

Press Release

HOCHTIEF: Strong operating performance plus Abertis contribution drive 29% increase in 2018 profits and 47% rise in dividend

- **Nominal net profit up 29% year on year to EUR 541 million, operational net profit up 15% to EUR 521 million**
 - 2018 operational net profit at top end of guidance range (EUR 470–520 million)
 - Operational PBT of EUR 968 million, +12%, all divisions increased
 - Sales of EUR 23.9 billion, +11% f/x-adjusted, +6% nominal
- **Net cash from operating activities at high level of EUR 1.4 billion**
- **Net cash position of EUR 1.6 billion, + EUR 300 million yoy**
 - This is after the EUR 1.4 billion Abertis investment and the EUR 0.9 billion capital increase
- **Order backlog of EUR 47.3 billion, +7% f/x-adjusted, 6% nominal**
 - New orders Q4 of EUR 8.9 billion matched record Q4 2017
 - Increased visibility with order backlog equivalent to over 22 months of work done
- **Accelerating digital transformation drive**
 - Nexplore, a Group-wide digital innovation hub, set up in 2018
 - Close cooperation with leading universities and IT companies
- **Guidance for 2019: Operational net profit of EUR 640–680 million**
 - Dividend proposal of EUR 4.98 per share, +47% yoy
 - Strong tender pipeline in our core markets USA, Canada, Asia Pacific and Europe of about EUR 600 billion for 2019 and beyond
 - PPP project pipeline of approx. EUR 230 billion

HOCHTIEF achieved a very robust operating performance in 2018 and took another major step forward strategically by investing in the leading international toll road operator Abertis. The Group substantially increased profits, supported by strong cash flow. This was accompanied by improved margins, solid top-line growth and further order book expansion. “2018 was another very successful year for HOCHTIEF. For the sixth consecutive year we managed to increase our cash-backed operational net profit and we expect this positive trend to continue.

Our focus on developed markets and a broad variety of business models gives us a robust, well-balanced profile in the infrastructure business that is paying off in a sustainable manner," said CEO Marcelino Fernández Verdes.

HOCHTIEF has delivered strong profit growth in 2018. **Nominal net profit** rose by 29% to EUR 541 million which includes a EUR 84 million contribution from the 20% stake in Abertis from June to December 2018. **Operational net profit**, which excludes non-operational impacts and the Abertis contribution, increased by 15% year on year to EUR 521 million. This result is at the top end of the guidance range HOCHTIEF announced a year ago of EUR 470–520 million. All three divisions contributed to this solid increase in operational profit.

Adjusting for foreign exchange rate movements, **sales** were 11% higher year on year at EUR 23.9 billion, or up 6% in nominal terms. This growth was accompanied by increased margins. The Group's **operational PBT margin** was up 30 basis points year on year to 4.1%.

HOCHTIEF remains focused on risk management and generating cash-backed profits. **Net cash from operating activities** was at a sustained high level of EUR 1.4 billion in 2018, driven by a solid level of cash conversion. Due to the positive development in 2018 HOCHTIEF ended the year with a **net cash position** of EUR 1.6 billion, almost EUR 300 million higher compared with the end of 2017. All operating divisions increased their net cash position both year on year and also during the fourth quarter of 2018. The Group's net cash position is after the EUR 1.4 billion Abertis investment and the EUR 0.9 billion capital increase in 2018.

The year-end **order book** of EUR 47.3 billion has increased by 7% year on year on an exchange rate adjusted basis. At EUR 28.1 billion, **new orders** in the last twelve months represented 1.1 times the Group's level of work done. New orders in Germany were up by EUR 340 million to EUR 1.2 billion. The disciplined bidding approach was maintained across the Group.

Looking ahead HOCHTIEF has identified a **pipeline** worth in total about EUR 600 billion of relevant projects coming to the Group's key markets in North America, Asia Pacific and Europe in 2019 and beyond. The Group's strong position in developed PPP markets is reflected in the PPP project pipeline of approximately EUR 230 billion.

Digital transformation strategy

The **digital transformation** initiated last year is picking up speed. HOCHTIEF set up Nexlore, a Group-wide digital innovation hub. "Looking ahead, Nexlore will lend us huge support in transitioning to an enhanced digital future for our Group activities. The objective of HOCHTIEF's digital transformation is to create value for our clients and stakeholders by changing the way we work. Drawing on our deep understanding of our clients' needs and priorities, we intend to offer superior solutions for the future," said CEO Marcelino Fernández Verdes. "HOCHTIEF will harness the products and processes developed by Nexlore to continuously increase efficiency and execution quality as well as to optimize project management. Our clients, project partners and employees will benefit from these innovations".

Nexlore plans to establish several innovation centers worldwide: In addition to the existing locations in Essen, Frankfurt/Darmstadt and Minneapolis, centers will be set up in Sydney and Madrid to bring together the Group's know-how and expertise. HOCHTIEF is among the first companies in the industry to embrace the megatrend of digitalization in this form. Nexlore will cooperate closely with the world's leading universities and IT companies. A first series of research projects conducted jointly by scientists, students, and Nexlore's employees has started. The aim is to systematically take advantage of the opportunities for the business offered by digitalization, with tapping the fields such as artificial intelligence, virtual reality, machine learning, the Internet of Things, and Industry 4.0. A key partnership with the MIT-IBM Watson Artificial Intelligence Lab in Cambridge, Massachusetts, USA, has recently started.

As a consequence of the sustainable strength in HOCHTIEF's balance sheet and the further increased earnings visibility that results from the investment in Abertis, the dividend payout ratio is to increase from 50% to 65% of nominal net profit.

Reflecting this and the Group's strong profit development, HOCHTIEF will propose a **dividend** of EUR 4.98 per share for 2018, an increase of 47% compared to 2017 (EUR 3.38 per share).

Outlook: The Group's strong balance sheet combined with the deep presence in its core regional markets and its engineering expertise leaves HOCHTIEF well positioned to take advantage of potential future opportunities. For 2019 HOCHTIEF expects to achieve an operational net profit in the range of EUR 640 to 680 million. All divisions are expected to contribute to this further improvement in the Group performance.

HOCHTIEF Group: Key Figures

(EUR million)	FY 2018	FY 2017	FY Change	Q4 2018	Q4 2017	Q4 Change
Sales	23,882.3	22,631.0	5.5%	6,480.2	6,097.2	6.3%
Operational profit before tax/PBT	968.0	865.8	11.8%	264.9	237.0	11.8%
Operational PBT margin	4.1%	3.8%	0.3	4.1%	3.9%	0.2
Operational net profit	521.4	452.3	15.3%	152.8	131.9	15.8%
Operational earnings per share (EUR)	7.97	7.04	13.2%	2.16	2.05	5.4%
EBITDA	1,413.8	1,320.8	7.0%	372.9	322.8	15.5%
EBITDA margin	5.9%	5.8%	0.1	5.8%	5.3%	0.5
EBIT	1,022.2	925.1	10.5%	267.7	220.7	21.3%
EBIT margin	4.3%	4.1%	0.2	4.1%	3.6%	0.5
Profit before tax/PBT	978.4	823.6	18.8%	242.4	216.1	12.2%
Net profit	541.1	420.7	28.6%	138.3	117.9	17.3%
Earnings per share (EUR)	8.27	6.55	26.3%	1.96	1.83	7.1%
Net cash from operating activities	1,374.7	1,372.1	0.2%	855.6	909.2	-5.9%
Net operating capital expenditure	343.9	251.8	36.6%	65.1	26.0	150.4%
Free cash flow from operations	1,030.8	1,120.3	-8.0%	790.5	883.2	-10.5%
Net cash/net debt	1,562.2	1,265.8	23.4%	1,562.2	1,265.8	23.4%
New orders	28,098.1	30,443.5	-7.7%	8,909.2	9,040.7	-1.5%
Order backlog (year on year)	47,267.4	44,644.2	5.9%	47,267.4	44,644.2	5.9%
Employees* (end of period)	64 313	67 112	-4.2%	64 313	67 112	-4.2%

EBITDA and EBIT restated; Operational profits are adjusted for non-operational items

* Includes direct employees plus a proportional share of employees of CIMIC Group companies BICC, Devine, and Ventia.

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. With around 64,000 employees and a sales volume of about EUR 24 billion in 2018, HOCHTIEF's global presence is focused on developed markets. With CIMIC, the Group is market leader in Australia. In the USA, HOCHTIEF is the No. 1 general builder via Turner. Flatiron ranks among the most important players in the field of civil works, mainly in transportation infrastructure. HOCHTIEF owns a 20% stake in Abertis, the leading international toll road operator. Thanks to its commitment to sustainability, HOCHTIEF has been listed in the Dow Jones Sustainability Indexes since 2006. Further information is available at www.hochtief.com/press.