# Half-Year Report
January to June 2017

**H1 2017: Financial Highlights**

- EUR 201 million operational net profit, +25% yoy; EUR 189 million nominal, +35%
- EUR 288 million yoy improved net cash from op. activities; EUR 1.5 billion LTM
- Balance sheet further strengthened; EUR 601 million net cash up EUR 260 million qoq
- EUR 42.6 billion order backlog, +12% yoy, stable qoq (f/x-adjusted)
- Guidance confirmed: op. net profit FY 2017 of EUR 410-450 million (+13-25% yoy)

We are building the world of tomorrow.

HOCHTIEF

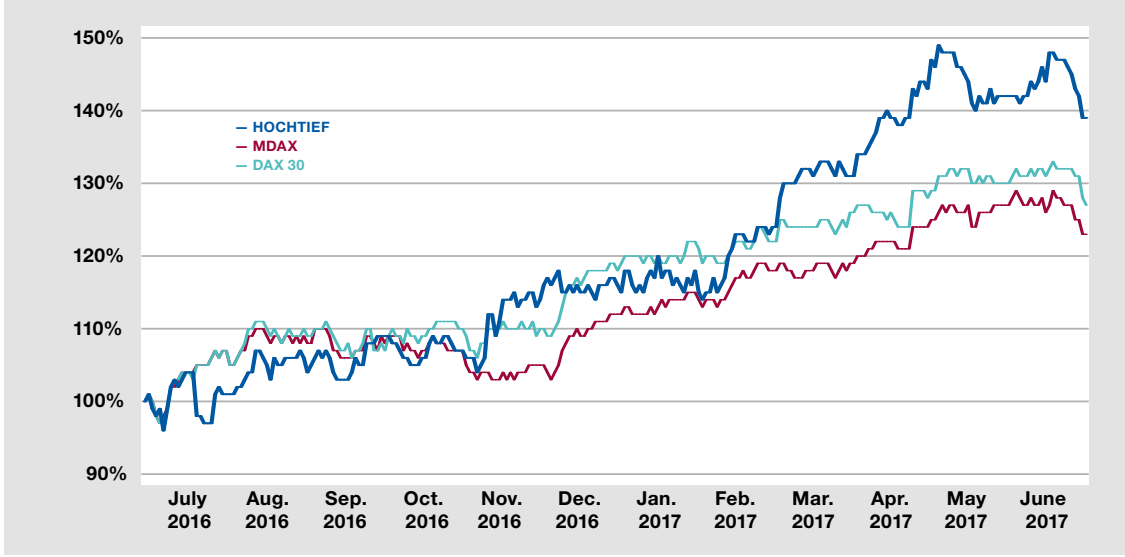
*All figures are nominal unless otherwise indicated

1) Operational earnings are adjusted for deconsolidation effects and other one-off impacts
2) restated
3) Actual 2016 adjusted for two large Middle East projects at HOCHTIEF Europe division
4) incl. workforce UGL (6,801 as of Dec. 31, 2016)

## The HOCHTIEF Group: Key Figures*

| (EUR million) | **H1 2017** | H1 2016 | **Change** | **Q2 2017** | Q2 2016 | **Change** | Full year 2016 |
|---|---|---|---|---|---|---|---|
| Sales | **11,017.7** | 9,365.9 | **17.6%** | **5,868.7** | 4,951.4 | **18.5%** | 19,908.3 |
| Operational profit before tax/PBT[1] | **398.9** | 327.8 | **21.7%** | **204.6** | 168.8 | **21.2%** | 677.5 |
| Operational PBT margin[1] (%) | **3.6** | 3.5 | **0.1** | **3.5** | 3.4 | **0.1** | 3.4 |
| Operational net profit[1] | **200.6** | 160.1 | **25.3%** | **107.3** | 88.4 | **21.4%** | 361.2 |
| Operational earnings per share (EUR)[1] | **3.12** | 2.49 | **25.3%** | **1.67** | 1.38 | **21.0%** | 5.62 |
| EBITDA[2] | **627.5** | 471.3 | **33.1%** | **318.9** | 229.9 | **38.7%** | 996.5 |
| EBITDA margin (%) | **5.7** | 5.0 | **0.7** | **5.4** | 4.6 | **0.8** | 5.0 |
| EBIT[2] | **428.9** | 343.1 | **25.0%** | **212.9** | 169.1 | **25.9%** | 715.5 |
| Profit before tax/PBT | **385.7** | 300.0 | **28.6%** | **196.8** | 151.7 | **29.7%** | 620.7 |
| Net profit | **189.1** | 140.3 | **34.8%** | **100.8** | 76.9 | **31.1%** | 320.5 |
| Earnings per share (EUR) | **2.94** | 2.18 | **34.9%** | **1.57** | 1.20 | **30.8%** | 4.98 |
| Net cash from operating activities | **230.7** | (57.0) | **–** | **493.3** | 312.4 | **57.9%** | 1,173.4 |
| Gross operating capital expenditure | **171.8** | 95.9 | **79.1%** | **85.2** | 51.0 | **67.1%** | 272.6 |
| Free cash flow from operations | **79.7** | (123.4) | **–** | **403.6** | 276.4 | **46.0%** | 986.1 |
| Net cash (+)/net debt (-) | **600.7** | 113.2 | **430.7%** | **600.7** | 113.2 | **430.7%** | 703.9 |
| New orders | **13,740.4** | 13,244.7 | **3.7%** | **6,295.1** | 6,915.0 | **-9.0%** | 24,813.5 |
| Work done | **11,973.4** | 10,579.1 | **13.2%** | **6,205.8** | 5,544.6 | **11.9%** | 22,291.5 |
| Order backlog[3] | **42,599.2** | 38,152.5 | **11.7%** | **42,599.2** | 38,152.5 | **11.7%** | 43,087.6 |
| Employees (end of period)[4] | **54,921** | 44,849 | **22.5%** | **54,921** | 44,849 | **22.5%** | 51,490 |

## HOCHTIEF stock



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# Dear Shareholders and friends of HOCHTIEF,

Marcelino Fernández Verdes, Chairman of the Executive Board

HOCHTIEF has continued to develop in a very positive manner during the second quarter of 2017 resulting in significant advances in the Group's sales and profits during the first six months of the year. This has been accompanied by a substantial increase in cash generation and a consolidation of the Group's sound order book level. HOCHTIEF's strong balance sheet provides flexibility for further capital allocation opportunities.

The January-June 2017 period has seen profit growth advancing further. Operational net profit, which excludes one-off impacts, increased by 25% year on year to EUR 201 million with nominal net profit rising 35% year on year, to EUR 189 million.

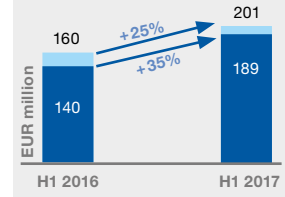
Sales of EUR 11.0 billion showed an 18% increase year on year during H1 2017. Around half of this growth is organic in nature with the balance coming from the positive contribution of services business UGL, acquired by CIMIC at the end of last year. The Group operational PBT margin increased by 10 basis points.

HOCHTIEF's level of cash generation during the first half of 2017 has been outstanding. A net cash inflow from operating activities of EUR 231 million compares with the EUR 57 million outflow recorded in H1 2016, a year-on-year increase of EUR 288 million. This is a consequence of our focus on cash-backed profits and sustained improvements in working capital.

## HOCHTIEF Group—H1 2017 Highlights

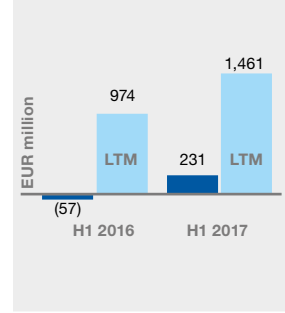
**EUR 201 million operational net profit, +25% yoy; EUR 189 million nominal, +35%**

- Sales growth momentum continuing, H1 2017 +18% yoy to EUR 11.0 billion (+9% yoy ex-UGL)
- Operational PBT margin +10 bps yoy



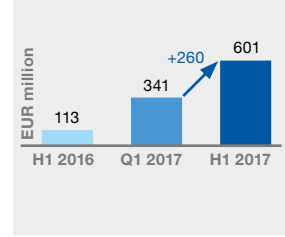

**EUR 288 million yoy improved net cash from op. activities; EUR 1.5 billion LTM**

- EUR 231 million op. cash inflow compares with EUR 57 million outflow in H1 2016; strong turnaround supported by NWC improvement of EUR 166 million yoy
- Net op. capex EUR +85 million yoy to EUR 151 million—increased mining and tunneling work at CIMIC
- Free cash flow from operations of EUR 1.2 billion LTM



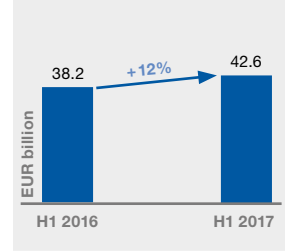

**Balance sheet further strengthened; EUR 601 million net cash up EUR 260 million qoq**

- Net cash position of EUR 601 million after EUR 132 million negative f/x effects ytd from USD
- Year-on-year improvement of EUR 488 million
- Solid investment grade rating for HOCHTIEF of BBB from S&P in May 2017



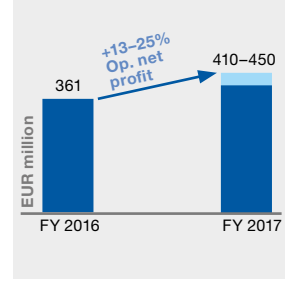

**EUR 42.6 billion order backlog, +12% yoy, stable qoq (f/x-adjusted)**

- Order backlog at consistently high level: +4% yoy, +3% ytd like for like (f/x-adjusted)
- Order backlog equivalent to 22 months of work done LTM
- New orders EUR 13.7 billion, +4% yoy




**Guidance confirmed: op. net profit FY 2017 of EUR 410-450 million (+13-25% yoy)**

- Healthy tender pipeline in all our markets, about EUR 75 billion remaining pipeline for 2017 in core markets; currently EUR 380 billion for 2018 and beyond
- Strong balance sheet provides flexibility for further capital allocation opportunities




bps = basis points
LTM = last twelve months
NWC = net working capital
qoq = quarter on quarter
yoy = year on year
ytd = year to date

Capital expenditure was increased due to rising mining and tunneling sales at CIMIC. If we consider the last twelve months, the Group has achieved free cash flow from operations of EUR 1.2 billion.

As a consequence of our strong cash flow performance, the Group's balance sheet shows a solid improvement during the second quarter. HOCHTIEF ended June 2017 with over EUR 600 million of net cash, EUR 260 million higher than at the end of March 2017.

In May 2017, rating agency Standard & Poor's accorded HOCHTIEF a solid investment grade rating of BBB with a stable outlook. The BBB rating will contribute toward a further optimization of HOCHTIEF's Group financing.

HOCHTIEF's period-end EUR 43 billion order book is 12% higher than a year ago, helped by organic growth and the positive impact of UGL. Adjusting for exchange rate effects, the order backlog is stable compared with March 2017. New orders also advanced further with a 4% year-on-year rise in the H1 2017 period compared with the first half of 2016.

In the second quarter, HOCHTIEF again succeeded in winning attractive orders, including in the public-private partnerships (PPP) segment. With our PPP projects, we improve public infrastructure and reduce life cycle costs.

In the North American market, our Group companies Turner and Flatiron proved once again their leading market position. New orders include both public and private projects in a variety of market segments, among others in the fields of healthcare, real estate and transportation—for example construction of the Christine E. Lynn Rehabilitation Center in Miami. Flatiron is to widen a section of U.S. 67 highway in Dallas from four to six lanes.

Among the major new contracts won by CIMIC is currently one of Australia's biggest public infrastructure projects. CPB Contractors is in charge of Stage 2 of the Metro expansion in Sydney. CIMIC's share of the overall contract value of EUR 1.9 billion is 45%. The trust our customers place in us with major infrastructure projects was yet again confirmed by CPB Contractors' recent selection as the preferred proponent to deliver a part of the Melbourne Metro Tunnel, Victoria's largest-ever public infrastructure project.

In Berlin, HOCHTIEF is to refurbish a listed building complex for Germany's Federal Ministry of Health within the framework of a public-private partnership. The joint venture will also take over operation of the complex once completed for a period of 25 years. In addition, HOCHTIEF Polska will act as general contractor to build an office park comprising six buildings in Wrocław.

### Group Outlook

The future for HOCHTIEF's core businesses of Construction, Mining, PPPs and Services is full of opportunities. For the second half of 2017, we have identified a pipeline worth EUR 75 billion of relevant projects coming to our markets in North America, Asia-Pacific and Europe, with a further EUR 380 billion in 2018 and beyond. Our global presence combined with our strengthened balance sheet puts HOCHTIEF in a sound position to take advantage of the growth opportunities, both organic and strategic, in our different regional markets and to remunerate our shareholders.

We confirm the positive guidance given at the beginning of the year. We expect sales growth for HOCHTIEF of over 10% in 2017 and an operational net profit in the range of EUR 410-450 million. This represents an increase of 13-25% on 2016, with all our divisions driving this further improvement in our Group results.

Yours,

Marcelino Fernández Verdes,
Chairman of the Executive Board

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# Interim Management Report
## Financial review

### Overview

HOCHTIEF achieved 18% growth in sales and 35% nominal net profit increase in the first half of 2017. This has been accompanied by a substantial improvement in cash generation and a consolidation of the Group's sound order book level. HOCHTIEF's strong balance sheet provides flexibility for further capital allocation opportunities.

### Sales and earnings

Through organic growth in our core business and the positive contribution to sales by UGL, the company CIMIC acquired in Q4 2016, HOCHTIEF significantly increased **sales** in the first half of 2017. In the first six months of 2017, Group sales totaled EUR 11.0 billion, climbing EUR 1.6 billion or 18% above the equivalent prior-year figure (EUR 9.4 billion).

**Sales**

| (EUR million) | **H1 2017** | H1 2016 | Change |
|---|---|---|---|
| HOCHTIEF Americas | 5,772.3 | 5,362.3 | 7.6% |
| HOCHTIEF Asia Pacific | 4,346.6 | 3,247.5 | 33.8% |
| HOCHTIEF Europe | 839.6 | 703.6 | 19.3% |
| Corporate | 59.2 | 52.5 | 12.8% |
| **Group** | **11,017.7** | **9,365.9** | **17.6%** |

In the North American market, the building construction and civil engineering businesses of Group companies Turner and Flatiron performed very solidly in the first half of 2017. With growth in both businesses, HOCHTIEF Americas generated total sales of EUR 5.8 billion in the first half of 2017, beating the prior-year figure by 8%.

HOCHTIEF Asia Pacific achieved sales growth of 34% in the first half of 2017, increasing sales to EUR 4.3 billion. This growth confirms the upward trend at CIMIC that was already visible in prior quarters. The CIMIC Group also benefited here from the additional contribution to sales from services company UGL—which was not yet part of the Group in the first half of 2016—and from organic growth both in construction and in mining and mineral processing. In construction, this reflected large-scale infrastructure projects entering the execution phase. In mining, the increase in sales reflects contract extensions, higher production volumes, and diversification into new resources and geographical markets.

HOCHTIEF Europe focuses in selected European markets on the core business segments of infrastructure and building construction, PPPs, and engineering. The division sustained the successful trend from the start of the year and increased sales by 19% to EUR 840 million in the first half of 2017.

Group sales generated on markets outside of Germany in the first half of 2017 came to EUR 10.6 billion, or 96% of total Group sales (2016: 95%).

The HOCHTIEF Group's earnings figures continued to develop very positively from January to June 2017 and show strong profit growth compared with the prior year. With improvements in all divisions, the growth was broad-based. Nominal **profit before tax (PBT)** totaled EUR 386 million in the first half of 2017, an increase of 29% on the equivalent prior-year figure. Operational PBT (nominal PBT adjusted for one-off items) increased by 22% year on year in the first half of 2017 to EUR 399 million.

**Profit before tax (PBT)**

| (EUR million) | **H1 2017** | H1 2016 | Change |
|---|---|---|---|
| HOCHTIEF Americas | 120.8 | 107.4 | 12.5% |
| HOCHTIEF Asia Pacific | 267.8 | 198.1 | 35.2% |
| HOCHTIEF Europe | 12.1 | 10.1 | 19.8% |
| Corporate | (15.0) | (15.6) | 3.8% |
| **Group nominal PBT** | **385.7** | **300.0** | **28.6%** |
| **One-off items** | **13.2** | **27.8** | **-52.5%** |
| Restructuring | 6.2 | 8.8 | -29.5% |
| Investments/Divestments | 1.0 | (26.6) | – |
| Impairments | 0.7 | 43.9 | -98.4% |
| Others | 5.3 | 1.7 | 211.8% |
| **Group operational PBT** | **398.9** | **327.8** | **21.7%** |

HOCHTIEF Americas kept up the healthy earnings trend from the first quarter. Nominal PBT was EUR 121 million in the first half of 2017, 13% higher than the equivalent prior-year figure. This growth was driven by the consistently good performance of the construction business with attractive new contracts and margin improvements at Turner, and by progress in infrastructure and civil engineering company Flatiron.

HOCHTIEF Asia Pacific significantly increased profits in the first half of 2017. Compared with the prior-year period, the division improved its nominal PBT by 35% to EUR 268 million. This was due the good performance of the CIMIC Group. As a result of the sales growth and the solid margins, CIMIC raised its nominal PBT compared with the prior-year period by 26% to AUD 442 million.

HOCHTIEF Europe achieved further progress in the first half of 2017. Earnings performance was correspondingly solid and improved compared with the prior-year period, with nominal PBT of EUR 12 million.

At EUR 83 million, **net income from equity-method associates, joint ventures, and other participating interests** was strongly positive in the first half of 2017 but was down on the prior-year figure of EUR 102 million. The main factor here was the EUR 17 million loss contribution from CIMIC associate HLG Contracting due to restructuring costs in connection with the company's strategic review.

With interest income lower and interest expense near constant, **net investment and interest income** was negative in the first half of 2017, at minus EUR 69 million (2016: minus EUR 62 million). The average level of debt was higher than in the prior year, which reflects the acquisition of UGL. This debt has a lower cost, which reduced the Group's average cost of debt. HOCHTIEF took further measures to optimize the Group's finances in the first half of 2017. A EUR 500 million corporate bond issue that matured in March 2017 was refinanced on improved terms. Rating agency Standard & Poor's also gave HOCHTIEF a solid BBB rating with a stable outlook in May 2017. This is HOCHTIEF's first credit rating and the solid investment grade rating is likely to contribute to a further optimization of the Group's finances.

The **income tax** expense for January to June 2017 was EUR 120 million (H1 2016: EUR 111 million). The effective tax rate normalized to 31%, which is lower than in the first half of 2016 (37%). The change in the effective tax rate reflects different rates of taxation on profits and losses in the tax jurisdictions where HOCHTIEF operates.

HOCHTIEF significantly increased nominal **consolidated net profit** in the first six months of 2017 compared with the prior-year period. The increase of EUR 49 million to EUR 189 million (H1 2016: EUR 140 million) represents a 35% improvement. Operational consolidated net profit improved by 25% to EUR 201 million. Most of the EUR 76 million non-controlling interest in the first half of 2017—as in the prior-year period (EUR 49 million)—related to minority shareholders at the CIMIC Group.

**Consolidated net profit**

| (EUR million) | **H1 2017** | H1 2016 | Change |
|---|---|---|---|
| HOCHTIEF Americas | 74.0 | 63.7 | 16.2% |
| HOCHTIEF Asia Pacific | 124.2 | 91.6 | 35.6% |
| HOCHTIEF Europe | 8.3 | 4.8 | 72.9% |
| Corporate | (17.4) | (19.8) | 12.1% |
| **Group nominal net profit** | **189.1** | **140.3** | **34.8%** |
| **One-off items** | **11.5** | **19.8** | **-41.9%** |
| Restructuring | 4.4 | 6.6 | -33.3% |
| Investments/Divestments | 1.1 | (11.2) | – |
| Impairments | 0.7 | 22.7 | -96.9% |
| Others | 5.3 | 1.7 | 211.8% |
| **Group operational net profit** | **200.6** | **160.1** | **25.3%** |

## Orders and work done

**New orders** increased by 4% in the first half of 2017 compared with the prior-year figure, to EUR 13.74 billion.

In the Americas division, new orders remain high at EUR 5.92 billion. This is below the record first half in 2016, which included a number of large-scale project wins. The Asia Pacific division raised new orders in the first half of the year by 40% to EUR 6.57 billion. New orders in the Europe division increased by a significant 36% compared with the prior-year period, to EUR 1.20 billion.

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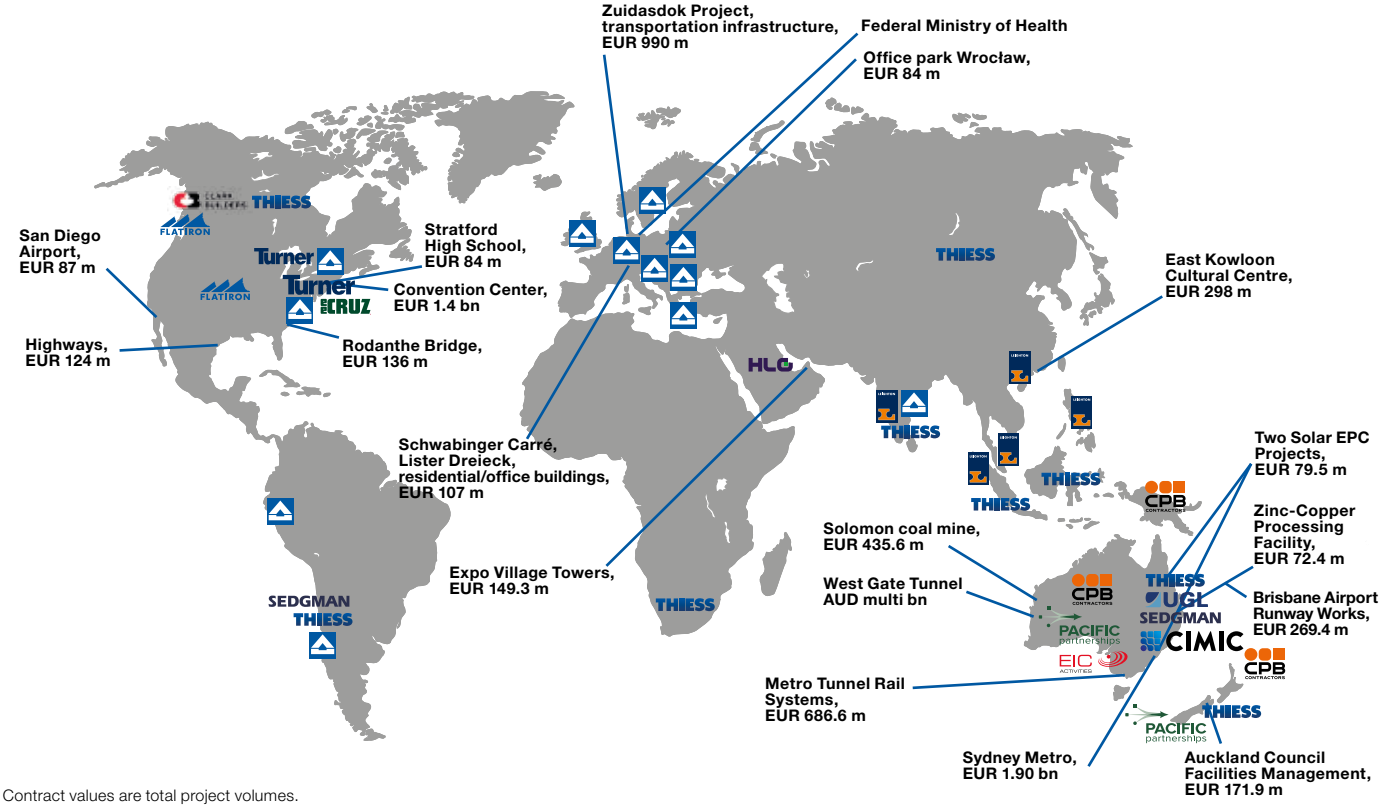
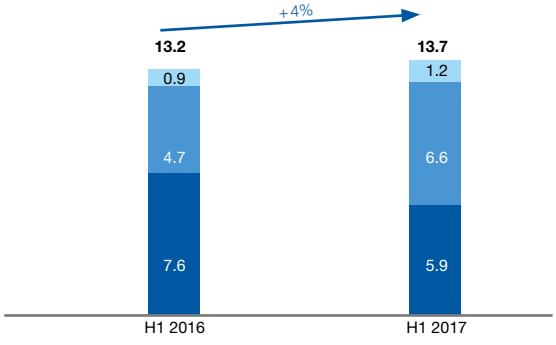
## HOCHTIEF Group – Selected Recent Significant Project Announcements

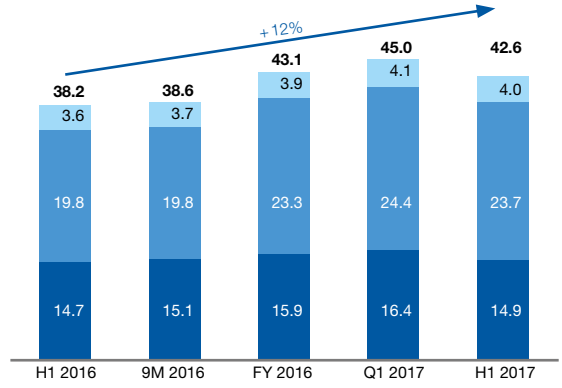



Contract values are total project volumes.

### New orders




### Order backlog




HOCHTIEF Europe*
HOCHTIEF Asia Pacific
HOCHTIEF Americas

*The order backklog was adjusted for two large Middle East projects (as of June 30, 2016: EUR 660.9 million; as of Sep. 30, 2016: EUR 636.7 million; as of Dec. 31, 2016: EUR 4.3 million).

At the end of June 2017, the **order backlog** was EUR 42.60 billion, an increase of 12% year on year. The prospects for the rest of 2017 and beyond remain positive based on a strong tender pipeline in all divisions. With work done at a sustained high level, the order backlog represents a forward order book of 22 months.

*last twelve months

**Cash flow**

| (EUR million) | **H1 2017** | H1 2016 | Change | **LTM* 07/2016–06/2017** | Full year 2016 |
|---|---|---|---|---|---|
| Net cash from operating activities pre net working capital change | 453.4 | 331.7 | 121.7 | 910.3 | 788.6 |
| Net working capital change | (222.7) | (388.7) | 166.0 | 550.8 | 384.8 |
| **Net cash from operating activities** | **230.7** | **(57.0)** | **287.7** | **1,461.1** | **1,173.4** |
| – Gross operating capital expenditure | (171.8) | (95.9) | (75.9) | (348.5) | (272.6) |
| – Operating asset disposals | 20.8 | 29.5 | (8.7) | 76.6 | 85.3 |
| Net operating capital expenditure | (151.0) | (66.4) | (84.6) | (271.9) | (187.3) |
| **Free cash flow from operations** | **79.7** | **(123.4)** | **203.1** | **1,189.2** | **986.1** |

## Cash flow

Our profit growth in the first half of 2017 is accompanied by the HOCHTIEF Group's strong cash flow performance.

**Net cash from operating activities** improved by EUR 288 million year on year to EUR 231 million. During the last twelve months, HOCHTIEF generated a strong positive cash inflow from operating activities of EUR 1.5 billion.

Capital expenditure incurred at CIMIC increased due to higher contract volumes in mining and the procurement of project-specific (tunneling) equipment for infrastructure construction. As a result, **gross operating capital expenditure** across the Group increased in the first half of 2017 to EUR 172 million (2016: EUR 96 million). The EUR 21 million proceeds from operating asset disposals were slightly down on the prior-year period and were mainly due to the sale of project-specific assets in the construction business at HOCHTIEF Europe and CIMIC. **Net operating capital expenditure** thus accounted for a cash outflow of EUR 151 million in the first six months of 2017 (2016: EUR 66 million).

**Free cash flow from operations** was EUR 80 million in the first half of 2017, EUR 203 million higher than the equivalent prior-year figure (minus EUR 123 million). On a last twelve months (LTM) basis, free cash flow from operations was a strong EUR 1.2 billion.

## Balance sheet

The HOCHTIEF Group's **total assets** came to EUR 13.6 billion at the June 30, 2017 reporting date. Compared with the 2016 year-end (EUR 14.1 billion), total assets were reduced by EUR 436 million. Alongside exchange rate effects—notably the lower reporting date exchange rate for the U.S. dollar—this mainly reflected seasonal changes in trade payables and receivables.

**Non-current assets** amounted to EUR 4.3 billion as of June 30, 2017, compared with EUR 4.6 billion at the end of 2016. Of the EUR 285 million decrease, EUR 67 million related mainly to currency effects in intangible assets and EUR 114 million to changes in property, plant and equipment due to currency effects and the sale of project-specific assets mainly at the HOCHTIEF Europe division. Financial assets went down—mostly because of equity-method accounting—by EUR 78 million to EUR 698 million. Non-current financial receivables, which remained nearly unchanged at EUR 829 million, mainly consist of loans to Group companies by CIMIC and the PPP business in the HOCHTIEF Europe division.

**Current assets** came to EUR 9.3 billion at the end of the first half of 2017. This represented a decrease of EUR 151 million compared with the figure as of December 31, 2016. Inventories were reduced by EUR 50 million to EUR 509 million, mainly as a result of sales of real estate developments. Trade receivables grew by EUR 120 million to EUR 5.1 billion, where operational growth was partly offset by exchange rate effects. Marketable securities increased in the first half of 2017, mainly due to the investment of surplus cash at HOCHTIEF, by EUR 67 million to EUR 531 million. Cash and cash equivalents showed a seasonally typical net decrease in the first half year and also related to nega-

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

| (EUR million) | **June 30, 2017** | June 30, 2016 | **Change** | Dec. 31, 2016 |
|---|---|---|---|---|
| HOCHTIEF Americas | 710.0 | 603.6 | 106.4 | 844.2 |
| HOCHTIEF Asia Pacific | 363.7 | 385.9 | (22.2) | 265.1 |
| HOCHTIEF Europe | 24.2 | (264.0) | 288.2 | 44.6 |
| Corporate | (497.2) | (612.3) | 115.1 | (450.0) |
| **Group** | **600.7** | **113.2** | **487.5** | **703.9** |

***For definition, please see Group Report 2016, page 242.**

tive currency effects. At EUR 2.5 billion, the figure as of June 30, 2017 was down EUR 304 million on the figure as of the 2016 year-end. Compared with June 30, 2016, cash and cash equivalents were EUR 139 million higher.

Changes recognized in **shareholders' equity** in the first half of 2017 resulted in a net decrease by EUR 138 million to EUR 2.4 billion. The main factors here were currency translation effects (which made for a decrease of EUR 227 million) and dividends (decrease of EUR 212 million). Of the dividends, a total of EUR 205 million was reclassified to other liabilities as dividends payable by HOCHTIEF and for dividend entitlements of minority shareholders at CIMIC. In the opposite direction, profit after tax (EUR 265 million) and other items (EUR 36 million) had a positive impact on shareholders' equity.

The equity ratio (shareholders' equity to total assets) was 18% as of June 30, 2017.

**Non-current liabilities** increased relative to the 2016 year-end (EUR 2.6 billion) by EUR 394 million to EUR 3.0 billion. This mainly related to a promissory note loan issue by HOCHTIEF. The transaction was for a principal amount of EUR 500 million and served to refinance a corporate bond that matured and was paid back to bond holders in March 2017.

**Current liabilities** decreased substantially in the first half of 2017 to EUR 8.2 billion, a reduction of EUR 693 million on the figure as of December 31, 2016 (EUR 8.9 billion). This primarily reflected the repayment of the HOCHTIEF corporate bond mentioned above and bond repayments by CIMIC. Trade payables were affected by seasonal factors in the first half year and by exchange rate effects, and decreased by EUR 194 million to EUR 6.3 billion. The EUR 126 million rise in other liabilities to EUR 682 million mainly relates to the dividend liability for the dividend payout by HOCHTIEF on July 6, 2017 and to dividend entitlements of minority shareholders at CIMIC.

HOCHTIEF had a **net cash position** of EUR 601 million as of June 30, 2017. This showed a marked increase of EUR 488 million on the comparative prior-year figure as of June 30, 2016 (EUR 113 million). HOCHTIEF Europe and HOCHTIEF Americas notably contributed to the improvement.

## Risk and opportunities report

There has been no material change in the situation of the Group from that presented in our 2016 Group Report with regard to opportunities and risks*. The statements regarding the opportunities and risks made in the Group Report as of December 31, 2016 therefore continue to apply.

***Our risk report is provided starting on page 127 of our 2016 Group Report and on our website, www.hochtief.com.**

## Report on forecast and other statements relating to the Company's likely future development

We confirm the positive guidance given at the beginning of the year. We expect sales growth for HOCHTIEF of over 10% in 2017 and an operational net profit in the range of EUR 410-450 million. This represents an increase of 13-25% on 2016, with all our divisions driving this further improvement in our Group results.

# Divisions

## HOCHTIEF Americas

| HOCHTIEF Americas Division: Key Figures* | | | | |
|---|---|---|---|---|
| (EUR million) | **H1 2017** | H1 2016 | **Change** | Full year 2016 |
| Divisional sales | **5,772.3** | 5,362.3 | **7.6%** | 10,905.8 |
| Operational profit before tax/PBT[1)] | **125.4** | 113.4 | **10.6%** | 213.9 |
| Operational PBT margin[1)] (%) | **2.2** | 2.1 | **0.1** | 2.0 |
| Operational net profit[1)] | **76.8** | 67.5 | **13.8%** | 134.9 |
| Profit before tax/PBT | **120.8** | 107.4 | **12.5%** | 203.8 |
| Net profit | **74.0** | 63.7 | **16.2%** | 128.1 |
| Net cash from operating activities | **(22.9)** | 92.1 | **–** | 433.8 |
| Gross operating capital expenditure | **13.8** | 14.2 | **-2.8%** | 36.8 |
| Net cash (+)/net debt (-) | **710.0** | 603.6 | **17.6%** | 844.2 |
| New orders | **5,915.4** | 7,628.7 | **-22.5%** | 13,659.3 |
| Work done | **5,666.9** | 5,487.1 | **3.3%** | 11,122.2 |
| Order backlog (end of period) | **14,915.7** | 14,710.3 | **1.4%** | 15,896.8 |
| Employees (end of period) | **10,710** | 10,045 | **6.6%** | 9,490 |

***All figures are nominal unless otherwise indicated**
**1) Operational earnings are adjusted for deconsolidation effects and other one-off impacts**

HOCHTIEF Americas has developed firmly in the first half of the year. **Operational PBT** advanced by 11% year on year to EUR 125 million. Sales growth has accelerated during the year, reaching EUR 5.8 billion in the first six months of 2017, an 8% increase compared with the corresponding period of 2016. The operational PBT margin increased by 10 basis points to 2.2%, compared with 2.1% a year ago with increasing profits coming from both Turner's building activities and at our civil business, Flatiron.

Divisional **net cash** ended June 2017 at EUR 710 million, up by over EUR 100 million year on year. The cash generation profile has improved during the second quarter and as the year advances, we expect further progress. Seasonal working capital variations resulted in a modest cash outflow during the first half of EUR 23 million, but, if one examines the last twelve months, the division has generated **net cash from operating activities** of EUR 319 million. Turner and Flatiron have both made an important positive contribution to this figure.

HOCHTIEF America's **order backlog** stands at EUR 14.9 billion at the end of June, up slightly year on year. Whilst **new orders** of EUR 5.9 billion are below the record level of H1 2016, they represent a sound level of secured new work.

Turner is responsible for the Gateway of Pacific building construction project to the south of San Francisco, California, for the client Biomed as well as the Behavioral Health Pavilion at Nationwide Children's Hospital in Columbus, Ohio. The company was also selected to build the Christine E. Lynn Rehabilitation Center in Miami.

Among other projects, our company Flatiron is to widen a section of U.S. 67 highway in Dallas from four to six lanes. For the same client, the Texas Department of Transportation, Flatiron is to expand a section of Interstate Highway 10 in San Antonio. The two contracts are worth EUR 124 million. In addition, the company will carry out works on the Sunset and Heathfield Pump Stations in Washington State as well as upgrades to the Sausalito Marin Wet Weather Flow project in California.

### HOCHTIEF Americas Outlook

We continue to expect a further improvement at HOCHTIEF Americas in 2017 with operational profit before tax in the range of EUR 235-250 million, +10-17% year on year.

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# HOCHTIEF Asia Pacific

The performance of the **HOCHTIEF Asia Pacific** division reflects HOCHTIEF's stake in CIMIC (72.7% at the end of June 2017 versus 71.5% in June 2016) as well as associated financing and holding costs, and the impact of variations in the AUD/EUR exchange rate.

Nominal **profit before tax (PBT)** at HOCHTIEF Asia Pacific increased strongly by 35% to EUR 268 million driven by 34% sales growth due to both the contribution from services company UGL (acquired in Q4 2016) as well as organic growth in the core markets in which CIMIC operates. The divisional PBT margin rose 10 basis points to 6.2%. All of the Group's core businesses of Construction, Contract Mining, Services and PPPs continue to perform well.

A strong **cash flow** performance resulted in HOCHTIEF Asia Pacific ending June 2017 with a solid **net cash** position of EUR 364 million, up by almost EUR 100 million since December 2016. The division's **order book** of EUR 23.7 billion is 20% higher year on year reflecting both organic growth and the contribution of UGL's services activities.

### CIMIC's key figures

H1 2017 **net profit after tax (NPAT)** at CIMIC increased by 22% year on year to AUD 323 million with **PBT** of AUD 442 million up 26% year on year. The PBT margin remained at a sound level of 7.0%. The positive revenue trend continued with sales up 28% year on year to AUD 6.3 billion due to both organic growth (construction sales up 5% year on year, Mining up 15% year on year) and the significant contribution from services which now represents nearly 20% of CIMIC's top line.

A key highlight of CIMIC's results for the first half of 2017 was **cash flow**. In H1 2017, CIMIC achieved cash flow from operating activities of AUD 620 million, over AUD 500 million more than in the corresponding period of 2016. The company's focus on working capital management continues to pay off. Net capital expenditure was up considerably at AUD 189 million, compared with AUD 61 million in H1 2016, reflecting increased mining and tunneling work.

**HOCHTIEF Asia Pacific Division: Key Figures***

| (EUR million) | **H1 2017** | H1 2016 | **Change** | Full year 2016 |
|---|---|---|---|---|
| Divisional sales | **4,346.6** | 3,247.5 | **33.8%** | 7,303.0 |
| Profit before tax/PBT | **267.8** | 198.1 | **35.2%** | 431.9 |
| PBT margin (%) | **6.2** | 6.1 | **0.1** | 5.9 |
| Net profit | **124.2** | 91.6 | **35.6%** | 217.4 |
| Net cash (+)/net debt (-) | **363.7** | 385.9 | **-5.8%** | 265.1 |
| Order backlog (end of period) | **23,734.2** | 19,797.3 | **19.9%** | 23,302.0 |
| Employees (end of period)[1] | **38,477** | 27,771 | **38.6%** | 35,396 |

***All figures are nominal unless otherwise indicated**
**1) incl. workforce UGL (6,801 as of Dec. 31, 2016)**

As a result of this strong cash generation, the company ended the period with a positive **net cash** position of AUD 608 million, an increase of over AUD 300 million since the end of the first quarter of 2017. Additionally, net contract debtors were significantly reduced by AUD 633 million year on year to AUD 1.2 billion. The strength of the company's balance sheet, business performance and positive outlook was recognized by rating agency S&P which in May raised its investment grade rating for CIMIC by one notch to BBB.

**Work in hand** at the end of June 2017 was 19% higher year on year at AUD 35.2 billion with the construction order book advancing 15% year on year to AUD 15.2 billion. The contribution of UGL put the Services order book at AUD 4.9 billion or nearly 20% of CIMIC's total order book. The Mining-related portion shows a positive trend during the second quarter reaching AUD 9.6 billion at the end of June 2017. A solid project pipeline with nearly AUD 50 billion of tenders relevant to CIMIC has been identified for the remainder of 2017 with a further AUD 320 billion currently earmarked thereafter.

New project orders received in the second quarter included a contract for CPB Contractors to deliver, in joint venture, a new metro railway crossing under Sydney Harbor comprising twin 15.5-kilometer tunnels and associated civil works. The contract for Stage 2 of one of Australia's biggest public infrastructure projects is worth a total of EUR 1.9 billion. Additionally, CPB Contractors has been awarded the contract to construct the New Parallel Runway at Bris-

bane Airport as part of a joint venture. The contract will generate a total of around EUR 269 million (CPB share: EUR 135 million).

Thiess secured a mining services contract at the Mount Pleasant coal mine in New South Wales with revenue valued at EUR 357 million until 2021. The company was also awarded a contract extension at Solomon Hub iron ore mine in Western Australia to 2020 which will generate revenue of EUR 346 million. Similarly, the contract to operate the Yallourn coal mine in Victoria, which the company was awarded as part of a joint venture, has been extended to 2026, generating revenue of EUR 128 million to Thiess.

Leighton Asia will construct the East Kowloon Cultural Center in Hong Kong. The contract is worth a total of approximately EUR 300 million.

UGL has been awarded a contract for design, construction, operation and maintenance of the Collinsville Solar Farm in Queensland and the White Rock Solar Farm in New South Wales (contract value: approximately EUR 80 million).

### HOCHTIEF Asia Pacific Outlook

CIMIC confirmed its NPAT guidance (net profit after tax) for 2017 in the range of AUD 640-700 million, subject to market conditions, compared to the AUD 580 million reported for 2016, +10-21%.

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# HOCHTIEF Europe

HOCHTIEF Europe continues to progress positively. **Operational PBT** increased to EUR 19.3 million compared with EUR 16.6 million in the first half of 2016. Nominal PBT also improved reaching EUR 12.1 million in H1 2017, up by EUR 2 million year on year. Sales increased strongly by 19% to EUR 840 million with margins at a similar level to the corresponding period of 2016.

The division ended the half year with a net cash position of EUR 24 million, a very significant improvement year on year of EUR 288 million. The significant improvement in the HOCHTIEF Europe balance sheet reflects the strong increase in cash generation. Net cash from operating activities improved by over EUR 100 million year on year, partly helped by a further reduction in the capital employed in Real Estate. Over the last twelve months, positive **net cash from operating activities** of over EUR 160 million has been generated by the Europe division.

**New orders** in the first half of EUR 1.2 billion represent a year-on-year increase of 36% driven by the awarding of the Zuidasdok project, Netherlands, in Q1 2017, with a HOCHTIEF Europe share of EUR 421 million. The divisional **order backlog** of EUR 4.0 billion is up 8% year on year.

New projects in the HOCHTIEF Europe division include a large-scale PPP contract to design, build, finance and operate Germany's Federal Ministry of Health in Berlin. HOCHTIEF is carrying out this PPP project work under a joint venture.

HOCHTIEF Infrastructure was commissioned with construction of the Height 5 residential project in Hamburg.

HOCHTIEF Polska received orders worth a total of EUR 115 million, including the Business Garden office park in Wrocław and production facilities for an automotive supplier based in south-west Poland.

**HOCHTIEF Europe Division: Key Figures***

| (EUR million) | **H1 2017** | H1 2016 | **Change** | Full year 2016 |
|---|---|---|---|---|
| Divisional sales | **839.6** | 703.6 | **19.3%** | 1,596.5 |
| Operational profit before tax/PBT[1] | **19.3** | 16.6 | **16.3%** | 36.1 |
| Operational PBT margin[1] (%) | **2.3** | 2.4 | **-0.1** | 2.3 |
| Operational net profit[1] | **15.6** | 11.3 | **38.1%** | 30.4 |
| Profit before tax/PBT | **12.1** | 10.1 | **19.8%** | 18.7 |
| Net profit | **8.3** | 4.8 | **72.9%** | 12.5 |
| Net cash from operating activities | **(53.5)** | (158.9) | **66.3%** | 61.9 |
| Gross operating capital expenditure | **10.8** | 16.0 | **-32.5%** | 36.2 |
| Net cash (+)/net debt (-) | **24.2** | (264,0) | **–** | 44.6 |
| New orders | **1,196.3** | 877.6 | **36.3%** | 2,097.5 |
| Work done | **935.2** | 899.0 | **4.0%** | 1,949.6 |
| Order backlog (end of period)[2] | **3,950.2** | 3,647.4 | **8.3%** | 3,890.6 |
| Employees (end of period) | **5,544** | 6,845 | **-19.0%** | 6,414 |
| of which in Germany | **3,205** | 3,303 | **-3.0%** | 3,275 |

***All figures are nominal unless otherwise indicated**
**1) Operational earnings are adjusted for deconsolidation effects and other one-off impacts**
**2) Actual 2016 adjusted for two large Middle East projects at HOCHTIEF Europe**

In the Czech Republic, HOCHTIEF will be working on several building and infrastructure construction projects which besides industrial plants also include the rebuilding of Prague's historical Negrelli Viaduct.

## HOCHTIEF Europe Outlook

Looking forward we continue to expect an improvement in operational PBT to EUR 40-45 million for 2017, an increase of 11-25% compared with EUR 36 million in 2016.

# Interim Financial Statements (Condensed)

## Consolidated Statement of Earnings

| (EUR thousand) | **H1 2017** | H1 2016 | **Change** | **Q2 2017** | Q2 2016 | Full year 2016 |
|---|---|---|---|---|---|---|
| Sales | 11,017,724 | 9,365,862 | 17.6% | 5,868,736 | 4,951,429 | 19,908,328 |
| Changes in inventories | (43,710) | (36,158) | 20.9% | (15,326) | (36,616) | (93,030) |
| Other operating income | 92,344 | 107,909 | -14.4% | 52,137 | 23,503 | 372,477 |
| Materials | (7,807,001) | (6,983,898) | 11.8% | (4,332,324) | (3,711,812) | (14,778,229) |
| Personnel costs | (2,067,558) | (1,545,085) | 33.8% | (1,019,050) | (781,316) | (3,285,214) |
| Depreciation and amortization | (201,370) | (132,906) | 51.5% | (107,341) | (65,519) | (287,721) |
| Other operating expenses | (618,803) | (515,739) | 20.0% | (291,688) | (248,691) | (1,208,075) |
| **Profit from operating activities** | **371,626** | **259,985** | **42.9%** | **155,144** | **130,978** | **628,536** |
| Share of profits and losses of equity-method associates and joint ventures | 37,760 | 78,384 | -51.8% | 40,167 | 36,350 | 75,117 |
| Net income from other participating interests | 45,002 | 23,622 | 90.5% | 32,884 | 12,221 | 39,803 |
| Investment and interest income | 38,383 | 44,115 | -13.0% | 14,842 | 24,965 | 87,415 |
| Investment and interest expenses | (107,087) | (106,144) | 0.9% | (46,211) | (52,766) | (210,160) |
| **Profit before tax** | **385,684** | **299,962** | **28.6%** | **196,826** | **151,748** | **620,711** |
| Income taxes | (120,244) | (110,995) | 8.3% | (56,634) | (48,814) | (187,217) |
| **Profit after tax** | **265,440** | **188,967** | **40.5%** | **140,192** | **102,934** | **433,494** |
| Thereof: Attributable to non-controlling interest | 76,375 | 48,693 | 56.9% | 39,418 | 26,005 | 113,011 |
| **Thereof: Attributable to HOCHTIEF shareholders (Group net profit)** | **189,065** | **140,274** | **34.8%** | **100,774** | **76,929** | **320,483** |
| **Earnings per share (EUR)** | **2.94** | **2.18** | **34.9%** | **1.57** | **1.20** | **4.98** |

## Consolidated Statement of Comprehensive Income

***Adjusted due to the finalization of the purchase price allocation from the UGL acquisition.**

| (EUR thousand) | **H1 2017** | H1 2016 | **Change** | **Q2 2017** | Q2 2016 | Full year 2016* |
|---|---|---|---|---|---|---|
| **Profit after tax** | **265,440** | **188,967** | **40.5%** | **140,192** | **102,934** | **433,494** |
| **Items that may be reclassified subsequently to profit or loss** | | | | | | |
| Currency translation differences | (227,200) | (95,421) | -138.1% | (168,714) | 26,206 | 96,990 |
| Changes in fair value of financial instruments | | | | | | |
| Primary | (8,133) | (9,584) | 15.1% | (13,595) | 4,954 | (17,800) |
| Derivative | 2,742 | 568 | 382.7% | 953 | 1,324 | (895) |
| Share of profits and losses of equity-method associates and joint ventures recognized directly in equity | (2,192) | (15,900) | 86.2% | (1,633) | (938) | (16,174) |
| **Items that will not be reclassified to profit or loss** | | | | | | |
| Remeasurements of defined benefit plans | 36,136 | (79,707) | – | 28,183 | (33,401) | (59,103) |
| **Other comprehensive income (after tax)** | **(198,647)** | **(200,044)** | **0.7%** | **(154,806)** | **(1,855)** | **3,018** |
| **Total comprehensive income after tax** | **66,793** | **(11,077)** | **–** | **(14,614)** | **101,079** | **436,512** |
| Thereof: Attributable to non-controlling interest | 23,419 | 19,614 | 19.4% | 760 | 30,610 | 115,646 |
| Thereof: Attributable to HOCHTIEF shareholders | 43,374 | (30,691) | – | (15,374) | 70,469 | 320,866 |

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# Consolidated Balance Sheet

| (EUR thousand) | **June 30, 2017** | Dec. 31, 2016* |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Intangible assets | 1,255,653 | 1,322,259 |
| Property, plant and equipment | 1,063,929 | 1,177,551 |
| Investment properties | 11,016 | 12,007 |
| Equity-method investments | 627,451 | 704,897 |
| Other financial assets | 70,942 | 71,562 |
| Financial receivables | 828,815 | 818,579 |
| Other receivables and other assets | 174,331 | 180,741 |
| Non-current income tax assets | 19,487 | 19,695 |
| Deferred tax assets | 274,678 | 304,384 |
| | **4,326,302** | **4,611,675** |
| **Current assets** | | |
| Inventories | 508,920 | 559,168 |
| Financial receivables | 92,840 | 55,985 |
| Trade receivables | 5,145,335 | 5,025,260 |
| Other receivables and other assets | 417,978 | 450,297 |
| Current income tax assets | 44,621 | 31,152 |
| Marketable securities | 530,728 | 463,424 |
| Cash and cash equivalents | 2,543,356 | 2,847,426 |
| Assets held for sale | 30,673 | 32,719 |
| | **9,314,451** | **9,465,431** |
| | **13,640,753** | **14,077,106** |

| (EUR thousand) | **June 30, 2017** | Dec. 31, 2016* |
|---|---|---|
| **Liabilities and Shareholders' Equity** | | |
| **Shareholders' equity** | | |
| Attributable to HOCHTIEF shareholders | 1,690,187 | 1,813,830 |
| Attributable to non-controlling interest | 742,996 | 757,279 |
| | **2,433,183** | **2,571,109** |
| **Non-current liabilities** | | |
| Provisions for pensions and similar obligations | 400,908 | 440,246 |
| Other provisions | 373,362 | 423,256 |
| Financial liabilities | 2,110,133 | 1,633,321 |
| Other liabilities | 34,237 | 36,841 |
| Deferred tax liabilities | 44,369 | 34,917 |
| | **2,963,009** | **2,568,581** |
| **Current liabilities** | | |
| Other provisions | 758,471 | 821,603 |
| Financial liabilities | 472,503 | 1,046,934 |
| Trade payables | 6,315,875 | 6,509,474 |
| Other liabilities | 681,636 | 555,341 |
| Current income tax liabilities | 16,076 | 4,064 |
| | **8,244,561** | **8,937,416** |
| | **13,640,753** | **14,077,106** |

***Restated due to finalization of the purchase price allocation for the UGL acquisition. Please see page 19 for explanatory notes on the restatement.**

# Consolidated Statement of Cash Flows

| (EUR thousand) | **H1 2017** | H1 2016 |
|---|---|---|
| Profit after tax | 265,440 | 188,967 |
| Depreciation, amortization, impairments and impairment reversals | 169,825 | 131,192 |
| Changes in provisions | (45,855) | (78,420) |
| Changes in deferred taxes | 26,685 | 76,491 |
| Gains/(losses) from disposals of non-current assets and marketable securities | 15,384 | 3,872 |
| Other non-cash income and expenses (primarily equity accounting) and deconsolidations | 20,796 | 10,711 |
| Net working capital change | (222,734) | (388,714) |
| Changes in other balance sheet items | 1,120 | (1,094) |
| **Net cash from operating activities** | **230,661** | **(56,995)** |
| | | |
| Intangible assets, property, plant and equipment, and investment properties | | |
| Purchases | (171,755) | (95,929) |
| Proceeds from asset disposals | 20,752 | 29,516 |
| Acquisitions and participating interests | | |
| Purchases | (20,019) | (33,507) |
| Proceeds from asset disposals/divestments | 22,945 | 212 |
| Income tax payments in connection with divestments | (40,915) | (21,169) |
| Changes in cash and cash equivalents due to consolidation changes | – | 60,693 |
| Changes in securities holdings and financial receivables | (132,015) | 184,156 |
| **Cash flow from investing activities** | **(321,007)** | **123,972** |
| | | |
| Payments for repurchase of treasury stock | – | (79,656) |
| Payments received from sale of treasury stock | 1,326 | 1,284 |
| Payments for repurchase of treasury stock at CIMIC | – | (175,910) |
| Payments for the purchase of additional shares in subsidiaries | (20,319) | (85,799) |
| Payments into equity by non-controlling interests | 7,715 | – |
| Other financing activities | (2,340) | (6,218) |
| Dividends to HOCHTIEF shareholders and non-controlling interests | (6,592) | (188,848) |
| Proceeds from new borrowing | 1,107,393 | 313,136 |
| Debt repayment | (1,161,108) | (206,060) |
| **Cash flow from financing activities** | **(73,925)** | **(428,071)** |
| | | |
| **Net cash decrease in cash and cash equivalents** | **(164,271)** | **(361,094)** |
| Effect of exchange rate changes | (139,799) | (43,642) |
| **Overall change in cash and cash equivalents** | **(304,070)** | **(404,736)** |
| | | |
| Cash and cash equivalents at the start of the year | 2,847,426 | 2,808,707 |
| | | |
| **Cash and cash equivalents at end of reporting period** | **2,543,356** | **2,403,971** |

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# Consolidated Statement of Changes in Equity

| (EUR thousand) | Subscribed capital of HOCHTIEF Aktiengesellschaft | Capital reserve of HOCHTIEF Aktiengesellschaft | Revenue reserves including unappropriated net income | Accumulated other comprehensive income | | | 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 | | | |
| Balance as of Jan. 1, 2016 | 177,432 | 804,163 | 1,144,034 | (287,527) | 286,791 | 19,008 | 2,143,901 | 1,002,847 | 3,146,748 |
| Dividends | – | – | (128,473) | – | – | – | (128,473) | (52,031) | (180,504) |
| Profit after tax | – | – | 140,274 | – | – | – | 140,274 | 48,693 | 188,967 |
| Currency translation differences and changes in fair value of financial instruments | – | – | – | – | (73,050) | (18,208) | (91,258) | (29,079) | (120,337) |
| Changes from remeasurement of defined benefit plans | – | – | – | (79,707) | – | – | (79,707) | – | (79,707) |
| Total comprehensive income | – | – | 140,274 | (79,707) | (73,050) | (18,208) | (30,691) | 19,614 | (11,077) |
| Other changes not recognized in the Statement of Earnings* | – | 440 | (194,249) | – | – | – | (193,809) | (117,544) | (311,353) |
| Balance as of June 30, 2016 | 177,432 | 804,603 | 961,586 | (367,234) | 213,741 | 800 | 1,790,928 | 852,886 | 2,643,814 |
| **Balance as of Jan. 1, 2017**** | **164,608** | **817,427** | **813,140** | **(346,630)** | **371,060** | **(5,775)** | **1,813,830** | **757,279** | **2,571,109** |
| Dividends | – | – | (167,044) | – | – | – | (167,044) | (44,679) | (211,723) |
| Profit after tax | – | – | 189,065 | – | – | – | 189,065 | 76,375 | 265,440 |
| Currency translation differences and changes in fair value of financial instruments | – | – | – | – | (173,259) | (8,568) | (181,827) | (52,956) | (234,783) |
| Changes from remeasurement of defined benefit plans | – | – | – | 36,136 | – | – | 36,136 | – | 36,136 |
| Total comprehensive income | – | – | 189,065 | 36,136 | (173,259) | (8,568) | 43,374 | 23,419 | 66,793 |
| Other changes not recognized in the Statement of Earnings | – | 750 | (723) | – | – | – | 27 | 6,977 | 7,004 |
| **Balance as of June 30, 2017** | **164,608** | **818,177** | **834,438** | **(310,494)** | **197,801** | **(14,343)** | **1,690,187** | **742,996** | **2,433,183** |

*** Other changes not recognized in the Statement of Earnings include minus EUR 175,910 thousand for the purchase of treasury stock by CIMIC Holdings and minus EUR 79,656 thousand for the purchase of treasury stock by HOCHTIEF Aktiengesellschaft.**
**** Restated due to finalization of the purchase price allocation for the UGL acquisition. Please see page 19 for explanatory notes on the restatement.**

# Explanatory Notes to the Consolidated Financial Statements

### Accounting policies

The Interim Consolidated Financial Statements as of June 30, 2017, which were released for publication on July 24, 2017 by the Executive Board, have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The Interim Financial Statements and the Interim Management Report have been reviewed by our auditor. In accordance with IAS 34, the reported information is presented in condensed form relative to the full Consolidated Financial Statements.

This interim report is based on the Consolidated Financial Statements as of and for the year ending December 31, 2016.

Due to an increase in capital market interest rates, HOCHTIEF increased the discount factor used for the measurement of defined benefit obligations in Germany to 2.00% as of June 30, 2017 (December 31, 2016: 1.75%).

This report has been prepared in all other respects using the same accounting policies as the 2016 Consolidated Financial Statements. Information on those accounting policies is given in the Group Report 2016.

### Currency translation

For currency translation purposes, the following exchange rates have been used for the main Group companies outside the euro area:

| | **Average** | | **Daily average at reporting date** | |
|---|---|---|---|---|
| (All rates in EUR) | **H1 2017** | H1 2016 | **June 30, 2017** | Dec. 31, 2016 |
| 1 U.S. dollar (USD) | 0.91 | 0.90 | 0.88 | 0.95 |
| 1 Australian dollar (AUD) | 0.69 | 0.66 | 0.67 | 0.69 |
| 1 British pound (GBP) | 1.16 | 1.27 | 1.14 | 1.17 |
| 100 Polish zoty (PLN) | 23.54 | 22.84 | 23.66 | 22.67 |
| 100 Qatari riyal (QAR) | 24.96 | 24.68 | 23.33 | 25.99 |
| 100 Czech koruna (CZK) | 3.74 | 3.70 | 3.82 | 3.70 |
| 100 Chilean pesos (CLP) | 0.14 | 0.13 | 0.13 | 0.14 |

### Consolidation changes

The Consolidated Financial Statements for the first half of 2017 include 19 foreign companies for the first time. 43 foreign companies have been removed from the consolidated group.

The number of companies accounted for using the equity method showed a net decrease of 16 foreign companies in the first half of 2017. In addition, the number of joint operations included in the Consolidated Financial Statements increased by one.

The Consolidated Financial Statements as of June 30, 2017 include HOCHTIEF Aktiengesellschaft as well as a total of 55 domestic and 406 foreign consolidated companies, 16 domestic and 140 foreign companies accounted for using the equity method, and 64 foreign joint operations.

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.

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**Acquisition—UGL Limited**

On October 10, 2016, the CIMIC Group, through its subsidiary CIMIC Group Investments No. 2 Pty Limited (CGI2), acquired 13.84% of the issued shares in the Australian services company UGL Limited (UGL) and announced in a takeover offer its intention to acquire the shares in UGL that it did not already own at a price of AUD 3.15 per share. CIMIC's holding was increased to over 50% and UGL consolidated effective November 24, 2016. The holding was subsequently further increased and the acquisition completed on January 20, 2017, with CIMIC thus obtaining 100% ownership.

The Group's 2016 consolidated financial statements included provisional fair values for assets and liabilities acquired in the business combination. Purchase price allocation is now complete, and the December 31, 2016 comparative information has been restated retrospectively. The acquisition date fair value of trade payables thus increased by EUR 41.1 million, while deferred taxes rose by EUR 12.3 million. Goodwill increased by EUR 14.4 million and equity decreased by EUR 14.4 million.

## Non-current assets held for sale (disposal group)

In view of the intention to sell, mining assets of PT Thiess Contractors Indonesia (HOCHTIEF Asia Pacific division) are accounted for in accordance with IFRS 5 as assets held for sale. An agreement for the sale of the assets signed in 2016 was largely put into effect. The remaining assets are classified as held for sale and presented separately in the balance sheet. The table below shows the major classes of assets held for sale.

| (EUR thousand) | **June 30, 2017** | Dec. 31, 2016 |
|---|---|---|
| Property, plant and equipment | 28,203 | 30,230 |
| Inventories | 2,470 | 2,489 |
| **Total assets** | **30,673** | **32,719** |

## Treasury stock

As of June 30, 2017, HOCHTIEF Aktiengesellschaft held a total of 44,287 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 113,374.72 (0.069%) of the Company's capital stock.

In May 2017, 7,855 shares of treasury stock were transferred to members of the Company's Executive Board at a price of EUR 168.85 per share on condition that the shares be held for at least two years after transfer. The transfer settled the transferees' variable compensation entitlements. These shares represent EUR 20,108.80 (0.012%) of the Company's capital stock.

## Promissory note issue

In March 2017, HOCHTIEF Aktiengesellschaft issued a promissory note for EUR 500 million. The entire proceeds from the issue were used to refinance a 2012 bond issue for the same amount that matured in March 2017. The notes have staggered terms of five, seven, and ten years. They significantly reduce financing costs, enabling HOCHTIEF to strengthen its operational development and diversify the maturity profile of its financial liabilities.

## Dividend

The Annual General Meeting of HOCHTIEF Aktiengesellschaft on May 10, 2017 resolved to pay a dividend for 2016 of EUR 2.60 per eligible no-par-value share. The resulting dividend payment of EUR 167,044,430.80 was made on July 6, 2017.

## Contingent liabilities

The contingent liabilities relate to liabilities under guarantees; they have decreased since December 31, 2016 by EUR 551 thousand to EUR 4,981 thousand.

## Reporting on financial instruments

The fair value of the individual assets and liabilities is stated for each class of financial instrument. A three-level fair value hierarchy is applied that reflects the observability of inputs to the valuation techniques used to measure fair value.

Level 1: Quoted prices 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; e.g. investments measured at fair value or determined by business valuation.

| | **June 30, 2017** | | | | Dec. 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| (EUR thousand) | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | | | | |
| Other financial assets | 1,172 | 526 | 59,398 | 61,096 | 1,270 | 20,506 | 40,103 | 61,879 |
| Other receivables and other assets | | | | | | | | |
| Non-current | – | 8,412 | 47,844 | 56,256 | – | 14,169 | 51,384 | 65,553 |
| Current | – | 8,637 | – | 8,637 | – | 1,727 | – | 1,727 |
| Marketable securities | 496,889 | 33,839 | – | 530,728 | 409,821 | 53,603 | – | 463,424 |
| **Total assets** | **498,061** | **51,414** | **107,242** | **656,717** | **411,091** | **90,005** | **91,487** | **592,583** |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Other liabilities | | | | | | | | |
| Non-current | – | 703 | – | 703 | – | 557 | – | 557 |
| Current | – | 2,661 | – | 2,661 | – | 3,678 | – | 3,678 |
| **Total liabilities** | **–** | **3,364** | **–** | **3,364** | **–** | **4,235** | **–** | **4,235** |

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Within each class of financial instrument, where fair value can be measured reliably, fair value generally corresponds to carrying amount. The only class of financial instrument for which the two differ is financial liabilities, which have a total carrying amount of EUR 2,582,636 thousand (December 31, 2016: EUR 2,680,255 thousand) and a fair value of EUR 2,711,587 thousand (December 31, 2016: 2,774,619 thousand).

As in the comparative period, there were no transfers of financial instruments measured at fair value between Levels 1 and 2 of the fair value hierarchy during the first half of 2017. There was thus likewise no change in Level 3.

In Level 3, the fair value of investments in unlisted entities is measured using generally recognized valuation techniques based on discounted cash flow analysis. The unobservable inputs are the internal rate of return as well as the growth rate and discount rate. Options are measured using Monte Carlo simulation. Assumed inputs are the expected exercise period, multiplier, and discount factor. Reconciliation of opening to closing balances for Level 3 measurements of other financial assets as well as other receivables and other assets:

**Level 3 reconciliation H1 2017:**

| (EUR thousand) | |
|---|---|
| Balance as of Jan. 1, 2016 | 91,487 |
| Currency adjustments | (4,888) |
| Gains/(losses) recognized in profit or loss | 19,147 |
| Other changes | 1,496 |
| **Balance as of June 30, 2017** | **107,242** |

**Level 3 reconciliation FY 2016:**

| (EUR thousand) | |
|---|---|
| Balance as of Jan. 1, 2016 | 83,331 |
| Currency adjustments | 1,829 |
| Gains/(losses) recognized in profit or loss | 51,534 |
| Other changes | (45,207) |
| Balance as of Dec. 31, 2016 | 91,487 |

The gains recognized in profit or loss are accounted for in net income from other participating interests; the remaining changes are accounted for in other comprehensive income.

## Segment reporting

HOCHTIEF's structure reflects the operating focus of the Group as well as its presence in key national and international regions and markets. Segments are identified in the HOCHTIEF Group on the basis of internal reporting.

Detailed information on the individual divisions/segments of the HOCHTIEF Group is contained in the preceding Interim Management Report.

## Related party disclosures

The number of companies and individuals comprising related parties of HOCHTIEF Aktiengesellschaft and HOCHTIEF Group companies is determined in accordance with IAS 24; reference is consequently made in this regard to the information provided in the notes to the last consolidated financial statements.

All transactions with related parties were conducted on an arm's length basis, with the exception of an interest-free loan for EUR 16,112 thousand (December 31, 2016: EUR 141,820 thousand) granted by CIMIC to HLG Contracting.

No other material transactions were entered into during the first half of 2017 between HOCHTIEF Aktiengesellschaft or any HOCHTIEF Group company and any related party or parties with a material impact on the results of operations or financial condition of the Company or the Group.

## Undiluted and diluted earnings per share

| | **H1 2017** | H1 2016 | **Q2 2017** | Q2 2016 |
|---|---|---|---|---|
| **Consolidated net profit (EUR thousand)** | **189,065** | **140,274** | **100,774** | **76,929** |
| Number of shares in circulation (weighted average) | 64,250,476 | 64,339,263 | 64,253,095 | 64,244,027 |
| **Earnings per share (EUR)** | **2.94** | **2.18** | **1.57** | **1.20** |

The difference in the number of shares in circulation mainly results from the stock buyback program in 2016.

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 a dilutive effect on earnings. Consequently, diluted and undiluted earnings per share are identical.

## Events after the balance sheet date

No subsequent events have become known that provide further evidence of conditions that existed at the end of the reporting period.

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# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report of the Group 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 for the remaining months of the year.

Essen, July 24, 2017

The Executive Board

Marcelino Fernández Verdes

Peter Sassenfeld

José Ignacio Legorburo Escobar

Nikolaus Graf von Matuschka

# Review Report

To HOCHTIEF Aktiengesellschaft, Essen

We have reviewed the condensed interim consolidated financial statements of HOCHTIEF Aktiengesellschaft, Essen—comprising the consolidated statement of earnings and the consolidated statement of comprehensive income, the consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and selected explanatory notes, together with the interim group management report of HOCHTIEF Aktiengesellschaft, Essen, for the period from January 1, until June 30, 2017, that are part of the half-year financial report pursuant to § 37w WpHG [Wertpapierhandelsgesetz: German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] as well as in supplementary compliance with the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a limited level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review we have not become aware of any matters that make us believe that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Düsseldorf, July 25, 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Bedenbecker)
Wirtschaftsprüfer
[German Public Auditor]

(Dr. Reichmann)
Wirtschaftsprüfer
[German Public Auditor]

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**Current financial calendar:**
www.hochtief.com/ir-calendar

**This half-year report is a translation of the original German version, which remains definitive. It is also available from the HOCHTIEF website.**

This half-year report is printed on eco-friendly Maxi Silk coated paper certified in accordance with the rules of the Forest Stewardship Council (FSC).

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This document 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, 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, 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.

# About the cover photo:

**West Kowloon Terminus Station North, Hong Kong**

The West Kowloon Terminus (WKT) Station North is the largest civil contract awarded for the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link project. The project includes the construction of a 380,000-square-meter four-level underground terminus, nine long-haul and six shuttle platforms, customs and immigration facilities, arrival and departure lounges as well as other related facilities in the terminus.

Utilizing a combination of conventional and innovative construction methods, over 1.7 million cubic meters of earth are being excavated, 600,000 cubic meters of concrete placed and 120,000 metric tons of steel reinforcement are being used in the construction of the approximately 30-meter-deep underground terminus. A key element of the project is the roof structure above the station entrance made up of around 7,200 metric tons of steel trusses and secondary steel members.

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