGL, Pacific Partnerships and EIC Activities) contributed construction expertise and integrated rail solutions, and are now supporting operations and delivering major contracts for Sydney Metro Stage 2.

appointing outcome but exiting the region is the right decision for the Group and improves the quality and visibility of our business mix going forward. Following the announcement, the rating agency S&P's "BBB" investment-grade rating for HOCHTIEF is unchanged with a stable outlook.

CPB Contractors, which also incorporates 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 partners with its clients to deliver excellence in open-cut and underground mining in Australia, Asia, Africa and the Americas. For more than 80 years, Thiess has operated in diverse commodities, geologies, environments and cultures. The team uses that insight to optimize solutions for each project, backed by how they meet their commitments.

Sedgman is a market leader in the design, construction and operation of state-of-the-art mineral processing plants and associated mine site infrastructure, delivering excellence in engineering and innovative solutions in diverse and remote locations globally.

UGL offers 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.

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

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 Group's collective experience, technical capabilities and leading technologies.

In addition, CIMIC holds a 47% stake in the services company Ventia.

The inclusion of sustainability factors in construction projects in the Asia-Pacific region is often prescribed by public-sector clients in particular. CIMIC is well positioned to meet these requirements and offers delivery of sustainable buildings and infrastructure projects in Australia. In 2019, the company was once again listed on the Australian Dow Jones Sustainability Index, FTSE4Good as well as the CDP climate ranking.

CIMIC continuously seeks to improve its processes to make projects even safer and more effective. Led by EIC Activities, the Group's innovation program accelerates development and implementation of innovations at scale across CIMIC businesses, regularly sharing and collaborating with operating companies throughout the HOCHTIEF Group.

The market environment remains positive. In the countries relevant for HOCHTIEF in the Asia-Pacific region, growth is expected to continue at a strong level of above 4% starting in 2020, according to IHS Markit. The public and private sectors continue to make substantial investments in our core markets.

Project highlights

Construction

In the future, commuters in the greater Melbourne region will benefit from the upgrade of the Monash Freeway. CPB Contractors is constructing stage 2 of the urban freeway project, with a contract value of approximately EUR 472 million. Completion is scheduled for 2022.

By designing and building the Pitt Street underground station as part of the Sydney Metro City & Southwest project, CPB Contractors is also contributing to Australia's biggest public transportation project. The contract is valued at some EUR 287 million. A 39-story high-rise complex comprising a commercial office building and a residential building will be built above the station.

As part of a joint venture, CPB Contractors is also undertaking the preparatory work for the new Western Sydney International (Nancy-Bird Walton) Airport. The contract,



valued at EUR 198 million, marks the second the company has won as part of this major project.

CPB Contractors is to build a new taxiway and remote stands at Auckland International Airport by the end of 2021—another project underscoring the company’s leading position in airport construction. In terms of contract value, the project is worth some EUR 127 million.

In New South Wales, CPB Contractors is delivering hospital projects—including one in Campbelltown slated for completion by mid-2023 and valued at some EUR 260 million, and another, the Nepean hospital, which will be completed by 2021. The latter contract is valued at EUR 232 million.

In Christchurch, CPB Contractors is building the Metro Sports Facility, New Zealand’s largest aquatic and indoor leisure facility scheduled to open in 2021. The contract is valued at some EUR 134 million.

Mining and services

Thiess, through the Majwe Mining Joint Venture, will work for another nine years to deliver full scope mining services with a contract value of around EUR 1.1 billion at the Jwaneng diamond mine in Botswana. Thiess has been working for this client since 2011.

In addition, Thiess has secured a six-year contract renewal worth around EUR 806 million to continue operations at Curragh mine in Queensland.

UGL has secured a contract extension to deliver maintenance and other services for Sydney Trains—servicing a fleet of over 1,050 rail cars—for another five years. The contract is valued at approximately EUR 392 million.

In addition, UGL, as part of a joint venture, has been awarded a new contract for services on the Woodside Energy Limited operated Karratha Gas Plant (KGP). The new contract works will generate additional revenue to UGL of approximately EUR 119 million and includes two further multi-year extension options. UGL has provided services at the plant since 2015.

PPP and concessions

Several CIMIC companies are involved in Cross River Rail (CRR) in Brisbane, Queensland’s largest public transportation infrastructure project, on a PPP basis. Pacific Partnerships is providing 49% of the equity finance within the Pulse consortium for the Tunnel, Stations and Development PPP package, which is valued at around EUR 1.7 billion. CPB Contractors is leading the design and construction of tunnels and stations, while UGL is responsible for mechanical and electrical work as well as 24 years of maintenance services.

Additionally, CPB Contractors and UGL, together with other partners, received a major order to deliver the RIS (Rail, Integration and Systems) package as part of the large-scale CRR project. EUR 548 million is roughly the value of the contract for system and integration services. The greater Brisbane area will benefit from a significant easing in traffic thanks to the new rail connection. The construction work is aligned with the sustainability standards of the Infrastructure Sustainability Council of Australia (ISCA).

Pacific Partnerships, UGL, and CPB Contractors, as part of the Momentum Trains consortium, are working on the Regional Rail project in New South Wales. They are responsible for the planning, construction, financing, and maintenance of a new fleet of rail cars as well as a maintenance facility. The fleet will consist of 117 rail carriages to form 29 trains. Valued at some EUR 458 million, the contract includes 15 years of maintenance. Trains are scheduled to begin running in 2023.

In addition, the Northwest Rapid Transit (NRT) consortium, which includes UGL and Pacific Partnerships, signed a contract to expand a PPP contract for the major Sydney Metro project, which has been in place since 2014, to include the under-construction Sydney Metro City & Southwest line. NRT will operate and maintain the full metro line from Rouse Hill to Bankstown—in total 66 kilometers of rail and 31 metro stations. Through its stake in Metro Trains Sydney, UGL already operates the recently opened Metro North West line and will operate the sections still under construction for ten years. As an existing investor in the

HOCHTIEF Asia Pacific Division: Nominal Figures¹⁾

(EUR million)	2019	2018	Change yoy
Profit before tax/PBT	(1,065,5)	618.2	–
PBT margin (%)	-11.7	6.7	-18.4
Net profit	(525,9)	298.7	–
Net cash (+)/net debt (-)	558.6	984.7	–
Divisional sales	9,143,2	9,266.3	-1.3%
Order backlog (year on year)	23,451,7	22,630.0	3.6%
Employees (end of period)	35,375	38,425	-7.9%

2018 figures restated for IFRS 16

¹⁾ All figures are nominal unless otherwise indicated

²⁾ Underlying excludes one-off items in respect of asset impairment and provisions in relation to the Group's financial investment in BICC

Metro North West Line operations contract, Pacific Partnerships will provide a further equity investment to the NRT PPP. The new orders have a contract value of some EUR 226 million.

HOCHTIEF Asia Pacific division's key figures

The performance of the **HOCHTIEF Asia Pacific** division reflects HOCHTIEF's stake in CIMIC (72.8% at the end of 2019) as well as associated financing and holding costs, and the impact of variations in the AUD/EUR exchange rate.

HOCHTIEF Asia Pacific's ex-BICC **profit before tax (PBT)** in FY 2019 was stable year on year at EUR 629 million on **sales** of EUR 9.1 billion, in line with the comparable period in 2018. The operational PBT margin remained solid at 6.9% and at a similar level to a year ago (6.7%).

At the end of the period, the divisional net cash position was EUR 559 million.

The division's robust EUR 23.5 billion **order backlog** has increased by 4% year on year with new orders during the period of EUR 11.1 billion, up 4% year on year.

CIMIC's key figures

CIMIC reported stable revenue of AUD 14.7 billion and an underlying²⁾ PBT of AUD 1.1 billion, in line with the previous year with a solid margin level. There was a one-off post tax impact of AUD 1.8 billion relating to the company's total exposure in the non-controlling financial investment BIC Contracting (BICC) as a result of the decision to exit the Middle East; statutory NPAT was AUD -1.0 billion. **Net profit after tax** of AUD 800 million, excluding the BICC impact was up 3% year on year.

Cash generation at CIMIC was strong with operating cash flow of AUD 1.7 billion with a stable factoring level year on year. Adjusting for the factoring variation during 2018, this represents a strong increase of more than 1.0 billion AUD year on year.

The Group increased net capital expenditure during 2019 by AUD 287 million to AUD 752 million, driving growth in mining and job-costed tunneling opportunities.

The operating companies' work in hand grew by 4% year on year, or AUD 1.5 billion to AUD 35.3 billion with total work in hand of AUD 37.5 billion up AUD 800 million year on year. Mining and Services account for AUD 19 billion or 54% of the OpCo total. Whilst maintaining bidding discipline, total new work of AUD 18 billion was secured in 2019.

HOCHTIEF Asia Pacific Outlook

CIMIC has announced its **NPAT (net profit after tax)** guidance for 2020 in the range of **AUD 810–850 million**, subject to market conditions, compared to the AUD 800 million reported for 2019 (excluding the BICC impact).

HOCHTIEF Europe Division



The HOCHTIEF Europe division is mainly comprised of our construction activities complemented by PPPs. Geographically we are present in the German, Polish, Czech, Austrian, Scandinavian and Dutch construction markets where we have an outstanding reputation. Our activities in the division benefit from being part of the Group's international network as well as from its technical expertise, risk management and financial strength.

In Europe, we focus on the transportation, energy, and social/urban infrastructure segments. The operating companies in the HOCHTIEF Europe division offer a comprehensive range of services: HOCHTIEF Infrastructure is responsible for the construction business, while HOCHTIEF PPP Solutions engages in public-private partnerships (PPPs). Furthermore, not only is HOCHTIEF Engineering a provider of engineering services, but HOCHTIEF ViCon is also one of the leading service providers in the field of virtual construction and Building Information Modeling (BIM). synexis is active in facility management on the German market.

The PPP model allows us to optimize public infrastructure over its entire life cycle. HOCHTIEF PPP Solutions handles the design, financing, construction, and operation of facilities for public-sector customers. The company always works in tandem with other HOCHTIEF units. Customers benefit from the companies' experience and innovative capacity.

In the countries relevant for HOCHTIEF in Europe, construction activity was at a solid level in 2019 with a growth rate of 1.9%. For the following years, the outlook is likewise positive with growth rates of 1.6% in 2020 and 1.9% in 2021. The highest growth rates during that period are expected for the infrastructure segment with 2.5% in 2020 and 2.3% in 2021. The non-residential construction segment is solid with growth rates between 1.3% and 1.7% during 2019–2021.

Project highlights

Construction

At a high-profile location in Berlin, HOCHTIEF is constructing the Tacheles building. It will satisfy requirements for LEED platinum sustainability certification.

Another contract won by HOCHTIEF in Berlin is the construction of the 3 Höfe residential and office complex. Due to be completed by the end of 2021, the property will encompass more than 200 apartments, almost 40 offices, and two commercial units. Designed as an open-plan workplace, the office area will provide space for approximately 1,700 people. The plan is to obtain the German Sustainable Building Council's (DGNB) gold certification.

Also in Berlin, the Weidt Park Corner office block featuring a flexible workspace concept aims to meet the criteria for LEED gold sustainability certification on completion by the end of 2021.

In Düsseldorf, HOCHTIEF is building the Heinrich Campus office complex, with handover and an application for German Sustainable Building Council's gold certification slated for fall 2021. Plans include 500 bicycle stands and charging stations for electric cars.

HOCHTIEF is responsible for constructing the shell of the Mizal complex in the same city. The project will seek DGNB certification in gold.

Centrally located in Hamburg, the Burstah property comprises two office blocks and a residential building, which HOCHTIEF aims to complete by the end of 2022.

Another HOCHTIEF project in Hamburg is the Bergedorfer Tor office and residential building with shared underground parking. Work is scheduled to finish by the end of 2021.

Among others, HOCHTIEF is constructing the residential and commercial building Neue Mitte Perlach in

FEDERAL MINISTRY OF HEALTH, BERLIN

Walls steeped in history

Once the headquarters of Deutsche Bank, then used by the Ministry of the Interior during the GDR era, later the seat of various administrative agencies—this building looks back on a rich history. Next, Germany's Federal Ministry of Health will move in. HOCHTIEF is part of a public-private partnership that is currently refurbishing the building—always with a view to users' needs and building efficiency.

Munich by mid-2022. The contract includes shell construction and building envelope (facade and roof).

In Duisburg, HOCHTIEF has been appointed general contractor responsible for adding a new office building to the University of Applied Sciences. By mid-2022, 60 seminar rooms for approximately 2,000 students, offices, a multi-purpose space for 400 people, a library, canteen, kitchen, and underground car park will be completed. The building is slated for DGNB Gold certification.

Together with partners, HOCHTIEF is building a new cable-stayed bridge in Magdeburg. Work is due to start in spring 2020.

A HOCHTIEF joint venture has been awarded with a contract to deliver the second phase of the London Power Tunnels project. Scheduled to start in March 2020, this six-year project will see the construction of a 32.5-kilometer tunnel for the energy supply of London.

In Poland, HOCHTIEF is constructing the University of Warsaw's new science and didactic building.

HOCHTIEF won a contract to expand a 7.2-kilometer-long section of the D3 freeway in the southern Czech Republic for around EUR 85 million by 2022.

In Prague, HOCHTIEF is responsible for the geological preparatory work on a subway.

As part of a consortium, HOCHTIEF is also building a 13.5-kilometer section of Slovakia's R2 highway. Valued at around EUR 130 million, HOCHTIEF's share in the joint venture stands at 50%. The section of road is due to open in 2021.

PPP and concessions

Over a five-year period, HOCHTIEF will refurbish and modernize the properties of two police authorities comprising more than 50 buildings for the state of Hesse, before operating them for 30 years. In addition to the riot police departments in Mühlheim am Main

and Kassel, the Police Academy Hesse and the Hessian School of Policing and Administration are part of the contract. The project focuses on energy-system improvement, energy-efficient new buildings, and conversion measures to increase the buildings' utility value. As a result, the amount of carbon dioxide emissions will be reduced by some 13,000 tons in the coming 30 years.

HOCHTIEF was also successful recently with its bid on a road project in the Netherlands. A HOCHTIEF joint venture has been awarded a contract worth EUR 1.2 billion for a motorway project in the Netherlands. In the vicinity of Arnhem, the GelreGroen joint venture will extend the A15 for a further 12 kilometers and widen stretches over 23 kilometers of the A12 and A15 by adding extra lanes. The contract also includes finance as well as operation and maintenance of the motorway until 2044. The contract was signed at the end of January 2020.

HOCHTIEF Europe division's key figures

HOCHTIEF Europe has continued to increase its profitability during 2019.

Operational PBT increased by EUR 4 million year on year to EUR 66 million, in line with guidance given at the start of 2019. The development was driven by higher construction profits and a solid operational PBT margin. Operational net profit was 21% higher at EUR 61 million.

The **sales** performance in the reporting period reflects the disciplined bidding approach which the business continues to apply in its construction activities as well as the strategic decision to wind down real estate development activities.

HOCHTIEF Europe reported EUR 42 million of **net cash from operating activities** in line with the division's nominal net profit and driven by the construction and PPP businesses. The figure for 2018 was boosted by a high volume of real estate divestments.

HOCHTIEF Europe Division: Key Figures¹⁾

(EUR million)	2019	2018	Change yoy
Operational profit before tax/PBT ²⁾	66.3	62.4	6.3 %
Operational PBT margin ²⁾ (%)	5.4	4.4	1.0
Operational net profit ²⁾	61.0	50.3	21.3 %
Profit before tax/PBT	53.8	51.8	3.9 %
Net profit	45.4	39.4	15.2 %
Net cash from operating activities	42.3	120.0	(77.7)
Gross operating capital expenditure	11.0	14.4	(3.4)
Net cash (+)/net debt (-)	511.4	475.3	36.1
Divisional sales	1,233.0	1,422.6	-13.3 %
New orders	2,227.6	1,938.1	14.9 %
Work done	1,534.0	1,760.8	-12.9 %
Order backlog (year on year)	4,318.0	3,585.9	20.4 %
Employees (end of period)	5,314	5,435	-2.2 %

2018 figures restated for IFRS 16

¹⁾ All figures are nominal unless otherwise indicated

²⁾ Operational earnings are adjusted for deconsolidation effects and other non-operational effects

At the end of 2019, HOCHTIEF Europe's balance sheet showed a strong **net cash** position of over EUR 510 million, up EUR 36 million year on year.

New orders was another highlight with EUR 2.2 billion of work secured, up 15% year on year, and which represents 1.5 times the level of work done during 2019. The divisional **order backlog** at the end of the period stood at EUR 4.3 billion and has increased by over EUR 730 million compared with December 2018.

HOCHTIEF Europe Outlook

Looking forward we expect further growth in divisional **operational profit before tax** to **EUR 68–73 million** for 2020 compared with EUR 66 million in 2019.

Founded in 1873, HOCHTIEF has been headquartered in Essen since 1922. In the spirit of both continuing tradition and moving into the future, we have decided to build our new corporate headquarters, which will accommodate roughly 1,100 employees of HOCHTIEF Solutions and HOCHTIEF Aktiengesellschaft, at the same location. We aim to obtain DGNB gold certification for the building.

Abertis Investment

Since June 2018, HOCHTIEF consolidates its EUR 1.4 billion investment in a 20%¹⁾ stake in Abertis HoldCo, the direct owner of 98.7% of Abertis Infraestructuras, S.A. (Abertis), a leading international toll road operator. This investment is accounted for using the equity method and the net profit contribution is consequently included as an operating item in EBITDA.

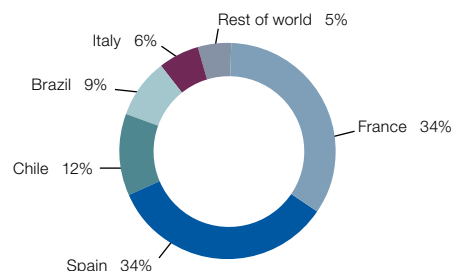
Abertis manages a geographically diversified portfolio of toll roads comprising over 8,600 kilometers in 15 countries and with leading positions in France, Spain, Brazil and Chile amongst others. HOCHTIEF's investment in Abertis is strategically managed at the level of Corporate Headquarters and together with the remaining Abertis HoldCo shareholders ACS (30%) and Atlantia (50%²⁾) on the basis of a shareholder agreement as well as a commercial framework agreement.

The contribution to HOCHTIEF Group results from the Abertis Investment reflects the operating performance of Abertis and the purchase price allocation.

Since 2019, the result contribution from Abertis is considered part of the operational result, whereas during the year of executing the acquisition in 2018, the results were only included in the nominal Group result.

For fiscal year 2019, a EUR 122 million contribution from the Abertis Investment was recognized in HOCHTIEF's EBITDA.

EBITDA 2019 by country



Abertis key figures (100%)

(EUR million)	2019	2018 (restated)	Change yoy	Change yoy (comparable ¹⁾)
Operating revenues	5,361	5,255	2%	4%
EBITDA	3,737	3,549	5%	8%
Net profit	1,101	1,681 ²⁾	-35%	9%

¹⁾ Comparable variations consider constant portfolio, f/x rates and other non-comparable effects

²⁾ incl. the EUR 605 million Cellnex divestment gain

Abertis Investment contribution to HOCHTIEF

(EUR million)	2019	2018	Change yoy
Nominal result			
EBITDA	122.4	84.3	45.2%
Profit before tax/PBT	122.4	84.3	45.2%
Net profit/NPAT	122.4	84.3	45.2%
Operational result			
Profit before tax/PBT	122.4	0.0	n/a
Net profit/NPAT	122.4	0.0	n/a
Abertis—Dividend received	172.8	0.0	n/a

Key developments at Abertis

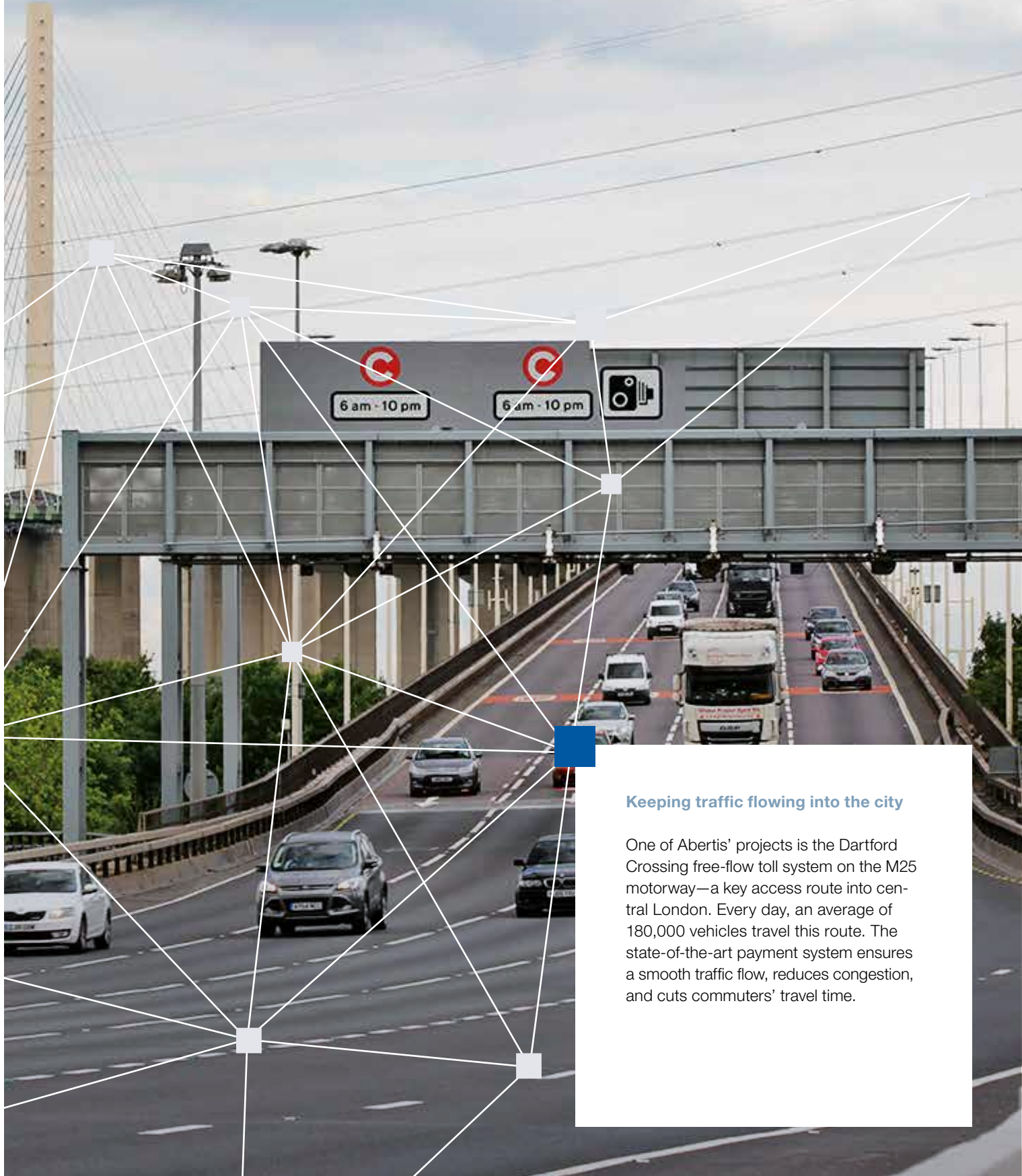
Abertis reported a solid traffic development during 2019 with an average daily traffic increase of 1.9%, driven in particular by the 4.3% growth in Spain, 1.0% in France and 4.1% in Brazil. Higher traffic levels and tariff increases have led to a 4% growth in revenues on a comparable basis, and 2% nominally. EBITDA increased by 8% on a comparable basis and 5% in nominal terms. Net profit amounted to approximately EUR 1.1 billion, up 9% on a comparable basis, while the prior year benefited from the Cellnex divestment gain.

¹⁾ minus one share

²⁾ plus one share

Abertis' strategic plan focuses on investments in new assets in order to perpetuate the duration of cash flows and to diversify the portfolio geographically. Furthermore, the plan envisages efficiency improvements expected to generate around EUR 150 million in savings.

DARTFORD CROSSING MOTORWAY, LONDON



Keeping traffic flowing into the city

One of Abertis' projects is the Dartford Crossing free-flow toll system on the M25 motorway—a key access route into central London. Every day, an average of 180,000 vehicles travel this route. The state-of-the-art payment system ensures a smooth traffic flow, reduces congestion, and cuts commuters' travel time.

On October 3, Abertis closed the sale of its 89.7% stake in Hispasat, announced in February 2019, to Red Eléctrica Corporación for a total amount of EUR 933 million.

On October 11, 2019, Abertis and the sovereign wealth fund GIC announced that they had reached an agreement to acquire a 70%¹⁾ stake in brownfield toll road company RCO (Red de Carreteras de Occidente), one of the largest transport operators in Mexico. RCO manages 876 kilometers of toll roads across 5 concessions, including the primary connection between Mexico's two largest cities—Mexico City and Guadalajara—in the country's fast-growing industrial corridor. Abertis will fully consolidate RCO and will invest EUR 1.5 billion for a 50.1% stake. RCO is a high-quality asset with a good strategic fit and a source of long-term cash flow generation. With 23 years of remaining concession life it contributes to the extension of the lifespan of Abertis' concession portfolio and provides a further geographic diversification. The closing of the transaction is expected during the first half of 2020, subject to regulatory approvals.

Abertis Investment Outlook

Looking forward we expect the net profit contribution in 2020 from our Abertis investment to be at a similar level subject to market conditions.

¹⁾Stake may increase by another 6% (max) after tender offer to minorities

LISTER DREIECK, HANOVER

Successful cooperation

The Lister Dreieck (triangle) in Hanover, Germany, is an extraordinary project that posed many challenges: The roof over the atrium is a foil cushion resting on steel girders. Fire protection regulations had to be dovetailed with the user's safety concept—all within a tight time frame. All questions were resolved fairly and cooperatively in a spirit of partnership. Project manager Guido Melchin (KÖLBL KRUSE; right) and HOCHTIEF project managers Michael Scheuermann (left) and Andreas Lohrke (center) are proud of this landmark building and their successful cooperation.



Corporate Governance and Compliance

Corporate Governance Report

In December 2019, the Executive Board and Supervisory Board published the Compliance Declaration pursuant to Section 161 of the German Stock Corporations Act (AktG). We provide comprehensive information on our corporate governance practices online, at www.hochtief.com/corporate-governance. 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).

Compliance¹⁾

Compliance organization

Compliance is a key element of our corporate principles at HOCHTIEF. We are committed to prevent antitrust infringements and corruption with adequate compliance measures.

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 & Legal department. Compliance in HOCHTIEF's divisions has a similar organizational structure, in each case headed by a compliance officer. The compliance officers report on a regular basis to the Chief Compliance Officer, who in turn reports once annually to the Supervisory Board Audit Committee. 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 actions are 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.

In case of confirmed compliance violations, the compliance committee advises on the appropriate sanctions.

Infringements in areas that do not come under Compliance are the responsibility of the respective functional departments, such as the OSHEP Center²⁾ or the Data Protection Officer³⁾.

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. We are convinced that ethical and economical values are mutually dependent and that business needs to be done in a spirit of fairness within the framework of existing rules.

HOCHTIEF expects all employees to embrace and comply with the HOCHTIEF Code of Conduct in their daily work. Alongside important statutory requirements, it 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.

The publication of a Code of Conduct has a long tradition at HOCHTIEF. We published our internal standards in a code of conduct in 2002 for the first time. Available in nine languages, the HOCHTIEF Code of Conduct stipulates binding rules for all employees. The same standards have been integrated into the codes of conduct for the companies in the HOCHTIEF Americas and HOCHTIEF Asia Pacific divisions.

The HOCHTIEF Code of Conduct provides orientation and guidelines on the behavior we expect from our employees in their day-to-day business (see chart). It answers questions on antitrust law, provides support in potential conflicts of interest or in negotiations with business partners. It is also meant to help identify situations of bribery or corruption or to deal correctly with donations and sponsorship money. After a review of the HOCHTIEF Code of Conduct in 2019 some editorial

²⁾ For further information, please see pages 100 to 103.

³⁾ For further information, please see the Opportunities and Risks Report on page 119.

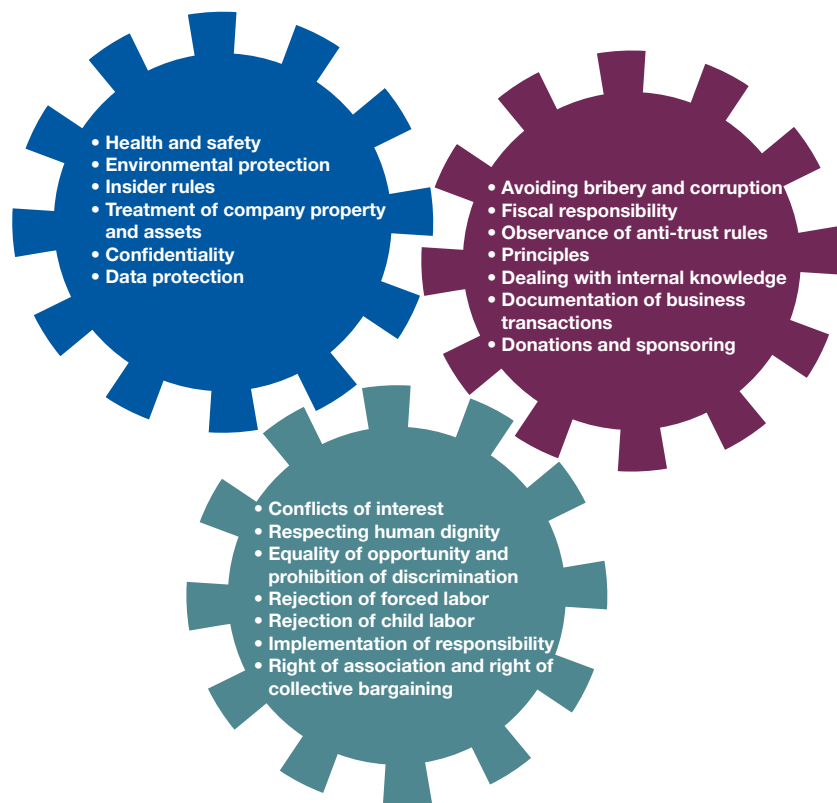
¹⁾ The content in this section is not part of the statutory audit of the annual financial statements and consolidated financial statements but is subject instead to a separate assurance engagement in accordance with ISAE 3000, providing limited assurance, by KPMG AG Wirtschaftsprüfungsgesellschaft.

Focus area indicator Compliance

**Aspect: Antitrust law:
Security in dealing with
competitors**



Elements of the HOCHTIEF Code of Conduct



changes are made accompanied by some substantive amendments.

In order to ensure fair play, HOCHTIEF also calls upon business partners, clients, and suppliers to comply with our 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, Corporate Compliance screens joint venture partners and consultants in a precisely defined selection procedure and approves signing subject to integrity criteria. This business partner com-

pliance due diligence process is fully documented at Corporate Compliance and the adherence to the standards monitored regularly.

We keep our 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.

In 2019, a total of 41,602 employees took part in compliance training—this corresponds to a share of 78% of employees within the Group. The figure comprised 12,283 employees in the HOCHTIEF Americas division, 25,419 employees in the HOCHTIEF Asia Pacific division, and 3,900 employees in the HOCHTIEF Europe division (including the holding company).

**Focus area indicator
Compliance**
**Aspect: Fighting corruption:
Number of Compliance
training courses**
Number of Compliance training courses

	2019	2018
HOCHTIEF Americas	12,283	10,689
HOCHTIEF Asia Pacific	25,419	23,837
HOCHTIEF Europe (incl. holding company)	3,900	4,209
HOCHTIEF Group	41,602	38,735

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.

In 2019, 15 communications were received through the whistleblower systems. All matters reported were investigated by Corporate Compliance, Corporate Auditing or the responsible functional department.

Adherence to compliance rules is also subject to monitoring measures established and conducted by the Compliance organization. Corporate Compliance regularly reviews HOCHTIEF projects to determine whether Compliance requirements have been implemented and obeyed. The choice of the projects for this "Compliance Project Audit" is based on a risk matrix. A compliance spot check is additionally held on a regular basis in the HOCHTIEF Europe division to show the importance of compliance in day-to-day activities.

In addition to the monitoring measures of Corporate Compliance, Corporate Auditing monitors observance of compliance processes and the corresponding directives. Checks were made in 56 instances during 2019. Corporate Auditing also conducts quick checks on projects to analyze compliance conduct 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 responsible compliance officer 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.

Corporate Compliance also conducts risk analyses on a regular basis to analyze the degree of risks Corporate Compliance focuses on: Corruption and Antitrust. If there are changes in the risk considerations, Compliance measures are implemented accordingly to face those risks.



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 2019 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 2019 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 primarily 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 the following three equally weighted components: adjusted free cash flow, consolidated net profit (absolute), and consolidated net profit (delta against prior year). For Mr. Legorburo and Mr. von Matuschka, overall target attainment may be reduced according to cash flow at HOCHTIEF Europe. In addition, 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% of the applicable target amount. 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 – Deferral)
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: Between 30 and 40% of variable compensation is paid out in cash (STIP). Of the remaining 60 to 70%, half is paid out by transfer of shares in HOCHTIEF Aktiengesellschaft in the net amount, subject to a two-year bar (LTIP I – Deferral) and half is paid out by the provision of a long-term incentive plan (LTIP II) that is relaunched each year.

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

*Dependent on individual targets, see table on page 86.

	Paid out	Percentage share Fixed/variable compensation	Percentage share Short-/Long-term compensation*
Fixed compensation	In cash	40%	
Short-term Incentive Plan (STIP)	In cash		Between 30% and 40%
Long-term Incentive Plan I – Deferral (LTIP I)	By transfer of shares in HOCHTIEF Aktiengesellschaft in the net amount, subject to a two-year bar	60%	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		

Duration of appointment

The general practice is for members of the Executive Board who are not promoted from within the Group to be appointed for only three years in their first term of office. Any subsequent renewal of appointment is then for five years.

Arrangements in the event of termination of contract

If their contract is not extended, Executive Board members receive a severance payment 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.

Executive Board compensation for 2019

In accordance with German Accounting Standard GAS 17, total compensation for the members of the Executive Board in 2019 and the compensation for the individual members of the Executive Board are shown in the table below.

	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		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
(EUR thousand)										
Fixed compensation	1,262	1,300	338	348	394	406	675	696	2,669	2,750
Fringe benefits	39	39	16	16	29	29	19	19	103	103
Total	1,301	1,339	354	364	423	435	694	715	2,772	2,853
One-year variable compensation	1,658	0	394	0	450	0	788	0	3,290	0
Multi-year variable compensation										
Long-term incentive component I ¹⁾	1,312	0	394	0	450	0	788	0	2,944	0
Long-term incentive component II ²⁾ (5-year term)	1,312	0	394	0	450	0	788	0	2,944	0
Total compensation³⁾	5,583	1,339	1,536	364	1,773	435	3,058	715	11,950	2,853

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

In the event of termination of contract, multi-year variable compensation components are not paid out early.

Loans and advances

As in past years, no loans or advances were granted to members of the Executive Board in 2019.

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, 2019 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 2019 (EUR thousand)
Fernández Verdes	9,462	1,095
Legorburo	3,077	356
von Matuschka	3,246	376
Sassenfeld	6,156	712

*The average price of a HOCHTIEF share in 2019 was EUR 115.74

The two tables that follow show total compensation for the Executive Board in accordance with the model tables under the German Corporate Governance Code (GCGC).

GCGC Table 1 shows the individual compensation granted, meaning promised for 2019 at 100% target attainment, and the minimum and maximum figures for each member of the Executive Board.

GCGC Table 2 shows the amounts allocated for 2019 to the individual members of the Executive Board.

GCGC Table 1	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			
	2018		2019		2018		2019		2018		2019		2018		2019	
	Granted (at 100% target at- tainment)	Granted (at 100% target at- tainment)	Minimum (at 0% tar- get attain- ment)	Maximum (at 200% target at- tainment)	Granted (at 100% target at- tainment)	Granted (at 100% target at- tainment)	Minimum (at 0% tar- get attain- ment)	Maximum (at 200% target at- tainment)	Granted (at 100% target at- tainment)	Granted (at 100% target at- tainment)	Minimum (at 0% tar- get attain- ment)	Maximum (at 200% target at- tainment)	Granted (at 100% target at- tainment)	Granted (at 100% target at- tainment)	Minimum (at 0% tar- get attain- ment)	Maximum (at 200% target at- tainment)
(EUR thousand)																
Fixed compensa- tion	1,262	1,300	1,300	1,300	338	348	348	348	394	406	406	406	675	696	696	696
Fringe benefits	39	39	39	39	16	16	16	16	29	29	29	29	19	19	19	19
Total	1,301	1,339	1,339	1,339	354	364	364	364	423	435	435	435	694	715	715	715
One-year variable compensation	829	854	0	1,708	197	203	0	406	225	232	0	464	394	406	0	811
Multi-year variable compensation																
Long-term incen- tive component I ¹⁾	656	676	0	1,352	197	203	0	406	225	232	0	464	394	406	0	811
Long-term incen- tive component II ²⁾ (5-year term)	656	676	0	1,352	197	203	0	406	225	232	0	464	394	406	0	811
Total	3,442	3,545	1,339	5,751	945	973	364	1,582	1,098	1,131	435	1,827	1,876	1,933	715	3,148
Pension expenses (service cost)	1,355 ³⁾	1,414	1,414	1,414	256 ³⁾	262	262	262	299 ³⁾	303	303	303	538 ³⁾	520	520	520
Total compensa- tion⁴⁾	4,797	4,959	2,753	7,165	1,201	1,235	626	1,844	1,397	1,434	738	2,130	2,414	2,453	1,235	3,668

¹⁾ Transfer of shares with two-year retention period

²⁾ Granted as long-term incentive plan/Value at grant date

³⁾ Pension expenses including interest expense were EUR 1,526 thousand for Mr. Fernández Verdes, EUR 276 thousand for Mr. Legorburo, EUR 323 thousand for Mr. von Matuschka, and EUR 613 thousand for Mr. Sassenfeld.

⁴⁾ Excluding Executive Board compensation in relation to offices held at Group companies

GCGC Table 2	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	
	2019	2018	2019	2018	2019	2018	2019	2018
(EUR thousand)								
Fixed compensation	1,300	1,262	348	338	406	394	696	675
Fringe benefits	39	39	16	16	29	29	19	19
Total	1,339	1,301	364	354	435	423	715	694
One-year variable compensation	0	1,658 ¹⁾	0	394 ¹⁾	0	450 ¹⁾	0	788 ¹⁾
Multi-year variable compensation								
Long-term incentive component I ²⁾	0	1,312 ³⁾	0	394 ³⁾	0	450 ³⁾	0	788 ³⁾
Long-term incentive component II								
Exercise LTIP 2014	–	2,526	–	0	–	533	–	1,357
Exercise LTIP 2015	2,566	–	429	–	552	–	1,316	–
Exercise LTIP 2016	2,642	–	791	–	904	–	1,582	–
Total	6,547	6,797	1,584	1,142	1,891	1,856	3,613	3,627
Pension expenses (service cost)	1,414	1,355 ⁴⁾	262	256 ⁴⁾	303	299 ⁴⁾	520	538 ⁴⁾
Total compensation⁵⁾	7,961	8,152	1,846	1,398	2,194	2,155	4,133	4,165

¹⁾ One-year variable compensation paid out in 2018 for 2017 was EUR 1,610 thousand for Mr. Fernández Verdes, EUR 382 thousand for Mr. Legorburo, EUR 437 thousand for Mr. von Matuschka, and EUR 765 thousand for Mr. Sassenfeld.

²⁾ Transfer of shares with two-year retention period

³⁾ The long-term incentive component I paid out in 2018 for 2017 was EUR 1,274 thousand for Mr. Fernández Verdes, EUR 382 thousand for Mr. Legorburo, EUR 437 thousand for Mr. von Matuschka, and EUR 765 thousand for Mr. Sassenfeld.

⁴⁾ Pension expenses including interest expense in 2018 were EUR 1,526 thousand for Mr. Fernández Verdes, EUR 276 thousand for Mr. Legorburo, EUR 323 thousand for Mr. von Matuschka, and EUR 613 thousand for Mr. Sassenfeld.

⁵⁾ 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	2019	1,954
	2018	2,075
Legorburo	2019	564
	2018	515
von Matuschka	2019	650
	2018	629
Sassenfeld	2019	1,168
	2018	1,202
Executive Board total	2019	4,336
	2018	4,421

The table below shows the pension expense incurred for 2019 and the amount of the pension obligations for members of the Executive Board in office in the reporting year:

(EUR thousand)		Service cost	Interest expense	Total	Present value of pension benefits
Fernández Verdes	2019	1,414	197	1,611	12,522
	2018	1,355	171	1,526	9,836
Legorburo	2019	262	26	288	1,908
	2018	256	20	276	1,301
von Matuschka	2019	303	30	333	2,155
	2018	299	24	323	1,514
Sassenfeld	2019	520	83	603	5,687
	2018	538	75	613	4,155
Executive Board total	2019	2,499	336	2,835	22,272
	2018	2,448	290	2,738	16,806

The present value of pension benefits for current and former Executive Board members is EUR 108,706 thousand (2018: EUR 101,439 thousand).

Pension payments to former members of the Executive Board and their surviving dependants were EUR 5,019 thousand in 2019 (2018: EUR 5,283 thousand). Pension obligations to former members of the Executive Board and their surviving dependents totaled EUR 86,434 thousand (2018: EUR 84,633 thousand).

Executive Board compensation for past years

In 2019, the Supervisory Board adopted a Long-term Incentive Plan 2019 (LTIP 2019) for Executive Board members to satisfy the long-term incentive component II from 2018. This comprises grants of performance stock awards (performance-linked phantom stocks). The terms of the 2019 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 2019 is capped so that the amount of compensation stays appropriate in the event of extraordinary, unforeseeable developments.

¹⁾The euro amount depends on the exchange rate.

Mr. Fernández Verdes was granted 6,344 performance stock awards worth EUR 1,312 thousand at the grant date. Mr. Legorburo was granted 1,905 performance stock awards worth EUR 394 thousand at the grant date. Mr. von Matuschka was granted 2,177 performance stock awards worth EUR 450 thousand at the grant date. Mr. Sassenfeld was granted 3,809 performance stock awards worth EUR 788 thousand at the grant date. Additional information on the plans is provided in the Notes to the Consolidated Financial Statements on pages 199 to 201.

Executive Board compensation in relation to offices held at Group companies

For his services in Australia as Executive Chairman of CIMIC in 2019, Mr. Fernández Verdes received a lump-sum expense allowance of EUR 297 thousand¹⁾, and fringe benefits in the amount of EUR 12 thousand¹⁾. The stock appreciation rights granted to Mr. Fernández Verdes by CIMIC in 2014 resulted in an expense in the amount of EUR 1,018 thousand.

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 2019 is shown in the table below.

(EUR)	Fixed compensation (without VAT)	Attendance fees (without VAT)	Total compensation (without VAT)
Pedro López Jiménez	195,000	9,500	204,500
Ángel García Altozano	130,000	18,000	148,000
Beate Bell	97,500	9,500	107,000
Christoph Breimann	65,000	8,000	73,000
Carsten Burckhardt	97,500	10,000	107,500
José Luis del Valle Pérez	97,500	19,500	117,000
Patricia Geibel-Conrad	97,500	16,000	113,500
Dr. rer. pol. h. c. Francisco Javier Garcia Sanz	65,000	6,000	71,000
Arno Gellweiler	97,500	9,500	107,000
Matthias Maurer	130,000	18,000	148,000
Luis Nogueira Miguelsanz	97,500	18,000	115,500
Nikolaos Paraskevopoulos	97,500	8,000	105,500
Sabine Roth	97,500	18,000	115,500
Nicole Simons	97,500	9,500	107,000
Klaus Stümper	97,500	19,500	117,000
Christine Wolff	97,500	9,500	107,000
Supervisory Board total	1,657,500	206,500	1,864,000

FEDERAL INSPECTION BUILDING, SAN DIEGO INTERNATIONAL AIRPORT, CALIFORNIA

International hub

Growing numbers of people are using San Diego as a hub, so the airport urgently needed to expand its capacity. Turner and Flatiron are involved in several projects on site: Turner, for one, has remodeled and expanded the Federal Inspection Building to better accommodate international air traffic. The state-of-the-art facility ensures that passengers clear customs quickly, easily, and safely.

Research and Development



Innovation paves the way to success

Research and development (R&D) is the stepping stone to project success throughout the HOCHTIEF Group. We develop a wide range of special proposals and individual solutions for our projects, thus boosting quality, efficiency, and sustainability. In addition, we are actively working on the use of new digital technologies that will make processes and methodology in our working fields significantly more efficient. Innovation is a corporate guiding principle at HOCHTIEF and shapes our fundamental understanding of our work—which is why innovation is embedded in our project activities. This helps us stay close to our customers to best meet their needs and expectations.

The strategic goals of the work we put into innovation are to improve operational efficiency and safety on an ongoing basis, as well as to ensure all our operating companies' competitiveness and the marketability of our services long-term.

We want every employee to contribute to the continuous improvement and adaptation of new techniques and processes. To encourage this, we provide our employees with information and motivation through various tools for exchanging knowledge and an array of training programs.

At HOCHTIEF, innovation topics are the responsibility of centralized Innovation Management. This unit is part of the Risk Management, Organization and Innovation corporate department. The Innovation Management team is responsible for strategic innovation management at Group level on the one hand, and for operational innovation management at our European subsidiary, HOCHTIEF Solutions, on the other. The Executive Board is kept informed of Innovation Management's activities on an ongoing basis.

Innovation organizations in the operational units support Group Innovation Management at the holding company level. In the 2019 reporting year, collaboration with the innovation managers at the subsidiaries intensified significantly, especially in connection with the activities of the Nexplora company, which was founded in 2018.

Nexplora projects launched in the Group

Nexplora's objective is to advance digital processes. The company is positioned at the crossroads between HOCHTIEF, its majority shareholder ACS, and the Group's operating companies in order to identify and initiate projects. This approach was successfully implemented with a number of projects defined and launched in 2019. These mainly include activities in the fields of artificial intelligence, the Internet of Things, and virtual reality. Joint events such as the "Innovation spot" focus our shared understanding of these new topics and methods.

Nexplora expanded in 2019, and is now working with Innovation Centers at the Essen, Frankfurt/Darmstadt, Madrid, Minneapolis, Sydney, and Hong Kong locations. Cooperation agreements were signed with the Massachusetts Institute of Technology (MIT), Universidad Politécnica in Madrid, and Darmstadt Technical University, among others, in the reporting year; joint research projects are developing and testing new options for construction-related processes.

Innovation in the operational units

The operating companies have decentralized innovation units. They pursue their work according to existing or evolving requirements in their own business lines. Ideas Management is of great importance in this context: At our American subsidiary Turner, for example, innovation proposals are aggregated and evaluated in a clearly defined, centrally steered bottom-up process. The Turner Innovation Challenge Program is designed to motivate employees to use in-house tools—such as the Turner Learning Tree knowledge platform and social networks—to help develop new ideas in defined focus areas. Turner's Innovation Department specifically elaborates topics that are of company-wide significance.

CIMIC Group's engineering and technical services business EIC Activities partners with all of CIMIC's operational units to deliver competitive solutions. EIC Activities specialists join teams as early as at the project bid phase, to pinpoint opportunities to innovate, mitigate risk and add value. This collaboration results in tenders and projects achieving significant cost and program savings and delivering client-valued outcomes.

EIC Activities specialists provide access to technical resources and leading-edge technology applications, extend technical capability and the consistent application of best practices across the Group, and additionally create an in-house knowledge network.

CIMIC's Interactive Project Knowledge Library, an interactive Database which is available as a common platform, documents knowledge and shares it internally, enabling the Group's tender and project teams to repeat successes, fast track learning and continue to innovate. Alongside making project documents and reports available, the platform also offers opportunities for exchange through communities of practice.

Industry-wide networking

The operating innovation units are in close contact with the central Innovation Management department and Nexlore in order to jointly advance overarching innovation topics. Working in industry networks such as the European Network of Construction Companies for Research and Development (ENCORD) also helps to advance specific issues in the construction sector. At the same time, we collaborate with partners in other industries as well as illustrious universities on topics such as the mobility of the future and new technologies in the construction sector.

Digitalization focus

The focus on developing innovative uses of Building Information Modeling (BIM) remains a common long-term topic for all Group units. In this digital form of planning and execution, a 3D computer model networks all those involved in a given project. The model can be supplemented with additional data, such as timing and costs, which enables real-time monitoring of construction progress and improved planning processes, and can even simplify maintenance and operation on the basis of

Innovation projects: Current examples

Improved information status during construction thanks to Internet of Things

Technologies that communicate with one another independently via the Internet—the Internet of Things (IoT)—enable data processing without a human directing individual actions. To allow various construction-related data to be measured on an ongoing basis, HOCHTIEF Innovation Management is working with Nexlore and employees of the Technical Competence Center, HOCHTIEF Engineering, and HOCHTIEF ViCon on integrating sensors that have proven themselves in construction. The sensor data is transferred to a digital platform and made available there. A sensor box developed by Nexlore translates the various sensor signals. Information from the sensor data is sent to the platform and displayed on a dashboard. This generates additional information that facilitates decision making, especially in critical construction processes.

Depending on the case in point, IoT applications give project managers an information base during construction that is invaluable in terms of both quantity and quality. In the later construction phases, IoT applications can be used for predictive maintenance with the help of artificial intelligence. Construction-related data on the condition of various elements then enables proactive maintenance.

Bid preparation supported by artificial intelligence

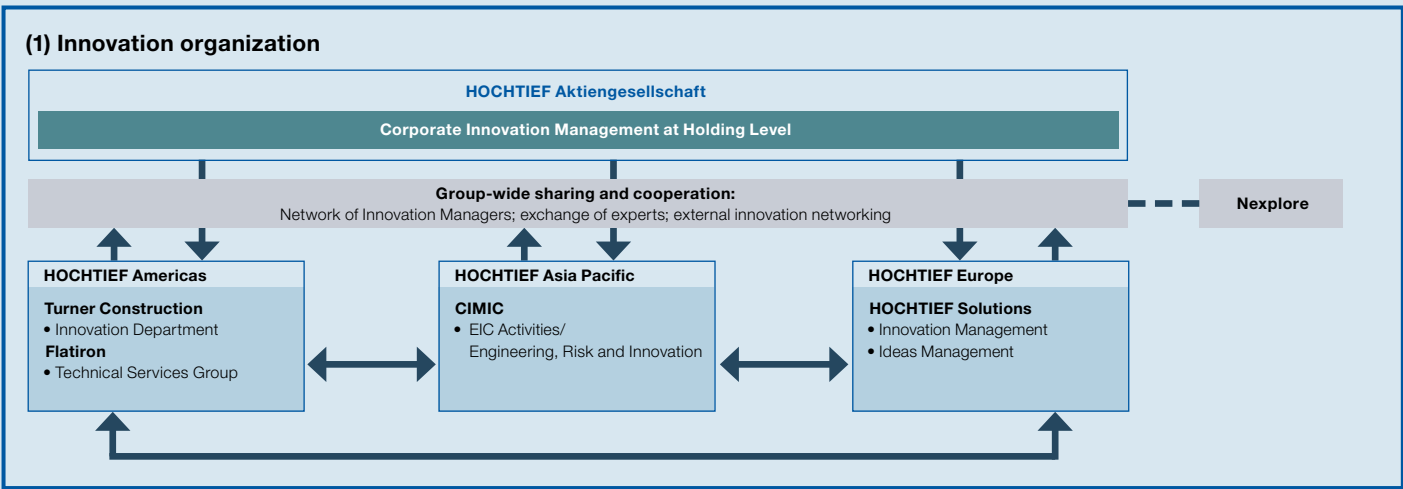
Nexlore is working with the Technical Competence Center, Risk and Quality Management, and work section managers in the HOCHTIEF Infrastructure departments on a project to use artificial intelligence in bid preparation.

Two electronic tools are currently being developed using a subset of artificial intelligence known as cognitive intelligence: the Cognitive Document Risk Analyzer and the Cognitive Document Analyzer. They are intended to make bid preparation more efficient through digitalization and standardization—for example, in contract analysis or in preparing invitations to tender.

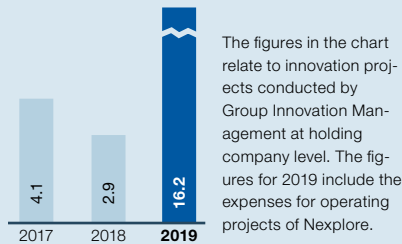
A shared IT platform gives the employees involved in the process access to the applications' services to the use of the required data.

The content in this section is neither part of the statutory audit of the annual financial statements and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

Facts and figures



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



(3) Number of employees provided with BIM or similar training in 2019

Division	HOCHTIEF Group	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe
Employees	3,375	450	2,165	760

comprehensive data. This also makes BIM an important tool for reducing risks. In general, the HOCHTIEF companies already use BIM for their major construction projects; to date, HOCHTIEF has gathered BIM experience in more than 2,560 projects Group-wide.

The technology is also increasingly being used for smaller construction projects. Looking ahead, HOCHTIEF intends to use BIM across all projects. To achieve that aim, we are expanding our in-house knowledge in this area on an ongoing basis. In 2019, for example, the HOCHTIEF company ViCon continued a major BIM training campaign. Group-wide, a total of 3,375 employees received further training on the latest iteration of this technology (see [III.3](#)). The goal here is to provide as complete a picture as possible of the many ways BIM can be used to best advantage in the Group. Additionally, HOCHTIEF ViCon works with external institutes, such as the Ruhr University in Bochum and Technical University Munich, to train up-coming BIM professionals.

The use of digitally available data also cuts resource consumption and so contributes directly to protecting

the environment: Advance digital simulation and verification can reduce on-site errors and remedial work such as dismantling and the need to fabricate replacement components. Digital forms replace physical documents and save paper. There are also significant benefits on the planning side: In PPP projects, for example, repair and maintenance work can be scheduled using a 3D management model so that multiple instances of road damage are repaired with a single road closure—thus avoiding tailbacks.

The government also supports the innovative technology; with its Road Map for Digital Design and Construction, Germany's Federal Ministry of Transport and Digital Infrastructure is aiming to gradually phase in BIM. HOCHTIEF ViCon is part of this process, participating in working groups and a series of pilot projects, among other efforts. Research projects for refurbishment and upgrading using BIM are also underway. HOCHTIEF ViCon is contributing its expertise in capturing digital data on visible structures, hidden structures, external sources, sensors, and user reports.

Focus area indicator
Sustainable Products
and Services

Aspect: BIM as a future-oriented work method

WOLFGANG-BORCHERT-GYMNASIUM, HALSTENBEK

Taking learning to the next level

Wolfgang-Borchert-Gymnasium, a high school in Halstenbek near Hamburg, is in a class of its own. HOCHTIEF worked as part of a public-private partnership to construct the new school building and will operate it until 2033. Teachers and students feel right at home here, and the city is also delighted with the outcome of the partnership. That's because it comes with efficiency benefits built in.



Employees¹⁾

HOCHTIEF as an employer

Human resources strategy


Our employees build the world of tomorrow. Their knowledge, skills, commitment, and good teamwork pave the way to our success. And that is where HOCHTIEF's human resources strategy, which derives from the Group strategy, starts: The most vital tasks of our human resources management include recruiting the right personnel, giving them opportunities to enhance their qualifications, encouraging personal responsibility, and providing an innovative, safe work environment and performance-based pay. We take our cues in this from our guiding principles, which apply throughout the Group: integrity, accountability, innovation, delivery, sustainability, and safety.


Universally applicable topics in human resources management are developed centrally and pursued jointly with the operational units. Operational personnel matters are the responsibility of the respective units. The Corporate Department Human Resources and the operational Personnel Departments maintain an ongoing, constructive dialog.

Our top-level goal is to find and retain the best talent long-term so we can execute our multifaceted project work all over the world. To achieve that, we aim to further strengthen our position as an attractive employer. Our concept is based on offering our employees a safe working environment coupled with performance-based pay; we have set up a wide range of measures to do this and to spark potential candidates' interest.

HOCHTIEF's digital transformation generates new opportunities and challenges for our staff. We develop targeted HR measures such as job enrichment and new specialist career paths as well as digital training to help them; in the reporting year, we added to our training options in digital basics and advanced topics. This way, we create a work environment of innovation and flexibility.

Number of employees

In 2019, the number of employees in the HOCHTIEF Group was 53,282  (1), constituting a slight decrease of 4.5%.²⁾

In 2019, 20,261 employees were hired across the Group, while 21,505 staff left the company.  (2) Staff turnover in Germany stood at 10.2% (2018: 9.6%), in line with our targeted range of 8–12%. We do not compare fluctuation rates across the Group due to the large number of employees hired in our international business on a project-by-project basis. As of the December 31, 2019 reporting date, the share of Group-wide contracts with permanent positions was 91%. In addition, we employed many subcontractors on our construction sites.

Winning the right employees for HOCHTIEF

With our human resources management, we aim to preventively counter the shortage of specialist staff, which is also increasingly affecting the construction industry. The measures we currently have in place include stepping up our recruiting activities in all corporate units, for example, through cooperation with selected universities. Thanks to the increased presence of our companies at schools and universities as well as at trade and recruitment fairs, we can address potential candidates directly. Our intern retention programs have had a positive impact on recruitment.

All in all, the reporting year saw us bring on board a large number of graduates in the engineering disciplines once again: Our subsidiary Turner, for example, hired nearly 430 young talents in 2019, while 66 fledgling engineers joined HOCHTIEF in Germany (2018: 70), of whom 17% are women. Our goal is to recruit at least 50 engineering graduates per year in Germany.

¹⁾The content in this section is not part of the statutory audit of the annual financial statements and consolidated financial statements but is subject instead to a separate assurance engagement in accordance with ISAE 3000, providing limited assurance, by KPMG AG Wirtschaftsprüfungsgesellschaft.

²⁾This paragraph is part of the statutory audit of the annual financial statements and consolidated financial statements.

Focus area indicator Working Environment

Aspect: Recruiting: Meeting demand for skilled labor

Apprenticeships at HOCHTIEF

Commercial/administrative careers:

Industrial administrator
Office communications administrator
Bachelor of Arts (Industrial administrator)

Technical careers:

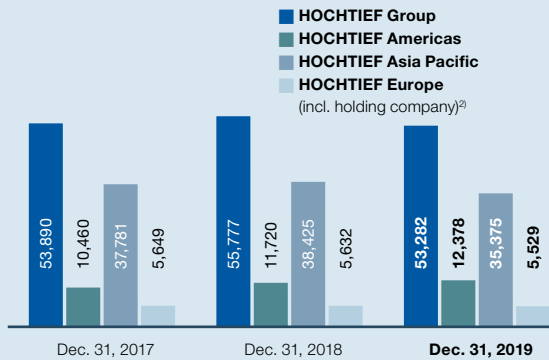
Technical drafter
Bachelor of Engineering

Industrial careers:

Concretor
Conduit builder
Construction equipment operator
Mechatronics technician
Electronics technician specializing in industrial engineering
Electronics technician specializing in technical building services
Underground builder
Surveying technician
Carpenter

Facts and figures

(1) Number of employees at HOCHTIEF by division
(without indirect employees) (as of the reporting date)¹⁾

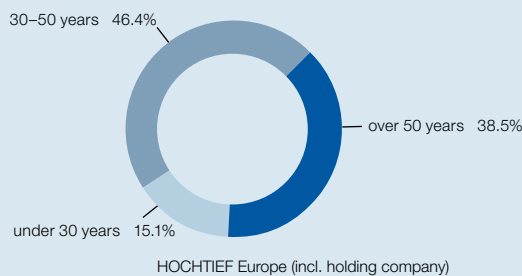
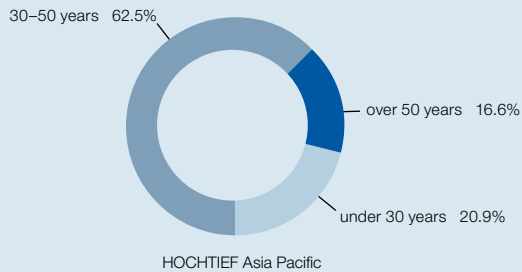
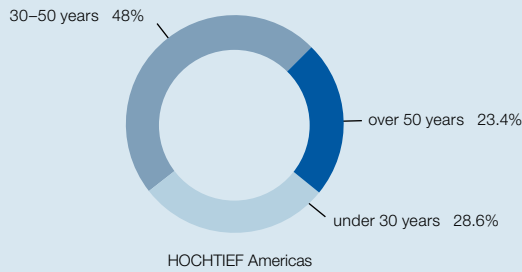
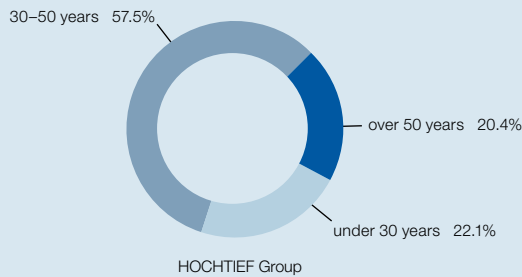


Footnotes to chart:

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 160 employees as of the reporting date.

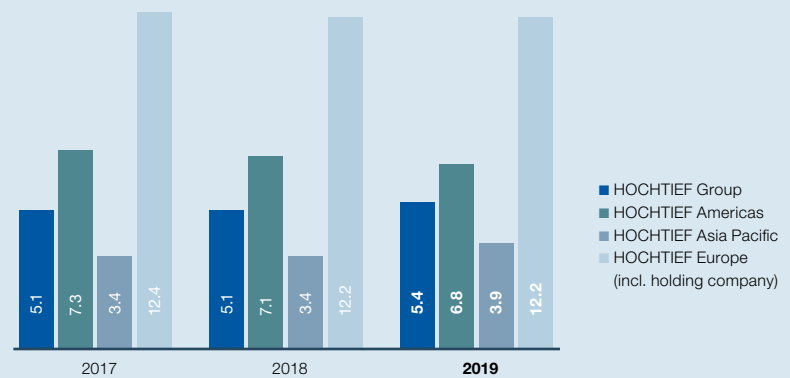
(3) Age structure in the HOCHTIEF Group in 2019
(%, as of Dec. 31, 2019)



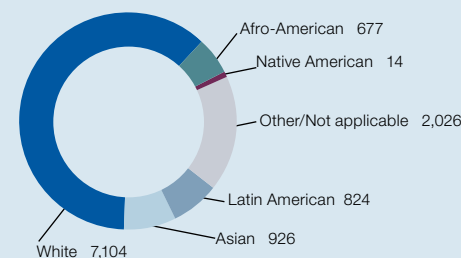
(2) Total number of employees in the HOCHTIEF Group by gender and employment type (reporting date Dec. 31, 2019) and number of new hires and departures (2019 total)

	HOCHTIEF Group	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe (incl. holding company)
Employees (total workforce)	53,282	12,378	35,375	5,529
– of which men	44,907	9,686	31,074	4,147
– of which women	8,375	2,692	4,301	1,382
– women in management positions (%)	13.1%	11.1%	13.8%	15.0%
White-collar workers (incl. apprentices)	26,944	9,575	13,094	4,275
– of which men	19,913	6,949	10,047	2,917
– of which women	7,031	2,626	3,047	1,358
Blue-collar workers (incl. apprentices)	26,338	2,803	22,281	1,254
– of which men	24,994	2,737	21,027	1,230
– of which women	1,344	66	1,254	24
New hires	20,261	3,356	16,245	660
Departures	21,505	2,548	18,121	836
Fixed-term contracts	4,735	171	4,199	365
– of which men	4,005	102	3,649	254
– of which women	730	69	550	111
Permanent positions	48,547	12,207	31,176	5,164
– of which men	40,902	9,583	27,425	3,894
– of which women	7,645	2,624	3,751	1,270

(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, 2019)



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 (reporting date Dec. 31, 2019)

	Total	Full-time	Part-time	Part-time %
Total workforce	3,515	3,075	440	12.5%
– of which men	2,608	2,462	146	5.6%
– of which women	907	613	294	32.4%

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

(7) Employees on parental leave in Germany (reporting date Dec. 31, 2019)

	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	143	68	16	81.0%
– of which men	65	47	10	82.5%
– of which women	78	21	6	77.8%

Returnee rate in Germany (employees who still work for HOCHTIEF 12 months after their return from parental leave) (reporting date Dec. 31, 2019)

	Returnees from parental leave in 2018	Still employed by HOCHTIEF 12 months after return	Returnee rate in %
Total	52	47	90.4%
– of which men	31	29	93.6%
– of which women	21	18	85.7%

We offer school leavers opportunities for vocational training at HOCHTIEF, and some of the programs can be combined with a dual course of study. In Germany, we had 101 trainees in our programs in the reporting year (2018: 94). Our training quota was 2.9% as of the reporting date (December 31, 2019).

In addition to the traditional recruitment channels, we are now also attracting employees through our growing presence on social media. We are active on XING, LinkedIn, YouTube, Twitter, Facebook and Instagram, among others.

Employee development secures our future

Good continuing education and career opportunities are of vital importance for employees and applicants—as well as for the skills and future viability of the company. HOCHTIEF relies on a training concept that combines technical, methodological, and personal skills. The regularly updated continuing education opportunities we offer are diverse. This way, we can adequately prepare our employees for the challenges they face both now and in the future—thus also safeguarding our business activities. Individual development opportunities are defined during the annual employee interviews. We offer core seminars through our internal training units such as the HOCHTIEF Academy and Turner University. In the reporting year, the time invested in continuing education throughout the Group was 21.8 hours

per employee (2018: 20.5 hours), well above our target of 13 hours.

We expanded our range of construction-specific training courses. In addition, HOCHTIEF is pushing digital working methods: As in the prior year, one of our training focuses in operations was Building Information Modeling (BIM; see page 93 for more information). BIM is gaining noticeably in importance, and we want our proven expertise to make us a force to be reckoned with on the market. We have designed and implemented a strategic training offensive built largely around online courses. Our goal is for employees involved in construction-specific matters in Germany to receive BIM training.


HOCHTIEF has established special entry-level programs to optimally prepare new technical and administrative staff for their tasks—with comparable programs available in almost all Group companies.

We offer talented employees who aspire to an expert or management career good development opportunities. One important leadership role at HOCHTIEF, for example, is that of project manager. Qualifications in project management are based on a homogeneous Group-wide understanding of the requisite tasks and capabilities. Turner has developed a new program for project managers that starts in 2020.




In the past year, we expanded our range of opportunities for top management. The cross-divisional Executive Development Program brings executives from the Americas and Europe together in workshops, where they get to grips with topical challenges as well as prepare solutions and concepts for the Group.

Promoting diversity

Our staff's diversity in terms of age, gender, citizenship, religion, and background is a matter we as an international Group care deeply about.  (5) Given the direct impact diversity has on teams' creativity and motivation, HOCHTIEF has made it an integral part of Human Resources processes.

Our efforts to promote diversity in our companies include a program to combat unconscious bias in application processes at Turner, for example. CIMIC attaches great importance to diversity measures, focusing particularly on a workplace culture of inclusion and increased responsibility at management level. HOCHTIEF participates in a number of initiatives such as TalentTage Ruhr, Joblinge and the Germany-wide Girls' Day.

The mixed age structure in our teams also plays an instrumental role in the success of current and future projects. The different types of knowledge that experienced and younger colleagues bring to the table and the internal transfer of expertise keep project processing on a solid footing. We are responding to demographic change by recruiting increasing numbers of junior staff (cf.  (3)).



Employing people with disabilities is important to us. In the construction industry, the most feasible opportunities tend to be in administration. In order to present these potential new employees with the best prospects available, a disability officer is always present when we interview people with severe disabilities in Germany. People with severe disabilities comprised 4.1% of our workforce in Germany as of December 31, 2019.

Codetermination at HOCHTIEF

HOCHTIEF promotes active employee participation in codetermination. We prioritize dialog and fairness in codetermination processes. In Germany, some 97.5% of the workforce are represented by works councils. Additionally, a European works council exists. In the HOCHTIEF Americas division, 22% of employees are represented by unions, while the quota in the HOCHTIEF Asia Pacific division stands at 62%.

Our employees' motivation and a positive work atmosphere are crucial to the company's success. We regularly gauge satisfaction in employee surveys and develop measures based on the findings. Scheduled to take place in 2020, the next survey will allow a comparison with the 2018 results.

Achieving work-life balance

In order to help our employees achieve a good balance between their work and private lives, we have various measures and programs in place to support their individual life plans. Across the Group, we offer part-time and home office options, flexible working hours, and mobile working.  (6) In addition, employees in many HOCHTIEF companies make use of one of the individual parental leave models.  (7)

Our contributions to a good work-life balance include preventive measures to promote our employees' health. We offer various checkups, health screenings, sports programs, and a variety of seminars on occupational safety, health, and mental fitness throughout the Group. (For further information on occupational safety and health, please see page 100 onward.)



Competitive salaries

Performance-based pay is a matter of course at HOCHTIEF. Our compensation systems are economically efficient, competitive, attractive, and fair. They are aligned with the conditions in the countries and markets in which we operate. HOCHTIEF was one of the first companies in Germany to completely align wages and salaries in Berlin and East Germany with the levels in the west. Our remuneration systems are supplemented by a wide range of social benefits.

As a matter of principle, our employees' compensation is based on their duties, qualifications, experience, and responsibilities. We also use in-house gender pay gap analyses as a monitoring tool.

We regularly review the fixed and variable components of our compensation systems on the basis of internal and external benchmarks in order to ensure fair compensation in line with market conditions.



Pensions

Making sure employees are well looked after in their golden years is important to us. Many Group companies offer their employees pension options that supplement the pensions provided through their local systems, depending on the legal framework in the respective countries. These include insurance options or deferred compensation.

Employees learned about on-going projects at the HOCHTIEF Innovation Spot in Essen in February (left).

The first day of the rest of their careers: Some of our 32 new trainees on their first work day at HOCHTIEF (right).

Occupational safety and health¹⁾

¹⁾ The content in this section is not part of the statutory audit of the annual financial statements and consolidated financial statements but is subject instead to a separate assurance engagement in accordance with ISAE 3000, providing limited assurance, by KPMG AG Wirtschaftsprüfungsgesellschaft.

Unless otherwise noted, our occupational safety and health indicators refer to HOCHTIEF employees.

²⁾ For further information, please see page 25.

³⁾ This paragraph is part of the statutory audit of the annual financial statements and consolidated financial statements.

Focus area indicator Working Environment

Aspect: Occupational safety and health

Many activities on construction sites as well as in day-to-day office work are associated with risks. That is why occupational safety is one of HOCHTIEF's highest priorities. We keep the health and well-being of our employees and contractual partners in mind at all times and regard the topic as crucial: Safety is at the very core of the HOCHTIEF vision²⁾, and thus also of our corporate culture.

Organization


At HOCHTIEF, the basic management and fine-tuning of occupational safety and health measures are handled by the OSHEP Center, our internal competence center for occupational safety, health, and environmental protection (AGUS), which reports directly to the Executive Board. Responsibilities and Group-wide standards are defined in a directive that is adapted by the country-level subsidiaries to meet the legislation and conditions that apply to them.

Staff at the OSHEP Center coordinate occupational safety and health matters at Group level. They remain in regular contact with their liaisons in the divisions. Additional specialists in the operating companies ensure that initiatives, guidelines, laws, and standards are observed and implemented on the construction sites. Work safety management is based on international standards for the assessment and certification of occupational health and safety management systems, such as BS OHSAS

18001 and ISO 45001. In 2019, 84.8% (2018: 85.1%) of all active HOCHTIEF employees worked in units certified to such standards. ⁽²⁾

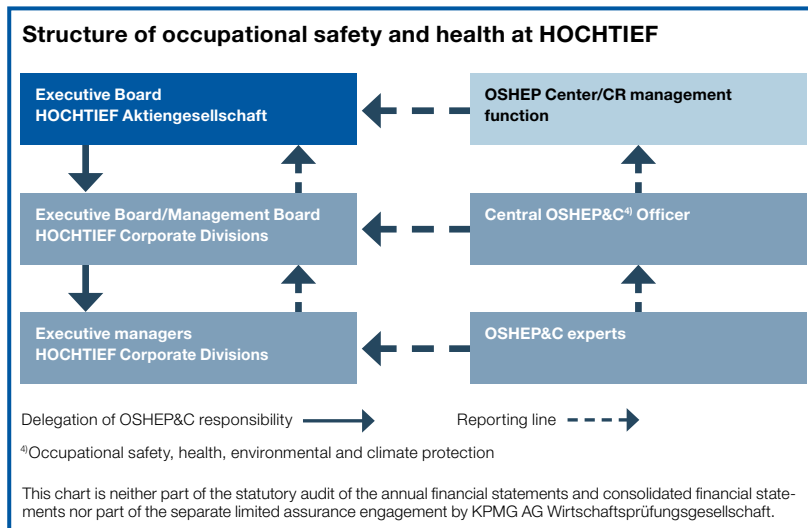
Executing all projects accident-free is our fundamental concern. Occupational safety requirements are defined in the Group directive on occupational safety, health, environmental, and climate protection, in the HOCHTIEF Code of Conduct, and in the HOCHTIEF Code of Conduct for Business Partners. We thoroughly analyze workplace-related risks on construction sites as well as in offices. Adherence to occupational safety rules is monitored in order to provide quality assurance and avoid risks.

Indicator: Lost time injury frequency rate (LTIFR)³⁾

We have been using the lost time injury frequency rate (LTIFR) as a non-financial performance indicator since 2015. According to International Labor Organization (ILO) standards, the LTIFR captures the number of accidents per million hours worked. Accidents with at least one day lost in addition to the day of the accident are counted. As a non-financial performance indicator, this rate is highly relevant to HOCHTIEF and is reported to the Executive Board on a quarterly basis. In 2019, the LTIFR for HOCHTIEF was 1.19 (2018: 1.37) ⁽⁴⁾. We have thus exceeded our forecast of an expected LTIFR of at least 1.33. Our goal is to reduce the frequency of work-related accidents even further by continuously improving our occupational safety culture. We aim to improve this rate to 1.15 in 2020; by 2030, we are targeting a rate of 0.9.

Occupational illness frequency rate at HOCHTIEF

In addition to the LTIFR, we regularly determine the occupational illness frequency rate (OIFR), which is calculated based on recorded cases of occupational diseases per million hours worked. Occupational diseases usually develop over an extended period of time. Determining the OIFR indicates long-term health hazards we can take into account in designing work processes. The OIFR for the HOCHTIEF Asia Pacific and HOCHTIEF Europe divisions in the reporting year was 0.86 due to an increased occupational illness rate in the Asia Pacific division. Due to differing insurance systems, this is currently not calculated for the HOCHTIEF Americas division. Our objec-





tive is, working in close cooperation with occupational health physicians, to detect potential health risks at an early stage and improve this figure.

Wide array of measures supplement information and enhance awareness

As we work toward accident-free projects, it is important to continuously keep employees informed and raise their awareness. We want to sharpen their sense that every employee is responsible not only for their own safety, but also for that of the people around them. The main tools we use to achieve this are instruction and continuing education as well as a variety of measures such as safety walks, in which members of management often take part, and integrating these topics into project manager meetings. The continuing-education courses on occupational safety are tailored to the needs of each company.

We have also established recurring events such as Occupational Safety Day in the HOCHTIEF Europe division, whose motto in 2019 was “Work Organization and Time Management,” and the Safety Stand-Down at approximately 1,500 Turner construction sites, in which some 100,000 people were involved in the reporting year through the participation of employees, partners, and subcontractors. This time, Turner focused on proper pre-planning, wellness, and physical preparedness. In Australia, CPB Contractors has launched CPB 2019 Project Shutdown/2020 Project Restart, a multi-stage program with initiatives for all construction sites. One of the central themes is safety.

When occupational safety is taken into account by all those involved as early as during the planning and preparation stages, risk prevention can be integrated into the work processes in an even clearer and more structured manner. A well-established program at Turner is Building L.I.F.E. (Living Injury Free Every Day), which actively brings in all the people involved in each project.



Shared commitment: In 2019, around 100,000 employees and partners working on some 1,500 projects participated in Turner’s annual Safety Stand-Down.

In the reporting year, we began integrating occupational safety management and defect tracking into the Building Information Modeling applications we use in numerous large-scale projects in Germany. This will help us integrate elements of occupational safety into day-to-day work on construction sites even more effectively in the future.

Promoting health and fitness

In order to promote the general fitness and health of our employees, we offer advice and training on physical and psychological topics, including mental health and resilience. Some of our companies also subsidize health courses, and we regularly stage special campaigns focusing on topics such as cancer prevention. In addition, CIMIC implemented a Group-wide occupational hygiene standard for its activities in Australia in the reporting year.



The new HOCHTIEF (top) and Turner posters spotlight specific occupational safety topics, such as these examples focusing on psychological pressure and the correct equipment.


Individual concepts for our projects

Taking a needs-based approach, our operational project teams develop various occupational safety and health concepts and processes that meet the general Group criteria and take each project's unique conditions into account. To achieve this, occupational safety experts are brought in as early as the project bid phase and draw up prevention concepts very early on that include risk assessment. We also continuously evaluate the hazard potential while projects are being executed and adapt protective measures and concepts. This forward-looking approach boosts safety on the construction sites and contributes directly to the commercial success of a project.

Prevention of and response to accidents

Our behavior-based prevention approach applies throughout the Group and was further stepped up in Germany in 2019: When accidents have occurred, we encourage our employees to review the situation in as much detail as possible in feedback interviews with their superiors. This way, we prevent similar dangerous situations from recurring.

Safety-related events and accidents are entered into a structured reporting system that complies with the ILO code of practice, "Recording and Notification of Occupational Accidents and Diseases." This allows us to trace and systematically analyze the causes in detail. When serious accidents have occurred, management is brought in. We use the analysis findings to develop preventive action or countermeasures.

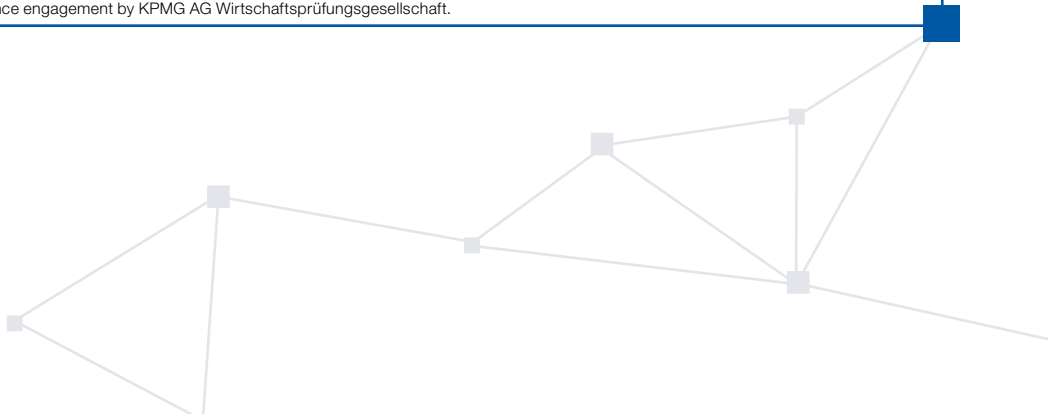
Despite comprehensive precautionary measures, we regrettably cannot rule out the possibility of accidents with severe or even fatal consequences on HOCHTIEF construction sites.  Our deepest condolences go to the families of employees who have lost their lives. We cooperate closely with the authorities to thoroughly shed light on fatal accidents and eliminate comparable risks in subsequent projects.

Project highlights

One example of foresighted planning and work organization is the use of easy-to-clean LED spotlights on construction sites. Instead of the halogen spotlights normally used in tunneling, whose covers quickly become soiled, LED spotlights provide good, uninterrupted illumination of the work areas—an important prerequisite for preventing accidents.

Occupational safety and innovation often go hand in hand. One example is the Transmission Gully motorway project in New Zealand where CPB Contractors has developed a GPS-controlled early warning system for cranes working near high-voltage power lines. The system not only protects the crane operators but everyone else in the vicinity. Based on 3D models, this system earned the team a safety prize for technology at the New Zealand Workplace Health and Safety Awards.

The content in this section is neither part of the statutory audit of the annual financial statements and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

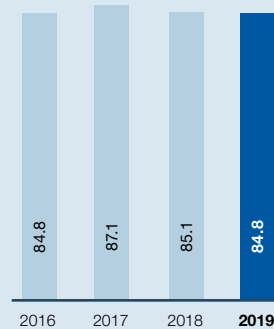


Facts and figures

(1) Number of fatal accidents involving employees of the HOCHTIEF Group (as of Dec. 31)

Division	HOCHTIEF Group	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe (incl. holding company)
2016	1	0	1	0
2017	0	0	0	0
2018	2	1	0	1
2019	0	0	0	0

(2) 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 (%)



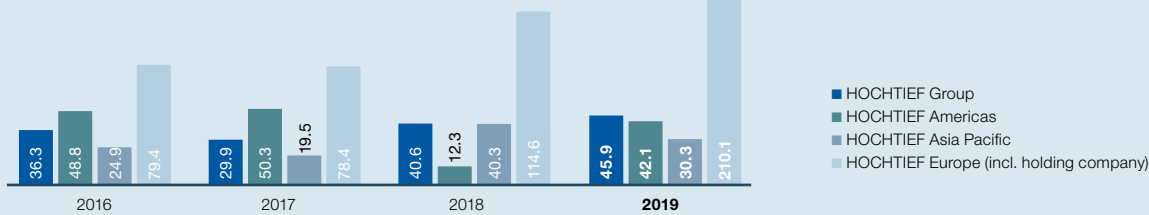
Number of fatal accidents involving subcontractors (as of Dec. 31)

Division	HOCHTIEF Group	HOCHTIEF Americas	HOCHTIEF Asia Pacific	HOCHTIEF Europe (incl. holding company)
2019	3	3	0	0

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

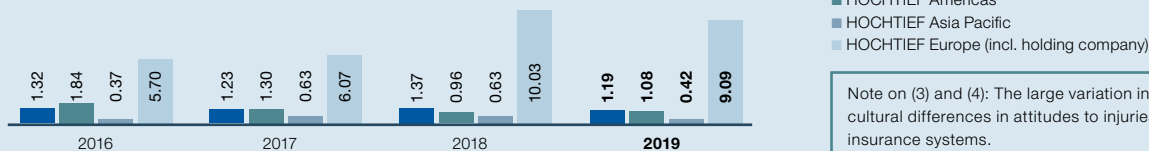
(3) Severity rate in the HOCHTIEF Group

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



(4) Lost time injury frequency rate (LTIFR) in the HOCHTIEF Group¹⁾ (as of Dec. 31)

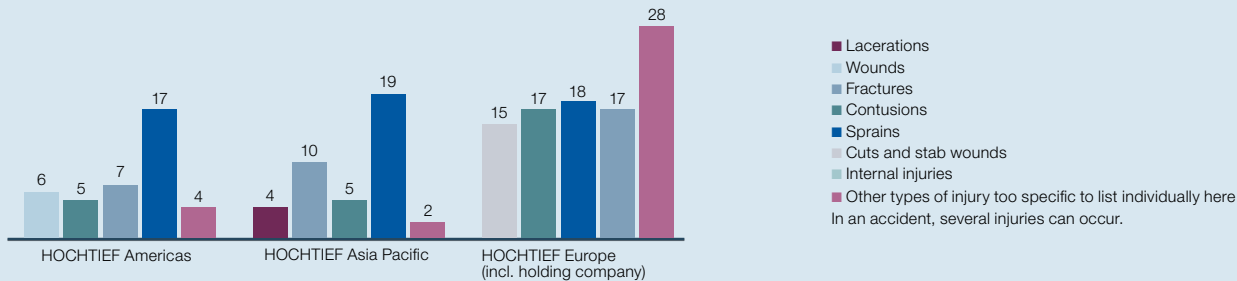
Accidents per million man-hours (Lost Time Injury Frequency Rates LTIFR); Under ILO standards, accidents are counted from the first working day lost.



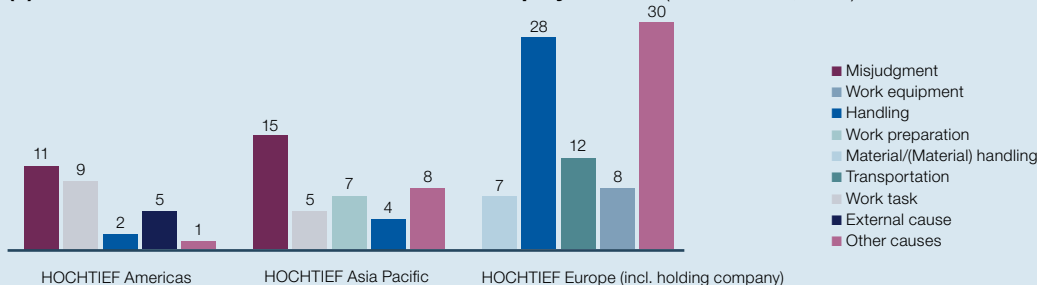
¹⁾ This chart is part of the statutory audit of the annual financial statements and consolidated financial statements.

Note on (3) and (4): The large variation in the divisional figures reflects cultural differences in attitudes to injuries and differing country-specific insurance systems.

(5) Significant types of injury in the HOCHTIEF Group by number (as of Dec. 31, 2019)



(6) Causes of accidents in the HOCHTIEF Group by number (as of Dec. 31, 2019)



Procurement

In the reporting year, HOCHTIEF spent EUR 19.0 billion on the procurement of materials, notably concrete, steel, and timber. Also included are subcontractor services such as those of craft businesses operating as subcontractors for our company. The procurement amount corresponds to approximately 73% of Group work done. Procurement processes are a key success driver for HOCHTIEF. In light of this, innovation and sustainability are of vital importance to our business.

Objectives for the procurement of materials and services

Our aim is to always choose the most suitable contractual partners—in terms of both suppliers and subcontractors. To achieve this, we have defined economic, ecological, and social benchmarks for this process. We attach great importance to working with partners who operate sustainably and meet our standards for materials and services. In this regard, we focus on high-quality goods and services, impeccable conduct on the part of employees and business partners as defined in the Code of Conduct for Business Partners, as well as sustainably designed manufacturing and work processes.

In the interests of ensuring quality and efficiency while taking a proactive approach to risk, we pursue active risk management: Our goal in procurement is 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). Furthermore, we manage our procurement processes to protect against environmental and social risks. Countering compliance risk is also important to us. We counteract the risk of scarcity of materials such as gravel and sand, as well as of contractors in the skilled trades, with proactive procurement management. Extended contract terms and agreements with key suppliers ensure we have long-term access to resources.

Additionally, we set ourselves the goal of continuing to integrate sustainability factors in procurement and transparency in the supply chain as firm features of our procurement processes. In the medium term, by 2030 at the latest, we intend to establish supplier and subcontractor CR performance as a quantifiable metric and a fixed selection criterion in prequalification. Especially given the Group's large procurement volumes, we aim high when it comes to choosing our contractual partners.

Performance evaluation

We employ an end-to-end, multistage subcontractor and supplier management system to assess our contractual partners' performance. Comprehensive prequalification procedures exist in all divisions. To assess potential contractual partners, these procedures include internal and external data, such as that provided by rating agencies, as well as supplier self-assessments. Information such as company structure, creditworthiness, and financial strength is gathered. The prequalification process shows whether new contractual partners' products and services meet our economic, ecological, and social requirements.

In 2019, we continued our collaboration with rating agency EcoVadis, which we began the previous year. EcoVadis analysts assess the information provided by subcontractors and suppliers with respect to sustainability criteria, especially the data on environment protection, employment rights and human rights, fair business practices, and the supply chain. If a deficit resulting from a high risk profile is identified, we work with the subcontractor or partner concerned to develop specific measures known as corrective action plans. We will continue to collaborate with EcoVadis in order to reinforce transparency and sustainability in our supply chain on an ongoing basis.



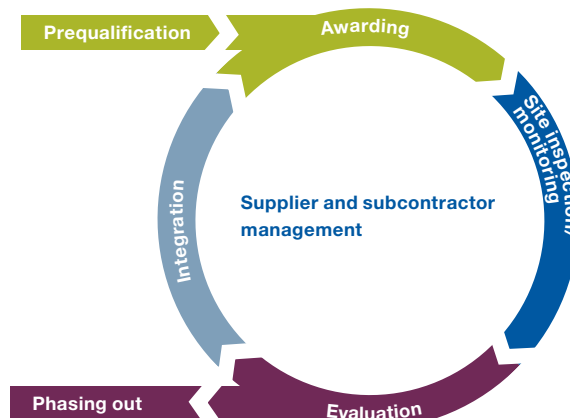
Our supplier selection processes are being consolidated and continually enhanced with further requirements such as those of EcoVadis. This is a key factor in achieving our medium-term goal of integrating CR performance into our supplier selection process as a quantifiable metric.

The lost time injury frequency rate (LTIFR)¹⁾ is a Group-wide non-financial key performance indicator at HOCHTIEF. This indicator is also a mandatory part of prequalification in our European activities and at Turner. As such, it fosters risk management in procurement while also underscoring the high priority occupational safety and health enjoy on our construction sites.

We place special emphasis on respect for human rights at every link in our supply chain. Potential subcontractors and suppliers from countries with a heightened risk of human rights infringements are subjected to special scrutiny; we require expanded self-disclosure information that includes this topic and assess it to ensure that potential contractual partners' conduct meets our standards with regard to safeguarding human rights.

Compliance risks are also accounted for in our extensive prequalification process. For example, we ask about issues including convictions or pending lawsuits involving corruption, money laundering, and antitrust violations. Additionally, HOCHTIEF performs business partner due diligence in all divisions, which takes factors such as the corruption score according to Transparency International's Corruption Perception Index into consideration. Lists of sanctioned companies are also consulted. On top of that, we check publicly available sources for negative reporting. Approximately 96% of our contractual partners were prequalified in 2019. We work continuously to further increase this figure.

Stages of the procurement process at HOCHTIEF



¹⁾ For further information, please see the Occupational Safety and Health section on pages 100 to 103.

Fair competition

Prequalified partners submit bids for the various trades involved in our projects. This way, we provide an effective basis for competition in line with our Procurement Directive in contract award. Using binding contracts, we define the requirement profiles, quality of service, and costs as well as the relevant deadlines with our partners. As part of prequalification, all subcontractors and suppliers—both new and longstanding—are required to commit to the HOCHTIEF Code of Conduct for Business Partners upon contract award. In doing so, our business partners commit to adhere to human rights, employment, social, and environmental standards—and to require the same from their contractors.

The construction and contracting business constantly takes HOCHTIEF to new locations across the globe. In order to bolster the regional economies around our construction projects, we give preference to suitable local subcontractors and suppliers based in the vicinity of our project sites. This not only secures jobs but also strengthens economic development on a lasting basis in the regions where we are active. Furthermore, our project teams gain a better understanding of local conditions. Moreover, it keeps transportation routes short and minimizes carbon emissions. But we also engage

Focus area indicator Procurement

Aspect: Prequalification: Percentage of prequalified business partners in percent

supraregional partners with whom we have worked successfully in the past. In 2019, 59.5% of our procurement volumes across the entire Group were contracted to partners from the respective regions.

Monitoring and assessment

The project teams are responsible for monitoring the subcontractors and suppliers at our construction sites. These teams check deliveries of materials and inspect the contractually agreed services. In this connection, they place particular emphasis on adherence to all occupational safety rules and instructions as well as the proper disposal and/or recycling of waste. We also secure confirmation that our partners comply with the applicable minimum wage laws.

After subcontractors have delivered goods or services, our project teams additionally conduct structured evaluations of our contractual partners. New partners as well as longstanding subcontractors and suppliers are subject to these evaluations. These in-project evaluations are performed using both established IT systems and manually; in the HOCHTIEF Europe and HOCHTIEF Asia Pacific divisions, for example, they 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 EcoVadis

sustainability assessments. Depending on each country's conditions, audits are performed either by outside partners or by in-house units.

Contractual partners with a positive rating are included in future tender processes.

Any contractual partners who fail to live up to our standards and receive a negative evaluation from our project teams are either supported with targeted supplier development measures—including in collaboration with EcoVadis—or tagged in our systems and thereby excluded (phased out) from future contract award processes.

Organizational structure of procurement

Operating procurement is part of the project and branch organization, and is supported by the central, divisional procurement units. This creates a well-functioning procurement network.

Decentralized procurement at project level

Since each of our construction projects is unique, all new projects entail not just a change of location but also different team members. Accordingly, each project poses a different set of challenges in selecting our subcontractors and suppliers. 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. Since our projects are executed at varying locations, HOCHTIEF must continually seek out new suppliers and subcontractors.



Centralized procurement at Group and division levels

The divisions are tasked with ensuring adherence to all purchasing directives and compliance requirements. All three divisions have centralized procurement units. Their experts keep in constant touch with one another and offer mutual support where necessary in selecting and managing international contractual partners. The central procurement units oversee and assist project purchasing in the relevant division. Additionally, HOCHTIEF Solutions AG performs the procurement function at Group level, manages Group-wide exchange, and launches strategic initiatives to improve procurement. The Group Executive Board is kept informed of procurement activities on an ongoing basis.

Internal guidelines are designed to ensure transparency, fair competition, the application of proper procedures, and sustainability in procurement in accordance with shared principles. The ISO 20400 guidance for sustainable procurement provides ground rules for our procurement processes.

According to the latest Dow Jones Sustainability Index rating in the reporting year, HOCHTIEF's supply chain management ranks among the best systems of all the companies assessed.

Procurement activities: countries

Once again in 2019, HOCHTIEF bought materials and services predominantly from subcontractors and suppliers in countries with high human rights standards, in compliance with UN conventions. In the very few procurement countries where the UN conventions are not followed, our requirements set new benchmarks.



Project highlight

For the German Federal Ministry of Health project in Berlin, HOCHTIEF is refurbishing a landmarked building ensemble to the German Assessment System for Sustainable Building (BNB)'s silver-certification criteria. This requires suppliers and subcontractors to enter the materials to be used in a database, so that quality, standards, and material certifications can be checked in terms of the economical use of materials. Only low-emission materials are purchased and used—including floor coverings, insulation, and wood paneling.

The content in this section is neither part of the statutory audit of the annual financial statements and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

TOLEDO HOSPITAL, OHIO

Healing art

Spread over 14 floors, the new hospital building enhances quality of life in the U.S. city of Toledo, Ohio. The artistic interior design is also meant to have a positive effect on patients' recovery. HOCHTIEF company Turner is one of the top-ranking builders of healthcare properties in the U.S. In Toledo, this expertise was applied to professional, efficient effect.

Looking ahead

General economic environment for 2020¹⁾

According to IHS estimates, the total volume of investment in the global construction industry reached EUR 9.4 trillion in 2019, representing a 1.7% rise on 2018 and the tenth year of consecutive growth in the industry. IHS expects the trend to continue at a higher pace, with rates of 2.4% for 2020 followed by 2.9% in 2021. The growth outlook also remains positive in the markets and regions relevant to HOCHTIEF. This also applies with regard to the number of projects of relevance for HOCHTIEF. At the end of 2019, our order backlog stood at EUR 51.4 billion, corresponding to a 9% increase and a visibility of over 22 months of work done. HOCHTIEF is very well positioned with its global presence and capabilities. Considering the fundamental outlook for 2020 and beyond as well as our operational performance in 2019, we anticipate that we will be able to further improve our key performance figures.

The HOCHTIEF Group's strategic focus²⁾

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 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 Board³⁾

HOCHTIEF achieved a very robust operating performance in 2019. The nominal net profit of EUR -206 million was impacted by a negative EUR 833 million one-off effect relating to the announcement by HOCHTIEF's 72.8% subsidiary CIMIC to exit the Middle East. This decision was made in the context of an accelerated deterioration of market conditions of CIMIC's non-controlling 45% financial investment in BIC Contracting (BICC), a company operating in the Middle East. Net of the one-off effect from BICC, HOCHTIEF can report a significant operational improvement across all financial key performance indicators for 2019.

Operational net profit came out at EUR 669 million, in the upper end of our guidance range given at the start of 2019 (EUR 640–680 million), and up 28% year on year. All divisions contributed to this positive operational performance. Furthermore, the Group's net cash position reached EUR 1.53 billion per year-end 2019. Adjusted for the one-off negative net cash effect of EUR 248 million in relation to BICC, this represents an underlying year-on-year improvement of EUR 213 million, driven by a continued focus on cash-backed profits and working capital management.

Reflecting the very high priority attached to 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 1.19 (2018: 1.37), an improvement of 13.3%. In view of our long-term target of 0.9 for 2030, we had expected a LTIFR of about 1.33 for 2019, as better results had already been achieved in the two prior years. We are thus positive that we will achieve our ten-year target with stable intermediate results.

¹⁾ For further information, please see the Markets and Operating Environment section starting on page 33.

²⁾ For further information, please see the Financial Review section starting on page 43.

²⁾ For further information, please see the Strategy section on pages 25 to 31.

⁴⁾ See glossary.

¹⁾ This figure is not part of the statutory audit of the annual financial statements and consolidated financial statements.

Overall assessment of future developments

HOCHTIEF's year-end 2019 order backlog stood at EUR 51.4 billion, an increase of 9% year on year or EUR 4.1 billion in absolute terms. Considering, in addition, a tender pipeline for 2020 worth over EUR 200 billion¹⁾, the outlook remains positive in 2020 for the activity level in the relevant markets for HOCHTIEF. Exchange rates applied to the forecast are close to the spot rates at the time of the publication of the HOCHTIEF Group Report.

The positive outlook is also reflected in our expectations for HOCHTIEF's key performance indicators in 2020. For the HOCHTIEF Group, we expect an operational net profit in the range of EUR 690–730 million for 2020, with all our divisions likely driving this further improvement in our Group performance. The year-end net cash position in 2020 is expected to be slightly below 2019 but remains at a solid level prior to the one-off cash outflow related to the BICC impact as financial obligations materialize and subject to capital allocation decisions.

We will maintain our focus on safety as the precondition underlying HOCHTIEF's guiding principles. For 2020, we aim to improve the lost time injury frequency rate (LTIFR) to 1.15. All operating divisions will contribute to this development. It is our target to improve the LTIFR to 0.9 by 2030.

HOCHTIEF expects non-operational items on a similar level compared to the figure of 2019 (EUR -42 million net profit, excluding the BICC effect); the main components are expected to be restructuring costs and further start-up costs for the digital innovation hub Nexlore.

Dividend

Given the solid performance of HOCHTIEF's geographically diversified core businesses, the positive outlook and supported by a robust Group balance sheet, the Executive Board and Supervisory Board of HOCHTIEF Aktiengesellschaft are proposing a dividend for fiscal year 2019 of EUR 5.80 per share (+16% year on year).

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 and placing the focus on operations in all individual projects 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 instruments. Based on early assessments, we develop suitable measures to take advantage of opportunities as well as for effective risk reduction. This covers both financial and non-financial aspects.

We keep constant track of developments in the markets and regions relevant to the Group and give due account to such developments in corresponding planning activities. 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 a given year or several consecutive years.

Group-wide risk and opportunity management/early warning system

Our Group-wide risk management system is made up of numerous individual components. The framework is provided by directives. Group-wide standards—on subjects such as occupational safety and health, social standards, and rules on conduct and compliance such as the Code of Conduct—contribute toward minimizing risk. 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.

HOCHTIEF considers itself 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 and actively develop the opportunities that present themselves for our projects and markets.

All HOCHTIEF divisions continuously improve risk management in their respective market environments.

Turner and Flatiron in the HOCHTIEF Americas division are 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 systematically analyzed and assessed with a view to risks right from the bid phase. Risks and related mitigation measures are identified in all significant projects and the current status of the risk situation coordinated and assessed in monthly meetings at top management level. Involving the Turner Engineering Group and the Flatiron Technical Services Group as in-house engineering centers of excellence additionally contributes to avoiding project risks within both companies.

For an overview of current market opportunities and megatrends, please see page 33.

In the HOCHTIEF Asia Pacific division, CIMIC defines risk management as the identification, assessment and treatment of risks that have 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 Group's risk management framework is continually monitored. CIMIC's risk management framework is tailored to its business, embedded mostly within existing processes and aligned to the Company's objectives, both short and longer term. Given the diversity of the Group's operations and the breadth of its geographies and markets, a wide range of risk factors have the potential to affect the achievement of business objectives. As in all other divisions, risk management at CIMIC is in line with the HOCHTIEF Group directive on risk reporting.

HOCHTIEF Infrastructure, 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 construction¹⁾.

HOCHTIEF PPP Solutions, which delivers design, finance, build, and operate services for transportation and social infrastructure projects on a public-private partnership (PPP) basis, has implemented a risk management system for systematic risk identification, assessment, and control. Opportunities and risks are regularly analyzed in the core acquisition, execution, and divestment pro-

cesses. Active risk control reduces the potential impact with suitable measures. The range of defined measures is broad. Depending on the potential risk, they may include, for example, working actively with the client to develop an alternative technical solution, insurance against risk, or additional risk provisioning. Risk management is part of the quality management system introduced by HOCHTIEF PPP Solutions for continuous improvement of projects and services and for systematic process optimization.

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.

Risk culture

HOCHTIEF pursues the continuous improvement of risk management as a key strategic goal with priority for all HOCHTIEF employees.²⁾ 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 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.

²⁾ For further information, please see the Employees section starting on page 95.

¹⁾ See glossary.

Risk and opportunity reporting

A Group-wide directive accessible to all employees governs the uniform application of risk reporting. 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—both financial and non-financial—are incorporated into the planning and forecasting process. In a multi-stage process, the operating and holding companies collate their risk exposures and assess them together with Management and Divisional Controlling. 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 risk report summarizes and documents the entire risk situation for the Executive Board. 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 and act on them at an early stage, 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.

Elements of project risk management at HOCHTIEF



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). A key element of risk management at HOCHTIEF in this connection is the Investment Committee, which provides advance assessment of the risks for HOCHTIEF associated with planned capital expenditure, divestments, and investments requiring approval. The identified risks can then be reduced or entirely avoided. 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.

¹⁾For further information, please see the Compliance section on pages 80 to 82.

Corporate Auditing integral to risk management

A key role in the risk management system at HOCHTIEF is performed by Corporate Auditing¹⁾. 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.

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 inhouse 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.

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 stakeholders and 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. This ensures the reliability and accuracy of the figures used.

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 software-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

HOCHTIEF defines “risk” as an event with a potential impact on the expected values of relevant budgeted financial performance indicators in relation to corporate goals. Risk in this context primarily relates to events with potential impacts on profit before tax and on liquidity. For a transparent presentation of the risk culture, individual risks are classified into risk categories. Risk assessment and reporting serve to quantify risks with regard to potential impact and probability, after accounting for any action taken. Expected value is defined as probability of occurrence times impact on financial position and financial performance. The aggregated risks in the current and two subsequent years in the risk categories set out in the following are classified according to expected value as “low” (potential impact EUR 0–250 million), “medium” (potential impact EUR 250–500 million), or “high” (potential impact over EUR 500 million). The expected value of the potential impact relates both to profit before tax and to liquidity.

An “opportunity” is defined as a positive impact on our business activities. Identifying and exploiting opportunities can make an important contribution to maintaining and extending our market position. As with risks,

opportunities are assessed for their impact on profit before tax and on liquidity.

We see opportunities for HOCHTIEF mainly in our core markets, where we are actively exploiting growth potential—particularly in our existing market segments.¹⁾

¹⁾ For further information on our markets and HOCHTIEF's positioning, please see the Markets and Divisional Reporting sections.

Assessment of non-financial risk

The definition of risk applied in the HOCHTIEF Group encompasses financial and non-financial risks together with their impacts. For the internal reporting process, it is immaterial whether a reportable risk is based on financial or non-financial aspects. Any divergence between net impact and expected value is reportable once the figure exceeds the applicable reporting threshold. In this way, material risks that are likely to have a substantial negative impact on non-financial aspects are taken into account. Risks whose impact is below the reporting threshold are not included.

With regard to the sustainability aspects in accordance with the German Commercial Code, sustainability management is decentralized at HOCHTIEF and is the responsibility of the Corporate Headquarters functional departments. These analyze the risks relevant to the thematic areas in connection with their core responsibilities and within their target systems.²⁾

Impacts on the environment and society, and the resulting risks, are additionally processed at project level.

Environmental and stakeholder management plans are thus standard tools in construction project execution.²⁾

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 markets key to HOCHTIEF. HOCHTIEF's operations focus on attractive markets in the Americas, the Asia-Pacific region, and Europe. 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 strong global presence centered on developed markets and its prestigious local operations, HOCHTIEF can offset potential regional fluctuations and respond flexibly to risks of this kind.

Even with the current trade conflicts, the **U.S. economy** again registered growth in 2019 over the previous year. Looking ahead, these trade conflicts between the United States and its trading partners may negatively impact global economic growth and potentially contribute to a fall in economic output.

²⁾ The content in this section is not part of the statutory audit of the annual financial statements and consolidated financial statements but is subject instead to a separate assurance engagement in accordance with ISAE 3000, providing limited assurance, by KPMG AG Wirtschaftsprüfungsgesellschaft.

Despite rising uncertainty stemming from the upcoming elections and the FAST Act's expiry in 2020, coupled with a decline in the non-residential construction and infrastructure markets forecast, we are confident that HOCHTIEF will be able to further consolidate and expand its already strong position there.

We expect the North American PPP market to show robust growth in the years ahead, supported by increasing numbers of PPP infrastructure projects in the USA and major development projects in Canada. The United States PPP market may be affected in 2020 by municipal and federal elections, as these could potentially delay the award of large contracts.

The **Asian** and **Australian** markets recorded a positive 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 notably in the Australian market as well as substantially impact our activities in contract mining and mineral processing in a positive way. Growing internationalization in this segment means that CIMIC is additionally well positioned for a positive trend of this kind. Asset owners' increasing outsourcing of maintenance services is expected to benefit the services business and mitigate economic risks.

Persistent political uncertainties in **Europe** may have negative effects on the European economic region. With no trade agreement currently in place, the UK's withdrawal from the European Union could have as yet unforeseeable consequences for the UK and European Union economies and hence impact HOCHTIEF. Furthermore, rising political populism and protectionism—notably tariff policy measures—in some countries outside and within the European Union could have a negative effect on contract awards. Given the slight decrease in

what is still a 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 watched and continuously 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, thus allowing HOCHTIEF to reduce the risk to a negligible level.

Overall, we see no 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 con-

trol 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.

No financial covenants are featured in the respective documentation to HOCHTIEF Aktiengesellschaft's main financing instruments, comprising three corporate bond issues, several promissory note loan issues, private placements, and a syndicated credit and guarantee facility.

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

Employees¹⁾

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 contribute substantially to positive business performance.

¹⁾The content in this section is not part of the statutory audit of the annual financial statements and consolidated financial statements but is subject instead to a separate assurance engagement in accordance with ISAE 3000, providing limited assurance, by KPMG AG Wirtschaftsprüfungsgesellschaft.

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, because every accident also means human suffering. 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⁾

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 and notably in contract mining, public-private partnerships, and services.

¹⁾For further information, please see the Occupational Safety section starting on page 100.

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. In most cases, the outcome of legal disputes and regulatory proceedings is hard 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 the HOCHTIEF Americas division, risk relating to design issues significantly impacts the C470 project in Colorado, USA. The Flatiron project entails adding tolled express lanes in each direction and replacing/widening bridges along a 20-kilometer-long segment of the C470, and reconstructing the interchange with the I-25.

Together with partners, Flatiron is completing the New Champlain Bridge corridor project in Montreal, Canada. The joint venture is responsible for the construction of a new bridge over the St. Lawrence River. Construction was affected by a crane operator strike in 2018 and several design issues. Meetings and negotiations with the owner and designer are ongoing.

Contract assets includes an amount equal to AUD 1.15 billion (December 31, 2018: AUD 1.15 billion) relating to the Gorgon LNG Jetty and Marine Structures Project being undertaken by CPB Contractors Pty Ltd (CPB), a wholly owned subsidiary of CIMIC, together with its consortium partners, Saipem SA and Saipem Portugal Comercio Maritime LDA (Saipem and CPB together

referred to as the Consortium) for Chevron Australia Pty Ltd (Chevron) (Gorgon Contract).

On February 9, 2016, the Consortium formally issued a Notice of Dispute to Chevron in connection with the Gorgon Contract relating to the CORs. Following a period of prescribed negotiation, the parties have entered a private arbitration as prescribed by the Gorgon Contract (Chevron Arbitration).

Since December 2016, the Chevron Arbitration has continued in accordance with the contractual terms. Closing submissions were completed on November 6–7, 2019, with an award from the arbitrators expected late 2020. 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 commence 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 amount is carried forward, respectively, until year-end 2019.

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.

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 low overall.

Compliance¹⁾

The aim of our compliance system²⁾ 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.

Human rights¹⁾

Our efforts with regard to human rights, too, are directed at preventing human rights due diligence violations. To evaluate material human rights risks in the construction business, analyses were carried out for the operating business in the course of the year and measures implemented based on the findings. For example, internal training courses were launched and work advanced on establishing a Human Rights Committee. In order to assess human rights compliance risk, project audits have for several years incorporated a basic human rights check.

We rate the risks in connection with human rights 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.

¹⁾The content in this section is not part of the statutory audit of the annual financial statements and consolidated financial statements but is subject instead to a separate assurance engagement in accordance with ISAE 3000, providing limited assurance, by KPMG AG Wirtschaftsprüfungsgesellschaft.

²⁾For further information, please see the Compliance section on pages 80 to 82.

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.

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 Data Protection Officer and Group company data protection officers to ensure that personal data are processed solely in accordance with statutory requirements. Where necessary, this is done on the basis of contract data processing agreements. HOCHTIEF has laid down the standards for the handling of personal

data in the HOCHTIEF Europe division in a Group data protection directive. Data protection coordinators assist management in complying with the obligations under the EU General Data Protection Regulation (GDPR) and Group requirements. Data protection training courses are provided to raise employee awareness with regard to data protection and compliance is regularly verified in audits.

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.

Environment¹⁾

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. Our risk management takes into account environmental and social risks with a direct or indirect bearing on HOCHTIEF's business activities, and likewise risks to our stakeholders and the environment—air, water, and soil purity, health, species conservation, etc.—resulting from our products and services.

Another factor in this connection is climate risk in light of global warming. 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 as a non-financial risk 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). HOCHTIEF has thus published a paper in the reporting year looking at the main risks and opportunities of its business activities. A current analysis project based on the paper is to flesh out its findings. At operating level, we analyze climate risk for our construction projects. Climate risk is treated in our operational business as part of project risks because it is directly connected to project execution.

Significant carbon emissions in the construction business are generated 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.

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, these can adversely impact project profitability and the company's reputation. As part of our environmental management, we identify potential hazards and factor them into project planning.

¹⁾The content in this section is not part of the statutory audit of the annual financial statements and consolidated financial statements but is subject instead to a separate assurance engagement in accordance with ISAE 3000, providing limited assurance, by KPMG AG Wirtschaftsprüfungsgesellschaft.

¹⁾The content in this section is not part of the statutory audit of the annual financial statements and consolidated financial statements but is subject instead to a separate assurance engagement in accordance with ISAE 3000, providing limited assurance, by KPMG AG Wirtschaftsprüfungsgesellschaft.

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. We aim to meet the ever more exacting requirements and 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.

In light of 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 sees large business potential in the tasks ahead.

Social issues¹⁾

In its projects, HOCHTIEF works closely with a wide variety of stakeholder groups on an ongoing basis in order to identify local needs and requirements and respond accordingly. Stakeholder information and communication are consequently a standard part of project management and also serve to prevent risks so as, for instance, to avoid delays in project execution. At the same time, we address social risk that can arise from the Group's business activities—in an analysis on climate change, for example.

Regular, detailed Group reputation and image analyses provide additional indications as to how the Group is perceived in the public eye.

We rate the risks in connection with social issues as low.

No significant risks in relation to sustainability aspects¹⁾

At the present time, we see no significant risks likely to have a substantial negative impact on the sustainability aspects and therefore anticipate no noteworthy risks arising from negative deviations from our major stakeholders' expectations.

Opportunities from systematically pursuing the strategy/sustainability strategy¹⁾

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 financing instruments
- Accelerating innovation by making use of digital developments
- Enhancing our position as an attractive place to work
- Contributing to sustainable development

We continue to build on these elements and aim to exploit the room for improvement that still remains. The related initiatives are expected to 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 2019. 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 2019, we continue to assess HOCHTIEF's risk-bearing capacity as robust.

PRAGUE STATE OPERA

Glittering performance

Music lovers are always in for something special at the Prague State Opera. With its neo-Renaissance architecture dating back to 1888, it is considered one of Europe's most beautiful opera houses. Following its overall refurbishment, it now radiates a brand new splendor. HOCHTIEF and partners assumed responsibility for the demanding project, updating the technology, wiring, heating, and interior decoration as well as restoring paintings on the ceilings. The employees collaborated with local craftspeople and specialists. In this cultural bastion, the curtain rose again at the beginning of 2020.



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. Our sustainability strategy forms part of our corporate strategy. HOCHTIEF's understanding of sustainability is based on the concept of reconciling economy, ecology, and community in all business activities.¹⁾

Regular non-financial reporting has been provided since 2001. The core areas are compliance, employees, occupational safety, supply chain, environment, research and development/innovation, and corporate citizenship. HOCHTIEF also maintains transparency regarding its sustainability performance by taking part in sustainability ratings—such as the CDP²⁾ and the Dow Jones Sustainability Index—as well as by providing information on the Group website and in its own publications, among other channels.

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)³⁾ standards.

HOCHTIEF Aktiengesellschaft is not subject to the preparation requirement under Section 289b (1) HGB and does not publish a separate non-financial report in addition to the non-financial Group report.

Business model

HOCHTIEF is an engineering-led, 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 urban, social and transportation infrastructure assets.¹⁾

Aspects in accordance with the German Commercial Code

All information required under the German Commercial Code (HGB) on environmental, social, and employee-related issues as well as compliance with human rights standards and combating corruption and bribery is presented in this Group Report. We use a non-financial key performance indicator (LTIFR) and also a series of indicators for each focal area; however, the latter are not treated as most significant non-financial indicators within the meaning of Section 315c read in conjunction with Section 289c (3) 5 HGB.

The table opposite indicates where the policies, processes, results, and risks relating to each aspect are presented.

We consider topics material if they are relevant to HOCHTIEF and are capable of having an impact on the development and performance of the business and its environment. The perspectives and interests of HOCHTIEF's stakeholders are taken into account in this analysis. We assess the materiality of topics through a regular review and evaluation of the aspects and material risks in accordance with the German Commercial Code.

A 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 111. The Group sees no significant risks of the aspects and material risks in accordance with the German Commercial Code.

¹⁾For detailed information, please see the sections Strategy starting on page 25 and Sustainability at HOCHTIEF starting on page 130.

²⁾See glossary.

³⁾For the GRI index in accordance with the GRI standards, please see pages 259 to 263.

Placement of material sustainability aspects in this Group Report¹⁾

	Page
Non-financial Group Report	
Non-financial aspects	
Business model	22–23, 24, 25–31
Environmental matters (policies/outcomes)	
Climate protection	137–143
Water	136, 140
Waste	135–136, 138
Green building	140, 141–142
Green infrastructure	140, 141–142
Life cycle	25, 29, 141
Innovation	91–93
Employee issues (policies/outcomes)	
Occupational safety/Health	100–103
Continuing education	97–98
Recruitment	95, 97–98
Social matters (policies/outcomes)	
Supporting local communities	133–134
Anti-corruption matters (policies/outcomes)	
Anti-corruption	80–82
Antitrust	80–82, 105, 121
Respect for human rights (policies/outcomes)	
Respect for human rights	
Prevention of human rights abuses	121, 132
Prequalification (Procurement)	104–105, 121
Evaluations (Procurement)	104–106
Risk management related to non-financial aspects	111, 113, 116, 118–119, 121, 123–124

¹⁾For further information, please see our CR Program starting on page 144.

Sustainability at HOCHTIEF

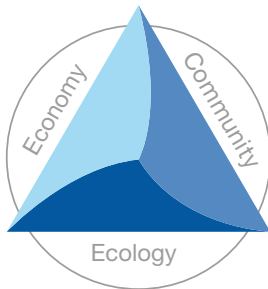
Solutions-oriented project business

Sustainability in project business

In its project work, HOCHTIEF fundamentally embraces a 360-degree approach. We aim to consider all project phases across the entire life cycle and process them in an integrated manner—also looking at their long-term use beyond the scope of the HOCHTIEF project. One of the measures designed to ensure this is a partnership-based dialog with the stakeholders; we actively incorporate the broad range of expectations and demands as early as the planning phase. This is particularly relevant, including for risk-related reasons. Offerings such as the PreFair¹⁾ collaborative contracting model, to which we invite our clients, support this project-optimization dialog.

²⁾ For further information on the regulations for occupational safety, health and environmental protection, please see pages 100 to 103 and page 134 et seq.

¹⁾ See glossary.



Active management of construction work impacts

Due to the long-term effects on the existing fabric that are invariably associated with construction projects, our activities have a direct impact on people and the environment. We aim to maximize the benefits of our work and minimize its impact. For this reason, we consider foresighted, end-to-end planning essential to 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 at all times. We achieve this objective through individualized project management that integrates 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. Environmental and climate issues also impact society, either directly or indirectly. By creating value, HOCHTIEF in its role as corporate citizen and employer makes a positive contribution to society's development.

In order to be able to best address social and environmental impacts at an early stage, project planning encompasses factors such as environmental protection, and occupational safety and health.²⁾ A research collaboration project currently being conducted 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 through certifications 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. Our Group's operating companies are recognized in rankings such as the Engineering News-Record magazine's as top suppliers of green buildings. HOCHTIEF actively recommends sustainable construction to its clients.

Sustainability management supports and fosters our employees' willingness to identify relevant sustainability issues and incorporate them into their work. That is why internal communication on this topic plays a crucial role.

Quality management

In order to deliver successful project work, HOCHTIEF employs a quality management system. HOCHTIEF Solutions, for example, operates on the basis of the DIN EN ISO 9001 quality management system. 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. As a rule, audits and continuous improvement contribute to optimizing HOCHTIEF's quality assurance processes.

Stakeholder management

HOCHTIEF's business activities are influenced by diverse internal and external stakeholder groups. We aim to keep systematic records of stakeholders' key requirements and expectations and give them strategic consideration. Stakeholder groups and their representatives (see box at right) are identified, integrated into the network, and motivated to actively contribute by providing feedback. In this way, we strive to maintain an ongoing dialog.¹⁾ We take the stakeholder perspective into account when defining CR focus areas.²⁾

Various corporate units assume responsibility for target group-specific activities and formats for engaging stakeholders, either regularly or on an ad-hoc basis. These 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. The next comprehensive survey is planned for 2020.

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.

Customer satisfaction is reflected in such factors as follow-up contracts—i.e. new orders after completion of a project or during an ongoing project. Our high repeat client rate consequently confirms to us that our clients enjoy working with HOCHTIEF. The repeat client rate further increased in 2019 and is now 81.5% for the Group as a whole.

Repeat clients³⁾ (%)

	2016	2017	2018	2019
Total ⁴⁾	74.2	76.3	77.0	81.5
Group coverage ⁵⁾	100%	100%	100%	100%

HOCHTIEF's good standing is also evident in its reputation score, which we measure in a regular survey⁶⁾ in which we receive consistently high ratings:

HOCHTIEF's reputation values⁷⁾ (%)

	2016	2017	2018	2019 ⁸⁾
	84	87	83	87

¹⁾ For further information, please see the Strategy section on page 28.

²⁾ Comparative presentation in the Sustainability Strategy section on page 29.

³⁾ Repeat client rate: HOCHTIEF uses the repeat client rate to measure customer satisfaction. We define repeat clients as clients who commission HOCHTIEF at least for a second time.

⁴⁾ Weighted relative to Group work done in each year

⁵⁾ The coverage figures mean the coverage of each indicator in relation to Group work done.

⁶⁾ The survey is addressed to decision-makers in large companies by market research institute YouGov Deutschland.

⁷⁾ The figures shown here indicate the sum total of HOCHTIEF's reputation ratings (excellent, very good, and good). An additional 9% rated our reputation as average, 3% as poor, while 1% responded "don't know."

⁸⁾ 87% of people surveyed by market research institute YouGov in Germany in the reporting year rated HOCHTIEF's reputation as excellent/very good/good.

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

Human rights

Respect for human rights and compliance with standards

HOCHTIEF pledges to respect and observe human rights as well as to actively prevent human rights violations. We have set this forth in our internal standards in a clear and binding fashion. Thus, just as the HOCHTIEF Code of Conduct commits our employees to upholding human rights standards, our partners enter into the same commitment with the HOCHTIEF Code of Conduct for Business Partners. Our understanding of human rights is shaped largely by the UN Global Compact, the ILO conventions, and the United Nations' Universal Declaration of Human Rights.

The overriding goal is to take preventive action and rule out human rights violations at HOCHTIEF as far as possible.

Human rights due diligence measures

In order to further improve due diligence processes pertaining to respect for human rights, we worked with an external partner in the reporting year to analyze potential human rights risks on construction sites and the related internal processes. The project identified potential basic risk issues, risk groups, and potential risk locations. In addition, at the invitation of the Executive Board, representatives of various stakeholder groups took part in a stakeholder dialog in March 2019 on the subject of human rights due diligence and presented their perspectives on this topic as relates to construction companies.

Based on the findings, suggestions for improvement were developed in consultation with the Executive Board and are now being implemented. Human rights will also be a special focus topic in future training courses to raise employees' awareness for this issue.

Human Rights Committees are to be set up in the divisions. They will be tasked with evaluating human rights risks, developing appropriate measures, and implementing them in their particular areas.

Since 2017, Corporate Auditing's project audits have been using a human rights quick check HOCHTIEF originally developed on the basis of the Danish Institute for Human Rights' compliance assessment tool; this quick check was thoroughly revised in the reporting year. Plans are in the works for an internal information campaign designed to continue raising awareness among employees and subcontractors, especially on HOCHTIEF construction sites, of the importance of human rights due diligence, and to remind them once again of tools such as the whistleblower hotline.

Following Human Rights Impact Assessments (HRIA) in India construction (2017) and Indonesia mining (2018), CIMIC carried out a HRIA in 2019 of its construction operations in the Philippines in order to gain an understanding of any risks of modern slavery in its operations and supply chain. The assessment reviews hiring practices, working conditions, workplace security, relationships with suppliers and subcontractors, and assesses risks regarding forced labor, child labor, discrimination, and freedom of association. While the results showed that some of the company's own standards exceeded the customary conditions and statutory regulations, some opportunities for improvement were initiated as a result of the assessment.

Human rights aspects are also integrated into HOCHTIEF's procurement processes, forming part of prequalification, for example.



Corporate citizenship at HOCHTIEF



Corporate citizenship is an integral part of HOCHTIEF's corporate culture. As our work touches the everyday lives of many people in a variety of ways, we aim to make our impact as positive as possible. Above and beyond that, we look for ways to give back in the areas where we operate as well as further afield. That is why we engage on the ground in the communities where our projects and branches are located.

This is the role of our donation and sponsorship activities. Since these occur at a local level and are associated with locations and projects, their organization is decentralized. The Group companies have their own community engagement budgets, which are directed at various projects in accordance with the criteria and focal areas defined in the Group Directive on Donations and Sponsoring. Corporate Communications ensures compliance with the directive and oversees the strategic orientation, responsibilities, and Group-wide reporting process. HOCHTIEF management is briefed on the subject on an ongoing basis. In 2019, the Group's budget for donations and sponsorship totaled around EUR 5.4 million (2018: EUR 5.1 million).

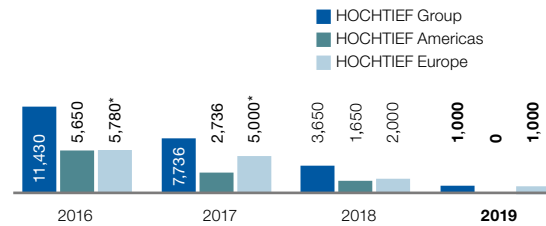
We have defined our key focus areas as, firstly, educating and promoting young talent; and secondly, designing and preserving living spaces. These are implemented through donations in kind, contributing expertise as well as corporate and personal volunteering. There is no fixed target figure for spending on community activities because these are determined by stakeholders' specific circumstances and needs in the relevant project environment.

Our aim is to develop specific key figures for measuring social responsibility so that we can support and promote the communities around our construction projects in an even more targeted manner.

No donations to political parties

HOCHTIEF's business units and companies do not make donations to political organizations, parties, or individual politicians, whether directly or indirectly (excerpt from the HOCHTIEF Code of Conduct).

Number of people who benefit from B2P bridges constructed by HOCHTIEF¹⁾



*incl. HOCHTIEF Asia Pacific

Bridges to Prosperity

As part of the sponsorship focus on designing and preserving living spaces, we construct pedestrian bridges in remote regions in cooperation with the organization Bridges to Prosperity (B2P). Since 2010, HOCHTIEF has assisted B2P both financially and by deploying employees who work with local residents on site to build the structures. The bridges afford people in the surrounding areas better and safer access to schools, hospitals, and markets, especially during the rainy season when rivers can pose a threat to people attempting to cross them.

Our teams' dedication has resulted in the construction of 26 bridges in Rwanda and Central America to date. During the reporting year, ten HOCHTIEF, CIMIC, and ACS employees built the 34-meter-long Rufuha Bridge in Rwanda, which now benefits some 1,000 people in the immediate vicinity.

Positive impact on the community:

According to Bridges to Prosperity's analyses²⁾, the footbridges built by HOCHTIEF have contributed to:

- about 59% more women finding work
- an increase in agricultural productivity of some 75%
- a rise in income of about 30%

The content in this section is neither part of the statutory audit of the annual financial statements and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

Focus area indicator Corporate Citizenship

Aspect: Taking responsibility for local communities

¹⁾Figures based on data provided by B2P and reused by HOCHTIEF. The information is neither part of the statutory audit of the annual financial statements and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

www.bridgestoprosperty.org

Teamwork: In the reporting year, HOCHTIEF employees joined with local residents to build a new footbridge in Rwanda.



In order for our efforts with B2P to have a lasting effect, local helpers who assist in the construction are taught the appropriate skills to be able to maintain and, if necessary, repair the bridges at a later date. Whenever possible, the projects also engage and fairly compensate subcontractors and suppliers from the region. An-

other focus of the projects is on building relationships with the community. For instance, the HOCHTIEF teams get in contact with the people of the surrounding villages, visit schools and markets as well as organize joint sports activities.

Through our cooperation with B2P, we promote social and economic development in areas where we do not operate as a construction company. Each bridge can have far-reaching impacts on the community that may add up to a tangible contribution to the country's economic development through, for example, access to educational facilities.

Plus, those HOCHTIEF employees involved in building the bridges on site expand their in-house network through a unique team experience and feel a greater sense of company loyalty. To date, more than 270 employees from the Group have participated. Feedback from the volunteers is decidedly positive: In the year under review, participation in B2P projects once again received a 100-percent recommendation rate.

Environmental protection

As a sustainable, global infrastructure group, environmental and climate protection are integral parts of our mission. Our activities have an impact on our environment—the soil, water, air, climate, and biological diversity. That is why we employ various strategies to minimize any negative environmental effects of our projects during construction. Examples include high rates of recycled building materials and an energy-efficient vehicle fleet. HOCHTIEF teams always tailor environmental protection measures to the relevant project. It goes without saying that, especially on public-private partnership projects, we also take the downstream process into account and work with clients to develop concepts that

ensure resource-saving, climate-friendly, and low-maintenance operations, whether in building construction or transportation infrastructure. Right from the design phase, our experts assess options such as reusing or recycling materials, thus helping to minimize environmentally and climate-damaging emissions as well as conserve resources.

By developing partnership-based contracting models such as PreFair¹⁾, which involves an intensive preconstruction phase and focuses on inconsistencies in the planning process, we ensure close cooperation and coordination with clients. This enables us to take im-

¹⁾ See glossary.



pacts into account at an early stage. Innovative technologies, such as Building Information Modeling (BIM), help to eliminate planning errors and result in optimized, efficient processes during the construction phase.

Our environmental protection concepts take into account the effects that projects can have on the environment and society. When developing environmental protection programs, we look beyond the construction work itself, taking in the areas surrounding our projects such as adjacent developments and open spaces. 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. Ecological damage can compromise the environment long-term, threaten the safety of the people involved, impact construction activities, and raise project costs. Environmental management therefore also means active risk management.


In the future, we aim to set specific CO₂ reduction targets. To establish a reliable starting point for these targets, we intend to specify a base year for our performance indicators in 2020.

Organizational structure of environmental protection

Responsibility for environmental protection at HOCHTIEF lies with the Center for Occupational Safety, Health and Environmental Protection (OSHEP). This body specifies in a Group directive how environmental matters are coordinated and organized. A Group-wide environmental protection policy, which serves as a guideline for our culture of environmental protection, also forms part of the directive. The head of the OSHEP Center reports directly to the Group Executive Board.

Environmental and climate protection is enshrined as an independent responsibility within the organizational structure of each of the HOCHTIEF divisions. During project work, internal environmental experts support the teams in implementing legal and internal requirements to ensure processes are fully compliant. The corporate

auditing function reviews selected projects for compliance with all requirements.

Environmental protection is integrated into processes in all HOCHTIEF projects: For this purpose, management systems have been put in place in accordance with the ISO 14001 international standard. In the reporting year, the proportion of HOCHTIEF units certified on the basis of environmental management systems was 72.8% (by number of employees, 2018: 75.3%).  (1)

Early risk identification

We have to comply with legal requirements and standards when executing our projects. This is a top priority and helps to ensure commercially successful projects without any environmental incidents.¹⁾ Our teams identify and assess project-specific environmental risks and take into account relevant issues at an early stage. From as early as the planning phase, we develop preventive measures that are subsequently integrated into the construction process.

We pursue active risk management through education, emphasizing the need for the employees on our projects to receive training and information about occupational safety and environmental protection so that they have an in-depth understanding of environmental correlations. This approach is cultivated by means of customized training and instruction. Our environmental experts are organized into company-wide working groups.

Waste management

Since our construction activities generate large quantities of waste, we attach particular importance to precise and thorough waste management. Our aim at all times is to eliminate avoidable waste and reduce or recycle unavoidable waste, also with a view to conserving resources. To this end, we are targeting a consistently high recycling rate (including recovery) of at least 85% each year.²⁾ Our diversified project business results in fluctuations, since major infrastructure and mining projects, for example, generate particularly large

¹⁾For further information, please see the Opportunities and Risks Report section on pages 123 to 124.

Focus area indicator Climate and Resource Protection


Aspect: Waste

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
Climate and Resource
Protection


Aspect: Water

volumes of waste during certain phases. We reuse the largest possible quantities in other construction projects—for example, as backfill.


The total waste rate went back down in 2019 to the level seen in previous years  (3.4). Fluctuation in waste volumes is normal due to the strong degree of variation in the project business. Some projects carried out in 2018 were particularly waste-intensive. Where possible, waste is reused in other projects, and the total recycling rate in 2019 was 81.3% (2018: 87.1%).

The HOCHTIEF teams develop waste disposal concepts for each project at an early stage to facilitate the economical and ecological design of material flows. We calculate how much material is required in a detailed and timely fashion. We also aim to make transport and disposal routes as efficient as possible and avoid empty runs. If possible, materials should be reused in the same project. Special instruments, such as Turner's waste tracking system, are used in some areas for calculation and separation by type.

Great care must be taken when projects involve hazardous materials or products containing hazardous materials that could endanger people and the environment. We always proceed responsibly and in accordance with legal and internal requirements—which may vary from country to country—when handling and disposing of those materials. In the HOCHTIEF Europe division, our employees use an electronic tool to look up the relevant stipulations in hazardous substances lists. The tool also contains workplace-specific instructions, precise information on individual hazardous substances, and safety data sheets.

In demolition, conversion, or revitalization projects, critical constituents must be identified prior to project start so that they can be disposed of safely and in accordance with environmental regulations. Here again, our employees are trained to be aware of such topics. By separating construction waste as cleanly as possible, we achieve very high-quality recycling.  (4)

Water management

For HOCHTIEF, water conservation and the responsible use of this resource is a key, multi-dimensional issue. In construction projects, for example, large quantities of water  (9) are often required to cool concrete when outside temperatures are high or to bind dust. Construction work also includes compacting and sealing, as well as leveling and clearing of areas. Sometimes drainage areas are created or the groundwater level is lowered—all of which has an impact on water resources in the vicinity of construction sites and thus on the flora and fauna in surrounding natural areas. For instance, sedimentation can occur. Our aim is to perform our work in an efficient, environmentally compatible, and responsible manner. To this end, our project teams devise water conservation plans that take into consideration local conditions such as groundwater and drinking water use, disposal of used and waste water, infiltration, water pollution, and water treatment. Our tailor-made erosion and sedimentation control plans respond to these issues.

Effective water management is particularly vital in regions where water is scarce. CIMIC operates in some such areas. The periods of heat and drought caused by climate change are making water a more significant resource in Europe and North America as well. We are constantly on the lookout for ways to recycle or reuse water multiple times. For each project, for example, CIMIC checks whether water can be saved or recycled and draws up water management plans, which evaluate the potential volume of water required, available sources, the regulatory environment, and obligations to property owners. As a rule, we aim to minimize the use of mains water as well as increase water recycling and recovery. Reused water accounted for some 20% of total water consumption at CIMIC in 2019 (2018: 55%). This significant drop-off on the prior year is a result primarily of the extremely dry summer. Construction sites required large quantities of water to bind dust. CIMIC achieved a "B-" score (2018: "B-") in the 2019 CDP water ranking.

Biodiversity conservation

The impacts caused by our activities as described above can affect the natural environment and consequently biodiversity. We aim to avoid or keep negative impacts as low as possible. If this is not feasible, we develop strategies to avoid disruptions at an early stage and cooperate constructively with the authorities. Environmental assessments and concepts that include species conservation are standard practice—especially when protected areas border the project site. Measures include biodiversity management strategies, regular monitoring, and specialist analysis.



The Power Road Bridge project team in the UK has transformed waste ground adjacent to the construction site into a vegetable garden. During the project, the topsoil was moved there and crops planted in it. As a result, it served as a green lung where employees met up and took breaks. A win-win situation for people and the environment.

Focus area indicator
Climate and Resource
Protection

Aspect: Biodiversity

Energy efficiency and climate protection

HOCHTIEF's business activities, especially construction and mining, not only require a great deal of energy but are also emission-intensive. In addition, the upstream end of the construction value chain—the production of materials such as steel and cement—and the downstream end comprising product operation also have significant impacts. Buildings in particular are a significant climate factor: According to the World Green Building Council, properties and construction account for about 36% of the world's total energy consumption and around 39% of energy-related carbon emissions.¹⁾

HOCHTIEF actively supports the goal of limiting the rise in global temperatures to an average of not more than 2 or, if possible, just 1.5°C. That is why, at the 2016 World Climate Conference, we joined with other companies in signing a declaration calling for specific targets for individual sectors. In Germany, 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.

In our day-to-day operations, we implement concrete climate-protection measures such as installing low-emission LED lighting. We increasingly deploy state-of-the-art earthmoving equipment, such as excavators

and wheel loaders, that also require less energy and therefore produce lower emissions than older models.

In the reporting year, our U.S.-based company Turner set the goal of cutting greenhouse gas emissions of on-site operations by 50% by the year 2030. Turner aims to achieve this by continuing to focus on constructing sustainable buildings as well as on innovative, sustainable technologies and processes. Several projects are measuring energy, fuel, and water consumption at the project level.

In 2019, the non-governmental organization CDP once again recognized HOCHTIEF for its contribution to protecting the climate and reducing pollutants. HOCHTIEF achieved a "B" score (2018: "B") in the climate ranking, thus attaining Management status according to the CDP criteria. Our goal is to improve this rating to an "A" score by 2030.

Key indicators

In this chapter, we use indicators to illustrate how our performance in environmental and climate protection is developing. These indicators must always be viewed in relation to Group work done in the year in question, as they are impacted by the quantity, type, location, and size of our projects, i.e. greenhouse gas emissions vary relative to changes in Group work done. This figure amounted to EUR 27.14 billion in 2019 (2018: EUR 25.45 billion). With the coverage figures²⁾, we show the coverage of each indicator in relation to Group work done.

Focus area indicator
Climate and Resource
Protection

Aspect: Climate Protection

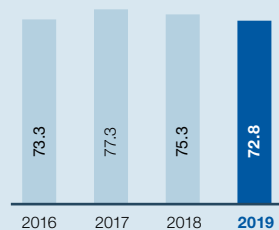
¹⁾World Green Building Council, Global Status Report 2017



²⁾See glossary.

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 Group¹⁾

	2016	2017	2018	2019
Category 1	0	0	0	1
Category 2	6	12	14	30

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. For the definition of environmental damage, see page 142.

(3) Waste volume by type within the HOCHTIEF Group (t)

	Waste volume total	Thereof: hazardous	Thereof: non-hazardous	Group Coverage
2019	9,995,340	93,859	9,901,481	95%
2018	14,538,068	34,507	14,503,561	95%
2017	8,860,189	123,481	8,736,708	95%
2016	2,143,758	48,729	2,095,029	98%

(4) Waste volume by disposal method within the HOCHTIEF Group (t)

	Waste volume total	Thereof: recycled/reused	Thereof: landfilled/disposed	Recycling rate	Group Coverage
2019	9,995,340	7,869,948	2,125,392	81.5%	95%
2018	14,538,068	13,627,330	910,738	87.1%	95%
2017	8,860,189	8,024,991	835,198	90.6%	95%
2016	2,143,758	1,592,591	551,167	74.3%	98%

(5) Main materials used within the HOCHTIEF Group¹⁾

Asphalt (t)	2016	2017	2018	2019
HOCHTIEF Americas	–	–	749,019	684,841
HOCHTIEF Asia Pacific	39,000	345,000	362,700	1,036,000
HOCHTIEF Europe	–	–	–	–
HOCHTIEF Group	39,000	345,000	1,111,719	1,720,841
Group Coverage	41%	45%	48%	45%

Concrete (m ³)	2016	2017	2018	2019
HOCHTIEF Americas	2,291,284	1,035,900	1,535,384	1,594,670
HOCHTIEF Asia Pacific	1,737,083	1,430,000	1,569,542	2,321,042
HOCHTIEF Europe	779,304	699,108	538,063	605,301
HOCHTIEF Group	4,807,671	3,165,008	3,642,989	4,521,013
Group Coverage	100%	100%	100%	100%

Wood (m ³)	2016	2017	2018	2019
HOCHTIEF Americas	385,192	1,168,859	3,725,928	2,130,450
HOCHTIEF Asia Pacific	9,231	22,667	34,533	11,867
HOCHTIEF Europe	13,518	12,424	12,657	11,944
HOCHTIEF Group	407,941	1,203,950	3,773,118	2,154,261
Group Coverage	95%	95%	100%	100%

Steel (t)	2016	2017	2018	2019
HOCHTIEF Americas	342,904	138,061	354,666	270,369
HOCHTIEF Asia Pacific	630,000	196,000	139,400 ¹⁾	137,400
HOCHTIEF Europe	68,659	129,219	98,960	35,570
HOCHTIEF Group	1,041,563	463,280	593,026¹⁾	443,339
Group Coverage	100%	100%	100%	100%

¹⁾Calculations based on mean prices.

The data for 2016 and 2017 are neither part of the statutory audit of the annual financial statements and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

¹⁾Figures restated retrospectively

(6) Main energy consumption within the HOCHTIEF Group¹⁾

Gasoline (MWh)	2016	2017	2018	2019
HOCHTIEF Americas	33,352	14,058	116,360	99,768
HOCHTIEF Asia Pacific	12,766	5,260	8,276	6,245
HOCHTIEF Europe	5,881	13,186	10,532	4,338
HOCHTIEF Group	51,999	32,504	135,168	110,351
Group Coverage	100%	100%	100%	100%

Diesel (MWh)	2016	2017	2018	2019
HOCHTIEF Americas	14,424	637	551,229	524,468
HOCHTIEF Asia Pacific	7,722,000	8,569,000	9,872,119	10,410,000
HOCHTIEF Europe	111,091	160,663	85,889	41,520
HOCHTIEF Group	7,847,515	8,730,300	10,509,237	10,975,988
Group Coverage	100%	100%	100%	100%

LPG ¹⁾ (in MWh)	2016	2017	2018	2019
HOCHTIEF Americas	–	–	184	298
HOCHTIEF Asia Pacific	–	–	49,846	57
HOCHTIEF Europe	–	–	0	–
HOCHTIEF Group	–	–	50,030	355
Group Coverage	–	–	48%	94%

Electricity (MWh)	2016	2017	2018	2019
HOCHTIEF Americas ¹⁾	11,919	9,906	9,423	11,991 ²⁾
HOCHTIEF Asia Pacific	94,000	145,000	153,100 ³⁾	140,990
HOCHTIEF Europe	259,245 ⁴⁾	342,384 ⁴⁾	166,854 ⁴⁾	207,991 ⁴⁾
HOCHTIEF Group	365,164	497,290	337,502	360,972
Group Coverage	95%	95%	95%	95%

(7) Business travel within the HOCHTIEF Group¹⁾

Train (km)	2016	2017	2018	2019
HOCHTIEF Americas	–	2,000,000	2,050,114	1,708,196
HOCHTIEF Asia Pacific ²⁾	–	–	–	–
HOCHTIEF Europe	3,314,382	3,452,502	5,516,151	5,059,768
HOCHTIEF Group	3,314,382	5,452,502	7,566,265	6,767,964
Group Coverage	5%	47%	49%	53%

Plane ¹⁾ (km)	2016	2017	2018	2019
HOCHTIEF Americas	66,518,061	65,666,774	73,295,293	72,059,721
HOCHTIEF Asia Pacific	31,744,418	68,143,837	99,745,359	96,187,164
HOCHTIEF Europe	11,717,687	9,629,003	8,615,639	8,478,692
HOCHTIEF Group	109,980,166	143,439,614	181,656,291	176,725,577
Group Coverage	96%	96%	97%	97%

Rental car (km)	2016	2017	2018	2019
HOCHTIEF Americas	–	2,300,000	3,756,042	3,797,097
HOCHTIEF Asia Pacific	1,148,003	5,218,873	6,202,514	6,167,551
HOCHTIEF Europe	671,921	523,986	746,982	511,575
HOCHTIEF Group	1,819,924	8,042,859	10,705,538	10,476,223
Group Coverage	46%	92%	92%	97%

¹⁾ Calculations based on mean prices. The data for 2016 and 2017 is neither part of the statutory audit of the annual financial statements and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

¹⁾ Liquefied Petroleum Gas

¹⁾ From 2017, data include district heating and district cold (2019: 857 MWh).

²⁾ For the first time, data 2019 include electricity consumption from sites participating in Turner's metering project.

³⁾ From 2018, data include green energy (2019: 18,200 MWh).

⁴⁾ Including district heating (2019: 9,393 MWh).

¹⁾ Group Coverage adjusted retroactively due to a correction.

The data for 2016 and 2017 is neither part of the statutory audit of the annual financial statements and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

²⁾ Data is not collected for this mode of transport as it is seldom used for business travel.

¹⁾ For a detailed list of air travel broken down by short, medium, and long-haul flights, please see www.hochtief.com/sustainability.

¹Includes all companies under operational control (excluding joint ventures). Sources for carbon conversion factors: GHG Protocol, DEFRA and Germany's Federal Environmental Agency as well as the Australian framework National Greenhouse and Energy Reporting (NGER). The HOCHTIEF Asia Pacific figures are calculated based on own, specific emissions factors.

(8) Greenhouse gas emissions¹ within the HOCHTIEF Group

Scope 1 (t/CO ₂)	2016	2017	2018	2019
HOCHTIEF Americas	12,186	3,692	176,611	165,327
HOCHTIEF Asia Pacific	1,964,000	2,202,000	2,689,100	2,634,000
HOCHTIEF Europe	31,356	46,278	25,611	12,192
HOCHTIEF Group	2,007,542	2,251,970	2,891,322	2,811,519
Group Coverage	100%	100%	100%	100%

²In principle, calculated on basis of local emission factors.

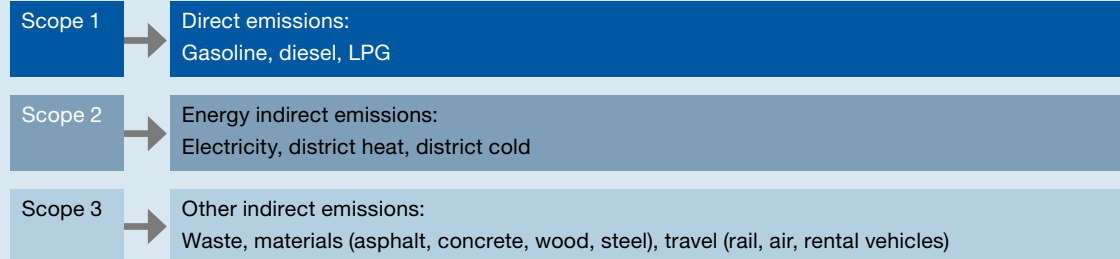
Scope 2 ² (t/CO ₂)	2016	2017	2018	2019
HOCHTIEF Americas	6,057	5,034	4,002	4,922
HOCHTIEF Asia Pacific	89,000	128,000	125,400	122,000
HOCHTIEF Europe	112,451	191,964	82,884	96,299
HOCHTIEF Group	207,508	324,998	212,286	223,221
Group Coverage	95%	95%	95%	95%

³Only upstream activities included. For a detailed breakdown of Scope 3, please see www.hochtief.com/sustainability

⁴Figures restated retrospectively

Scope 3 ³ (t/CO ₂)	2016	2017	2018	2019
HOCHTIEF Americas	1,440,197	835,092	1,714,011	1,167,556
HOCHTIEF Asia Pacific	2,666,000	1,653,000	846,863 ⁴	1,143,020
HOCHTIEF Europe	391,571	453,300	350,138	278,263
HOCHTIEF Group	4,495,768	2,941,392	2,911,012⁴	2,588,839
Group Coverage	67%	84%	85%	86%

Consumption categories included in calculation of Scope emissions at HOCHTIEF



(9) Water withdrawal and reuse within the HOCHTIEF Group (m³)

¹Figures for 2018 restated retrospectively.

²These figures are based on invoice volumes. For this reason, only municipal sources are taken into account for HOCHTIEF Europe.

³The figures reported by CIMIC contain the categories brackish water and produced water for 2018.

	2016	2017	2018 ¹	2019
Municipal water supplies ²	3,819,318	1,035,281	2,925,976	3,204,774
Fresh surface water	723,900	3,019,500	4,381,820	11,868,957
Fresh ground water	3,112,770	1,572,700	1,358,500	2,717,496
Wastewater	-	2,044,700	-	-
Rainwater	-	233,800	-	-
Total water withdrawal	7,655,988	7,906,081	8,886,852³	17,791,227
Group Coverage	50%	52%	95%	95%
Water reused	5,425,000	4,052,300	9,202,200	4,313,400
Group Coverage	41%	45%	43%	39%

¹Cumulative number of certified (since 2000) "green" buildings that were either completed or under construction by HOCHTIEF by the year-end.

²LEED, other

³Green Star, LEED, other

⁴DGNB, LEED, BREEAM, other; including precertifications

(10) Number of green buildings within the HOCHTIEF Group¹

	2016	2017	2018	2019
HOCHTIEF Americas ²	546	605	632	647
HOCHTIEF Asia Pacific ³	63	65	76	76
HOCHTIEF Europe ⁴	55	79	81	92
HOCHTIEF Group	664	749	789	815

¹Cumulative number of certified and registered (since 2013) "green" infrastructure projects by the year-end.

²Greenroads

³ISCA, Greenroads

⁴CEEQUAL

(11) Number of green infrastructure projects within the HOCHTIEF Group¹


	2016	2017	2018	2019
HOCHTIEF Americas ²	1	1	1	1
HOCHTIEF Asia Pacific ³	16	19	25	36
HOCHTIEF Europe ⁴	7	7	7	7
HOCHTIEF Group	24	27	33	44

The indicators specified in this report under the heading of climate protection (in particular ) relate exclusively to materials , energy consumption , 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.

The nature, scope, and location of construction projects during any one year have a direct impact on energy consumption levels and the emissions inferred from them. Due to their unique character, our projects are by nature not comparable with one another: 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, project-related consumption figures were started to be recorded in the HOCHTIEF Europe division in 2019. In the future, the sustainability control system is to be expanded further in order to facilitate long-term management.

CO₂ reductions through sustainable construction

By constructing green buildings , we make a contribution when it comes to cutting carbon emissions. In green projects, we typically use sustainably produced or recycled materials, contract out works regionally, and favor short transportation distances. During their subsequent operation, green buildings deliver considerable benefits compared with conventional buildings: According to a study by the U.S. Department of Energy¹, LEED-certified buildings in the U.S. and other countries use over 25% less energy and 11% less water than ordinary buildings. The contrast is even starker in Australia, where the Green Building Council of Australia² indicates that Green Star-certified properties produce 62% less greenhouse gases and require 51% less drinking water than buildings built to minimum standards.

Due to these significantly better energy and emissions figures during the operating phase, HOCHTIEF actively promotes sustainable building and recommends it to clients. Our aim is to expand our portfolio of sustainable projects over the long term. In 2019, a total of 1,137 accredited auditors were employed across the HOCHTIEF Group, lending their specialized knowledge to certification projects.

Many HOCHTIEF projects concern revitalization, conversion, additions, or refurbishment. Such projects involve no or very little ground surface sealing, so the cityscape is preserved, while the energy supply is completely overhauled. Some materials can be reused, which benefits the environment and the climate by conserving resources and avoiding transportation. In addition, we have developed a concept designed 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.

There is also potential for sustainability ) in infrastructure projects. In some countries, such as Australia, the number of certified road, rail, bridge, and tunnel projects is increasing, because they offer considerable opportunities to save energy and resources during the construction phase as well as during operation and maintenance, and thus not to place unnecessary burdens on the climate. As a rule, in countries where such certification systems are not yet established as the standard, such as Germany or the Netherlands, high environmental standards must be met.

Focus area indicator
Sustainable Products
and Services

Aspect: Green Building:
Number of accredited
auditors

Focus area indicator
Sustainable Products
and Services

Aspect: Life cycle

¹Source: "Re-Assessing Green Building Performance", September 2011

²Source: "The Value of Green Star", 2013


Sales through green building

HOCHTIEF handled projects totaling approximately EUR 8 billion in the green building and green infrastructure segments in 2019 (2018: EUR 8.2 billion).

According to the Engineering News-Record (ENR) ranking, Turner once again led the U.S. market in green building in the reporting year. The HOCHTIEF company generated sales of some EUR 5.9 billion with green buildings in 2019 (2018: EUR 4.8 billion).

In Australia, the CIMIC Group company CPB Contractors leads the market as a sought-after constructor of sustainable infrastructure projects. Total sales in sustainable building construction and infrastructure came to approximately EUR 1.9 billion (2018: EUR 3.1 billion) in the reporting year.

Environmental damage

Despite all precautions, environmental damage cannot be completely ruled out.  We classify damage 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

Should any significant damage occur during projects, it must be immediately reported using the in-house crisis information system. 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. Then we develop measures to avoid potential environmental damage.

One instance of Category 1 environmental damage was reported in 2019. In September 2019, CPB Contractors was fined for four instances of emission of offensive odors in 2017 during work on the WestConnex New M5 project. CPB Contractors has implemented measures to prevent any recurrence.

Fines

Under a court order, CPB Contractors paid some EUR 184,434 (AUD 295,000) in the reporting year in compensation to the Environmental Trust in connection with the WestConnex M5 project. The company also paid the investigative and legal costs of the Environmental Protection Authority.

The internal reporting limit is EUR 10,000.

Examples of environmental and climate protection

Water: How do our projects help protect water quality? Just take a look at Turner's Watershed project in Fremont, Washington. It targets certification from the Salmon-Safe ecolabel, which focuses on protecting wild salmon and their natural habitat. The project team developed a process to retain contaminated rainwater and clean it. After passing through several tiers of bioretention planters, the water flows into Lake Union.

Biodiversity: The team working on a start-up information center in Munich undertook tree and species conservation measures and also integrated an area for bats into the building. As part of the Moers city hall, a PPP project, HOCHTIEF planted a "bee lawn" as a voluntary bonus service, and the company also landscaped a wildflower lawn at the Fürst Wrede military base. HOCHTIEF CZ worked on a project to reforest a former coal mine site—an area totaling some 32,000 square meters—in Silesia in the reporting year.

Climate protection: For the last nine years, Turner has regularly analyzed the workplace situation of its employees in the in-house Green Zone competition. The initiative is about measurable processes to improve health and working conditions on construction sites and in offices. Examples include the use of recycled paper and automatic lighting controls as well as setting up carpools. In 2019, the competition had 258 entrants (2018: 195), 142 of whom were awarded Green Zone status (2018: 140).

HOCHTIEF has developed strict criteria for the selection of company cars. In 2019, CO₂ emissions from company cars in Germany averaged 119 grams per kilometer (2018: 122 grams per kilometer). When replacing company cars, there is a growing preference for engines with lower CO₂ emissions—also out of economic considerations.

Various campaigns help raise awareness around climate protection and mobilize people. Over a three-week period in summer 2019, for instance, numerous HOCHTIEF employees participated in the nationwide Stadtradeln (urban cycling) campaign, consciously avoiding traveling by car and cycling instead. As a result, they reduced CO₂ emissions by almost 1,100 kilograms.

Sustainable products and services: As part of the public-private partnership created around the A6 highway project in Germany, HOCHTIEF created extensive new natural habitats. Furthermore, the percentage of materials recycled on such projects is especially high. Roughly 90% of the old Neckartal Bridge was processed and reused as construction material for roadworks.

The content in this section is neither part of the statutory audit of the annual financial statements and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.



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, 2019
Sustainability evaluation	<ul style="list-style-type: none"> • Full integration of CR into financial reporting • Installation of sustainability control and management system 	<ul style="list-style-type: none"> • 99 users of SoFi sustainability software Group-wide (2018: 76 users) • Key data on materials and energy consumption on construction contracts collated within HOCHTIEF Europe project control system (from 2019)
Green building capabilities	<ul style="list-style-type: none"> • Become established as leading provider of green building solutions 	<ul style="list-style-type: none"> • Innovation project focusing on monitoring consumption in sustainable construction processes launched • Defining a climate target for the U.S. building construction business



Focus Area: Compliance Overarching objective: We aim to set compliance standards.

Subject area	Goals by 2030	Status as of December 31, 2019
Anti-corruption	<ul style="list-style-type: none"> • Ensure compliance training for all employees (by the end of 2020) 	<ul style="list-style-type: none"> • Group-wide training for 41,602 employees (2018: 38,735)
Antitrust law	<ul style="list-style-type: none"> • Security in dealing with competitors 	<ul style="list-style-type: none"> • Six online courses on antitrust law aspects in 2019 • Antitrust law as an integral part of general compliance training • Completion of e-learning content on antitrust law (rollout in 2020)



Focus Area: 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, 2019
Occupational safety and health	<ul style="list-style-type: none"> • Reduce lost time injury frequency rate (LTIFR) Group-wide to 0.9 	<ul style="list-style-type: none"> • LTIFR: 1.19 (2018: 1.37)
Further training	<ul style="list-style-type: none"> • Maintain average number of further training hours per employee (2015 comparative figure: 13 hours) 	<ul style="list-style-type: none"> • Further training hours per employee: 21.8 (2018: 20.5)
Recruitment	<ul style="list-style-type: none"> • Meet Group-wide requirements for skilled labor 	<ul style="list-style-type: none"> • 66 young engineers (of which 17 women) recruited in Germany (2018: 70)



Focus Area: Supply chain

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, 2019
Prequalification	<ul style="list-style-type: none"> Subcontractor CR performance defined as metric and established as selection criterion in prequalification 	<ul style="list-style-type: none"> Preparing an extended supplier information system at HOCHTIEF Europe for business partners from high-risk countries, which contains information on human rights and compliance in accordance with the CPI (rollout in 2020). Continuing with the EcoVadis project as one element in the prequalification process at HOCHTIEF Europe
Evaluation	<ul style="list-style-type: none"> Increased number of subcontractor, supplier, and business partner evaluations and implementation of corrective action plans 	<ul style="list-style-type: none"> Systematic supplier and subcontractor assessments at HOCHTIEF Europe (including corrective action plans): preparing the launch of a new system in 2020



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, 2019
Green building and green infrastructure	<ul style="list-style-type: none"> Group-wide expansion of sustainable project portfolio 	<ul style="list-style-type: none"> Cumulative figures as of Dec. 31, 2019: Certified green buildings (LEED, DGNB, Green Star, BREEAM, other certificates): 815 (2018: 789) Certified and registered green infrastructure projects (ISCA, CEEQUAL, Greenroads): 44 (2018: 33) Accredited auditors in HOCHTIEF Group (Dec. 31, 2019): 1,137
Innovation	<ul style="list-style-type: none"> BIM used in all large-scale projects 	<ul style="list-style-type: none"> Current innovation focus; BIM projects delivered in HOCHTIEF Group as of Dec. 31, 2019: more than 2,560 (2018: more than 2,300) BIM training 2019: 3,375 employees trained (2018: 1,179)



Focus Area: Climate and resource protection

Overarching objective: We aim to conserve natural resources and enhance resource protection. We work actively to save CO₂ emissions ourselves and jointly with our clients and business partners.

Subject area	Goals by 2030	Status as of December 31, 2019
Climate protection, water, biodiversity	<ul style="list-style-type: none"> Reduction targets/target quotas defined relative to a base year (by 2020) CDP A rating in Climate Change Disclosure 	<ul style="list-style-type: none"> Data quality improved thanks to increased use of SoFi with 99 users CDP rating—Climate Change Disclosure program: "B" (2018: "B") Participation in CDP Water Disclosure program by CIMIC: "B-" (2018: "B-")
Waste	<ul style="list-style-type: none"> Recycling rate (including reuse) constantly ≥85% 	<ul style="list-style-type: none"> Recycling rate: 79.6% (2018: 87.1%)



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, 2019
Supporting local communities	<ul style="list-style-type: none"> Continued Group commitment to Bridges to Prosperity NGO 	<ul style="list-style-type: none"> 1 project (in Rwanda) (2018: 2 projects)

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 has adopted 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.

	<p>Ensure healthy lives and promote well-being for all at all ages:</p> <ul style="list-style-type: none"> • Active promotion of occupational safety and health; health offerings and sports exercise programs for employees • Construction of healthcare properties • Corporate citizenship/donation and sponsorship projects for local communities
	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all:</p> <ul style="list-style-type: none"> • Extensive continuing education offerings for HOCHTIEF employees • Construction and operation of educational properties • Support for academic projects/collaboration with universities • Corporate citizenship/sponsorship activities focused on education and promotion of young talent
	<p>Ensure availability and sustainable management of water and sanitation for all:</p> <ul style="list-style-type: none"> • Construction of flood protection projects and water treatment plants • Construction of water supply and wastewater disposal projects • Sustainability in the construction process
	<p>Ensure access to affordable, reliable, sustainable, and modern energy for all:</p> <ul style="list-style-type: none"> • Construction of energy infrastructure projects • Construction of sustainable/certified building and infrastructure projects • Construction and operation of renewable energy projects
	<p>Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation:</p> <ul style="list-style-type: none"> • Construction of sustainable, certified infrastructure projects • Implementation of PPP models • Expansion and new construction of transportation infrastructure as well as telecommunications grid expansion • Group-wide digitalization and innovation projects • Involvement in associations and industry initiatives • Support for academic projects/collaboration with universities
	<p>Make cities and human settlements inclusive, safe, resilient, and sustainable:</p> <ul style="list-style-type: none"> • Construction of sustainable, certified, and resilient projects • Construction of cultural and educational properties, public buildings, and public transportation infrastructure • Implementation of PPP models • Corporate citizenship/donation and sponsorship projects for local communities • Involvement in associations and industry initiatives
	<p>Ensure sustainable consumption and production patterns:</p> <ul style="list-style-type: none"> • Sustainability in procurement and in the value chain • High standards in occupational health and safety as well as environmental protection • Life cycle management • Collaboration with EcoVadis



Take urgent action to combat climate change and its impacts:

- Sustainability in the construction process and value chain
- Construction of flood protection projects and resilient infrastructure
- Involvement in associations and industry initiatives



Protect, restore, and promote sustainable use of terrestrial ecosystems:

- Sustainability in the construction process and value chain
- Measures to conserve biodiversity, e.g. rehabilitation measures



Promote peaceful and inclusive societies for sustainable development:

- Active compliance work
- Corporate citizenship/donation and sponsorship projects for local communities



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.

HAMBURG HEIGHTS



Tradition-rich urban development

What Hamburg locals know as “Spiegel island”—the former home of Der Spiegel magazine—has undergone a full make-over. Two landmarked buildings have been sustainably revitalized and supplemented with new buildings to create the state-of-the-art Hamburg Heights ensemble, designed and built by HOCHTIEF. Office and hotel space, residential units, restaurants, and retail outlets combine in this lively new urban precinct.

HOCHTIEF Group Consolidated Financial Statements as of and for the year ended December 31, 2019

Consolidated statement of earnings	151
Consolidated statement of comprehensive income	152
Consolidated balance sheet	153
Consolidated statement of cash flows.....	154
Consolidated statement of changes in equity.....	155
Notes to the consolidated financial statements	156
Accounting policies.....	156
Explanatory notes to the consolidated statement of earnings	176
Explanatory notes to the consolidated balance sheet	184
Other disclosures.....	214
Boards	241
Responsibility statement.....	244
Independent auditor's report.....	245

Consolidated Statement of Earnings

(EUR thousand)	Note	2019	2018 (restated)
Sales	(2)	25,851,855	23,882,290
Changes in inventories		3,238	(19,438)
Other operating income	(3)	191,437	170,455
Materials	(4)	(18,989,659)	(17,355,300)
Personnel costs	(5)	(4,388,675)	(4,168,083)
Depreciation and amortization	(6)	(701,326)	(562,189)
Other operating expenses	(7)	(1,062,619)	(1,143,555)
Provision and asset impairment in relation to Middle East exit	(8)	(1,694,600)	-
Share of profits and losses of equity-method associates and joint ventures	(9)	282,286	231,842
Net income from other participating interests	(9)	33,893	58,285
Investment and interest income	(10)	80,559	107,406
Investment and interest expenses	(10)	(233,858)	(222,675)
Profit before tax		(627,469)	979,038
Income taxes	(11)	292,232	(258,921)
Profit after tax		(335,237)	720,117
Of which: Attributable to non-controlling interest	(12)	[(128,990)]	[177,122]
Of which: Attributable to HOCHTIEF shareholders (net profit)		[(206,247)]	[542,995]
Earnings per share (EUR)			
Diluted and basic earnings per share	(33)	(2.92)	8.30

Consolidated Statement of Comprehensive Income

(EUR thousand)	Note (25)	2019	2018 (restated)
Profit after tax		(335,237)	720,117
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		38,156	56,203
Changes in fair value of financial instruments			
Primary		27,301	(7,707)
Derivative		(9,879)	494
Share of other comprehensive income of equity-method associates and joint ventures		(35,215)	(8,584)
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		(35,938)	(13,667)
Other comprehensive income (after tax)		(15,575)	26,739
Total comprehensive income after tax		(350,812)	746,856
Of which: Non-controlling interest		[(123,146)]	[191,742]
Of which: HOCHTIEF Group		[(227,666)]	[555,114]

Consolidated Balance Sheet

(EUR thousand)	Note	Dec. 31, 2019	Dec. 31, 2018 (restated)	Jan. 1, 2018 (restated)
Assets				
Non-current assets				
Intangible assets	(13)	1,187,203	1,159,395	1,191,858
Property, plant and equipment	(14)	1,857,274	1,647,150	1,494,526
Investment properties	(15)	3,778	7,195	9,488
Equity-method investments	(16)	1,927,787	1,865,368	305,540
Other financial assets	(17)	83,696	73,481	73,528
Financial receivables	(18)	97,904	486,760	484,306
Other receivables and other assets	(19)	166,193	168,385	153,785
Non-current income tax assets	(20)	19,962	21,162	3,327
Deferred tax assets	(21)	720,957	126,398	263,604
		6,064,754	5,555,294	3,979,962
Current assets				
Inventories	(22)	434,976	378,018	424,942
Financial receivables	(18)	171,982	178,045	105,169
Trade receivables and other receivables	(19)	6,290,405	5,497,572	4,808,353
Current income tax assets	(20)	27,281	23,444	44,516
Marketable securities	(23)	454,111	445,474	428,759
Cash and cash equivalents	(24)	4,458,020	3,565,888	3,094,924
Assets held for sale		–	920	20,983
		11,836,775	10,089,361	8,927,646
		17,901,529	15,644,655	12,907,608
Liabilities and Shareholders' Equity				
Shareholders' equity				
	(25)			
Attributable to the Group				
Subscribed capital		180,856	180,856	164,608
Capital reserve		1,711,057	1,710,499	818,177
Retained earnings		(702,958)	(81,036)	(271,408)
Of which: Deduction for treasury stock		[1,641]	[2,557]	[3,252]
Accumulated other comprehensive income		(323,022)	(301,603)	(313,722)
Distributable profit		409,751	351,821	217,334
		1,275,684	1,860,537	614,989
Non-controlling interest				
		309,173	550,789	467,336
		1,584,857	2,411,326	1,082,325
Non-current liabilities				
Provisions for pensions and similar obligations	(27)	428,193	390,013	367,751
Other provisions	(28)	350,682	370,271	348,751
Financial liabilities	(29)	2,726,365	2,069,838	2,183,235
Lease liabilities	(30)	528,976	535,601	498,865
Trade payables and other liabilities	(31)	185,314	71,089	121,477
Deferred tax liabilities	(21)	48,980	51,020	32,381
		4,268,510	3,487,832	3,552,460
Current liabilities				
Other provisions	(28)	1,046,590	842,152	728,590
Financial liabilities	(29)	944,017	599,623	235,561
Financial liabilities (exit from Middle East region)	(8)	927,431	–	–
Lease liabilities	(30)	255,879	245,921	149,664
Trade payables and other liabilities	(31)	8,830,262	8,044,846	7,135,762
Current income tax liabilities	(32)	43,983	12,955	23,246
		12,048,162	9,745,497	8,272,823
		17,901,529	15,644,655	12,907,608

Consolidated Statement of Cash Flows

(EUR thousand)	Note (37)	2019	2018 (restated)
Profit after tax		(335,237)	720,117
Depreciation, amortization, impairments, and impairment reversals		679,992	548,822
Changes in provisions		13,580	107,359
Changes in deferred taxes		(581,676)	135,600
Gains/(losses) from disposals of non-current assets and marketable securities		(8,770)	(40,174)
Other non-cash income and expenses and deconsolidations		1,732,435	(152,484)
Changes in working capital (net current assets)		99,456	251,170
Changes in other balance sheet items		2,140	1,840
Cash flow from operating activities		1,601,920	1,572,250
Intangible assets, property, plant and equipment, and investment properties			
Operational purchases		(542,466)	(411,373)
Other purchases		(44,861)	–
Payments from asset disposals		24,355	67,551
Acquisitions and participating interests			
Disbursements for the acquisition of Abertis HoldCo		(1,497)	(1,406,752)
Other purchases		(179,310)	(142,915)
Payments from asset disposals/divestments		26,079	60,157
Disbursements for the acquisition of Abertis Infraestructuras (HOCHTIEF shareholding)		–	(3,303,908)
Payments from the sale of Abertis Infraestructuras (HOCHTIEF shareholding)		–	3,303,908
Disbursements for the acquisition of Abertis Infraestructuras (Atlantia/ACS shareholdings)		–	(13,215,633)
Payments 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		(367)	28,118
Changes in marketable securities and financial receivables		(248,423)	1,027
Cash flow from investing activities		(966,490)	(1,804,187)
Payment from capital increase		–	907,833
Payments received from sale of treasury stock		1,475	1,432
Disbursements for repurchase of treasury stock at CIMIC		(10,386)	–
Payments into equity from non-controlling interests		17,091	26,305
Payments from equity to non-controlling interests		(28,461)	(31,664)
Dividends to HOCHTIEF's and non-controlling interests		(461,986)	(317,905)
Proceeds from new borrowing		2,233,224	1,025,773
Debt repayment		(1,249,029)	(779,223)
Repayment of lease liabilities		(300,940)	(197,596)
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		200,988	634,955
Net change in cash and cash equivalents		836,418	403,018
Effect of exchange rate changes		55,714	67,946
Overall change in cash and cash equivalents		892,132	470,964
Cash and cash equivalents at the start of the year		3,565,888	3,094,924
Cash and cash equivalents at year-end		4,458,020	3,565,888

Consolidated Statement of Changes in Equity

Note 25	Subscribed capital of HOCHTIEF Aktiengesellschaft	Capital reserve of HOCHTIEF Aktiengesellschaft	Retained earnings	Accumulated other comprehensive income			Distributable profit	Attributable to HOCHTIEF shareholders	Attributable to non-controlling interest	Total
				Remeasurement of defined benefit plans	Currency translation differences	Changes in fair value of financial instruments				
(EUR thousand)										
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 of accounting and evaluation methods IFRS 9/15	-	-	(1,067,010)	-	(57,567)	-	-	(1,124,577)	(269,918)	(1,394,495)
Change of accounting and evaluation methods IFRS 16	-	-	(48,548)	-	-	-	-	(48,548)	(8,734)	(57,282)
Balance as of Jan. 1, 2018*	164,608	818,177	(271,408)	(306,683)	21,731	(28,770)	217,334	614,989	467,336	1,082,325
Dividends paid	-	-	-	-	-	-	(217,184)	(217,184)	(100,721)	(317,905)
Profit after tax*	-	-	-	-	-	-	542,995	542,995	177,122	720,117
Currency translation differences and changes in fair value of financial instruments*	-	-	-	-	41,792	(16,006)	-	25,786	14,620	40,406
Changes from remeasurement of defined benefit plans	-	-	-	(13,667)	-	-	-	(13,667)	-	(13,667)
Total comprehensive income*	-	-	-	(13,667)	41,792	(16,006)	542,995	555,114	191,742	746,856
Capital increase	16,248	891,585	-	-	-	-	-	907,833	-	907,833
Transfer to retained earnings	-	-	191,324	-	-	-	(191,324)	-	-	-
Other changes not recognized in the Statement of Earnings	-	737	(952)	-	-	-	-	(215)	(7,568)	(7,783)
Balance as of Dec. 31, 2018/Jan. 1, 2019*	180,856	1,710,499	(81,036)	(320,350)	63,523	(44,776)	351,821	1,860,537	550,789	2,411,326
Dividends paid	-	-	-	-	-	-	(351,647)	(351,647)	(110,339)	(461,986)
Profit after tax	-	-	-	-	-	-	(206,247)	(206,247)	(128,990)	(335,237)
Currency translation differences and changes in fair value of financial instruments	-	-	-	-	30,826	(16,307)	-	14,519	5,844	20,363
Changes from remeasurement of defined benefit plans	-	-	-	(35,938)	-	-	-	(35,938)	-	(35,938)
Total comprehensive income	-	-	-	(35,938)	30,826	(16,307)	(206,247)	(227,666)	(123,146)	(350,812)
Transfer to retained earnings	-	-	(615,824)	-	-	-	615,824	-	-	-
Other changes not recognized in the Statement of Earnings	-	558	(6,098)	-	-	-	-	(5,540)	(8,131)	(13,671)
Balance as of Dec. 31, 2019	180,856	1,711,057	(702,958)	(356,288)	94,349	(61,083)	409,751	1,275,684	309,173	1,584,857

*Restated due to the first-time application of IFRS 16.

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 2019 reporting year, comprising the reporting period from January 1 to December 31, 2019.

The Executive Board of HOCHTIEF Aktiengesellschaft released the financial statements for publication on February 10, 2020. They will be approved at the Supervisory Board meeting on February 11, 2020.

Basis of consolidation

The Consolidated Financial Statements include HOCHTIEF Aktiengesellschaft as well as fundamentally all German and foreign subsidiaries under its direct or indirect control. HOCHTIEF Aktiengesellschaft is normally considered to control a company when it holds the majority of the voting rights. This generally goes hand in hand with a majority shareholding. A further 11 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, 2019 include HOCHTIEF Aktiengesellschaft and a total of 45 German and 373 foreign consolidated companies as well as four special-purpose investment funds (Spezialfonds). The number of consolidated companies decreased by six compared with the previous year. The number of special-purpose investment funds stayed unchanged. A total of four German companies and 12 foreign companies were consolidated for the first time in the reporting year. The additions were in the HOCHTIEF Asia Pacific division (11), the HOCHTIEF Americas division (1), the HOCHTIEF Europe division (1), and at Corporate Headquarters (3). A total of four German and 18 foreign companies were removed from the consolidated group. The companies removed from the consolidated group related to the HOCHTIEF Asia Pacific division (8), the HOCHTIEF Americas division (7), and the HOCHTIEF Europe division (7). 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-six affiliated companies of minor overall significance to the Group's financial position and results of operations were not consolidated. Their combined sales represented less than 1% of consolidated sales.

Sixteen domestic and 111 foreign associates were accounted for using the equity method. This number declined by a total of 19 companies, with six companies added and 25 removed. The additions were in the HOCHTIEF Asia Pacific division (5), and the HOCHTIEF Americas division (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 nine companies were not accounted for using the equity method.

A total of 75 joint operations are included in the Consolidated Financial Statements in relation to the interest in these joint operations. These relate to the HOCHTIEF Asia Pacific division (68), the HOCHTIEF Americas division (6), and the HOCHTIEF Europe division (1).

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 carrying book value may be impaired. Any remaining negative difference arising from 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. 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 Group accounting policies.

Currency translation

For currency translation purposes, the following exchange rates have been used for the main Group companies outside the euro area:

(All rates in EUR)	Annual average		Daily average at reporting date	
	2019	2018	2019	2018
1 U.S. dollar (USD)	0.89	0.85	0.89	0.87
1 Australian dollar (AUD)	0.62	0.63	0.63	0.62
1 British pound (GBP)	1.14	1.13	1.18	1.12
100 Polish zloty (PLN)	23.26	23.43	23.49	23.25
100 Czech koruna (CZK)	3.90	3.89	3.94	3.89
100 Chilean pesos (CLP)	0.13	0.13	0.12	0.13

In their separate financial statements, Group companies account for 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 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

Revenue from Contracts with Customers

Sales are accounted for in the HOCHTIEF Group net of VAT and other taxes as well as expected reductions such as trade discounts and rebates. Revenue under construction contracts and under construction management and service agreements is recognized as described in the following.

The contractual terms and the way in which the HOCHTIEF Group operates its **construction contracts** are predominantly derived from projects containing a single performance obligation. Cumulative performance to date, including the Group's share of net profit, is generally recognized as sales over time. 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 uses mainly input methods to determine construction revenue. For other types of project (among others 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.

Contracts are recognized as **contract assets** in trade receivables or as **contract liabilities** in trade payables according to the relationship between the HOCHTIEF Group's performance and the customer's payments. 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. Netting is carried out at project level. 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 realization of the entire receivable or performance of the construction contract extends over more than twelve months. 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. Revenue is thus 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 while also considering the constraint requirement.

Revenue from **construction management and service agreements** arises from maintenance and other services, which may involve a range of services and processes. If different services are closely related they are single performance obligation and performance over time. Related revenues are therefore recognized in the HOCHTIEF Group with progress over time. In contrast to construction contracts, output methods such as the units-of-delivery method provide a more precise estimate of project execution progress and of the associated costs. As with revenue from construction contracts, there are also 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.

Contract costs incurred during a tender process are capitalized 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 course of the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, 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 have any contracts where the period up to 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 therefore estimated and included in the total costs of the contracts. Where required, amounts are recognized accordingly according to IAS 37 as provisions.

Concerning **loss-making contracts**, a provision is recognized for the difference of the expected cost of fulfilling a contract and the expected unearned portion of the transaction price when the forecast costs are greater than the forecast revenue.

Items on the Consolidated Balance Sheet

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
Right-of-use assets	2–70

Estimated useful lives and depreciation methods are reviewed annually.

Right-of-use assets are recognized for leased items of property, plant and equipment in the amount of the corresponding lease liability, taking into account any lease payments made at or before the commencement date, less any lease incentives received and any direct costs. Any restoration costs for an item of property, plant and equipment are included in the cost of the right-of-use asset. The right-of-use asset is subsequently measured using the cost model at cost over the lease term less any accumulated depreciation and any accumulated impairment losses.

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.

A service concession arrangement is an arrangement under which a public entity commissions the financing, design, development, construction or expansion, and the operation and maintenance of public service infrastructure (such as roads, bridges, tunnels, schools). HOCHTIEF is paid for its services as operator over the period of the arrangement. Service concession arrangements are typically for a duration of up to 30 years. From HOCHTIEF's perspective, the consideration paid by the public entity for the services performed may constitute rights to a financial or to an intangible asset. The criterion that decides whether a financial or an intangible asset is recognized is whether the consideration is subject to demand risk.

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 measured 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.

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 resulting 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. Current tax expense is normally measured for the purposes of the annual financial statements in accordance with the interpretation of the law applied by the taxation authorities. Tax returns are prepared in accordance with applicable law, taking into account current case law and updated administrative instructions. If a field audit results in uncertain tax items that may give rise to payment obligations, the eventuality is accounted for by recognizing a tax provision. Risk items are assessed and, if it is found to be more probable than not that they will result in an outflow of resources, a provision is recognized in the amount of the expected tax liability. Potential tax receivables as a result of recent legal developments are accounted for by reducing the tax provision or, in the case of a reimbursement claim, by recognizing the amount receivable. Reductions in tax liability mutually agreed with the tax authorities in a field audit are accounted for by reducing the tax provision or by recognizing a receivable, as applicable. Opportunities arising from settled litigation or appeal proceedings are accounted for if the taxation authorities accept that the legal principles apply by publishing the appeal decisions. Any opportunities that arise from unpublished litigation or appeal proceedings but must first be asserted by actively litigating are disclosed to the extent that they exist and are quantifiable and not immaterial.

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.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate for discounting as a starting point.

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 recognized on the balance sheet unless assumed in the course of a business combination. The amounts stated for contingent liabilities reflect the amount of the liability as of the reporting date.

Financial instruments

The following section first outlines in brief the **classification, measurement, and derecognition rules** relevant to the HOCHTIEF Group with regard to financial assets and liabilities. Explanatory notes are then provided on the balance sheet items within the scope of IFRS 9, comprising other financial assets, long-term loans, receivables and other assets, marketable securities, liabilities, and derivative financial instruments.

Financial assets and liabilities—except trade receivables—that are within the scope of IFRS 9 are initially recognized at fair value. Financial assets are 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 following **classification** criteria are applied:

- 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") after adjusting for deferred taxation. Unrealized gains or losses are reclassified to profit or loss on disposal;
- All other debt investments and equity investments are measured subsequently at fair value through profit or loss ("FVPL").

Notwithstanding the above, 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 recognized by an acquirer in a business combination in other comprehensive income after adjusting for deferred taxation. Unrealized gains or losses are reclassified to retained earnings on disposal;
- 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.

With regard to **measurement**, expected credit losses are taken into account in the presentation of impairments of financial assets at amortized cost or “FVOCI”. 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.

Financial assets are **derecognized** when the contractual rights to the cash flows from the financial asset expire or substantially all the risks and rewards of ownership are transferred to another entity. The HOCHTIEF Group also derecognizes financial assets if it no longer has control over an asset, although none of the substantial risks and rewards of ownership have been either transferred or retained. If the HOCHTIEF Group retains control, it continues to recognize the asset to the extent of its continuing involvement together with an associated liability for any obligations that have been retained.

The interests in non-consolidated subsidiaries and other participating interests accounted for under **other financial assets** fall under the “FVPL” measurement category. 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. Cost may be an appropriate estimate of fair value if only insufficient recent information is available to measure fair value or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. Initial measurement is performed as of the settlement date.

Long-term loans are stated at amortized cost. Loans bearing interest at normal market rates are reported at cost, 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. Subsequent measurement is based on the effective interest rate method taking into account transaction costs, which are all costs that would not have been incurred had the transaction not been entered into. Receivables comprise financial receivables, trade receivables, and other receivables. Accounting provision is 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 effective interest rate method is applied to the net carrying amount. Such objective evidence of 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. The effective interest rate is applied in such cases to the gross carrying amount. Significant changes in credit risk are taken into account on an ongoing basis. Receivables are derecognized in connection with factoring if substantially all risks and rewards of ownership are transferred.

The **marketable securities** shown under current assets are classified in the AC or the FVOCI 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 at fair value 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 AC and FVOCI 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 no objective evidence of impairment, the effective interest rate is applied to the gross carrying amount. If, however, there is objective evidence that a financial asset may be impaired, the effective interest rate is applied to the net carrying amount. Selected marketable securities are adjusted to fair value through other comprehensive income on the basis of the rules for use of the overlay approach.

Liabilities are recognized at amortized cost and subsequently measured using the effective interest rate method. Supply chain finance arrangements with banks match usual payment terms and do not modify the original liability toward the supplier, hence the amounts are presented under trade payables or other liabilities.

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 trade 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 and economic risk control. 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 that portion of changes in value that are determined to be effective for hedging purposes is recognized in equity. The ineffective portion is recognized directly as income or expense. In the HOCHTIEF Group, only cash flow hedges are entered into. There are also derivatives—such as a call option—which are used for economic hedging purposes but for which no hedge accounting is applied. In such cases, changes in fair value are recognized in income or expense.

Judgments made by management in applying the accounting policies primarily relate to the following matters:

- Construction/PPP and construction management/services business
 - 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 a customer's preparedness to accept contract variations and claims;
 - estimation of project completion date; and
 - assumed levels of project execution productivity.
- Estimation of allowance for expected credit losses on financial assets.
- Determination of whether an arrangement constitutes a lease.
- Leases must be assessed to determine whether the substantial risks and rewards of beneficial ownership transfer to the lessee.
- Financial assets may be measured, irrespective of measurement category, at fair value through profit or loss.
- 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.
- The estimation of residual value guarantees and options for the purchase of lease liabilities.
- The estimation of options to extend a lease.
- Accounting for provisions.
- Testing goodwill on the basis of the three-year plan or, in the case of listed companies, on the basis of the share price and other assets for impairment
- The assessment of the recognition of deferred taxes considering the expected future performance of the business in line with Group strategy

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 2019

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, 2019.

The changes relate to the following standards and interpretations:

IFRS 16 Leases:

As of January 1, 2019, the HOCHTIEF Group adopted **IFRS 16 “Leases”**, which 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”.

The Group adopted IFRS 16 using the full retrospective approach. HOCHTIEF did apply the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application. It applies the definition of a lease only to contracts entered into (or changed) on or after the date of initial application. The Group also exercises the option of aggregating lease and non-lease components with the exception of real estate leases and recognizing them uniformly as leases in the balance sheet.

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 the 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 recognizes 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”). HOCHTIEF presents the interest expense on the lease liability separately from the depreciation charge on the right-of-use asset.

Lessees are also 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.

Operating lease expenses continue to exist for short-term leases (up to 12 months) as well as for low-value assets.

Effects of first-time application of IFRS 16

The Group has applied IFRS 16 in full retrospectively and therefore, the comparative figures have been restated as if the new accounting policy had always been applied. The disclosure notes have also been restated where required for comparatives under new disclosure requirements. The adjustments due to the application of the new standard for the Consolidated Balance Sheet, Consolidated Statement of Earnings and Consolidated Statement of Cash Flows are presented below.

Impact on Consolidated Balance Sheet as of December 31, 2018

(EUR thousand)	Dec. 31, 2018	Restatement IFRS 16	Dec. 31, 2018 (restated)
Assets			
Non-current assets			
Property, plant and equipment ¹⁾	979,232	667,918	1,647,150
Deferred tax assets ²⁾	113,894	12,504	126,398
Total assets impact		680,422	
Liabilities and Shareholders' Equity			
Shareholders' equity			
Attributable to HOCHTIEF shareholders ³⁾	1,905,992	(45,455)	1,860,537
Attributable to non-controlling interest	559,391	(8,602)	550,789
Total equity impact	2,465,383	(54,057)	2,411,326
Non-current liabilities			
Lease liabilities	–	535,601	535,601
Trade payables and other liabilities	97,939	(26,850)	71,089
Deferred tax liabilities ²⁾	51,702	(682)	51,020
Current liabilities			
Lease liabilities	–	245,921	245,921
Trade payables and other liabilities	8,064,357	(19,511)	8,044,846
Total liabilities impact		734,479	

¹⁾ IFRS 16 has led to recognized amounts for right-of-use assets within property, plant and equipment and lease liabilities on the face of the balance sheet representing the Group's portfolio of leased assets made up by property, plant, operating equipment and vehicles utilized by the Group.

²⁾ Adjustments under IFRS 16 are subject to tax effect accounting and therefore the net deferred tax position has been impacted.

³⁾ At December 31, 2018, the retained earnings adjustment has increased by around EUR 3 million (EUR 45.5 million).

Impact on Consolidated Balance Sheet as of January 1, 2018

(EUR thousand)	Jan. 1, 2018	Restatement IFRS 16	Jan. 1, 2018 (restated)
Assets			
Non-current assets			
Property, plant and equipment ⁴⁾	959,854	534,672	1,494,526
Deferred tax assets ⁵⁾	251,221	12,383	263,604
Total assets impact		547,055	
Liabilities and Shareholders' Equity			
Shareholders' equity			
Attributable to HOCHTIEF shareholders ⁶⁾	663,537	(48,548)	614,989
Attributable to non-controlling interest	476,070	(8,734)	467,336
Total equity impact	1,139,607	(57,282)	1,082,325
Non-current liabilities			
Lease liabilities	–	498,865	498,865
Trade payables and other liabilities	129,382	(7,905)	121,477
Deferred tax liabilities ⁵⁾	32,848	(467)	32,381
Current liabilities			
Lease liabilities	–	149,664	149,664
Trade payables and other liabilities	7,171,582	(35,820)	7,135,762
Total liabilities impact		604,337	

⁴⁾ IFRS 16 has led to recognized amounts for right-of-use assets within property, plant and equipment and lease liabilities on the face of the balance sheet representing the Group's portfolio of leased assets made up by property, plant, operating equipment and vehicles utilized by the Group.

⁵⁾ Adjustments under IFRS 16 are subject to tax effect accounting and therefore the net deferred tax position has been impacted.

⁶⁾ Retained earnings have been adjusted at January 1, 2018 for the impact of IFRS 16 using the full retrospective method which led to a decrease in equity of EUR 48.5 million.

Impact on Consolidated Statement of Earnings as of December 31, 2018

(EUR thousand)	2018	Restate- ment	2018 (restated)
Sales	23,882,290	–	23,882,290
Changes in inventories	(19,438)	–	(19,438)
Other operating income	170,360	95	170,455
Materials ¹⁾	(17,396,911)	41,611	(17,355,300)
Personnel costs	(4,168,083)	–	(4,168,083)
Depreciation and amortization ¹⁾	(391,590)	(170,599)	(562,189)
Other operating expenses ¹⁾	(1,303,961)	160,406	(1,143,555)
Share of profits and losses of equity-method associates and joint ventures	231,842	–	231,842
Net income from other participating interests	58,285	–	58,285
Investment and interest income	107,406	–	107,406
Investment and interest expenses ¹⁾	(191,761)	(30,914)	(222,675)
Profit before tax	978,439	599	979,038
Income taxes	(259,888)	967	(258,921)
Profit after tax	718,551	1,566	720,117
Of which: Attributable to non-controlling interest	[177,455]	[(333)]	[177,122]
Of which: Attributable to HOCHTIEF shareholders (Group net profit)	[541,096]	[1,899]	[542,995]
Earnings per share (EUR)²⁾	8.27	0.03	8.30

¹⁾IFRS 16 changed the amount and presentation of lease-related expenses. Under IAS 17, operating lease expenses were presented as operating expenses, whereas IFRS 16 splits the lease expense into depreciation of the right-of-use assets recognized and investment and interest expenses on lease liabilities. This has driven a decrease in the operating lease expense and increases in depreciation and finance costs. Consequently, this has also impacted the Group's EBITDA.

²⁾The adjusted profit has led to a marginal change in the Group's earnings per share.

Impact on Consolidated Statement of Cash Flows as of December 31, 2018

(EUR thousand)	2018	Restatement	2018 (restated)
Profit after tax	718,551	1,566	720,117
Depreciation, amortization, impairments and impairment reversals	378,223	170,599	548,822
Changes in provisions	107,359	–	107,359
Changes in deferred taxes	136,567	(967)	135,600
Gains/(losses) from disposals of non-current assets and marketable securities	(40,174)	–	(40,174)
Other non-cash income and expenses and deconsolidations	(183,398)	30,914	(152,484)
Net working capital change	255,686	(4,516)	251,170
Changes in other balance sheet items	1,840	–	1,840
Cash flow from operating activities³⁾	1,374,654	197,596	1,572,250
Intangible assets, property, plant and equipment, and investment properties			
Operational purchases	(411,373)	–	(411,373)
Payments from asset disposals	67,551	–	67,551
Acquisitions and participating interests			
Disbursements for the acquisition of Abertis HoldCo	(1,406,752)	–	(1,406,752)
Other purchases	(142,915)	–	(142,915)
Payments from asset disposals/divestments	60,157	–	60,157
Disbursements for the acquisition of Abertis Infraestructuras (HOCHTIEF shareholding)	(3,303,908)	–	(3,303,908)
Payments from the sale of Abertis Infraestructuras (HOCHTIEF shareholding)	3,303,908	–	3,303,908
Disbursements for the acquisition of Abertis Infraestructuras (Atlantia/ACS shareholdings)	(13,215,633)	–	(13,215,633)
Payments from the sale of Abertis Infraestructuras (Atlantia/ACS shareholdings)	13,215,633	–	13,215,633
Changes in cash and cash equivalents due to changes in the scope of consolidation	28,118	–	28,118
Changes in marketable securities and financial receivables	1,027	–	1,027
Cash flow from investing activities	(1,804,187)	–	(1,804,187)
Payment from capital increase	907,833	–	907,833
Payments received from sale of treasury stock	1,432	–	1,432
Payments into equity by non-controlling interests	26,305	–	26,305
Payments from equity to non-controlling interests	(31,664)	–	(31,664)
Dividends to HOCHTIEF's and non-controlling interests	(317,905)	–	(317,905)
Proceeds from new borrowing	1,025,773	–	1,025,773
Debt repayment	(779,223)	–	(779,223)
Repayment of lease liabilities	–	(197,596)	(197,596)
New borrowing for the acquisition of Abertis Infraestructuras (HOCHTIEF shareholding)	3,191,463	–	3,191,463
Repayment of debt for the acquisition of Abertis Infraestructuras (HOCHTIEF shareholding)	(3,191,463)	–	(3,191,463)
New borrowing for the acquisition of Abertis Infraestructuras (Atlantia/ACS shareholdings)	13,215,633	–	13,215,633
Repayment of debt for the acquisition of Abertis Infraestructuras (Atlantia/ACS shareholdings)	(13,215,633)	–	(13,215,633)
Cash flow from financing activities³⁾	832,551	(197,596)	634,955
Net change in cash and cash equivalents	403,018	–	403,018
Effect of exchange rate changes	67,946	–	67,946
Overall change in cash and cash equivalents	470,964	–	470,964
Cash and cash equivalents at the start of the year	3,094,924	–	3,094,924
Cash and cash equivalents at year-end	3,565,888	–	3,565,888

³⁾Lease payments are now classified within financing activities which were previously operating cash flows. The interest portion of the cash payment has also been included as financing activities. This has led to an increase in cash flows from operating activities and a decrease in net cash inflows from financing activities.

Lease recognition

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In such instances, the Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements, except for short-term, cancelable leases that if canceled by the lessee, the losses associated with the cancellation are borne by the lessor and low-value leased assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group has a significant lease portfolio, comprising of predominately property, plant, operating equipment and fleet vehicle rentals. Given the Group's operational involvement in the construction, construction management and services sectors, leasing equipment is a key component of the business.

Measurement and presentation of lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The following items are also included in the measurement of the lease liability:

- Fixed lease payments offset by any lease incentives;
- Variable lease payments, for lease liabilities which are tied to a floating index;
- The amounts expected to be payable to the lessor under residual value guarantees;
- The exercise price of purchase options (if it is reasonably certain that the option will be exercised); and
- Payments of penalties for terminating leases, if the lease term reflects the lease terminating early.

The lease liability is separately disclosed in the balance sheet. The liabilities which will be repaid within 12 months are recognized as current and the liabilities which will be repaid in excess of 12 months are recognized as non-current.

The lease liability is subsequently measured by reducing the balance to reflect the principal lease repayments made and increasing the carrying amount by the interest on the lease liability.

The Group is required to remeasure the lease liability and make an adjustment to the right-of-use asset in the following instances:

- The term of the lease has been modified or there has been a change in the Group assessment of the purchase option being exercised, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- The lease payments are adjusted due to changes in the index or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. However, where the lease payments change is due to a change in a floating interest rate a revised discount rate is used.

Measurement and presentation of right-of-use assets

The right-of-use assets recognized by the Group comprise the initial measurement of the related lease liability, any lease payments made at or before the commencement of the contract, less any lease incentives received and any direct costs. Costs incurred by the Group to dismantle the asset, restore the site or restore the asset are included in the cost of the right-of-use asset.

It is subsequently measured under the cost model with any accumulated depreciation and impairment losses applied against the right-of-use asset. If the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the asset over the shorter period of either the useful life of the asset or the lease term. The depreciation starts at the commencement date of the lease and the carrying value of the asset is adjusted to reflect the accumulated depreciation balance.

Any remeasurement of the lease liability is also applied against the right-of-use asset value.

The right-of-use assets are presented within property, plant and equipment in the balance sheet.

Lessor recognition

The Group enters into lease agreements as a lessor with respect to some property subleases as well as renting equipment to its partners, suppliers and contractors. Those leases are recognized as either finance or operating leases. If the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. If this is not the case, then the lease is recognized as an operating lease. The income received from the operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are included in the carrying amount of the leased asset. Amounts due from lessees under finance leases are recognized as receivables.

IFRIC 23 Uncertainty over Income Tax Treatments

HOCHTIEF applied IFRIC 23 commencing January 1, 2019. The interpretation clarifies the recognition and measurement requirements for uncertain income tax treatments. In examining uncertainty over income tax treatments, HOCHTIEF considers whether it is probable that the taxation authority will accept an uncertain tax treatment or make changes. In the HOCHTIEF Consolidated Financial Statements, the recognition and measurement obligations resulting from initial application of IFRIC 23 mainly resulted in changes in the presentation of tax provisions and tax liabilities only.

Further changes relate to the following standards and interpretations:

- **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 an Associate or Joint Venture
- **Amendments to IFRS 9 Financial Instruments:** Prepayment Features with Negative Compensation
- **Endorsement of Annual Improvements to IFRSs 2015–2017 Cycle:** Amendments to IFRS 3, IAS 12, and IAS 23.

The disclosure requirements resulting from the amendments to IAS 19, IAS 28, IFRS 9, and from the 2015–2017 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 2019, please see Note 38.

Explanatory Notes to the Consolidated Statement of Earnings

2. Sales

The EUR 25,851,855 thousand (2018: EUR 23,882,290 thousand) sales figure comprises performance obligations recognized under the percentage of completion method in the mainstream construction business, construction management, and contract mining, plus products and services provided to construction joint ventures, and other related services. Contract mining sales accounted for EUR 2,796,802 thousand (2018: EUR 2,505,653 thousand). Secondly, the sales figure includes revenues from services such as construction planning, project development, logistics, asset management, and concessions and insurance business.

Sales by division are allocated to the types of activities "Construction/PPP," "Construction Management/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's service business at HOCHTIEF Asia Pacific, as well as HOCHTIEF Engineering, synexs and Trinac at HOCHTIEF Europe. Sales from non-core businesses are allocated to the category "Other."

The composition of sales is as follows (EUR thousand):

2019

Divisions	Activities	Construction/PPP		Construction Management/Services		Other		Total sales	
HOCHTIEF Americas		1,396,489	5.4%	13,926,106	53.9%	5,185	0.0%	15,327,780	59.3%
HOCHTIEF Asia Pacific		4,684,514	18.2%	4,430,285	17.1%	28,423	0.1%	9,143,222	35.4%
HOCHTIEF Europe		1,150,205	4.4%	46,950	0.2%	28,335	0.1%	1,225,490	4.7%
Corporate		292	0.0%	–	–	155,071	0.6%	155,363	0.6%
HOCHTIEF Group		7,231,500	28.0%	18,403,341	71.2%	217,014	0.8%	25,851,855	100.0%

2018

Divisions	Activities	Construction/PPP		Construction Management/Services		Other		Total sales	
HOCHTIEF Americas		1,307,074	5.5%	11,757,919	49.2%	3,679	0.0%	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	0.0%	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, mainly relating to "Other" activities in Corporate, amount to EUR 186,117 thousand (2018: 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 835 million (2018: EUR 617 million). An amount of EUR 139 million (2018: 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 is as follows (EUR thousand):

2019

Divisions	Construction/PPP		Construction Management/Services		Other		Total order backlog	
	Activities							
HOCHTIEF Americas	4,232,955	8.2%	19,359,957	37.7%	-	-	23,592,912	45.9%
HOCHTIEF Asia Pacific	10,146,371	19.8%	11,933,192	23.2%	1,372,127	2.7%	23,451,690	45.7%
HOCHTIEF Europe	4,283,718	8.3%	33,789	0.1%	-	-	4,317,507	8.4%
Corporate	-	-	-	-	-	-	-	-
HOCHTIEF Group	18,663,044	36.3%	31,326,938	61.0%	1,372,127	2.7%	51,362,109*	100.0%

*includes EUR 6,526,382 thousand of HOCHTIEF's share from equity-accounted joint ventures and associates

2018

Divisions	Construction/PPP		Construction Management/Services		Other		Total order backlog	
	Activities							
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 is equivalent to 23 months of work.

3. Other operating income

(EUR thousand)	2019	2018 (restated)
Income from reversal of provisions	35,274	36,563
Foreign exchange gains	27,752	19,876
Income from disposal of intangible assets, property, plant and equipment, and investment properties	8,340	14,820
Deconsolidation gains and gains from change in the method of consolidation	6,602	20,145
Income from derecognition of/reversals of impairments on receivables	2,608	3,087
Sundry other operating income	110,861	75,964
	191,437	170,455

Deconsolidation gains and gains from change in the method of consolidation relate to the HOCHTIEF Europe division. In the prior year, this item included EUR 13,673 thousand in gains from remeasurement of investments retained in subsidiaries following loss of control.

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)	2019	2018 (restated)
Raw materials, supplies, and purchased goods	2,162,916	2,265,556
Purchased services	16,826,743	15,089,744
	18,989,659	17,355,300

5. Personnel costs

(EUR thousand)	2019	2018
Wages and salaries	3,807,747	3,635,130
Social insurance, pensions, and support	580,928	532,953
	4,388,675	4,168,083

Expenditure on pensions totaled EUR 202,622 thousand (2018: EUR 196,640 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)

	2019	2018
Germany	3,246	3,221
International	50,189	52,375
	53,435	55,596

6. Depreciation and amortization

(EUR thousand)	2019	2018 (restated)
Intangible assets	31,820	33,257
Property, plant and equipment	668,284	528,576
Of which: Right-of-use assets for leases	[262,724]	[170,599]
Investment properties	1,222	356
	701,326	562,189

Depreciation and amortization includes impairment losses in the HOCHTIEF Europe division in the amount of EUR 568 thousand (2018: EUR 134 thousand). In the prior year, it also included impairment losses in the HOCHTIEF Asia Pacific division in the amount of EUR 1,695 thousand.

In accordance with IFRS 16, depreciation on right-of-use assets from leases has been added to the 2018 figures. This increased the 2018 expense from EUR 391,590 thousand to EUR 562,189 thousand.

7. Other operating expenses

(EUR thousand)	2019	2018 (restated)
Insurance expenses	359,188	326,508
Rentals and lease rentals	125,487	167,367
Organization and programming	93,346	82,224
Travel expenses	90,032	79,886
Court costs, attorneys' and notaries' fees	69,884	75,439
Technical and business consulting	69,040	61,330
Office supplies	45,266	44,680
Currency losses	22,102	28,120
Provisions for project risks	20,905	68,749
Mail and funds transfer expenses	11,220	11,920
Impairment losses and losses on disposal of current assets (except inventories)	8,664	12,801
Losses from disposal of non-current assets (excluding financial assets)	3,607	12,451
Other taxes	9,512	6,711
Sundry other operating expenses	134,366	165,369
	1,062,619	1,143,555

The insurance expenses mainly relate to project risk management in the Turner Group. Insurance cover from Turner and from 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 16,296 thousand was spent on Group-wide research and development projects by the central innovation management function in the reporting year (2018: EUR 2,936 thousand).

8. Provision and asset impairment in relation to Middle East exit

Significant items are those which by their size and nature or incidence are relevant in explaining the financial performance of the Group, and as such are disclosed separately.

On January 23, 2020 CIMIC announced to the ASX that it had completed an extensive strategic review of its financial investment of a non-controlling interest in BIC Contracting (BICC), a company operating in the Middle East region. As part of the review CIMIC initiated a confidential M&A process of its investment in BICC and discussions continue with a shortlist of potential acquirers for all or part of BICC.

In addition, in the context of an accelerated deterioration of local market conditions, BICC is engaging in confidential discussions with its lenders, creditors, clients and other stakeholders.

After thorough evaluation of all available options, CIMIC has decided to exit the region and to focus its resources and capital allocation on growth opportunities in its main core markets and geographies (Australia, New Zealand and Asia Pacific).

In the year ended December 31, 2019 the Group has recognized a one off pre-tax impact of EUR 1,694,600 thousand relating to provisions and asset impairments in respect of the Middle East exit with an associated income tax benefit of EUR 550,106 thousand, resulting in a post-tax impact of EUR 1,144,494 thousand ("One off financial impact of the Middle East exit").

Consolidated Statement of Earnings

¹ Underlying represents financial performance prior to recording the one-off impact of the Group's decision to exit the Middle East region.

(EUR thousand)	Underlying ¹ 2019	One-off financial impact of the Middle East exit	Nominal 2019
Sales	25,851,855	–	25,851,855
Changes in inventories	3,238	–	3,238
Other operating income	191,437	–	191,437
Materials	(18,989,659)	–	(18,989,659)
Personnel costs	(4,388,675)	–	(4,388,675)
Depreciation and amortization	(701,326)	–	(701,326)
Other operating expenses	(1,062,619)	–	(1,062,619)
Provision and asset impairment in relation to Middle East exit	–	(1,694,600)	(1,694,600)
Share of profits and losses of equity-method associates and joint ventures	282,286	–	282,286
Net income from other participating interests	33,893	–	33,893
Investment and interest income	80,559	–	80,559
Investment and interest expenses	(233,858)	–	(233,858)
Profit before tax	1,067,131	(1,694,600)	(627,469)
Income taxes	(257,874)	550,106	292,232
Profit after tax	809,257	(1,144,494)	(335,237)
Of which: Attributable to non-controlling interest	[182,312]	[(311,302)]	[(128,990)]
Of which: Attributable to HOCHTIEF shareholders (net profit)	[626,945]	[(833,192)]	[(206,247)]
Earnings per share (EUR)			
Basic and diluted earnings per share	8.88	(11.80)	(2.92)

Asset impairments totaling EUR 739,860 thousand include writedowns of outstanding shareholder loans (EUR 666,782 thousand), an impairment to the option to acquire the remaining shares in BICC (EUR 47,952 thousand) and in relation to other Middle East related assets (EUR 25,126 thousand).

A financial liability and other amounts payable totaling EUR 954,740 thousand have been recognized which represents amounts expected to be paid as CIMIC's financial guarantees of certain BICC liabilities materialize. CIMIC has committed facilities and cash available to meet all obligations as required.

9. 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)	2019	2018
Share of profits and losses of equity-method associates and joint ventures	282,286	231,842
Of which: Impairment	[(312)]	[(6,274)]
Result from non-consolidated subsidiaries	90	(164)
Of which: Impairment	[-]	[(213)]
Result from other participating interests	1,215	4,308
Of which: Impairment	[-]	[(107)]
Income from the disposal of participating interests	301	31,362
Expenses on disposal of participating interests	(44)	-
Income from long-term loans to participating interests	32,395	27,057
Expenses relating to long-term loans to participating interests	(64)	(4,278)
Net income from other participating interests	33,893	58,285
	316,179	290,127

The share of profits and losses of equity-method associates and joint ventures was EUR 147,493 thousand (2018: EUR 70,415 thousand) relating to associates and EUR 134,793 thousand (2018: EUR 161,427 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 836 thousand (2018: EUR 4,363 thousand).

As in the prior year, income from 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.

10. Net investment and interest income

(EUR thousand)	2019	2018 (restated)
Interest and similar income	47,492	36,112
Other investment income	33,067	71,294
Investment and interest income	80,559	107,406
Interest and similar expenses	(195,873)	(191,672)
Interest component of increase in non-current provisions	(8,796)	(8,459)
Of which: Net interest expense on pension obligations	[(8,388)]	[(7,987)]
Other investment expenses	(29,189)	(22,544)
Investment and interest expenses	(233,858)	(222,675)
	(153,299)	(115,269)

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 148,381 thousand (2018 restated: negative EUR 155,560 thousand).

Interest income of EUR 47,492 thousand was recorded in 2019 for financial instruments not carried at fair value through profit or loss (2018: EUR 35,930 thousand). Interest expense of EUR 163,804 thousand was recorded for financial instruments not carried at fair value through profit or loss (2018: EUR 160,758 thousand).

Other investment income includes EUR 4,410 thousand (2018: EUR 40,037 thousand) in interest on value added tax refund entitlements.

The figures for interest and similar expenses in 2018 have been restated for the interest expense on lease liabilities. This increased interest expense for 2018 from EUR 160,758 thousand to EUR 191,672 thousand.

Net interest expense on pension obligations—an amount of EUR 8,388 thousand (2018: EUR 7,987 thousand)—consists of EUR 27,215 thousand (2018: EUR 25,798 thousand) in annual interest on the net present value of long-term pension obligations rolled over into the new year, offset against EUR 18,827 thousand (2018: EUR 17,811 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. This category mostly comprises 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.

11. Income taxes

Income taxes include income taxes paid or owed in the various countries together with deferred taxes.

(EUR thousand)	2019	2018 (restated)
Current income taxes	289,444	123,321
Of which: Current taxes of prior periods	[30,212]	[(3,398)]
Deferred taxes	(581,676)	135,600
Of which: Relating to temporary differences	[(521,913)]	[127,664]
Of which: Arising from tax loss carryforwards/tax credits	[(59,559)]	[19,237]
Of which: Arising from writedowns or reversal of past writedowns of deferred tax assets	[(204)]	[(11,301)]
	(292,232)	258,921

Deferred taxes income arising from temporary differences in the amount of EUR 550,106 thousand is related to the Middle East exit.

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 2,858 thousand (2018: EUR 14,063 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)	2019	2018 (restated)
Profit before tax	(627,469)	979,038
Theoretical tax expense, at 31.5%	(197,652)	308,396
Difference between the above and foreign tax rates	(17,519)	(31,689)
Differences from tax base for German municipal trade tax	1,369	(9,755)
Changes in valuation allowances on deferred tax assets without recognition of deferred taxes/utilization of loss carryforwards/tax credits	9,032	8,416
Tax effects on:		
Tax-exempt income	(57,940)	(3,951)
Non-tax-allowable expenditure	24,042	20,667
Equity accounting of associates and joint ventures, including impairment of associates and joint ventures	(2,060)	(32,284)
Other items in relation to Middle East exit	(41,732)	–
Other	(9,772)	(879)
Effective tax charges	(292,232)	258,921
Effective rate of tax (percent)	46.6	26.5

As in the prior year, the tax-exempt income mostly relates to income from participating interests.

The “Other” item mainly includes tax income from prior-period transactions.

12. Non-controlling interests

The minus EUR 128,990 thousand (2018 restated: EUR 177,122 thousand) non-controlling interests in consolidated net profit represents the balance of profits totaling EUR 46,518 thousand (2018 restated: EUR 177,607 thousand) and losses totaling EUR 175,508 thousand (2018: EUR 485 thousand). The losses include EUR 174,290 thousand (2018 restated: profits of EUR 130,030 thousand) for non-controlling shareholders in the CIMIC Group.

Explanatory notes to the Consolidated Balance Sheet

13. Intangible assets

The table below shows the composition of and changes in intangible assets on the Consolidated Balance Sheet for 2019 and 2018:

(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, 2019	410,107	1,012,827	1,422,934
Additions or disposals due to changes in the scope of consolidation	19,867	20,422	40,289
Additions	16,268	–	16,268
Disposals	(22,578)	–	(22,578)
Reclassifications	749	–	749
Currency adjustments	6,273	15,324	21,597
Dec. 31, 2019	430,686	1,048,573	1,479,259
Cumulative amortization			
Jan. 1, 2019	263,539	–	263,539
Additions or disposals due to changes in the scope of consolidation	1	–	1
Additions	31,820	–	31,820
Disposals	(7,802)	–	(7,802)
Reclassifications	763	–	763
Currency adjustments	3,735	–	3,735
Impairment reversals	–	–	–
Dec. 31, 2019	292,056	–	292,056
Carrying amounts as of Dec. 31, 2019	138,630	1,048,573	1,187,203
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

Impairment losses of EUR 68 thousand were recognized on intangible assets in 2019 (2018: EUR 1,695 thousand). As in the prior year, intangible assets are not subject to any restrictions. Development costs in the amount of EUR 2,431 thousand (2018: EUR 550 thousand) were capitalized during the reporting year.

Intangible assets include EUR 44,581 thousand (2018: EUR 43,751 thousand) for company names recognized on initial consolidation, comprising EUR 42,508 thousand (2018: EUR 41,707 thousand) in the HOCHTIEF Americas division and EUR 2,073 thousand (2018: EUR 2,044 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. No impairment loss was identified in 2019 (2018: impairment loss of EUR 1,695 thousand). The changes in 2019 relate to exchange rate adjustments.

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 March 31 of the reporting year for the HOCHTIEF Americas division and the HOCHTIEF Europe division and as of December 31 of the reporting year for the HOCHTIEF Asia Pacific division. It is ensured as of the balance sheet date that there are no material changes in the parameters for impairment testing that would result in an impairment. For the purpose of impairment testing, a division's recoverable amount 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 free 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. For the purposes of the Notes disclosures, the pretax discount rate is then found by iteration.

The discount rates used in impairment testing for the HOCHTIEF Americas and HOCHTIEF Europe cash-generating units are 7.02% and 8.74% before tax (2018: 6.90% and 8.20%).

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 2019 were as follows:

(EUR thousand)	Jan. 1, 2019	Currency adjustments	Consolidation changes	Dec. 31, 2019
HOCHTIEF Americas	312,861	6,037	1,654	320,552
HOCHTIEF Asia Pacific	667,034	9,287	19,484	695,805
HOCHTIEF Europe	32,932	–	(716)	32,216
	1,012,827	15,324	20,422	1,048,573

14. Property, plant and equipment

	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	Right-of-use assets: Land and buildings	Right-of-use assets: Technical equipment and machinery; other equipment and office equipment	Total
(EUR thousand)							
Cost of acquisition or production							
Jan. 1, 2019	116,832	2,269,905	198,206	15,661	749,920	528,033	3,878,557
Additions or disposals due to changes in the scope of consolidation	16	3,149	(8,325)	–	748	7,221	2,809
Additions	5,492	512,731	18,085	46,722	93,902	179,581	856,513
Disposals	(9,312)	(358,350)	(5,743)	(113)	(64,581)	(80,306)	(518,405)
Reclassifications	(5,071)	9,292	7,826	(9,420)	4,163	2,265	9,055
Currency adjustments	1,063	49,568	3,303	328	7,935	6,207	68,404
Dec. 31, 2019	109,020	2,486,295	213,352	53,178	792,087	643,001	4,296,933
Cumulative depreciation							
Jan. 1, 2019	60,163	1,422,140	139,069	–	450,008	160,027	2,231,407
Additions or disposals due to changes in the scope of consolidation	–	(7)	(6,581)	–	–	5,637	(951)
Additions	5,762	380,659	19,139	–	76,691	186,033	668,284
Disposals	(9,120)	(343,506)	(5,308)	–	(60,603)	(71,499)	(490,036)
Reclassifications	(4,189)	(10,309)	–	–	4,262	21	(10,215)
Currency adjustments	657	31,825	1,675	–	4,273	2,755	41,185
Impairment reversals	–	(15)	–	–	–	–	(15)
Dec. 31, 2019	53,273	1,480,787	147,994	–	474,631	282,974	2,439,659
Carrying amounts as of Dec. 31, 2019	55,747	1,005,508	65,358	53,178	317,456	360,027	1,857,274
Cost of acquisition or production							
Jan. 1, 2018	109,326	2,244,539	186,319	12,932	746,476	245,123	3,544,715
Additions or disposals due to changes in the scope of consolidation	–	(116)	7	–	1,210	–	1,101
Additions	6,902	383,126	13,964	11,386	20,902	300,021	736,301
Disposals	(5,328)	(389,834)	(9,415)	(1,041)	(2,951)	(3,967)	(412,536)
Reclassifications	8,074	29,417	135	(8,130)	–	21	29,517
Currency adjustments	(2,142)	2,773	7,196	514	(15,717)	(13,165)	(20,541)
Dec. 31, 2018	116,832	2,269,905	198,206	15,661	749,920	528,033	3,878,557
Cumulative depreciation							
Jan. 1, 2018	57,715	1,410,929	124,618	–	386,881	70,046	2,050,189
Additions or disposals due to changes in the scope of consolidation	–	(308)	7	–	–	–	(301)
Additions	5,690	334,120	18,167	–	74,166	96,433	528,576
Disposals	(2,522)	(339,085)	(8,914)	–	(2,951)	(3,967)	(357,439)
Reclassifications	–	21,522	99	–	–	–	21,621
Currency adjustments	(720)	(5,038)	5,092	–	(8,088)	(2,485)	(11,239)
Impairment reversals	–	–	–	–	–	–	–
Dec. 31, 2018	60,163	1,422,140	139,069	–	450,008	160,027	2,231,407
Carrying amounts as of Dec. 31, 2018	56,669	847,765	59,137	15,661	299,912	368,006	1,647,150

As in the prior year, no impairment losses were recorded on property, plant and equipment and, as in the prior year, property, plant and equipment is not subject to any restrictions.

15. Investment properties

(EUR thousand)

Cost of acquisition or production	
Jan. 1, 2019	23,028
Additions	2
Disposals	(3,587)
Reclassifications	(309)
Dec. 31, 2019	19,134
Cumulative depreciation	
Jan. 1, 2019	15,833
Additions	1,222
Disposals	(1,699)
Dec. 31, 2019	15,356
Carrying amounts as of Dec. 31, 2019	
3,778	
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	

Impairment losses of EUR 500 thousand were recognized on investment properties in 2019 (2018: EUR 134 thousand).

The fair values of investment properties was EUR 4,313 thousand as of December 31, 2019 (2018: EUR 7,846 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. In the prior year, a fair value of EUR 1,745 thousand was determined by independent valuers external to the Group.

Rental income from investment properties in the reporting year totaled EUR 364 thousand (2018: EUR 482 thousand). Direct operating expenses totaling EUR 577 thousand (2018: EUR 840 thousand) consisted of EUR 42 thousand (2018: EUR 353 thousand) in expenses for rented and EUR 535 thousand (2018: EUR 487 thousand) for unrented investment properties.

As in the prior year, investment properties are not subject to any restrictions.

16. Equity-method investments

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018
Equity-method associates	1,404,117	1,493,952
Equity-method joint ventures	523,670	371,416
	1,927,787	1,865,368

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.

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018
	100.00%	100.00%
Non-current assets	37,178,399	39,204,828
Current assets	5,047,034	4,662,082
Assets held for sale	–	1,621,795
Non-current liabilities	30,264,993	32,464,618
Current liabilities	3,602,876	3,238,413
Liabilities associated with assets held for sale	–	519,773
Equity	8,357,564	9,265,901
Non-controlling interest	1,774,477	2,208,217
Equity attributable to owners of the Company	6,583,087	7,057,684
HOCHTIEF share of equity (shareholding 20.00%)	1,316,617	1,411,537
Other costs	56,501	55,005
Carrying amount of the investment	1,373,118	1,466,542

(EUR thousand)	Jan.–Dec. 2019	June–Dec. 2018
	100.00%	100.00%
Sales	5,361,265	3,138,704
Profit or loss from continuing operations	628,512	591,572
Post-tax profit/(loss) from discontinued operations	(15,350)	(43,002)
Profit/(loss) for the year	613,162	548,570
Non-controlling interest	1,386	127,148
Profit/(loss) for the year attributable to owners of the company	611,776	421,422
Income and expenses recognized directly in equity, after tax	(197,375)	(100,201)
Non-controlling interest	(10,825)	22,137
Income and expenses recognized directly in equity, after tax, attributable to owners of the company	(186,550)	(122,338)
Total comprehensive income (100%)	415,787	448,369
Non-controlling interest	(9,439)	149,285
Total comprehensive income attributable to owners of the company	425,226	299,084
HOCHTIEF share of total comprehensive income attributable to owners of the company (shareholding 20.00%)	85,045	59,816
Annual profit	122,355	84,284
Other comprehensive income	(37,310)	(24,468)
Dividends received from associate during the year	172,770	–

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)	2019	2018
Carrying amounts	30,999	51,108
Profit before tax	13,490	12,671
Income taxes	(3,172)	(2,842)
Profit after tax	10,318	9,829
Other comprehensive income	–	–
Total comprehensive income	10,318	9,829

Investments in associates, as in the prior year, are not subject to any restrictions.

Profit from equity-method associates (EUR 147,493 thousand; 2018: EUR 70,415 thousand) include impairment reversals of EUR 14,821 thousand (2018: impairments of EUR 23,698 thousand).

Joint ventures

CIMIC's investment in BICC is held at nil value.

The CIMIC Group continues to hold a call option to purchase the remaining 55% shareholding in BICC. This option has no current impact on the control of the company. Following the Group's decision to exit the Middle East as at 31 December 2019, the fair value of the call option was determined to be USD nil for 31 December 2019 (31 December 2018: USD 54.0 million), equivalent to EUR nil (31 December 2018: EUR 46.9 million).

CIMIC continues to guarantee BICC's facilities. CIMIC has recognised the full value of these guarantees as financial liabilities (exit from Middle East region) as at 31 December 2019 (31 December 2018: EUR nil). Refer to Note 8: Provision and asset impairment in relation to Middle East exit.

The amounts recognised in profit and loss in the period represent all of CIMIC's exposure in relation to BICC, accordingly management have not presented BICC as a material joint venture.

No other material joint ventures have been identified by management.

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)	2019	2018
Carrying amounts	523,670	371,416
Profit before tax	146,364	172,170
Income taxes	(11,571)	(10,743)
Profit after tax	134,793	161,427
Other comprehensive income	2,095	15,884
Total comprehensive income	136,888	177,311

Profit from immaterial equity-method joint ventures contained EUR 312 thousand (2018: EUR 6,274 thousand) in impairment losses.

Investments in joint ventures are pledged in the amount of EUR 81,790 thousand (2018: EUR 61,911 thousand).

17. Other financial assets

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018
Non-consolidated subsidiaries	5,351	5,100
Other participating interests	78,345	68,381
	83,696	73,481

In other financial assets, impairment reversals were recognized in the reporting year in the amount of EUR 9 thousand on non-consolidated subsidiaries (2018: impairments of EUR 213 thousand) and in the amount of EUR 917 thousand (2018: impairments of EUR 107 thousand and impairment reversals of EUR 4,444 thousand) on other participating interests. As in the prior year, sundry other assets are not subject to any restrictions in the reporting year.

18. Financial receivables

(EUR thousand)	Dec. 31, 2019		Dec. 31, 2018	
	Non-current	Current	Non-current	Current
Loans to non-consolidated subsidiaries and to participating interests	97,823	37,142	486,476	26,320
Financial receivables from non-consolidated subsidiaries	–	6,374	–	7,205
Financial receivables from participating interests	–	69,134	–	139,709
Interest receivable on tax refunds	–	44,447	–	–
Interest accruals	–	6,252	–	2,988
Other financial receivables	81	8,633	284	1,823
	97,904	171,982	486,760	178,045

In 2018, loans to non-consolidated subsidiaries and to participating interests comprise loans to BICC in the amount of EUR 395,020 thousand, which were written off as of December 31, 2019.

Loans to and financial receivables from equity-accounted companies total EUR 204,047 thousand (2018: EUR 652,323 thousand).

19. Trade receivables and other receivables

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018 (restated)
Trade receivables	3,428,583	2,672,171
Contract assets	2,141,914	2,279,693
Other receivables and other assets	886,101	714,093
	6,456,598	5,665,957

Trade receivables include receivables from equity-accounted companies in the amount of EUR 779 thousand (2018: EUR 5,699 thousand).

As in the prior year, the properties under development included in trade receivables are not subject to any restrictions.

The contract assets include an amount equal to EUR 0.719 billion (AUD 1.15 billion; 31 December 2018: EUR 0.709 billion, AUD 1.15 billion) relating to the Gorgon LNG Jetty and Marine Structures Project being undertaken by CPB Contractors Pty Ltd (CPB), a wholly owned subsidiary of CIMIC, together with its consortium partners, Saipem SA

and Saipem Portugal Comercio Maritime LDA (Saipem and CPB together referred to as the Consortium) for Chevron Australia Pty Ltd (Chevron) (Gorgon Contract).

The position is:

- In November 2009 the Consortium was announced as the preferred contractor to construct the 2.1 kilometre Chevron Gorgon LNG Jetty and Marine Structures project on Barrow Island, 70 kilometres off the Pilbara coast of Western Australia.
- The scope of work consisted of the design, material supply, fabrication, construction and commissioning of the LNG Jetty. The scope also included supply, fabrication and construction of marine structures including a heavy lift facility, tug pens and navigation aids.
- The jetty comprised steel trusses approximately 70 metres long supported by concrete caissons leading to the loading platform approximately 4 kilometres from the shore.
- Initial acceptance of the jetty and marine structures took place on 15 August 2014.
- During the project, changes to scope and conditions led to the Consortium submitting Change Order Requests (CORs). The Consortium, Chevron and Chevron's agent, entered into negotiations in relation to some of the CORs.
- On 9 February 2016 the Consortium formally issued a Notice of Dispute to Chevron in connection with the Gorgon Contract relating to the CORs. Following a period of prescribed negotiation, the parties have entered a private arbitration as prescribed by the Gorgon Contract (Chevron Arbitration).
- On 20 August 2016, in order to pursue further its entitlement under the contract, CIMIC Group commenced proceedings in the United States against Chevron Corporation and KBR Inc. The commencement of the proceedings has no effect on the contract process or CIMIC's entitlement to the amounts under negotiation / claimed in the arbitration.
- Since December 2016, the Chevron Arbitration has continued in accordance with the contractual terms. Closing submissions were completed on 6–7 November 2019 with an award from the arbitrators expected late 2020.

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 commence in 2020 with a determination thereafter.

Performance not yet billed is accounted for in contract assets if progress payments do not exceed cumulative performance (contract costs and contract earnings). Where the net amount after deduction of progress payments is negative, the difference is presented under contract liabilities. This netted presentation is applied on a project basis for both reporting periods—as of December 31, 2019 and as of December 31, 2018. In the prior year, contract assets and liabilities were netted on an aggregate basis in certain cases. The amount of this item has therefore been restated as of December 31, 2018, with no effect on profit or loss, by EUR 516,411 thousand (January 1, 2018: EUR 389,562 thousand; see also contract liabilities, Note 31).

Other receivables and other assets are made up as follows:

(EUR thousand)	Dec. 31, 2019		Dec. 31, 2018	
	Non-current	Current	Non-current	Current
Claims for damages and claims under guarantee	–	255,202	–	229,736
Prepaid expenses	12,150	107,579	1,815	80,385
Derivative receivables	905	10,593	50,083	9,602
Tax receivables (excluding income taxes)	–	107,826	–	41,276
Entitlements from sales of participating interests	–	–	–	1,707
Pension fund credit balances	15,513	–	14,328	–
Sundry other assets	137,625	238,708	102,159	183,002
	166,193	719,908	168,385	545,708

Claims for damages and claims under guarantee include EUR 208,267 thousand (2018: EUR 198,777 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.

20. Income tax assets

EUR 47,243 thousand (2018: EUR 44,606 thousand) in income tax assets comprises amounts receivable from domestic and foreign tax authorities. These consist of EUR 19,962 thousand (2018: EUR 21,162 thousand) classified as non-current assets and EUR 27,281 thousand (2018: 23,444 thousand) classified as current assets.

21. Deferred taxes

Deferred tax assets and liabilities break down as follows:

(EUR thousand)	Dec. 31, 2019		Dec. 31, 2018 (restated)	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	79,446	149,541	71,714	178,770
Current assets	196,969	294,042	242,216	316,673
Non-current liabilities				
Pension provisions	84,012	–	110,440	–
Other provisions	5,411	33,390	12,987	28,472
Sundry non-current liabilities	17,344	352	21,449	220
Current liabilities				
Other provisions	87,298	226	71,269	–
Sundry current liabilities	105,244	113,622	111,948	116,260
Provision and asset impairment in relation to Middle East exit	550,106	–	–	–
	1,125,830	591,173	642,023	640,395
Losses carried forward/tax credits	137,320	–	73,750	–
Gross amount	1,263,150	591,173	715,773	640,395
Offsetting item	542,193	542,193	589,375	589,375
Reported amount	720,957	48,980	126,398	51,020

Deferred tax assets are normally recognized for tax-deductible temporary differences if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities totaling a gross amount of EUR 591,173 thousand (2018 restated: EUR 640,395 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. The EUR 1,263,150 thousand (2018 restated : EUR 715,773 thousand) gross amount of deferred tax assets includes the following tax refund entitlements arising from the expected future use of tax loss carryforwards and tax credits:

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018 (restated)
Corporate income tax (or comparable foreign income tax)	115,620	73,750
German municipal trade tax	21,700	–
	137,320	73,750

Deferred tax assets are only recognized for tax loss carryforwards in so 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 1,594,147 thousand (2018 restated: EUR 1,644,124 thousand) in respect of German and foreign corporate income tax and EUR 1,439,610 thousand (2018: EUR 1,436,025 thousand) in respect of German municipal trade tax.

Deferred tax assets have not been recognized for EUR 88,291 thousand (2018: EUR 62,271 thousand) in tax loss carryforwards that are subject to a time limit. The time limits range between two and nine years.

German and foreign Group companies that generated losses in 2019 or prior years have EUR 650,793 thousand (2018: EUR 59,155 thousand) in unimpaired deferred tax assets relating to temporary differences or tax loss carryforwards.

In the deferred tax asset surplus recognized by HOCHTIEF, EUR 550,106 thousand are derived from the Middle East exit. In recognizing deferred tax assets, the Group considers the expected future performance of the business in line with Group strategy, business plans as well as future capital allocation opportunities. The Group analyzes strategic options to maintain its strong balance sheet, including investment partnerships to grow its core businesses.

No deferred tax assets have been recognized in relation to interest expense carryforwards in the amount of EUR 420,794 thousand (2018: EUR 356,591 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 13,237 thousand (2018: EUR 17,049 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.

The amount of deferred tax income of EUR 581,676 thousand recognized in the consolidated income statement is primarily the result of changes in relation to the Middle East exit (EUR 550,106 thousand) and tax loss carryforwards (EUR 59,763 thousand). The other changes in the balance of minus EUR 28,193 thousand affecting income relate to other balance sheet items. The change of EUR 14,923 thousand recognized directly in equity is attributable to OCI effects of EUR 5,392 thousand (mainly exchange rate effects) and changes in the scope of consolidation of EUR 9,531 thousand.

In the reporting year, EUR 4,394 thousand (2018: minus EUR 20,122 thousand) was recognized directly in equity in relation to currency translation of deferred taxes in foreign financial statements, and EUR 12 thousand (2018: minus EUR 5,976 thousand) was recognized directly in equity for the remeasurement through other comprehensive income of derivative and non-derivative financial instruments. An amount of EUR 986 thousand was recognized directly in equity (2018: EUR 6,474 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 4,612 thousand (2018: minus EUR 4,624 thousand), while EUR 142,740 thousand (2018: EUR 141,754 thousand) was recognized directly in equity in connection with actuarial gains and losses.

22. Inventories

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018
Raw materials and supplies	250,408	203,601
Work in progress	153,105	147,997
Finished goods	11,224	11,605
Prepayments	20,239	14,815
	434,976	378,018

Borrowing costs of EUR 22,310 thousand were capitalized under work in progress in accordance with IAS 23 (2018: EUR 15,293 thousand). As in the prior year, the borrowing costs were determined on the basis of interest rates of between 3.06% and 6.63%.

As in the prior year, properties under development included in work in progress are not subject to any restrictions.

23. Marketable securities

Marketable securities totaling EUR 454,111 thousand (2018: EUR 445,474 thousand) mainly consist of fixed-income securities with maturities of more than three months on acquisition where there is no intention to hold the securities to maturity. They also include shares measured at fair value through other comprehensive income as well as securities held in special-purpose and general investment funds. Shares are not acquired for the purpose of selling in the short term.

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.

Marketable securities are pledged in the amount of EUR 5,556 thousand (2018: EUR 13,437 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 4,458,020 thousand (2018: EUR 3,565,888 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 292,644 thousand (2018: EUR 357,828 thousand) are subject to restrictions in relation to the sale of receivables.

25. Equity

The Consolidated Statement of Changes in Equity is part of the Consolidated Financial Statements.

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, 2019, HOCHTIEF Aktiengesellschaft held a total of 22,346 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 57,205.76 (0.03%) of the Company's capital stock.

As in the prior year, the capital reserve comprises EUR 1,674,269 thousand constituting the premium on shares issued by HOCHTIEF Aktiengesellschaft together with EUR 4,276 thousand (2018: EUR 3,718 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 351,647 thousand was paid out in the reporting year (2018: EUR 217,184 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.

Pursuant to the resolution of the Annual General Meeting of May 10, 2017 and to Section 4 (5) of the Articles of Association as revised 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 the resolution of the Annual General Meeting of May 7, 2019 and to Section 4 (6) of the Articles of Association inserted in accordance with that resolution, 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 24,675 thousand by or before May 6, 2024 (Authorized Capital II). 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 that 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 (collectively "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. The authorization can be exercised directly by the Company or by a company in its control or majority ownership or by third parties engaged by the Company or engaged by a company in its control or majority ownership and allows the share repurchase to be executed in one or more installments covering the entire amount or any fraction. The repurchase may be effected through the

stock exchange or by public offer to all shareholders, or by public invitation to all shareholders to tender shares for sale, or by issuing shareholders with rights to sell shares. The conditions governing the repurchase are set forth in detail in the resolution.

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

The HOCHTIEF Aktiengesellschaft Executive Board is further authorized, subject to Supervisory Board approval and the conditions set out in the following, to offer and transfer shares of treasury stock to third parties other than through the stock exchange and other than by way of an offer to all shareholders. Such transactions may take place in the course of acquisitions of business enterprises in whole or part and in the course of mergers. They are also permitted for the purpose of obtaining a listing for the Company's shares on foreign stock exchanges where it is not yet listed. The shares may furthermore be offered for purchase by employees or former employees of the Company or its affiliates. Holders of bonds which the Company or a Group company subordinate to it issues or has issued under the authorization granted at the Annual General Meeting of May 11, 2016 (agenda item 8) may also be issued with the shares upon exercising the warrant and/or conversion rights and/or obligations attached to the bonds.

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

Shareholders' statutory subscription rights to such shares are exempt 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.

The Executive Board is also authorized, subject to Supervisory Board approval, to cancel shares of treasury stock without a further resolution of the Annual General Meeting being required for the cancellation itself or its execution.

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

By a further resolution of the Annual General Meeting of May 11, 2016, the Company is authorized to acquire shares of treasury stock in accordance with Section 71 (1) 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 total volume of shares that may be purchased; instead, it merely opens the way for other alternatives to purchase shares of treasury stock within and against the upper limit set in the aforementioned authorization. The Executive Board has been authorized to acquire options which, when exercised, entitle the Company to acquire shares of the Company (call options). 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). Moreover, the shares can be acquired using a combination of call and put options or forward purchase agreements. Additional details of the conditions for the use of

equity derivatives in the acquisition of treasury stock and for the exclusion of shareholders' rights to sell and subscription rights are set out in the Annual General Meeting resolution.

In May 2019, 12,478 shares of treasury stock were transferred to members of the Company's Executive Board at a price of EUR 118.20 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 31,943.68 (0.018%) of the Company's capital stock.

Non-controlling interests total EUR 309,173 thousand (2018 restated: EUR 550,789 thousand) and represent that portion of the equity of consolidated Group companies which is attributable to third parties; EUR 107,464 thousand (2018 restated: EUR 365,182 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 stands at 72.80% as of December 31, 2019 (2018: 72.68%). Summary financial information on the Group company is provided in the table below.

(EUR thousand)	2019	2018 (restated)
Non-current assets	3,136,441	2,689,199
Current assets	3,569,267	3,442,463
Non-current liabilities	1,041,021	780,268
Current liabilities	5,212,658	3,941,907
Shareholders' equity	452,029	1,409,487
Of which: Non-controlling interest	(21,275)	(27,366)
Total non-controlling interest in equity	107,464	365,182
Sales	9,143,222	9,266,285
Profit before tax	(1,010,480)	676,855
Income tax	365,382	(189,451)
Profit after tax	(645,098)	487,404
Of which: Non-controlling interest	1,616	(4,305)
Total non-controlling interest in profit after tax	(174,290)	130,030
Net cash from operating activities	777,114	1,200,305
Cash flow from investing activities	(740,731)	(344,389)
Cash flow from financing activities	(286,092)	(688,424)

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)	2019	2018 (restated)
Currency translation differences		
Changes in other comprehensive income for the period	38,156	56,621
Amounts reclassified to profit or loss	–	(418)
	38,156	56,203
Changes in fair value of financial instruments – primary		
Changes in other comprehensive income for the period	31,337	(276)
Amounts reclassified to profit or loss	(4,036)	(7,431)
	27,301	(7,707)
Changes in fair value of financial instruments – derivative		
Changes in other comprehensive income for the period	(9,879)	494
Amounts reclassified to profit or loss	–	–
	(9,879)	494
Share of other comprehensive income of equity-method associates and joint ventures		
Changes in other comprehensive income for the period	(35,215)	(36,720)
Amounts reclassified to profit or loss	–	28,136
	(35,215)	(8,584)
Remeasurement of defined benefit plans	(35,938)	(13,667)
Other comprehensive income after tax	(15,575)	26,739

The income tax effects relating to changes in other comprehensive income are distributed as follows:

(EUR thousand)	2019			2018		
	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Currency translation differences	38,156	–	38,156	56,203	–	56,203
Changes in fair value of financial instruments						
– primary	29,325	(2,024)	27,301	(2,830)	(4,877)	(7,707)
Changes in fair value of financial instruments						
– derivative	(11,914)	2,035	(9,879)	1,593	(1,099)	494
Share of other comprehensive income of equity-method associates and joint ventures	(35,215)	–	(35,215)	(8,584)	–	(8,584)
Remeasurement of defined benefit plans	(36,924)	986	(35,938)	(20,141)	6,474	(13,667)
Other comprehensive income	(16,572)	997	(15,575)	26,241	498	26,739

26. Share-based payment

The following share-based payment plans were in force for managerial staff of HOCHTIEF Aktiengesellschaft and its affiliates in 2019:

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. Alongside grants of stock appreciation rights (SARs), LTIP 2015 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). Additionally, the number of SARs that could be exercised depended on attainment of the planned value range for adjusted free cash flow in the then most recently approved set of consolidated financial statements (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 in a two-year exercise period following a four-year waiting period except during a short period before publication of any business results. When SARs were exercised, the difference between the then current stock price and the issue price was paid out. The gain was limited to EUR 31.68 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 95.04 per stock award.

The plan was exercised in full in 2019.

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. Alongside grants of stock appreciation rights (SARs), LTIP 2016 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). Additionally, the number of SARs that could be exercised depended on attainment of the planned value range for adjusted free cash flow in the then most recently approved set of consolidated financial statements (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 in a two-year exercise period following a three-year waiting period except during a short period before publication of any business results.

When SARs were exercised, the difference between the then current stock price and the issue price was paid out. The gain was limited to EUR 41.54 per SAR.

The LTIP conditions for stock awards stipulated that for each stock award exercised within a two-year exercise period following a three-year waiting period, entitled individuals received at HOCHTIEF Aktiengesellschaft's discretion either a HOCHTIEF share or a compensatory cash amount equal to the closing price of HOCHTIEF stock on the last stock market trading day before the exercise date. The gain was limited to EUR 124.62 per stock award.

The plan was exercised in full in 2019.

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.

Long-term Incentive Plan 2019

The Long-term Incentive Plan 2019 (LTIP 2019) was launched by resolution of the Supervisory Board in 2019 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 477.12 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, 2018	Granted in 2019	Expired in 2019	Exercised/ settled in 2019	Outstanding at Dec. 31, 2019
LTIP 2015 – SARs	96,801	96,801	–	–	96,801	0
LTIP 2015 – stock awards	20,262	20,262	–	–	20,262	0
LTIP 2016 – SARs	93,235	93,235	–	–	93,235	0
LTIP 2016 – stock awards	17,850	17,850	–	–	17,850	0
LTIP 2017 – performance stock awards	20,081	20,081	–	–	–	20,081
LTIP 2018 – performance stock awards	20,069	20,069	–	–	–	20,069
LTIP 2019 – performance stock awards	–	–	21,485	–	–	21,485

Provisions recognized for the stated share-based payment arrangements totaled EUR 7,968 thousand as of the balance sheet date (2018: EUR 13,264 thousand). The total expense recognized for the stated arrangements in 2019 was EUR 5,794 thousand (2018: EUR 5,611 thousand). The intrinsic value of plans exercisable at the end of the reporting period was EUR 0 thousand, as in the prior year.

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, 2019		
(EUR thousand)	Germany	USA	UK
Active members	139,931	84,853	12,878
Final salary	[25,631]	–	[12,878]
Not final salary	[114,300]	[84,853]	–
Vested benefits	161,985	42,865	20,470
Retirees	498,022	94,592	16,816
Similar obligations	86	65,508	–
Total	800,024	287,818	50,164
Duration in years (weighted)	15.0	9.7	18.8
		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

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, 2019 is about 51% (2018: 52%); the figure for Germany as a whole is about 57% (2018: 58%). 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, 2019 is about 106% (2018: 105%); funding at Turner overall is about 82%, as in the prior year.

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 75% (2018: 76%).

Defined benefit obligations are covered by plan assets as follows:

Coverage of defined benefit obligations by plan assets

(EUR thousand)	Dec. 31, 2019		Dec. 31, 2018	
	Defined benefit obligations	Plan assets	Defined benefit obligations	Plan assets
Uncovered by plan assets	66,750	–	53,587	–
Partially covered by plan assets	776,905	415,462	739,156	402,730
Not fully covered by plan assets	843,655	415,462	792,743	402,730
Fully covered by plan assets	294,351	309,864	265,180	279,508
Total	1,138,006	725,326	1,057,923	682,238

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:

(Percent)	2019			2018		
	Germany	USA	UK	Germany	USA	UK
*Weighted average						
Discount factor*	1.30	2.98	2.05	2.00	4.45	2.90
Salary increases	2.75	–	1.90	2.75	–	2.05
Pension increases*	1.50	–	3.15	1.75	–	3.30
Health cost increases	–	5.00	–	–	5.00	–

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	PRI2012 table projected generationally with MP2019
UK	S2Px A CMI_2018 [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

(EUR thousand)	2019			2018		
	Domestic	International	Total	Domestic	International	Total
Defined benefit obligations at start of year	763,286	294,637	1,057,923	774,867	308,532	1,083,399
Current service cost	6,235	1,807	8,042	6,601	1,883	8,484
Past service cost	–	–	–	–	435	435
Interest expense	14,880	12,335	27,215	15,079	10,719	25,798
Remeasurements						
Actuarial (gains)/losses arising from changes in demographic assumptions	1,556	(2,666)	(1,110)	7,966	(670)	7,296
Actuarial (gains)/losses arising from changes in financial assumptions	60,315	40,066	100,381	–	(19,348)	(19,348)
Actuarial (gains)/losses arising from experience adjustments	(8,933)	3,841	(5,092)	(170)	(1,191)	(1,361)
Benefits paid from Company assets	(499)	(3,646)	(4,145)	(862)	(3,018)	(3,880)
Benefits paid from funds assets	(36,684)	(15,576)	(52,260)	(40,157)	(14,276)	(54,433)
Employee contributions	–	105	105	–	115	115
Effect of transfers	(34)	–	(34)	(38)	–	(38)
Changes in the scope of consolidation	(98)	–	(98)	–	–	–
Currency adjustments	–	7,079	7,079	–	11,456	11,456
Defined benefit obligations at end of year	800,024	337,982	1,138,006	763,286	294,637	1,057,923

Changes in the market value of plan assets

(EUR thousand)	2019			2018		
	Domestic	International	Total	Domestic	International	Total
Plan assets at start of year	442,187	240,051	682,238	479,125	241,987	721,112
Interest on plan assets	8,795	10,032	18,827	9,501	8,310	17,811
Plan expenses paid from plan assets recognized in profit or loss	–	(1,081)	(1,081)	–	(1,446)	(1,446)
Remeasurements						
Return on plan assets not included in net interest expense/income	29,496	31,556	61,052	(12,841)	(14,646)	(27,487)
Difference between plan expenses expected and recognized in profit or loss	–	(358)	(358)	–	420	420
Employer contributions	9,003	2,118	11,121	6,559	10,272	16,831
Employee contributions	–	105	105	–	115	115
Benefits paid	(36,684)	(15,576)	(52,260)	(40,157)	(14,276)	(54,433)
Currency adjustments	–	5,682	5,682	–	9,315	9,315
Plan assets at end of year	452,797	272,529	725,326	442,187	240,051	682,238

Investing plan assets to cover future pension obligations generated actual returns of EUR 79,879 thousand (2018: actual expense of EUR 9,676 thousand).

The pension provisions are determined as follows:

Reconciliation of pension obligations to provisions for pensions and similar obligations

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018
Defined benefit obligations	1,138,006	1,057,923
Less plan assets	725,326	682,238
Funding status	412,680	375,685
Assets from overfunded pension plans	15,513	14,328
Provision for pensions and similar obligations	428,193	390,013

The fair value of plan assets is divided among asset classes as follows:

Composition of plan assets

(EUR thousand)	Fair value		Total	%
	Quoted in an active market	Not quoted in an active market		
Stock				
U.S. equities	34,430	–	34,430	4.75
European equities	31,248	15,700	46,948	6.48
Emerging market equities	13,815	–	13,815	1.90
Other equities	16,448	–	16,448	2.27
Bonds				
U.S. government bonds	3,275	–	3,275	0.45
European government bonds	25,904	–	25,904	3.57
Emerging market government bonds	22,836	–	22,836	3.15
Corporate bonds	280,516	1,539	282,055	38.89
Other bonds	14,946	2,102	17,048	2.35
Secured loans				
USA	9,261	–	9,261	1.28
Europe	9,229	–	9,229	1.27
Investment funds	51,804	–	51,804	7.14
Real estate	–	57,601	57,601	7.94
Infrastructure	–	31,559	31,559	4.35
Insurance policies	–	81,262	81,262	11.20
Cash	22,592	–	22,592	3.11
Other	(1,643)	902	(741)	-0.10
Total	534,661	190,665	725,326	100.00

Dec. 31, 2018

Fair value

(EUR thousand)	Quoted in an active market	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

Pension expense under defined benefit plans is made up as follows:

(EUR thousand)	2019			2018		
	Domestic	International	Total	Domestic	International	Total
Current service cost	6,235	1,807	8,042	6,601	1,883	8,484
Past service cost	–	–	–	–	435	435
Total personnel expense	6,235	1,807	8,042	6,601	2,318	8,919
Interest expense for accrued benefit obligations	14,880	12,335	27,215	15,079	10,719	25,798
Interest on plan assets	(8,795)	(10,032)	(18,827)	(9,501)	(8,310)	(17,811)
Net interest expense (net investment and interest income)	6,085	2,303	8,388	5,578	2,409	7,987
Plan expenses paid from plan assets recognized in profit or loss	–	1,081	1,081	–	1,446	1,446
Total amount recognized in profit or loss	12,320	5,191	17,511	12,179	6,173	18,352

In addition to the expenses recognized in profit or loss, the Consolidated Statement of Comprehensive Income includes EUR 36,925 thousand in actuarial losses in 2019 before deferred taxes and after changes in the scope of consolidation and exchange rate adjustments (2018: EUR 20,142 thousand). Before deferred taxes, the cumulative amount is actuarial losses of EUR 499,030 thousand (2018: EUR 462,105 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, 2019 came to EUR 65,508 thousand (2018: EUR 52,413 thousand). Healthcare costs accounted for EUR 1,595 thousand (2018: EUR 1,630 thousand) of the current service cost and EUR 2,398 thousand (2018: EUR 2,076 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

(EUR thousand)	Dec. 31, 2019					
	Domestic		International		Total	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate +0.50% / -0.50%	(57,156)	63,241	(17,771)	19,692	(74,927)	82,933
Discount rate +1.00% / -1.00%	(107,677)	139,234	(33,860)	41,599	(141,537)	180,833
Salary increases +0.50% / -0.50%	687	(667)	498	(481)	1,185	(1,148)
Pension increases +0.25% / -0.25%	19,071	(18,336)	1,162	(1,118)	20,233	(19,454)
Medical costs +1.00% / -1.00%	-	-	-	-	-	-
Life expectancy +1 year	40,890	n/a	9,066	n/a	49,956	n/a

(EUR thousand)	Dec. 31, 2018					
	Domestic		International		Total	
	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

Future cash flows

Benefit payments

As of December 31, 2019, anticipated pension payments for future years are as follows:

(EUR thousand)	
Due in 2020	59,123
Due in 2021	58,393
Due in 2022	58,862
Due in 2023	60,055
Due in 2024	58,842
Due in 2025 to 2029	278,805

Contributions to defined benefit plans

Contributions to defined benefit plans in 2020 are expected to be EUR 8,500 thousand.

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)	2019	2018
Amounts paid into defined contribution plans		
CIMIC	131,324	131,870
Turner	55,373	46,219
Other	6,654	8,783
Total	193,351	186,872
Amounts paid into state pension schemes (employer share)	26,438	26,247

The costs are reported as part of personnel costs.

28. Other provisions

(EUR thousand)	Dec. 31, 2019			Dec. 31, 2018		
	Non-current	Current	Total	Non-current	Current	Total
Provisions for taxes	-	74,139	74,139	-	86,099	86,099
Personnel-related provisions	149,030	342,506	491,536	148,433	333,963	482,396
Provisions for insurance claims	193,792	67,652	261,444	214,940	16,492	231,432
Provisions for project losses	-	208,267	208,267	-	-	-
Warranty obligations	-	24,705	24,705	-	35,007	35,007
Litigation risks	-	11,812	11,812	-	15,447	15,447
Sundry other provisions	7,860	317,509	325,369	6,898	355,144	362,042
Other provisions	350,682	972,451	1,323,133	370,271	756,053	1,126,324
	350,682	1,046,590	1,397,272	370,271	842,152	1,212,423

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.

Provisions for project losses comprise EUR 208,267 thousand in current provisions for 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.

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, 2019	Additions	Reversal of provisions	Changes in the scope of consolidation, currency adjustments, reclassifications, and transfer	Use of provisions	Balance at Dec. 31, 2019
Provisions for taxes	86,099	55,260	(569)	(7,424)	(59,227)	74,139
Personnel-related provisions	482,396	305,017	(3,326)	3,476	(296,027)	491,536
Provisions for insurance claims	231,432	66,880	-	5,725	(42,593)	261,444
Provisions for project losses	-	5,791	-	202,476	-	208,267
Warranty obligations	35,007	6,850	(13,712)	(198)	(3,242)	24,705
Litigation risks	15,447	1,073	(488)	336	(4,556)	11,812
Sundry other provisions	362,042	83,308	(17,748)	(26,342)	(75,891)	325,369
Other provisions	1,126,324	468,919	(35,274)	185,473	(422,309)	1,323,133
	1,212,423	524,179	(35,843)	178,049	(481,536)	1,397,272

29. Financial liabilities

(EUR thousand)	Dec. 31, 2019		Dec. 31, 2018 (restated)	
	Non-current	Current	Non-current	Current
Bonds or notes issued	1,617,231	883,330	1,519,592	534,703
Amounts due to banks	1,083,079	47,011	525,185	55,694
Financial liabilities to non-consolidated subsidiaries	–	651	–	1,005
Financial liabilities to participating interests	11,950	875	10,650	5,479
Sundry other financial liabilities	14,105	12,150	14,411	2,742
	2,726,365	944,017	2,069,838	599,623

Bonds

	Carrying amount Dec. 31, 2019 (EUR thousand)	Carrying amount Dec. 31, 2018 (EUR thousand)	Principal amount Dec. 31, 2019 (EUR thousand)	Coupon (%)	Initial term (in years)	Matures
HOCHTIEF AG bond (2019)	50,610	–	50,000 EUR	2.30	15	April 2034
HOCHTIEF AG bond (2019)	495,597	–	500,000 EUR	0.50	8	September 2027
HOCHTIEF AG bond (2019)	249,079	–	250,000 EUR	1.25	12	September 2031
HOCHTIEF AG bond (2019)	104,140	–	1,000,000 NOK	1.67	10	July 2029
HOCHTIEF AG bond (2019)	44,662	–	50,000 CHF	0.77	6	June 2025
HOCHTIEF AG bond (2018)	501,413	500,876	500,000 EUR	1.75	7	July 2025
HOCHTIEF AG bond (2014)	–	507,488	500,000 EUR	2.63	5	May 2019
HOCHTIEF AG bond (2013)	772,565	771,280	750,000 EUR	3.88	7	March 2020
CIMIC US\$ Senior Notes (2012)	179,784	174,792	201,300 USD	5.95	10	November 2022
CIMIC US\$ Senior Notes (2010)	102,711	99,859	115,000 USD			
Series C-Notes	[102,711]	[99,859]	[115,000 USD]	5.78	10	July 2020
	2,500,561	2,054,295				

HOCHTIEF Aktiengesellschaft completed two further corporate bond issues in September 2019. The capital market transaction was divided into one bond issue with an issue size of EUR 500 million, an annual coupon of 0.5%, and a maturity of eight years to September 3, 2027. The second bond issue with an issue size of EUR 250 million features an annual coupon of 1.25% and a maturity of 12 years to September 3, 2031. S&P has awarded the bond a solid BBB investment-grade rating. The issuance proceeds will be used for the refinancing of the bond due in March 2020 and for general corporate purposes.

HOCHTIEF Aktiengesellschaft made use in 2019 of the debt issuance program¹⁾ launched in 2018 in order to issue several private placements in the form of bearer bond issues. In April 2019, HOCHTIEF Aktiengesellschaft issued a private placement for EUR 50 million with a maturity of 15 years. The bond has an annual coupon of 2.3%. In June 2019, HOCHTIEF Aktiengesellschaft issued a private placement for CHF 50 million (EUR 44.6 million) with a maturity to June 2025. The issue proceeds were converted into euros by means of a currency derivative. In July 2019, HOCHTIEF Aktiengesellschaft issued a private placement for NOK 1 billion (EUR 103.6 million). The bond has a maturity to July 1, 2029. The issue proceeds were likewise converted into euros by means of currency derivatives.

¹⁾The Debt Issuance Program launched in June 2018 with a maximum volume of EUR 3 billion allows bonds to 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.

Amounts due to banks

	Carrying amount Dec. 31, 2019 (EUR thousand)	Average interest rate (%)	Carrying amount Dec. 31, 2018 (EUR thousand)	Average interest rate (%)
Variable-rate loans	564,405	1.73	190,578	1.56
Fixed-rate loans	565,685	1.37	390,301	1.67
	1,130,090		580,879	

In May 2019, HOCHTIEF Aktiengesellschaft additionally issued a promissory note loan issue for EUR 300 million. The notes have staggered terms of four, seven, and ten years. In June 2019, HOCHTIEF Aktiengesellschaft issued a further bilateral loan for EUR 25 million with a maturity of four years. A partial amount of EUR 55.5 million of the promissory note loan issued in May 2019 was redeemed ahead of time in November 2019.

The approximately EUR 500 million total issue proceeds from the three bearer bond issues and the promissory note loan issue, all of which were made on more favorable terms, were used to refinance the full amount of a EUR 500 million corporate bond issue due in May 2019. That issue was repaid in full on maturity in May 2019.

The syndicated facility for a total of EUR 1.7 billion with a term to August 2023 was extended in July 2019 on the basis of the second extension option by one year to August 2024. As in the prior year, there are no drawings on the EUR 500 million credit facility tranche as of the reporting date.

On September 30, 2019, the CIMIC Group refinanced and expanded one tranche of its core syndicated bank debt facility. The facility now matures across three tranches:

- AUD 1,300 million maturing on September 22, 2022
- AUD 950 million maturing on September 25, 2023
- AUD 950 million maturing on September 25, 2024

A new USD 300 million syndicated guarantee and credit facility in favor of Flatiron Construction Corporation and several subsidiaries was agreed with an international banking syndicate in August 2019. The facility, which runs to August 2024, replaces the old CAD 350 million syndicated guarantee and credit facility that ran to November 2019. Drawings on the facility as of the reporting date were USD 5 million as a result of guarantees issued (2018: CAD 75.1 million).

Financial liabilities to equity-accounted companies total EUR 12,824 thousand (2018: EUR 16,129 thousand).

30. Lease liabilities

Lease liabilities total EUR 784,855 thousand (2018 restated: EUR 781,522 thousand), divided into non-current liabilities of EUR 528,976 thousand (2018 restated: EUR 535,601 thousand) and current liabilities of EUR 255,879 thousand (2018 restated: EUR 245,921 thousand).

The following amounts are recognized in connection with leases:

(EUR thousand)	2019	2018
Interest expense on the lease liability	32,069	30,914
Short-term lease expense	78,162	112,271
Low-value lease expense	9,511	11,048
Variable lease expense not included in lease liability	5,683	8,615
Lease remeasurement expense	–	–
Other lease expense	32,131	35,433
Sublease income	–	–
Sale-and-leaseback income	–	–
Lease remeasurement income	3	–
Other lease income	878	291

Total cash outflows from leases amount to EUR 424,768 thousand (2018: EUR 364,963 thousand).

Certain leases contain extension options by the Group up to one year before the end of the non-cancelable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options, and where it is reasonably certain, the extension period has been included in the lease liability. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Certain lease contracts may include an option to buy out the asset at the end of the lease term or include contingent rental guarantees where the Group could be exposed to the variability of returns in relation to return conditions at lease expiry. The Group will include the payments for the contingent rental guarantee or the buy-out option only if it is reasonably certain that the payment will occur at the end of the lease term. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The maturity analysis of lease liabilities is shown in Note 34.

31. Trade payables and other liabilities

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018 (restated)
Trade payables	7,027,226	6,242,045
Contract liabilities	1,711,755	1,454,302
Other liabilities	276,595	419,588
	9,015,576	8,115,935

Trade payables consist of non-current liabilities in the amount of EUR 125,566 thousand (2018 restated: EUR 50,572 thousand) and current liabilities in the amount of EUR 6,901,660 thousand (2018 restated: EUR 6,191,473 thousand).

Trade payables include payables to equity-accounted companies in the amount of EUR 4,809 thousand (2018: EUR 10,906 thousand).

The EUR 1,711,755 thousand (2018 restated: EUR 1,454,302 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.

Other liabilities are made up as follows:

(EUR thousand)	Dec. 31, 2019		Dec. 31, 2018 (restated)	
	Non-current	Current	Non-current	Current
Liabilities to employees	–	78,345	–	84,145
Deferred income	48,796	45,893	20,417	25,695
Tax liabilities (excluding income taxes)	–	42,535	–	48,608
Liabilities under derivative financial instruments	10,814	7,896	–	747
Social insurance liabilities	–	2,155	–	2,412
Sundry other liabilities	138	40,023	100	237,464
	59,748	216,847	20,517	399,071

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 in 2018 included EUR 198,777 thousand in liabilities to clients of the Turner Group that are accounted for in provisions for project losses as of December 31, 2019.

32. Current income tax liabilities

The EUR 43,983 thousand (2018: EUR 12,955 thousand) in current income tax liabilities comprises amounts payable to domestic and foreign tax authorities. EUR 37,952 thousand of this amount relates to prior periods (2018: EUR 1,477 thousand).

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.

	2019	2018 (restated)
Profit after tax attributable to HOCHTIEF shareholders (EUR thousand)	(206,247)	542,995
Number of shares in circulation in thousands (weighted average)	70,620	65,444
Earnings per share attributable to HOCHTIEF shareholders (EUR)	(2.92)	8.30
Dividend per share (EUR)		4.98
Proposed dividend per share (EUR)	5.80	

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 (FVPL) category and in the at fair value through other comprehensive income (FVOCI) 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 fleshed out 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, 2019

(EUR thousand)	2020	2021	2022–2023	after 2023	Total
Non-derivative financial liabilities	8,822,915	284,950	624,846	2,130,254	11,862,965
Lease liabilities	255,879	488,766	30,238	9,972	784,855
Derivative financial instruments	7,896	33	–	10,780	18,709
Loan commitments and financial guarantees	30,074	511	5,881	4,609	41,075
	9,116,764	774,260	660,965	2,155,615	12,707,604

Maximum payments as of December 31, 2018 (restated)

(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
Lease liabilities	245,921	486,545	36,892	12,164	781,522
Derivative financial instruments	747	–	–	–	747
Loan commitments and financial guarantees	73,358	–	–	–	73,358
	7,378,146	1,485,702	445,066	881,454	10,190,368

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, 2019	Dec. 31, 2018
Cash in hand and on deposit	3,181,857	2,489,689
Marketable securities	1,432,074	1,150,408
Undrawn revolving credit facilities (nominal)	2,986,464	2,682,008
	7,600,395	6,322,105
Undrawn guarantee facilities	1,777,635	1,459,432

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 second extension to the term of the syndicated credit and guarantee facility in July 2019 until mid-2024. The authorized capital in the amount of up to EUR 65,752 thousand, the authorized capital II in the amount of up to EUR 24,675 thousand, and the 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 116,724 thousand (2018: EUR 51,973 thousand) and financial liabilities in the amount of EUR 8,565 thousand (2018: EUR 19,297 thousand) are offset and presented in the balance sheet with their net amount of EUR 108,159 thousand (2018: EUR 32,676 thousand).

The Group enters into various factoring agreements with banks and financial institutions. These agreements only relate to certified receivables, acknowledged by the client with payment only subject to the passage of time. The factoring of these receivables is done on a non-recourse basis for which the Group may incur a fee in certain instances. The amounts are derecognized where risks and rewards of the receivables have been transferred. The level of non-recourse factoring across the Group was EUR 1.7 billion as at December 31, 2019, consistent with December 31, 2018.

The Group also enters into supply chain finance arrangements with financial institutions for suppliers which may elect to receive early payment for goods and services to improve their liquidity. The terms of the arrangements mirror normal credit terms and do not modify the original liability, therefore the amounts continue to be classified within trade and other payables. The level of supply chain finance across the Group was EUR 656.3 million as at December 31, 2019 (2018: EUR 466.8 million).

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. The prospective effectiveness between the hedged item and the hedging instrument has been confirmed for all hedging relationships using the critical terms match method. 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 and nominal values of currency derivatives, changes in their fair values, and their maximum remaining maturities:

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018
Assets		
Forward exchange contracts/cross-currency swaps		
for hedging purposes (cash flow hedge accounting)	7,518	5,476
for hedging purposes (no cash flow hedge accounting)	3,928	4,134
	11,446	9,610
Liabilities and shareholders' equity		
Forward exchange contracts/cross-currency swaps		
for hedging purposes (cash flow hedge accounting)	18,672	670
for hedging purposes (no cash flow hedge accounting)	6	77
	18,678	747
Changes in fair value		
of derivatives held for hedging purposes (cash flow hedge accounting)		
– recognized in other comprehensive income	(11,742)	319
of derivatives held for hedging purposes (no cash flow hedge accounting)		
– recognized immediately in profit or loss	4,814	6,383
Nominal amounts		
Forward exchange contracts/cross-currency swaps		
for hedging purposes (cash flow hedge accounting)	522,423	303,106
for hedging purposes (no cash flow hedge accounting)	311,813	262,504
Maximum remaining maturity		
(months)		
for hedging purposes (cash flow hedge accounting)	115	26
for hedging purposes (no cash flow hedge accounting)	18	14

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 average hedging rates for forward exchange contracts are EUR/USD 1.1040 and EUR/PLN 4.435.

In the case of cross-currency interest rate swaps, the cross-currency basis spreads that are part of the hedging instrument are not included in the hedge and HOCHTIEF Aktiengesellschaft accounts for the cost of hedging in other comprehensive income.

The table below shows both the reconciliation of the cash flow hedge reserve and the reconciliation of the cost of hedging in which the non-designated cross-currency basis spreads that are part of the cross-currency interest rate swaps are included.

(EUR thousand)	Jan. 1, 2019	Hedging gain or loss	Reclassified to profit or loss	Reclassified to inventories (basis adjustment)	Dec. 31, 2019
Cash flow hedge reserve	–	(2,094)	–	–	(2,094)
Cost of hedging	–	(3,903)	–	–	(3,903)

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 the risk exposure as of the balance sheet date.

		Dec. 31, 2019			Dec. 31, 2018		
		Exchange rate		Risk exposure	Exchange rate		Risk exposure
(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	4,534	(4,534)	46,066	-	-	-
EUR	NOK	9,681	(9,681)	101,381	-	-	-
AUD	EUR	(296)	296	3,033	1,466	(1,466)	14,438
AUD	NZD	9,167	(9,167)	91,563	1,306	(1,306)	12,606
AUD	USD	(22,961)	22,961	215,756	17,337	(17,337)	169,531
PLN	EUR	(25)	25	249	(3,649)	3,649	35,378
USD	EUR	20,149	(20,149)	200,100	40	(40)	400
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	273	(273)	2,730	338	(338)	3,380
EUR	DKK	148	(148)	1,479	157	(157)	1,569
EUR	GBP	1,176	(1,176)	11,760	1	(1)	6
EUR	HUF	(196)	196	1,957	134	(134)	1,338
EUR	NOK	60	(60)	598	1,283	(1,283)	12,834
EUR	PLN	542	(542)	5,421	33	(33)	325
EUR	SEK	(90)	90	901	229	(229)	2,292
EUR	USD	(23,418)	23,418	238,579	(9,715)	9,715	97,367
AUD	CAD	320	(320)	3,198	1,486	(1,486)	14,861
AUD	EUR	681	(681)	6,812	4,113	(4,113)	41,132
AUD	HKD	3,330	(3,330)	33,298	3,949	(3,949)	39,489
AUD	SGD	3,862	(3,862)	38,616	2,941	(2,941)	29,414
AUD	USD	4,575	(4,575)	45,747	10,356	(10,356)	103,557
CZK	EUR	(2,924)	2,924	29,236	-	-	-
USD	CAD	(308)	308	3,149	(9,760)	9,760	97,607
USD	EUR	2,117	(2,117)	21,158	(2,253)	2,253	22,810
USD	GBP	(9)	9	92	(1,546)	1,546	16,337

Management of interest rate risk

HOCHTIEF is exposed to interest rate risk through financial items primarily consisting of interest-bearing marketable securities on the assets side and financial liabilities on the liabilities side of the balance sheet. Two approaches are used to minimize this risk. Firstly, the Company uses natural hedging, meaning that it eliminates contrary interest rate risk from non-derivative financial instruments on the assets and liabilities sides. 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. The prospective effectiveness between the hedged item and the hedging instrument has been confirmed for all hedging relationships using the critical terms match method. 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 and nominal values of interest rate derivatives, changes in their fair values, and their maximum remaining maturities:

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018
Assets		
Interest rate futures/Interest rate swaps		
for hedging purposes (cash flow hedge accounting)	–	–
for hedging purposes (no cash flow hedge accounting)	52	–
	52	–
Liabilities and shareholders' equity		
Interest rate futures/Interest rate swaps		
for hedging purposes (cash flow hedge accounting)	–	–
for hedging purposes (no cash flow hedge accounting)	32	–
	32	–
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	(107)	(374)
Nominal amounts		
Interest rate futures/Interest rate swaps		
for hedging purposes (cash flow hedge accounting)	–	–
for hedging purposes (no cash flow hedge accounting)	50,481	–
Maximum remaining maturity (months)		
for hedging purposes (cash flow hedge accounting)	–	–
for hedging purposes (no cash flow hedge accounting)	19	–

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 the risk exposure as of the balance sheet date.

(EUR thousand)	Dec. 31, 2019		Risk exposure	Dec. 31, 2018		Risk exposure
	Market interest rate 1% increase	Market interest rate 1% decrease		Market interest rate 1% increase	Market interest rate 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)	9,784	(8,888)	503,180	(2,817)	2,816	268,408
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)	(1,742)	1,746	274,929	291	(290)	276,395

Management of other price risk

At HOCHTIEF, other price risk results from investing in current and non-current non-interest-bearing marketable securities. Price risk also results from other financial assets (mainly investments). Such items are shown in the following table.

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018
Price risk exposure on non-current assets	83,696	73,481
Price risk exposure on current assets	33,271	242,164

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 and nominal values of equity options and stock forward contracts, changes in their fair values, and their maximum remaining maturities:

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018
Assets		
Equity options and stock forward contracts		
for hedging purposes (cash flow hedge accounting)	–	3,185
for hedging purposes (no cash flow hedge accounting)	–	46,890
	–	50,075
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)
of derivatives held for hedging purposes (no cash flow hedge accounting) – recognized immediately in profit or loss	–	1,776
Nominal amounts		
Equity options and stock forward contracts		
for hedging purposes (cash flow hedge accounting)	–	–
for hedging purposes (no cash flow hedge accounting)	–	–
Maximum remaining maturity (months)		
for hedging purposes (cash flow hedge accounting)	–	3
for hedging purposes (no cash flow hedge accounting)	–	108

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.

(EUR thousand)	Dec. 31, 2019		Dec. 31, 2018	
	Market value		Market value	
	10% increase	10% decrease	10% increase	10% decrease
Change in equity due to changes in market price of unimpaired securities	12,508	(12,508)	24,216	(24,216)
Change in equity due to changes in value of unimpaired participating interests measured at fair value	7,745	(7,745)	6,551	(6,551)

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, 2019 amounts to EUR 33,271 thousand (2018: EUR 242,164 thousand). Changes in fair value recognized through other comprehensive income in the reporting period amounted to EUR 11,776 thousand (2018: 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, 2019, the maximum credit risk from financial guarantees and loan commitments amounted to EUR 41,075 thousand (2018: EUR 73,358 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 tables show the gross carrying amounts, as of the balance sheet date and in the prior year, of trade receivables past due and not past due for which impairment losses are recognized either on the basis of an impairment matrix (simplified approach) or without an impairment matrix. Contract assets are included in trade receivables. The fact of payments being more than 30 days past due does not imply an increase in credit risk.

Dec. 31, 2019

(EUR thousand)	Gross carrying amount	Impairment matrix not applied	Impairment matrix					Over 120 days past due
			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	
Trade receivables	6,157,896	5,596,292	500,138	14,754	3,329	1,541	1,384	40,458
	6,157,896	5,596,292	500,138	14,754	3,329	1,541	1,384	40,458

Dec. 31, 2018

(EUR thousand)	Gross carrying amount	Impairment matrix not applied	Impairment matrix					Over 120 days past due
			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	
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 aging profile 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 opening balance of impairments on trade receivables at the beginning of the reporting period was EUR 169,076 thousand. Changes within the 2019 reporting period relate to additions, reversals, utilizations, exchange rate adjustments, and consolidation changes, and come to a total of EUR -3,965 thousand (2018: EUR -8,468 thousand), as a result of which impairments on trade receivables amounted to EUR 165,111 thousand as of December 31, 2019. In percentage terms, the loss rate on the gross carrying amount of trade receivables is 2.68% (2018: 3.37%). Most of these expected credit losses on trade receivables consist of impairments typical for the industry. Impairments of contract assets in this context are classified as non-material.

The following tables show, for 2019 and 2018, 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				
Jan. 1, 2019	14,472	24,453	372,727	411,652
Remeasurement (changed measurement parameters)	188	(7,364)	(347,437)	(354,613)
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Newly acquired/issued financial assets	–	–	–	–
Repaid or derecognized financial assets	–	–	699	699
Other changes*	14	–	2,977	2,991
Dec. 31, 2019	14,674	17,089	28,966	60,729
Other current receivables and other current assets				
Jan. 1, 2019	225	–	–	225
Remeasurement (changed measurement parameters)	110	–	–	110
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Newly acquired/issued financial assets	–	–	–	–
Repaid or derecognized financial assets	(1)	–	–	(1)
Other changes*	–	–	–	–
Dec. 31, 2019	334	–	–	334

*The other changes relate to exchange rate adjustments and consolidation changes.

(EUR thousand)	Stage 1 12-month ECL	Stage 2 lifetime ECL gross carrying amount	Stage 3 lifetime ECL net carrying amount	Total
Financial receivables				
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				
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 that demonstrates otherwise) and there is objective evidence that the asset is 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 tables show the gross carrying amounts of financial assets by risk class within the ECL stages.

Dec. 31, 2019				
(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	4,714,267	4,567	–	4,718,834
Underperforming	11,009	189,710	–	200,719
Non-performing	10,736	42,471	143,366	196,573
	4,736,012	236,748	143,366	5,116,126

Dec. 31, 2018				
(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, 2019 and as of December 31, 2018.

	Financial assets				Financial liabilities				Not belonging to any category	
	At fair value through other comprehensive income: Equity instruments	At fair value through other comprehensive income: Debt instruments	At fair value through profit or loss	At amortized cost	Held for trading	At amortized cost	Hedge accounting	Not covered by IFRS 7	Total carrying amounts Dec. 31, 2019	Total fair value Dec. 31, 2019
(EUR thousand)										
Assets										
Other financial assets										
At fair value	-	-	83,696	-	-	-	-	-	83,696	83,696
At amortized cost	-	-	-	-	-	-	-	-	-	-
	-	-	83,696	-	-	-	-	-	83,696	83,696
Financial receivables										
Non-current	-	-	-	97,904	-	-	-	-	97,904	n/a
Current	-	-	-	171,982	-	-	-	-	171,982	n/a
Trade receivables	-	-	-	3,428,583	-	-	-	2,141,914	5,570,497	n/a
Other receivables and other financial assets										
Non-current										
At fair value	-	-	8	-	-	-	898	-	906	906
At amortized cost	-	-	-	-	-	-	-	-	-	-
Not covered by IFRS 7	-	-	-	-	-	-	-	165,287	165,287	n/a
	-	-	8	-	-	-	898	165,287	166,193	906
Current										
At fair value	-	-	3,972	-	-	-	6,621	-	10,593	10,593
At amortized cost	-	-	-	308,131	-	-	-	-	308,131	n/a
Not covered by IFRS 7	-	-	-	-	-	-	-	401,184	401,184	n/a
	-	-	3,972	308,131	-	-	6,621	401,184	719,908	10,593
Marketable securities	91,805	285,623	76,683	-	-	-	-	-	454,111	454,111
Cash and cash equivalents	-	-	-	4,458,020	-	-	-	-	4,458,020	n/a
Liabilities and shareholders' equity										
Financial liabilities										
Non-current	-	-	-	-	-	2,726,365	-	-	2,726,365	2,768,024
Current	-	-	-	-	-	944,017	-	-	944,017	931,414
Trade payables										
Non-current	-	-	-	-	-	125,566	-	-	125,566	n/a
Current	-	-	-	-	-	6,881,729	-	1,731,686	8,613,415	n/a
Other liabilities										
Non-current										
At fair value	-	-	-	-	9	-	10,805	-	10,814	10,814
At amortized cost	-	-	-	-	-	85	-	-	85	n/a
Not covered by IFRS 7	-	-	-	-	-	-	-	48,849	48,849	n/a
	-	-	-	-	9	85	10,805	48,849	59,748	10,814
Current										
At fair value	-	-	-	-	29	-	7,867	-	7,896	7,896
At amortized cost	-	-	-	-	-	33,262	-	-	33,262	n/a
Not covered by IFRS 7	-	-	-	-	-	-	-	175,689	175,689	n/a
	-	-	-	-	29	33,262	7,867	175,689	216,847	7,896

Carrying amount by category

Not belonging to any category

	Financial assets			Financial liabilities			Not belonging to any category		Total carrying amounts Dec. 31, 2018	Total fair value Dec. 31, 2018
	At fair value through other comprehensive income	At fair value through profit or loss	At amortized cost	Held for trading	At amortized cost	Hedge accounting	Not covered by IFRS 7			
(EUR thousand)										
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	n/a
Current										
	-	-	178,045	-	-	-	-	-	178,045	n/a
Trade receivables	-	-	2,672,171	-	-	-	-	2,279,693	4,951,864	n/a
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	n/a
Not covered by IFRS 7	-	-	-	-	-	-	257,062	-	257,062	n/a
	-	4,134	279,044	-	-	5,468	257,062	-	545,708	9,602
Marketable securities	154,263	291,211	-	-	-	-	-	-	445,474	445,474
Cash and cash equivalents	-	-	3,565,888	-	-	-	-	-	3,565,888	n/a
Liabilities and shareholders' equity										
Financial liabilities										
Non-current										
	-	-	-	-	2,069,838	-	-	-	2,069,838	2,109,937
Current										
	-	-	-	-	599,623	-	-	-	599,623	597,055
Trade payables										
Non-current										
	-	-	-	-	50,572	-	-	-	50,572	n/a
Current										
	-	-	-	-	6,173,196	-	1,472,579	-	7,645,775	n/a
Other liabilities										
Non-current										
At fair value	-	-	-	-	-	-	-	-	-	-
At amortized cost	-	-	-	-	85	-	-	-	85	n/a
Not covered by IFRS 7	-	-	-	-	-	-	20,432	-	20,432	n/a
	-	-	-	-	85	-	20,432	-	20,517	n/a
Current										
At fair value	-	-	-	77	-	670	-	-	747	747
At amortized cost	-	-	-	-	231,266	-	-	-	231,266	n/a
Not covered by IFRS 7	-	-	-	-	-	-	167,058	-	167,058	n/a
	-	-	-	77	231,266	670	167,058	-	399,071	747

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 (i.e., as prices) or indirectly (i.e., 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

(EUR thousand)	Dec. 31, 2019			Dec. 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Other financial assets	–	13,578	70,118	–	8,497	64,984
Other receivables and other assets						
Non-current	3	903	–	–	3,193	46,890
Current	50	10,543	–	–	9,602	–
Marketable securities	417,305	36,806	–	410,435	35,039	–
Liabilities						
Other liabilities						
Non-current	9	10,805	–	–	–	–
Current	23	7,873	–	–	747	–

There were no transfers of assets measured at fair value between Level 1 and Level 2 of the fair value hierarchy in the course of the reporting year. This means that there were likewise no changes in Level 3.

The Group's forward exchange contracts are not traded in active markets. The fair values of these contracts are estimated using a valuation technique that maximizes the use of observable market inputs, e.g. market exchange and interest rates. Therefore they are included in Level 2 of the fair value hierarchy.

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 were measured using Monte Carlo simulation. Assumed inputs were 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 had 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, 2019	Currency adjustments	Gains/(losses) recognized in profit or loss	Other changes	Balance as of Dec. 31, 2019
Other financial assets	64,984	953	4,181	–	70,118
Other receivables and other assets					
Non-current	46,890	1,062	(47,952)	–	–
Current	–	–	–	–	–

(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	–	–	–	–	–

The remaining changes in the prior year were accounted for in other comprehensive income.

Financial assets with a carrying amount of EUR 298,200 thousand are pledged as collateral for recognized financial liabilities and unrecognized contingent liabilities as of December 31, 2019 (2018: EUR 371,265 thousand).

The following table shows the net profit from financial instruments by IFRS 9 category for 2019 and 2018:

Net profit from financial instruments

(EUR thousand)	2019	2018
At amortized cost	64,847	33,158
At fair value through profit or loss	8,020	10,387
At fair value through other comprehensive income: Debt instruments	9,445	11,187
At fair value through other comprehensive income: Equity instruments	645	–
Liabilities at amortized cost	(195,949)	(160,758)
	(112,992)	(106,026)

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 profit or loss or other comprehensive income.

35. Contingencies, commitments, and other financial obligations

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018
Obligations under guarantees	127,041	369,785

Of this total, obligations in the amount of EUR 125,978 thousand (2018: EUR 368,741 thousand) relate to associates and joint ventures, of which—as in the prior year—the entire amount 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

(EUR billion)	Total available		Utilized		Expires
	2019	2018	2019	2018	
HOCHTIEF AG					
Syndicated guarantee facility (EUR)	1.20	1.20	0.86	0.94	August 2024
Further guarantee facilities (EUR)	1.42	1.60	0.66	0.84	n/a
Turner/Flatiron					
Bonding (USD)	9.61	8.61	9.61	8.61	until further notice
Flatiron syndicated guarantee (USD)	0.10	0.18	0.00	0.06	August 2024
CIMIC					
Syndicated guarantee facility (AUD)	1.35	1.35	1.01	0.95	March 2021
Further guarantee facilities (AUD)	4.60	4.30	4.12	3.24	n/a

The EUR 1.7 billion syndicated credit facility continues to be a central long-term financing instrument for HOCHTIEF Aktiengesellschaft. The facility with an initial term to August 2022 and extension options of up to two more years was extended to August 2024 on the basis of the second extension option in July 2019. The EUR 1.2 billion guarantee facility tranche was drawn in the amount of EUR 859 million as of the reporting date (2018: EUR 944 million).

A new USD 300 million syndicated guarantee and credit facility in favor of Flatiron Construction Corporation and several subsidiaries was agreed with an international banking syndicate in August 2019. The facility, which runs to August 2024, replaces the old CAD 350 million syndicated guarantee and credit facility that ran to November 2019. Drawings on the facility as of the reporting date were USD 5 million as a result of guarantees issued (2018: guarantees of CAD 75.1 million). Likewise in August 2019, HOCHTIEF, again acting as guarantor, entered into a bilateral guarantee facility together with Flatiron Construction Corporation for CAD 100 million. Drawings on this total EUR 58 million (CAD 84 million) as of the reporting date.

Group order exposure from awarded capital expenditure projects is EUR 83,624 thousand (2018: EUR 106,331 thousand) and mostly relates to the CIMIC Group in the amount of EUR 83,107 thousand (2018: EUR 106,162 thousand). In the HOCHTIEF Asia Pacific division, there are additionally cash call commitments to non-consolidated entities in the amount of EUR 9,566 thousand (2018: EUR 9,433 thousand).

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 management and construction activities of operational units in the USA and Canada;

HOCHTIEF Asia Pacific pools the construction activities, contract mining and services 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;

Abertis Investment comprises the investment in Spanish toll road operator Abertis Infraestructuras S.A., which is accounted for as a separate segment from 2019. It was previously presented under Corporate and the prior-year segment information has been restated accordingly.

Corporate comprises Corporate Headquarters, other activities not assignable to the separately listed divisions, including management of financial resources and insurance activities, plus consolidation effects. Insurance activities are managed from Corporate Headquarters under the responsibility of HOCHTIEF Insurance Broking and Risk Management Solutions GmbH with companies in Luxembourg, including Builders Reinsurance S.A. The HOCHTIEF insurance companies primarily provide reinsurance offerings for contractors' casualty and surety, subcontractor default, liability, and occupational accident insurance.

Divisions	External sales		Intersegment sales		Sales by division (external plus intersegment)	
	2019	2018	2019	2018	2019	2018
(EUR thousand)						
HOCHTIEF Americas	15,327,780	13,068,672	–	–	15,327,780	13,068,672
HOCHTIEF Asia Pacific	9,143,222	9,266,285	–	–	9,143,222	9,266,285
HOCHTIEF Europe	1,225,490	1,415,951	7,511	6,630	1,233,001	1,422,581
Abertis Investment	–	–	–	–	–	–
Corporate	155,363	131,382	7,090	6,084	162,453	137,466
HOCHTIEF Group	25,851,855	23,882,290	14,601	12,714	25,866,456	23,895,004

Divisions	EBITDA		Ordinary depreciation/ amortization		Share of profits and losses of equity-method associates and joint ventures	
	2019	2018 (restated)	2019	2018 (restated)	2019	2018
(EUR thousand)						
HOCHTIEF Americas	397,749	374,660	80,061	57,821	77,518	70,802
HOCHTIEF Asia Pacific	1,334,204	1,209,490	570,715	457,597	41,514	36,990
HOCHTIEF Europe	97,270	116,425	47,082	42,461	26,169	63,558
Abertis Investment	122,355	84,284	–	–	122,355	84,284
Corporate	(58,732)	(98,622)	2,900	2,481	14,730	(23,792)
HOCHTIEF Group	1,892,846	1,686,237	700,758	560,360	282,286	231,842

Divisions	Carrying amount of equity-method investments		Purchases of intangible assets, property, plant, equipment, investment properties and financial assets		Net cash (+)/ Net debt (-)	
	2019	2018	2019	2018 (restated)	2019	2018 (restated)
(EUR thousand)						
HOCHTIEF Americas	231,623	136,245	254,210	144,773	1,467,391	1,142,098
HOCHTIEF Asia Pacific	156,572	84,231	756,856	638,957	558,562	984,800
HOCHTIEF Europe	154,359	178,350	75,129	61,124	511,369	475,269
Abertis Investment	1,373,118	1,466,542	1,497	1,406,752	–	–
Corporate	12,115	–	6,760	7,744	(1,008,306)	(1,037,782)
HOCHTIEF Group	1,927,787	1,865,368	1,094,452	2,259,350	1,529,016	1,564,385

Regions	External sales by customer location		Non-current assets	
	2019	2018	2019	2018 (restated)
(EUR thousand)				
Germany	711,067	897,892	199,058	182,793
Rest of Europe	542,792	547,132	64,910	56,326
USA	14,798,218	12,466,086	523,665	483,730
Rest of America	773,424	789,932	61,051	58,940
Asia	1,954,935	2,222,798	834,276	856,353
Australia	6,572,695	6,547,961	1,365,295	1,175,598
Rest of Oceania	443,190	410,401	–	–
Africa	55,534	88	–	–
HOCHTIEF Group	25,851,855	23,882,290	3,048,255	2,813,740

Work done		Nominal profit before tax (PBT)		Nominal net profit*	
2019	2018	2019	2018 (restated)	2019	2018 (restated)
14,753,713	12,662,830	309,803	297,341	212,420	189,513
10,701,784	10,897,559	(1,065,546)	618,203	(525,874)	298,722
1,533,994	1,760,844	53,772	51,821	45,446	39,403
–	–	122,355	84,284	122,355	84,284
149,453	124,974	(47,853)	(72,611)	(60,594)	(68,927)
27,138,944	25,446,207	(627,469)	979,038	(206,247)	542,995

* Share of HOCHTIEF shareholders in profit after tax

Interest and similar income		Interest and similar expenses		Non-cash expenses	
2019	2018	2019	2018 (restated)	2019	2018
18,562	4,990	21,626	20,761	145,657	110,532
17,823	19,893	167,744	155,788	1,925,375	190,197
2,809	3,567	13,251	18,310	83,907	152,129
–	–	–	–	–	–
8,298	7,662	(6,748)	(3,187)	99,096	77,097
47,492	36,112	195,873	191,672	2,254,035	529,955

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 performance obligations recognized under 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 the performance indicator EBIT/EBITDA was revised in 2019 and now additionally includes the share of profits and losses of equity-method associates (primarily Abertis). The prior-year figures were restated accordingly. The adjustment for non-operating net expenses in financial year 2019 mainly includes the reassessment of the financial exposure to BICC in the amount of EUR 1,694,600 thousand, mainly shareholder loans and financial guarantees.

EBIT/EBITDA is derived from profit before tax as follows:

(EUR thousand)	2019	2018 (restated)
Profit before tax	(627,469)	979,038
+ Investment and interest expenses	233,858	222,675
– Investment and interest income	(80,559)	(107,406)
– Net income from other participating interests (excluding gains/losses from disposals of participating interests)	(33,636)	(26,923)
+ Adjustment for non-operating net expenses	1,699,326	56,664
EBIT	1,191,520	1,124,048
+ Depreciation and amortization	701,326	562,189
EBITDA	1,892,846	1,686,237

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, 2019	Dec. 31, 2018 (restated)
Cash and cash equivalents	4,458,020	3,565,888
Marketable securities	454,111	445,474
Current financial receivables	171,982	178,045
Current tax receivables (excluding income taxes)	107,826	41,276
Dividend receivables	6,808	–
Financial assets included in net cash	5,198,747	4,230,683
Bonds or notes issued, and amounts due to banks	3,630,651	2,635,174
Financial liabilities to associates	12,825	16,129
Sundry other financial liabilities	26,255	17,153
Financial liabilities included in net cash	3,669,731	2,668,456
Net cash	1,529,016	1,562,227
Short-term financial assets and investments	–	2,158
Net cash including short-term financial assets and investments	1,529,016	1,564,385

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 -367 thousand (2018: EUR 28,118 thousand) changes in cash and cash equivalents due to consolidation changes comprised EUR 12,226 thousand (2018: EUR 28,702 thousand) in cash and cash equivalents from acquisitions and EUR 12,593 thousand (2018: EUR 584 thousand) in cash and cash equivalents in disposals.

The EUR 4,458,020 thousand (2018: EUR 3,565,888 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 534 thousand (2018: EUR 556 thousand) in cash in hand, EUR 3,473,967 thousand (2018: EUR 2,846,961 thousand) in cash balances at banks, and EUR 983,519 thousand (2018: EUR 718,371 thousand) in marketable securities with maturities of no more than three months at the time of acquisition. Cash and cash equivalents in the amount of EUR 292,644 thousand are subject to restrictions (2018: EUR 357,828 thousand).

All non-cash income and expense and all income from asset disposals or arising on deconsolidation is eliminated in cash flow from operating activities.

Additional information on cash and cash equivalents, and short-term financial assets and investments

(EUR thousand)	Dec. 31, 2019	Dec. 31, 2018 (restated)
Cash and cash equivalents	4,458,020	3,565,888
Short-term financial assets and investments	2,813	2,158
Cash and equivalent liquid assets	4,460,833	3,568,046

(EUR thousand)	2019	2018 (restated)
Cash flow from operating activities	1,601,920	1,572,250
Change in short-term financial assets and investments	622	1,665
Net cash from operating activities	1,602,542	1,573,915

Cash flow from operating activities includes:

- Interest income of EUR 55,117 thousand (2018: EUR 47,853 thousand)
- Interest expense of EUR 162,158 thousand (2018: EUR 160,758 thousand)
- Income tax paid amounting to EUR 269,962 thousand (2018: EUR 100,476 thousand).

After deducting the non-cash component of income from equity-accounted interests, net income received (as dividends) from such interests was EUR 326,456 thousand (2018: EUR 105,544 thousand).

Divestments relate to the deconsolidation of fully consolidated subsidiaries. This reduced non-current assets by EUR 17,057 thousand (2018: EUR 1,967 thousand) and current assets by EUR 12,775 thousand (2018: EUR 69,195 thousand). Non-current liabilities decreased by EUR 143 thousand (2018: EUR – thousand) and current liabilities by EUR 5,957 thousand (2018: EUR 39,493 thousand). Of the sale proceeds totaling EUR 23,546 thousand (2018: EUR 15,396 thousand), EUR 23,345 thousand were settled in cash and cash equivalents as of the reporting date (2018: EUR – thousand).

Dividends of EUR 351,647 thousand (2018: EUR 217,184 thousand) were paid to HOCHTIEF's shareholders in the reporting year. Dividends paid to non-controlling interests total EUR 110,339 thousand (2018: EUR 100,721 thousand), of which EUR 89,123 thousand (2018: EUR 81,133 thousand) relates to the CIMIC Group.

Liabilities from financing activities changed as follows:

	Jan. 1, 2019	Cash changes		Non-cash changes		Dec. 31, 2019
		Borrowings	Principal repayments	Currency translation adjustments	Changes in the scope of consolidation and transfers	
(EUR thousand)						
Bonds or notes issued and amounts due to banks	2,635,174	2,216,556	(1,233,609)	10,192	2,338	3,630,651
Financial liabilities to non-consolidated subsidiaries and equity interests	17,134	2,207	(15,420)	9,555	–	13,476
Other financial liabilities	17,153	14,461	–	236	(5,595)	26,255
Total financial liabilities	2,669,461	2,233,224	(1,249,029)	19,983	(3,257)	3,670,382

	Jan. 1, 2018	Cash changes		Non-cash changes		Dec. 31, 2018
		Borrowings	Principal repayments	Currency translation adjustments	Changes in the scope of consolidation and transfers	
(EUR thousand)						
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
Other financial liabilities	15,390	4,528	(3,406)	642	(1)	17,153
Total financial liabilities	2,418,796	1,025,773	(779,223)	4,115	–	2,669,461

38. New accounting pronouncements

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 2019 year and in some cases have not yet been endorsed by the EU.

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.

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 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures:** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Classification and Measurement and IFRS 7 Financial Instruments: Disclosures:** Interest Rate Benchmark Reform
- **Amendments to IFRS 3 Business Combinations:** Definition of a Business
- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:** Definition of Material
- **Amendments to IAS 1 Presentation of Financial Statements:** Classification of Liabilities as Current or Non-current
- **Amendments to the Conceptual Framework for Financial Reporting:** References to the Conceptual Framework in IFRS Standards

39. Related party disclosures

Significant related parties of the HOCHTIEF Group include our parent company ACS and our shareholder Atlantia. No material transactions were entered into between HOCHTIEF Aktiengesellschaft or any Group company and ACS or Atlantia or their affiliates during the reporting year.

Related parties material to the Group as of the balance sheet date comprise associates Abertis HoldCo and Abertis Infraestructuras as well as in prior year joint venture BICC. Transactions with these entities gave rise to items in the financial statements as follows:

(EUR thousand)	2019	2018
Loans	–	395,020
Interest income	–	15,071

All transactions with related parties were conducted on an arm's length basis.

No 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 2019.

40. Total Executive Board and Supervisory Board compensation

The Compensation Report on pages 83–88 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.

Total compensation for the members of the Executive Board in 2019 and compensation for the individual members of the Executive Board are shown in the table below.

(EUR thousand)	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		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Fixed compensation	1,262	1,300	338	348	394	406	675	696	2,669	2,750
Fringe benefits	39	39	16	16	29	29	19	19	103	103
Total	1,301	1,339	354	364	423	435	694	715	2,772	2,853
One-year variable compensation	1,658	0	394	0	450	0	788	0	3,290	0
Multi-year variable compensation										
Long-term incentive component I ¹⁾	1,312	0	394	0	450	0	788	0	2,944	0
Long-term incentive component II ²⁾ (5-year term)	1,312	0	394	0	450	0	788	0	2,944	0
Total compensation³⁾	5,583	1,339	1,536	364	1,773	435	3,058	715	11,950	2,853

¹⁾ Transfer of shares with two-year retention period

²⁾ Granted as long-term incentive plan (for plan details, see pages 199–201)/Value at grant date

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 108,706 thousand (2018: EUR 101,439 thousand).

Pension payments to former members of the Executive Board and their surviving dependants were EUR 5,019 thousand (2018: EUR 5,283 thousand). Pension obligations to former members of the Executive Board and their surviving dependants totaled EUR 86,434 thousand (2018: EUR 84,633 thousand).

Executive Board compensation in relation to offices held at Group companies

For his services in Australia as Executive Chairman of CIMIC in 2019, Mr. Fernández Verdes received a lump-sum expense allowance of EUR 297 thousand* and fringe benefits in the amount of EUR 12 thousand*. The stock appreciation rights granted to Mr. Fernández Verdes by CIMIC in 2014 resulted in an expense in the amount of EUR 1,018 thousand.

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.

Total compensation, including attendance fees, for the members of the Supervisory Board came to EUR 1,864,000 (2018: EUR 1,890,500).

*The euro amount depends on the exchange rate.

41. Auditing fees

Fees for services provided in Germany by auditors KPMG AG Wirtschaftsprüfungsgesellschaft were paid and recognized as expenses as follows:

(EUR thousand)	2019	2018
Financial statement audit services	987	1,200
Other assurance services	100	253
Tax consulting	18	–
Other services performed for HOCHTIEF Aktiengesellschaft	148	72
	1,253	1,525

KPMG AG Wirtschaftsprüfungsgesellschaft has been engaged as auditor since 2019 and thus succeeds Deloitte GmbH Wirtschaftsprüfungsgesellschaft.

The fees for services provided in Germany relate to services of the appointed Group financial statement auditors KPMG AG 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 KPMG AG Wirtschaftsprüfungsgesellschaft 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, 2019. 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 in connection with the review of the separate non-financial Group report and the sustainability report. Tax consulting relates to tax advice to foreign employees. The other services mainly consist of consulting services in connection with data protection and archiving as well as sustainability management.

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 submitted on behalf of HOCHTIEF Aktiengesellschaft and made available for the general public to view at any time on the HOCHTIEF website.

43. Events since the balance sheet date and report on post-balance-sheet events

On January 23, 2020 CIMIC announced its decision to exit the Middle East region, see Note 8 Provision and asset impairment in relation to Middle East exit.

44. Use of the exempting provisions in Section 264 (3) (and Section 264b) of the German Commercial Code

The following German domestic, fully consolidated subsidiaries made partial use of the exempting provisions in 2019:

A.L.E.X.-Bau GmbH, Essen,
 Deutsche Baumanagement GmbH, Essen,
 Deutsche Bau- und Siedlungs-Gesellschaft mbH, Essen,
 Eurafrika 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 BePo Hessen GmbH, Essen,
 HOCHTIEF Engineering 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,
 Projektgesellschaft Börsentor Frankfurt GmbH & Co. KG, Essen,
 Projektgesellschaft Konrad-Adenauer-Ufer Köln GmbH & Co. KG, Essen,
 Projektgesellschaft Marco Polo Tower GmbH & Co. KG, Hamburg,
 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, 2019

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/subsidiaries2019

46. Boards

Supervisory Board

Pedro López Jiménez

Madrid, Chairman of the Supervisory Board of HOCHTIEF Aktiengesellschaft, Member of the Board, Member of the Nomination Committee, 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)

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

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.
TUBACEX

Dipl. oec. Patricia Geibel-Conrad

Leonberg, Business consultancy—Auditing/Tax consultancy in own office

- a) CEWE Stiftung & Co. KGaA, Oldenburg
DEUTZ AG, Cologne

- a) Membership in other supervisory boards prescribed by law (as of December 31, 2019)
- b) Membership in comparable domestic and international corporate governing bodies (as of December 31, 2019)

* Supervisory Board member representing employees

- a) Membership in other supervisory boards prescribed by law (as of December 31, 2019)
- b) Membership in comparable domestic and international corporate governing bodies (as of December 31, 2019)

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 Legorbuero 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 10, 2020

HOCHTIEF Aktiengesellschaft

The Executive Board



Marcelino Fernández Verdes



Peter Sassenfeld



José Ignacio Legorburo Escobar



Nikolaus Graf von Matuschka

Translated

Reproduction of the Independent Auditor's Report

Based on the results of our audit, we have issued the following unqualified audit opinion:

Independent Auditor's Report

To HOCHTIEF Aktiengesellschaft, Essen

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of HOCHTIEF Aktiengesellschaft, Essen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of earnings, 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 1 January 2019 to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report (in the following: "group management report") of HOCHTIEF Aktiengesellschaft for the financial year from 1 January 2019 to 31 December 2019. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the „Other Information“ section of our auditor's report. In the section "Corporate Governance and Compliance", the group management report contains a cross-reference to the Company's website. In accordance with German legal requirements, we have not audited the content of this cross-reference or the information to which it refers.

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 IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group 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 opinion on the management report does not cover the content of those components of the management report specified in the „Other Information“ section of the auditor's report. In the section "Corporate Governance and Compliance", the management report contains a cross-reference to the Company's website. Our opinion on the management report does not cover the content of this cross-reference or the information to which it refers.

Pursuant to Section 322 (3) sentence 1 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 group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 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 [Institute of Public Auditors in Germany] (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 Group Management Report“ section of our auditor’s report. We are independent of the group entities 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)(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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

The recognition of revenue from customer-specific construction contracts

For details of the accounting and valuation principles applied, please refer to the explanations in the section “Revenue from Contracts with Customers” as well as “judgments made by management in applying the accounting policies” in the accounting and valuation principles in the notes to the consolidated financial statements. Information on the amount and breakdown of revenue can be found in the notes to the Consolidated Financial Statements in the section „Explanatory Notes to the Consolidated Statement of Earnings“ under „Sales“ (Note 2).

THE FINANCIAL STATEMENT RISK

The group’s sales in the financial year 2019 amount to EUR 25,852 million.

A material part of the business activity of HOCHTIEF Group refers to the handling of customer-specific construction contracts. These primarily relate to the construction business, construction project management and contract mining. Revenue is recognized for contractual revenues and contract modifications, i.e. contract variations and additional claims. In accordance with the degree of completion as a measure of the transfer of control to the customer, revenue is recognized over time, including the proportional profit or loss from the respective construction contract.

The most significant estimates of the legal representatives in this connection relate to:

- Determination of the degree of completion as ratio of work already performed to the entire forecasted order volume;
- Estimation of the entire contract performance and total contract costs including forecasted cost increases;
- Estimate of the total contract revenue, taking into account contract variations and subsequent claims for which it is highly probable that they will not be cancelled to a significant extent in the future

The Group's significant markets are located in Australia, the US and in Europe. Various and to some extent complex contractual conditions are agreed by the Group's companies for their worldwide activities.

Due to the use of varying contractual agreements in different markets for customers and estimates in assessing the timing of the transfer of control to the customer, there is financial statement risk that the amount of accrued revenues at the balance sheet date is inaccurate.

OUR AUDIT APPROACH

On the basis of our process understanding we have gained, we have assessed the design and implementation of the internal controls identified, in particular relating to the accurate determination of the degree of completion of projects. Insofar as we have relied on the identified controls, we have also assessed their effectiveness. Our focus is on the controls for approving project plans and reviewing project invoices.

The most significant estimates, such as the existence of a legally enforceable claim for payment including an appropriate margin for services already rendered as well as the selection of the measurement basis and the estimation of the degree of completion, were assessed for appropriateness on the basis of contracts selected on a risk-oriented approach. Key criteria for the risk-oriented selection included the project history with regard to the total contract size, the order volume in the current fiscal year, the amount of revenue from contract modifications and the forecasted project result as well as changes in project margin recorded or expected in the current fiscal year.

In addition, our audit procedures included obtaining an understanding of the underlying contracts, interviewing project managers on the development of the projects, corroborating the Company's estimates of the probability of occurrence of legal contract risks, reviewing the incurred and forecasted costs by means of respective evidence, and examining the anticipated losses from loss-making projects. Furthermore, we obtained evidence from third parties for selected projects and, with the involvement of our engineers, visited construction sites.

On the basis of the knowledge previously obtained, we assessed the appropriateness of the determination of the respective degree of completion as well as the accounting for construction contracts within the balance sheet and the statement of earnings.

OUR OBSERVATIONS

The HOCHTIEF Group's approach to recognizing sales on an accrual basis is appropriate. The assumptions and methods underlying the accounting are overall appropriate.

Recoverability of the carrying amount of goodwill

For details of the accounting and valuation principles applied, please refer to the explanations in the sections "intangible assets" and "impairment losses" in the accounting and valuation principles in the notes to the consolidated financial statements. Information on the amount of goodwill can be found in the notes to the consolidated financial statements under the explanations to the consolidated balance sheet in the section "intangible assets" (Note 13). Information on the economic development of the business segments can be found in the combined management report in the section "segment reporting".

THE FINANCIAL STATEMENT RISK

As at 31 December 2019, goodwill totaled EUR 1,049 million thereby comprising 66% as of the Group's equity and thus having a significant impact on the net assets. In 2019, the company did not identify any need for impairment loss. Goodwill is tested for impairment annually at the level of the operating segments (Divisions) HOCHTIEF Americas, HOCHTIEF Asia Pacific and HOCHTIEF Europe. The carrying amount is thereby compared with the recoverable amount of the respective operating segments. If the carrying amount exceeds the recoverable amount, an impairment is recorded. The recoverable amount is the higher of the fair value less the costs to sell and value in use of the operating segment. The recoverable amount of the Division HOCHTIEF Asia Pacific is determined on the basis of the fair value derived from the stock market value of CIMIC Group Ltd., North Sydney/Australien (hereunder briefly „CIMIC“). The impairment test for the Divisions HOCHTIEF Americas and HOCHTIEF Europe was carried out as at 31 March 2019, while the impairment test for the Division HOCHTIEF Asia Pacific was performed as at 31 December 2019.

The goodwill impairment test is complex and is based on a number of judgemental assumptions. These include, among others, the expected sales and cost development, which is also dependent on new projects of the business segments for the next three years, and the discount rate used.

There is the risk for the financial statements that the required impairments were not sufficiently recorded.

OUR AUDIT APPROACH

With the support of our valuation specialists, we assessed, among other things, the appropriateness of the significant assumptions as well as the Company's valuation models. This included a discussion of the expected development of the business and results as well as of the assumed underlying long-term growth rates with those responsible for the planning process. In addition, reconciliations were made with other internally available forecasts as well as the budget for the HOCHTIEF group approved by the board and acknowledged by the Supervisory Board. Furthermore, we assessed the consistency of the assumptions with external market assessments.

We also assessed the Company's planning accuracy by comparing projections for previous financial years with the actual results realized and analyzed deviations. We have compared the assumptions and parameters underlying the discount rate – in particular the risk-free rate, the market risk premium and the beta factor – with own assumptions and publicly available information.

To provide for the mathematical accuracy of the valuation models utilised, we recalculated the Company's calculations on the basis of elements selected in a risk-orientated manner.

To reflect the existing uncertainty with respect to forecasts as well as the earlier valuation date for the impairment test of the Divisions HOCHTIEF Americas and HOCHTIEF Europe, we have assessed possible changes of the updated planning and the discount rate on the recoverable amount as at the balance sheet date by calculating alternative scenarios and comparing these with the Company's valuation results (sensitivity analysis).

As the recoverable amount for the Division HOCHTIEF Asia Pacific is determined using the fair value derived from the stock market value of CIMIC, we have compared the stock market prices used by the HOCHTIEF Group with publicly available market data as of the balance sheet date.

OUR OBSERVATIONS

The underlying valuation models used in the impairment test of goodwill are appropriate and consistent with the applicable accounting principles.

The Company's assumptions and parameters underlying the valuation are overall appropriate.

The recognition and measurement of obligations and impairment losses on assets in relation to the Middle East exit

We refer to the information on the obligations and asset impairment recognized under „Provision and asset impairment in relation to the Middle East exit“ in the notes to the consolidated financial statements (Note 8). In addition, explanations are provided in the Group Management Report in the section „Financial Review“.

THE FINANCIAL STATEMENT RISK

Following the completion of the review of its strategic options regarding its financial investment BIC Contracting LLC (“BICC”), HOCHTIEF's majority holding CIMIC announced on 23 January 2020 to exit the Middle East region. Expenses totaling EUR 1,695 million were recognized in this connection, mostly comprising EUR 740 million in impairment losses on assets, in particular shareholder loans granted, and EUR 955 million in recognition of obligations for commitments to provide financial support.

Loan receivables initially measured at amortised cost must be reduced in value if it is not likely that they can be realised in full or in part. The assessment of the realizability of loan receivables is complex and is based on a number of discretionary assumptions. In addition to the estimation of the basic collectability, these include the timing and amount of future cash flows.

Commitments to provide financial assistance must be recorded as liabilities if the general and specific recognition criteria of the relevant regulations are met. The measurement of significant obligations depends to a large extent on the estimates and assumptions made by the Company's legal representatives, particularly with regard to the utilization of these financial commitments and the probability of an outflow of funds.

The risks for the consolidated financial statements are that the criteria for the recognition of obligations and asset impairment in connection with the the Middle East exit are not met or are incorrectly assessed.

OUR AUDIT APPROACH

To examine the conditions for recognizing obligations and impairment losses in connection with the Middle East exit, we conducted interviews with legal representatives and acknowledged internal and external communications, in particular the ad hoc announcements by CIMIC and HOCHTIEF dated 23 January 2020.

With regard to the assessment of the realizability of loan receivables, we have taken into account the assessment of the legal representatives with regard to collectibility as well as the timing and amount of future cash flows.

When examining the valuation of the obligations, we assessed the estimates and assumptions made by the legal representatives of the company, in particular with regard to the claims arising from the financial commitments granted and the probability of payment.

OUR OBSERVATIONS

The assumptions of the legal representatives are overall appropriate.

Recognition of deferred tax assets in connection with the Middle East exit

With regard to the accounting and valuation methods applied, we refer to the explanations in the section „Deferred taxes“ in the accounting and valuation methods in the notes to the consolidated financial statements. Information on the amount of deferred tax assets recognised can be found in the notes to the consolidated financial statements in the sections „Provision and asset impairment in relation to the Middle East exit“ (Note 8), „Income taxes“ (Note 11) and „Deferred taxes“ (Note 21).

THE FINANCIAL STATEMENT RISK

As of 31 December 2019, the Company has capitalized deferred tax assets of EUR 550 million in connection with the recognition of obligations and asset impairments resulting from the Middle East exit. In this respect, we refer to our comments on the key audit matter “The recognition and measurement of obligations and impairment losses on assets in relation to the Middle East exit.”

In accounting for deferred tax assets, the HOCHTIEF Group estimates the extent to which existing deferred tax assets can be utilized in subsequent reporting periods. Realization of these claims is conditional on sufficient future taxable income being generated. If there are reasonable doubts as to the future usability of the deferred tax assets calculated, deferred tax assets are not recognised or deferred tax assets already recognised are written down.

The recognition of deferred tax assets depends to a large extent on the estimates and assumptions made by the legal representatives with regard to the future development of CIMIC as well as the fulfillment of tax law requirements and is therefore subject to significant uncertainties.

The risk to the Consolidated Financial Statements is that HOCHTIEF's assessment may not be appropriate and that the recognized deferred tax assets may not be fully recoverable.

OUR AUDIT APPROACH

In order to assess the tax issues, we involved our tax specialists in the audit and relied on an external expert. We assessed the competence, skills and objectivity of the external expert and evaluated the content of statements made.

We have assessed the appropriateness of the tax calculations and their compliance with IFRS and national tax legislation.

We have had HOCHTIEF's assessment of CIMIC's future development explained to us by its legal representatives. We have assessed the recoverability of deferred tax assets on the basis of the Company's internal forecasts of future taxable income and have critically reviewed the underlying assumptions.

OUR OBSERVATIONS

The assumptions of the legal representatives are overall appropriate.

Other Information

Management and the Supervisory Board are responsible for the other information. The other information comprises the following components of the Group management report. Its content has not been audited by us:

- the combined corporate governance statement of the Company and the Group, which is referred to in the Group management report, and
- information extraneous to management reports and marked as unaudited

The other information also includes the separate non-financial Group report and the other parts of the Annual Report (Group Report).

The other information does not include the consolidated financial statements, the Group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement we have performed a separate limited assurance engagement on separate non-financial group report. With regard to the type, scope and results of this limited assurance engagement we refer to our audit opinion dated 10 February 2020.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is 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) 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, management is 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, management is 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, management is responsible for the preparation of the group 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, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group 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 group 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 group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group 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 group 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 opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 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 group management report.

We exercise professional judgement and maintain professional scepticism 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 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 group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- conclude on the appropriateness of management's 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 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 the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- evaluate the consistency of the group 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 management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 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 at the annual general meeting on 7 May 2019. We were engaged by the supervisory board on 7 May 2019. We have been the group auditor of HOCHTIEF Aktiengesellschaft, Essen, since financial year 2019.

We declare that the 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 Charlotte Salzmann.

Essen, 11 February 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

[signature] Ufer
Wirtschaftsprüfer
[German Public Auditor]

[signature] Salzmann
Wirtschaftsprüferin
[German Public Auditor]

TRANSPORT PARTNERSHIP, AUSTRALIA



Tried-and-trusted rail freight

For many years now, CIMIC company UGL has designed and manufactured locomotives for the Australian rail freight market. The portfolio includes the operation of the Spotswood maintenance center, where UGL is responsible for inspecting and maintaining a fleet of 170 locomotives for Pacific National.

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.

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	Page number	Link/notes
	1.	Organizational profile		
	102-1	Name of the organization	1, 3, 276	
	102-2	Activities, brands, products, and services	2, 22–24, 64–77	No products or services are banned in certain markets.
	102-3	Location of headquarters	71, 276	
	102-4	Location of operations	2, 24	
	102-5	Ownership and legal form	18, 237, 272	
	102-6	Markets served	2, 22–24, 33–37	
	102-7	Scale of the organization	273–274	www.hochtief.com/subsidiaries2019
	102-8	Information on employees and other workers	95–99	Based on the construction management model applied by HOCHTIEF, construction—above all in the HOCHTIEF Europe and HOCHTIEF Americas divisions—is mostly not carried out by Group employees. At CIMIC in particular, fluctuation in the size of the workforce is normal due to project-driven employment on temporary contracts.
	102-9	Supply chain	104–107	
	102-10	Significant changes to the organization and its supply chain	3	
7	102-11	Precautionary principle or approach	130	
5, 8	102-12	External initiatives	4, 133–134	www.hochtief.com/commitments
8	102-13	Membership of associations	4, 133–134	www.hochtief.com/commitments
	2.	Strategy		
	102-14	Statement from senior decision-maker	9–11, 12–15, 54, 60–61	
	3.	Ethics and integrity		
1, 2, 4, 5, 6, 10	102-16	Values, principles, standards, and norms of behavior	5, 25–31, 80–82, 95–99, 100–103, 130–143, CoC	www.hochtief.com/compliance
	4.	Governance		
	102-18	Governance structure	17, 22–23, 80	www.hochtief.com/corporate-governance
8	5.	Stakeholder engagement		
	102-40	List of stakeholder groups	131	
3	102-41	Collective bargaining agreements	98	Statistics on the percentage of employees covered by collective bargaining agreements are not currently kept.
	102-42	Identifying and selecting stakeholders	28–30, 131	
	102-43	Approach to stakeholder engagement	28–30, 131, 132	
10	102-44	Key topics and concerns raised	29–30, 144–145	

¹⁾ Aspect for HOCHTIEF focus area Compliance (number of training courses, security in dealing with competitors)

²⁾ Aspect for HOCHTIEF focus area Climate and resource protection (water, biodiversity, climate protection, waste)

³⁾ Aspect for HOCHTIEF focus area Working environment (occupational safety/health)

⁴⁾ Aspect for HOCHTIEF focus area Working environment (further training)

⁵⁾ Aspect for HOCHTIEF focus area Procurement

The content of the listed Internet addresses is neither part of the statutory audit of the annual and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

6. Reporting practice		Page number	Link/notes
102-45	Entities included in the consolidated financial statements	25, 156/157	Sustainability indicators are reported in accordance with the entities included in the consolidated financial statements.
102-46	Defining report content and topic boundaries	3, 28–30, 128–131	
102-47	List of material topics	24, 29, 30, 144–145, 146–147	
102-48	Restatements of information	3	Restatements due to data updates are reported as a matter of policy. The restatement of the water figures for 2018 is due to the inclusion of municipal water sources on the basis of the calculation method.
102-49	Changes in reporting	3, 30	
102-50	Reporting period	3	
102-51	Date of most recent report	273	
102-52	Reporting cycle	3	
102-53	Contact point for questions regarding the report	273	
102-54	Claims of reporting in accordance with the GRI Standards	3, 128, 259–263	
102-55	GRI content index	259–263	
102-56	External assurance	245–255, 264–269	www.hochtief.com/auditor
GRI 103	Management Approach		
103-1	Explanation of the material topic and its boundary	25–31, 80–82, 95–98, 100–104, 105–107, 128–129 132–143	Explanations of material topics and their boundaries are provided in the respective chapters.
103-2	The management approach and its components	22–23, 80–82, 95–98, 100–104, 105–107, 128–129 132–143	Explanations of the management approach for each material topic, including the specific actions, are provided in the respective chapters.
103-3	Evaluation of the management approach	80–82, 95–98, 100–104, 105–107, 111–125, 128–129, 132–143	Explanations of the management approach for each material topic, including the evaluation results, are provided in the respective chapters.
GRI 201	Economic Performance		
201-1	Direct economic value generated and distributed	8, 41, 178, 273–274	
201-2	Financial implications and other risks and opportunities due to climate change	123–124, 136	Costs of addressing climate risk are incurred on a project basis and are not consolidated. HOCHTIEF does not report information on the financial implications of the risks due to climate change or on methods or costs.
201-3	Defined benefit plan obligations and other retirement plans	119, 178, 202	The percentage of salary contributed by employees or HOCHTIEF and the level of participation in retirement plans are not reported.
GRI 203	Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	22/23, 26/27, 133/134, 140/141	

¹⁾ Aspect for HOCHTIEF focus area Compliance (number of training courses, security in dealing with competitors)

²⁾ Aspect for HOCHTIEF focus area Climate and resource protection (water, biodiversity, climate protection, waste)

³⁾ Aspect for HOCHTIEF focus area Working environment (occupational safety/health)

⁴⁾ Aspect for HOCHTIEF focus area Working environment (further training)

⁵⁾ Aspect for HOCHTIEF focus area Procurement

The content of the listed Internet addresses is neither part of the statutory audit of the annual and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

	GRI 204	Procurement Practices	Page number	Link/notes
	204-1	Proportion of spending on local suppliers	105/106	The primary locations in this connection are the various large-scale construction sites. The definition of local is suppliers from adjacent postal areas.
1, 2, 4, 10	GRI 205	Anti-corruption		
	205-1	Operations assessed for risks related to corruption	82, 121	Reporting is currently being developed.
	205-2	Communication and training about anti-corruption policies and procedures ¹⁾	82	Reporting is currently being developed.
7	GRI 301	Materials		
	301-1	Materials used by weight or volume ²⁾	138	Reporting to distinguish between renewable and non-renewable energy sources is currently being developed.
7	GRI 302	Energy		
	302-1	Energy consumption within the organization ²⁾	139	Country-specific conversion factors are used. Statistics are not gathered on steam consumption for reasons of materiality. The sale of energy is not a material category in our business. Statistics on the consumption of renewable fuel sources are not kept Group-wide. The consumption figures for gasoline, diesel fuel, LPG, and electricity add up to total energy consumption and are not reported separately.
7	GRI 303	Water		
	303-1	Water withdrawal by source ²⁾	136, 140	Reporting on rainwater and wastewater is currently being developed. Calculation is based on billing volumes or project data acquisition.
	303-3	Water recycled and reused ²⁾	136, 140	The figures stated relate to the consumption of reused water.
7	GRI 304	Biodiversity		
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	–	The GRI definition of operational sites is not applicable to HOCHTIEF's project activities. Protected areas are safeguarded with strict stipulations on projects. See p. 143 for examples.
	304-2	Significant impacts of activities, products, and services on biodiversity ²⁾	130, 135	Impact management at HOCHTIEF is carried out on a project-specific basis and dealt with in connection with construction sites. Data is consequently not collected Group-wide.
7	GRI 305	Emissions		
	305-1	Direct (Scope 1) GHG emissions ²⁾	140	Only CO ₂ is currently reported. Biogenic CO ₂ emissions are not reported.
	305-2	Energy indirect (Scope 2) GHG emissions ²⁾	140	Only CO ₂ is currently reported.
	305-3	Other indirect (Scope 3) GHG emissions ²⁾	140	Only CO ₂ is currently reported. Biogenic CO ₂ emissions are not reported.
7, 8	GRI 306	Effluents and Waste		
	306-2	Waste by type and disposal method ²⁾	135–136, 138	HOCHTIEF focuses on the disposal methods of significance in project activities. We do not currently report hazardous and non-hazardous waste with a breakdown by disposal method.
7	GRI 307	Environmental Compliance		
	307-1	Non-compliance with environmental laws and regulations	142	

¹⁾ Aspect for HOCHTIEF focus area Compliance (number of training courses, security in dealing with competitors)

²⁾ Aspect for HOCHTIEF focus area Climate and resource protection (water, biodiversity, climate protection, waste)

³⁾ Aspect for HOCHTIEF focus area Working environment (occupational safety/health)

⁴⁾ Aspect for HOCHTIEF focus area Working environment (further training)

⁵⁾ Aspect for HOCHTIEF focus area Procurement

The content of the listed Internet addresses is neither part of the statutory audit of the annual and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

	GRI 401	Employment	Page number	Link/notes
	401-1	New employee hires and employee turnover	95, 96	HOCHTIEF does not currently provide information by age group and gender but is preparing to collect this data.
	401-3	Parental leave	97	The number eligible cannot be determined because fathers are not required to report the birth of a child.
	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 ³⁾	103	HOCHTIEF does not currently report rates of injury and absenteeism but is preparing to collect this data; no breakdown is provided by criteria such as gender. Only fatalities are currently also reported for subcontractors.
	GRI 404	Training and Education		
	404-1	Average hours of training per year per employee ⁴⁾	97	HOCHTIEF does not currently report rates of hours of training by gender and employee category but is preparing to collect this data.
1, 2, 4, 10	GRI 412	Human Rights Assessment		
	412-1	Operations that have been subject to human rights reviews or impact assessments	132	The Human Rights Impact Assessments conducted by CIMIC in 2017 (India), 2018 (Indonesia), and 2019 (Philippines) represent a total of about 39% of all employees.
	412-2	Employee training on human rights policies or procedures	81, 132	Human rights are observed at HOCHTIEF under the Code of Conduct and form part of training seminars. No separate statistics on this are currently kept.
	GRI 413	Local Communities		
	413-1	Operations with local community engagement, impact assessments, and development programs	133–134	Organization of the related activities is decentralized due to the project-based location structure and, for this reason, no percentages are reported.
	GRI 414	Supplier Social Assessment		
2, 4, 6, 10	414-1	New suppliers that were screened using social criteria ⁵⁾	105	The figures relate to all subcontractors. The percentage of new suppliers screened using social criteria is currently not reported.
	GRI 415	Public Policy		
2	415-1	Political contributions	133, Code of Conduct	

¹⁾ Aspect for HOCHTIEF focus area Compliance (number of training courses, security in dealing with competitors)

²⁾ Aspect for HOCHTIEF focus area Climate and resource protection (water, biodiversity, climate protection, waste)

³⁾ Aspect for HOCHTIEF focus area Working environment (occupational safety/health)

⁴⁾ Aspect for HOCHTIEF focus area Working environment (further training)

⁵⁾ Aspect for HOCHTIEF focus area Procurement

The content of the listed Internet addresses is neither part of the statutory audit of the annual and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

	Organization-specific indicators in relation to HOCHTIEF's major sustainability focus areas	Page number	Link/notes
6	Focus area: Working environment Aspect: Recruitment	95–97	
1–10	Focus area: Procurement Aspect: Prequalification (number of prequalified business partners)	104–105	
9 7,8,9 7,8,9	Focus area: Sustainable products and services Aspect: Innovation (BIM as a future-oriented work method) Aspect: Green building (number of accredited auditors, number of certified projects) Aspect: Life cycle	91–93 140 25, 141	www.hochtief.com/rd
	Focus area: Corporate citizenship Aspect: Supporting local communities	133–134	

¹⁾ Aspect for HOCHTIEF focus area Compliance (number of training courses, security in dealing with competitors)

²⁾ Aspect for HOCHTIEF focus area Climate and resource protection (water, biodiversity, climate protection, waste)

³⁾ Aspect for HOCHTIEF focus area Working environment (occupational safety/health)

⁴⁾ Aspect for HOCHTIEF focus area Working environment (further training)

⁵⁾ Aspect for HOCHTIEF focus area Procurement

The content of the listed Internet addresses is neither part of the statutory audit of the annual and consolidated financial statements nor part of the separate limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft.

Translated

Limited Assurance Report of the Independent Auditor regarding Sustainability Information¹⁾ To the Executive Board of HOCHTIEF Aktiengesellschaft, Essen

¹⁾Our engagement applied to the German version of the Sustainability Report. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

We have been engaged to perform an independent limited assurance engagement on the qualitative and quantitative disclosures on sustainability performance in the section “Sustainability HOCHTIEF” in the group report 2019 - combined financial report and sustainability report (further “Sustainability Report”) for the period January 1 to December 31, 2019 of HOCHTIEF Aktiengesellschaft, Essen (further “Company”).

It was not part of our engagement to review product and service related information, references to external websites and information sources, as well as future-related statements in the Sustainability Report.

Management’s Responsibility

The legal representatives of HOCHTIEF Aktiengesellschaft are responsible for the preparation of the Sustainability Report in accordance with the Reporting Criteria. HOCHTIEF Aktiengesellschaft applies the principles and standard disclosures of the Standards of the Global Reporting Initiative (GRI) (option “Core”) as Reporting Criteria (further “Reporting Criteria”).

The responsibility includes the selection and application of appropriate methods to prepare the Sustainability Report and the use of assumptions and estimates for individual qualitative and quantitative sustainability disclosures which are reasonable under the circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Sustainability Report in a way that is free of – intended or unintended – material misstatements.

Independence and Quality Assurance on the Part of the Auditing Firm

We are independent from the company in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the legal provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner’s Responsibility

It is our responsibility to express a conclusion based on our work performed within a limited assurance engagement on the Sustainability Report.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” of the International Auditing and Assurance Standards Board (IAASB). This standard requires us to plan and perform the assurance engagement to allow us to conclude with limited assurance that no matters have come to our attention that cause us to believe that the Sustainability Report was not prepared, in all material respects, in accordance with the Reporting Criteria. We do not issue a separate conclusion for each sustainability disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor’s own judgement.

Within the scope of our engagement, we performed amongst others the following procedures:

- Inquiries of personnel who are responsible for the materiality analysis to get an understanding of the process for identifying material topics and respective report boundaries of HOCHTIEF Aktiengesellschaft
- A risk analysis, including a media research, to identify relevant information on HOCHTIEF Aktiengesellschaft sustainability performance in the reporting period
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of disclosure on environmental, employee and social matters, respect for human rights as well as combatting corruption and bribery matters, including the collection and consolidation of quantitative data
- Inquiries of personnel who are responsible for determining disclosures and for compiling the disclosures on concepts, due diligence processes, results and risks, the conduction of internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documents
- Analytical evaluation of data and trends of quantitative disclosures which are reported by all sites on group level
- Assessment of local data collection and reporting processes and reliability of reported data via a sampling survey at the site in Essen (Division Europe)
- Assessment of the overall presentation of the disclosures

As described in the Sustainability Report, HOCHTIEF Aktiengesellschaft engaged an external provider to perform assessments in order to ensure compliance with company’s requirements concerning sustainability in the area of environmental protection, labor and human rights, fair business practices and supply chain. The adequacy and accuracy of the conclusions from these external assessments were not part of our limited assurance engagement.

Conclusion

Based on the procedures performed and the evidence received, nothing has come to our attention that causes us to believe that the sustainability information in Sustainability Report for the period January 1 to December 31, 2019, is not prepared, in all material respects, in accordance with the Reporting Criteria.

Restriction of Use/Clause on General Engagement Terms

This assurance report is issued for purposes of the Executive Board HOCHTIEF Aktiengesellschaft, Essen, only. We assume no responsibility with regard to any third parties.

Our assignment for the Executive Board of HOCHTIEF Aktiengesellschaft, Essen, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, February 11, 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft [Original German version signed by:]

Glöckner
Wirtschaftsprüfer [German Public Auditor]

Brokof
Wirtschaftsprüferin [German Public Auditor]

Translated

Limited Assurance Report of the Independent Auditor regarding the separate non-financial group report¹⁾

To the Supervisory Board of HOCHTIEF Aktiengesellschaft, Essen

¹⁾Our engagement applied to the German version of the separate non-financial group report. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

We have performed an independent limited assurance engagement on the separate non-financial group report (further „non-financial group report“), of HOCHTIEF Aktiengesellschaft, Essen (further: “Company”) according to §§ 315b, 315c in connection with 289c to 289e of the German Commercial Code (HGB) for the period from January 1 to December 31, 2019.

It was not part of our engagement to review product and service related information, references to external websites and information sources, as well as future-related statements in the non-financial group report.

Management's Responsibility

The legal representatives of the company are responsible for the preparation of the non-financial group report in accordance with §§ 315b, 315c in connection with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the non-financial group report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the non-financial group report in a way that is free of – intended or unintended – material misstatements.

Independence and Quality Assurance on the Part of the Auditing Firm

We are independent from the company in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the legal provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

Our responsibility is to express a conclusion based on our work performed of the non-financial group report within a limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” published by IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the non-financial group report for the period from January 1 to December 31, 2019, has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, issue a separate conclusion for

each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following procedures:

- Inquiries of personnel who are responsible for the materiality analysis to get an understanding of the process for identifying material topics and respective report boundaries of HOCHTIEF Aktiengesellschaft
- A risk analysis, including a media research, to identify relevant information on HOCHTIEF Aktiengesellschaft sustainability performance in the reporting period
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of disclosure on environmental, employee and social matters, respect for human rights as well as combatting corruption and bribery matters, including the collection and consolidation of quantitative data
- Inquiries of personnel who are responsible for determining disclosures and for compiling the disclosures on concepts, due diligence processes, results and risks, the conduction of internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documents
- Analytical evaluation of data and trends of quantitative disclosures which are reported by all sites on group level
- Assessment of local data collection and reporting processes and reliability of reported data via a sampling survey at the site in Essen (Division Europe)
- Assessment of the overall presentation of the disclosures

As described in the non-financial group report, HOCHTIEF Aktiengesellschaft engaged an external provider to perform assessments in order to ensure compliance with company's requirements concerning sustainability in the area of environmental protection, labor and human rights, fair business practices and supply chain. The adequacy and accuracy of the conclusions from these external assessments were not part of our limited assurance engagement.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial group report of HOCHTIEF Aktiengesellschaft for the period from January 1 to December 31, 2019 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

Restriction of Use/Clause on General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of HOCHTIEF Aktiengesellschaft, Essen, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of HOCHTIEF Aktiengesellschaft, Essen, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, February 11, 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft [Original German version signed by:]

Glöckner

Wirtschaftsprüfer [German Public Auditor]

Brokof

Wirtschaftsprüferin [German Public Auditor]

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 CO₂ 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.

Publication Details and Credits

Published by:

HOCHTIEF Aktiengesellschaft
Alfredstraße 236, 45133 Essen, Germany
Tel.: +49 201 824-0, Fax: +49 201 824-2777
info@hochtief.de, www.hochtief.com

Project management/editors-in-chief:

HOCHTIEF Corporate Communications:
Indra Folke, Michael Kölzer, Julia Schockemöhle (project management)

Design, text, layout, and editing:

HOCHTIEF corporate departments
heureka, Essen

English adaptation:

Burton, Münch & Partner, Düsseldorf

Photographer:

Christoph Schroll, HOCHTIEF, Essen

Other photo credits:

All pictures not listed below: HOCHTIEF photo archive, Essen; Turner Construction Company (p. 63, p. 101, p. 102); CPB Contractors (p. 2, p. 6, p. 20–21, p. 67); Paul Turang (p. 2, p. 90); Abertis (p. 2, p. 76); TWA Hotel/ David Mitchell (p. 5; p. 42); Scott Pease/peasephotography.com (p. 6, p. 62–63); Euromediahouse GmbH (p. 6, p. 78–79); Vladimir Dinda (p. 7, p. 126–127); UGL (p. 7; p. 256–257); CIMIC/Schwerdtfeger (p. 9); ACS (p. 12); julief514 (p. 20, left); Povoziuk (p. 20, right); HOCHTIEF CZ (p. 32); CJF-Design (p. 40); PeopleImages (p. 63); Kölbl Kruse/Lichtschacht Fotografie (p. 79); Tom Ethington of Photo By Ethington (p. 108); izusek (p. 127, left); HOCHTIEF (UK) Construction (p. 137); fizkes (p. 148, left); alvarez (p. 148, right)

Imaging work, typesetting and prepress:

Creafix GmbH, Solingen

Printed by:

Druckpartner, Essen



This Group report is printed on eco-friendly Maxi Silk coated paper certified in accordance with the rules of the Forest Stewardship Council (FSC).



Five Year Summary

	2015	2016	2017	2018 (restated) ¹⁾	2019
New orders (EUR million)	21,554	24,813	30,443	28,098	30,429
Of total:					
domestic	1,133	1,395	884	1,226	1,357
international	20,421	23,418	29,559	26,872	29,072
Work done (EUR million)	23,948	22,292	24,518	25,446	27,139
Of total:					
domestic	1,025	1,039	1,069	1,173	877
international	22,923	21,253	23,449	24,273	26,262
Order backlog at year-end (EUR million)	36,023	43,088	44,644	47,267	51,362
Of total:					
domestic	2,357	2,739	2,470	2,316	2,818
international	33,666	40,349	42,174	44,951	48,544
Employees at year-end (number)	44,264	51,490	53,890	55,777	53,282
Of total:					
domestic	3,548	3,449	3,403	3,462	3,515
international	40,716	48,041	50,487	52,315	49,767
External sales (EUR million)	21,097	19,908	22,631	23,882	25,852
Increase/(decrease) on prior year (%)	-4.5	-5.6	13.7	5.5	8.2
Materials (EUR million)	15,484	14,778	16,229	17,355	18,990
Materials ratio (%)	73.3	74.6	71.9	72.7	73.4
Personnel costs (EUR million)	3,656	3,285	4,120	4,168	4,389
Payroll ratio (%)	17.3	16.6	18.2	17.5	17.0
Depreciation and amortization (EUR million)	414	288	396	562	701
Net income from participating interests (EUR million)	156	115	177	290	316
Net investment and interest income (EUR million)	(208)	(123)	(118)	(115)	(153)
Profit before tax—continuing operations (EUR million)	523	621	824	979	(627)
Of which:					
Americas (EUR million)	155	204	254	297	310
Asia Pacific (EUR million)	424	432	579	618	(1,066)
Europe (EUR million)	(27)	19	33	52	54
Pre-tax return on sales (%)	2.5	3.1	3.6	4.1	-2.4
Profit after tax (EUR million)	333	433	582	720	(335)
Return on equity (%)	10.6	16.8	23.0	29.9	-21.1
Consolidated net profit/(loss) (EUR million)	208	320	421	543	(206)
EBITDA ²⁾ (EUR million)	1,143	997	1,321	1,686	1,893
Operational earnings (EBIT) ²⁾ (EUR million)	729	716	925	1,124	1,192
Earnings per share (EUR)	3.11	4.98	6.55	8.30	(2.92)
Dividend per share (EUR)	2.00	2.60	3.38	4.98	5.80*
Dividends paid (EUR million)	139	167	217	352	410
Free cash flow from operations ³⁾ (EUR million)	985	986	1,120	1,230	1,084

* Proposed dividend per share

¹⁾ Restated in accordance with IFRS 16.

²⁾ The definition of EBIT/EBITDA was revised in 2019 and now includes the Group's share in the profit or loss of equity-method investments (notably Abertis). The 2018 comparatives have been 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



	2015	2016	2017	2018 (restated)	2019
Assets					
Intangible assets (EUR million)	883	1,322	1,192	1,159	1,187
Property, plant and equipment (EUR million)	1,116	1,178	960	1,647	1,857
Investment properties (EUR million)	14	12	9	7	4
Financial assets (EUR million)	1,104	776	651	1,939	2,012
Other non-current assets (EUR million)	1,013	1,324	1,148	803	1,005
Non-current assets (EUR million)	4,130	4,612	3,960	5,555	6,065
As % of total assets	31.1	32.8	29.7	35.5	33.9
Inventories (EUR million)	768	559	425	378	435
Receivables and other assets (EUR million)	4,828	5,562	5,419	5,700	6,490
Marketable securities and cash and cash equivalents (EUR million)	3,386	3,311	3,524	4,011	4,912
Assets held for sale (EUR million)	158	33	21	1	–
Current assets (EUR million)	9,140	9,465	9,389	10,090	11,837
As % of total assets	68.9	67.2	70.3	64.5	66.1
Total assets (EUR million)	13,270	14,077	13,349	15,645	17,902
Liabilities and Shareholders' Equity					
Attributable to the Group (EUR million)	2,144	1,814	1,788	1,860	1,276
Non-controlling interest (EUR million)	1,003	757	746	551	309
Shareholders' equity (EUR million)	3,147	2,571	2,534	2,411	1,585
As % of total assets	23.7	18.3	19.0	15.4	8.9
As % of non-current assets	76.2	55.7	64.0	43.4	26.1
Non-current provisions (EUR million)	803	864	717	760	779
Non-current financial liabilities (EUR million)	2,355	1,633	2,183	2,070	2,726
Other non-current liabilities (EUR million)	98	72	162	658	764
Non-current liabilities (EUR million)	3,256	2,569	3,062	3,488	4,269
As % of total assets	24.5	18.2	22.9	22.3	23.8
Current provisions (EUR million)	818	822	729	842	1,047
Current financial liabilities (EUR million)	309	1,047	236	600	1,871
Other current liabilities (EUR million)	5,740	7,068	6,788	8,304	9,130
Current liabilities (EUR million)	6,867	8,937	7,753	9,746	12,048
As % of total assets	51.8	63.5	58.1	62.3	67.3
Total assets (EUR million)	13,270	14,077	13,349	15,645	17,902
Property, plant and equipment ratio ⁴⁾ (%)	8.4	8.4	7.2	10.5	10.4
Total capital expenditure, including acquisitions (EUR million)	455	796	394	2,259	1,094
Of total: Intangible assets (EUR million)	12	13	18	5	16
Of total: Property, plant and equipment (EUR million)	264	260	339	736	856
Of total: Investment properties (EUR million)	–	–	–	–	–
Of total: Financial assets (EUR million)	179	523	37	1,518	222
Capital expenditure ratio ⁵⁾ (%)	7.0	6.0	8.9	13.9	15.1
Depreciation and amortization ratio ⁶⁾ (%)	150.0	105.5	110.9	75.8	80.4
Receivables turnover ⁷⁾	4.4	4.2	4.6	5.1	4.9
Total assets turnover ⁸⁾	1.5	1.5	1.7	1.6	1.5
Net cash/(net debt) (EUR million)	805	704	1,266	1,564 ⁹⁾	1,529

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 incl. contract assets

⁸⁾Total assets turnover: Ratio of sales to average total assets

⁹⁾Including short-term financial assets and investments

Contacts

HOCHTIEF Investor Relations
Michael Pinkney
Corporate Strategy
Tel.: + 49 201 824-1824
investor-relations@hochtief.de

HOCHTIEF Investor Relations
Tobias Loskamp
Capital Markets Strategy
Tel.: + 49 201 824-1871
investor-relations@hochtief.de

HOCHTIEF Corporate Responsibility
Michael Kölzer
Tel: + 49 201 824-2637
corporate-responsibility@hochtief.de

HOCHTIEF Corporate Communications
Dr. Bernd Pütter
Tel: + 49 201 824-2610
bernd.puetter@hochtief.de

HOCHTIEF Corporate Governance/Compliance
Georg von Bronk
Tel: + 49 201 824-2995
georg.von-bronk@hochtief.de

HOCHTIEF Human Resources
Martina Steffen
Tel: + 49 201 824-2624
martina.steffen@hochtief.de

Current financial calendar

www.hochtief.com/ir-calendar

This Group report is a translation of the original German version, which remains definitive.

For the pdf of this Group report including references to further information, please see www.hochtief.com/gr19.

The editorial deadline for this Group report was February 10, 2020; the report was published on February 11, 2020.



If your cell phone supports QR codes, scan the code to view further information on the HOCHTIEF Group Report 2019 on our website.



HOCHTIEF Aktiengesellschaft
Alfredstraße 236, 45133 Essen
Germany