

# Annual General Meeting 2022

April 27, 2022

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## **Marcelino Fernández Verdes**

Chief Executive Officer (CEO)

### **Embargoed until 10:30 a.m. (CET) on April 27, 2022**

Check against delivery.

Guten Morgen liebe Aktionäre, meine sehr verehrten Damen und Herren, liebe Freunde von HOCHTIEF.

On behalf of the Executive Board, I would like to welcome everyone to our Annual General Meeting.

At the end of 2019, we all could not have imagined that the pandemic would last for more than two years. In fact, the infection figures are still high in many countries.

Close collaboration with our clients and partners, together with good organization and logistics, have enabled us to successfully move forward on our project activities. I am very proud of our 34,000 employees who once again demonstrated great fortitude and discipline particularly given the challenges of the ongoing Covid-19 pandemic. Furthermore, I would like to acknowledge the enormous solidarity shown by our HOCHTIEF colleagues in various European Countries who have been actively welcoming and supporting refugees fleeing from the tragic events in Ukraine.

Ladies and Gentlemen,

I will go through the resilient financial performance HOCHTIEF has achieved in 2021 and describe the positive outlook we envisage for 2022 and beyond.

I will also provide you with more detail on our Sustainability Plan 2025, which has recently been launched. The plan contains over 60 Environmental, Social and Governance commitments including a target to be climate-neutral in 2045.

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These ESG initiatives are supported by our twin transition: green and digital.

Finally I would like to give you an outlook on our business opportunities in the coming years and I will update you on our offer to CIMIC minority shareholders.

In 2021 we have seen a strong and fast recovery in new orders for the HOCHTIEF Group. Let me share some highlights with you in terms of project announcements during 2021 to give you a better feel for the business.

We start with North America:

A first highlight has been the education and R&D sector in the US, a market segment where Turner has a long track record of being a leading player.

- During 2021, we have completed the Science and Engineering Complex at Harvard University – the building is shown on the cover of this year's Annual Report. This almost 50,000 square meter building is highly sustainable with features such as double skin façade with integrated sun-shading, reclaimed wood floors, green roofs, and vibrant outdoor spaces. The facility achieved the highest green building standard: LEED Platinum. Turner continues to be the leading green builder in the US.
- We were also awarded a contract to deliver the Gateway project at the University of Berkeley. The futuristic new building will house the Division of Computing, Data Science and Society and is part of a campaign in which the University intends to raise USD 6 billion to be invested in educational excellence. It is Turner's eighth project on that campus.

This leads me to the data center market. Turner is very well positioned to benefit from its strong technology client base. The construction of data centers continues to grow at a substantial pace as leading providers invest in new

developments and expansions. Key drivers of this growth include 5G adoption, growing cloud computing and big data amongst others. The data center segment has grown to almost 20% of their order book – so well over USD 4 billion.

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In 2021, Turner was also recognized as the top Construction Management Company for healthcare projects in the US, a segment where the company generated well over USD 3 billion of revenues. This year's order intake includes, for example, a contract for the New Veteran Medical Center in Kentucky for USD 840 million as part of a Joint Venture. The building has been recognized for its exceptional design by the American Institute of Architects, integrating a focus on sustainability and relationship to nature. It will include a large photovoltaic array that generates a portion of the center's electrical energy, green roofs, water use reduction, and optimized energy performance.

Moving on to our civil engineering activities in the US where Flatiron has recently won a follow-up project worth around USD 270 million to upgrade the Orinda Water Treatment Plant in California, among others. The project is part of a wider municipal water treatment and transmission improvement program. Flatiron will collaborate with the client to seek innovative solutions with the overall aim to meet long-term operational needs while also fulfilling drinking water and environmental regulations.

Moving on to Europe, we were recently awarded a power tunnel project in Wales. The contract is worth EUR 240 million and by moving the electricity cables underground into a 3.4 kilometer tunnel we will reduce the visual impact of the existing overhead lines in the Snowdonia National Park upon completion.

In Germany, HOCHTIEF has been awarded the contract to complete the A1 Rhine Bridge in Leverkusen. A bridge section of the approximately one-kilometer structure is to be completed by the end of 2023. This will replace the old bridge. The contract is executed in a joint venture for a total contract value of EUR 216 million.

During 2021 HOCHTIEF has also been awarded the contract to build the new head office for health insurer Continentale in Dortmund for completion by 2024. Our construction team will make use of the latest digital technologies to deliver a state-of-the-art building complex. A common ground floor will form the basis for three differently styled towers with up to 16 stories. This will provide a new workplace for a total of 1,600 employees.

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And at our Asia Pacific division, CIMIC has seen very strong new orders in 2021 reflecting a strong multi-year demand as well as a recovery from Covid-delayed project awards.

The single biggest contract won is a Public Private Partnership: the North East Link Primary Package. Here, several CIMIC group companies – Pacific Partnerships, CPB Contractors and Ventia – are involved in a Joint Venture project where the freeway network around Melbourne will see its missing link closed with a three-lane twin tunnel. CIMIC's share of work is valued around EUR 2.5 billion. Up to 135,000 vehicles will use North East Link every day, will reduce congestion in the north-east of Melbourne:

In December, CPB was selected to deliver work worth around EUR 900 million for the expansion of the Sydney Metro at the new Western Sydney Airport. CPB is already involved in the construction of the Airport as well as the Sydney metro expansion and will apply this experience to safely deliver this link. And likewise in Sydney, we are awarded the Warringah Freeway Upgrade in a JV. This Incentivised Target Cost style contract has a value of around EUR 530 million to the Group and will reduce congestion and simplify the complex road corridor which is the northern approach of the Sydney Harbour Bridge.

Services company UGL was awarded several multi-year operations and maintenance contracts for regional rail infrastructure, utility and renewable energy clients as well as the oil & gas industry – all in Australia.

Ladies and Gentlemen,

Now let's look at our order book profile. We have significantly reduced the risk profile of our order book over the last five years.

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Construction Management, Services and Construction Contracts with a lower risk profile have increased from 66% to approximately 84% of the Group's order book over the last four years and amounted to EUR 43 billion at the end of 2021.

This development reflects the transformation in our approach to construction risk management, aimed at de-risking project work across all divisions. The remaining share of traditional construction projects of approximately EUR 8.5 billion or around 16% of our order backlog includes projects that are well advanced and on time and budget.

Let me turn now to our financial results for 2021

HOCHTIEF delivered a resilient operational performance in the face of the significant challenges that the pandemic produced also in 2021:

- Revenues were stable at over EUR 21 billion
- The group ended the period with a strong balance sheet featuring a net cash position of over EUR 550 million and a liquidity position of almost EUR 5 billion
- and our order backlog of EUR 52 billion now stands well above the pre-Covid like for like December 2019 level and is EUR 6 billion higher than a year ago

The year has seen the group achieve solid increases in operational profit, cash flow and new orders. Nominal net profit for 2021 was impacted by a EUR 195 million extraordinary one-off arbitration decision in relation to a legacy project in Chile which was bid for in 2011.

Looking at the operational level, which excludes one-off effects, pre tax profits increased by EUR 160 million, or 29%, to EUR 710 million. Excluding Abertis,

HOCHTIEF's operational PBT margin of 3.0% shows a 40 basis point increase. Our margins remained firm across our divisions.

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Free cash flow from operations pre-factoring of EUR 704 million was 10%, or EUR 64 million higher than in 2020. This is accompanied by a solid working capital performance and after net operating capex.

At the end of December 2021 HOCHTIEF had a net cash position of EUR 556 million and adjusting for factoring the comparable year-on-year improvement is an increase in net cash of EUR 292 million; and this is after shareholder remuneration of EUR 311 million during the year.

New orders reached over EUR 30 billion and increased by EUR 8 billion, or 36%, year on year whilst maintaining a disciplined bidding approach. Half of our EUR 52 billion order book is located in North America with a further 41% in the Asia-Pacific region and 9% in Europe.

The proposed dividend for full year 2021 of EUR 1.91 per share represents a 65%

payout on the nominal net profit for the year or EUR 135 million in absolute terms.

Moving to the performance of our divisions.

Let me start by briefly describing the robust performance in 2021 at Americas which accounted for 65% of HOCHTIEF's group revenues.

- Sales of EUR 13.8 billion were 3% lower than the corresponding period of 2020 on an FX-adjusted basis with work done stable, notwithstanding Covid impacts.
  - Operational PBT of EUR 351 million was up compared with 2020 and at the top end of our 2021 guidance range of EUR 320 to 350 million, with an increase of our margin to 2.5% vs 2.3% the previous year.

- At the end of the period, the order backlog stood at EUR 26.1 billion up 15% year on year or 6% FX-adjusted with an absolute increase of EUR 3.5 billion since December 2020 to a record level.
  - New orders secured during 2021 of EUR 15.3 billion were up 2% year on year in USD terms with work secured in the last twelve months representing 1.1x work done during the period.

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Our operational guidance for 2022 is a pretax profit of EUR 350-370 million, subject to market conditions, and the longer term outlook for our well positioned Americas business is very promising.

Let's turn now to Asia-Pacific.

The contribution of the Asia Pacific division reflects HOCHTIEF's 78.6% holding in CIMIC at the end of December 2021 as well as associated financing and holding costs, and the impact of variations in the Australian dollar/Euro exchange rate.

I will talk about our takeover offer for CIMIC later. Let me first summarise the 2021 performance in local currency terms:

- Revenues increased by 7.6% to AUD 9.7 billion driven by growth in Australian Construction and Services.
- Underlying net profit after tax of AUD 405 million compares like-for-like with AUD 352 million in 2020, a AUD 53 million increase; margins were firm.
- CIMIC ended the year with a net debt level of AUD 498 million with the variation during 2021 including AUD 318 million of dividend payments and the unwinding of AUD 542 million of factoring.
- New work of AUD 20.4 billion was secured during 2021 and is well above pre-Covid 2019 levels. The period-end order book stands at AUD 33.2 billion, a 10% increase year on year.

CIMIC's 2022 guidance is for net profit after tax to be in the range of AUD 425-460 million, subject to market conditions .

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Let us now assess the performance in 2021 of HOCHTIEF Europe

- Sales rose slightly to EUR 1.3 billion with an operational PBT of EUR 60 million, which excludes the one-off extraordinary impact of the EUR 195 million legacy Chilean project arbitration decision.
- And at the end of December 2021, the division's balance sheet maintained a solid net cash position reflecting continuously strong cash conversion.
- New orders in the period of EUR 1.9 billion were broadly stable year on year leaving a divisional order backlog at the end of December 2021 of EUR 4.6 billion, an increase year on year of 6%.

For 2022 we expect Operational PBT for Europe of EUR 45-65 million, subject to market conditions.

Next let's move to Abertis, which shows a strong improvement

- Abertis' average daily traffic in 2021 was 21% higher year on year.
- This reflects the easing of mobility restrictions introduced in 2020 due to the Covid pandemic as well as benefiting from the resilience afforded by the group's diversified portfolio of toll roads.
  - During the second half of the year traffic levels were consistently above those of pre-COVID 2019.
- Operating revenues rose 20% to EUR 4.9 billion with EBITDA 28% higher year on year at EUR 3.35 billion.

- The Abertis profit contribution to HOCHTIEF is a turnaround of EUR 75 million to EUR 58 million in 2021. This compares with minus EUR 17 million in 2020.
- The toll road company made a dividend payment of EUR 601 million in April 2021 of which HOCHTIEF received its share of EUR 119 million. The expected dividend distribution by Abertis for the three-year period 2022-24 is EUR 1.8 billion.

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Looking forward, we expect our Abertis Investment will continue to make a positive profit contribution to HOCHTIEF in 2022, subject to market conditions.

Liebe Freunde von HOCHTIEF,

It has been a very challenging environment for everyone during the last two years. We have all suffered the pandemic and its medical, social and economic consequences.

Under such difficult conditions HOCHTIEF has delivered a resilient performance.

This very robust outcome is a consequence of the group's strategy which is focused on improving cash-backed profits and strong risk management processes with:

- A geographically diversified approach; our companies have long-term, local presences in their core developed markets
  - Europe was the starting point. We are active here for almost 150 years.
  - 65% of our current revenues come from North America where Turner has been operating for 116 years
  - A further nearly 30% are in Asia-Pacific where CIMIC has a similarly long presence
- And our businesses are flexible and able to adapt to changing market conditions whilst embracing and developing digital technology tools.

This operating strategy is complemented by an active and disciplined approach to capital allocation to create sustainable value for our shareholders.

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This includes attractive shareholder remuneration:

- Incorporating today's proposal, HOCHTIEF will have distributed EUR 2.1 billion in dividends to its shareholders since 2012; this is equivalent to EUR 29.0 per share. Looking forward, shareholder remuneration will remain a management priority

Capital allocation also includes investing in strategic opportunities as reflected in our recent offer to CIMIC minorities:

On the 23rd of February we submitted an unconditional and final off-market takeover offer for the 21.4% free-float shares of CIMIC at 22 AUD/share.

The Asia Pacific market has always been very attractive. Public and private clients are planning huge investments in infrastructure.

It is therefore our intention to ensure CIMIC maintains and strengthens its leading position in the markets in which it operates, particularly in Australia and ensure that CIMIC is able to access opportunities both domestically and internationally.

Key highlights of the takeover bid include:

- At 22.0 AUD/share, the offer is worth up to EUR 940 million and is aimed at the around 66.7 million shares of CIMIC which HOCHTIEF does not already own

I am pleased to announce that last Friday 22 April 2022, HOCHTIEF Australia Holdings Limited (HOCHTIEF Australia) attained 96.13% of CIMIC Group Limited (CIMIC) as a result of the takeover offer announced in February 2022. In doing so HOCHTIEF became entitled to a follow on compulsory acquisition of all the shares in CIMIC which HOCHTIEF Australia does not already own. In its replacement bidder's statement dated 3 March 2022, HOCHTIEF Australia said that, if it became entitled

to such a compulsory acquisition right, it intended to exercise that right. HOCHTIEF Australia intends to exercise that right and proceed with compulsory acquisition of CIMIC shares as soon as practicable.

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The initially indicated investment cost for the acquisition of all the CIMIC shares not already owned by HOCHTIEF was up to approximately AUD 1.5 billion. Due to the hedging decision taken at the time the offer was announced there will be a significant associated saving of approximately EUR 40 million leading to an investment value of around EUR 940 million.

- Looking forward, we will focus on how best to collaborate with CIMIC so that the skills and expertise of both companies are available for the benefit of CIMIC and HOCHTIEF. And we are committed to expanding the collaboration with the HOCHTIEF group to develop CIMIC's existing strategies in the areas of digitalization, innovation and ESG.

Ladies and gentlemen,

Sustainability is one of our guiding principles for how we approach and manage our business and a cornerstone of our strategy. This includes a wide range of aspects from Environmental issues to Social and Governance – also referred to as ESG – and is relevant for all HOCHTIEF stakeholders.

During 2021 we have made significant progress in further accelerating our ESG priorities. This process has been led by HOCHTIEF'S Chief Sustainability Officer Martina Steffen, my executive board colleague. In several work streams and with the involvement of our local operating entities and in consultation with materials and equipment suppliers, we have systematically expanded our expertise resulting in our Sustainability Plan 2025 that includes more than 60 commitments for the medium and long-term. This plan has established a framework and key performance indicators that make our sustainability commitments more tangible and measurable.

Importantly, we are expanding our efforts from a leading position that is underpinned by strong ESG ratings by the most relevant ESG rating agencies and ESG stock index inclusions. For example:

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- S&P Global lists us in the Dow Jones Sustainability Index for 16 years in a row. These indices include the sustainability leaders in the world.
- Likewise we have been awarded with a strong AA ESG-rating by MSCI
- And Sustainalytics ranks HOCHTIEF globally amongst the top 10% in the Engineering & Construction sector.

Let me provide you with some highlights of our main commitments:

- HOCHTIEF will be “net zero” or carbon-neutral by 2045 – 5 years ahead of the Paris Climate Agreement that aims to limit global warming
  - Scope 1 and Scope 2 emissions, which comprise our direct greenhouse gas emissions and the emissions resulting from our energy consumption, are to be “net zero” already by 2038.
- In 2021, the HOCHTIEF Group handled certified green buildings and green infrastructure projects for a total of EUR 9.7 billion – a strong increase from prior year – and we aim to increasing this further to over 50% of revenue by 2025.
- As a final example of our environmental commitments I would like to highlight our ambition to have zero waste to landfill by 2045 delivering a circular economy.
- In the Social area, we are committed to continue increasing training and awareness to deliver on our goal of accident-free project delivery with zero fatalities and a further reduction of the Lost-time-injury-frequency-rate.
- Governance is crucial for running a sustainable business. We have committed to maintain our zero tolerance policy for corruption and

bribery and we will continue to keep anti-corruption and anti-bribery training levels at 100% of all employees.

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- During 2021, we have appointed a Chief Human Rights Officer and will continue training all our staff on Human Rights risks.

We not only care about our employees. We also attach great importance to ensuring that our high standards extend to the entire supply chain and that human rights apply to everyone who works on our projects. We work with partners who are committed to our values. The vast majority of our partners were prequalified by HOCHTIEF in 2021. Sustainability is already part of our supplier management as we integrate environmental, social and governance criteria into our procurement decisions.

- Employees are HOCHTIEF's most valuable asset. Their knowledge, commitment and talent have shaped the company into what it is today. That is why our employees' health, safety and job satisfaction is a priority. Rankings among university graduates but also in our regularly conducted employee surveys show that HOCHTIEF is a highly attractive employer. We promote and maintain a positive atmosphere in which everyone feels valued in order to foster job satisfaction, boost staff loyalty and morale, and increase productivity.

Diversity, equality, and inclusion are essential to the success of HOCHTIEF companies.

We are actively raising the percentage of women including technical professionals and we plan to increase the percentage of female technical trainees among new recruits to at least 35% by 2025.

The percentage of women, in management, is also to be increased significantly. By 2025, we aim to raise the number of women in senior management positions by 50%.

- In order to fully support our commitments ESG will be more broadly integrated into compensation for executives worldwide.

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Key enablers to deliver on our ESG commitments are digitalization and innovation. Our innovation-hub Nexlore has been developing technological solutions for application in our business segments. On that basis it has been developing customized software, tools, and processes. The current range of thematic areas includes artificial intelligence, virtual reality, machine learning, the Internet of Things, and Industry 4.0.

Numerous Nexlore tools are already in operational deployment. And we are going to roll them out Group-wide. We have reached a stage where we can start harvesting the results of this work.

Ladies and Gentlemen,

HOCHTIEF's operational business performance and outlook is steadily improving following the varied impacts of the pandemic across our group over the last two years.

- The risk profile of our order book is evolving in a positive manner as the nature and structure of our project contracts steadily move towards more collaborative models, as I described earlier.
- We have a geographically well diversified order book; 50% Americas, 41% Asia-Pacific, 9% Europe
- And we are seeing strong new order growth and have positive long term prospects based on our significant pipeline of opportunities and the stimulus packages in our core markets

Nevertheless, economies face significant inflationary pressures and supply-chain strains. HOCHTIEF is well positioned and is actively managing these challenges.

- Around 60% of our revenues originate from cost-plus-fee type contracts in the Americas.
- For the remainder of our construction and services jobs we apply various tools for risk mitigation as part of our approach to risk management. These include:
  - Price escalation clauses which allow us to pass on higher raw material costs and
  - Enterprise bargaining agreements with workers covering the whole duration of projects
- Furthermore, we have shifted our contract portfolio in construction away from the more risky typical lump sum contracts towards alliance, collaboration and partnering contracts.

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More immediately, and in response to the recent acceleration in inflation, the group's companies have responded with specific initiatives including:

- Agreeing additional risk-sharing mechanisms with clients
- Reducing the time during which our bid pricing is fixed
- Increasing the bonding obligations of our subcontractors and
- Negotiating potential additional price escalation clauses
- And the pre-purchasing of materials and subcontractor capacity at the point in time when projects are awarded

Looking forward the long-term market fundamentals for our key segments are moving in the right direction.

The Americas business outlook is positive:

- Growth continues in healthcare and an aging U.S. population will drive longer-term increases in investment.
- And the data center market continues to thrive with Turner well positioned to benefit from its strong technology client base.
- A strong recovery is expected in education-related investment particularly in the higher education segment where Turner is particularly well positioned through its close, long-standing relationships with top-tier universities.
- The commercial segment will provide opportunities as corporate relocations are expected to continue.
- Furthermore, the Infrastructure Investments and Jobs Act that provides nearly \$1 trillion in infrastructure funding over five years from FY 2022 through FY 2026 presents significant opportunities for our companies Flatiron and Turner.

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The Asia-Pacific market shows strong fundamentals:

- The COVID-19 pandemic has delayed the awarding of new construction projects in 2020, but governments remain committed to scaling up their investment in infrastructure to support their economies and to build long-term productive capacity as we have seen in 2021.
- Previously delayed projects are now coming to the market which is supporting a growing order book and confidence about the outlook.
- Australian major project activity is set to rise strongly and the scaled up commitments are reflected in the latest four-year budgets from public clients which saw commitments to investments in infrastructure increase to AUD 300 billion.

And in Europe,

- The European Green Deal is a set of policy initiatives by the Commission with the overarching aim of making the EU climate neutral by 2050.
- In all our markets, HOCHTIEF has a leading position in the delivery of green buildings and green infrastructure. In fact in 2021 sales from green projects have amounted to EUR 9.7 billion, equivalent to 45% of group revenues.
- As such, we are well positioned for the additional opportunities that the Green Deal generates.

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Here in Germany we are actively involved in the replacement of the two most critical bridges in Nordrhein Westfalen across the river Rhein. The necessity to rebuild and/or replace bridges on critical infrastructure transport links is becoming a major task and HOCHTIEF with its experience and know-how is well placed to support such investments.

Our Group is well positioned for the future based on:

- our solid, long-standing positions in its key local markets
- a de-risked and growing order book
- and the identified tender pipeline of relevant projects worth EUR 600 billion for 2022 and beyond, including PPP projects.

The numerous stimulus packages approved by governments and the heightened focus on environmentally friendly projects provide additional opportunities.

With solid margins, positive cash flow trends and an expanding order book driven by the strong increase in new orders during 2021 in our core markets, the group is very well positioned for the future.

Our guidance for 2022 is for an operational net profit in the range of EUR 475 to 520 million, subject to market conditions, an increase of between 5% and 15% year on year.

Ich bin froh und dankbar, dass Sie uns auf diesem Weg begleiten.

Ich wünsche Ihnen von Herzen alles Gute für dieses Jahr. Bleiben Sie gesund!

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Vielen Dank für Ihr Interesse.