A PART OF IT

Annual Report 2017

STRABAG
SOCIETAS EUROPAEA

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STRABAG
SOCIETAS EUROPAEA

Key figures

KEY FINANCIAL FIGURES

	2013	2014	2015	2016	Δ %	2017
Output volume (€ mln.)	13,573.07	13,566.00	14,289.76	13,491.03	8	14,620.89
Revenue (€ mln.)	12,394.15	12,475.67	13,123.48	12,400.46	9	13,508.72
Order backlog (€ mln.)	13,469.68	14,403.44	13,134.58	14,815.79	12	16,591.87
Employees	73,100	72,906	73,315	71,839	1	72,904

KEY EARNINGS FIGURES

	2013	2014	2015	2016	Δ %	2017
EBITDA (€ mln.)	694.91	719.94	816.10	855.18	-2	834.58
EBITDA margin (% of revenue)	5.6	5.8	6.2	6.9		6.2
EBIT (€ mln.)	261.58	281.96	341.04	424.91	6	448.36
EBIT adjusted (€ mln.)				397.10[1]		
EBIT margin (% of revenue)	2.1	2.3	2.6	3.4		3.3
EBIT margin adjusted (% of revenue)				3.2[1]		
EBT (€ mln.)	230.04	255.76	316.62	421.13	0	421.21
Net income (€ mln.)	156.26	147.50	182.49	282.00	4	292.36
Net income after minorities (€ mln.)	113.56	127.97	156.29	277.65	0	278.91
Net income after minorities margin (% of revenue)	0.9	1.0	1.2	2.2		2.1
Earnings per share (€)	1.11	1.25	1.52	2.71	0	2.72
Dividend per share (€)	0.45	0.50	0.65	0.95	37	1.30[2]
Cash flow from operating activities (€ mln.)	693.70	805.33	1,240.35	264.17	409	1,345.19
ROCE (%)	4.6	4.3	4.1	6.4		6.7
Investment in fixed assets (€ mln.)	387.36	346.49	395.75	412.46	11	457.62

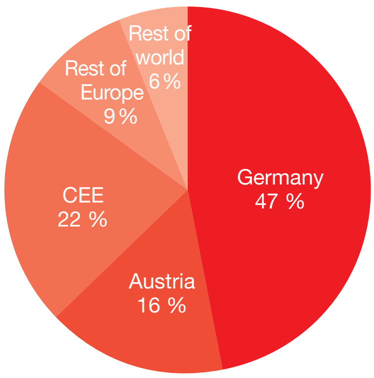
KEY BALANCE SHEET FIGURES

	2013	2014	2015	2016	Δ %	2017
Equity (€ mln.)	3,238.77	3,144.30	3,320.63	3,264.59	4	3,397.72
Equity ratio (%)	30.7	30.6	31.0	31.5		30.7
Net debt (€ mln.)	-73.73	-249.11	-1,094.48	-449.06	-197	-1,335.04
Gearing ratio (%)	-2.3	-7.9	-33.0	-13.8		-39.3
Capital employed (€ mln.)	5,462.11	5,357.82	5,448.01	5,258.17	0	5,242.91
Balance sheet total (€ mln.)	10,560.79	10,275.54	10,728.87	10,378.41	7	11,054.12

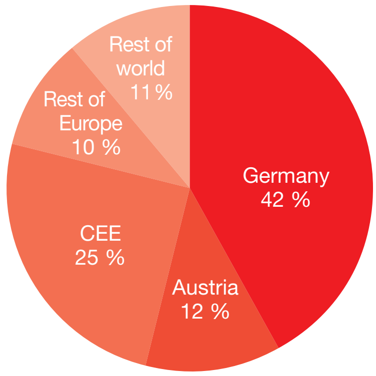
EBITDA = earnings before net interest income, income tax expense and depreciation and amortisation
EBIT = earnings before net interest income and income tax expense
EBT = earnings before income tax expense
ROCE = (net income + interest on debt - interest tax shield (25 %)) / (average group equity + interest-bearing debt)
Net debt = financial liabilities - non-recourse debt + provisions for severance and pension obligations - cash and cash equivalents
Gearing ratio = net debt / group equity
Capital employed = group equity + interest-bearing debt

1 EBIT adjusted for a non-operating profit in the amount of € 27.81 million
2 Proposed dividend

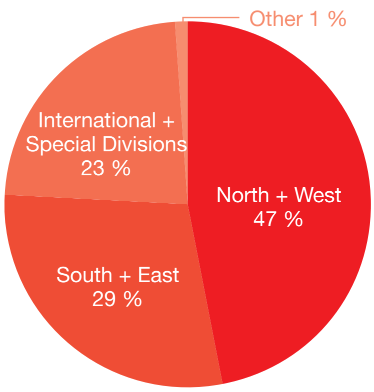
OUTPUT VOLUME BY REGION 2017



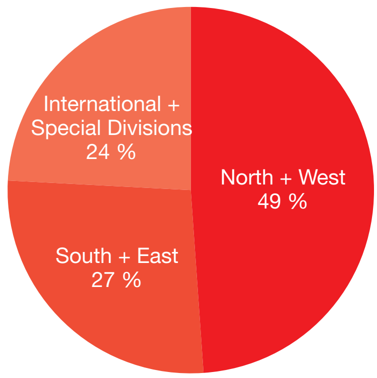
ORDER BACKLOG BY REGION 2017



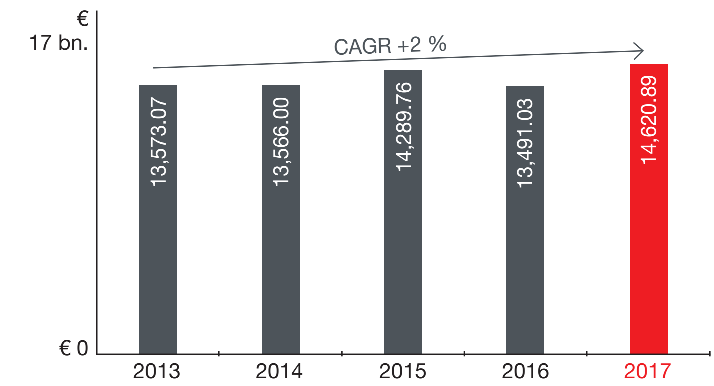
OUTPUT VOLUME BY SEGMENT 2017



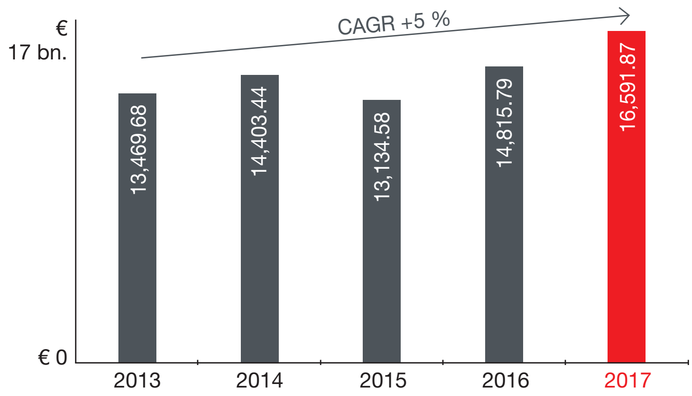
ORDER BACKLOG BY SEGMENT 2017



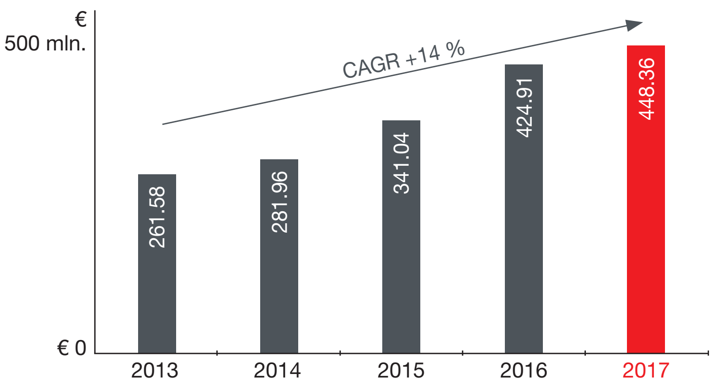
OUTPUT VOLUME



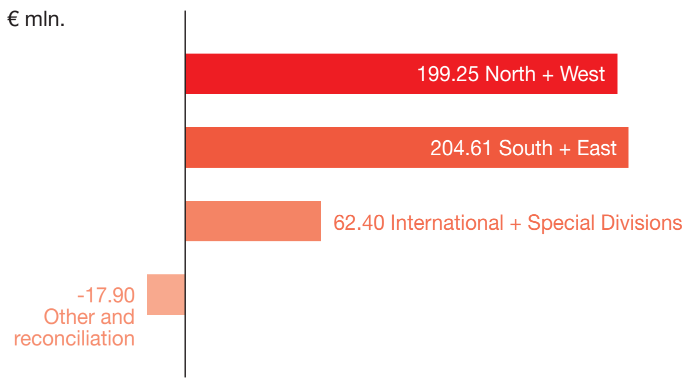
ORDER BACKLOG



EBIT



EBIT 2017 BY SEGMENT

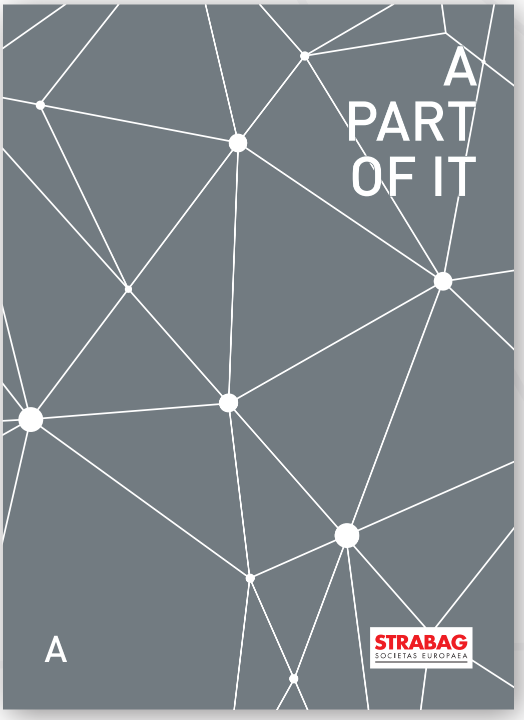


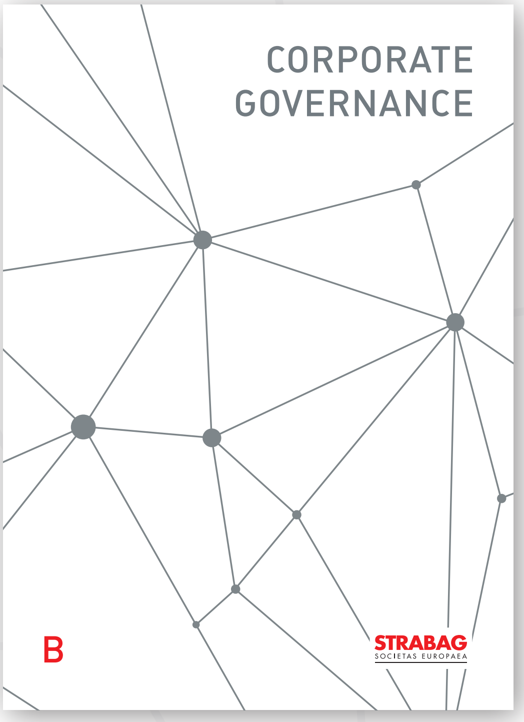
CAGR = Compound annual growth rate
CEE = Central and Eastern Europe comprises the following countries: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Russia, Serbia, Slovakia, Slovenia

CONTENT

Book A –
A part of it

Book B –
Corporate Governance

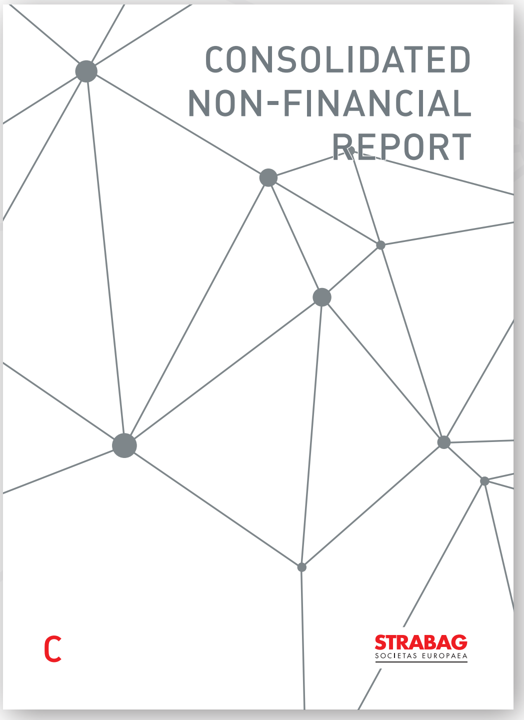


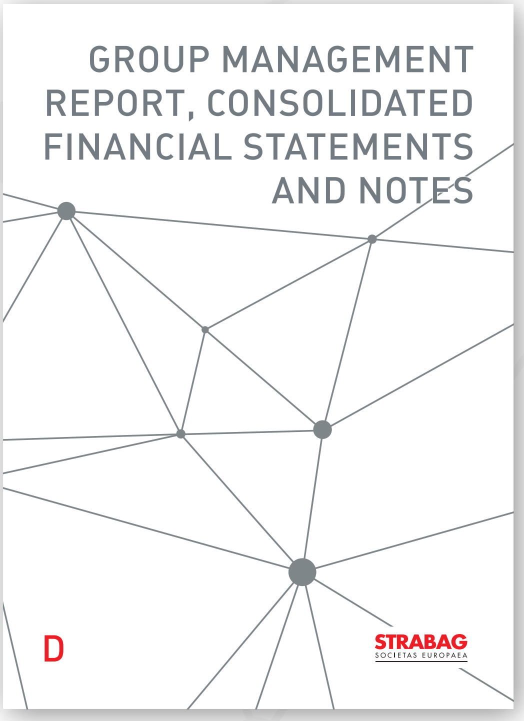


- Economic Responsibility
- Corporate Governance
- People & Workplace
- Business Compliance
- Ecological Responsibility
- Corporate Citizenship

Book C – Consolidated Non-Financial Report

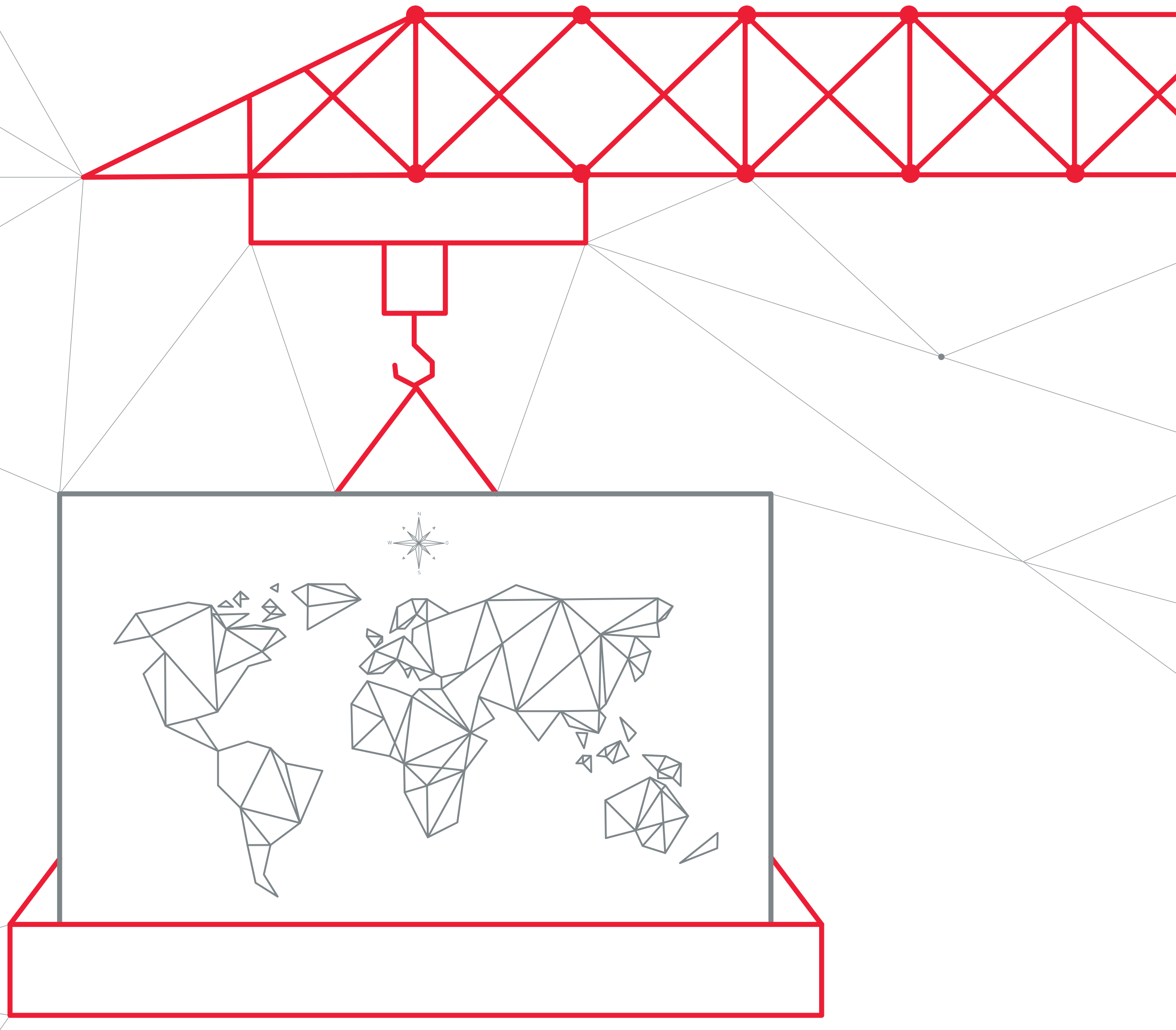
Book D – Group Management Report, Consolidated Financial Statements and Notes[1]





1 This part has been audited by the financial auditor KPMG Austria GmbH Wirtschaftsprüfung- und Steuerberatungsgesellschaft, Linz.

2017 Annual Report

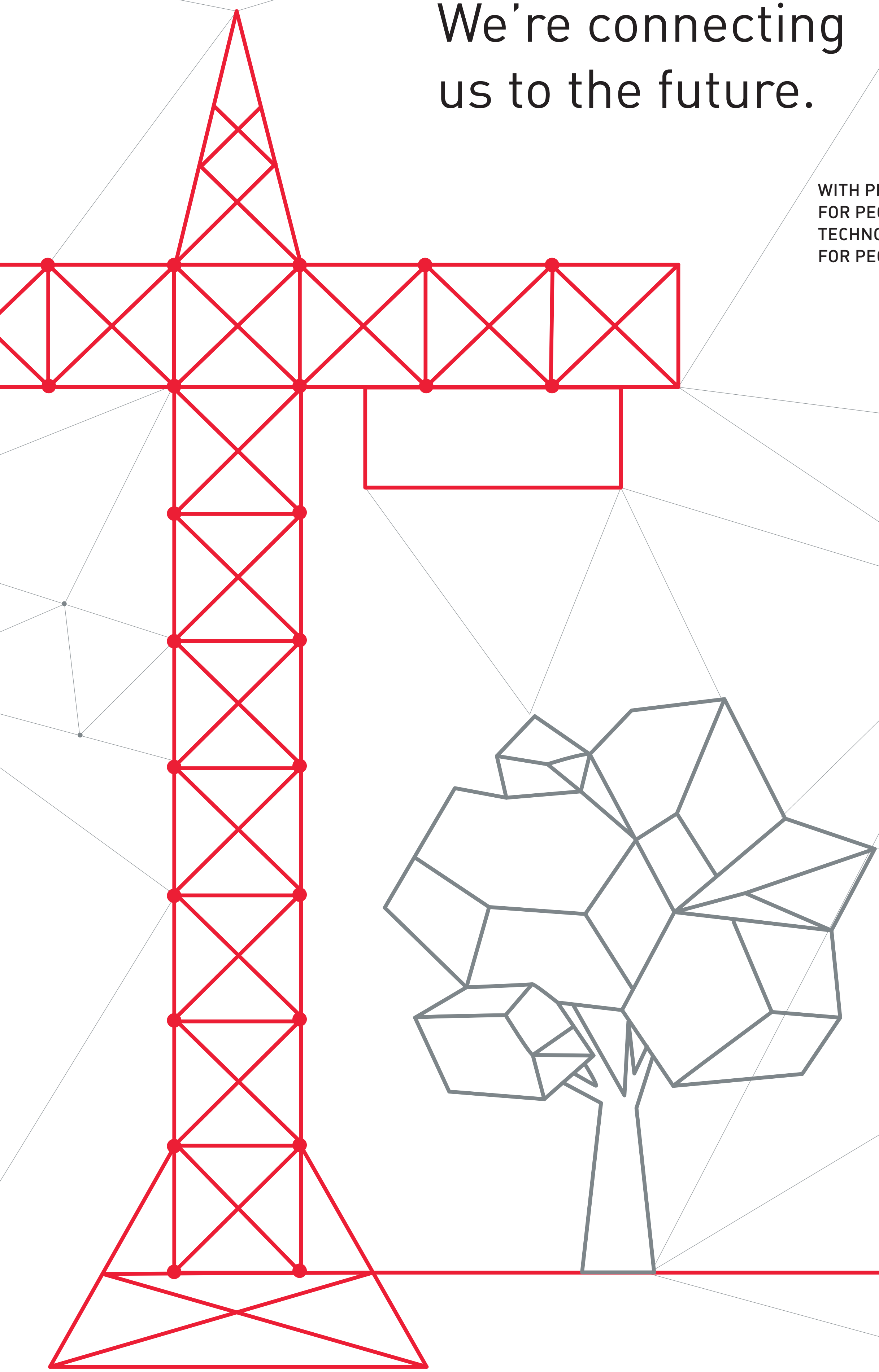


Our employees are our greatest value. Without them, we wouldn't be able to create any value. Their dedication and skill are our future. And we're starting with the future here and now. After all, who knows better what the future will be like than those who shape it themselves?

In your hands, you are holding an Annual Report that we created together with tomorrow's construction and communication experts – students from the Carinthia University of Applied Sciences and the St. Pölten University of Applied Sciences. They joined forces with us to think about what the future of construction could look like – and how it could meet the needs of their and future generations: innovative, creative, eco-friendly.

We’re connecting us to the future.

WITH PEOPLE BUILDING FOR PEOPLE. WITH TECHNOLOGY INTENDED FOR PEOPLE.



People & Society

PEOPLE BUILDING FOR PEOPLE. PLANNING TOGETHER. ACHIEVING TOGETHER. WITH ONE ANOTHER AND FOR ONE ANOTHER.

We practise transparency – and guarantee it with effective controls, a constant knowledge transfer, open communication and cost disclosure.

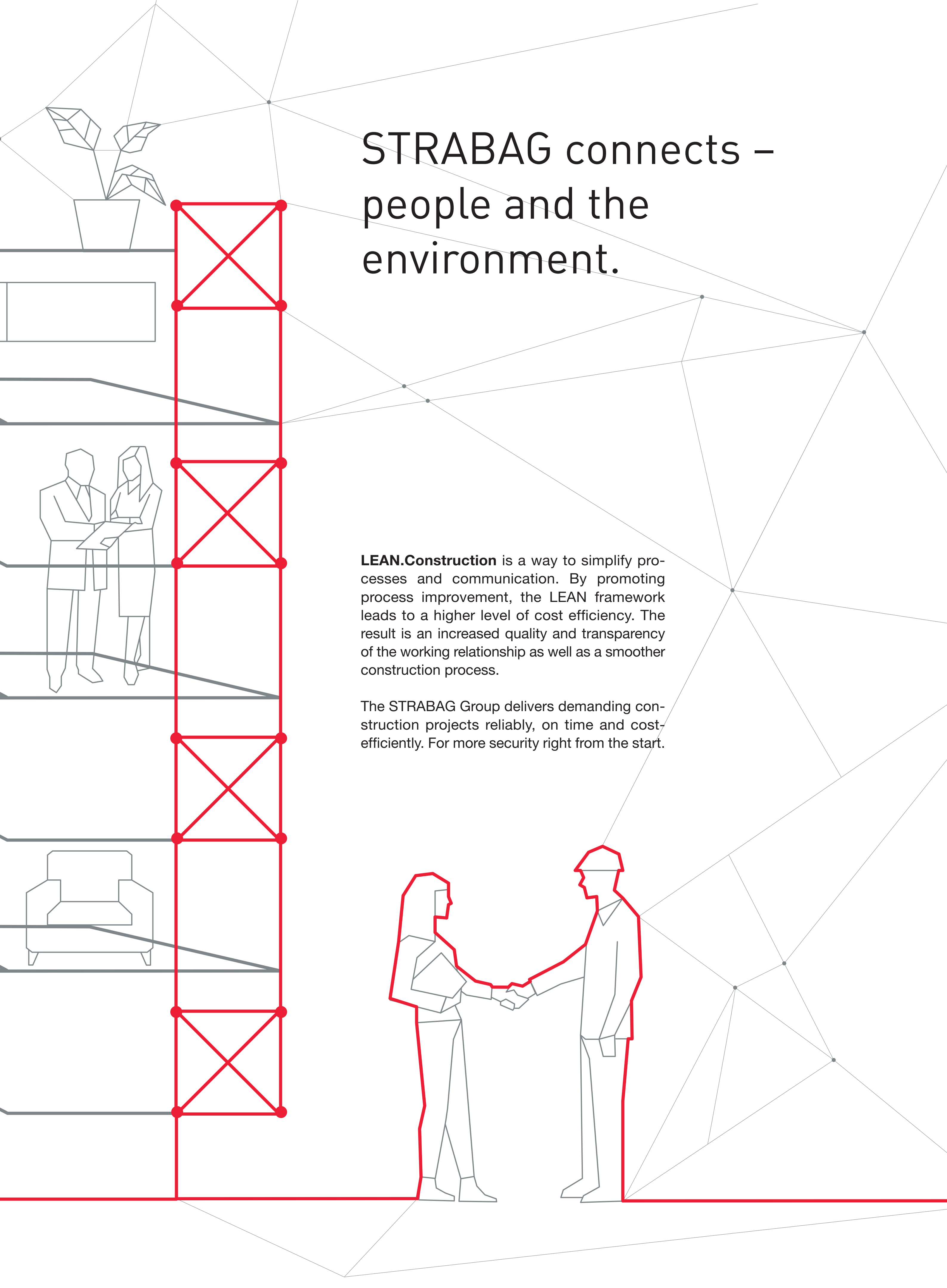
Because we all work together – for and with our clients.

With our digitalised work processes, we are continuously increasing our quality and efficiency.

STRABAG connects – people and the environment.

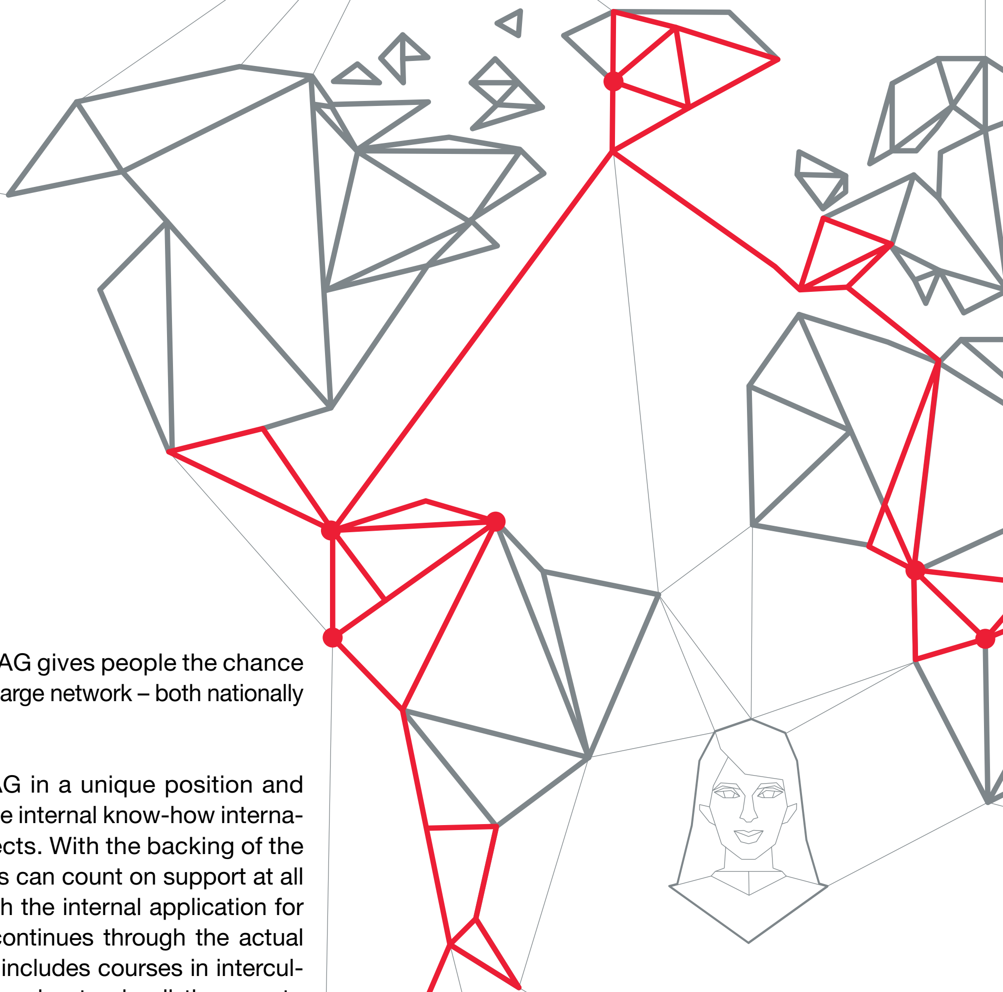
LEAN.Construction is a way to simplify processes and communication. By promoting process improvement, the LEAN framework leads to a higher level of cost efficiency. The result is an increased quality and transparency of the working relationship as well as a smoother construction process.

The STRABAG Group delivers demanding construction projects reliably, on time and cost-efficiently. For more security right from the start.



International experience

We offer career opportunities all around the world.



Working at STRABAG gives people the chance to grow as part of a large network – both nationally and internationally.

This puts STRABAG in a unique position and allows it to synergise internal know-how internationally for its projects. With the backing of the network, employees can count on support at all levels. It begins with the internal application for a foreign project, continues through the actual move and transfer, includes courses in intercultural competence, and extends all the way to the local integration and the communication with the central department back home. That's what makes STRABAG special: "open" employees who profit from the networking of teams all over the world, contributing their know-how to produce excellent results.

Nina-Maria Karliczek
Project Improvement Manager
STRABAG AG UK Branch
United Kingdom

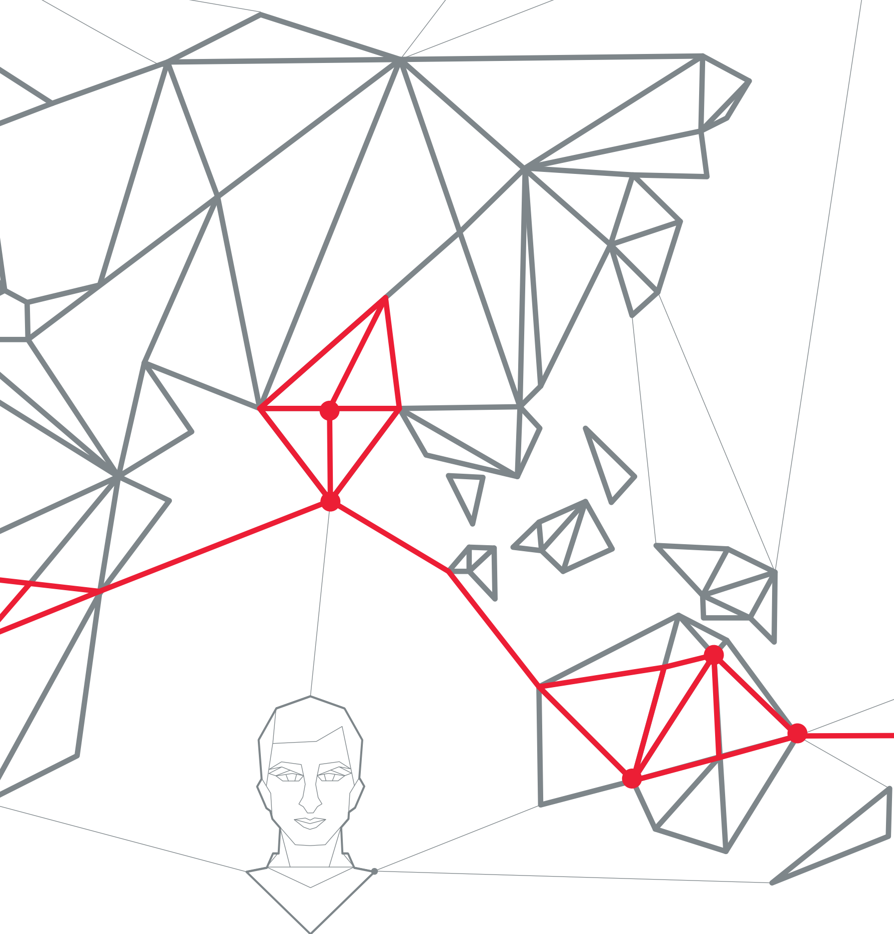
"That's just what I love about the company: this networking and getting to know new people!"

Petra Lintner
Trainee
Team Construction Management
Toronto, Canada

"STRABAG's comprehensive trainee programme gives me the possibility to grow professionally, personally and culturally."

Christian Sadleder
Technical Subdivision Manager
Group Division Infrastructure Development
Colombia; previously USA, Ireland

"At the Mar 1 joint venture here in Colombia, I will spend five years working together with colleagues from Austria, Germany, Portugal, Colombia, Venezuela and Mexico. I think it is especially important to get to know the country and the culture, both professionally and in private."



Daniela Bacher
Team Leader
STRABAG Human Resource Development

"STRABAG offers a variety of possibilities to work internationally. Together with their supervisors, employees engage in an annual appraisal interview to discuss their future careers and possible international deployment."

Philip Patemann
Estimation & Work Planning
STRABAG International
Azerbaijan, Tanzania, Malawi

"STRABAG works in remote places setting up basic utility services. During this time, employees and their families live in special camps with electricity, fresh water and European food."

Innovation & Technology

We're working on the future.

At the central divisions alone, about 1,700 employees in 18 countries are busy conducting applied research to innovate new and develop existing building materials, construction technologies, design-and-build processes, and business models.

We are traditionally innovative.

ONGOING INNOVATION AND DEVELOPMENT PROJECTS AT STRABAG:

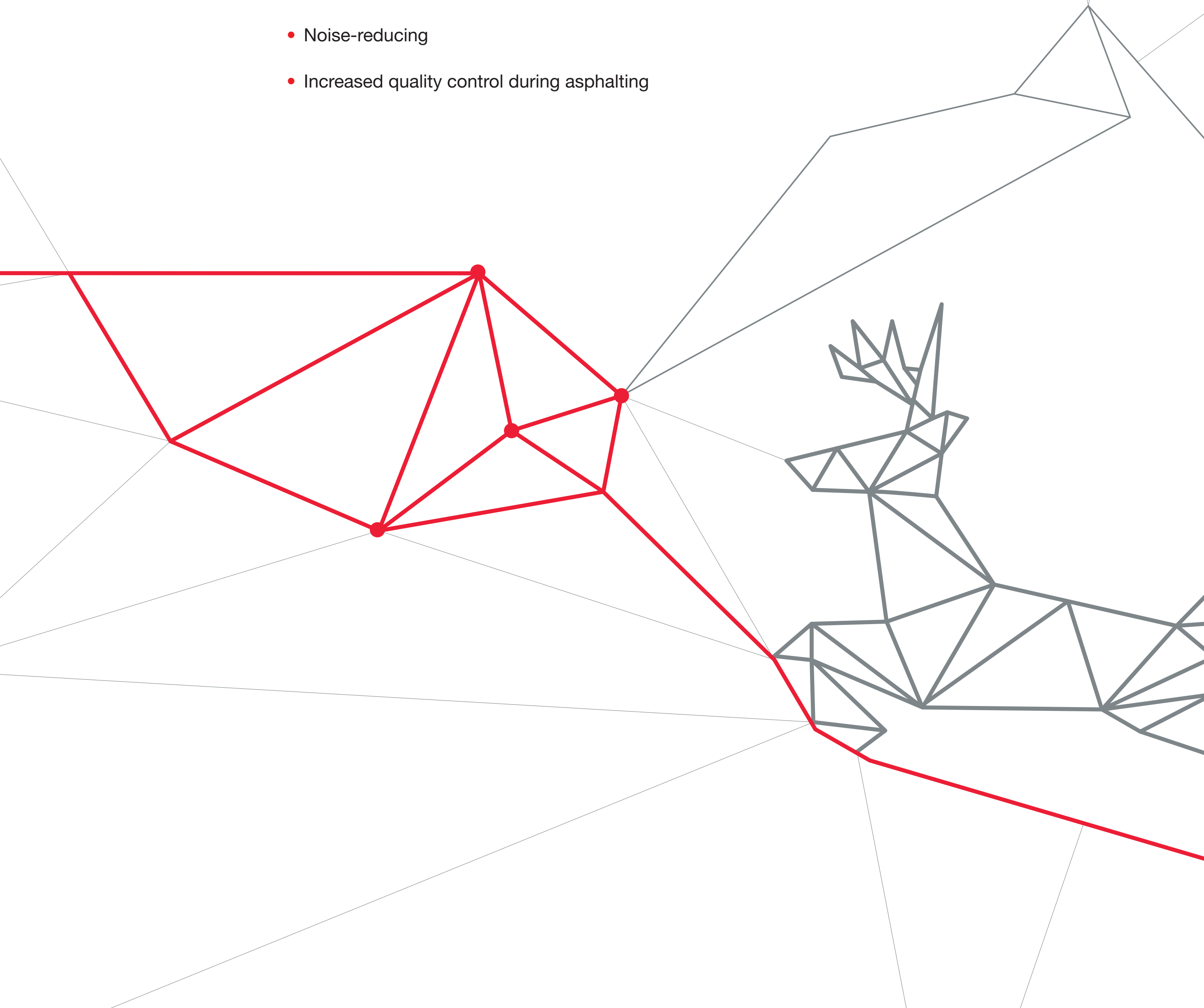
Established processes are networked with and developed using new digital technologies.

- Building inventory with NavVis
- Real estate services 4.0
- SENSORIK
- Rubberised asphalt
- SolConPro

Environment & Nature

Improving air quality with NaHiTAs asphalt:

- Reduction of nitrous oxides through photocatalytic granulate
- Noise-reducing
- Increased quality control during asphalting



Increasing quality of life with mosses:

- Noise protection
- Improved air quality
- Reduction of particulate matter, nitrous oxides and carbon dioxide

HIGHLIGHTS 2017

STRABAG SE is a European-based technology group for construction services, a leader in innovation and financial strength. Our services span all areas of the construction industry and cover the entire construction value chain. We bring together people, materials and machinery at the right place and at the right time in order to realise even complex construction projects – on schedule, of the highest quality and at the best price.

- In 2017, we reached – and again surpassed – our targeted EBIT margin of ≥ 3 % (EBIT/revenue). Now we must continue to defend at least this level.

- Not just the output volume reached a record high; the order backlog did so as well. We can therefore expect 2018 to be a dynamic year.

- Employment conditions, business compliance, digitalisation, innovation, customer satisfaction, project-related risk management, resource management and strategic human resource development are among the material issues over which our group is managed. Details are presented in the Consolidated Non-Financial Report.

- After two consecutive years in which the shares of STRABAG SE had outperformed the Austrian benchmark index ATX as well as the industry index STOXX Europe 600 Construction & Materials, the plus of 1 % in the reporting year remains behind the performance of these two indexes. The shares closed at € 34.03 on 31 December 2017.

- STRABAG AG, Germany, is now a 100 % subsidiary of the STRABAG Group.

- S&P confirms our BBB investment grade rating, outlook stable. The rating agency sees STRABAG SE's strengths in the stable margins, effective risk management and strong market positions.

ABOUT THIS REPORT

For the 2017 financial year, as in the years before, STRABAG SE has drafted a **combined Annual Report** reflecting the situation of the group and its consolidated companies as at 31 December 2017. Both financial and non-financial information provide insight into the fundamental economic, ecological, social, societal and corporate governance consequences of our business activity. For the first time, most of the non-financial information in this report is summarised in a separate section – the **"Consolidated Non-Financial Report"**. We do so not only in response to the transparency demands of our most important stakeholder groups, but also to comply with the Sustainability and Diversity Improvement Act (NaDiVeG), which requires mandatory reporting on non-financial matters from large companies.

Sustainability as a result of our business activity

Just as our corporate strategy is focused on responsible, sustainable action, this focus is also reflected in our reporting. The system presented by our strategic fields serves as basis for the structure of the chapters in this report. This Annual Report shows the full extent to which aspects of sustainability are integrated into our strategy: We comprehensively treat each of our **six strategic fields** – Economic Responsibility, Environmental Responsibility, Corporate Citizenship, People & Workplace, Business Compliance, Corporate Governance – in a chapter of its own. Wherever the information in one chapter overlaps with that in another, we have placed the symbol of each field of action next to the relevant text passages. This presentation offers the advantage of clearly showing the relationships between the various factors. This helps us to deliver a complete picture of our situation and of the positioning of the group.

Aiming for audit in the medium term

Together with the online information, this report was created in compliance with the core option of the **GRI Sustainability Reporting Standards**. The reporting, which is to be handled annually in this form, has not yet been evaluated by an external auditor. The STRABAG Group is aiming for an auditor's opinion in this regard in the medium term. In 2017, KPMG Advisory GmbH acted in an advisory capacity for STRABAG regarding compliance with NaDiVeG.

In the 2015 financial year, we launched a multistep materiality analysis in line with GRI G4. Thanks to the identification of the material aspects and after drafting the first STRABAG materiality matrix, we reached a decisive milestone in 2016. Central element of the materiality analysis is the inclusion of our stakeholder groups as part of our STRABAG stakeholder dialogue. The result of the materiality analysis was reviewed and adapted by the STRABAG SE Management Board in autumn 2017 and the topic of resource management was defined as an additional material issue.

Detailed information about the materiality analysis, the dialogue with stakeholders and about how we steer our projects, which measures we are initiating, how we determine their effectiveness and how we organise ourselves for these tasks is available in the chapter "Strategy" in this report and at www.strabag.com > Strategy. To present the many aspects of sustainability more quickly and in an up-to-date manner, we have been **reporting** in detail **online** for several years already. Here, too, we take advantage of the system of our strategic approach in combination with the GRI requirements.

Our aim for the future is to present all information on the identified material aspects for the entire group. A large portion of the data – especially in the area of environmental and quality management – is available via the internal data management system; in the STRABAG-developed energy and CO_2 data software CarbonTracker and FuelTracker; or can be taken from other sources. Nevertheless, the decentralised group structure and the country-specific conditions make it necessary for some group companies and holdings to use their own management and ERP systems, which means that complete, uniform data is not available. **Data** that do not comprise all group countries are pointed out at the corresponding indicator in the GRI index.

GRI CONTENT INDEX

GRI standards	Disclosure number and title		Page number in the Annual Report 2017	More information is available on the website	Comment
GRI 101: FOUNDATION 2016					
GENERAL DISCLOSURES					
		Organisational profile			
GRI 102: General disclosures 2016	102-1	Name of the organisation	Imprint A 51		
	102-2	Activities, brands, products, and services	A 24–25; D 33	www.strabag.com > Activities www.strabag.com > STRABAG SE > Our Brands	
	102-3	Location of headquarters	Imprint A 51		
	102-4	Location of operations	A 25	www.strabag.com > Locations	
	102-5	Ownership and legal form	A 44; D 48–49; Imprint A 51	www.strabag.com > Investor Relations > Share	
	102-6	Markets served	A 25; D 8		
	102-7	Scale of the organisation	Cover A; A 24		
	102-8	Information on employees and other workers	C 4		
	102-9	Supply chain		www.strabag.com > Strategy > Supply Chain	
	102-10	Significant changes to the organisation and its supply chain	A 20–23; D 2–7; D 27		
	102-11	Precautionary Principle or Approach	B 18; C 20–25	www.strabag.com > Strategy > Strategic Approach > Environmental Responsibility	
	102-12	External initiatives		www.strabag.com > Strategy > Strategic Approach > (Download)	
	102-13	Membership of associations		www.strabag.com > Strategy > Strategic Approach > (Download)	
		Strategy			
	102-14	Statement from senior decision-maker	A 20–23; A 26–28		
		Ethics and integrity			
	102-16	Values, principles, standards, and norms of behaviour	A 24; B 1–2; C 17–19	www.strabag.com > STRABAG SE > Vision and guiding principles www.strabag.com > Strategy > Strategic Approach > Business Compliance	
		Governance			
	102-18	Governance structure	B 1–16; C 31–32	www.strabag.com > Strategy > Strategic approach > Corporate Responsibility Management	
		Stakeholder engagement			
	102-40	List of stakeholder groups	A 29	www.strabag.com > Strategy > Stakeholder Involvement	
	102-41	Collective bargaining agreements	C 4		

GRI standards	Disclosure number and title		Page number in the Annual Report 2017	More information is available on the website	Comment
	102-42	Identifying and selecting stakeholders	A 29	www.strabag.com > Strategy > Stakeholder Involvement	
	102-43	Approach to stakeholder engagement	A 29	www.strabag.com > Strategy > Stakeholder Involvement	
	102-44	Key topics and concerns raised	A 27–28	www.strabag.com > Strategy > Material Topics	
		Reporting practice			
	102-45	Entities included in the consolidated financial statements	D 68		
	102-46	Defining report content and topic boundaries	A 27–29	www.strabag.com > Strategy > Stakeholder Involvement	
	102-47	List of material topics	A 27		
GRI 102: General disclosures 2016	102-48	Restatements of information	A 15; A 27–28; D 2–7		
	102-49	Changes in reporting	A 15; A 27–28		
	102-50	Reporting period	A 15		
	102-51	Date of most recent report	A 15		
	102-52	Reporting cycle	A 15		
	102-53	Contact point for questions regarding the report	A 47	www.strabag.com > Investor Relations > IR Contact & Service	
	102-54	Claims of reporting in accordance with the GRI Standards	A 15		
	102-55	GRI content index	A 16–19	www.strabag.com > Strategy > Strategic Approach > CR Reporting	
	102-56	External assurance	A 15; D 120		
Material topics					
		Customer satisfaction			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to customer satisfaction	C 42–43		
	Own indicator	Customer satisfaction index	C 43		
		Strategic human resource development			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to strategic human resource development	C 11–16		
	404-1	Average hours of training per year per employee	C 12		Information about training days
GRI 404: Training and education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	C 13–16		
	404-3	Percentage of employees receiving regular performance and career development reviews	C 11–12		Information about white-collar employees only (excluding blue-collar workers)
		Innovation and digitalisation			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to innovation	C 37–39		

GRI standards	Disclosure number and title		Page number in the Annual Report 2017	More information is available on the website	Comment
		Research and development funding provided by the company	C 38		
		Number of subdivisions with at least one person responsible for innovation	C 38		
	Own indicator	STRABAG events on the topic of innovation • Number of participants • Number of participating organisations	C 38		
		Publication of relevant development projects to expand the innovation activities of the company	C 38		
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to digitalisation	C 40–41		
	Own indicator	Indicators are currently being developed.			The indicators stated in the previous year, which were based on construction output and the number of projects, could not be properly ascertained for 2017. Their use is being re-evaluated.
		Project-related risk management			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to project-related risk management	C 29–36		
	Own indicator	The project-related risk management supports the positive development of the EBIT margin.	C 33		
		Employment conditions			
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	C 5		
		Occupational safety and health			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to occupational safety and health	C 5–8		
GRI 403: Occupational health and safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	C 6; C 8		Fatalities are not reported
		Equal treatment of women and men			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to equal treatment of women and men	B 16–17		
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	B 2–13; C 2–3		

GRI standards	Disclosure number and title		Page number in the Annual Report 2017	More information is available on the website	Comment
		Human rights			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to human rights	C 9–10		
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	C 10		
		Resource management			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to resource management	C 20–25		
GRI 301: Materials 2016	301-2	Recycled input materials used	C 21		Germany and Poland
	Own indicator	Energy consumption and CO_2 intensity of the relevant energy consumption categories	C 21		Germany, Austria, Switzerland and Poland
		Business compliance			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to business compliance	C 17–19	www.strabag.com > Strategy > Strategic Approach > Business Compliance	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	C 18		
	205-3	Confirmed incidents of corruption and actions taken	C 18		
		Societal engagement			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to societal engagement[1]	C 26–28		
	Own indicator	Expenditures for core projects and initiatives in the reporting period in €	C 26		

1 Not a material topic defined by the GRI standards, but a topic of the strategic approach in the strategic field of Corporate Citizenship

CEO'S REVIEW

Dear shareholders, associates and friends of STRABAG SE,

The rapid advance of technological innovation opens numerous opportunities – but no sooner are these windows of opportunity open than they close again. As a result, one of the greatest challenges we face is winning over people whose expertise and talents will allow us to take advantage of the opportunities that present themselves as best we can. For now, the much talked about shortage of skilled labour is primarily about people with certain qualifications; in the long term, however, a special inner attitude will be just as important. In other words: STRABAG is actively looking for people who are willing to meet the opportunities, challenges and possibilities of the future head-on. This, among other things, is why **innovative spirit** is one of the nine group values you will repeatedly encounter on the pages of this Annual Report.

We want to get people with ideas and creative drive interested in STRABAG. That makes it important to position ourselves as an employer capable of offering attractive prospects at all times and not just when a desperate need arises. We want to proactively set the course long before that happens.

To highlight more clearly the status our group has for qualified specialists and leaders, we made some important changes to our external appearance in 2017. The relaunch of the ZÜBLIN brand and the renaming of STRABAG BMTI and STRABAG BRVZ are a clear signal that we offer our many opportunities as part of a single corporate network. This makes our motto, TEAMS WORK., clearer, more credible, and more filled with life. After the full integration of our subsidiary Ed. Züblin AG in 2016, I am especially pleased that our second large German subsidiary, STRABAG AG, also became a 100 % subsidiary in 2017 following an upstream merger squeeze-out of the minority shareholders.

As part of our communication with the public, we also took an innovative approach in our reporting. We asked a group of students from the Department of Media and Business at the St. Pölten University of Applied Sciences as well as from the Civil Engineering curriculum at the Carinthia University of Applied Sciences to think about the sorts of expectations they have for the working world of the future. The results are shown in this report, together with the possibilities that our group offers its employees already today. The wide range of topics that were covered provide an informative – and, I think, highly motivating – insight into the direction that our group has been going for some time already.

This report itself was structured on the basis of the six strategic fields of Economic Responsibility, Environmental Responsibility, Corporate Citizenship, People & Workplace, Business Compliance and Corporate Governance. When reading through the report and the online information, you will see that it meets the requirements of the GRI Sustainability Reporting Standards: Core Option. The "material issues" as defined by GRI are presented in the various chapters. For the first time, most of the non-financial information is presented in a separate section, the **Consolidated Non-Financial Report**. This not only helps us to meet the transparency expectations of our most important stakeholder groups but also to comply with the requirements of the Sustainability and Diversity Improvement Act (NaDiVeG).

As you will see, with this year's Annual Report we are not only opening up a new chapter in the STRABAG success story, but also a new page in the appearance of our reporting. Splitting the presentation of our performance into individual volumes makes it easier to access the figures, data and vision of our group more directly. Being open and responsive to the needs of those for whom the result of our work is actually of use is a priority in all our projects. This is a necessity for a technology group of our size and market relevance if we want to continue to grow vigorously and be able to evolve on an economically more solid basis.

The financial figures show that, in 2017, we succeeded in doing so. With a margin on **earnings before interest and taxes** (EBIT) of 3.3 %, we adequately achieved our self-imposed target of at least 3.0 %. The EBIT grew by 6 % versus the previous year, despite the fact that a non-operational one-off effect in 2016 from the sale of a shareholding related to the acquisition of the minority interest in subsidiary Ed. Züblin AG in the amount of € 27.81 million, which was disclosed at the time, had resulted in an upwards distortion of the earnings figures. At € 448.36 million, the EBIT reached its all-time high in absolute numbers. All three operating segments again contributed to this earnings improvement in 2017.

A look at our history shows that we reliably attain our earnings targets. In 2017, however, the high EBIT wasn't the only record we set. Our output volume and order backlog also reached historic levels. At € 14.6 billion, the **output volume** is at an all-time high. This corresponds to an 8 % plus versus the previous year. The upwards growth is due especially to the race in Germany to catch up on transportation infrastructure investments and also results from a number of midsized Austrian building and civil engineering projects. Additional business growth can be observed in the core markets of Central and Eastern Europe.

Our financial figures for 2017:

€ 16.6 billion
another record order backlog

+6 %
EBIT up from € 425 million to € 448 million

€ 1.30
37 % higher dividend proposed

Numerous large orders acquired above all in the fourth quarter in transportation infrastructures in Hungary and Poland, together with building construction and civil engineering projects in Germany and in Asia, helped push the **order backlog** to a new high of € 16.6 billion, a plus of 12 % over the record value of the year before.

And finally, the **balance sheet total** also registered an all-time high after it surpassed the € 11 billion mark. The equity ratio, meanwhile, remained as stable as usual with 30.7 % after 31.5 % in the year before.

This starting position is expected to have the following impact on the figures for the 2018 financial year:

- **The output volume should continue to climb to about € 15.0 billion. We expect growth in all three of our operating segments, North + West, South + East and International + Special Divisions.**

- **In terms of our EBIT margin, we want to again achieve at least 3.0 %.**

"We have set four records: Our EBIT, output volume, order backlog and balance sheet total are all at a historic high."

We expect demand to at least remain stable or to grow slightly in nearly all of our group's markets. This is also true for the group's three largest markets, Germany, Austria and Poland, which are already at a high level. We expect declines of the output volume individually in those markets in which large projects were completed in 2017 and where we are not active nationwide. The Property & Facility Management entities, the Real Estate Development and the Infrastructure Development should continue to contribute positively to the earnings. The earnings forecast is based on the assumption that large risks, for example in tunnelling and construction engineering, do not manifest at the same time.

Record earnings naturally mean that our shareholders can also expect a **record dividend**. In 2016, we paid out € 0.95 per share – which also represented a historic high. For 2017, the Management Board will propose to the Annual General Meeting on 15 June 2018 a dividend of € 1.30 per share. The dividend payout ratio of 48 % is thus within the range of 30–50 % of the net income after minorities as defined by our dividend policy – as it has been every year since we went public in 2007. The dividend yield stands at 3.8 % in relation to the share price at 31 December 2017.

The record highs were not reflected, however, in the development of the **STRABAG SE share price** on the Vienna Stock Exchange during the reporting year. The shares closed the year at € 34.03, managing only sideways movement after two years of extraordinarily strong growth, while the Austrian benchmark index gained 31 % and the industry index STOXX Europe 600 Construction & Materials grew by 8 %.

THE MOST IMPORTANT FACTS FOR OUR SHAREHOLDERS

Share price of STRABAG SE on 31 December 2017:	**€ 34.03**
Proposed dividend per share:	**€ 1.30**
Earnings per share:	**€ 2.72**
Dividend yield:	**3.8 %**
Ex-dividend date:	**22 June 2018**
Payment date for dividend:	**26 June 2018**
Annual General Meeting:	**15 June 2018**

Confirming the **earnings improvement** as **sustainable** is an essential task for us on the Management Board team so that the STRABAG SE share price can continue to reflect the value of the company now and in the future. To help ensure that everyone works towards this goal, the management and certain members of the staff are given a long-term share of the earnings in the form of bonuses and profit percentages.

These achievements are team achievements. And so I – also on behalf of my Management Board colleagues – **thank** all of the nearly **73,000 people** in the group as well as all **partner companies** for their reliability and commitment. Together we realise more than 12,000 construction projects every year, including countless smaller construction sites as well as numerous large-scale and megaprojects. In carrying out our work, several risks arise simultaneously; however, it is also possible to turn opportunities into earnings. All in all, our business model has proven its robustness, and we control the risks that are inherent to the construction business using a group-wide risk management and realistic planning. We owe you, our **shareholders**, gratitude for sharing this responsibility. Thank you for your trust!

Yours,

Thomas Birtel

Thomas Birtel
CEO of STRABAG SE

Vienna, 27 April 2018

THE STRABAG GROUP AT A GLANCE

- OUR BUSINESS: INTEGRATE SERVICES ALONG THE CONSTRUCTION VALUE CHAIN AND ASSUME RESPONSIBILITY FOR THEM
- OUTPUT VOLUME OF € 14.6 BILLION IN 2017
- BUSINESS IN FOUR OPERATING SEGMENTS: NORTH + WEST (47 % OF THE GROUP OUTPUT VOLUME), SOUTH + EAST (29 %), INTERNATIONAL + SPECIAL DIVISIONS (23 %) AND OTHER (1 %)

Our mission statement and guiding principles

STRABAG is a European-based technology group for construction services, a leader in innovation and financial strength. Our services span all areas of the construction industry. We create added value for our clients by our specialised entities integrating the most diverse services and assuming responsibility for them. We bring together people, materials and machinery at the right place and at the right time in order to realise even complex construction projects – on schedule, of the highest quality and at the best price. In short: We assume a part of the risk, thus relieving our clients.

Thanks to the hard work and dedication of our close to 73,000 employees, we are one of the few companies capable of offering services along the entire construction value chain – from design to planning, from construction to property and facility services, from operation all the way to demolition. In this way, we generate an annual output volume of more than € 14 billion. At the same time, a dense network of numerous subsidiaries in many European countries and on other continents is helping to expand our area of operation far beyond the borders of Austria and Germany. This broad diversification puts us in a position to build cost- and resource-effectively.

We keep our mission statement in mind when planning our future and distributing our resources – such as financial means or employee capacities – within the company. Moreover, we let the following principles guide us in all of our considerations:

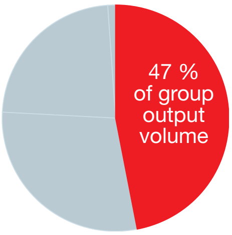
Commitment
Trust
Reliability
Respect
Partnership
Solidarity
Sustainability
Modesty
Innovative spirit

How we see these guiding principles in detail > www.strabag.com

Four segments

We provide our services in four operating segments:

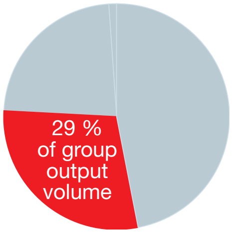
NORTH + WEST



The North + West segment executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

	2017	2016
Revenue (€ mln.)	6,377.91	5,802.44
EBIT (€ mln.)	199.25	169.89
EBIT margin (%)	3.1	2.9
Employees	23,366	22,233

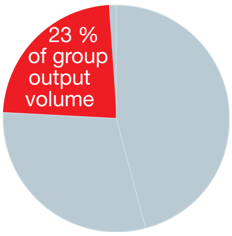
SOUTH + EAST



The geographic focus of the segment South + East is on Austria, Switzerland, Hungary, the Czech Republic, Slovakia, Russia as well as on the region South-East Europe. The environmental engineering activities are also handled within this segment.

	2017	2016
Revenue (€ mln.)	4,073.31	3,888.52
EBIT (€ mln.)	204.61	188.00
EBIT margin (%)	5.0	4.8
Employees	17,916	17,758

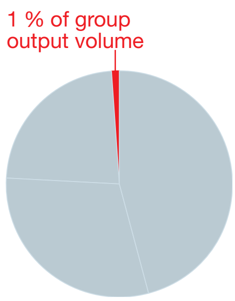
INTERNATIONAL + SPECIAL DIVISIONS



The segment International + Special Divisions includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where the services are rendered, the construction materials business, including the company's dense network of construction materials operations but with the exception of asphalt, also belongs to this segment. The real estate business, which stretches from project development and planning to construction and operation and also includes the property and facility services business, completes the wide range of services. Additionally, most of the services in non-European markets are also bundled in the International + Special Divisions segment.

	2017	2016
Revenue (€ mln.)	3,029.34	2,681.02
EBIT (€ mln.)	62.40	48.87
EBIT margin (%)	2.1	1.8
Employees	25,618	26,027

OTHER



This segment contains the intra-company Central Divisions and Central Staff Divisions.

	2017	2016
Revenue (€ mln.)	28.16	28.48
EBIT (€ mln.)	0.67	0.47
EBIT margin (%)	2.4	1.7
Employees	6,004	5,821

STRABAG
TEAMS WORK.

TEAMS WORK. reflects the essence of what matters in the construction industry: namely the work of people and their smooth cooperation with one another. In this way, we breathe life into our vision. Teamwork – on a small or large scale, internally or externally, across brands, countries and organisational boundaries – makes possible what cannot be done alone.

STRATEGY

Our strategic approach

We operate across Europe as well as on other continents and offer services along the entire construction value chain. The consequences from our business activities, therefore, are many. And it is our intention to assume responsibility for these consequences. For us, responsibility is strategic. We **ensure** the **long-term existence** of our company when we consider the needs of people, the environment and society in our strategic decisions and day-to-day operational activities.

Doing business responsibly means, on the one hand, that we work within our defined values such as partnership. But assuming responsibility also means giving balanced consideration to the increasingly complex demands placed on our core business. We build according to our clients' wishes, which means that we basically orient ourselves in line with the requirements of the market. In making our decisions about how we build and design our processes, however, we take into account criteria that go beyond purely economic considerations.

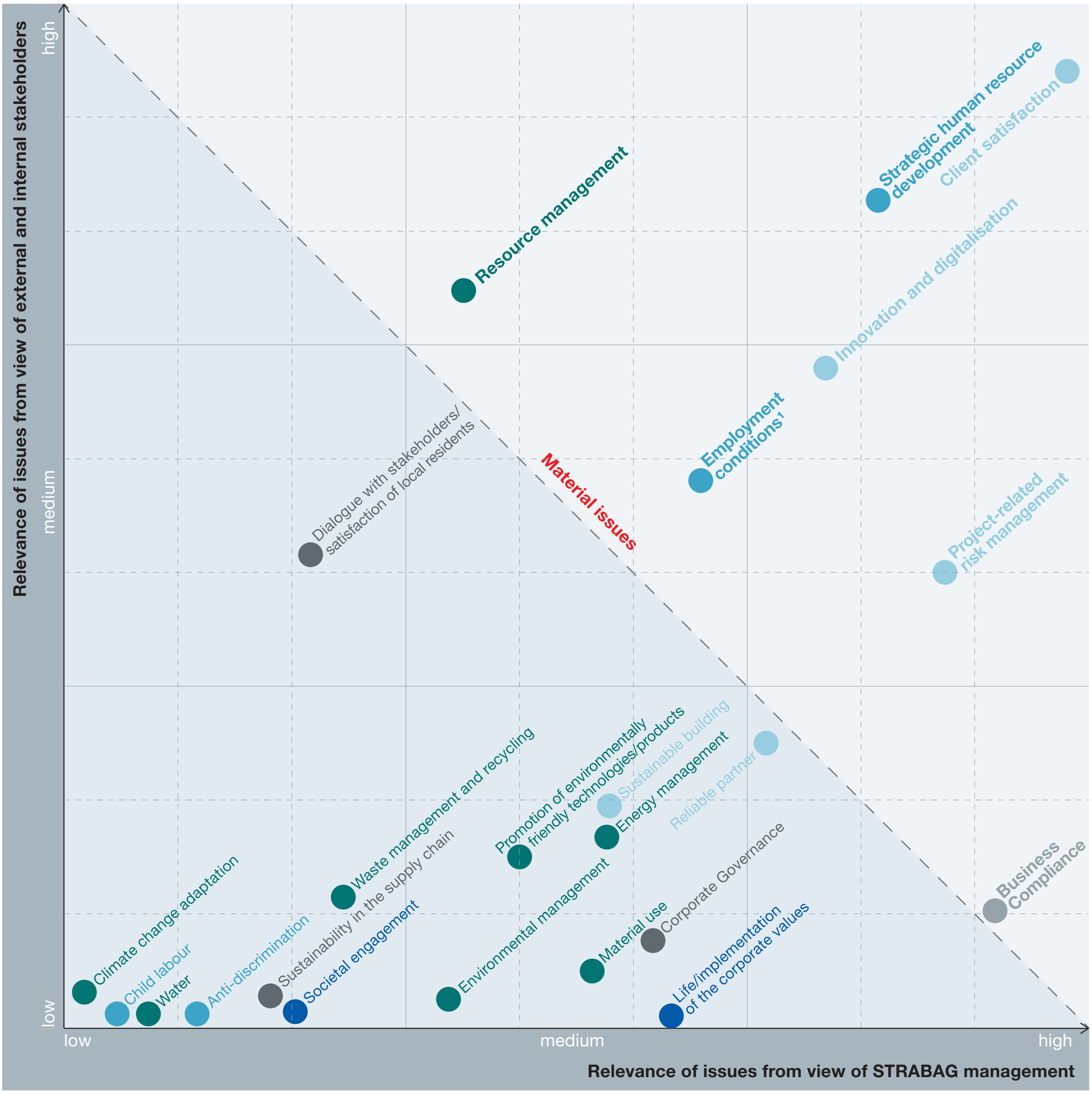
Our internal stakeholders aren't the only impulse in this regard. Demands in this direction include, for example, aspects of labour law in our supply chain or standards regarding the environment, and are placed upon us from many different sides: from non-governmental organisations, from our investors, or from an increasingly sensitised clientele – in particular in our markets in Western and Northern Europe.

A systematic approach makes it easier to deal with these many diverse demands. We have therefore defined **six strategic fields** which represent our full understanding of entrepreneurial responsibility:

"How we measure our strategy's success", p. A 39

For us, upholding our earnings responsibility towards our shareholders and employees is in accord with demonstrating environmental awareness and, as a member of society, promoting its prosperity. Our comprehensive, certified energy management system helps us to increase our efficiency and save resources through the reduction of CO_2 emissions (Environmental Responsibility), while at the same time achieving cost reductions that are reflected in the earnings (Economic Responsibility). We train our employees with regard to the consequences of and measures against corruption and anti-competitive violations (Business Compliance), but also to increase their methodological and professional skills and to ensure their safety (People & Workplace). The tight mesh of these fields shows quite clearly that close cooperation is necessary across the various group organisations and with our external partners in order to successfully deal with these tasks. We also use this strategic approach as a framework for structuring our **reporting**. In each field, we report on the most important themes, explain why we consider them to be relevant, and clarify the strategic importance they have for the STRABAG Group.

Materiality analysis



The materiality matrix contains the 23 relevant issues for the sustainable development of the organisation, of which seven were defined as being of material importance.

Detailed information: www.strabag.com > Strategy > Stakeholder Involvement

Given the many issues of relevance for our organisation, we want to focus in our reporting and our daily work on issues which, considering among other things our economic, environmental and societal impact, are of material importance both from STRABAG's own point of view as well as from the viewpoint of our stakeholders. To identify the material issues, we conduct an annual materiality analysis involving a multistep process applied in whole or in parts. The process involves the internal and external stakeholders in order to assess the relevance of the issues from various perspectives.

An important milestone in the materiality analysis was reached in 2015 with the identification of 23 central issues, out of more than 100 sustainability-relevant aspects, that are especially relevant for the group's development. We then expanded on the assessment of our own experts and CR representatives by including, on the one hand, the wishes and needs expressed by our

1 Includes work safety and health, equal treatment of women and men, and human rights

stakeholder groups during order acquisition or investor dialogues and, on the other hand, political specifications, legal requirements, and industry and market trends. The results of this first analysis were reviewed, discussed, complemented and prioritised throughout 2016 at various internal and external dialogue events with selected representatives of the most important stakeholder groups together with the CEO (see the Stakeholder Dialogue section). In 2016, following review and approval by the STRABAG SE Management Board, we published our first materiality matrix based on the GRI Guidelines which reflects the material issues[1] and shows the assessment of the STRABAG management and of relevant internal and external stakeholders.

In the 2017 financial year, the STRABAG SE Management Board reviewed and confirmed the weighting of the issues as contained in the 2016 matrix. The only change that was made was to define "Resource Management" as an additional material issue. STRABAG has been reporting on this issue in detail for years within the strategic field of "Environmental Responsibility" under the topics of environmental management, energy management and resource management.

For seven issues that are of material importance for our competitiveness and long-term existence, a management approach was developed by the person responsible within the group. The management approach makes clear how we ensure priority treatment within the group (rules and responsibility areas), which figures we develop as key performance indicators (objectives and indicators) and what sorts of measures we set to reach our targets (projects and initiatives). The management approaches are presented in this report:

- Client satisfaction: C 42
- Strategic human resource development: C 11
- Innovation: C 37
- Digitalisation: C 40
- Project-related risk management: C 29
- Employment conditions (work safety, health, human rights, equal treatment of women and men): C 2; B 16
- Resource management: C 20
- Business Compliance: C 17

1 Definition of material issues according to GRI: topics and indicators that reflect the organisation's significant economic, environmental and social impacts, or that would substantively influence the assessments and decisions of stakeholders.

Stakeholder dialogue

Partnership and trust are central guiding principles of STRABAG. In keeping with these guiding principles, we constantly, and with transparent communication, attend to the concerns, wishes and needs of our stakeholders. With stakeholders, we mean those groups who are influenced by our services or who, for their part, influence the business activity of our company.

In 2016, we complemented the **dialogue formats** that had already existed in our daily work (e.g. the regular client talks) by initiating the stakeholder dialogue at the group level as outlined by the Global Reporting Initiative (GRI). The stakeholder dialogue is an important process step in the materiality analysis. Its organisation is handled by the Corporate Responsibility staff division. So far, we limited the dialogue to the two countries with the largest contribution to the group output volume, Germany and Austria. There are plans to expand it to other group countries in the medium and long term.

The dialogue is founded on a **stakeholder analysis** that has helped us to identify the most important stakeholder groups with regard to their level of influence by and on our organisation. These include our employees, clients, investors and suppliers. Furthermore, we maintain contacts to universities, the media, non-governmental organisations and political institutions as well as the people living in direct proximity to our projects.

The dialogue formats we use include not only online and print media but also attendance-based events (e.g. in the form of workshops) as well as written surveys. One example that is particularly worth mentioning was a dialogue event held at our company headquarters in Vienna in March 2016 in which external representatives from our most important stakeholder groups and our CEO came together to discuss and prioritise the issues of strategic relevance for STRABAG. Besides our clients, suppliers and investors, our invitation was also answered by representatives from universities and the media as well as by people living in direct proximity to our projects. Just as valuable for us was the participation of representatives from environmental organisations and human rights groups. It is our goal to repeat this successful dialogue event in 2019.

Our employees were equally committed in their contributions to prioritising the issues in 2015 and 2016. In addition to talks at the management level, selected workshop participants in the two business fields of building construction & civil engineering and transportation infrastructures, across all hierarchies and functions, discussed the preselection of relevant and further issues. Written surveys were also conducted.

The stakeholder dialogues allowed us to include new points of view in our strategic considerations and to incorporate additional aspects into the catalogue at the most urgent topics for the future. Due to the different forms of stakeholder dialogue we are able to identify a number of factors, such as the necessity to focus more strongly on innovative solutions, that need to be developed in close coordination with our partners especially given the progress of digitalisation. Strategic human resource development is another key issue for STRABAG that will have decisive influence on the sustained success of the entire construction sector. Compliance, risk management and resource protection are issues which already have a solid foundation, but in which the stakeholders expect to see continuous further development. It goes without saying that STRABAG's future viability depends to a large degree on the satisfaction of our clients. **Client satisfaction** was therefore identified as the **most material issue**. All initiatives related to the other issues contribute to client satisfaction.

Factors influencing the business model of construction

Investment story: four trends make the construction sector attractive

Buildings are made with the aim of being available for a very long useful life. This requires forward-looking planning, thinking and acting. It seems reasonable to conclude, therefore, that the industry would be of interest to long-term investors; after all, the fundamental demand for construction is unlikely to dry up. But you don't need to have centuries in mind for an investment in construction to pay off – the following four trends make the construction sector an attractive option for the current decade:

Trend 1 – Urbanisation: By the year 2050, some 66 % of the world's population will live in cities – this represents an increase of the urban population by 2.5 billion people. Accompanying this growth is a higher demand for infrastructure. An example: the 2016 report by the so-called Bodewig II-Commission estimates that the backlog demand in public transport infrastructures on our German home market resulting alone from unperformed maintenance measures at € 45 billion.

Environmental Responsibility

Trend 2 – Energy efficiency: The European Union wants to cut its greenhouse gas emissions by the year 2030 to 40 % below 1990 levels and is aiming at a reduction of 80–95 % by the year 2050. For this reason, among others, clients are increasingly demanding that existing buildings be adapted with a view towards higher energy efficiency and lower levels of emission during operation. After all, the construction sector is responsible for 30 % of the greenhouse gas emissions.

Trend 3 – Financing environment: Low interest rates and a volatile financial environment make real estate an attractive investment for several investor groups – a situation we are continuing to observe to a great degree in our largest market of Germany. Moreover, low interest rates are facilitating the financing of project developments. However, local overheating of property and rental prices can no longer be ruled out.

Economic Responsibility

Trend 4 – Digitalisation: In contrast to sectors like the automotive industry or consumer goods, the degree of digitalisation in the construction sector remains relatively low. Experience has shown, however, that the digitalisation and networking of data during the lifecycle of a building holds advantages for the various project participants – during the design, build and operate phases of the building. The increasing digitalisation of processes, therefore, allows us to expect significant productivity growth in the construction industry.

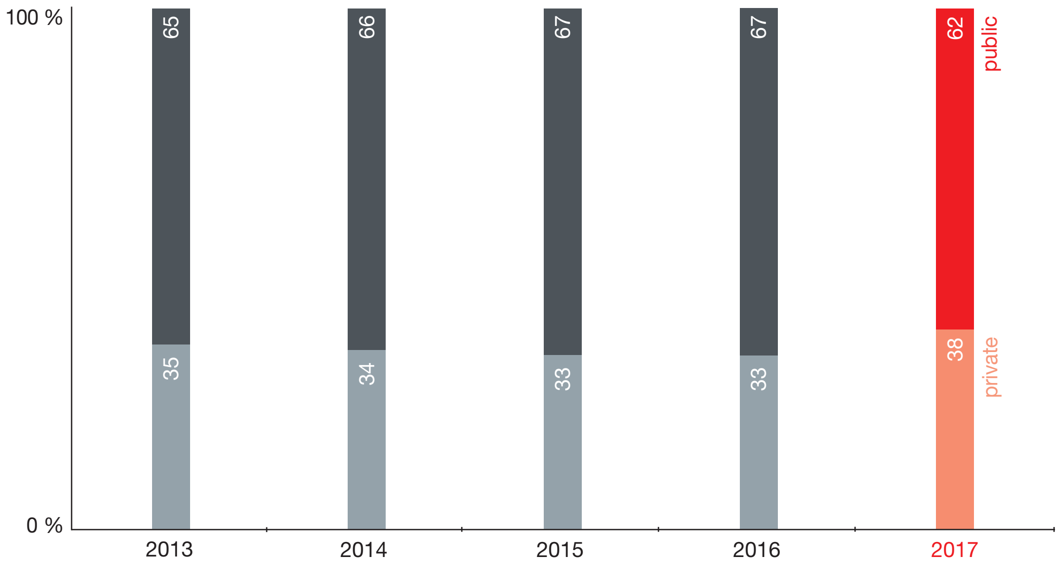
These four large trends are thus decisive for the attractiveness of the sector. But what is decisive in determining which company is awarded a contract? What do building clients look for in this regard?

Here it is important to make a distinction between the public and the private sector: While price is still mostly the decisive criterion for public-sector clients, private clients often look for the best offer – and this need not always be the lowest bid. The costs over the entire lifecycle, including the operating costs, are also taken into consideration. Additional criteria play a role as well: As every building is unique, clients must be able to trust the abilities of the construction company. This trust is established through references, among other things. During tender processes, we are often asked about comparable projects that we have successfully completed in the past. Just as important are the experience and the know-how of the staff of the bidding construction company, the technical characteristics of the bid, and the existence of innovative solutions which may save the client money and time, as well as professional and comprehensible processes.

In some parts of the public sector, the **best bidder principle** is beginning to catch on. This principle entails public-sector contracts not being automatically awarded to the company with the lowest monetary bid, but also taking social, environmental and sustainability criteria into account. The STRABAG Group supports this principle, an initiative that is being driven by the trade unions and other organisations. From an overall perspective, the best bidder principle is better for the population and for the national economy than choosing what at first glance appears to be lowest bid. On the one hand, it is a way of securing local jobs. On the other hand, the building costs after the actual construction phase must also be taken into consideration – best bids include these costs in their cost estimate so as to minimise expenses over a building's full lifecycle.

Every building is unique. Unlike in industries with standardised products, therefore, it is not possible in the construction sector to perform sensitivity analyses showing the influence of changes to a dominant production factor on a company's key performance indicator. Our business is not determined by just one driving factor; rather, the margins are influenced by several factors. These include certain business realities, such as the risk management system or the quality of our employees, as well as external influences such as economic growth (GDP) and demographic trends which affect the availability of qualified personnel as well as the demand for infrastructure. The level of public infrastructure spending – a euro invested in construction leads to demand in other sectors, with the result that the positive impact is multiplied in production and employment – and the financing environment for our clients constitute further factors.

OUR CLIENT STRUCTURE



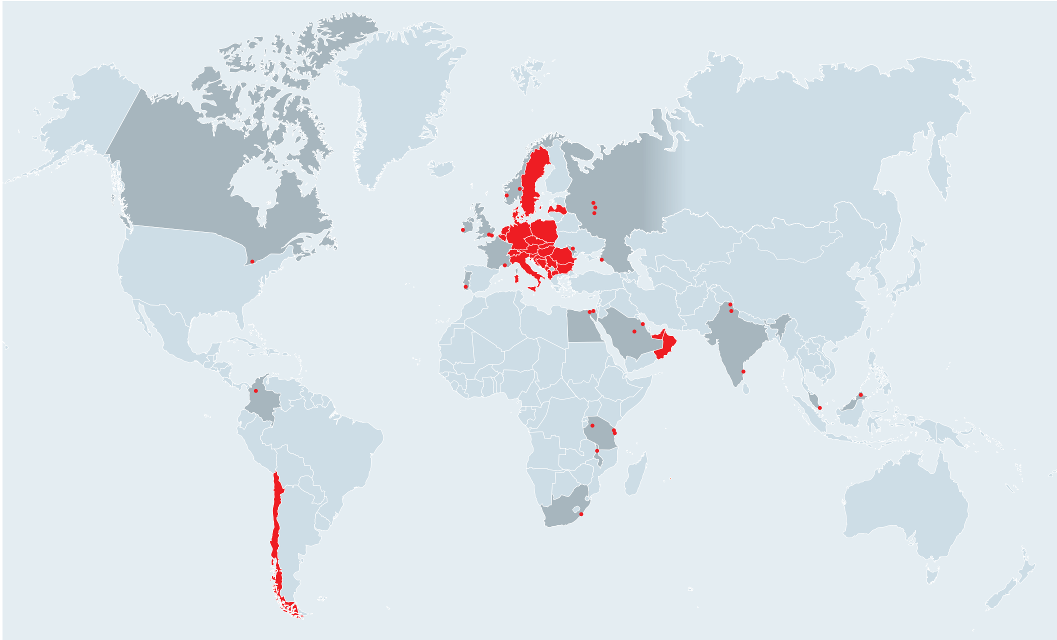
Three strategic priorities

#1 – STAYING DIVERSIFIED

The various forces driving the construction industry and its subsectors advise a corporate strategy that is built on diversity. This diversity can be seen in our employees but also in the regions and segments in which we operate. We therefore see ourselves as a European group that offers a broad range of construction services internationally. Selective diversification brings a number of advantages. For one, it allows us to respond quickly to opportunities in different markets. Also, the existing country network helps us in our expansion, allowing us to deploy large equipment to different regions and to pass on know-how and technologies to the local management so they are of benefit there. Moreover, we spread our risk by not concentrating our business on just a few countries (see graph "Total construction output by country", page A 33).

Firmly established in our home markets of Austria and Germany – which account for 64 % of our output –, we generate an additional 22 % of our business in Central and Eastern Europe and another 8 % in other European countries. We are also active outside of Europe in projects requiring a high degree of technological know-how, currently in places such as Chile or the Middle East. We handle these international markets – they account for 6 % of our output volume – mostly as part of the direct export business.

STRABAG – AN INTERNATIONALLLY ACTIVE, EUROPEAN-BASED GROUP[1]



region-wide presence

project business; in Russia the STRABAG Group operates exclusively in the western part of the country.

Details >
Country Report

In addition to a broad level of diversification, we also believe it is important for us to achieve a strong market position in the markets in which we operate. Construction companies need a critical mass and sufficient capital resources, especially in the more mature markets, in order to successfully bid for and pre-finance large-scale projects. This also makes it possible to take advantage of economies of scale. Size is further associated with qualities such as reliability and stability – and this, together with the references, creates trust.

STRONG MARKET POSITION

region-wide presence

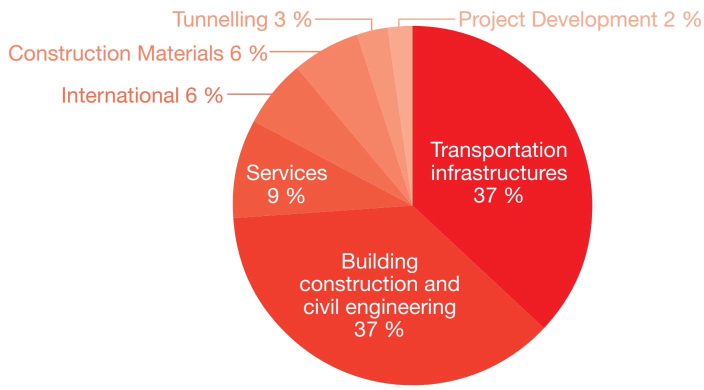
project business; in Russia the STRABAG Group operates exclusively in the western part of the country.

1 Only countries with a minimum annual output volume as well as a minimum order backlog of € 1 million are considered.

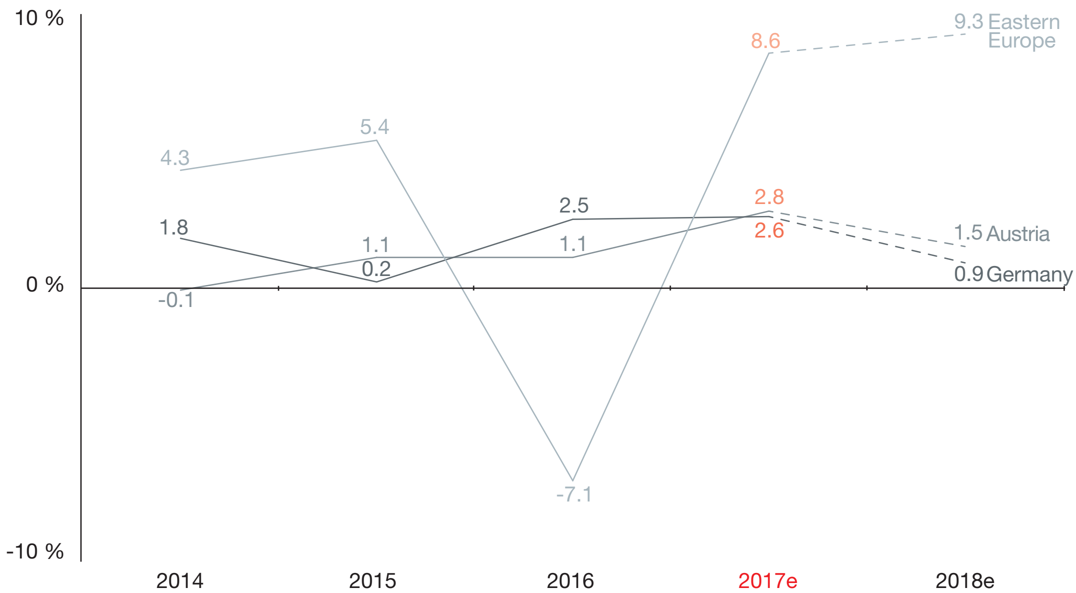
More information on our activities in the various segments is available in our Segment Report

In addition to diversifying geographically, we also try to offer services along the entire construction value chain and in different **construction segments**. After all, the construction industry does not follow just one cycle; each segment – differentiated in part by the type of client – follows its own. In economically difficult times, for example, the public sector invests more in infrastructure as a way of stimulating the economy, and the transportation infrastructures segment booms. Lower interest rates, on the other hand, are of benefit especially in building construction. The diversification in different construction segments thus reduces risk, and the extension of the value chain balances out cyclical and seasonal effects by trend. This is why we expanded our range of services a few years ago, for example in the field of intelligent transport systems and electronic toll solutions or in the services business, so that today around 83 % of our business comes from construction, 9 % from services, 6 % from the construction materials sector and 2 % from real estate project development and concessions. The output volume from the latter segment is low by nature, however, as it refers only to the management of a project without including its actual construction.

OUTPUT VOLUME BY SEGMENT

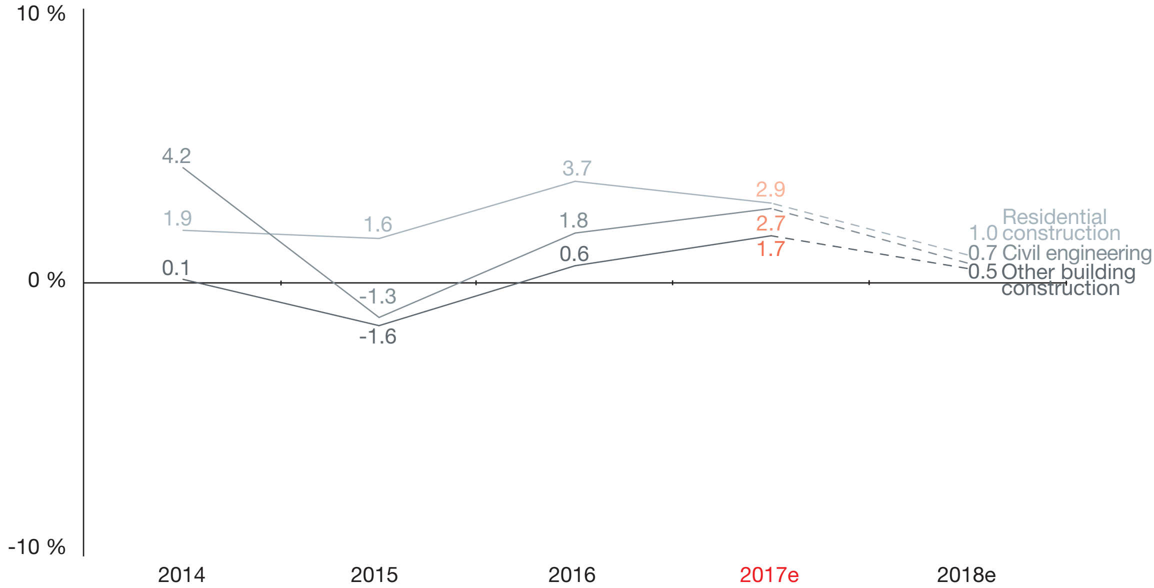


TOTAL CONSTRUCTION OUTPUT BY COUNTRY[1]



1 Source: Euroconstruct, winter 2017

SUBSECTOR COMPARISON IN GERMANY[1]



Clients benefit from our broad positioning

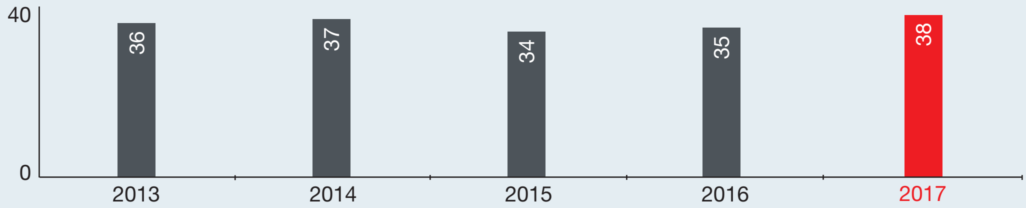
Especially in economically difficult times, it is important not to depend on just a few specific markets. Therefor we began to focus on diversification at an early stage – and this strategy has paid off. It is thanks to this strategy that the STRABAG Group has not had to report a drop in output volume and earnings in recent years. Germany, a market which had not been given a lot of hope ten years ago, has for some time now proven itself to be a growth driver. Investors are seeking refuge in real estate, as other investment options involve high risk without being very lucrative. Additionally, public-sector infrastructure investments are picking up speed in Germany.

But we are not the only ones who benefit from our broad geographic presence and diversification in different construction segments; our clients profit as well, as they can expect the same quality from STRABAG-executed works at all of their sites. Partnership arrangements such as our teamconcept and the single-source execution of all works (design-build-operate) reduce redundancies and simplify the process so projects are completed quickly and smoothly.

1 Source: Euroconstruct, winter 2017

PUBLIC-PRIVATE PARTNERSHIPS AS PART OF A DIVERSIFIED SERVICE PORTFOLIO

NUMBER OF PPP PROJECTS IN THE GROUP



>€ 10 billion
total investment volume

€ 427 million[1]
equity invested

We have been working successfully with operator models for more than two decades. In the areas of building construction and infrastructure, the portfolio comprises 38 public-private partnership (PPP) projects with a total investment volume of € 10.3 billion (2016: € 11.1 billion). Of these, 19 projects are building construction and 19 are infrastructure projects. The project sizes tend to be much larger in the infrastructure sector than in building construction, however, with nearly € 9.7 billion of the **total investment volume** attributable to projects in infrastructure. Across all concession projects, we had a proportionate share of **equity** in the amount of € 427.00 million[1] invested in 2017 and had committed a further € 87.94 million[1] for a total of € 514.94 million[1].

In the 2017 financial year, the following milestones were reached:

- In accordance with the contract, the **Birecik hydropower plant in Turkey** was handed back to the Turkish state following expiry of the 20-year concession period.
- Construction began on the **Mar 1 road construction project in Colombia** that had been acquired the year before. Completion is expected after five years.
- The **N17/N18 motorway project in Ireland** was completed and opened to traffic in Q4 2017 ahead of the contractual deadline.
- As a result of the exit of an investor in the **Hungarian concession company MAK**, which is responsible for the operation and maintenance of a section of M6 motorway, the STRABAG Group raised its shareholdings from 30 % to 50 % and so considerably increased its influence in this important project.
- In the energy sector, we are now active in the geothermal business and are currently developing three projects in Romania and Germany, where we have begun with the deep drilling.

In addition to the more efficient utilisation of resources during a project's lifecycle, the driving forces behind PPP projects include the public finance situation and the financing environment. This involves at times conflicting effects: On the one hand, PPP financing widens the public sector's scope of action; on the other hand, a low interest environment reduces the importance of this financing alternative.

Due to the **regular cash flows** in later project phases, institutional investors in particular, such as insurance companies or pension funds, have an interest in making capital available for PPP projects in the long term. Moreover, competitive advantage gives STRABAG good chances in the PPP business: Our strong financial position allows us to act as equity provider for concession companies more easily than other companies. Thanks to the inclusion of specialist providers from within the group, such as STRABAG Property & Facility Services, A-WAY, EFKON and STRABAG Infrastructure & Safety Solutions, we are in a position to efficiently and completely cover all specifications from structuring to financing and planning all the way to construction and operation. This gives both the client as well as the capital providers a high degree of security regarding contract fulfilment.

1 As at 30 June 2017

Measurement principles

How the individual projects are recognised in the balance sheet depends on the legal definition. An **intangible asset** is recognised if the concession grants the company the right to charge users a usage fee. The **accounts receivable** approach is used if the company has an unconditional contractual right to receive a payment (see Receivables from Concession Arrangements, item 18 in the Notes). Non-recourse debt resulting from these consolidated project companies is considered in the liabilities section of the consolidated balance sheet. A large portion of the existing PPP projects within the STRABAG Group is handled by associated group companies. These are incorporated into the consolidated financial statements using, for the most part, the **equity method**. The investment in the concession company is therefore recognised with the proportional equity.

We are pleased to say that our portfolio is developing in line with the financing models underlying the projects, which form the basis for measurement according to the DCF method. This underlines the careful and conservative method of our measurement.

#2 – MAINTAINING FINANCIAL STRENGTH

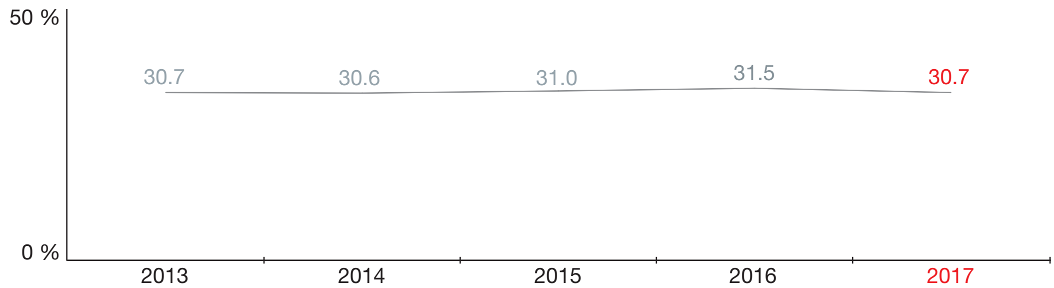
Economic Responsibility

Equity ratio: 30.7 %

Despite all differences between private and public clients, financial strength is the basic prerequisite for having our bid considered – it represents a decisive advantage in competition. We therefore see financial strength as being both the foundation as well as the framework for our business activity. Moreover, only financially strong construction companies are capable of participating in concession projects, as these must be partly co-financed with company equity. Additionally, meaningful acquisitions can be transacted more easily and quickly when there is an available budget.

This is why maintaining our financial strength is a strategic priority. We see the equity ratio as a suitable figure with which to measure STRABAG's financial stability and strength. We are satisfied with an equity ratio (shareholder equity/total assets) above 25 %. As at 31 December 2017, this figure stood at 30.7 % – despite the own shares held by the company in the amount of 6.7 % of the share capital, the value of which is deducted from the equity.

DEVELOPMENT OF THE EQUITY RATIO



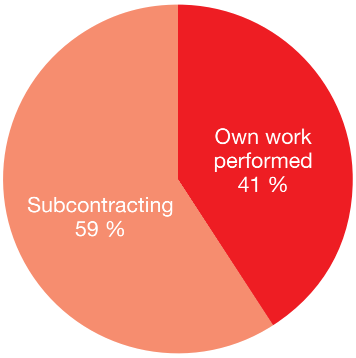
S&P rating: BBB, outlook stable

The financial strength of our company is also evaluated independently. In June 2015, the ratings agency Standard & Poor's (S&P) raised the investment grade rating for STRABAG SE by one level from BBB- to BBB. This rating was confirmed in July 2017. S&P left the outlook at "stable". The group's financial strength – expressed in form of a high equity ratio, a net cash position of € 1,335.04 million with a balance sheet total of more than € 11 billion, and the S&P investment grade rating – allows us to ensure the long-term existence of the group and to finance at favourable conditions.

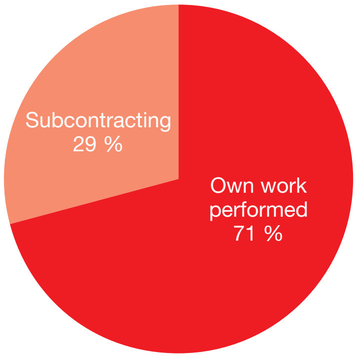
#3 – SHOWING FLEXIBILITY

Our flexibility, which helps us to respond quickly to changes on the market, is another important competitive advantage. This flexibility is nourished by our financial strength as well as by the possibility of serving markets outside of Europe and – depending on the market environment – of being able to pass on specific works to subcontractors. As one way of ensuring this flexibility, we are working on maintaining our geographic presence in non-European countries to become less dependent on individual markets.

SUBCONTRACTING BUILDING CONSTRUCTION AND CIVIL ENGINEERING



SUBCONTRACTING TRANSPORTATION INFRASTRUCTURES



OWN CONSTRUCTION MATERIALS NETWORK TO INCREASE FLEXIBILITY

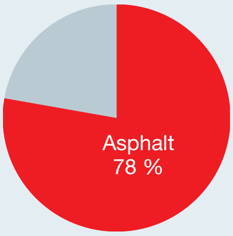
Due to our construction materials network, which helps to ensure a supply of resources from within the group, dependence on external suppliers is reduced and we are able to better plan our access to resources. Moreover, approval for new production facilities is granted only to a limited extent in regions in which such facilities already exist; this creates higher **hurdles to market entry** for newcomers.

We already possess an extensive resource network that is especially dense in our home markets. With 252 active asphalt mixing plants[1] (2016: 266), we covered 78 % of our group asphalt needs last year (2016: also 78 %). In this area, we have already enjoyed an optimal degree of self-sufficiency for several years.

In terms of proprietary coverage, the other construction materials also exhibited a stable trend in 2017. Proprietary coverage with concrete grew slightly from 26 % to 28 % for a total of 146 active mixing plants (2016: 143). The participation in five (2016: five) cement works covered 28 % of the supply compared to 24 % in the previous year. In the field of stone/gravel, coverage stood at 17 % after 18 % in 2016 and the number of active production sites fell from 164 to 154.

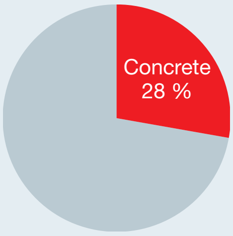
Since the 2016 financial year, Sec 267b of the Austrian Commercial Code (UGB) requires STRABAG SE to publish a consolidated report on behalf of its subsidiaries in the extractive industries concerning payments to governments. This report is available at www.strabag.com.

1 Own facilities and investments



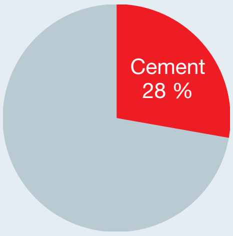
Asphalt

We produced 15.8 million tonnes of asphalt in the past financial year, compared to 15.1 million tonnes in 2016. Most of this amount was produced in Germany, Poland, Austria and the Czech Republic. Of the asphalt produced, 61 % (2016: 63 %) was sold within the group – thereof about 60 % to the segment North + West and 40 % to the segment South + East – at the usual market rate; the rest was sold to third parties.



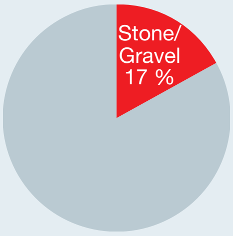
Concrete

The production of concrete – 75 % of which takes place in Hungary, Austria, the Czech Republic and Germany – amounted to 3.9 million m^3 in 2017, compared to 3.2 million m^3 in 2016. 32 % of the concrete produced was sold within the group (2016: 32 %)[1].



Cement

We started operations of our first proprietary cement factory in Hungary in September 2011. These cement activities were brought into Lafarge Cement CE Holding GmbH, our joint venture with construction materials manufacturer LafargeHolcim. We hold 30 % of the joint venture, so that it is reported in the Notes to the consolidated financial statements using the equity method. In addition to the Hungarian site, the company also owns two production facilities in Austria (Mannersdorf and Retznei), amongst others. Thanks to the joint procurement and administration handled by this joint venture, STRABAG benefits from economies of scale and from the know-how of global cement market leader LafargeHolcim. We also hold a minority interest in Slovakia-based cement firm Cemmac a.s.



Stone/Gravel

The STRABAG Group produced around 29.3 million tonnes of stone and gravel in 2017, slightly more than in the previous financial year (2016: 28.7 million tonnes). 27 % of these resources were used by group companies (2016: 26 %)[1]. Being active in the production of stone and gravel, STRABAG is considered to be part of the extractive industries.

With the exception of asphalt, where our coverage is already very high, our aim is to continuously cover more of our construction material needs with own resources. For us, increasing our independence from construction materials suppliers is a priority. In comparison, raising the revenues from construction materials sales to third parties is not an objective per se. Nevertheless, revenues in this area reached about € 585 million (2016: € 515 million).

1 The relatively high percentage of third-party sales and purchases is explained by the fact that the desired construction material type and quality were not available in the region where they were needed or that the projects at times lie outside of the supply radius of the production facilities. This highlights the importance of area-wide access to construction materials in a given geographic area.

How we measure our strategy's success

We translate our strategy into action in numerous initiatives. So that we can also measure our success, we have set targets for each of the strategic fields and have worked out the following key figures. In this way, we can review whether we are coming closer to reaching our target of doing business responsibly from start to finish.

Strategic field	Issue	Key figure/Criteria	2016	2017	Targets
Economic Responsibility	Capital market appeal	Equity ratio	31.5 %	30.7 %	≥25 %
	Capital market appeal	S&P rating	BBB	BBB	Maintain investment grade rating
	Capital market appeal	Output growth	-6 %	+8 %	2018: +3 %
	Capital market appeal	Dividend	35 % of net income after minorities	48 % of net income after minorities	30–50 % of net income after minorities
	Client satisfaction[1]	Client satisfaction (index)	1.87	1.84	>1.84
	Project-related risk management[1]	The project-related risk management supports the positive development of the EBIT margin	3.4 %	3.3 %	≥3 %
	Innovation[1]	Research and development funding provided by the company	€ ~12 million	€ ~11 million	2018: ≥11 million
		Number of subdivisions with at least one person responsible for innovation		23 (of 100)	2018: Increase the previous year's level
		STRABAG events on the topic of innovation: Number of participants and number of participating organisations		339 participants from 61 organisational entities	2018: ≥339 participants 2018: ≥61 organisational entities
		Publication of relevant development projects to expand the innovation activities of the company		40	2018: ≥40
	Digitalisation[1]	Indicators are currently being developed			
People & Workplace	**Employment conditions: Work safety**[1]	Lost-time accident rate[2]	0.25 %	0.24 %	
		Accident incident rate[3]	17.6	17.4	
	Employment conditions: Health[1]	Lost-time illness rate[4]	5.1 %	5.1 %	
	Employment conditions: Human rights[1]	Number of cases of discrimination		1	
	Employment conditions: Equal treatment of women and men[1]	Number of women as a percentage of employees and the management	14.9 % 8.4 %	14.9 % 9.0 %	2018: >14.9 % 2018: >9.0 %
	Strategic human resource development[1]	Number of appraisal interviews held and recorded in the reporting period versus number of employees	51 %	46 %	Until 2021: 80 %
		Seminar days per employee	1.08	1.33	

1 Material issue as defined by the GRI standards
2 Calculated as the number of working hours lost to accidents versus productive working hours
3 Calculated as the number of accidents at work per 1 million productive working hours
4 Ratio of sick leave days to working days

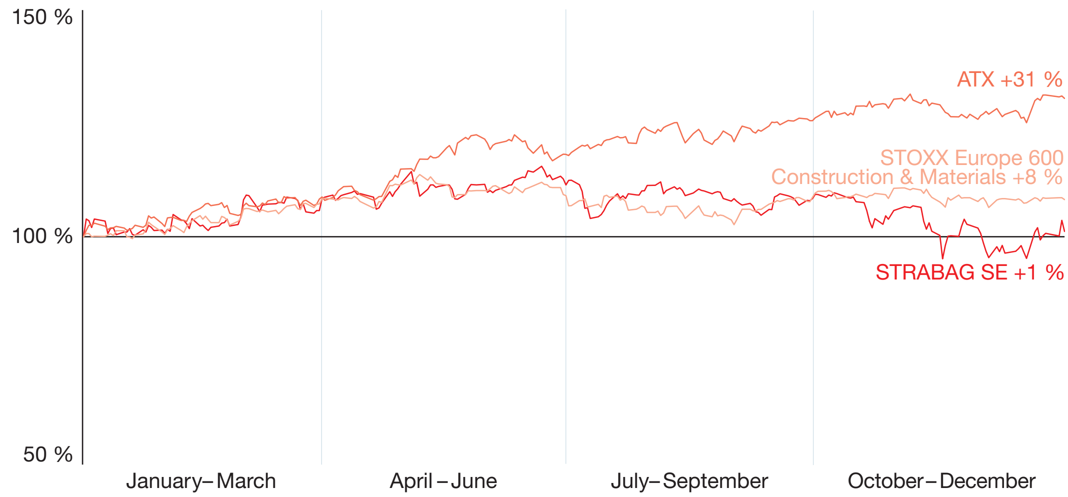
Strategic field	Issue	Key figure/Criteria	2016	2017	Targets
Environmental Responsibility	**Resource Management**[1]	Percentage of recycled asphalt used in the production of asphalt mixture		32.7 % (DE) 29.8 % (PL)	Increase the previous year's level
		Energy consumption and CO_2 intensity[2]: Vehicle fleet		7.8 liter/100 km 0.2 kg CO_2/km	Annual reduction by ≥1 %
		Energy consumption and CO_2 intensity[2]: Asphalt mixing plants		94.3 kWh/t of asphalt mixture produced 32.6 kg CO_2/t of asphalt mixture produced	
		Energy consumption and CO_2 intensity: Construction equipment		Pilot projects underway to record and monitor the fuel consumption and CO_2 intensity	
Corporate Governance	Austrian Code of Corporate Governance (ÖCGK)	Compliance with C-Rules and R-Rules	All C-Rules and R-Rules were complied with	All C-Rules and R-Rules were complied with	Comply with all C-Rules and R-Rules in the valid version of the Code and provide transparent reporting
Business Compliance	**Business Compliance**[1]	Training penetration rate (initial training): • E-learning course "The Right Behaviour in Day-to-Day Business" • Classroom course "Avoidance of Corruption and Anti-Competitive Violations" • Classroom course "Competition Law" Training penetration rate (brushing-up) • E-learning course "The Right Behaviour in Day-to-Day Business" • Classroom course "Avoidance of Corruption and Anti-Competitive Violations"		 • 93 % • 96 % • 80 % • 96 % • 94 %	100 %
		Number of business compliance violations discovered in the year		1	
		Number of compliance-supporting measures in the year		5	
Corporate Citizenship	Societal Engagement	Expenditures for core projects and initiatives in the reporting period in €	€ 4.85 million	€ 4.70 million	Promote selected initiatives in the long term

1 Material issue as defined by the GRI standards
2 Relevant energy consumption categories in Germany, Austria, Switzerland and Poland (combined share of group output: greater than 70 %)

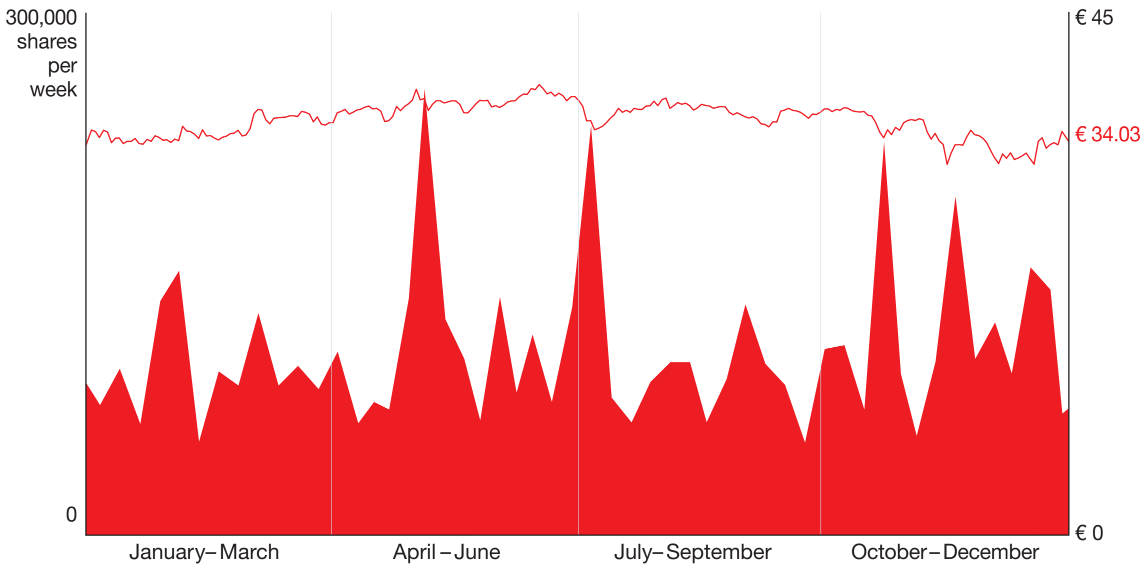
SHARES, BONDS & INVESTOR RELATIONS

The STRABAG SE share

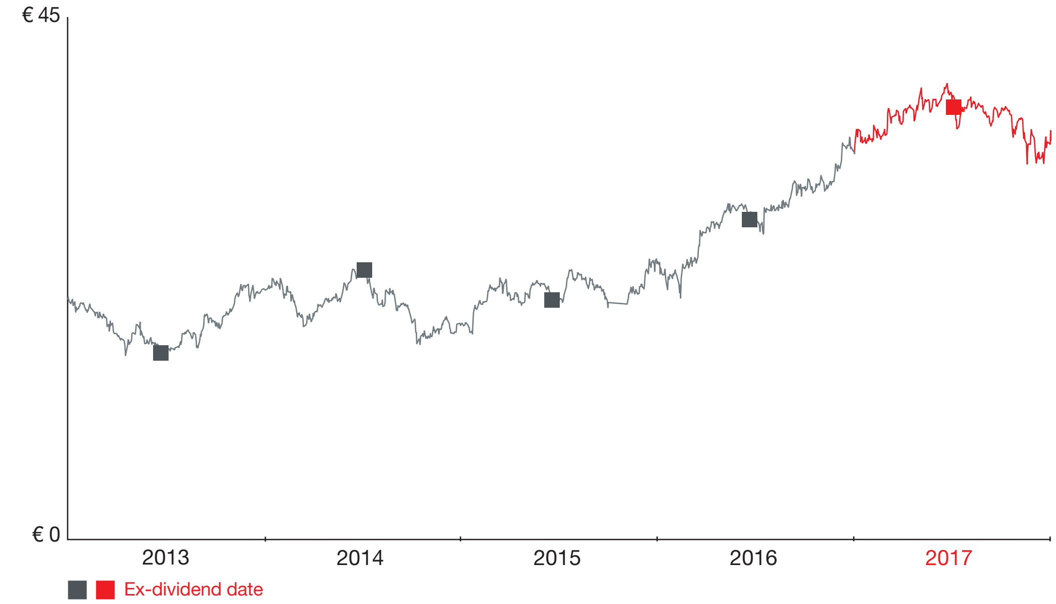
DEVELOPMENT OF THE STRABAG SE SHARE PRICE AND OF THE BENCHMARK INDEXES 2017



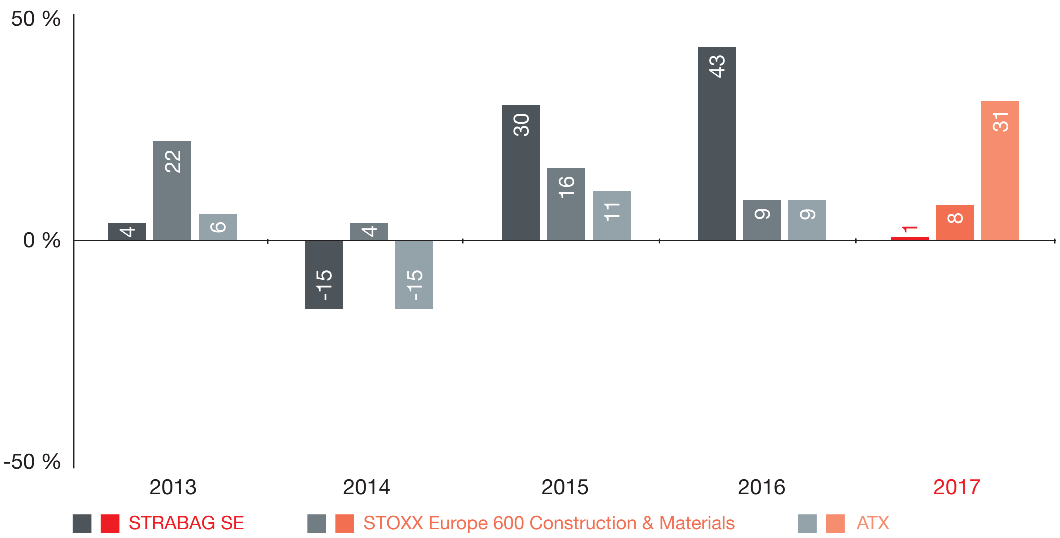
TRADE VOLUME OF STRABAG SE SHARES VERSUS SHARE PRICE 2017



LONG-TERM DEVELOPMENT OF THE STRABAG SE SHARE PRICE



MULTI-YEAR DEVELOPMENT OF THE STRABAG SE SHARE PRICE AND THE BENCHMARK INDEXES



The stock markets were characterised by an unusually steady upwards movement of the share prices in 2017. Following growth in all four quarters of the year, the global stock index **MSCI World** grew by 20 % over the end of 2016. The higher price levels are fundamentally secure; supported by strong growth of the economy and of global trade, corporate profits increased clearly around the world. Optimistic economic forecasts and a continued relaxed interest landscape inspired the market mood and made for historic index highs on many market.

The strong US-focus of the stock markets is reflected in the growth of the US benchmark index **Dow Jones Industrial** by 25 %. The Dow Jones Industrial closed at record levels 71 times in 2017. The European stock markets, on the other hand, showed somewhat more subdued growth. The pan-European index **EUROSTOXX 50** managed to gain 7 % over the year. Here, two periods of clear gains – one from February to the beginning of May and another from September to the beginning of November – were offset by two correction phases. Driving the growth was, in particular, the stronger demand for European products. Meanwhile, concerns of losing competitiveness compared to the US and – temporarily – of a too restrictive policy by the European Central Bank put pressure on the markets.

The favourable export economy helped the German benchmark index **DAX 30** to several historic highs, the last one at the beginning of

STRABAG SE share price at year's end: € 34.03

November. On the German stock markets, as in all of Europe, the last weeks of trading were characterised by profit taking so that the DAX ended up closing at +13 %. The Japanese benchmark index **Nikkei 225** meanwhile managed to grow by a remarkable 19 % in 2017. The re-election of Japan's ruling party, in addition to the constant expansive policy of the central bank, was an important factor supporting the Japanese stock market. The fundamentally strong demand for Japanese products and the associated positive development of corporate profits, however, were at times overshadowed by concerns regarding the development of the exchange rate between the Japanese yen and the US dollar in 2017.

The price development on the Vienna Stock Exchange managed to stand out clearly from the European benchmark EUROSTOXX 50 in 2017. With growth of 31 %, the Austrian benchmark index **ATX** ranked among those with the best performance worldwide. The year's high was attained at the beginning of November. The excellent price development on the Vienna Stock Exchange was fundamentally supported by strong economic stimulus resulting from international demand and growing domestic investment. The industry index **STOXX Europe 600 Construction & Materials**, on the other hand, exhibited relatively flat development in 2017. It ended the year with a plus of 8 %.

The **STRABAG SE share** closed at € 34.03, managing only sideways movement after two years of strong growth (2016: 43 %, 2015: 30 %). In the first six months, the share price moved slowly yet steadily towards the € 40 mark, reaching the year's high of € 38.90 on 19 June 2017. Starting in the summer, however, this positive development began to weaken. Towards the end of the year, the stock repeatedly struggled against stronger downwards swings. The low point of € 32.00 was reached on 14 November 2017.

KEY SHARE INDICATORS

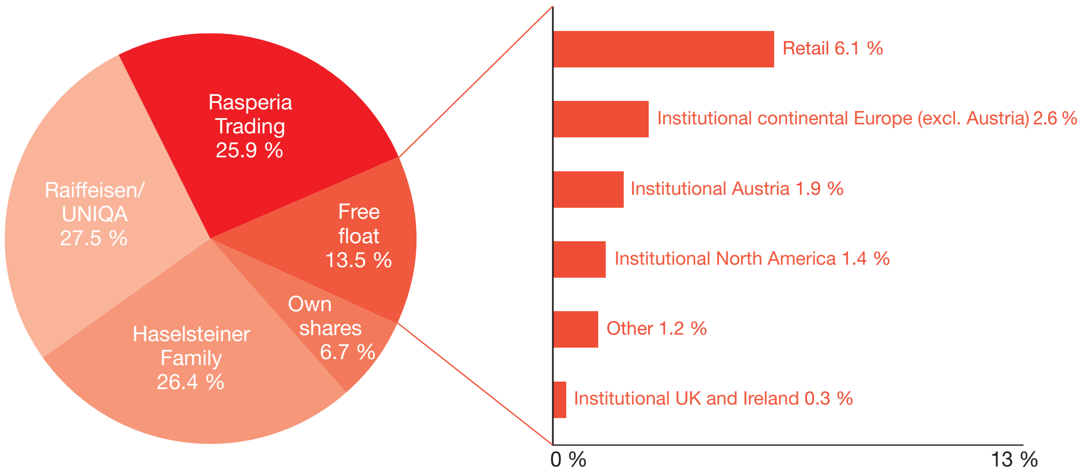
Share figures	**2013**	**2014**	**2015**	**2016**	**2017**
Closing price on 31 December (€)	21.32	18.18	23.58	33.65	34.03
Year's high (€)	21.70	23.13	23.88	34.30	38.90
Year's low (€)	15.59	16.55	17.45	20.52	32.00
Number of outstanding bearer shares on 31 December (shares)	102,599,997	102,599,997	102,599,997	102,599,997	102,599,997
Number of outstanding bearer shares, weighted (shares)	102,716,850	102,599,997	102,599,997	102,599,997	102,599,997
Market capitalisation on 31 December (€ billion)	2.2	1.9	2.4	3.5	3.5
Average trade volume per day (€ million)[1]	1.0	0.8	0.6	0.6	0.8
Number of STRABAG SE shares traded (shares)[1]	13,481,520	9,747,782	7,261,792	5,230,976	5,538,568
Volume of STRABAG SE shares traded (€ billion)[1]	0.2	0.2	0.2	0.1	0.2
P/E ratio on 31 December	19	15	16	12	13
Earnings per share (€)	1.11	1.25	1.52	2.71	2.72
Book value per share (€)	28.4	28.1	29.6	31.1	32.9
Price-to-book ratio	0.8	0.7	0.8	1.1	1.0
Cash flow from operating activities per share (€)	6.8	7.8	12.1	2.6	13.1
Dividend per share (€)	0.45	0.50	0.65	0.95	1.30[2]
Dividend payout ratio (%)	41	40	43	35	48
Dividend yield (%)	2.1	2.8	2.8	2.8	3.8
Share capital (€ million)	114	114	114	110	110
Weight in ATX (%)	1.22	n. a.	n. a.	n. a.	n. a.
Weight in ATX-Prime (%)	1.08	1.11	1.34	1.70	1.22
Weight in WBI (%)	2.89	2.66	3.12	3.90	2.99

1 Double count
2 Proposed dividend

Shareholder structure

SHAREHOLDER STRUCTURE AS AT 1 JANUARY 2018

DISTRIBUTION OF THE FREE FLOAT BY JANUARY 2018



Core shareholder syndicate still valid

The **shareholder structure** of STRABAG SE did not change in the 2017 financial year. The Haselsteiner Family, Raiffeisen Group, UNIQA Group and Rasperia Trading Ltd. continue to hold the majority. On 3 July 2017, the core shareholder syndicate informed the Management Board that none of the core shareholders had exercised their option to terminate the syndicate with effect on 31 December 2017 under adherence of a six-month period of notice. To our knowledge, no investor other than the core shareholders holds more than 5 % of the company. The Management Board of STRABAG SE did not make use of the share buyback programme that had been approved in the 2016 Annual General Meeting and the programme expired on 10 July 2017.

In January 2018, we commissioned a shareholder ID to learn more about the distribution of our **free float**. The percentage of retail investors fell slightly to 6.1 %. The number of institutional investors continued to grow from 5.9 % to 6.2 % and overtook the retail investors. The regional trend to continental Europe (2.6 %) and especially Austria (1.9 %) continued. The largest sales in 2017 were registered in North America.

Annual General Meeting

The agenda of the 13th Annual General Meeting on 23 June 2017 had four resolution items. With 100 % and 99.99 % of the votes cast, respectively, the 2017 Annual General Meeting approved the actions of the Management Board and of the Supervisory Board. The payment of a dividend in the proposed amount of € 0.95 per no-par share for the 2016 financial year as well as the selection of the financial auditor were confirmed by 100 % of the votes cast.

ANNUAL GENERAL MEETING TAKES PLACE ON 15 JUNE 2018

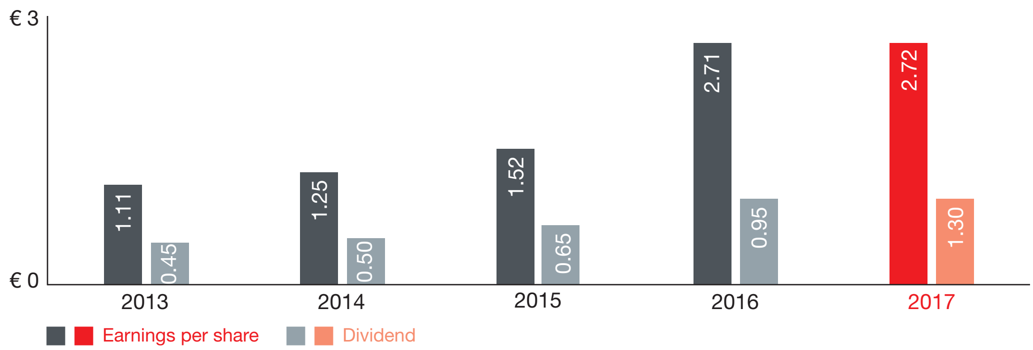
The next Annual General Meeting will be held at Tech Gate Vienna starting at 10:00 a.m. CEST on 15 June 2018. Shareholders wishing to attend are requested to provide proof of shareholder status with their bank by 5 June 2018. Details regarding the correct procedure can be found on our website at www.strabag.com > Investor Relations > Annual General Meeting.

Dividend

Dividend:
€ 1.30 per share

STRABAG places great value on a constant dividend policy. The Management Board is keeping to its goal of paying out 30–50 % of the net income after minorities to company shareholders in the form of a dividend once a year. The exact payout ratio is determined by the general development of the business as well as by the group's opportunities for growth. In accordance with this goal, the Management Board of STRABAG SE will propose to the Annual General Meeting of 15 June 2018 a dividend of € 1.30 per share for the 2017 financial year. This corresponds to a dividend payout ratio of 48 % – a record, as well as the amount of the net income after minorities. Based on the share price of € 34.03 on 31 December 2017, the dividend yield is 3.8 %. The ex-dividend day has been set for 22 June 2018; the dividend payout date for 26 June 2018.

EARNINGS PER SHARE AND DIVIDEND



Bonds and bonded loans

OVERVIEW OF THE LISTED BONDS

Term	Interest %	Volume € mln.	ISIN	Exchange
2011–2018	4.75	175	AT0000A0PHV9	Vienna
2012–2019	4.25	100	AT0000A0V7D8	Vienna
2013–2020	3.00	200	AT0000A109Z8	Vienna
2015–2022	1.625	200	AT0000A1C741	Vienna

STRABAG SE (and its predecessor, FIMAG) has to date issued twelve corporate bonds, of which four are still listed. On 25 May 2018, one of the bonds will mature.

S&P CONFIRMS CORPORATE CREDIT RATING OF BBB

STRABAG SE and its bonds are regularly rated by the international ratings agency Standard & Poor's (S&P). In November 2007, S&P raised the corporate credit rating for STRABAG SE from BB+ to BBB-, thus elevating STRABAG SE to "investment grade". In June 2015, S&P raised the credit rating another level to BBB with stable outlook. The rating was last confirmed in 2017. The key indicators that had led to the ratings increase continued to develop well, according to S&P. STRABAG SE's strengths are seen above all in the stable margins in an otherwise quite cyclical market environment, the increasing infrastructure investments in Germany and CEE, the strategic access to raw materials and in the strong market positions.

Investor Relations

As we pursued our investor relations activities persistently in 2017, investor interest also remained stable despite the lower trade activity of our shares. In addition to the prescribed quarterly reports, we informed 71 capital market participants (2016: 93) in 38 (64) one-on-ones, telephone conferences and group talks. We took part in five (nine) **roadshows** and **investor conferences** organised by Baader Bank, Erste Group, Kepler Cheuvreux and Raiffeisen Centrobank and conducted investor talks in places such as Frankfurt, Munich, Zurich and Vienna.

If you want to learn more about our future roadshow activities, please visit our website at www.strabag.com > Investor Relations. The corporate calendar is updated continuously and includes all the planned roadshow events as well as the dates for the publication of our financial results.

WE ARE IN CONSTANT CONTACT WITH OUR INVESTORS

Not only are we in constant e-mail and telephone contact with our institutional investors and analysts, we also provide extensive information to our private investors. We do so among other things by offering web and audio broadcasts of parts of our Annual General Meetings and investor conferences on our website, and we try to reach our private shareholders and interested parties through a variety of different channels. In 2017, STRABAG SE CEO Thomas Birtel took part in an **investors' fair** in Vienna and attended an evening event for private investors organised by Börse Social Network. We also took advantage of the offer to give interviews in the Börsen Radio Network in which we informed of the dates of our reporting. In 2018, we will participate for the first time in the Vienna Stock Exchange's new video channel Austrian Stock Talk.

Every individual investor benefits from our taking the time to communicate with the market and to strive for constant improvement in our investor relations work – because excellent investor relations have a positive effect on the share price and reduce the amount of time required to form an opinion of the company. It is our goal to maintain the strength of our investor relations efforts, to keep a steady flow of information and, in so doing, to help the analysts of banks and institutional investors make correct assessments of STRABAG SE's shares and bonds.

Unpaid share coverage

Analyst research provides current as well as potential shareholders with a first indication of the assessment of STRABAG SE. We are therefore delighted that eight banks regularly analyse STRABAG SE – at no cost to the company – in order to issue target prices and recommendations for our shares:

- Berenberg Bank, London (Saravana Bala)
- Commerzbank, Frankfurt (Norbert Kretlow)
- Deutsche Bank, Vienna (Matthias Pfeifenberger)
- Erste Group, Vienna (Daniel Lion)
- Kepler Cheuvreux, Vienna (Stephan Trubrich)
- LBBW, Stuttgart (Jens Münstermann)
- MainFirst Bank, Frankfurt (Patrick Horch)
- Raiffeisen Centrobank, Vienna (Markus Remis)

Additionally, credit analysts at these banks are currently covering our bonds:

- Erste Group, Vienna (Elena Statelov)
- Raiffeisen Bank International, Vienna (Eva-Maria Grosse)

HOW TO RECEIVE INFORMATION ABOUT STRABAG SE

STRABAG SE's Investor Relations department reports directly to the CEO and sees itself as the service department for existing and potential private shareholders, institutional investors and analysts, as well as the point of contact for capital market issues for the group's operating units. For us, quick response times, comprehensive information and a constant dialogue with the capital market and the general public are a matter of course. We place great importance on informing all shareholder groups quickly and simultaneously. To achieve this, we publish all company-relevant news on our website at the same time that we send our **Investor Relations newsletter** per e-mail.

If you would like to receive this information, please register on the Investor Relations page on our website www.strabag.com or give us a call.

Your questions and suggestions are important to us for the continued improvement of our services. We look forward to hearing from you:

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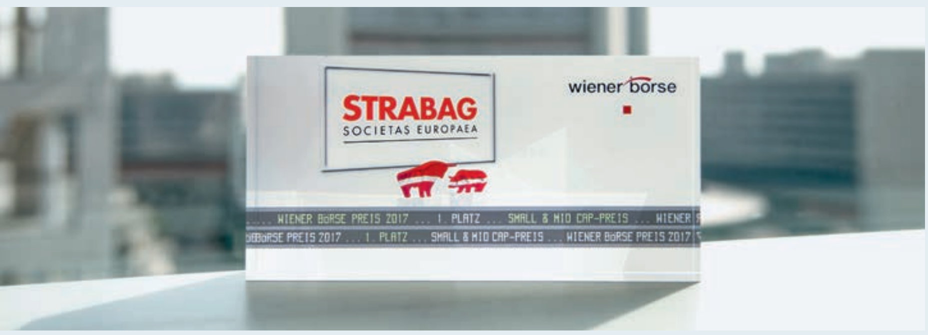
At www.strabag.com > Investor Relations you will also find:

- Up-to-date roadshow documents
- Company presentations
- Analyst consensus recommendations
- Complete versions of the credit research reports
- Live broadcasts and recordings of telephone and investor conferences
- Stock calculator
- Subscription to receive daily share price information
- Individual share price charts
- Download versions of the Annual Reports and Interim Reports
- Order form for the print versions of our publications
- Corporate calendar

STRABAG SE CELEBRATES TEN YEARS ON THE STOCK MARKET

STRABAG SE had reason to celebrate in 2017: On 19 October 2007, the company placed 28,200,001 no-par shares in free float on the Vienna Stock Exchange at a price of € 47 per share. Although the subsequent price developments were influenced by the crises on the international markets in the following ten years, the shares of STRABAG SE still managed to outperform the Viennese benchmark index ATX in this period.



"STRABAG's continuous, exemplary investor relations work was recognised at the **2017 Vienna Stock Exchange Awards**. Good communication and transparency attract attention – not only for the company itself, but also for the capital market. For this service, we say thank you and congratulate STRABAG on ten years on the stock market," said Christoph Boschan, CEO of the Vienna Stock Exchange.

In the past ten years, the management of STRABAG SE has met with nearly 1,800 representatives of institutional investors at over 1,000 meetings in cities like London, Frankfurt, Vienna, Zurich, Warsaw or Milan to provide information on the company. Private investors have access to an IR hotline, and private investor roadshows with the CEO are a regular date on the corporate calendar.

GLOSSARY

ATX	Austrian Traded Index; the index of leading shares of the Vienna Stock Exchange (Wiener Börse)
BIM	Building Information Modelling
Book value per share	Book value of equity/number of outstanding shares
BPM	Business process management
BREEAM	Building Research Establishment Environmental Assessment Methodology; a rating system for environmental and social-culturall-aspects for sustainable building
CAPEX	Capital Expenditure, Investments; acquisition of financial assets + acquisition of intangible assets as well as property, plant and equipment + changes to the scope of consolidation
Capital employed	Total of group equity + interest-bearing debts
Cash flow	Cash and cash equivalents being received and spent
Carbon footprint	Measure of carbon emissions caused by an activity
CO_2	Carbon dioxide (greenhouse gas)
Code of Conduct	Guidelines which reflect the company's policy; compliance is mandatory for all employees, directors and officers
Compliance	Abidance with applicable laws and relevant regulations
Corporate Governance	A code of conduct for publicly listed companies; corporate governance comprises all guidelines which maximise transparency and control in order to avoid conflicts of interest
DCF method	Discounted cash flow method
DGNB	German Society for Sustainable Construction (Deutsche Gesellschaft für Nachhaltiges Bauen e.V.)
Directors' dealings	Transactions with company securities by company directors or officers
Dividend yield	Ratio of dividend to price per share at year's end in %
Earnings per share	Net income after minorities/weighted average number of shares
EBIT	Earnings before interest and taxes
EBIT margin	Ratio of EBIT to revenue in %
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBITDA margin	Ratio of EBITDA to revenue in %
EECFA	Eastern European Construction Forecasting Association
EMAS	Eco-Management and Audit Scheme; instrument developed by the European Commission for organisations, who want to improve their environmental performance on a voluntary basis.
ENCORD	European Network of Construction Companies for Research and Development
Equity ratio	Ratio of book value of equity to balance sheet total
Equity method	Method of consolidation of shares in associated companies and joint ventures; mostly companies in which STRABAG holds a stake between 20 % and 50 %
ERP systems	Enterprise Resource Planning
Four-eyes principle	Principle according to which an activity is carried out and monitored by different persons
FTE	Full-Time Equivalents

GDP	Gross Domestic Product
Gearing ratio	Net debt/total group equity
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board, issues the IFRS
IFRS	Financial reporting standards and interpretations adopted by the International Accounting Standards Board (IASB)
ISO 14001	International standard designed to help organisations establish environmental management systems
ISO 50001	International standard designed to help organisations establish energy management systems
LEED	Leadership in Energy and Environmental Design
NaDiVeg	Sustainability and Diversity Improvement Act
Net debt	Financial liabilities - non-recourse debt + severance and pension provisions - cash and cash equivalents; called net cash in case of negative result
Order backlog	Future revenues from contracts signed to a specific date less work already accomplished
ÖCGK	Austrian Corporate Governance Code (Österreichischer Corporate Governance Kodex)
ÖGNI	Austrian Sustainable Building Council (Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft)
OHSAS 18001	British Standard Occupational Health and Safety Assessment
Payout ratio	Dividends/earnings per share in %
PPP	Public-Private Partnership; Project which is funded and operated through a partnership of private investors and public-sector institutions
Pro rata temporis	lat. “at the rate for the time”; Allocation of an amount at a rate proportional to the time allotted
Risk management	An approach to recognise potential risks to the company and develop strategies to manage these risks
ROCE	Return on Capital Employed; (Net income + interest on debt - interest tax shield (25 %))/(average group equity + interest-bearing debt)
SCC	Safety Certificate Contractors
SHE	Safety, health, environment
Sureties	Bank guarantees or surety bonds
Value chain	The individual steps and actions required to create a product or deliver a service
WBI	Vienna Stock Exchange Share Index, made up of all companies listed on the Vienna Stock Exchange (Wiener Börse Index)

FINANCIAL CALENDAR

Annual Report 2017	**27 April 2018**
Disclosure	7:30 a.m.
Press conference	10:00 a.m.
Investor and analyst conference call	2:00 p.m.
Interim Report January–March 2018	**30 May 2018**
Disclosure	7:30 a.m.
Investor and analyst conference call	10:00 a.m.
Notice of Annual General Meeting	16 May 2018
Shareholding confirmation record date	5 June 2018
Annual General Meeting 2018	**15 June 2018**
Start 10:00 a.m.	
at Tech Gate Vienna	
Ex-dividend date	22 June 2018
Record date	25 June 2018
Payment date for dividend	26 June 2018
Semi-Annual Report 2018	**31 August 2018**
Disclosure	7:30 a.m.
Investor and analyst conference call	10:00 a.m.
Interim Report January–September 2018	**29 November 2018**
Disclosure	7:30 a.m.
Investor and analyst conference call	10:00 a.m.

All times are CET/CEST. Please find the roadshow schedule on the website www.strabag.com > Investor Relations > Company Calendar.

IMPRINT

Owner, editor and publisher

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The Annual Report was prepared with the highest possible attention to detail. All information was verified. In case of discrepancy the German version prevails. The possibility of rounding errors, printing errors or misprints, however, cannot be completely excluded. The Annual Report contains information and forecasts related to the future development of STRABAG SE. These forecasts represent estimates made on the basis of all available information at the time of publication. Should the assumptions underlying the forecasts fail to appear, the actual results could deviate from the expectations.

Many of the projects contained in this financial report were carried out in joint ventures. We hereby extend a warm “thank you” to all our partners.

The creative concept for this report is the result of a cooperation with the St. Pölten University of Applied Sciences and the Carinthia University of Applied Sciences. We hereby extend our thanks to all involved for the exciting discussions and the valuable result.

Students and faculty from the St. Pölten University of Applied Sciences: Tatjana Aubram, Johanna Erd, Elisabeth Haimberger, FH-Prof. Monika Kovarova-Simecek, Eileen Okafor, Astrid Schipfer, Alexandra Vancic, Jasmin Wolf-Veigel

Students and faculty from the Carinthia University of Applied Sciences: Christoph Kühbacher, Michael Lackner, Madeleine Maierhofer, FH-Prof. Walter Schneider, Marcel Wagner, Andreas Wolfthaler

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CORPORATE GOVERNANCE

B

STRABAG
SOCIETAS EUROPAEA

CONSOLIDATED CORPORATE GOVERNANCE REPORT

General principles

CONSOLIDATED REPORT

The present report is a consolidated corporate governance report as defined by Sec 267b UGB (Austrian Commercial Code) which also covers the corporate governance report as defined by Sec 243c UGB.

COMMITMENT TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

The consolidated corporate governance report explains the rules, structures and processes implemented by STRABAG SE in the interest of a well-functioning corporate governance system. We are fully and without exception committed to the Austrian Code of Corporate Governance (ÖCGK) and its aims and we see compliance with all the rules contained within the Code as a top priority. This commitment represents a self-obligation on the part of STRABAG SE with the aim to boost shareholder confidence and to constantly optimise our high internal legal, behavioural and ethical standards. We are further obligated to fulfil the standards of the Code due to the listing of our shares in the Prime Market segment of the Vienna Stock Exchange.

The Austrian Code of Corporate Governance is a set of rules for good corporate governance and control systems on the Austrian capital market. It was introduced in 2002 in line with international standards and has been revised several times since. The aim of the Code is to establish a responsible system of management and supervision of companies that is geared towards creating sustained, long-term value while ensuring a high level of transparency for all stakeholders. Investors and issuers therefore recognise the Code as an indispensable part of the Austrian system of corporate governance and of Austrian business life.

The Austrian Code of Corporate Governance defines three categories of rules: L-rules refer to legal requirements with mandatory compliance on the part of publicly listed companies in Austria. Deviation from C-rules (comply or explain) must be explained and the reasons stated. R-rules are recommendations requiring neither disclosure nor explanation. The version of the Code that was valid for the 2017 financial year is the January 2015 version. It is available for download from the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at) and from STRABAG SE (www.strabag.com > Investor Relations > Corporate Governance > Formal Obligation and Evaluation).

The Management Board and the Supervisory Board of STRABAG SE declare that STRABAG SE has complied with all L-rules of the Austrian Code of Corporate Governance as well as all C-rules with the exception of those rules stated and explained below. The company furthermore endeavours to abide not only by the minimum requirements but also by all of the Code's R-rules without exception.

NON-COMPLIANCE WITH THE AUSTRIAN CODE OF CORPORATE GOVERNANCE[1]

C-Rule 2: On the basis of a resolution passed by the Annual General Meeting, the shares of STRABAG SE include two special registered shares with an associated right to nominate one member of the Supervisory Board each. The registered shares bind significant shareholder groups more strongly to the company and guarantee the availability of know-how from important stakeholders for the Supervisory Board. This is in the interest of good corporate governance and represents a long-term advantage for STRABAG SE, which further benefits especially from the commitment, expertise and experience of the respective Supervisory Board member. It also significantly improves the contact and communication between the company and its

1 January 2015 version

shareholders and promotes the transparency of the shareholder structure.

C-Rule 27: It is a key concern for STRABAG SE that the remuneration of the Management Board members be made according to measurable criteria in a way that is transparent and easily comprehensible. The remuneration of the Management Board is based on the scope of the work, the responsibilities and the personal performance of the individual Management Board member, the achievement of the corporate goals as well as the size and the economic situation of the company. The variable component of the remuneration also considers sustainable, long-term, multi-year performance criteria if these can be measured. It may not exceed a fixed maximum. It is nearly impossible, however, to meaningfully define non-financial criteria that would be applicable equally to all segments. Very general non-financial criteria don't say very much about the sustainable success and economic situation of the company. On the other hand, a differentiated definition of non-financial criteria for each business segment would be to the detriment of transparency and ease of understanding. As a result of thorough debate in the Executive Committee of the STRABAG SE Supervisory Board, the decision was made not to use non-financial criteria to calculate the remuneration of the members of the Management Board.

Boards

MANAGEMENT BOARD

Management Board composed of five members

Siegfried Wanker, Hannes Truntschnig, Thomas Birtel, Peter Krammer, Christian Harder (from left to right)

Name	Year of birth	Position held	Responsible for	First appointment	End of current period of office	Supervisory board mandates or similar functions in national or foreign companies not included in the consolidated financial statements	Management and supervisory tasks at important[1] subsidiaries
Dr. Thomas Birtel	1954	CEO	Central Staff Divisions and Central Divisions Zentrale Technik, BMTI and TPA Group Division 3L Russia	1 January 2006 (Member of the Management Board) 15 June 2013 (CEO)	31 December 2018	Deutsche Bank AG, Germany (Member of the Advisory Board) HDI-Global SE, Germany (Member of the Advisory Board) VHV Allgemeine Versicherung AG, Germany (Member of the Supervisory Board) VHV Vereinigte Hannoversche Versicherung a.G., Germany (Member of the Supervisory Board) VHV Holding AG, Germany (Member of the Supervisory Board)	Bau Holding Beteiligungs AG, Austria (Chairman of the Supervisory Board) Ed. Züblin AG, Germany (Chairman of the Supervisory Board) Until 29 December 2017: STRABAG AG[2], Germany (Chairman of the Supervisory Board) STRABAG AG, Austria (Chairman of the Supervisory Board) STRABAG Sp. z o.o., Poland (Chairman of the Supervisory Board)
Mag. Christian Harder	1968	CFO	Central Division BRVZ	1 January 2013	31 December 2018	Syrena Immobilien Holding AG, Austria (Member of the Supervisory Board)	AKA Alföld Koncessziós Autópálya Zártkörüen Müködö Részvénytársaság, Hungary (Member of the Supervisory Board) Bau Holding Beteiligungs AG, Austria (Member of the Management Board) Ilbau Liegenschaftsverwaltung AG[2], Germany (as at 29 December 2017: STRABAG AG) (Chairman of the Supervisory Board) STRABAG AG, Austria (Vice Chairman of the Supervisory Board) STRABAG Property & Facility Services GmbH, Germany (Member of the Supervisory Board) STRABAG BRVZ GmbH, Austria (Managing Director)
Dipl.-Ing. Dr. Peter Krammer	1966	Member of the Management Board	Segment North + West[3]	1 January 2010	31 December 2018	None	Bau Holding Beteiligungs AG, Austria (Member of the Management Board) Ed. Züblin AG, Germany (Member of the Supervisory Board) Until 29 December 2017: STRABAG AG[2], Germany (Member of the Supervisory Board) STRABAG AG, Austria (Member of the Supervisory Board) STRABAG Sp. z o.o., Poland (Member of the Supervisory Board)
Mag. Hannes Truntschnig	1956	Member of the Management Board	Segment International + Special Divisions[4]	1 April 1995	31 December 2018	Syrena Immobilien Holding AG, Austria (Vice Chairman of the Supervisory Board)	AKA Alföld Koncessziós Autópálya Zártkörüen Müködö Részvénytársaság, Hungary (Chairman of the Supervisory Board) Bau Holding Beteiligungs AG, Austria (Member of the Management Board) Ilbau Liegenschaftsverwaltung AG[2], Germany (as at 29 December 2017: STRABAG AG) (Vice Chairman of the Supervisory Board) STRABAG AG, Austria (Member of the Supervisory Board) STRABAG Property & Facility Services GmbH, Germany (Chairman of the Supervisory Board) STRABAG Sp. z o.o., Poland (Member of the Supervisory Board)
Dipl.-Ing. Siegfried Wanker	1968	Member of the Management Board	Segment South + East[5], (except Division 3L Russia)	1 January 2011	31 December 2018	None	Bau Holding Beteiligungs AG, Austria (Member of the Management Board) Ilbau Liegenschaftsverwaltung AG[2], Germany (as at 29 December 2017: STRABAG AG) (Member of the Supervisory Board) STRABAG AG, Austria (Member of the Supervisory Board) STRABAG a.s., Czech Republic (Chairman of the Supervisory Board)

1 € 10 million minimum average consolidated output volume over past two years
2 Effective 29 December 2017, STRABAG AG of Germany was merged with Ilbau Liegenschaftsverwaltung AG of Germany, which was simultaneously renamed STRABAG AG. The registered seat of STRABAG AG (formerly Illbau Liegenschaftsverwaltung AG) was then moved to Cologne with effect from 19 January 2018.
3 North + West: Germany, Poland, Benelux, Scandinavia, Ground Engineering, Waterway Construction
4 International + Special Divisions: Tunnelling, Construction Materials, Services, Real Estate Development, Infrastructure Development, Direct Export
5 South + East: Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe, Environmental Engineering

Dr. Thomas Birtel

Thomas Birtel graduated with a doctorate degree in economics from Ruhr-University Bochum in 1982. He began his career in 1983 at the former German trading and industrial plant construction group Klöckner & Co, where he advanced to head of accounting for Klöckner Industrie-Anlagen GmbH. In 1989, he moved on to managing director's position at Sweden's Frigoscandia Group. He joined the STRABAG Group in 1996 as a member of the Management Board of STRABAG Hoch- und Ingenieurbau AG, was appointed to the Management Board of STRABAG AG, Germany, in 2002 and to the Management Board of STRABAG SE in 2006. Thomas Birtel has held the position of CEO of STRABAG SE since 15 June 2013.

Mag. Christian Harder

Christian Harder completed a degree in applied business administration at the University of Klagenfurt before joining the STRABAG Group through its predecessor Bau Holding Group in 1994. He advanced to director of accounting, to head of financial accounting and, finally, to Central Division director of Bau-, Rechen- und Verwaltungszentrum Gesellschaft m.b.H. (BRVZ). From 2008, he held the position of managing director of BRVZ. He was appointed CFO of STRABAG SE effective on 1 January 2013.

Dipl.-Ing. Dr. Peter Krammer

Peter Krammer graduated with a doctorate degree in engineering sciences from the Faculty of Civil Engineering at TU Wien in 1995. He gained his first professional experience at Porr Technobau AG, STRABAG and Swietelsky Bau GesmbH before returning to STRABAG AG, Austria, in 2005. As a member of the Management Board, he was in charge of building construction and civil engineering in Eastern Europe and of environmental engineering for the entire group. Peter Krammer has been a member of the Management Board of the group since 1 January 2010.

Mag. Hannes Truntschnig

After completing studies in business administration at Karl Franzens University in Graz, Hannes Truntschnig in 1981 joined ILBAU AG (today's STRABAG Group) where he acquired profound leadership experience through various commercial management positions at a number of different group companies. In 1992, he was appointed authorised signatory for Bau Holding Aktiengesellschaft. Hannes Truntschnig has been a member of the Management Board of STRABAG SE since 1 April 1995.

Dipl.-Ing. Siegfried Wanker

Siegfried Wanker studied civil engineering at Graz University of Technology before joining the STRABAG Group as site manager in 1994. Between 2001 and 2004, he held the position of managing director at several engineering service providers before rejoining the STRABAG Group in 2005. As a member of the Management Board of STRABAG AG, Austria, he was initially in charge of the international building construction business, then for corporate development and services, and finally for infrastructure project development. Siegfried Wanker has been a member of the STRABAG SE Management Board since 1 January 2011.

Working method of the Management Board: open exchange in meetings usually every two weeks

The Management Board of STRABAG SE – like the Supervisory Board – sees it as a priority obligation and task to comply with all the rules of the Austrian Code of Corporate Governance and to continually optimise the high internal legal, behavioural and ethical standards of STRABAG SE. Collegiality, openness, a constant exchange of experience and short decision-making chains are among the main guiding principles. In line with the rules of the Code, the Management Board of STRABAG SE works closely together with the Supervisory Board. In particular,

- the Management Board regularly and extensively informs the Supervisory Board as to all relevant matters concerning the development of the company's business, including the risk situation and risk management in the company and the important group entities;

Open exchange and close cooperation between Management Board and Supervisory Board

- a regular exchange of information and opinions takes place between the CEO and the Chairman of the Supervisory Board concerning strategy, the development of the business, risk management and important business transactions, particularly acquisitions and disposals;

- the Chairman of the Supervisory Board is informed immediately of any important occurrences;

- the Management Board reports to the Supervisory Board at least once a year on the provisions taken to fight corruption.

The Management Board of STRABAG SE and its individual members conduct their business in accordance with the prevailing laws and legislation, the Articles of Association, and the Management Board's Rules of Procedure as approved by the Supervisory Board. The Rules of Procedure obligate the Management Board and its individual members to provide extensive information and reporting to the Supervisory Board. The Rules of Procedure also define an extensive catalogue of measures and legal transactions requiring approval by the Supervisory Board.

Coordination within the Management Board occurs during regular meetings held approximately every two weeks as well as in the form of the daily informal exchange of information. Matters discussed at the Management Board meetings include the current operations and the long-term company strategy. Also coordinated are any current or outstanding management measures to be implemented by the relevant Management Board members.

SUPERVISORY BOARD

Supervisory Board composed of eleven members

Name	Year of birth	Citizen of	Position held	First appointment	End of current period of office	Other supervisory board mandates or similar functions in national or foreign listed companies	Independent pursuant to Rule 53 ÖCGK
Shareholder representatives							
Dr. Alfred Gusenbauer	1960	Austria	Chairman of the Supervisory Board	18 June 2010	Ends with 2020 Annual General Meeting	Gabriel Resources Ltd., Canada (Member of the Supervisory Board) RHI AG, Austria (Member of the Supervisory Board)	Yes
Mag. Erwin Hameseder	1956	Austria	Vice Chairman of the Supervisory Board	10 September 1998	Indefinite as of 17 August 2007	AGRANA Beteiligungs-AG, Austria (Chairman of the Supervisory Board) Until 31 May 2017: Flughafen Wien AG, Austria (1st Vice Chairman of the Supervisory Board) Raiffeisen Bank International AG, Austria (since 22 June 2017: Chairman of the Supervisory Board, before: 1st Vice Chairman of the Supervisory Board) Südzucker AG, Germany (2nd Vice Chairman of the Supervisory Board) UNIQA Insurance Group AG, Austria (2nd Vice Chairman of the Supervisory Board)	Yes
Mag. Hannes Bogner	1959	Austria	Member of the Supervisory Board	14 June 2013	Ends with 2020 Annual General Meeting	Since 8 March 2017: Palfinger AG, Austria (Member of the Supervisory Board)	Yes

Name	Year of birth	Citizen of	Position held	First appointment	End of current period of office	Other supervisory board mandates or similar functions in national or foreign listed companies	Independent pursuant to Rule 53 ÖCGK
Thomas Bull	1964	Germany	Member of the Supervisory Board	9 February 2017	Indefinite as of 9 February 2017	None	Yes
Mag. Kerstin Gelbmann	1974	Austria	Member of the Supervisory Board	18 June 2010	Ends with 2020 Annual General Meeting	Binder+Co AG, Austria (since 19 April 2017: Chairwoman of the Supervisory Board, before: Member of the Supervisory Board) SEMPER CONSTANTIA PRIVATBANK AG, Austria (Member of the Supervisory Board)	Yes
Dr. Gulzhan Moldazhanova	1966	Russia	Member of the Supervisory Board (until 8 February 2017)	17 August 2007 to 20 April 2009; rejoined on 13 January 2016	Ended on 8 February 2017	None	Yes
William R. Spiegelberger	1961	USA	Member of the Supervisory Board	12 June 2015	Ends with 2020 Annual General Meeting	None	Yes
Delegated by the works council							
Dipl.-Ing. Andreas Batke	1962	Germany	Member of the Supervisory Board	1 October 2009	Indefinite	Until 29 December 2017: STRABAG AG[1], Germany, (Member of the Supervisory Board)	Yes
Miroslav Cerveny	1959	Czech Republic	Member of the Supervisory Board	1 October 2009	Indefinite	None	Yes
Magdolna P. Gyulainé	1962	Hungary	Member of the Supervisory Board	1 October 2009	Indefinite	None	Yes
Georg Hinterschuster	1968	Austria	Member of the Supervisory Board	13 October 2014	Indefinite	None	Yes
Wolfgang Kreis	1957	Germany	Member of the Supervisory Board	1 October 2009	Indefinite	None	Yes

1 Effective 29 December 2017, STRABAG AG of Germany was merged with Ilbau Liegenschaftsverwaltung AG and Ilbau Liegenschaftsverwaltung AG was renamed STRABAG AG. The registered seat of the company was moved to Cologne with effect from 19 January 2018.

Shareholder representatives

Dr. Alfred Gusenbauer
Chairman of the Supervisory Board

Alfred Gusenbauer studied law, philosophy, political science and economy at the University of Vienna, completing his doctorate in 1987. In 1991, he became a member of the Austrian senate, two years later a member of parliament. From 2000 to 2008, Alfred Gusenbauer was President of the Social Democratic Party of Austria, serving as Federal Chancellor of the Republic of Austria and member of the European Council from 2007 to 2008. In addition to his current activities at Brown University and Columbia University, Alfred Gusenbauer is President of the Austrian-Spanish Chamber of Commerce.

Mag. Erwin Hameseder
Vice Chairman of the Supervisory Board

Erwin Hameseder received a master of law degree from the University of Vienna. From 1975 to 1987, he served as an officer in the Austrian army, where he achieved the rank of colonel in the directorship services in 2002 and of brigadier in 2006. In 1987, he joined the legal department of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H. From 1988 to 1994, he was responsible for investment management, from 1991 as head of the department. He was managing director of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H. from 1994 to 2001 and director-general of RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H (a spin-off from RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG) from 2001 to 2012. From 2007 to 2012, Erwin Hameseder also assumed the position of chairman of the Management Board of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG. Since 4 May 2012, he has been chairman of RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H. Erwin Hameseder has been a member of the Supervisory Board since 1998. In 2007, he was delegated to the Supervisory Board of STRABAG SE for an indefinite period of time by the authorised holder of registered share number 1. *Annex 1 of the 2015 Austrian Code of Corporate Governance allows periods of office of more than 15 years for Supervisory Board members who are shareholders with a direct investment in the company or who represent the interests of such a shareholder.*

Mag. Hannes Bogner

Hannes Bogner studied business administration at the University of Innsbruck and qualified as a tax advisor in 1988 and as a statutory auditor in 1993. He worked at THS Treuhand Salzburg Wirtschaftsprüfungsgesellschaft from 1984 to 1988 and at Price Waterhouse from 1988 to 1994. From 1994 to 2016, he worked for UNIQA and its predecessor companies. From 1998 to 1999, he served as deputy member of the Management Board of Bundesländer-Versicherung AG and Austria-Collegialität. In 1999, he was appointed to the Management Board of UNIQA Versicherungen AG as Chief Financial Officer. He was CFO at UNIQA Insurance Group AG from 2011 to 2014 and held the function of Chief Investment Officer (CIO) from 2015 to 2016.

Thomas Bull (since 9 February 2017)

Thomas Bull has 25 years of experience in international project management, M&A projects and corporate investment management in Russia, Central and Eastern Europe, and the United States. After graduating from Voronezh State University in Russia in 1987, he held various management positions at Hochtief, E.ON and Enel Russia, among others. From 2013 to 2014, he was Director of the Central Department for Construction Projects at OAO Sberbank. Since 2014, Thomas Bull has been a member of the Supervisory Board of engineering company NGI Group. He holds a Master of Business Administration from the University of Dresden.

Mag. Kerstin Gelbmann

Kerstin Gelbmann studied trade and commerce in Vienna. After graduating, she began her career at Auditor Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH. Kerstin Gelbmann has worked for E.F. Grossnigg Finanzberatung und Treuhandelsgesellschaft m.b.H. since 2002, most recently as managing director, and for grosso holding Gesellschaft mbH since 2007. In January 2010, she assumed the additional position of managing director at Austro Holding GmbH.

William R. Spiegelberger

William R. Spiegelberger is an attorney in New York. From 2007 to 2017, he was Director of the International Practice Department at Rusal Global Management B.V. in Moscow, where he was responsible for all major legal risks of the RUSAL Group outside the Commonwealth of Independent States. From 1994 to 2007, he worked as a lawyer in New York, Paris and Moscow for the international law firms White & Case LLP and Milbank, Tweed, Hadley & McCloy LLP. Spiegelberger is a graduate of Columbia University in New York (B.A., M.A., M.Phil, J.D.) and member of the National Advisory Council of the Harriman Institute (Columbia University).

Dr. Gulzhan Moldazhanova (from 13 January 2016 to 8 February 2017)

Gulzhan Moldazhanova graduated from Kazakh State University with an honours degree in physics in 1989. She received a doctorate degree from Moscow State University in 1994 and subsequently graduated from the Russian State Finance Academy. She also holds an EMBA (Executive Master of Business Administration) from the Russian Academy of National Economy and the University of Antwerp, Belgium. Her professional experience includes various positions in the fields of strategy, finance and management at the Russian companies Siberian Aluminium, Basic Element and Rusal. Since July 2012, she has been CEO of Company Bazovy Element LLC. In January 2016, she was again appointed to the Supervisory Board of STRABAG SE for an indefinite period of time by the authorised holder of registered share number 2, after having already been a member from 17 August 2007 until 20 April 2009. Gulzhan Moldazhanova left the Supervisory Board of STRABAG SE effective 8 February 2017. She was succeeded by Thomas Bull.

Delegated by the works council

Dipl.-Ing. Andreas Batke

Andreas Batke joined STRABAG AG, Germany, as a land surveyor in 1991. He has been a member of the works council since May 1998. Batke currently serves as chairman of the group works council and vice chairman of the works council of STRABAG SE. Until 29 December 2017, he was a member of the Supervisory Board of STRABAG AG, Germany.

Miroslav Cerveny

Miroslav Cerveny has worked for a Czech subsidiary of the STRABAG Group since 1988, holding positions in IT administration, accounting, and occupational health and safety.

Magdolna P. Gyulainé

Magdolna P. Gyulainé is chairwoman of the works council of STRABAG Hungary. She joined a predecessor company of STRABAG Hungary as bookkeeper in 1981.

Georg Hinterschuster

Georg Hinterschuster completed an apprenticeship in commercial site management at STRABAG Bau GmbH from 1984 to 1987. He then worked as group commercial manager in the engineering ground works business in St. Valentin, Lower Austria, before taking over a commercial management task for the Transportation Infrastructures and the Building Construction & Civil Engineering segments in the Czech Republic from 1997 to 2000. Hinterschuster has been active in the works council since 1991 and has been a full-time employee representative in the group and central works council since 2008.

Wolfgang Kreis

Wolfgang Kreis joined Ed. Züblin AG as a commercial clerk in 1979. In 1987, he was elected to the works council and today is works council chairman for the Karlsruhe subdivision and chairman of the works council at Ed. Züblin AG. He has been vice chairman of the Supervisory Board of Ed. Züblin AG since 2002 and chairman of the works council of STRABAG SE since October 2013. In additional functions, he dedicates his time to the issue of occupational safety.

All members independent in accordance with the Austrian Code of Corporate Governance

All members of the Supervisory Board of STRABAG SE and its committees are independent in accordance with the conditions contained within the Austrian Code of Corporate Governance (see also www.strabag.com > Investor Relations > Corporate Governance > Supervisory Board > Independence of the Supervisory Board) and have declared in writing explicitly to adhere to all conditions of the Austrian Code of Corporate Governance. New members of the Supervisory Board receive detailed information regarding the avoidance of conflicts of interest upon assumption of their activities. The independence of the Supervisory Board members is defined by the following guidelines (excerpt from the Rules of Procedure for the Supervisory Board as amended on 28 April 2014):

<u>Guidelines for the independence of Supervisory Board members of STRABAG SE (“the company”) in accordance with C-Rule 53 of the Austrian Code of Corporate Governance</u>

A member of the Supervisory Board of the company shall be deemed independent if he or she has no business or personal relations with the company or its Management Board which would constitute a material conflict of interest and thus could influence the member’s behaviour. Moreover, the members of the Supervisory Board shall comply with the following guidelines adapted from the Austrian Code of Corporate Governance:

- The Supervisory Board member shall not have served as a member of the Management Board or as a manager of the company or one of its subsidiaries in the past five years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the Supervisory Board member. This shall also apply to relationships with companies in which the Supervisory Board member has a considerable economic interest. The approval of individual transactions by the Supervisory Board according to C-Rule 48 does not automatically mean the person is qualified as not independent.
- The Supervisory Board member shall not have been auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the Management Board of another company, in which a Management Board member of the company is a Supervisory Board member.
- The Supervisory Board member shall not be a close relative (direct offspring, spouse, partner, parent, uncle, aunt, sibling, niece, nephew) of a Management Board member or of persons in one of the aforementioned positions.

It shall be the responsibility of each member of the Supervisory Board of the company elected by the Annual General Meeting or delegated by the shareholders to declare his or her independence according to the criteria defined.

According to C-Rule 54 of the Austrian Code of Corporate Governance, the Supervisory Board of the company shall include at least one independent member delegated by the shareholders who is not a shareholder with a share of more than 10 % or who represents such a shareholder’s interests. The independence of Supervisory Board members shall be published in the Annual Report. The Supervisory Board shall judge whether it and its committees contain a sufficient number of independent members in accordance with the Austrian Code of Corporate Governance (C-Rules 39 and 53).

In the period under report, no contracts subject to approval by the Supervisory Board were concluded by the company with members of the Supervisory Board (C-Rule 49 of the Austrian Code of Corporate Governance).

Working methods of the Supervisory Board: Five meetings in 2017

Details > Supervisory Board Report

In the 2017 financial year, the Supervisory Board diligently performed the duties incumbent upon it under Austrian law, the Articles of Association, the Austrian Code of Corporate Governance (ÖCGK), and the Rules of Procedure. It met for a total of five meetings last year and so complied with the Code's minimum requirement to meet at least once every three months (C-Rule 36). All members personally attended at least three meetings, so no Supervisory Board member failed to attend more than half of the meetings (C-Rule 58). Furthermore, there were four meetings of the Audit Committee. Besides these regular meetings, there is a constant open discourse and exchange of opinion among the individual members of the Supervisory Board as well as between the individual members of the Supervisory Board and the Management Board.

In accord with its tasks and obligations, the Audit Committee dedicated itself to monitoring the accounting procedures (including the preparation of the consolidated financial statements) and the work of the auditor (including the audit of the consolidated financial statements). During the review of the effectiveness of the internal control system and the risk management system, the Audit Committee focused especially on the anti-competitive accusations in Austria and on specific selected projects. Also reviewed and monitored were the function of the audit system and the qualification and independence of the auditor (group financial auditor), especially with respect to the additional services provided to the company being audited. The internal audit department informed the Audit Committee of the auditing plan and of material findings pursuant to C-Rule 18 of the Austrian Code of Corporate Governance.

Committees: Executive Committee, Presidential and Nomination Committee, and Audit Committee

Details > Supervisory Board Report

Committee decisions are made by a simple majority. In the event of a tie, the vote of the committee chair is the deciding vote. The individual committees have the following composition and tasks:

Committee	Members	Tasks
Executive Committee	• Dr. Alfred Gusenbauer (Chairman) • Mag. Erwin Hameseder • Dr. Gulzhan Moldazhanova[1]/Thomas Bull	The Executive Committee deals with all matters affecting the relations between the company and the members of the Management Board, especially matters relating to the remuneration of Management Board members but excluding decisions regarding the appointment or removal of a Management Board member or regarding the granting of stock options.
Presidential and Nomination Committee	• Dr. Alfred Gusenbauer (Chairman) • Mag. Erwin Hameseder • Dr. Gulzhan Moldazhanova[1]/Thomas Bull • Georg Hinterschuster • Wolfgang Kreis	The Presidential and Nomination Committee submits proposals to the Supervisory Board for filling new mandates or ones that become free on the Management Board, deals with issues relating to successor planning and remuneration policy, and makes decisions in urgent cases
Audit Committee	• Dr. Alfred Gusenbauer (Chairman) • Mag. Erwin Hameseder • Mag. Hannes Bogner • Dr. Gulzhan Moldazhanova[1]/Thomas Bull • Dipl.-Ing. Andreas Batke • Georg Hinterschuster • Wolfgang Kreis	The Audit Committee is responsible for the audit and preparation of the approval of the financial statements, the proposal for the appropriation of net income and the management report, as well as the audit of the consolidated financial statements and the consolidated corporate governance report. The committee also deals with the management letter written by the financial auditor, with the auditor's report as to the efficiency of the risk management and with the report on specific requirements regarding statutory audits under Article 11 of Regulation (EU) No. 537/2014. It also accepts the report of the financial auditor on non-audit-related services provided by the auditor. The Audit Committee makes a proposal for the selection of the auditor, convinces itself of the auditor's independence and prepares the proposal of the Supervisory Board to the Annual General Meeting for voting. Pursuant to C-Rule 81a of the Code, the Audit Committee must meet with the auditor to define a mode of communication between the auditor and the Audit Committee. The Audit Committee also reports to the Supervisory Board on the results of the financial audit in accordance with Sec 92 Para 4a No 4 lit e) of the Austrian Stock Corporation Act (AktG) and presents the degree to which the financial audit contributed to the reliability of the financial reporting and the role played by the Audit Committee in the process.

1 Dr. Gulzhan Moldazhanova left the Supervisory Board and all committees of STRABAG SE effective 8 February 2017. She was succeeded by Thomas Bull.

ANNUAL GENERAL MEETING AND SHAREHOLDERS

The shareholders, as owners of the company, exercise their rights by vote at the Annual General Meeting. More information about the Annual General Meeting and the shareholder structure is available in the chapter “Shares, Bonds & Investor Relations”.

Transparency through constant communication

In the interest of an open communication with shareholders, creditors, clients, analysts, employees and the interested public, transparency is of great importance to STRABAG SE. Important elements of this open communication are the quarterly reporting of STRABAG SE, ongoing direct investor and analyst contacts, the participation in roadshows and conferences, as well as publications and disclosures online and especially on the company website. More details about the company’s extensive information activities in this regard is available in the chapter “Shares, Bonds & Investor Relations”.

CONFLICTS OF INTEREST

Conflicts of interest must be reported immediately

Both the Management Board and the Supervisory Board are required to disclose conflicts of interest. The members of the Management Board must immediately disclose to the Supervisory Board any material personal interests in transactions of the company and group companies as well as any other conflicts of interest. Furthermore, they must also inform the other members of the Management Board of this. Members of the Management Board who hold management positions at other companies must work towards a fair balance of interests of the companies involved.

Supervisory Board members who find themselves in a conflict of interest must immediately disclose this to the Chairperson of the Supervisory Board. If the Chairperson of the Supervisory Board finds himself or herself in a conflict of interest, he or she must immediately disclose this to their deputy. The conclusion of contracts with members of the Supervisory Board in which such members are committed to the performance of a service outside of their activities on the Supervisory Board for the company or a subsidiary for a remuneration not of minor value requires the consent of the Supervisory Board. This also applies to contracts with companies in which a member of the Supervisory Board holds a considerable economic interest.

Diversity concept

Seeing and judging things from different perspectives helps to comprehensively identify the risks of a situation or decision. This is one reason why STRABAG is so interested in diversity with regard to **age, sex, and educational and professional background** especially – but not exclusively – among its directors and officers.

On 31 December 2017, the Supervisory Board included two women and six non-Austrian nationals. The members of the Supervisory Board were between 43 and 61 years old. With their expertise, they cover the fields of law, business management, taxes, engineering, accounting and information technology. They also have experience working in various sectors of construction, industry, banking, insurance and public administration.

At the end of 2017, the Management Board of STRABAG SE consisted of men between 49 and 63 years of age of which one – the CEO – was not Austrian. The members of the Management Board bring together managerial and engineering know-how and have many years of experience within the company, among the competition and in related industries.

Several mechanisms govern **appointments to the Supervisory Board**:

- The registered shares No. 1 and No. 2 are each associated with the right to nominate one person to the Supervisory Board of STRABAG SE.

- Four further members are selected per vote by the Annual General Meeting. They are usually proposed by shareholders' representatives to the Supervisory Board, which in turn passes a draft resolution to the Annual General Meeting.

- The employee representatives delegate five persons to the Supervisory Board.

The Supervisory Board is responsible for **appointments to the Management Board**. The Supervisory Board's Presidential and Nomination Committee makes proposals for filling vacant seats on the Management Board and deals with issues relating to successor planning. It submits a recommendation to the Supervisory Board after comparing the qualifications and experience of suitable candidates to a previously defined job description. The selection of a Management Board member is then made in the Supervisory Board.

Prerequisites for an appointment to the Management Board and Supervisory Board of STRABAG SE include the right expertise and personal qualifications as well as sufficient years of experience in management positions. The Management Board can best fulfil its management function and the Supervisory Board its supervisory and consulting functions with the broadest possible spectrum of skills and experience. This is achieved through diversity in terms of internationalism, educational and professional background, the representation of both sexes to an appropriate degree, and the age structure.

The job profile for a position on the Management Board calls for a minimum of ten years of experience in the construction industry or a related sector and preferably at least five years of management experience within the group. The board should consist of a good balance of members from both technical and commercial backgrounds. New appointees may be no older than 65 years of age.

The current nomination process has so far effectively addressed these requirements, with the result of a certain level of diversity on the boards. Through its draft resolutions to the Annual General Meeting, and through its decisions based on Presidential and Nomination Committee recommendations, the Supervisory Board helps to maintain the diversity of the Supervisory Board and the Management Board. This contribution to diversity is considered separately on a case-by-case basis. To allow a review of the implementation of the diversity criteria, short CVs of the current members of the Management Board and Supervisory Board are published in the Corporate Governance Report.

The Supervisory Board supports the efforts being made by the group to raise the percentage of women in the company and in management and endeavours to increase the **percentage of women** on the Supervisory Board. The aim is to have at least three women on the Supervisory Board in the medium term.

At this time, there still seems to be no point in imposing a voluntary self-obligation for a certain percentage of women on the Management Board: Management positions within the group are filled primarily internally, and currently women remain underrepresented in management. The Supervisory Board is convinced that, in the medium term, successful measures to promote women's careers will result in a higher percentage of women in management, which will end up being reflected at the higher hierarchy levels.

Remuneration report

REMUNERATION OF THE MANAGEMENT BOARD

REGULAR INCOME OF THE MANAGEMENT BOARD

T€

Name	**Fixed**		**Variable**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Birtel	703	703	1,086	1,082	1,789	1,785
Harder	472	472	774	772	1,246	1,244
Krammer	472	472	774	772	1,246	1,244
Truntschnig	472	472	774	772	1,246	1,244
Wanker	472	472	774	772	1,246	1,244
Total	**2,591**	**2,591**	**4,182**	**4,170**	**6,773**	**6,761**

The total income of the Management Board members in the 2017 financial year amounted to € 6.77 million (2016: € 6.76 million). The payments are based on a long-term, multi-year remuneration plan which, in addition to a fixed base salary, foresees a variable portion dependent on the achievement of specific earnings and profitability targets for the STRABAG Group calculated using cost accounting methodology. Bonuses are calculated as a fixed percentage on the net income after minorities less minimum earnings of € 100 million. The variable portion of the income can amount to a maximum of 200 % of the fixed salary. If a minimum yield is surpassed (earnings under cost accounting versus output volume), a defined minimum applies for the variable income portion.

Long-term, multi-year remuneration plans

Furthermore, on the basis of sustainable, long-term, multi-year performance criteria, 25 % of the bonuses are retained and deposited in a personal clearing account of the members of the Management Board. Any balance in the personal clearing account is paid out following expiration of the Management Board contract.

The members of the Management Board also have the right to a company car. A private liability policy covers the legal liability of the members of the Management Board with regard to third-party personal injury, property damage or financial losses. Accident insurance provides coverage in the event of death or disability. The board members are also covered by a legal expense insurance in the event of claims resulting from administrative or criminal violations. The existing directors and officers (D&O) insurance covers damage claims resulting from financial losses for third parties or the company as the result of neglect of duty on the part of the Management Board members during their service as officers of the company. The company bears the costs for these insurance policies. The members of the Management Board are subject to a competition clause for the period of their service. If a member of the Management Board is dismissed without cause, the fixed base salary is paid for the full term of the contract. The management contracts of all members of the Management Board expire on 31 December 2018.

One Management Board member is entitled to non-growing pension payments from subsidiaries of the company. No other pension agreements exist – and no new entitlements may be acquired – between the company and the members of the Management Board. In the event of the termination of service to the company, one Management Board member has a right to legal and contractual severance pay on the basis of the stipulations of the Austrian Employee Act (oAngG). All Management Board members perform their services on the basis of employment contracts and are subject to income tax regulations.

No stock option programme

STRABAG SE has decided against a stock option programme for Management Board members. No additional recompense is granted for internal group mandates or functions. The Management Board contracts contain no prior agreements or diverging provisions for the hypothetical case of a public takeover offer.

REMUNERATION SYSTEM FOR MANAGEMENT EMPLOYEES

Across the group, the three management levels directly below the Management Board are also remunerated with a fixed base salary plus a variable income portion. For these management employees, the variable income is also based on the earnings attributable to them as calculated under cost accounting methods. The variable portion of the income can amount to a maximum of 200 % of the fixed salary. On the basis of sustainable and long-term performance criteria, 25 % of the bonuses are also retained and deposited in a personal clearing account that may accrue a maximum of 200 % of the fixed salary. Any balance in the personal clearing account is paid out upon retirement, at the latest, or when the employee leaves the company at the company's request.

SUPERVISORY BOARD REMUNERATION

REMUNERATION OF THE SUPERVISORY BOARD

€	2017	2016
Alfred Gusenbauer	50,000	50,000
Erwin Hameseder	25,000	25,000
Kerstin Gelbmann	15,000	15,000
Hannes Bogner	15,000	15,000
Thomas Bull	13,397	–
Gulzhan Moldazhanova	1,603	14,508
Andrei Elinson	–	492
William R. Spiegelberger	15,000	15,000
Total	**135,000**	**135,000**

Supervisory Board remuneration unchanged

The Annual General Meeting of 10 June 2011 approved annual compensation of € 15,000 for the regular members of the Supervisory Board, € 25,000 for the Vice Chairman and € 50,000 for the Chairman. Members of the Supervisory Board who are elected to or who leave the board during a financial year are remunerated in accordance with the actual period of their membership on the Supervisory Board pro rata temporis. Changes to the amount of the annual compensation of the members of the Supervisory Board elected or nominated by the shareholders, as well as on any additional remuneration for special tasks and obligations performed, require a resolution to be passed by the Annual General Meeting. In additional to their annual compensation, the Supervisory Board members also receive cash compensation for expenses. The members of the Supervisory Board are further covered by a company D&O (directors and officers) liability insurance – it covers the personal liability of the Supervisory Board members in the event of careless neglect of duty during their service as directors of the company – up to a certain maximum amount. In 2017, no other remuneration was paid to the members of the Supervisory Board. There also were no other transactions with members of the Supervisory Board.

DIRECTORS' DEALINGS

No transactions subject to disclosure obligation in 2017

Proprietary transactions with STRABAG SE shares and/or bonds by members of the company's boards, by persons or companies who maintain a close relationship to the board members, and by other management-level employees with group-wide responsibilities are reported as required by law and continually posted on the website of STRABAG SE (www.strabag.com > Investor Relations > Corporate Governance > Directors' Dealings) as well as on the website of the Austrian Financial Market Authority (www.fma.gv.at > Companies > Issuers > Directors' Dealings).

In 2017, no proprietary transactions with STRABAG SE shares and/or bonds were made by members of the aforementioned group of people. The following persons from the aforementioned group held shares and/or bonds of STRABAG SE on 31 December 2017:

Person subject to disclosure obligation	Board member	Number of shares	Number of bonds
Dr. Hans Peter Haselsteiner		70,002	0
Haselsteiner Familien-Privatstiftung	Dr. Hans Peter Haselsteiner Dr. Alfred Gusenbauer Mag. Christian Harder	29,017,451	0
Mag. Erwin Hameseder		210	0

Measures for the advancement of women[1]

People & Workplace

Material issue according to GRI

Ombudspersons: See the “Business Compliance” section of the Consolidated Non-Financial Report

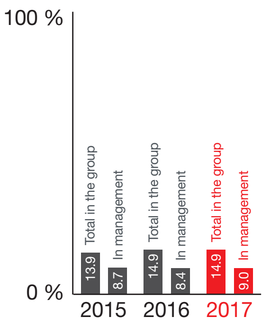
The construction industry employs predominantly men in the technical professions. Women are therefore underrepresented at all hierarchy levels. The shortage of skilled personnel, however, requires the sector to build on female labour in the future more strongly than before. STRABAG SE is also convinced that diversity sustainably increases the success of a company. STRABAG SE understands diversity to include different nationalities, cultures and educational backgrounds, a balanced age structure and men and women working together. Diversity needs fertile ground in which to grow – a working environment that is free from discrimination, harassment and retaliation. STRABAG has in place a system of ombudspersons and actively takes measures to allow diversity to thrive, for example with respect to the promotion and inclusion of women.

RULES AND RESPONSIBILITY AREAS

Since 2012, an internal team has been hard at work to elaborate and implement measures to promote women and their careers within the group. The team came together for three meetings in 2017. The Management Board of STRABAG SE is aware that the company must continue existing initiatives and remain open to new ones in order to raise the percentage of women in higher qualified positions.

OBJECTIVES AND INDICATORS

SHARE OF WOMEN IN THE GROUP



To maintain our competitiveness and to benefit from the diversity of different points of view, STRABAG in 2013 set itself the goal to annually increase the global percentage of women in the group – i.e. to ensure a higher level of representation of women in the group. By signing the UN Women’s Empowerment Principles, then-CEO of STRABAG SE Hans Peter Haselsteiner demonstrated the company’s commitment to this goal.

In 2017, the number of women as a percentage of employees within the entire group amounted to 14.9 % – the same as the year before. Women make up 9.0 % (2016: 8.4 %) of the group management – i.e. persons with a management position as defined by Sec 80 of the Austrian Stock Corporation Act (AktG). Currently there are no women on the five-member Management Board of STRABAG SE. It is noteworthy, however, that until 8 February 2017 three women sat on the eleven-member Supervisory Board of the company: Kerstin Gelbmann, Magdolna P. Gyulainé and Gulzhan Moldazhanova (until 8 February 2017). After 8 February 2017, women made up about 18 % of the Supervisory Board and accounted for 20 % of the members delegated by the works council. As the percentage of women both at STRABAG SE and within the group as a whole is under 20 %, a mandatory quota for the Supervisory Board as of 2018 as laid out in Sec 86 Para 7 of the Austrian Stock Corporation Act is not applicable.

1 This section deals with the management approach to the material issue “Equal treatment of women and men” in the materiality matrix.

PROJECTS AND INITIATIVES

If we can interest more women for a career in construction and/or with STRABAG, then we will have laid the foundation for a higher representation of women at the management levels. The activities to date to increase the percentage of women and to promote the careers of women within the STRABAG Group focus on three areas:

Adequate consideration of women in the management of high potentials

- **Targeted marketing:** STRABAG uses both the masculine and feminine forms in its texts and job announcements in order to target female students and graduates and so secure a higher percentage of female applicants especially from the technical universities. Student surveys testify to the effectiveness of these measures and that women with a technical education in particular rank STRABAG high up in the list of attractive employers. According to the Universum Student Survey for 2017, STRABAG ranked in 7th place among women studying in the engineering and IT fields in Austria (18th among male students). Some of our activities target potential women employees even earlier on, namely at school age: Several of the group's organisational units in Germany and Austria regularly organise events on "Töchtertag" ("Take Your Daughter to Work Day") or Girls' Day.

- **Compatibility of career and family:** Especially with regard to high potentials and top performers, STRABAG is in competition with other construction companies for workers that are flexible and as mobile as possible. But if you want flexibility, you have to offer flexibility. STRABAG is therefore increasing its attractiveness as an employer through a better compatibility of family and career. Employees who are sent abroad, for example, have the possibility of taking their families with them. In 2014, a set of guidelines and a process were developed for parental leave, part-time work for parents and return management. The corresponding pilot project to put this family-friendly idea into practice was launched in Austria in 2015 and in Germany in 2016. The measures are bearing fruits. In 2017, STRABAG was chosen by the magazine WOMAN as the most family-friendly construction company in Austria. The year before, the two group companies STRABAG AG, Germany, and Ed. Züblin AG were listed among Germany's most family-friendly companies in the construction, raw materials, energy and construction materials production sectors by German parent's magazine ELTERN in cooperation with the statistics portal Statista.

- **Career opportunities:** There are no salary differences in the company between men and women who perform equal work and have the same level of education. Based on the results of internal surveys, workshops and analyses, STRABAG is also working towards adequately considering women in promotion and further education. Attention is therefore given to the adequate representation of women within the management of high potentials and in the composition of teams and working groups. Moreover, the results of all measures in this regard are constantly being evaluated. When it comes to developing management employees, STRABAG SE sees joint measures for men and women as the most promising way. In addition to the events organised for members of the high-potential management pool, the group supports its female employees especially in their career planning and in further education. The group academy, for example, also offers seminars designed especially for women. Among the trade-specific training offers for all employees, those on IT and business management registered an above-average participation by women. As networking helps boost career opportunities, a STRABAG intranet platform offers female employees the opportunity to network with each other – an offer that has already been used by 315 female employees (2016: 280). To increase the visibility of women in the group and to support the personal networking, the company also held its first STRABAG Women Engineers Day in Vienna in 2015. Some 70 female colleagues from technical fields in Austria and Switzerland answered the invitation to listen to lectures, take part in workshops and get to know their colleagues. A similar series started in Germany in 2017 with events at the group locations in Stuttgart, Cologne and Hamburg.

As the goal to annually increase the percentage of women employees is a group goal, the above-stated applies to the group as a whole.

Sustainability

High priority, long-term perspective

For STRABAG, doing business responsibly and sustainably means working within its defined values such as partnership. Assuming responsibility also means giving balanced consideration to the impact of the core business on society and the environment, systematically registering the increasingly complex wishes and needs of the various stakeholders and actively remaining up to date through continuous dialogue. This allows the group to remain competitive and to constantly realign its portfolio of services to the demands and developments on the market. At the same time, the company remains on the lookout for pioneering solutions outside of the group that could create fresh forward momentum in the core business.

Corporate Responsibility (CR) at STRABAG has been placed within the responsibility of the CEO. This sends an important signal that sustainability and corporate responsibility at STRABAG are carried by the top management and that they are seen from a long-term perspective. Sustainable management and entrepreneurial responsibility at STRABAG are integrated into the group strategy: Proposals for priority strategic issues as well as relevant indicators and objectives are drawn up by the responsible managers, with support from the internal CR organisation and in coordination with the CEO, and subsequently discussed by the STRABAG SE Management Board before being reworked if necessary and finally cleared for release. Strategically critical incidents are addressed ad hoc during the Management Board meetings.

Continuous development of the corporate governance system

Self-evaluation of the Supervisory Board

STRABAG strives to constantly improve its corporate governance system in the interests of the company and all stakeholders. In the year under review, the Supervisory Board again performed a self-evaluation of its activity pursuant to C-Rule 36 of the Austrian Code of Corporate Governance. At its meeting on 21 December 2017, the Supervisory Board examined in detail the efficiency of its work, especially of its organisation and working methods, which were largely evaluated as positive as in the years before. This time, the board again seized the opportunity to make concrete proposals on how to raise efficiency. The Supervisory Board also considered the suggestion to set additional dates for possible meetings should these become necessary. Furthermore, the Management Board responded to a suggestion that was made and adapted its regular reports by adding key figures that had been requested and by intensifying the project-related reporting.

Risk management and audit

RISK MANAGEMENT

The STRABAG Group is subject to a number of different risks in the course of its business activities. These risks are systematically identified and assessed using an active risk management system and dealt with using an appropriate risk policy. More information is available in the Management Report.

Business Compliance

INTERNAL AUDIT REPORT

The STRABAG Group's internal audit department is a neutral and independent authority which conducted approximately 190 (2016: ~180) internal audits in all group divisions worldwide in the 2017 financial year. In accordance with the rules of the Austrian Code of Corporate Governance, the internal audit department is set up as a staff unit of the Management Board of STRABAG SE and so enjoys the greatest possible amount of independence.

The internal audit department – after planning the audit independently and making continual adaptations to risk assessment – conducts process-independent and neutral audits across all of the group's divisions and regions both nationally and abroad. Given its technical and commercial competence, the internal audit department is an important element of the group's internal control systems. The internal audits serve to monitor the effectiveness of the risk management and control and to evaluate the management and monitoring processes. The comprehensive approach, the use of uniform auditing standards and the neutral reporting further contribute to the standardisation of processes and structures.

Internal audit as part of risk management

The routine and special audits serve to recognise and avoid risks, to reveal opportunities, and to constantly monitor proper conduct and compliance with the group's value and business compliance system. In 2017, the internal audit department again audited both individual projects as well as entire organisational units. The audits covered the group's subdivisions as well as the most important contracts and orders of the year. The internal audit team also forms part of the company's task force looking into the suspicion of illegal price-fixing in construction projects in Austria.

The internal audit department reported regularly to the CEO and to the Audit Committee of the Supervisory Board regarding the audit plan and significant results of its work. The audit reports were sent to the audited units and divisions, to the unit and division managers, and to the Management Board, and were made available to the financial auditors.

FINANCIAL AUDIT

The Annual General Meeting of STRABAG SE on 23 June 2017, upon proposal of the Supervisory Board, designated KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as auditor of the financial statements and of the consolidated financial statements for the 2017 financial year. In the 2017 financial year, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft charged a fee of T€ 622 excl. VAT (2016: T€ 600 excl. VAT) for the auditing of the separate and consolidated financial statements as well as T€ 563 excl. VAT (2016: T€ 549 excl. VAT) for the auditing of financial statements at subsidiaries of STRABAG SE. For additional consulting services, it received a fee of T€ 97 excl. VAT (2016: T€ 86 excl. VAT).

EXTERNAL EVALUATION

In keeping with C-Rule 62 of the Austrian Code of Corporate Governance, STRABAG SE regularly subjects its compliance with the Code to an external evaluation every three years. The next external evaluation will be conducted in 2020 for the 2019 financial year.

Details as to the results of the evaluation are available at www.strabag.com

The last evaluation, for the 2016 financial year, was performed at the beginning of 2017 by Fellner Wratzfeld & Partner Rechtsanwälte GmbH. The evaluation revealed no indications that the declarations provided by the Management and Supervisory Board members regarding observation of and compliance with the C-Rules of the Austrian Code of Corporate Governance were untrue. The C-Rules of the Code were complied with – inasmuch as these were included in the formal obligation of STRABAG SE. Some rules did not apply to STRABAG SE during the evaluation period. The complete report including the results of the evaluation is available at www.strabag.com > Investor Relations > Corporate Governance > Formal obligation and evaluation.

Corporate governance reports of publicly listed subsidiaries

Due to the reorganisation and/or transformation of their legal form, the obligation to prepare and issue a corporate governance report did not apply to the following subsidiaries during the year under report:

- STRABAG AG, Germany
- “PUTEVI” A.D. CACAK, Cacak

Villach, 9 April 2018
The Management Board

Dr. Thomas Birtel

Mag. Christian Harder

Dipl.-Ing. Dr. Peter Krammer

Mag. Hannes Truntschnig

Dipl.-Ing. Siegfried Wanker

SUPERVISORY BOARD REPORT

Dr. Alfred Gusenbauer

Dear shareholders,
associates and friends of STRABAG SE,

For 2017, the STRABAG Group had set itself the goal of maintaining an EBIT margin of at least 3 % on top of a record order backlog and rising output volume. In the end, the output growth reached 8 % and the EBIT margin stood at 3.3 % for the past financial year – which is especially remarkable because a non-operating, non-recurring item had affected the EBIT and distorted the margin positively to 3.4 % the year before. The adjusted EBIT margin in 2016 would have come to 3.2 %, which means that we can talk of an increase in the margin in operating terms for 2017.

Contributing to this success was the implementation of a comprehensive project-related risk management. A sustainably functioning risk management system that benefits all shareholders is of great importance to the Supervisory Board; after all, risk management is at the focus of its supervisory duties. The Supervisory Board is convinced that, in the medium and long term, sustainably increased margins will only be possible through comprehensive measures to recognise, analyse, assess, monitor and control risk. The Supervisory Board will continue to support and advise the Management Board in this matter.

Open exchange of information and opinion in five Supervisory Board meetings

In the 2017 financial year, the Supervisory Board correctly performed the responsibilities assigned to it by law, by the Articles of Association, by the Austrian Code of Corporate Governance and by the Rules of Procedure. It accomplished these tasks by regularly advising the Management

Board in its management function as well as reviewing and monitoring its management agenda. The Supervisory Board convened five times and the Audit Committee held four meetings in 2017. The members of the Supervisory Board were duly represented at the respective board and committee meetings. All members of the Supervisory Board acted and made decisions independently as stipulated by the Austrian Code of Corporate Governance.

A lively exchange of information, as is usual, also took place outside of the regular board and committee meetings. On several occasions, the Management Board reported in writing on themes that had been taken up by individual members of the Supervisory Board.

During the Supervisory Board meetings, the Management Board regularly and extensively informed the Supervisory Board as to the market situation, the business development and the company's situation. All meetings were characterised by a very open discussion in the spirit of a detailed exchange of information and opinion. The intense dialogue allowed the Supervisory Board to always remain informed of STRABAG's strategic direction, its cash flows and financial performance, the personnel situation, investment and project development plans, and large projects. This provided the Supervisory Board with a very good overview of the business situation. The board also closely studied the corporate planning and the relevant variance analyses. For important business transactions, the Management Board always obtained consent from the Supervisory Board. The following agenda items of the Supervisory Board meetings demand special emphasis:

SUPERVISORY BOARD MEETING 1: 2017 PLANNING INCLUDING EXPENDITURES AND BUDGET SITUATION

On the agenda of the first Supervisory Board meeting on 20 February 2017 were the report on the current situation, the management report of 31 December 2016 including the planning for 2017 as well as investments and the finance situation of 2016. All topics were discussed in detail with the Management Board. The Supervisory Board also dealt with the medium-term planning for the period 2018–2020.

SUPERVISORY BOARD MEETING 2: 2016 ANNUAL FINANCIAL STATEMENTS

In the second meeting of 24 April 2017, the Supervisory Board met with the Management Board to discuss the annual financial statements, the management report, the consolidated corporate governance report, the consolidated report on payments to governments, the consolidated financial statements, and the group management report of STRABAG SE for 2016. The Audit Committee reported on the audit of the annual financial statements, the consolidated financial statements, the management reports and the consolidated corporate governance report. The Audit Committee also reported to the Supervisory Board on the results of the financial audit in accordance with Sec 92 Para 4a No 4 lit e) of the Austrian Stock Corporation Act (AktG) and presented the degree to which the financial audit contributed to the reliability of the financial reporting and the role played by the Audit Committee in the process. There were no objections to the audit by the financial auditor and all questions of the Audit Committee could be answered satisfactorily.

The Supervisory Board thereupon acknowledged completion of the 2016 financial report. The Management Board's proposal for the appropriation of net income was also reviewed, with a recommendation for its acceptance by the Annual General Meeting. Also discussed and approved were the Supervisory Board report as well as the appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as financial auditor and group financial auditor. These issues also were on the agenda of the first meeting of the Audit Committee held earlier that same day. The meeting was also used to make preparations for the 2017 Annual General Meeting.

SUPERVISORY BOARD MEETING 3: REPORTING ON SPECIAL TOPICS

The Supervisory Board meeting of 21 July 2017 heard a report about the successful 13th Annual General Meeting of 23 June 2017. The Management Board also informed the Supervisory Board in detail about the current situation of the group with special emphasis on the squeeze-out and special representatives of STRABAG AG, Germany. The Management Board also reported extensively on the Alto Maipo megaproject in Chile and on the internal investigations ongoing in relation with the anti-competitive accusations made against STRABAG AG in Austria.

SUPERVISORY BOARD MEETING 4: STATUS REPORT ON ACCUSATIONS OF ANTI-COMPETITIVE BEHAVIOUR IN AUSTRIA

During the Supervisory Board meeting of 18 September 2017, the Management Board responded to a request by the Supervisory Board to again address the current status of the internal investigations initiated by the Management Board into the anti-competitive accusations in Austria. In addition to a detailed strategy discussion, other topics of the meeting included the current situation of the company and developments with regard to the group's infrastructure and real estate development projects. The Supervisory Board also approved the participation in the tender for three infrastructure development projects.

SUPERVISORY BOARD MEETING 5: ALTO MAIPO MEGAPROJECT IN CHILE

The meeting of 21 December 2017 focused on the Alto Maipo megaproject in Chile. The Management Board asked for approval of contractually atypical payment conditions in this project. Following a detailed presentation and analysis of the project, the topic of approval was thoroughly explained by the Management Board. The Supervisory Board then gave its approval. The Management Board also reported on the latest developments, especially with regard to selected projects, and about the integration of the former Raiffeisen evolution project development GmbH into the group. In compliance with the obligations laid out in C-Rule 18a of the Austrian Code of Corporate Governance, the Management Board reported on the provisions taken to fight corruption in the company and invited KPMG to provide the Supervisory Board with an update on the compliance status check that had been commissioned by the Management Board.

Consolidated financial statements awarded unqualified audit opinion

In accordance with C-Rule 18 of the Austrian Code of Corporate Governance, the internal auditing unit reported to the Audit Committee on the auditing plan and on any material findings. Naturally, the Audit Committee also monitored the accounting procedures (including group accounting) and the financial audit and convinced itself of the effectiveness of the internal control system, the risk management system and the audit system. The Audit Committee also reviewed and monitored the independence of the financial auditor and group financial auditor, especially as regards the additional services provided to the audited company.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the annual financial statements and the management report of STRABAG SE for the 2017 financial year. The findings of the audit did not give rise to any issues of concern and the financial auditor awarded an unqualified audit opinion.

The consolidated financial statements and the group management report of STRABAG SE for the 2017 financial year were prepared by the Management Board under application of Sec 245a of the Austrian Commercial Code (UGB) in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that were applicable at the end of the reporting period. These were also reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, and awarded an unqualified audit opinion.

The auditor's and group financial auditor's reports were presented to the Supervisory Board. In the presence of the financial auditor, the Audit Committee thereupon reviewed the 2017 annual financial statements and the management report including the proposal for the appropriation of net income and the consolidated corporate governance report, as well as the 2017 consolidated financial statements and group management report and the additional report of the financial auditor to the Audit Committee as required by Article 11 of Regulation (EU) No. 537/2014, and prepared the approval of the annual financial statements by the Supervisory Board. The Audit Committee also duly performed its obligations in accordance with Sec 92 Para 4a No 4 lit e) of the Austrian Stock Corporation Act (AktG) and reported to the Supervisory Board on the result of the financial audit. The report presented the degree to which the financial audit contributed to the reliability of the financial reporting and the role played by the Audit Committee in the process.

The consolidated corporate governance report was audited externally by Fellner Wratzfeld & Partner Rechtsanwälte GmbH, Vienna. This audit did not give rise to any issues of concern.

The Supervisory Board reviewed all documents as well as the report by the Audit Committee. In its meeting of 24 April 2018, it declared its agreement with the 2017 annual financial statements and consolidated financial statements and approved – and so adopted – the 2017 annual financial statements. It also approved the Management Board's proposal for the appropriation of net income. The Supervisory Board proposed appointing KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as financial auditor and group financial auditor for the 2018 financial year, in accordance with the proposal of the Audit Committee. Also presented at the meeting of 24 April 2018 were the consolidated report on payments to governments pursuant to Sec 243d of the Austrian Commercial Code (UGB) in connection with Sec 267c as well as the Consolidated Non-Financial Report pursuant to Sec 267a UGB in connection with Sec 243b. The reports were reviewed by the Supervisory Board and taken note of without cause for complaint.

Word of thanks to Management Board and all employees

The Supervisory Board thanks the entire Management Board of STRABAG SE and all employees for their valuable contribution in the past financial year.

The Chairman of the Supervisory Board of STRABAG SE,
Dr. Alfred Gusenbauer

Vienna, 24 April 2018

CONSOLIDATED NON-FINANCIAL REPORT

C

STRABAG
SOCIETAS EUROPAEA

CONTENT

ABOUT THIS CONSOLIDATED NON-FINANCIAL REPORT

Compliance with GRI standards: core option has been met

As a large corporation[1], STRABAG SE falls under the reporting obligation of the Sustainability and Diversity Improvement Act (NaDiVeG) that took effect in Austria on 6 December 2016. For the 2017 financial year, in keeping with Sec 267a of the Austrian Commercial Code (UGB), STRABAG for the first time produced a Consolidated Non-Financial Report outside the management report that comprises the non-financial reporting of all subsidiaries of the STRABAG Group. The report covers those topics prescribed by NaDiVeG, such as the environment, social and employee affairs, respect for human rights, and the fight against corruption and bribery.

The structure of this Consolidated Non-Financial Report is determined, on the one hand, by the system of our strategic approach, which specifies the chapter structure in accordance with the strategic fields. These chapters – Economic Responsibility, Environmental Responsibility, Corporate Citizenship, People & Workplace, Business Compliance – largely correspond to the legally prescribed themes. On the other hand, the structure of the Consolidated Non-Financial Report is also in line with the requirements of the **GRI Sustainability Reporting Standards**. This report was drafted in compliance with the core option of the GRI standards. Nearly all material issues that were identified in the stakeholder dialogue and the GRI materiality analysis, and their management approaches, are presented in this Consolidated Non-Financial Report. More information about GRI, the materiality analysis and the stakeholder dialogue is available in the chapters “About this Report” and “Strategy” in this Annual Report.

For STRABAG, it is important to consider the impact of the activities in its core business through the integration of responsibility into the corporate strategy. Our business model comprises all areas of the construction industry and covers the entire construction value chain. We bring together people, materials and machinery at the right place and at the right time in order to realise even complex construction projects – on schedule, of the highest quality and at the best price. Detailed information about our services as well as our brands and subsidiaries can be found in the Annual Report as well as under www.strabag.com > Activities and www.strabag.com > STRABAG SE > Our Brands.

1 Large limited companies that are public-interest entities and have more than 500 employees on an annual average.

EMPLOYMENT CONDITIONS

Around the world, approximately 73,000 people are putting their expertise and skill into practice at our more than 700 workplace and construction sites. Our employees work with combined effort and commitment to complete their projects on time and in the desired quality. For this task to succeed day after day, STRABAG, in its function as employer, must ensure fair and equitable employment conditions by guaranteeing work safety and health, promoting the equal treatment of women and men, and observing human rights at all locations.

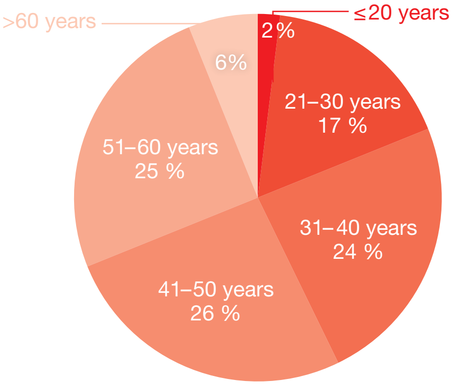
Figures[1]

NUMBER OF EMPLOYEES IN 2017 BY SEGMENT AND COUNTRY

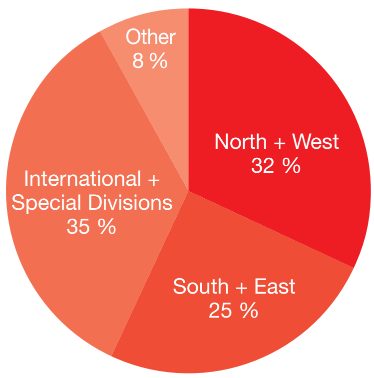
	North + West	South + East	International + Special Divisions	Other	Group
Germany	17,731	444	9,060	2,482	**29,717**
Austria	100	6,871	2,432	1,171	**10,574**
Americas	46	0	5,150	2	**5,198**
Poland	3,659	6	467	619	**4,751**
Middle East	87	7	3,766	0	**3,860**
Czech Republic	56	2,500	730	373	**3,659**
Hungary	11	1,649	799	285	**2,744**
Slovakia	0	1,319	378	217	**1,914**
Romania	69	899	218	175	**1,361**
Rest of Europe	236	676	329	25	**1,266**
Africa	61	2	1,059	0	**1,122**
Switzerland	78	822	40	127	**1,067**
Serbia	0	869	36	131	**1,036**
Russia	0	648	127	109	**884**
Croatia	0	695	52	111	**858**
Asia	0	12	734	0	**746**
Benelux	516	13	49	56	**634**
Sweden	365	0	16	27	**408**
Denmark	348	0	6	0	**354**
Bulgaria	0	263	22	61	**346**
Slovenia	0	186	13	14	**213**
Italy	3	35	135	19	**192**
Total	**23,366**	**17,916**	**25,618**	**6,004**	**72,904**

Balanced age structure

EMPLOYEE AGE STRUCTURE 2017

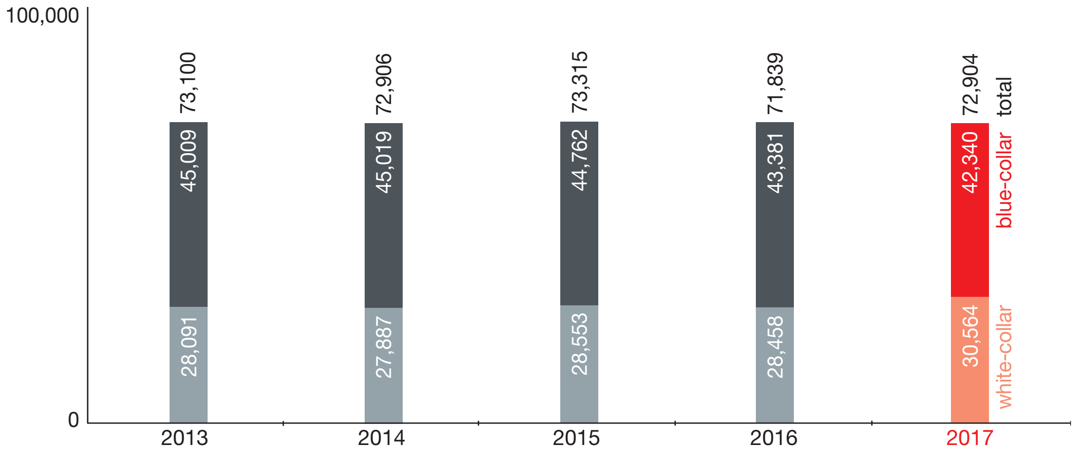


EMPLOYEES BY SEGMENT 2017

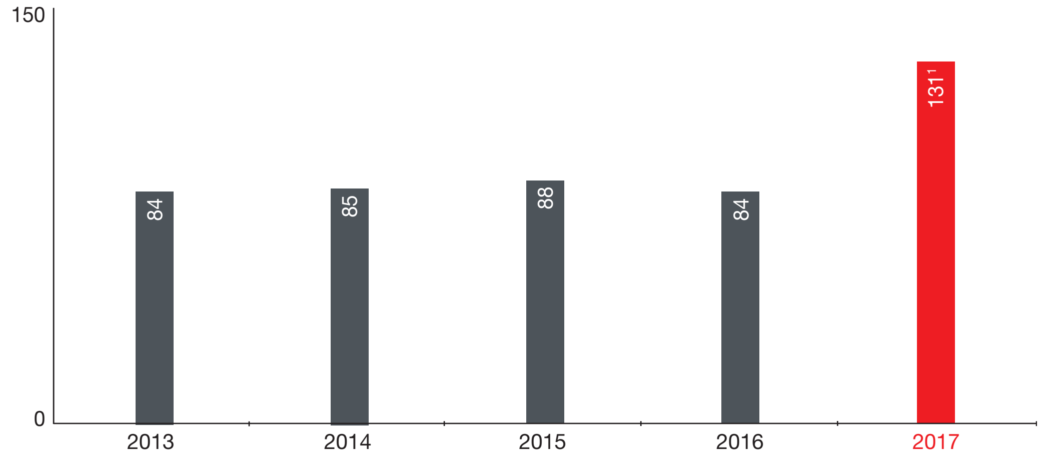


1 Unless otherwise indicated, the figures refer to full-time equivalents (FTE).

DEVELOPMENT OF EMPLOYEE FIGURE

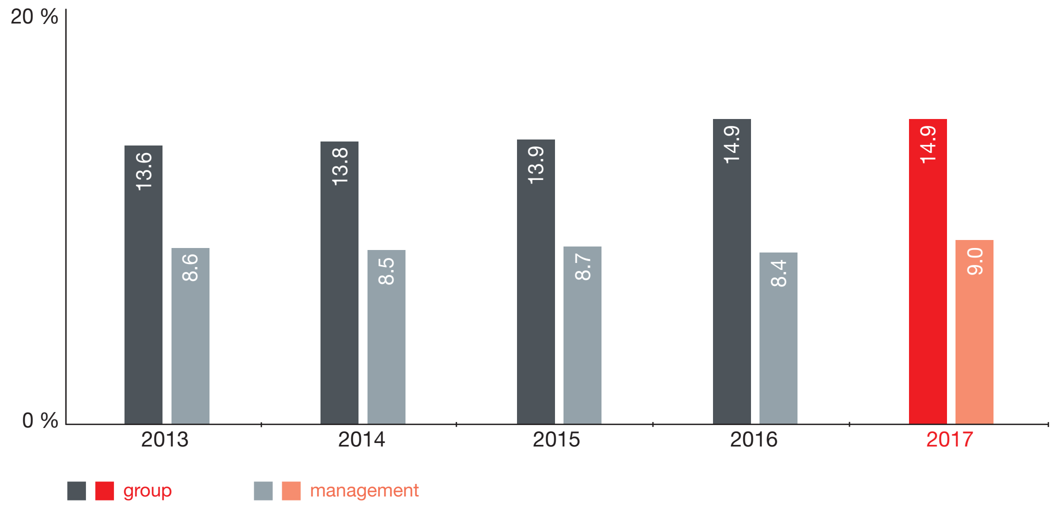


NUMBER OF NATIONALITIES WITHIN THE GROUP



For more about the promotion of women in the group, see the Consolidated Corporate Governance Report

PERCENTAGE OF WOMEN IN THE GROUP AND IN MANAGEMENT



1 The increase in 2017 results, among other things, from the first inclusion of employee data from Chile and the Middle East.

DETAILED EMPLOYMENT INFORMATION

GRI standards 2016 Disclosure number	Reporting requirements	Disclosures for 2017
102-8	a. Total number of employees by employment contract (permanent and temporary), by gender.	Total permanent: 64,998 (89 %) Total temporary: 7,906 (11 %) Women permanent: 9,692 (89 %) Women temporary: 1,194 (11 %) Men permanent: 55,306 (89 %) Men temporary: 6,712 (11 %)
	b. Total number of employees by employment contract (permanent and temporary), by region.	Germany permanent: 27,489 (93 %) Austria permanent: 10,505 (99 %) CEE[1] permanent: 15,626 (88 %) Rest of Europe permanent: 3,635 (93 %) Rest of world permanent: 7,743 (71 %) Germany temporary: 2,228 (7 %) Austria temporary: 69 (1 %) CEE[1] temporary: 2,140 (12 %) Rest of Europe temporary: 286 (7 %) Rest of world temporary: 3,183 (29 %)
	c. Total number of employees by employment type (full-time and part-time), by gender.	Total full-time: 68,653 (94 %) Total part-time: 4,251 (6 %) Women full-time: 8,026 (74 %) Women part-time: 2,860 (26 %) Men full-time: 60,627 (98 %) Men part-time: 1,391 (2 %)
	d. Whether a significant portion of the organisation's activities are performed by workers who are not employees.	Only in individual cases are portions of the organisation's activities performed by workers who are not employees.
	e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c.	No significant variations in the number of employees could be determined.
	f. An explanation of how the data have been compiled, including any assumptions made.	The information required for the GRI disclosures was taken from the HR master data of the ERP system at the group headquarters as well as from group organisational entities with other ERP systems through standardised monthly reporting.
102-41	Percentage of total employees covered by collective bargaining agreements.	94 % The national requirements are kept at all subsidiaries.

1 CEE = Central and Eastern Europe

GRI standards 2016 Disclosure number	Reporting requirements	Disclosures for 2017
401-1	New employee hires and employee turnover a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	See following table

NEW HIRES IN 2017[1]

	Age group									Total	Employee
	< 30 years			30–50 years			> 50 years				hire rate
	M	W	Total	M	W	Total	M	W	Total		%
Germany	358	91	**449**	604	89	**693**	224	16	**240**	**1,382**	4.9
Austria	382	66	**448**	331	85	**416**	71	16	**87**	**951**	9.1
CEE	213	44	**257**	466	67	**533**	124	9	**133**	**923**	5.5
Rest of Europe	72	16	**88**	116	21	**137**	41	6	**47**	**272**	7.0
Rest of world	340	20	**360**	954	35	**989**	219	6	**225**	**1,574**	14.6
Total	**1,365**	**237**	**1,602**	**2,471**	**297**	**2,768**	**679**	**53**	**732**	**5,102**	**7.3**

DEPARTURES 2017[1]

	Age group									Total	Employee
	< 30 years			30–50 years			> 50 years				departure
	M	W	Total	M	W	Total	M	W	Total		rate %
Germany	164	28	**192**	353	59	**412**	367	46	**413**	**1,017**	3.6
Austria	148	28	**176**	190	77	**267**	113	21	**134**	**577**	5.5
CEE	143	24	**167**	454	79	**533**	217	25	**242**	**942**	5.6
Rest of Europe	46	7	**53**	127	22	**149**	87	6	**93**	**295**	7.6
Rest of world	75	6	**81**	180	15	**195**	69	4	**73**	**349**	3.2
Total	**576**	**93**	**669**	**1,304**	**252**	**1,556**	**853**	**102**	**955**	**3,180**	**4.5**

Work safety

The accident risk is higher in the building and construction trade than in other branches of industry. Unique risks result, for example, because workers have to climb ladders and scaffolding and are subjected to extreme temperatures, UV radiation, noise, vibrations and dust. Construction work also involves a certain amount of physical exertion, such as lifting heavy loads. Accident prevention initiatives and an increased awareness for work safety on the part of the companies, however, have contributed to a downward trend in the number of accidents in the construction sector. According to BG BAU, the German occupational insurance association for the construction trade, the accident rate in Germany per 1,000 employees fell from 66.60 cases in 2007 to 55.29 in 2016.[2]

As one of the largest employers in the construction trade in Europe, we are aware of the importance of work safety. And, as demonstrated by the high priority given the issue from both stakeholders and management, expanding work safety is in everyone's interest.

1 Excluding temporary employments
2 BG Bau, Zahl der Arbeitsunfälle leicht gestiegen, retrieved 20 December 2017 from http://www.bgbau.de/presse/pressemeldungen/bg-bau-pressemeldungen-2017/zahl-der-arbeitsunfaelle-leicht-gestiegen-bg-bau-regt-betriebliche-erklaerungen-an (as of 20 December 2017)

RULES AND RESPONSIBILITY AREAS

Since 2017, a special coordinator has been in charge of the **group-wide** organisation of issues of "Health, Safety and the Environment" (HSE). Additionally, a HSE committee was established to **manage interdisciplinary issues** such as work safety communication and e-learning courses as well as the use of digital aids to assess, process and avoid unsafe situations and near-accidents on construction sites. On a regional level, the work safety experts conduct regular site inspections. Approximately 70 work safety experts can be found at our construction sites and production facilities in Germany; in Austria there are about 20. As a rule, at least one person is responsible for HSE in each subdivision throughout the group. This number is adapted in relation to the number and size of construction sites in a country or region. To keep the risks related to employee safety and health under control, we have in place a work safety and health management system certified to OHSAS 18001 and/or SCC.

OBJECTIVES AND INDICATORS

Our goal is the continuous reduction of accident risks on our construction sites. We intend to reach this goal through training and further education, inspections with managers and construction site staff, analyses of (near-)accidents, and prevention measures. Two indicators help us to measure if an objective has been reached:

The **lost-time accident rate** – calculated as the number of working hours lost to accidents versus productive working hours – stood at 0.24 % in the group in 2017, with 0.36 % among blue-collar and 0.05 % among white-collar workers (2016: 0.25 % in the group, 0.36 % blue-collar, 0.07 % white-collar). The **accident incident rate**[1] – calculated as the number of accidents at work per 1 million productive working hours – was overall comparable to that of last year with 17.4 in the group, 25.5 among blue-collar workers and 4.8 among white-collar workers (2016: 17.6 in the group, 25.0 blue-collar, 5.2 white-collar).

LOST-TIME ACCIDENT RATE

	2013	2014	2015	2016	2017
Blue-collar	n. a.	n. a.	0.34	0.36	0.36
White-collar	n. a.	n. a.	0.07	0.07	0.05
Total	**n. a.**	**n. a.**	**0.24**	**0.25**	**0.24**

ACCIDENT INCIDENT RATE[1]

	2013	2014	2015	2016	2017
Blue-collar	n. a.	n. a.	24.5	25.0	25.5
White-collar	n. a.	n. a.	5.6	5.2	4.8
Total	**n. a.**	**n. a.**	**17.6**	**17.6**	**17.4**

PROJECTS AND INITIATIVES

The following projects were pursued and initiatives set in the 2017 financial year:

- The construction site inspections together with the occupational medical services were continued.
- An app was developed that allows managers to efficiently and transparently document their construction site inspections. Following successful trial in 2017, the app will be rolled out in Germany, Austria and Switzerland in 2018.

  The work safety experts will also be included in the process of evaluating subcontractors with the task of assessing these companies' performance in terms of work safety. This step will be implemented starting with very large projects.
- In 2016, the transportation infrastructures segment launched a campaign to reduce the number of accidents resulting from trips, slips and falls (TSF accidents). In 2017, the programme was extended to building construction

1 The figures include accidents at work (excluding accidents occurring on the way to or from work as well as occupational illness) with lost time of at least one calendar day, counted from the day after the accident incident.

and civil engineering. In Germany, the number of TSF accidents fell only slightly; the lost time due to such accidents, however, was down by 10 %.

Health protection

Maintaining the health and productivity of our employees is a central concern for us and inevitable for the long-term success of the company. Health is not merely the "absence of disease" (source: WHO). Health is a state of individual well-being and subjectively felt productivity.

The general public usually associates construction sector work with hard physical labour. But psychological stress can also be an issue. In 2016, psychological stress for the first time surpassed all other factors as the main reason for lost time due to illness across all sectors in Germany.[1] In the construction sector, the main documented stress factors are time and price pressure, unwanted interruptions during work, and long working hours.[2] Strengthening psycho-social health through stress prevention and stress management therefore is one of our most important fields of action in workplace health management. Our measures, initiatives and projects always aim at the preventive reduction of work-related health disorders and occupational illness on the construction site and in the office.

RULES AND RESPONSIBILITY AREAS

WHM rolled out in nine countries

The legal provisions for work safety and health protection form the basis for us as a minimum requirement. Apart from this, we have set ourselves the goal of systematically, specifically and sustainably promoting the health of our employees and to firmly anchor **workplace health management** (WHM) within the group. We therefore began to implement WHM by building on measures from the areas of work safety, health protection and ongoing activities of workplace health promotion. In the meantime, WHM has been rolled out across nine countries (Germany, Austria, Switzerland, Poland, Czech Republic, Slovakia, Croatia, Hungary, Serbia). Romania and Slovenia are already lined up for 2018. Managed at the group level, the matter is coordinated in the individual countries by national WHM coordinators and systematically expanded by a national WHM committee of the most important disseminators (management, employee representatives, human resource department, work safety) within each country. The measures at the individual business locations are implemented and spread by the WHM coordinators with the help of dedicated healthcare volunteers and on-site teams.

OBJECTIVES AND INDICATORS

It is our objective to maintain the health and productivity of our employees. The aim of the measures is to improve the working conditions and strengthen the personal workplace resources of all employees and members of the management. We use the **lost-time illness rate**[3] to observe our progress in reaching this goal. It stood at 5.1 % in the group, with 6.6 % among blue-collar and 3.6 % among white-collar workers (2016: 5.1 % in the group, 6.7 % blue-collar, 3.6 % white-collar).

1 DAK, Psychische Erkrankungen: Höchststand bei Ausfalltagen, retrieved 20 November 2017 from https://www.dak.de/dak/bundes-themen/psychische-erkrankungen-hoechststand-bei-ausfalltagen-1873100.html
2 Psychische Belastung von Bauleitern, Bayerisches Landesamt für Gesundheit und Lebensmittelsicherheit, 2006
3 Ratio of sick leave days to working days

LOST-TIME ILLNESS RATE

	2013	2014	2015	2016	2017
Blue-collar	4.9	4.9	5.0	5.1	6.6
White-collar	6.5	6.5	6.5	6.7	3.6
Total	**3.3**	**3.2**	**3.6**	**3.6**	**5.1**

PROJECTS AND INITIATIVES

The cooperation between WHM and work safety (in Austria in collaboration with the occupational medical services) foresees, among other things, the organisation of "health days" at business locations and construction sites. Prevention measures, including hearing and vision exams, pulmonary function tests, spinal screenings, and custom health campaigns, expand the offer for our blue-collar workers. WHM also offers a broad range of targeted measures for our office locations. Besides eye, stress and preventive examinations, the offer includes different health courses such as back training, lectures and workshops related to the main issues of exercise, nutrition and stress prevention.

In 2017, a survey was conducted among the blue-collar employees in Germany, Switzerland, Hungary, Croatia, Serbia, Poland, the Czech Republic and Slovakia on the subject of psychological stress at the workplace. Following the presentation of the results to the responsible subdivision and business unit managers, suitable measures are being derived and implemented as a next step. In Germany, the most important stress factors mentioned by our blue-collar workers were, as expected, the influences of heat, cold and damp, as well as time pressure or weekend and night shifts. Factors relating to the weather can be addressed only to a certain degree, but efforts are being made to counter the other factors through the use of mobile break areas. To further reduce and minimise stress, supervisors and employees also engage in a constructive dialogue to jointly work out solutions.

Management employees play an especially important role in presenting a company culture of health promotion. The two-day seminar "Success through Healthy Leadership" teaches our management employees how they can individually strengthen their own resources and how to implement healthy leadership. The seminar has already been rolled out in three countries; in 2017, it was attended by 121 employees at the subdivision and business unit management level. Our non-management employees also have a wide range of health-promotion measures available to them. The "Fit4Work" seminar that has been offered since 2015 explains how an individual health strategy can counter challenges such as lack of exercise, an unbalanced and unhealthy diet, and habituated stress patterns. To date, 511 employees have defined their personal strategy for more wellness at the workplace.

Due to the participation in an EU-sponsored project, the national WHM committee in Croatia and all participants were awarded the "health-friendly company" certification in 2017. Financial support from an EU health fund made it possible to implement specific measures for white-collar and blue-collar workers, including health days and lectures on the subject of sport, nutrition and addiction.

Employment and social fund

In order to help employees who are experiencing **financial difficulties** through **no fault of their own**, e.g. as a result of accidents, illness, natural disasters, etc., the STRABAG Group set up a private foundation called the "Arbeits- und Sozialfonds" ("Employment and Social Fund") more than ten years ago. When it was established, the foundation was endowed with about € 3.60 million, an amount which by the year 2013 had been raised to about € 10.20 million in response to the rising number of employees. The application for financial assistance can be submitted by the affected employees, by their supervisors or by an employee representative.

Applications are reviewed by the foundation's board before a socially appropriate decision is made. The board is chaired by an employee representative and consists of four employer and four employee representatives. Financial assistance is granted primarily in the form of monthly payments for an employee's dependent children, but may also take the form of one-off payments for a specific purpose.

Human rights

By providing construction services in structurally weak regions, we are making an important contribution to infrastructure expansion and job creation in those places. Some of our projects are located in countries that have received international criticism for their human rights situation. Due to the different standards regarding the protection of human rights in the various countries in which we do business, and because of the complexity of the supply and value chains, the protection of human rights requires intense effort on our part. Human rights include, among other things, the prohibition of discrimination in respect of employment and occupation, the prohibition of slavery and human trafficking, and the prohibition of child labour.

RULES AND RESPONSIBILITY AREAS

The STRABAG SE Code of Conduct precisely establishes the system of values to which the STRABAG Group and all its employees are committed; it forms an integral part of the employment documents for all group employees. STRABAG SE also expects its stakeholders (especially suppliers and subcontractors) to act in accordance with the Code of Conduct.

In the Code of Conduct, STRABAG SE expressly commits to equal opportunities regardless of race, nationality, gender, sexual orientation, religion, disability or age and to a working environment free from discrimination, harassment or reprisals. Rejecting illegal forms of employment is not just an internal group principle; the observation of this principle is also mandatory for all business partners and compliance is to be reviewed within the legal possibilities. In case of violation, a contract may not be concluded or must be terminated. The management is responsible for compliance with this rule.

Potential human rights violations, such as discrimination at the workplace, can be reported via our whistleblowing system to the stated ombudspersons. Employees, as well as subcontractors and other third parties, have the possibility to anonymously pass on relevant information by phone or by e-mail. The current list of all contact persons for the whistleblowing system can be found on the STRABAG website at www.strabag.com > Strategy > Strategic Approach > Business Compliance. We actively call upon anyone with relevant information to come forward, so we can identify misconduct quickly, respond appropriately and avoid any possible damage. In the event of violations of the legal regulations or of the conduct guidelines applicable within the company, the company will take the requisite disciplinary and legal (labour law) measures.

OBJECTIVES AND INDICATORS

The creation and maintenance of employment conditions that are in compliance with the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and with the United Nations' Universal Declaration of Human Rights are an essential goal of the STRABAG Group's value system. Particularly relevant here are:

- the prohibition of discrimination in respect of employment and occupation
- the prohibition of slavery and human trafficking
- the prohibition of child labour

For more information about the whistleblowing system, see the chapter "Business Compliance"

The following indicators are used to measure if an objective has been reached:

- number of cases of discrimination discovered in the financial year (cases of discrimination are assigned to the year in which they were conclusively discovered): 1
- status of the cases and measures taken: consensual solution following several interventions by the ombudsperson

In the past financial year, the ombudspersons were contacted a total of eleven times. Most of the matters could be resolved soon after the initial contact. Only one case, concerning an internal personnel change, required specific attention and was solved consensually following several interventions by the responsible ombudswoman.

PROJECTS AND INITIATIVES

The “Principles of employment conditions and human rights” were added to the Code of Conduct as a complementary annex. All employees were informed of and asked to observe and comply with these principles, which were also incorporated into the existing general terms and conditions or comparable agreements. Additionally, a statement pursuant to the UK Modern Slavery Act was published on the website at www.strabag.com.

In the 2017 financial year, the group ombudspersons jointly elaborated and implemented a “Guideline for the ombudship” at STRABAG as part of the group-wide whistleblowing system to ensure that the reports are handled equally, systematically and as professionally as possible. The guideline includes, among other things, defined categories for future reporting.

The subject of diversity and of equal treatment of women and men is dealt with in the Consolidated Corporate Governance Report.

STRATEGIC HUMAN RESOURCE DEVELOPMENT

The construction sector is a human-resource-intensive industry in which the commitment shown by our workers has a significant influence on business success – not least because, in light of shortages of skilled personnel and seasonal bottlenecks, they represent a critical factor. The STRABAG Group's response is consistent strategic human resource planning and the continuous training and development of its employees.

Rules and responsibility areas

Human Resource Development (HRD) is a group-wide organisational entity tasked with providing the best possible support to all parts of the STRABAG SE Group in all matters of human resource development. For a successful human resource development strategy, HRD elaborates guidelines and standards for the search, selection, qualification, promotion and development of leadership and employees.

The responsibilities and tasks are governed by a group directive for the HRD employees. Their tasks include:

- Human resource marketing
- Recruitment and integration
- Leadership and employee coaching
- Qualification and training
- Talent management
- Occupational health management

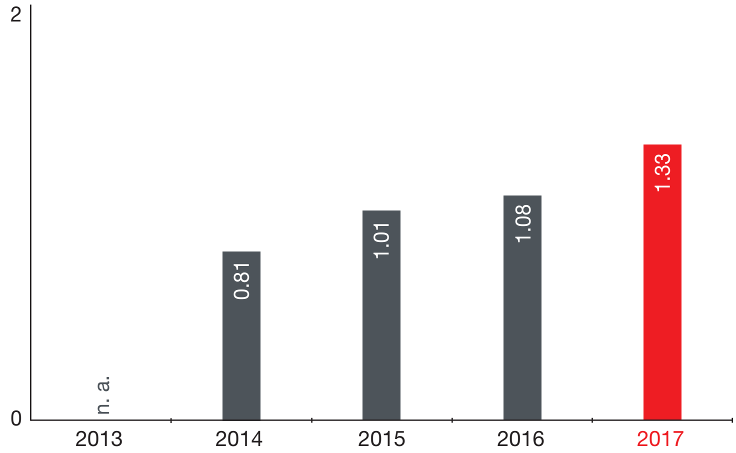
Objectives and indicators

To counter the lack of skilled labour, we aim to promote and optimise the needs-oriented professional and personal development and qualification of our employees. In this way, we can guarantee our clients the on-time, professional realisation of their projects.

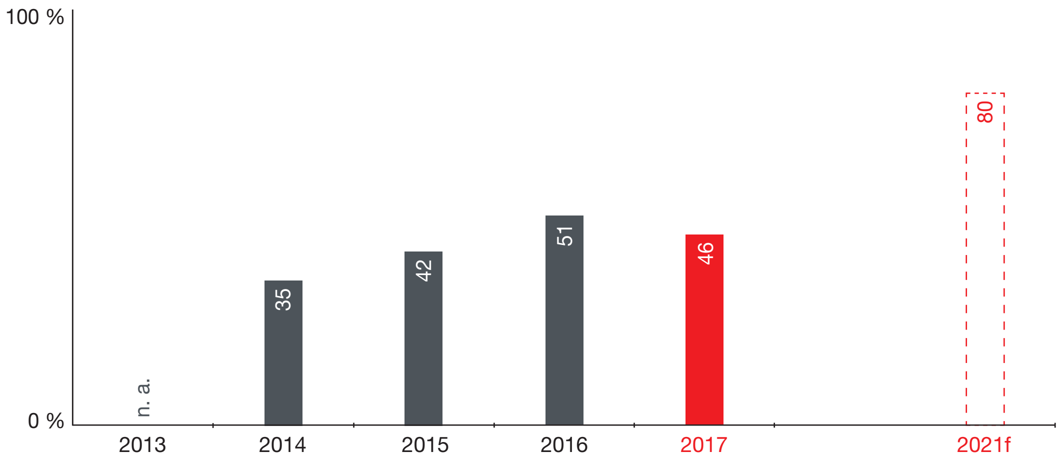
Training needs for our white-collar workers are ascertained mainly during the appraisal interviews. This essential instrument, which is to be conducted by supervisors at least once yearly, is an opportunity for mutual feedback, goal-setting and performance appraisal. The following indicators are used to measure if the objective has been reached:

In 2017, structured employee appraisal interviews were held with 46 % (2016: 51 %) of all white-collar employees in the group. We are aiming for 80 % by the year 2021. The training needs that were identified in the interviews were covered in the form of seminars. In the reporting period, there were 1.33 seminar days per employee (2016: 1.08).

SEMINAR DAYS PER EMPLOYEE



NUMBER OF APPRAISAL INTERVIEWS HELD AND RECORDED IN THE REPORTING PERIOD VERSUS NUMBER OF EMPLOYEES



Projects and initiatives

Measures and projects relating to the above-mentioned tasks are implemented on a continuous basis:

HUMAN RESOURCE MARKETING

We want to position the group as an attractive employer on the labour market to make a sustained contribution to covering the future demand for skilled experts and leadership employees. For this reason, we put a lot of our energy into addressing the target groups. Our focus is on school-age students as much as on university students and recent graduates. In order to reach prospective employees, our human resource marketing activities include participating in job fairs, presenting our company at educational institutions, organising company tours, offering internships and work placement, and sponsoring bachelor and master theses. We also are proud of our successful partnerships with more than 170 educational institutions in 2017. Additionally, we have our own profiles on social media platforms, such as Facebook, LinkedIn, Xing and YouTube, in order to be more accessible for interested persons. Our Facebook page has so far been liked by nearly 30,000 people.

We can gauge the success of our efforts by looking at different **employer rankings**. The magazine FOCUS, in cooperation with kununu, the largest employer rating site in the German-speaking countries, ranked us among Germany's best employers in 2017. The ranking was based on an analysis by the market research institute Statista of more than 100,000 employee ratings as part of the largest survey of this kind to date. In the construction sector, our company made it into the top three. We were also analysed by the social media market research institute BuzzValue, which published the ratings of the social media presence of the Austrian construction industry in the magazine Bau und Immobilien Report (5/2017). STRABAG ranked in first place by far.

RECRUITMENT AND INTEGRATION

The recruitment and subsequent integration of human resources is designed to systematically, professionally and quickly cover the human resource demand at the individual organisational entities with qualified new employees.

LEADERSHIP AND EMPLOYEE COACHING

HR consultants are the first points of contact for all human resource development and certain decentral human resource administration tasks at the divisions. They advise employees about career opportunities within the group or coordinate with the employee supervisors to recommend training for their further development. For management-level employees, we have developed a special training and further education offer as part of our management development programme, consisting of a mix of classroom workshops, web-based training and content for self-organised learning. All offers can be individually combined and are available in German and in English. The offer is updated annually and is constantly being expanded.

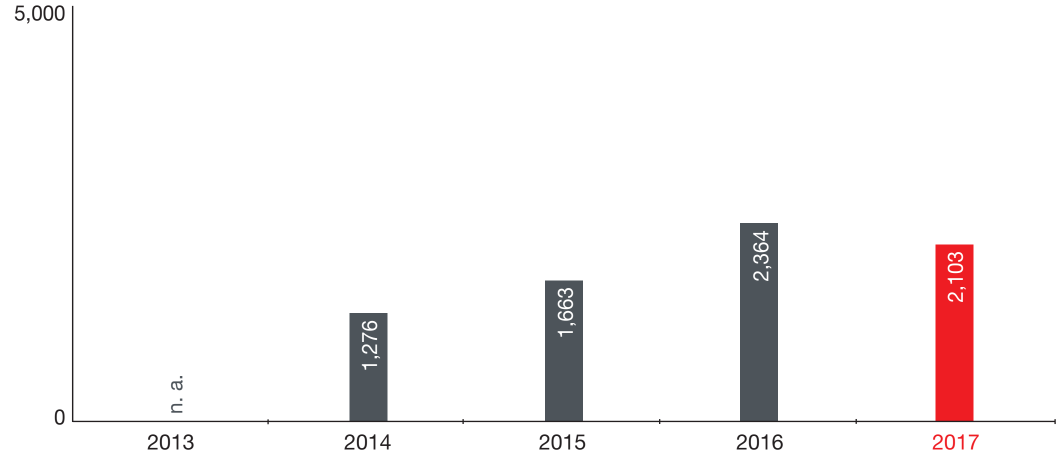
QUALIFICATION AND TRAINING

The Group Academy offers internal training options for blue-collar and white-collar workers in the group. The planning and systematic use of training and educational measures is the responsibility of the respective organisational entity. Together with their supervisors, employees can choose from among the various qualification offerings.

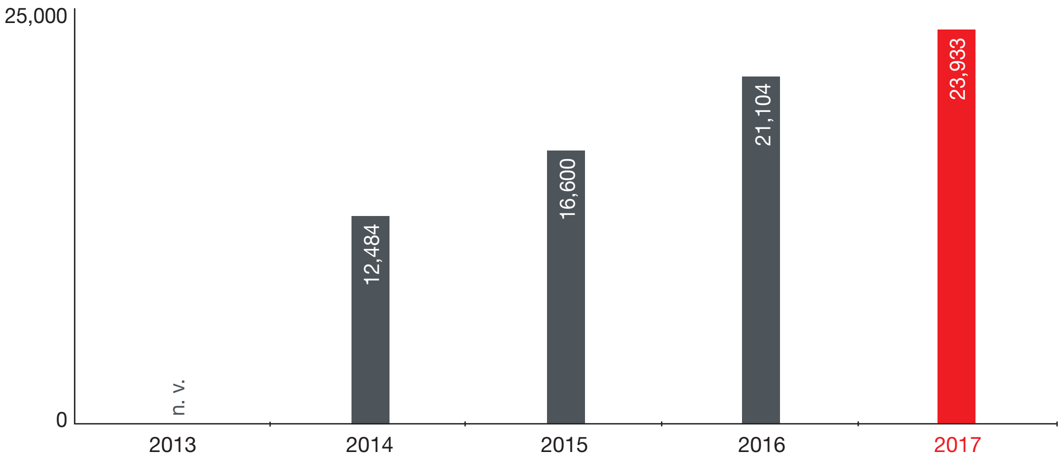
At the Group Academy, employees can find **specially developed training offers** in the categories of technology, law, business management, IT, personality and leadership. The trainers are internal and external experts who pass on their expertise to the participants. 2,103 training and further education seminars were offered in 2017 (2016: 2,364) and attended by 23,933 employees (2016: 21,104). More than 25,000 persons successfully completed an e-learning course on subjects ranging from cybercrime to work safety.

All employees have the possibility to make proposals for new training offers using the internal knowledge management tool. Beyond the appraisal interview, they and their managers, depending on their position, also receive recommendations for a selection of seminar options. The Group Academy offers regular modular **qualifications** to reinforce and deepen the training of people in key positions.

NUMBER OF SEMINARS



NUMBER OF PARTICIPANTS



To counter the shortage of skilled labour, STRABAG invests a lot of time and money in the training and education of its **apprentices and trainees**[1]. For dedicated young people who have completed an apprenticeship, the door to a career at STRABAG is wide open.

Our main apprenticeship careers in **Austria** are bricklayer, ground engineering specialist, formwork carpenter and paver. But we also offer training as construction plant mechanic, electrical engineering technician, facilities and building technician, mechatronics technician, metal technician, sheet metal worker as well as plasterer and drywall finisher to complement our team. In Austria, STRABAG continually offers apprenticeship placements at around 50 locations nationwide. A special feature of STRABAG's offer is the possibility for apprentices of the main trades to attend the group's own apprentice academy "BASIC-ADVANCED" during the winter months. At two locations in Austria, specially trained STRABAG forepersons and site managers work with our apprentices to reinforce their practical and theoretical knowledge. The success of our apprenticeship programme was demonstrated by the STRABAG team at the 44th World Skills 2017 in Abu Dhabi. Two of our very own apprentices took home the World Champion title in the category of Concrete Construction – proof, along with perfect training, hard work and dedication, that our apprentices rank among the best skilled workers in the world.

In **Germany**, STRABAG and its construction equipment subsidiary STRABAG BMTI are pursuing the selective training of young talents at the group training workshop in Bebra. The focus here is on the commercial and technical fields. In Bebra, our apprentice road workers, ground engineering workers and construction equipment operators enjoy top quality vocational training and individual attention. The aim is to secure an efficient knowledge transfer under aspects of quality and time away from the daily working routine.

1 Due to the differences in training systems from country to country, only the situation in the core markets of Austria and Germany can be presented here.

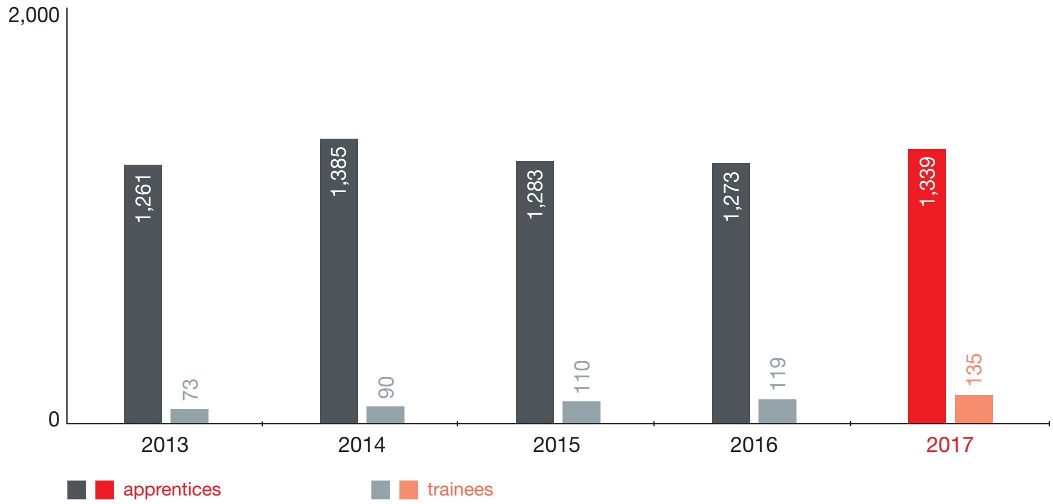
Increase of apprentice and trainee numbers planned

135 trainees at work for us

In Germany, Austria and Switzerland, a total of 470 (2016: 424) blue-collar apprentices were taken on in 2017. A significant increase of the apprentice and trainee numbers is expected in Germany and in Austria in the years to come. More information about the apprentice professions and work placement positions is available at karriere.strabag.com.

It is our aim to recognise, promote and develop young talents. In the competition for the best employees, STRABAG therefore offers a practical familiarisation programme for graduates with little professional experience holding selected Bachelor/Master degrees from universities and universities of applied sciences. The aim of the trainee programmes is to best prepare the graduates for the requirements of their future position in the group. As at 31 December 2017, the STRABAG Group had 106 technical and 29 commercial **trainees** working for it, thereof 92 men and 43 women.

NUMBER OF APPRENTICES AND TRAINEES

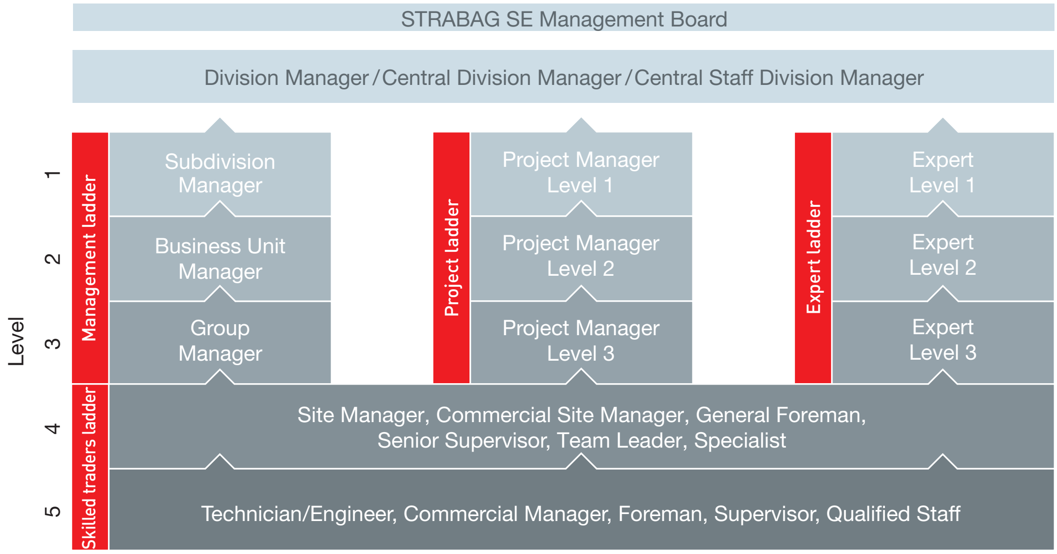


Trainees have their own personal schedule as a way of addressing individual wishes and needs and to offer flexible entry times. The commercial trainee programme lasts between eleven and 13 months, the technical programme varies between twelve and 15 months and both programmes include a period of three months abroad. At the beginning of the programme, trainees meet with a mentor to design the trainee schedule according to the specific professional and personal requirements of the target position. This experienced mentor is available to the trainee throughout the entire training period. Regular feedback interviews help focus on the trainee's individual development. With instruction from experienced specialists and management employees, the trainees pass through different organisational divisions and are introduced to various areas of business and responsibility. Both the commercial as well as the technical programme include mandatory sessions, for example on the construction site. Specific training activities are used to develop the applicant's personal and professional skills. An individual training schedule is developed for each trainee. In 2017, our trainee programme was again recognised as career-enhancing and fair by the job exchange Absolventa.

TALENT MANAGEMENT

The purpose of talent management is to recognise, develop and bind high-performers and high-potential employees in the interest of filling (key) positions with young talent possessing the best possible qualifications from within our own ranks. Based on our career model, internal parameters are applied to identify high-potential employees, provide them with individual support, and deploy them in the right positions. Besides the management ladder, which focuses on general management tasks, two other career paths are available: The expert careers are characterised by a high degree of technical expertise in a specialty field. Project managers can fall back on their years of experience in the field of project management and are responsible for complex construction projects. Individual activities such as a development centre, special training programmes or job rotation schemes are offered to help develop the recognised potential. The goal-oriented recognition and promotion of high-potential employees creates a stronger bond to the group and, in the long term, helps to secure quality, continuity and performance within the group.

CAREER MODELS



BUSINESS COMPLIANCE

The avoidance of corruption and anti-competitive behaviour has become an important management responsibility in recent years. The potential damage that a company may incur because of corrupt or anti-competitive behaviour on the part of individual employees can at times reach drastic proportions.

The construction sector is not immune to corrupt or anti-competitive behaviour by individual persons. Complex accounting processes and the great number of contractual relationships during a construction project often make it difficult to fully resolve non-compliant behaviour.

Although STRABAG generates most of its revenue in countries with a very low risk of corruption, in places like Germany, Austria and Poland, the international nature of its business means that some activities are performed in countries with a higher corruption risk, as measured, for example, by the Corruption Perceptions Index[1]. Transparent behaviour to minimise risk is required in all regions, especially during contract award or during negotiations with partner companies and subcontractors.

STRABAG acted in 2008 by implementing a Compliance Management System (CMS) and has been continuously developing it ever since. The purpose of the CMS is to prevent violations of the law and any resulting material and immaterial damage, and to maintain the company's good reputation as a business partner, contractor and employer. With extensive measures for employees and leadership, we are working to promote compliant and ethical behaviour and to create a strong corporate culture based on partnership and trust.

Rules and responsibility areas

The STRABAG Compliance Management System is seen as a living system that must continuously improve and adapt to changing circumstances. The focus is especially on preventing cases of corruption, avoiding the violation of competition law and averting all forms of money laundering. The system consists of:

- the Code of Conduct,
- the Business Compliance Guidelines,
- the Business Compliance Guidelines for Business Partners, and
- the personnel structure of the STRABAG Business Compliance System.

The **Code of Conduct** establishes the fundamental ethical values of the company and contributes to the development of a common value system. The **Business Compliance Guidelines** for employees and the **Business Compliance Guidelines for Business Partners** summarise the rules to follow to avoid corruption and anti-competitive violations. Potential compliance violations, such as bribery, fraud or corruption, can be reported via our group-wide whistleblowing system to specially appointed ombudspersons. Employees, as well as subcontractors and other third parties, have the possibility to anonymously pass on relevant information by phone or by e-mail. The current list of all contact persons for the whistleblowing system can be found on the STRABAG website at www.strabag.com > Strategy > Strategic Approach > Business Compliance. We actively call upon anyone with relevant information to come forward, so we can identify misconduct quickly, respond appropriately and avoid any possible damage. In the event of violations of the legal regulations or of the conduct guidelines applicable within the company, the company will take the requisite disciplinary and legal (labour law) measures.

1 Transparency International, Corruption Perceptions Index 2016, retrieved 30 January 2018 from https://www.transparency.org/news/feature/corruption_perceptions_index_2016#table

The **group business compliance coordinator** is the central point of contact for all business compliance matters and reports directly to the responsible member of the group's Management Board, in this case the CEO. Given the international organisation of our group, the compliance coordinator is supported by **regional business compliance representatives**. The group business compliance coordinator is in constant contact with the regional business compliance representatives and the ombudspersons of the whistleblowing system.

Objectives and indicators

The overriding objective of the STRABAG Compliance Management System is the complete avoidance of non-compliant behaviour. Recognising the impossibility of fully reaching this goal, and understanding the difficulty of measuring the degree of goal attainment, it is necessary to define supporting goals leading to the main objective. The relevant indicators are monitored regularly and over the long term, as the effectiveness of measures to avoid compliance violations can only be meaningfully measured over longer periods of observation.

- **Training penetration rate at 31 December 2017**
  (percentage of employees completing certain courses)
  Target: 100 %
  - E-learning course "The Right Behaviour in Day-to-Day Business", initial training: 93 %
  - E-learning course "The Right Behaviour in Day-to-Day Business", refresher course: 96 %
  - Classroom course "Avoidance of Corruption and Anti-Competitive Violations", initial training: 96 %
  - Classroom course "Avoidance of Corruption and Anti-Competitive Violations", refresher course: 94 %
  - Classroom course "Competition Law": 80 %
- **Number of employees trained in 2017**
  - E-learning course "The Right Behaviour in Day-to-Day Business"
    Target: 7,000 people/year over a three-year average
    - Initial training: 3,872
    - Refresher course: 7,850
    - Total: 11,722
- **Number of management employees trained in 2017**
  - Classroom course "Avoidance of Corruption and Anti-Competitive Violations"
    Target: 400 employees/year over a three-year average
    - Initial training: 308
    - Refresher course: 488
    - Total: 796
  - Classroom course "Competition Law"
    Target: 400 employees/year over a three-year average
    - Initial training: 233
- **Number of compliance-supporting measures in the year:** 5
  For details, see "Projects and initiatives".
- **Number of business compliance violations discovered in the year**
  (violations are assigned to the year in which they were conclusively discovered): 1

Projects and initiatives

The following different measures are being used to focus the business agenda more strongly on the subject of compliance:

Continuous training

We continuously train our employees in e-learning and classroom settings on how to fight corruption. An important requirement for attaining the overriding objective of avoiding compliance violations is for employees to be as informed as possible about appropriate behaviour in their daily business practices and, especially, about the negative consequences of inappropriate behaviour. The training of all relevant company employees (usually white-collar employees) in the principles of compliance is therefore a logical and necessary objective of the work of every compliance organisation. To increase their sensitivity to the subject of compliance, all employees must complete mandatory training measures and management employees must attend more in-depth training, also mandatory, at regular intervals.

The training activities are monitored using indicators such as training penetration rates or the number of employees trained in one year. Since 2013, the e-learning module “The Right Behaviour in Day-to-Day Business” has been carried out in all relevant group languages in all group countries. In addition to the course “Avoidance of Corruption and Anti-Competitive Violations”, special cartel law training was introduced for the management in 2015. All of the classroom courses on the avoidance of corruption and anti-competitive violations are given by external legal experts or by lecturers from the group’s internal legal department. New members of management receive one day of initial training, while veteran employees must attend half-day refresher courses every three years.

The following compliance-supporting measures were implemented by us in 2017:

- We managed to **increase the staff** of the business compliance team.
- To improve the implementation of the Compliance Management System in the operating entities, we reorganised the system of **regional business compliance representatives**.
- The Management Board approved the realisation of an IT-supported **whistleblowing hotline** to standardise the process and to make it easier to report wrongdoing.
- We published a two-page **article** on whistleblowing in our **employee magazine** teams, to give all employees an understanding of the importance of a functioning whistleblowing system and to dispel any misgivings they may have had about reporting misconduct.
- We started work on a **Compliance Readiness Check** to evaluate the knowledge and implementation of the STRABAG Compliance Management System in the business units and central divisions as a foundation upon which to build further compliance-supporting measures.

RESOURCE MANAGEMENT

Economic growth and the global population increase are stimulating the construction and maintenance of buildings and infrastructure. This requires large volumes of raw materials, such as **sand, gravel** and **quarry stone**. In Germany alone, this amounts to about 550 million tonnes of mineral resources a year, which corresponds to around 85 % of all processed raw materials within the country.[1] This leads, directly and indirectly, to a higher burden on the environment that is also noticeable locally: extreme weather, floods, loss of soil fertility and a decline in biological diversity. But the extraction of raw materials isn't the only important issue for the construction sector; in the end, the materials that are put into construction end up in the environment in the form of emissions and waste as a result of maintenance or demolition works. Construction waste, including but not limited to building rubble, road excavation material and construction site waste, account for the largest share (60 %) of the overall waste volume.[2] For this reason, we are committed to the transition to a more resource-friendly and more sustainable level of recycling management.

The energy required during the construction and use of buildings is high: Buildings account for about **40 % of the overall energy consumption** and produce around 36 % of the related greenhouse gas emissions in the European Union.[3] At the same time, besides the transport sector, the potential for energy savings is the greatest in the construction industry. To help raise this potential, we are continuously working on the development of our comprehensive energy and fuel management, among other things.

But an increasing awareness among society and politics, as well as the changed environmental conditions due to climate change, have also already caused a shift in client demands. Our strategic focus, our innovative strength and our **Sustainable Building technology centre** help to prepare us for the growing demand for resource-friendly services and products and allow us to proactively offer the corresponding solutions. Integrating different disciplines over different lifecycle segments is our core competence as a general contractor. As such, we are familiar with the entire value creation process and are capable of thinking and planning across lifecycles. This gives us the possibility to perpetuate the philosophy of sustainability with the best possible technical solutions and the early interconnection of all involved.

Rules and responsibility areas

A group-wide energy and environmental policy lays the foundation for acting in a resource-friendly manner; opportunities and risks are recognised early and the legal provisions are fulfilled.

MAJORITY OF ENVIRONMENTAL MANAGEMENT DESIGNED TO ISO 14001

Within the group, the subject of the environment is handled by the **Integrated Quality Management** (IQM) team. To properly address matters of the environment, an environmental management system certified to ISO 14001 has been introduced in nearly all group countries. The environmental management is headed by the group's environmental representative, who receives information as to developments – e.g. on environmentally relevant factors regarding contracts and investments – from the regional experts for environmental protection. In this way, he can give the best possible advice to the Management Board of STRABAG SE when it comes to setting environmental protection targets and measures. The information recorded by the environmental management system includes waste disposal, waste water, hazardous materials and products used.

1 VDI ZRE Publikationen: Kurzanalyse Nr. 2, Ressourceneffizienz der Tragwerke, 2014
2 Umweltbundesamt, Stoffstrommanagement im Bauwesen, retrieved 20 December 2017 from https://www.umweltbundesamt.de/themen/abfall-ressourcen/abfallwirtschaft/urban-mining/stoffstrommanagement-im-bauwesen#textpart-1
3 United Nations Environment Programme: Buildings and climate change, 2007

Energy management certified to ISO 50001

Energy management at STRABAG is an instrument to determine energy consumption and to increase energy efficiency. The group-wide energy management system is headed by the **Energy Steering Committee**, which determines the strategic orientation of the energy management. On the basis of the group-wide energy data, the energy experts at the various group entities formulate recommendations to the steering committee. Accordingly, operational targets are set for energy consumption, CO_2 emissions and relevant measures throughout the group. As of 2014, an energy management system certified to the international standard ISO 50001 is being introduced at various group entities. Thanks to the Energy Efficiency Act, it is possible to make use of the potential for cost savings and lower energy consumption.

Objectives and indicators

We are committed to compliance with the existing laws and regulations in order to avoid potential disadvantages for the group. It is our declared goal to keep the negative impact that our business activity has on the environment as low as possible. To do so, we give priority to those issues that promise the greatest potential for improvement and which we can directly influence through our own actions, such as the reduction of energy use and the continued development of processes and technologies for resource- and energy-efficient buildings.

Indicators:

- Percentage of recycled asphalt used in the production of asphalt mixture in Germany, Austria and Poland (combined share of group output: 70 %)
  - Germany: 32.7 % of total asphalt mixture production of 3,832,035 t
  - Poland: 29.8 % of total asphalt mixture production of 2,410,485 t
  - Austria: Insufficient data available for reporting

  Objective: We aim to increase the recycling share and also follow client demands in the process.

- Energy consumption and CO_2 intensity in the relevant energy consumption categories in Germany, Austria, Switzerland and Poland (combined share of group output: greater than 70 %)
  - Vehicle fleet (all vehicle categories): 7.8 litres/100 km and 0.2 kg CO_2/km

    Objective: at least 1 % reduction per year
  - Asphalt mixing plants: 94.3 kWh per tonne of asphalt mixture produced and 32.6 kg of CO_2 per tonne of asphalt mixture produced

    Objective: The insufficient data that are available make it impossible to provide a target value in form of a percentage change. For this reason, we continue to cite absolute values.
  - Construction equipment: Because of the insufficient data that are available, we are currently running pilot projects for the registration and monitoring of energy consumption and CO_2 intensity values for construction equipment.

Projects and initiatives

ENERGY MANAGEMENT PERFORMED SYSTEMATICALLY

STRABAG has had a systematic energy management in place since 2012 to identify savings potential and continuously raise energy efficiency. The cost savings that have been and remain to be achieved help us to increase our competitiveness. For economic and ecological reasons, the topic of energy remains of great importance for the STRABAG Group. The **energy costs** for the companies within STRABAG SE's scope of consolidation increased to € 250.59 million in 2017 (2016: € 235.09 million). This increase is caused by various external influences.

The energy and CO_2 data for the group are systematically captured and analysed using **CarbonTracker**. The software was developed in-house and has been in use since 2012. On this basis, we are developing concepts to reduce the use of fossil energy sources and lower the resulting green-house gas emissions in the long term through more efficient conventional or innovative machines.

Group employees are sensitised to contribute to **increasing** the **energy efficiency**. This occurs, for example, through training courses in which the staff is informed on the issues of safety, environment and energy.

In the second quarter of 2017, we began introducing an electricity and gas data management system to perform load profile analyses at stationary plants and administration buildings. This will help us to recognise and reduce power peaks and excessive base loads (demand for default electricity supply).

The positive results of the energy management can be seen in the reduction of energy costs, the higher tax savings potential and the protection of the environment through lower emissions.

ENERGY USE WITHIN THE GROUP

Form of energy	Unit	2013	2014	2015	2016	2017
Electricity	MWh	497,943	433,164	443,009	451,073	488,241
Fuel	thousands of litres	252,718	230,926	222,261	206,308	210,700
Gas	heating value in MWh	585,857	505,371	531,201	453,395	498,030
Heating oil	thousands of litres	16,053	14,388	17,661	15,383	16,878
Pulverised lignite	tonnes	69,602	75,247	72,174	75,468	83,193

Fuel management as important building block of energy management

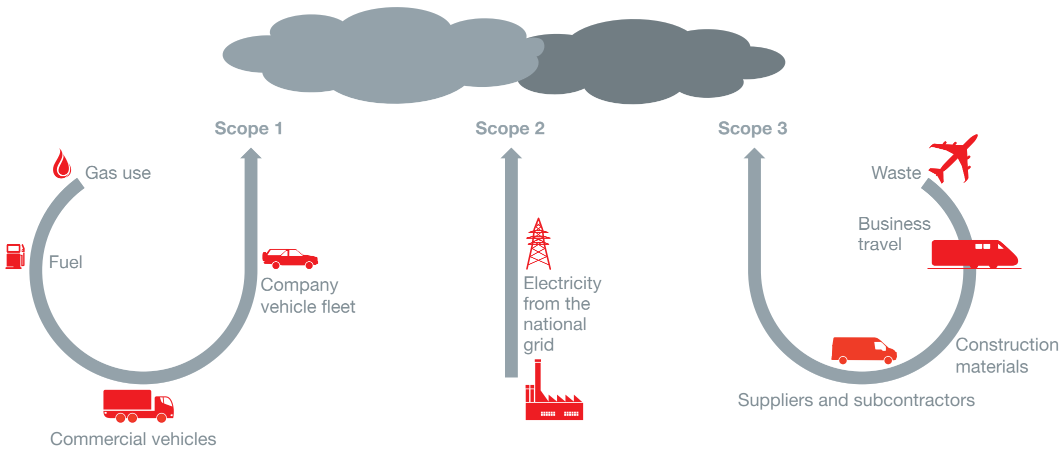
The group's most important energy source is **fuel**, which accounts for about 65 % of the total energy costs and therefore holds the greatest potential for savings for the group. In the 2017 financial year, we reassessed the efficiency potential of the passenger car and commercial vehicles fleet for the group's two largest markets, Germany and Austria. From today's point of view, there is a savings potential for fuel by about 3 %. **FuelTracker**, which was developed on the basis of the CarbonTracker software, allows us to analyse the fuel use of the STRABAG passenger car and commercial vehicles fleet. To also analyse the fuel use of the construction machinery and equipment, a system is currently being developed to digitalise the consumption data. Results are expected by the middle of 2018.

Driving energy management: current national and EU legislation

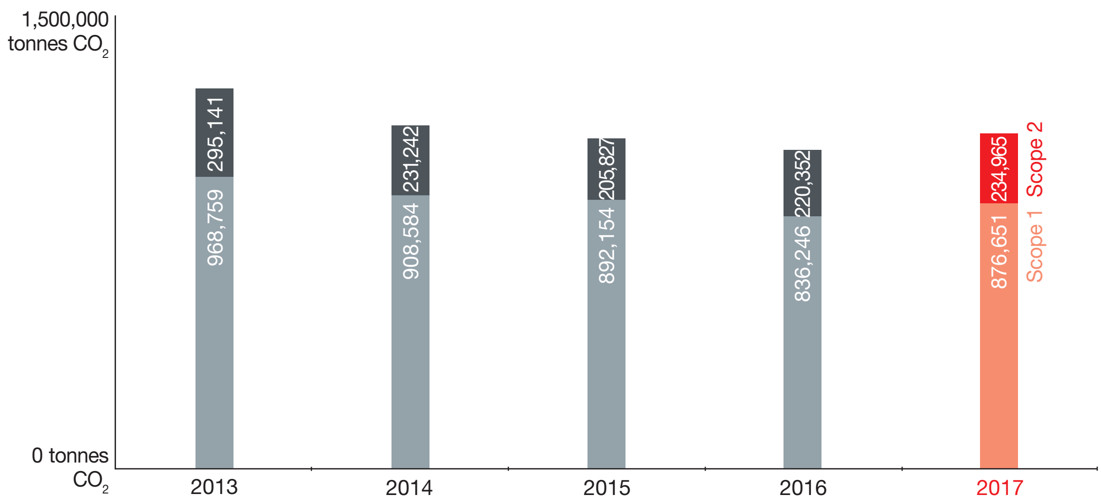
In response to the **EU Energy Efficiency Directive**, among other things, STRABAG began introduction of an ISO 50001-certified energy management system in 2014 starting with the core countries of Austria and Germany. All companies in Austria that are at least 50 % owned by STRABAG SE are in possession of valid certification. Furthermore, energy efficiency measures are being implemented to lower the energy use by 0.6 % on the basis of the total annual energy use of these companies. In Germany, our largest market, the **Energy Services Act** (EDL-G) was amended in 2015. Since 2016, an ISO 50001-certified energy management system has been present in Germany. Other European countries have already implemented the EU Energy Efficiency Directive into national law and are calling for the total or partial introduction of an energy management system. A comprehensive system has also been established in Hungary, Serbia, Croatia and Slovenia. In Denmark, STRABAG is performing external energy audits to comply with the requirements. The necessary measures in Poland, Slovakia and Sweden are centrally coordinated and arranged in the individual countries.

The carbon footprint for the 2017 financial year refers to the group's full scope of consolidation and includes the emissions caused in 67 countries. Within the group, a total of 1,111,616 t CO_2 were emitted in the year under report. In a year-on-year comparison, this corresponds to increase of 5 % or 55,018 t CO_2. The emissions are reported separately for Scopes 1 and 2 as defined by the Greenhouse Gas Protocol. More than half of the CO_2 emissions in the group result from the use of fuels, mainly diesel. This is followed by electricity and pulverised lignite with 20 % and 16 %, respectively. Germany, Poland, Austria and the Czech Republic are responsible for the greatest share of these emissions (66 %). With 73 %, these countries also accounted for the greatest share of the group's output volume in 2017.

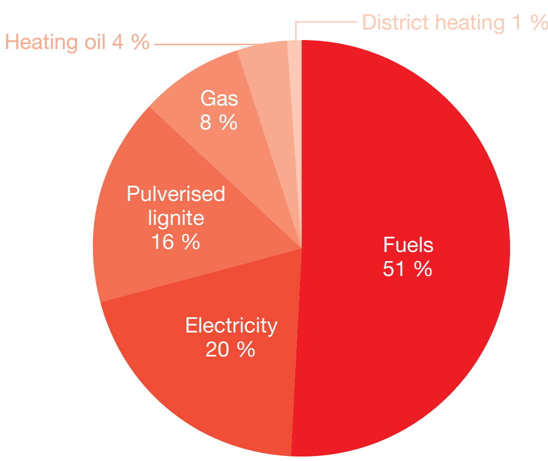
THREE SCOPES



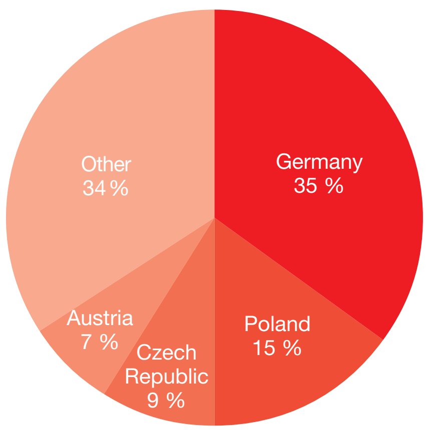
EMISSIONS OF THE STRABAG GROUP



CO_2-EMISSIONS BY ENERGY SOURCE 2017



CO_2-EMISSIONS BY COUNTRY 2017



RESOURCE-EFFICIENT MATERIAL USE THROUGH RECYCLING

MATERIALS USED

Material	Unit	2013	2014	2015	2016	2017
Stone/Gravel	thousands of tonnes	60,360	59,910	60,670	58,020	62,420
Asphalt	thousands of tonnes	13,110	13,840	13,690	13,660	14,000
Concrete	thousands of m^3	5,053	4,934	4,986	4,589	5,357

The construction sector plays a key role in the future development of efficient ways to use primary raw materials. STRABAG recognised this development years ago and has been increasing its resource efficiency through **optimised production processes** for concrete, cement and asphalt, on the one hand, and on the other hand, through the reprocessing and **recycling of construction materials**. In a European comparison, the recycling rates in two of our core countries – Austria and Germany – are already quite high. Technological advances and stricter legislation help to promote this positive development. The transportation infrastructures segment holds especially high potential. The recycling of used materials reduces greenhouse gas emissions and saves valuable primary raw materials. Moreover, with a rate of 78 %, we cover most of our asphalt needs ourselves. This puts us in a position to optimise the production process as needed and to initiate measures to raise energy efficiency.

SUSTAINABLE BUILDING IN ACCORDANCE WITH ESTABLISHED CERTIFICATION SYSTEMS

Rising energy prices, the increasingly noticeable impact of climate change, and rapid urban growth present the construction industry with new challenges: buildings are no longer optimised only according to investment criteria – lifecycle costs, quality and resource efficiency are also becoming more important. Thinking and working in cycles results in economical, environmentally friendly, low-resource buildings which also meet the high demands for functionality and flexibility.

Seven group buildings with DGNB or ÖGNI certification

Taking a building's entire lifecycle into account, **energy demand** is **highest** during the **operating phase**. An important and growing business field for STRABAG therefore is to optimise buildings so they consume little or no energy, or even generate their own, during their period of use. We have the technical know-how and the necessary experience to design and construct sustainable buildings. In addition to consultation and execution, we also conduct audits of new and existing buildings in accordance with the established certification systems **DGNB**, **LEED**, **ÖGNI**, and **BREEAM**.

We also want to offer our own employees a chance to experience the health benefits and level of comfort which the users of sustainable buildings enjoy: Seven of our group buildings at five locations have been built either fully or in part by STRABAG and its subsidiaries with subsequent certification according to DGNB or ÖGNI criteria.

STRABAG REAL ESTATE: DGNB BASIC CERTIFICATION IN GOLD FOR SUSTAINABLE OFFICE AND ADMINISTRATION BUILDINGS

STRABAG Real Estate GmbH (SRE) has opened up a new chapter in real estate certification. The company was awarded gold certification from the German Sustainable Building Council (DGNB) with the SRE Standard Multiple Certification covering all standard designs for the company's office and administration buildings. The certificate was presented by DGNB at Expo Real 2017 in Munich.

With the multiple certification, SRE has set a milestone in the certification practice for sustainable buildings. "The basic certificate from DGNB certifies STRABAG Real Estate as a true pioneer in sustainable building and is a clear statement for sustainability," says Christine Lemaitre, CEO of DGNB. "It shows that the company approaches the subject with the necessary seriousness – for both the environment and people."

The multiple certification comprises all standard designs for real estate developed by SRE. This means that, as a rule, all the company's office buildings already comply with the DGNB Gold Standard after the first design. The corresponding certification merely requires the application of additional, project-specific factors. This helps to streamline the certification process and to reduce the associated costs. SRE developed the application system for its standard in close cooperation with DGNB and the Sustainable Building Department at Ed. Züblin AG.

SOCIETAL ENGAGEMENT

Focus on cultural and social projects as well as on team sports

Our business activity – the business of building – directly shapes people's living environment. The result is an interaction between construction and society: only in a successful society can we succeed. At STRABAG, we therefore feel obliged to contribute to the healthy development of society as a whole. This means that we make contributions to maintain the social standards in Central Europe, to improve them in other countries, and that we support cultural projects as well as team sports to enhance team spirit.

Rules and responsibility areas

If and in which form we lend substantial support is decided by the STRABAG SE Management Board according to eligibility criteria such as:

- Can STRABAG, given the nature of its business, make a contribution to the project that companies in other industries could not?
- Is the project worth our long-term commitment?
- Does the project fit our strategy and our public image?

Objectives and indicators

We do not extend our social commitment indiscriminately, but instead support selected initiatives over the long term in order to make a lasting contribution. One of the indicators that measures our commitment is the contribution we make to the core projects and initiatives mentioned below. In 2017, this amounted to € 4.70 million (2016: € 4.85 million).

Projects and initiatives

CONCORDIA SOCIAL PROJECTS

With STRABAG's help, CONCORDIA supports people in need.

In the social sphere, we are especially committed to helping children and youth in Eastern and South-East Europe by giving them an opportunity for an education and the chance for a better future. This also helps to secure the future of our company in these markets. An important contribution is made to CONCORDIA:

CONCORDIA is an internationally active, independent charity organisation for children, youth, the elderly, and families in need. From its start in 1991 as a social project for street children in Bucharest, CONCORDIA has grown into an organisation which today helps around 9,000 children, youth and families in Romania, Bulgaria and the Republic of Moldova.

The organisation's most important goal is keeping families together. Many parents are forced to leave the country in search for work. Sometimes children are unable to stay with their families due to existential poverty. CONCORDIA's services therefore comprise family-like children's homes, foster care, social centres for youth in precarious situations, assisted living facilities for young adults and outreach work. Another focus is on educational projects: from educational assistance or music instruction to separate training facilities, for example for cooking/baking or the carpentry trade.

In the Republic of Moldova, CONCORDIA also attends to the needs of around 6,000 people who have to live in extreme poverty. All over the country, CONCORDIA's social centres and soup kitchens provide elderly people and children in need with the essentials they require every day. STRABAG has been a partner of CONCORDIA for years, helping to build living facilities for (orphaned) children, setting up social centres and soup kitchens, and offering continuous support of the organisation's activities.

With STRABAG's support, CONCORDIA also provides assistance to children from low-income families in Austria and helps unaccompanied minor refugees take their first steps towards integration. Since 2016, an annual fundraising concert by Tyrolean Festival Erl on behalf of the CONCORDIA children's projects has been a regular part of the joint effort by STRABAG and CONCORDIA to help people in need.

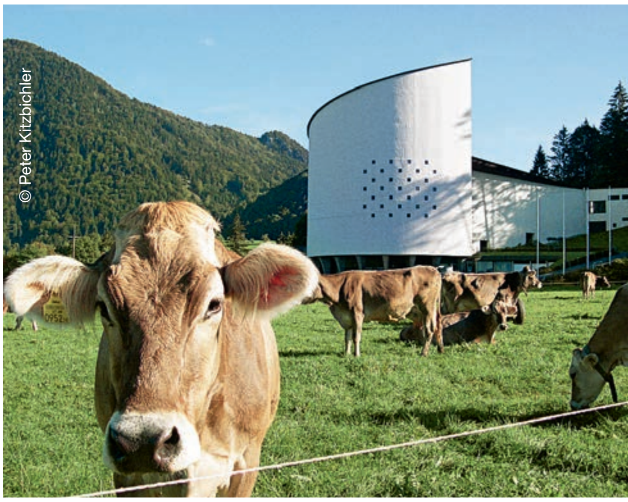
More information: www.concordia.or.at

TYROLEAN FESTIVAL ERL

Tyrolean Festival Erl was founded in 1997 and has been held in the illustrious Passion Play town of Erl in Austria under the overall direction of Gustav Kuhn every year since 1998. STRABAG has been a supporting partner from the beginning. An attractive winter season programme was added to the summer programme in 2012 when performances became possible in the STRABAG-built festival theatre.

Tyrolean Festival Erl has become a respected fixture in the cultural life of Tyrol and internationally. The focus in the summer is on Wagner and Strauss as well as on a classical and romantic concert repertoire. In the winter, the unique acoustics in the new festival theatre do justice to the works of Mozart, Bach, Italian composers and belcanto.

To guarantee the long-term viability of this important cultural venue, the "Tiroler Festspiele Erl Gemeinnützige Privatstiftung" was established in 2017 with STRABAG SE as one of the foundation's sponsors. 2017 also saw the 20th anniversary of the festival summer. In this year, more than 20,000 visitors came to enjoy the opera, concert and chamber music evenings.



The festival and Passion Play theatre in Erl (Austria)

More information: www.tiroler-festspiele.at

ENSEMBLE:PORCIA

Ensemble:Porcia, one of Austria's oldest summer theatre festivals, can look back on 56 years of tradition in comedy at its historic venue of Porcia Castle in Spittal an der Drau in Carinthia. Each season, the ensemble arranges six new productions of great comedies for a programme that equals that of a midsized city theatre. The European idea is at the focus of the pieces chosen by director Angelica Ladurner: Every summer, the troupe performs a comedy from the repertoire of a European language. 2017 was the year of German-language authors.

Performances are held not only in the courtyard of Porcia Castle, but also at the Salamanca Gallery in Spittal an der Drau. And from May through August, the Porcia Theatre Wagon tours through all of Carinthia. This season, it even called in at the STRABAG head office in Vienna. In addition to the 75 performances in front of about 17,000 spectators, a special attraction in

The Theatre Wagon even made it to the STRABAG head office in Vienna.

2017 was a joint performance with the 2016 Nestroy Audience Award winner Nikolaus Habjan and Musicbanda Franui at Porcia Castle.

More information: www.ensemble-porcia.at

STRABAG KUNSTFORUM

STRABAG Kunstforum has long been in the service of arts patronage – as organiser of the STRABAG Artaward International, with the exhibitions at the STRABAG Artlounge and through the establishment and maintenance of the permanent collections at more than 60 offices throughout Europe. The STRABAG Artaward has been presented since 1994 in Austria and since 2009 as an international art sponsorship award for artists in the fields of painting and drawing. Winners receive the opportunity to present their works at an individual exhibition in the STRABAG Artlounge. STRABAG Kunstforum also gives artists access to the art studio at the STRABAG head office in Vienna as a place that promotes the creativity, artistic productivity and exchange within the art scene.

For the years 2015–2017, the award was open to artists from Austria, Switzerland, North Rhine-Westphalia (Germany) and the Benelux countries. The winner in 2017 was Julia Steiner, the first Swiss artist to win the award. Additional awards went to Natascha Schmitten, Denitsa Todorova, Stylianos Schicho and Daniel Karrer.

Besides the focus on young artists, individual exhibitions were also organised for established names from the art world such as Eduard Angeli and Ahmet Oran. All temporary exhibitions at the STRABAG headquarters as well as the permanent exhibition of Bruno Gironcoli at the Gironcoli-Kristall, Vienna, are open to employees and the general public during regular office hours. Admission is free.

With the 3,000 works of art comprising the STRABAG Artcollection, STRABAG Kunstforum aims to promote the dialogue between art and everyday life and to give artists a platform where they can continue their work. In 2017, STRABAG Kunstforum provided the art for the new location in Zirl (Austria) as well as the existing locations in Stuttgart (Germany) and Tech Gate Vienna (Austria).

More information: www.strabag-kunstforum.at

STRABAG Artcollection at the new location in Zirl, Tyrol

Award ceremony STRABAG Artaward International 2017

RISK AND OPPORTUNITY MANAGEMENT – PROJECT-RELATED RISK MANAGEMENT

Why manage risks and opportunities?

Don't focus only on the macroeconomic development, but also – and above all – scrutinise a construction company's risk management system.

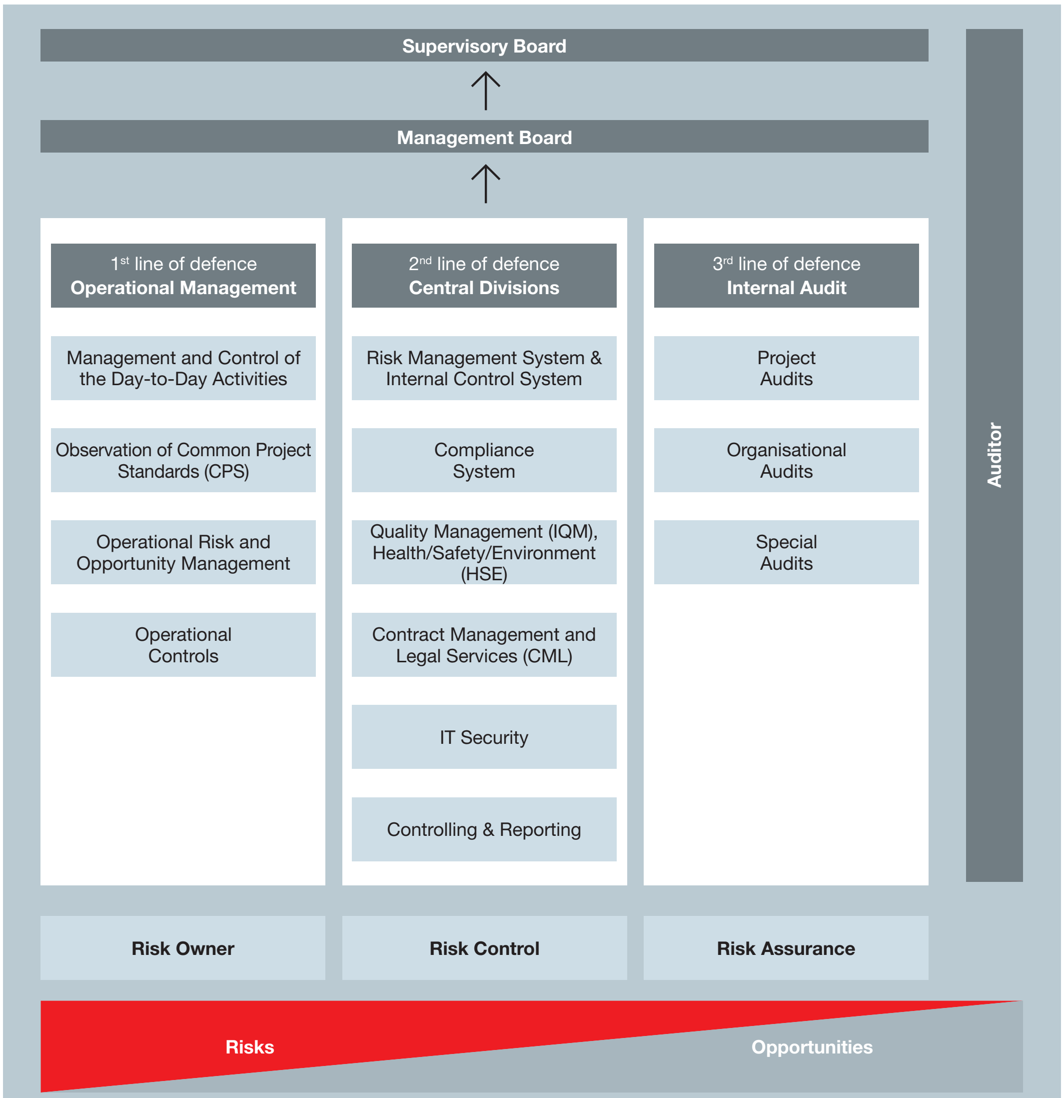
The STRABAG Group encounters many different risks and opportunities in the course of its business activities. These risks are systematically identified and assessed using an active risk management system and actively managed through an appropriate risk management policy. This risk management policy is an integral part of the management system and describes a set of fixed principles and responsibilities for risk management and how to deal with the material risk categories.

When capital market participants or suppliers scrutinise a company in the construction sector, the forecasts for the macroeconomic development of the individual markets are usually of great importance to them. Of course, our business is influenced by economic growth and public spending; at least as important, however, is a construction company's risk management. After all, the large number of unique projects translates into an increased risk potential. Keeping this under control requires a focused organisational structure with clearly defined responsibilities and effective instruments for an active risk and opportunity management. An end-to-end risk and opportunity management system also is a competitive advantage that is difficult for the competition to copy – it can only be established over the long term.

Managing risks and opportunities is part of the daily work at STRABAG. Additional information can therefore be found in the Management Report under "Risk management", "Financing/Treasury" and "Order backlog" or in the Consolidated Corporate Governance Report.

Rules and responsibility areas

To ensure a responsible and proactive approach to risks and opportunities, we integrated a comprehensive **risk management system (RMS)** with an **internal control system (ICS)** in our management system on the basis of the internationally recognised COSO Enterprise Risk Management Framework (COSO: Committee of Sponsoring Organizations of the Treadway Commission). Risk management is a **core activity of the management** with responsibility at the corresponding management level. The organisation and responsibilities for the risk management are determined according to the three lines of defence approach supported by the European Confederation of Institutes of Internal Auditing (ECIIA). This end-to-end corporate governance model applies to all disciplines of risk management and establishes clear roles and responsibilities for risk management to ensure a functioning and efficient control and monitoring framework.



Organisation of risk management following ECIIA: Guidance on the 8th EU Company Law Directive, Article 41

The **first line of defence** is the operational management, which has responsibility for identifying, analysing, assessing, managing and monitoring risks and opportunities. As **risk owner**, the operational management is responsible for establishing preventive measures to avoid or mitigate risks, for taking advantage of opportunities that arise in the day-to-day business and for ensuring that all activities coincide with the company objectives.

The **second line of defence** supports the operational management in **risk control** as well as in further developing the risk management system and the internal control system. This includes the central functions for risk management, compliance, quality management, health/safety/environment (HSE), IT security, and controlling and reporting. The central divisions establish standards, methods and processes for the risk management along with related standards and guidelines, manage and monitor their implementation in the operational areas, report periodically to the company management and review the level of sophistication and further development of the management system.

The **third line of defence** comprises the internal audit department as an objective and independent audit and consulting entity for **risk assurance**. The internal audit department supports the company management, the operational management and the monitoring entities in early risk recognition and reviews the effectiveness of the measures established to minimise or avoid risk.

Complementing the above, the **financial auditor**, as part of its annual audit activities, assesses the effectiveness and efficacy of the risk management system and the internal control system and so supports the ongoing monitoring of the efficiency of the three lines of defence. The essential success factors of our integrated governance system are explained below:

#1 – MANAGEMENT SYSTEM WITH ASSOCIATED POLICIES AND RULES

The management system of the STRABAG Group is described with the associated policies in the Management Manual and is documented with superordinate and subordinate rules. The rules apply across the group and have been translated and communicated in all relevant group languages.

#2 – ORGANISATIONAL STRUCTURE WITH CENTRAL ENTITIES

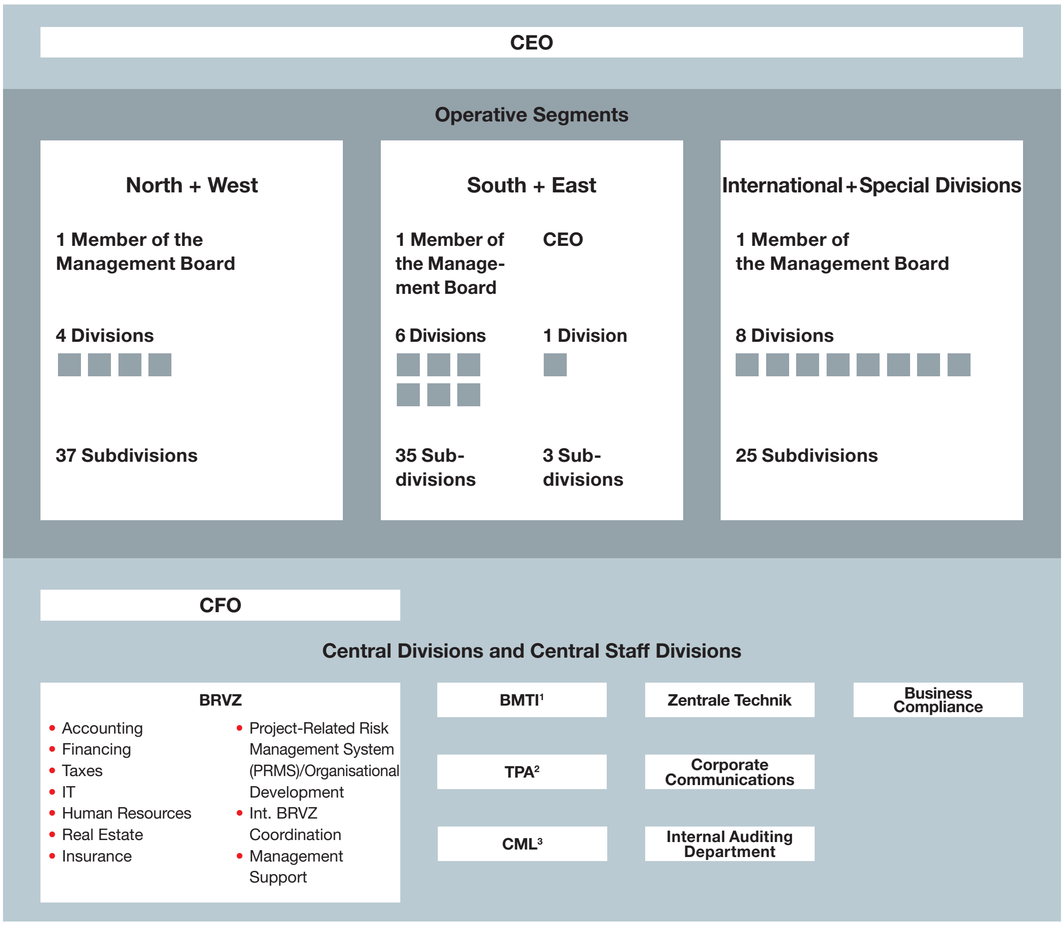
The management of the risks and opportunities receives significant support from the group's organisational structure. The uniformity of the organisation creates economies of scale and results in efficient controlling and reporting. Under the roof of the parent company STRABAG SE, a number of legally independent subsidiaries are active in their respective national markets. The top level of organisation are the segments North + West, South + East, International + Special Divisions and Other (this segment comprises the central divisions and the central staff divisions), each of which is headed by at least one member of the Management Board.

The STRABAG SE **Management Board** is the group's top management body. It is responsible for maintaining the group's financial balance and determines its strategic goals. The Management Board regularly discusses matters of corporate responsibility and sustainability. During the execution of these tasks, the Management Board is supported by the **divisions** as well as by the central divisions and central staff divisions (service companies).

The division managers coordinate and steer their subdivisions and report directly to the member of the Management Board responsible for their division. They manage their business independently and on their own responsibility within the framework of the group's business policy. It is their responsibility to reach the objectives laid out in the strategic and operational planning and to realise the specified individual measures. The operating business is managed by the **subdivisions**, which in turn are organised into individual business units. They are responsible for the greatest possible success in their regional markets or business fields and are managed by the superordinate division managers.

The **central divisions** handle the group's internal services in areas such as accounting, financing, taxes, IT, human resources, real estate, insurance, project-related risk management system and organisational development, equipment and vehicle management, quality management, safety/health/environment and energy management, technical consultation, quality assurance, innovation management, prequalification, contract management and legal services. As competence centres, they support the operating units so these can concentrate on the core business and deliver their services to the clients in an efficient manner. The **central staff divisions** are responsible for internal audit and communications and report directly to the CEO.

While important decisions at the Management Board level are made during regular board meetings, the **four-eyes principle** applies at the levels below. For us, this dual management structure ensures efficient risk management and foresees that responsibility is largely assumed jointly by one technical and one commercial manager.



1 BMTI: equipment and vehicle management

2 TPA: quality management, health/safety/environment and energy management, technical consultation, quality assurance, innovation management

3 CML: prequalification, contract management and legal services

Last updated: 1 February 2018

#3 – PROJECT SELECTION AND INTERNAL PRICE COMMITTEES

Project-related risks often have their origin long before contract signing. In order to recognise significant risks and opportunities at an early stage, we select projects before participation in a prequalification or before the start of bid processing on the basis of defined criteria and disclosure thresholds. Especially with large projects, the management can set framework conditions for the further bid processing and for the early inclusion of specialists from the group's central divisions and central staff divisions. When defined disclosure thresholds are exceeded, a bid, before it is submitted, must be closely reviewed and approved by internal **price committees** composed of members from various hierarchy levels depending on the project size.

"We have a self-developed management information system that helps us to apply the same standards in all regions in which we operate. That means clear criteria for the assessment of new projects, a standardised process for the submission of bids, and control systems that serve as filters to avoid loss-bringing projects."

#4 – MANAGEMENT INFORMATION SYSTEM

Our management information system gives us an up-to-date overview of the financial status of all our projects with data that can be compared from country to country. In addition, evaluations are analysed by the respective management and members of the STRABAG SE Management Board at regular intervals.

Thomas Birtel, CEO of STRABAG SE

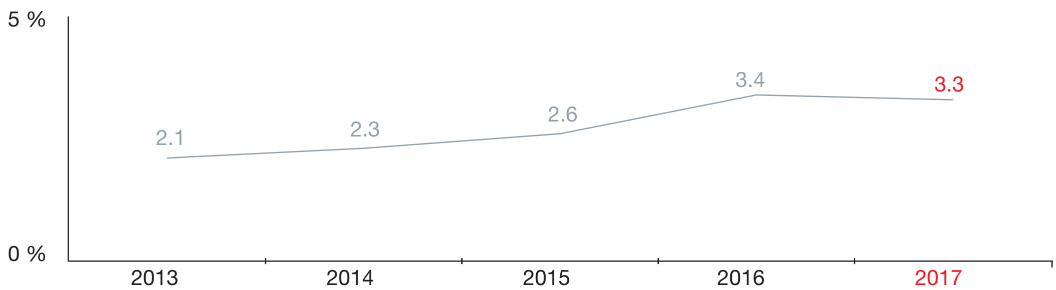
Objectives and indicators

A primary objective is the **long-term existence of our company**, which we strive to ensure by maintaining our focus on cost efficiency and the disciplined use of capital. To reach this overriding objective, we set ourselves the following specific goals:

REACH AND SUSTAIN THE DEFINED EBIT MARGIN TARGET

The **EBIT margin** is our **most important financial indicator**. The margin is especially crucial for our investors. Given our policy of paying out 30–50 % of the net income after minorities in the form of a dividend, our investors are especially interested in seeing a sustained achievement of the EBIT margin target.

DEVELOPMENT OF EBIT MARGIN



Since 2016, we have made it our goal to confirm a sustainable EBIT margin (EBIT/revenue) of at least 3 %. In the 2017 financial year, with an EBIT margin of 3.3 %, we again succeeded in reaching our self-imposed target. The operating margin surpassed the level of the previous year, in which a non-operational one-off effect, which had been disclosed at the time, from the sale of a shareholding related to the acquisition of the minority interest in subsidiary Ed. Züblin AG had resulted in an upwards distortion of the earnings figures. Adjusted for this effect, the 2016 EBIT margin stood at 3.2 % compared to an unadjusted margin of 3.4 %.

CONSTANTLY INCREASE THE EFFICIENCY OF THE PROJECT-RELATED RISK MANAGEMENT SYSTEM

To maintain the EBIT margin at the level attained, and raise it if possible, we must consistently and sustainably reduce the flop rate by constantly improving the efficiency of our project-related risk management. We have implemented a risk management system (RMS) with an integrated internal control system (ICS) across the group to help us in the early identification, accurate assessment, effective management, and transparent end-to-end monitoring of significant project-related risks and opportunities. We periodically review the efficiency and effectiveness of the systems, processes and controls for early recognition of all material risks and related countermeasures in order to deflect impending damage to the company and rule out any potential threat to its existence. Weak points that are identified in the process are transparently documented and immediately rectified.

For the monitoring of the overriding objective, several **indicators** are periodically measured and tracked on the basis of multi-year comparisons. These indicators include:

- Financial figures
- Project-related and organisational figures
- Economic and industry situation
- Market position and competition
- Client situation
- Services offered
- Management quality

However, the effectiveness and efficacy of the risk management system cannot be measured or assessed on the basis of an isolated observation of individual risk parameters. Many different indicators must be observed in the context of various influencing and correlating factors.

We are working on developing a more uniform, group-wide understanding of risk and a standardised, end-to-end method for the identification, categorisation, assessment and tracking of risks and opportunities. On this basis, the project-related documented risks and opportunities can be aggregated over the long term and the associated risk indicators can be ascertained. Using cause/effect analyses, we also evaluate the degree to which this allows us to derive correlations or dependencies that could serve as early-warning indicators to deliver important information for the management of risks and opportunities.

ENSURE COST EFFICIENCY AND DISCIPLINED USE OF CAPITAL

To sustain an EBIT margin of at least 3.0 % in the long term, it will not be necessary for the market – i.e. the macroeconomic environment – to improve. Besides our increased efforts to improve the project-related risk management, we are maintaining our focus on **cost efficiency and the disciplined use of capital**. This was at the centre of the work of the internal **STRABAG 2013ff task force** that over a four-year period visited the locations of all our organisational entities, viewed construction sites, and engaged in conversations with the local management. The aim now is to stabilise and consolidate the efficiency improvements achieved by the work of the task force with regard to the organisational and strategic position of the group. Help and assistance in this regard should come from the **central division Project-Related Risk Management System/Organisational Development/ International BRVZ Coordination** that was created in 2015. The main tasks of this team include the development of organisational indicators and benchmarks for efficiency improvement as well as the consultation and support in organisational development measures at individual company entities.

Projects and initiatives

Also see the "Strategy" section of the Annual Report

Based on the strategic principles for the management of risks and opportunities, the measures we are taking include the following:

MEASURES TO STRENGTHEN THE PROJECT-RELATED RISK MANAGEMENT SYSTEM

The STRABAG Group's risk management system was improved through the following changes and enhancements in the 2017 financial year:

- Extension of the minimum standards for the procurement and execution of construction projects (common project standards) – these are an integral part of the management system and have group-wide validity – through rules and regulations specific to the respective business units and countries
- Further development of the decision-making foundations in the project initiation phase to support the decision-making process in final tender meetings or price committees
- Implementation of an evolved catalogue of possible causes, based on the common project standards, for the categorisation of material positive and negative earnings causes
- Further analysis of cause-and-effect relationships
- Improvement and extension of the data management for the gradual establishment of a knowledge database complemented by analysis and assessment options for the promotion of a needs-based exchange of experience among the project participants
- Improvement of system interfaces to avoid redundant data capture and to improve quality and transparency in data management and the determination of key performance indicators

In the 2017 financial year, we also initiated the following long-term developments which are either in the evaluation and conception phase or are finding implementation in subprojects:

- Improvement of the project data management in the areas of data structuring, archiving, functionalities and interfaces to support the decision-making processes during the project initiation phase
- Extension of the standardised reporting through project management tools for the early recognition of opportunities and errors (including comparison of target/actual quantities for main works)
- Development and introduction of an IT tool for the standardised, systemic end-to-end documentation and tracking of risks and opportunities
- Derivation of indicators and the development of efficient early-warning systems on the basis of the periodically analysed lessons learned and experiences in order to avoid errors or the repetition of errors
- Stabilisation of the efficiency improvements initiated by the STRABAG 2013ff task force through the development and complementation of suitable organisational indicators as a decision-making basis for sustained structural optimisations
- Planned merger of the reporting in a modular controlling portal

An essential prerequisite for the improvement of our project-related risk management system is the active contribution of all employees with a clear commitment to an open error culture. This is where our values of partnership, trust and respect, based on honesty, fairness and mutual appreciation, are of particular importance, as they form the foundation for a learning organisation.

DIGITALISATION TO PROVIDE NEW TOOLS FOR THE REDUCTION OF CONSTRUCTION RISKS

Also see chapters "Innovation" and "Digitalisation"

The new tools being used in **BIM.5D®** processes facilitate, among other things, regular consistency reviews of the construction designs, a model-based quantity, cost and performance assessment, and schedule planning, and, on this basis, an end-to-end rendering of the construction sequence with digitally linked processes and consistent data across the entire lifecycle of a building. This can help uncover and correct errors at an early stage, thus minimising the risks in a construction project, the roots of which are often found in the design phase. The digitally retrievable data can then be used for different analyses (including building analyses and simulations, sustainability studies or building certification). The digital tools also promote an efficient and transparent working relationship with clients, designers and partner companies.

INNOVATION

Production costs usually still decide over award

Strategically steering innovation

STRABAG is a technology group for construction services. For a technology-focused company, it is essential to embrace innovation to remain competitive in the long term.

The trend towards **integrated end-to-end solutions** is increasingly taking hold in the construction sector as well. Clients want benefit, rather than things and individual functions. This results in complex changes. The function of buildings and transportation infrastructures is increasingly seen over the entire lifecycle – in terms of technology, profitability and environmental impact. Yet today **production costs** still **decide** over most contract awards. This price competition can be countered not only through increased efficiency but also by applying innovative solutions. Clients are increasingly looking at the operating and lifecycle costs; rarely, but more and more, an assessment of the environmental impact of the relevant construction-related processes is wanted. In the future, construction companies will be asked to build highly functioning buildings with maximum comfort, high health standards and low impact on the environment. The bid submission for and execution of the Axel Springer Campus in Berlin is a clear example of this development.

Policymakers are also recognising the role of the resource-intensive construction sector when it comes to tackling challenges such as **climate change** and **resource scarcity**. There is a considerable need for energy-efficient residential and non-residential buildings and, considering the increasing traffic volume, for modern transportation infrastructures. This finds expression in extensive national and European subsidy programmes and announces large investment volumes.

All of these demands fit in well with the basic understanding and the role of a **main contractor**. Whereas in the past contractors were usually invited to join the process at the construction stage – which is quite late in the game –, in the future they will participate earlier and more extensively during the design phase. But “Front-loaded Design”, which involves comprehensive planning early in the project’s lifecycle, also means that the people, information, means and materials necessary to carry out a project are made available promptly, fully and comprehensibly. This is why we offer our clients the STRABAG teamconcept contract scheme to commit all participants to the project as soon as possible.

The aim is to recognise the scope and, ideally, the implications of the changes. Because entrepreneurial success in the future will depend on the ability to recognise trends in time and to be prepared for this new complexity. Our innovation activity must therefore be steered strategically.

Initially, an organisation’s desire to innovate stands in conflict with the aim to successfully do business using tried-and-tested technologies, methods and products for as long as possible. Because innovation stands for a process leading to novelties. That requires changing routines, overcoming resistance and adapting the organisation. For innovations to become successful, they must be introduced into the organisation’s structure as prudently as possible and under consideration of the varied interests of the different stakeholder groups – including shareholders, clients and employees. Allowing a balanced **freedom to try out** new ideas makes it possible to better estimate and manage risks; moreover, such freedom is often instrumental for new solutions, it motivates employees and it is seen as especially attractive among job applicants.

Rules and responsibility areas

One **STRABAG SE Management Board member**, Peter Krammer, acts as a sponsor of innovation and digitalisation within the group. **Innovation managers** at the **divisions and central divisions** collect development proposals and approve their realisation in line with the strategic alignment of their business field. They are supported by the **Innovation Management** team from Zentrale Technik on how to recognise relevant trends; on questions pertaining to the systematic development of new solutions, public funding or development partnerships; and on the internal and external rollout and reporting on the group-wide innovation activities.

Objectives and indicators

We want to develop new solutions (products, processes, systems and services), tap new business fields and be a forward-looking employer. The following indicators show us if we are on the right path to reach our objectives:

- Provision of research and development funding by the company: € ~11 million
  Objective: maintain at least the previous year's level

- Number of subdivisions with at least one person responsible for innovation:
  23 (out of 100 subdivisions total)
  Objective: increase the ratio of innovation managers per subdivision to total number of subdivisions in the group next year

- STRABAG events on the topic of innovation (e.g. Innovation Day):
  - Number of participants: 339
  - Number of participating organisational units: 61

  Objective: maintain at least the previous year's level

- Publication of relevant development projects to inform of the group's innovation activities (Research, Development & Innovation brochure and via digital channels): 40
  Objective: maintain at least the previous year's level

Projects and initiatives

On average, about **100 development projects annually** are carried out in the group which encompass the entire construction value chain: from the measurement of topographical data using drones to the analysis of traffic data by our subsidiary EFKON AG, from the development and adaptation of tools for model-based working methods for design and construction logistics to facility management, where we are working together with Microsoft on the use of the HoloLens data glasses.

You can download the brochure at www.strabag.com > Strategic Approach > Economic Responsibility.

Our annual **group brochure** Research, Development & Innovation features reports on the most important works and serves to network management, clients, investors and our employees.

Another networking tool is the STRABAG platform **connect**, which allows our employees to exchange ideas and propose solutions quickly across organisational and geographic boundaries. An especially active community is the LEAN.Construction community (see below). The employees use the community to share improvements through the use of LEAN methods with other LEAN interested people.

Our second Innovation Day took place in Bratislava in 2017. The purpose of this internal fair-like event was to make the operating entities aware of recent innovations within the group. The Innovation Day was attended by more than 330 people from eight countries.

Since 2004, the group has been a proactive member of the European Network of Construction Companies for Research and Development **(ENCORD)** and the European Technology Construction Platform **(ECTP)**.

STRABAG LEAN.Construction: Analyse. Understand. Improve. Build.

More than 200 employees support the construction teams during planning and on site to help execute the projects more easily and more efficiently. They do so by applying various LEAN.Construction methods. Here are some examples.

- **Pull planning** is used to establish the construction milestones as a team (including all internal and external project participants), starting from the date of completion and going all the way back to the very first task to be performed on the construction site. Potential scheduling conflicts are discussed in time and solved appropriately.

- The **STRAtakt paving planner** ensures even, continuous asphalt paving and avoids waiting times for the trucks.

DIGITALISATION

Digitalisation is currently one of the most important issues within the context of innovation at STRABAG. It is a megatrend that will change the traditional construction processes by allowing the fast, global **networking of things and machines** (Internet of Things) and **people**. Components that gather and send data can be built into nearly everything, even into construction materials, construction machinery and construction parts, to provide information during the construction of buildings or to send status updates during their operation. This makes it possible to monitor and optimise processes from almost anywhere – either from the office or on the construction site. Using model-based renderings that present the information in an extremely compact and easily understandable form, people will be able to work together in real time from different locations no matter where they are.

Robots will not replace people.

Self-learning algorithms will support the decision-making in ever more complex processes – decisions made not only by management but also by robots. Robots can already lay bricks, perform freeform welding operations and "print" structures, structural elements and construction parts using cementitious pastes. Still, they won't be replacing human workers any time soon; even in the future, people will continue to put their skills to good use on our construction sites. At the same time, we see the opportunity that digitalisation gives us to let machines perform routine tasks so that people can spend more time looking for creative solutions to specific problems.

For STRABAG, the trend towards digitalisation means that **all material business processes** – design, construction, production, operation and administration – must be **gradually adapted** to this new way of processing information. We want to introduce digitalisation in the design-and-build process because we want to remain competitive and viable as well as attractive as an employer and construction partner, and because we expect the networking of the construction participants to lead to increased quality and efficiency as well as better time and cost planning. This means that we must also look at the processes of our suppliers and examine possible intersections. In keeping with our corporate value of partnership, we have begun to offer BIM.5D® training at our external partner companies so that we can elaborate the standards of the future together.

Rules and responsibility areas

To supervise and continuously track the digitalisation processes, a **Steering Committee for Digitalisation** (SCD) was set up as a committee of the Management Board. The committee, whose members are the STRABAG SE Management Board members Christian Harder, Peter Krammer and Siegfried Wanker, meets regularly. The SCD is advised by Team Digitalisation STRABAG (TDS), which consists of one representative each from the operating business, from Zentrale Technik and from BRVZ-IT and who have direct responsibility with regard to digitalisation. The operating business is represented by a "head of digitalisation", a position that was created in 2017.

Additionally, the new **group directive for a BPM Organisation** (business process management) regulates the management of those business processes requiring central IT support. Local BPM representatives were appointed to serve as speakers for their respective divisions. The BPM evaluation board set up within the BPM organisation, consisting of representatives from the operating business and the central divisions BRVZ-IT and Zentrale Technik, is responsible for the evaluation of the submitted project ideas and coordinates the preparation of the decision-making foundations for the SCD together with TDS.

Objectives and indicators

The STRABAG Group believes that end-to-end process optimisation is the best way to achieve comprehensive and sustainable digitalisation when designing and building construction projects. One focus is on a higher penetration of digital methods such as BIM.5D® (Building Information Modelling), another is on the development of more efficient and more collaborative ways of working with clients and partner companies with the support of suitable tools. To this end, we are investing in the **continuous qualification** of our existing employees and are strengthening our teams with the right specialists.

The indicators mentioned in the 2016 report, which are based on the volume of the construction output and on the number of projects, could not yet be fully determined for 2017. Their use will be re-evaluated. The renewed evaluation is also being performed in part because of changed responsibilities in the management of digitalisation and a possible future change in the management focuses.

Projects and initiatives

You can find more information on these projects in our brochure Research, Development and Innovation

We continued to drive the development of BIM.5D® during the 2017 financial year. On the one hand, we gain experience when we apply our know-how of digital building in specific projects, such as the construction of an office building and a production hall for Siemens in Zug, Switzerland. On the other hand, we take part in research projects to help us apply BIM.5D® in all relevant construction phases if possible. The "eeEmbedded" project, for example, aims at using BIM methods already during the design phase. The focus here is on energy considerations and the integration of the planned building into the surroundings.

In transportation infrastructures, we are looking into the use of sensors to monitor the load-bearing behaviour of asphalt roads to better forecast the operating life of a road section. The sensors are currently deployed along the A2 motorway in Germany in a project commissioned by the Federal Ministry of Transport and Digital Infrastructure. A new undertaking started in 2017 is the group project "BIM.5D® in Transportation Infrastructures 2020", which over the next two years will trial the BIM approach to work out potential applications of the German Transport Ministry's Roadmap for Digital Design and Construction.

In 2017, we expanded our training offer even further. In addition to the established BIM.5D® training at our two corporate locations in Stuttgart and Vienna, the subject has now been incorporated as a new module in the existing training series "Successful Construction Management". For 2018, we are planning another series to train our future BIM.5D® managers. The objective for 2019 is the successful implementation of two complete training series.

CLIENT SATISFACTION

Long-term, sustainable success is our goal. This is why the demands and **expectations** of our **clients** are at the heart of each and every project. “We create added value for our clients by our specialised entities integrating the most diverse services and assuming responsibility for them. We bring together people, materials and machinery at the right place and at the right time in order to realise even complex construction projects – on schedule, of the highest quality and at the best price.” In line with this central message of our vision, the issue of client satisfaction was given top priority in the stakeholder dialogue from both an internal and external perspective. Under our strategy, we assign client satisfaction to the strategic field of “Economic Responsibility”. Because **on-time delivery, quality and price** (or, more precisely, cost) are all decisive factors for the economic success of each individual project and of the entire company.

So there is good reason why reliability forms part of our guiding principles. From the prequalification and bidding process to contract awarding and repeat orders to **permanent client relationships**, the satisfaction of our clients always drives our image – which substantially increases our opportunities and is ultimately reflected in our order backlog. Risks – such as those arising from non-fulfilment of client expectations in terms of quality or legal and normative requirements – are systematically countered through the STRABAG management system with measures for **quality assurance, environmental protection** and project-specific **risk management**. In this way, we aim to prevent the negative impacts our business activities may have on the safety of users, on the environment and, consequently, on our reputation.

Rules and responsibility areas

As part of our efforts to increase client satisfaction, the management in the group entities, during the operational corporate planning and assessment, establishes, implements and evaluates specific targets, structures, tools and measures under consideration of the relevant markets and business fields. The systematic measurement and evaluation of client satisfaction is laid out in the STRABAG Management Manual. The **central division TPA** oversees all coordination, reporting, and monitoring through the use of internal audits.

Objectives and indicators

The stated objective of the Management Board is to increase client satisfaction in order to win and maintain the highest possible share of regular clients. The clients’ level of satisfaction with the construction projects is ascertained across the group and monitored using a specific index. A special project that was launched in 2017 by the TPA business unit Integrated Quality Management (IQM) is investigating which factors influence client satisfaction per client segment and (construction) project type. At the same time, suitable methods and indicators are to be determined for the measurement of client satisfaction with and without client surveys. The best practice processes within the group are being reviewed using scientific know-how from a research partnership with the Institute for Construction Management and Economics at Graz University of Technology. The results will be available in the third quarter of 2018.

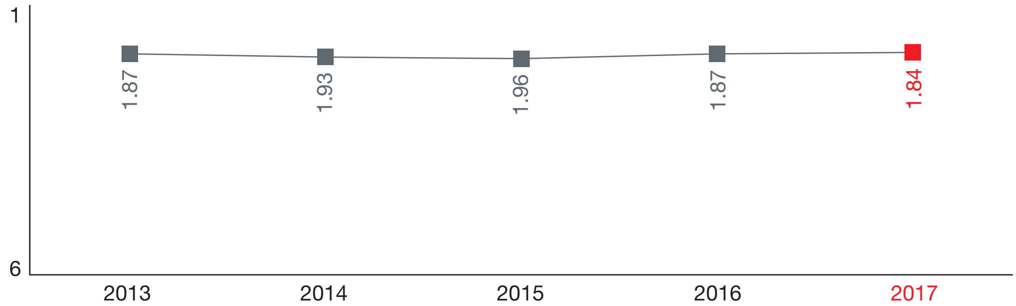
New possibilities were also tested with regard to the survey method. In 2017, a pilot project was carried out in Austria on the use of an online client survey tool. The results revealed that such an instrument can be an extension of the existing communication channels.

The measurement of client satisfaction via a **client survey** has been carried out for **construction projects using a uniform group standard** since 2005. A written questionnaire is sent to clients in all group countries, asking for their project-specific or contract-related evaluation of the following five aspects: response to faults and complaints; documentation and reporting;

competence of the site manager; competence of the foreperson; orderliness and cleanliness on the construction site. The operating entities can add specific questions to the survey or implement additional procedures for measuring client satisfaction. The evaluation of the questions specified by the group is performed by the independent central division TPA. The assessment of the results and the extrapolation of objectives and measures is the responsibility of the operating entities during their annual planning and assessment process.

In the years 2013 through 2017, we were able to fulfill our clients' expectations:

RESULTS OF THE CLIENT SURVEY (ALL GROUP COUNTRIES)



Degree to which clients saw their expectations fulfilled
Expectations were 1 = exceeded; 2 = fulfilled; 4 = partly fulfilled; 6 = not fulfilled

Projects and initiatives

The teamconcept is a partnering model that has been in use successfully for many years at several group entities, allowing projects for both client and contractor to be completed more cost-effectively, qualitatively better and more rapidly. Ideally this will create a win-win situation for both sides in the plan, design, build and operate phases that is characterised by shared objectives and values, transparency, risk and opportunity management as well as joint project controlling.

We are continually using, networking and expanding the competencies available in the group to generate value not only for all project participants but also for the users of our buildings and to fulfil their requirements for the long term – for instance, through systematic innovation management and by actively preparing for the future of construction. This includes the digitalisation offensive launched across the group as well as the roll-out of LEAN.Construction, supported by STRABAG SE Management Board member Siegfried Wanker. Corresponding initiatives are made by order of the group Management Board and managed by our business process management (BPM) committees.

Also see the chapter "Innovation"

The group academy offers personalised training, such as "Solution-oriented negotiation" or "teamconcept" for all employees with direct client contact. Important channels for communication and feedback, in addition to the direct client contact and client surveys, are: personal client service, key accounting, trade fair presence, publications in professional journals, representation on trade committees, websites and public relations.

Villach, 9 April 2018
The Management Board

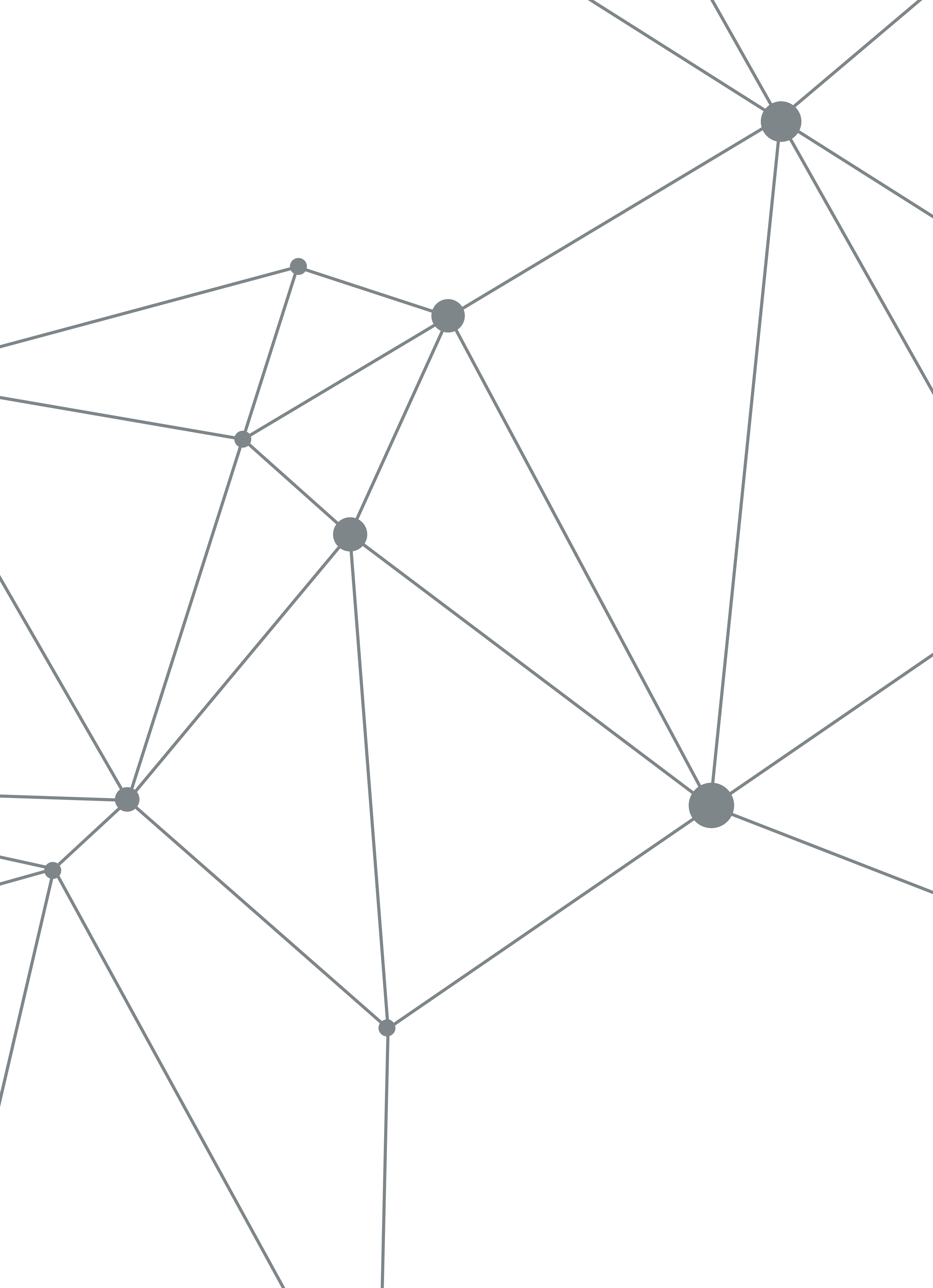
Dr. Thomas Birtel

Mag. Christian Harder

Dipl.-Ing. Dr. Peter Krammer

Mag. Hannes Truntschnig

Dipl.-Ing. Siegfried Wanker



GROUP MANAGEMENT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

D

STRABAG
SOCIETAS EUROPAEA

CONTENT

GROUP MANAGEMENT REPORT

Important events

JANUARY

Raiffeisen evolution renamed STRABAG Real Estate GmbH

Raiffeisen evolution project development GmbH has been renamed STRABAG Real Estate GmbH (SRE). The seat of the new SRE in Austria is Vienna. The name change followed the STRABAG Group's increase of its stake in Raiffeisen evolution from 20 % to 100 % in December 2016. SRE Austria will focus primarily on the development of high-quality sustainable residential real estate throughout the country.

FEBRUARY

STRABAG PFS enters system and development partnership with Microsoft

STRABAG Property and Facility Services GmbH (STRABAG PFS) and Microsoft will work together over the next few years to develop industry solutions under the name Real Estate Services 4.0 for the control, management and operational provision of facility management services. Core of the partnership is the development and implementation of a new IT platform that will allow, among other things, the fully integrated and largely automated processing of all orders of STRABAG PFS as well as the automated assignment of service technicians.

Preparation works at industrial park Nitra in Slovakia

A subsidiary of STRABAG SE has been awarded another construction contract at the Nitra Industrial Park in western Slovakia from the Slovak business settlement company MH Invest s.r.o. The € 96 million order foresees the levelling and conditioning of a 1,795,000 m^2 section of the industrial park in preparation for the construction of a Jaguar Land Rover automotive plant. STRABAG is already preparing over 745,000 m^2 of the industrial park. In addition to this € 135 million order, STRABAG has also been awarded two further contracts. For the price of € 47 million, STRABAG will build the Lužianky intermodal transport terminal. And as joint venture partner, the group will also participate in a € 186 million project to upgrade the necessary road infrastructure.

STRABAG assumes construction of GKI power plant along the river Inn

STRABAG AG, working in a consortium with two other Austrian construction companies assumed the tunnel driving works for the Maria Stein pressure flow tunnel of the Gemeinschaftskraftwerk Inn (GKI) power plant. When completed, the facility along the Swiss-Austrian border region will generate more than 400 GWh of electricity and so make a significant contribution to Tyrol's energy autonomy. The contract value for STRABAG is about € 28 million.

The run-of-the-river power plant on the Inn will make a significant contribution to Tyrol's energy autonomy.

MARCH

Budapest: art storage facility for over 350,000 works of art

STRABAG has been awarded the contract to build an art storage facility as part of the Liget Budapest Project. The complex of five buildings forms part of the Hungarian National Museum Restoration and Storage Centre (OMRRK). The contract has a value of approximately € 39 million. Construction is scheduled for completion by end-2018.

STRABAG to build luxury apartments in Moscow

"Living on Plushiha" luxury apartments in Moscow

The company has been hired by AO Don-Stroy Invest – one of Moscow's leading real estate developers for luxury apartments – to build the project "Living on Plushiha". Until completion in mid-2019, STRABAG will build 202 residential units distributed over eight individual buildings. The construction volume amounts to a double-digit million euro amount. The contract also comprises an entrance hall, administration rooms, a fitness studio, an underground car park, a café and a cafeteria.

APRIL

ZÜBLIN to build Congreshotel & Residential Tower Overhoeks in Amsterdam

Amsterdam is getting an addition to its skyline. In the future, two new high-rise towers will grace the northern waterfront of the river IJ in the Overhoeks neighbourhood of the Dutch capital. The Congreshotel & Residential Tower Overhoeks project comprises a 110 m hotel tower with 579 rooms as well as a 101 m residential tower with more than 230 apartments. The turnkey construction of the building ensemble has been entrusted to STRABAG subsidiary Ed. Züblin AG by the client, Oviesa Realisatie V.O.F. The contract has a value of more than € 100 million.

STRABAG subsidiary ZÜBLIN to build the large-scale project Congreshotel & Residential Tower Overhoeks in Amsterdam.

STRABAG modernises Polish railway

STRABAG, acting as consortium leader, modernises the 20 km long section of rail between Cracow and Rudzice and expands the suburban railway in Cracow. The PLN 958 million rail construction project, the largest of its kind in Poland to date, is scheduled for completion in April 2021. The project is being carried out in consortium with Krakowskie Zakłady Automatyki S.A. STRABAG's share of the contract amounts to 80 % or about € 180 million.

MAY

Investigation on suspicion of illegal price fixing in Austria

In early May, searches were conducted at Austrian offices of the STRABAG Group as well as at a number of other construction companies as part of an ongoing investigation into the suspicion of illegal price fixing for construction projects in Austria. STRABAG SE is committed to quickly clearing up the allegations made by the authorities. Internally, the situation is being systematically analysed by a specially established task force. The company is fully cooperating with the authorities in the investigation. Due to the long period covered and the large volume of evidence to be analysed, the work will take some time. STRABAG SE has a comprehensive business compliance system in place that applies to its employees at all group companies and appropriate consequences will be taken in the event that fault is proven.

JULY

Syndicate of core shareholders extended by five years

On 3 July 2017, the core shareholder syndicate of STRABAG SE, consisting of the Haselsteiner Family, the Raiffeisen and the UNIQA Group, and Rasperia Trading Ltd., informed the Management Board of STRABAG SE as follows: None of the core shareholders has exercised their option to terminate the syndicate of core shareholders with effect on 31 December 2017 under adherence of a six-month period of notice. The syndicate is thus extended by a further five years unless the syndicate members mutually decide otherwise.

Renovation of a historic building from the year 1886 in Hungary

STRABAG has been chosen to renovate Budapest's historic "Eiffel Hall" on behalf of the Hungarian State Opera. The building from the year 1886, which measures 220 m in length and 110 m in width, will be used as an art centre for classical music. The contract value is divided into a fixed portion of HUF 8.6 billion (€ 28 million) and an option portion of HUF 3.1 billion (approx. € 10 million).

Eiffel Hall in Budapest to be turned into an art centre

Billion-euro infrastructure project in the United Kingdom

STRABAG has been awarded the Main Work Civil Contract packages for lots S1 and S2 of the United Kingdom's new HS2 high-speed railway that will initially link London to Birmingham and later to Leeds and Manchester. The project is being carried out by the consortium SCS, a joint venture together with Skanska and Costain. STRABAG's share is 32 %. The execution of the contract lots is divided into two stages: Stage 1, the Early Contractor Involvement (ECI) phase, requires the contractor to design, plan and estimate the works within a period of 16 months. This will serve as the basis for determining the target price for stage 2, the actual construction phase. Stage 1 has a contract value of about GBP 79 million; the construction volume of stage 2 will be about GBP 2 billion. The design phase is to be completed in 2018. Construction is scheduled to last until 2023 with the first trains running in 2026.

AUGUST

STRABAG to build Thiba Dam in Kenya

STRABAG has been commissioned to build the Thiba Dam in Kenya, which will help secure the year-round water supply for the country's agriculture. The contract value translates to the equivalent of approximately € 72 million and also includes the connection to the existing road network as well as facilities for water draw-off and safe floodwater drainage. The construction for the project, being carried out largely through international financing, is scheduled to last around 45 months.

STRABAG to build Cracow's tallest high-rise tower

Rendering of the Unity Centre in Cracow

STRABAG has been hired to build a five-building business centre in the Polish city of Cracow. Currently an unfinished high-rise building stands at the prominent location in the centre of the city. Another unique feature of the tallest high-rise tower in Cracow (102.5 m) will be the viewing platform, the so-called Unity Eye. The project, which was commissioned by investor TREIMORFA Project Sp. z o.o., has a volume of about € 89 million.

Incident at the construction site of Rastatt rail tunnel

A 50-50 joint venture of STRABAG subsidiary Ed. Züblin AG (responsible for the technical side) and HOCHTIEF Solutions AG (commercial responsibility), is currently building the Rastatt Tunnel, a twin-tube rail tunnel along the Karlsruhe–Basel high-speed line, on behalf of DB Netz AG. The 4.3 km tunnel runs beneath the city of Rastatt in Germany. For as-yet unknown causes, a displacement of tunnel elements occurred along a length of about 40 m and the track of the existing Rheintal Railway above the tunnel subsided on 12 August 2017 during tunnel boring works in the eastern tube, resulting in the temporary closure of the line. An investigation into the cause of the damage is continuing. From today's standpoint, there is no reason to believe that the situation at the Rastatt Tunnel project will affect the forecasts for the STRABAG SE financial figures.

Africa's highest bridge

STRABAG International GmbH has been hired by the South African National Roads Agency (SANRAL) to build a 1,132 m long bridge over the river Mtentu near the town of Flagstaff in the eastern part of the country. When it is completed, it will be Africa's highest bridge. Construction is being carried out in a 50:50 joint venture with South African construction company AVENG Grinaker-LTA. The contract has a total value of 1.63 billion South African rand, which is approximately € 106 million. The construction works are expected to last for 40 months.

Bridge over the river Mtentu – after completion, it will be Africa's highest bridge.

SEPTEMBER

Expansion of Croatian airport Dubrovnik

The € 122 million contract will be carried out by a joint venture in which STRABAG holds a 53.92 % share. The modernisation and expansion of the airport runways and of the runway lighting system should be completed by the autumn of 2019. The works also include the construction of a rescue and fire station, a hangar, and several service and administration buildings.

ZÜBLIN awarded € 309 million contract in Singapore

ZÜBLIN has been hired by PUB, Singapore's national water agency, to build 11.9 km of tunnels for the sewerage system of the city. The contract is a part of the Deep Tunnel Sewerage System (DTSS) Phase 2 project and worth € 309 million. The DTSS uses deep tunnel sewers to convey waste water by gravity to centralised water treatment plants, where the waste water is cleaned. Construction is scheduled to start in March 2018 and will be finished in September 2023.

OCTOBER

STRABAG PFS prepares to restructure its client portfolio

STRABAG PFS will end the management of real estate, technical facilities, data centres and cellular towers of Deutsche Telekom AG (DTAG) with effect from 30 June 2019 latest. The service agreement had been concluded in 2007. STRABAG PFS's offer to continue to manage the DTAG properties efficiently, sustainably and at mutually acceptable conditions until 2028 was not accepted. The agreement comprised all DTAG properties and facilities in Germany. About 3,120 employees (FTE), including 720 with civil servant status, work for the DTAG account.

Road construction contracts in Poland for a total of € 170 million

STRABAG, through its Polish subsidiaries, has been awarded three road construction contracts from Poland's General Directorate for National Roads and Motorways (GDDKiA). The total contract value is split among two lots along the S19 north of Warsaw for € 73 million and € 43 million as well as one lot along the S61 in southern Poland for € 54 million. All three contracts are design-and-build contracts, which means that STRABAG begins applying its know-how already in the design phase.

NOVEMBER

STRABAG to build further Akalla tunnel section for the Stockholm motorway ring

STRABAG Sverige AB has been awarded an approx. € 45 million contract from the Swedish Transport Administration (Trafikverket) to build the Akalla motorway tunnel. The tunnel is part of the Stockholm Bypass, a motorway ring around the Swedish capital and currently the largest road construction and tunnelling project in the country. The order comprises the construction of two parallel tunnel bores including roadway with a total length of about 2.5 km (2 x 1.23 km) using conventional drilling and blasting as well as the necessary facilities for electricity, water and waste water.

The visualisation shows the course of the planned Akalla motorway tunnel.

Luxembourg receives automatic in-vehicle emergency call system – STRABAG product in use

STRABAG Infrastructure & Safety Solutions GmbH (SISS) has delivered its NGS3600 communication management system to the Grand Duchy of Luxembourg to provide eCall functionality to the country's emergency and fire response services. The eCall service is an automatic emergency call system for vehicles that sends an emergency call to the relevant public safety control centre when an in-vehicle sensor detects a serious collision. The notification includes important information such as the vehicle's location, the number of passengers and the type of fuel. The eCall system will be required in all new passenger vehicles in the EU from the year 2018.

DECEMBER

STRABAG subsidiary EFKON delivers enforcement system for digital vignette

Fully automatic control systems function without interrupting the traffic flow.

EFKON GmbH, Austria, is a leading provider of intelligent road toll collection and enforcement systems. The enforcement systems developed by EFKON use video technology to electronically identify vehicles that do not comply with the Austrian road tax requirement. On 8 November 2017, sales began of a digital vignette with validity for the period starting on 1 December 2017 as way to prove payment of the Austrian road tax for vehicles weighing < 3.5 t. Effective 1 December 2017, EFKON began delivery of an enforcement system to automatically determine whether cars possess a valid digital vignette without interrupting the flow of traffic.

STRABAG awarded € 125 million road construction contract in Hungary

On behalf of state company NIF Zrt., STRABAG will build the first section of R76 expressway in western Hungary from Zalaegerszeg to the M7 motorway including the Hollád interchange. The contract value amounts to approx. € 125 million. The 8.6 km section comprises several overpasses, including a reinforced concrete bridge over the river Zala as well as two railway bridges. The construction works are expected to last four years.

Merger of STRABAG AG onto Ilbau with squeeze-out of the minority shareholders completed

The upstream merger squeeze-out of the minority shareholders of STRABAG AG, Germany, that was approved by the Cologne Higher Regional Court on 14 December 2017 has become effective upon its entry in the commercial register on 29 December 2017. The STRABAG SE Group now owns all shares of the delisted STRABAG AG, Germany. STRABAG AG, Germany, was merged with the German group holding company Ilbau Liegenschaftsverwaltung AG. At the time of the merger, Ilbau was renamed STRABAG AG, Germany. The organisational structure and business activity of STRABAG AG, Germany, remain unchanged.

Alto Maipo hydropower project in Chile

STRABAG is currently engaged in parts of the tunnelling and civil engineering works for the Alto Maipo hydropower complex in Chile. The contract has a value of € 726.22 million, of which € 436.06 million have already been performed. The client is the special purpose company Alto Maipo S.p.A., a subsidiary of Chile's AES Gener S.A., which is majority-owned by the US-based AES Corporation.

Due to the difficult technical circumstances, extensive financial provisions had already been made on 31 December 2016 for the remainder of the project development. In 2017, additional provisions made on account of a cautious project assessment had a negative impact on earnings. Negotiations with the client over necessary changes to the framework conditions regarding project continuation finally led to the signing on 20 February 2018 of a new construction contract with a considerably greater scope of work. The new contract remains pending, however, subject to the financial close of the bank financing.

Country report

DIVERSIFYING THE COUNTRY RISK

Output volume up 8 %

Despite its strong presence in the home markets of Austria and Germany, STRABAG sees itself as a European company. The group has been active in Central and Eastern Europe for decades. On the one hand, it is a tradition for the company to follow its clients into new markets; on the other hand, the existing country network with local management and established organisational structures makes it easier to export and to use the technology and the equipment in new regions. To diversify the country risk even further, and to profit from the market opportunities in other parts of the world, STRABAG is also active internationally, i.e. in countries outside of Europe.

The STRABAG SE Group generated a record output volume of € 14.6 billion in the 2017 financial year. This corresponds to an increase of 8 % over the previous year. The upwards movement was influenced especially by the German transportation infrastructures segment and a number of medium-sized building construction and civil engineering projects in Austria. Increased business was also observed in the group's core markets in Central and Eastern Europe.

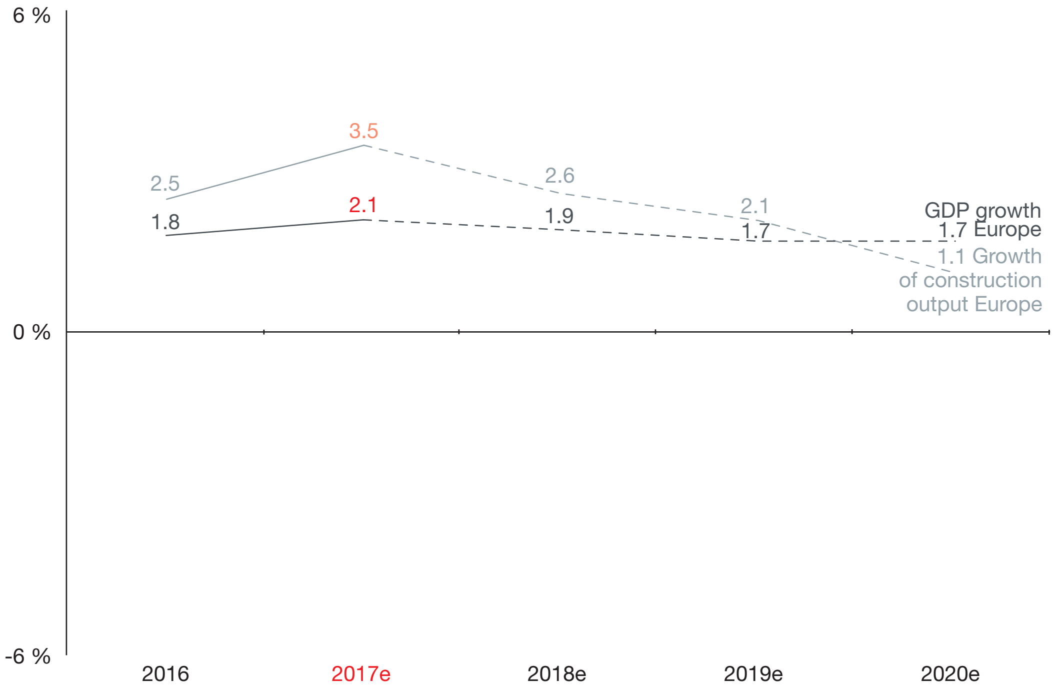
OUTPUT VOLUME BY COUNTRY

€ mln.	**2017**	**% of total output volume 2017**	**2016**	**% of total output volume 2016**	**Δ %**	**Δ absolute**
Germany	6,960	48	6,270	46	11	690
Austria	2,333	16	2,099	16	11	234
Poland	848	6	774	6	10	74
Czech Republic	629	4	631	5	0	-2
Hungary	551	4	448	3	23	103
Slovakia	528	4	461	3	15	67
Americas	385	3	348	3	11	37
Switzerland	320	2	378	3	-15	-58
Middle East	303	2	267	2	13	36
Benelux	295	2	309	2	-5	-14
Rest of Europe	277	2	186	1	49	91
Romania	183	1	254	2	-28	-71
Sweden	162	1	179	1	-9	-17
Denmark	159	1	234	2	-32	-75
Russia	143	1	103	1	39	40
Croatia	120	1	78	1	54	42
Serbia	113	1	89	1	27	24
Asia	99	1	131	1	-24	-32
Italy	67	0	82	1	-18	-15
Slovenia	53	0	65	0	-18	-12
Africa	48	0	78	1	-38	-30
Bulgaria	45	0	27	0	67	18
Total	**14,621**	**100**	**13,491**	**100[1]**	**8**	**1,130**

1 Rounding differences are possible.

ECONOMY HEADED FOR UPTURN[1]

GROWTH COMPARISON CONSTRUCTION VS. GDP EUROPE



Central and Eastern Europe outpace Western Europe

The European **economy** headed for an **upturn** in 2017. Businesses are showing signs of renewed optimism about the economic outlook and appear to be slowly overcoming their restraint towards investments. After a decade of stagnation, during which the US economy grew by 10 %, Europe finally enjoyed its first real recovery after the financial crisis. The fundamental indicators were favourable in all countries and Europe also benefited from the economic upturn in other regions in the world. The International Monetary Fund (IMF) predicts gradually increasing growth rates in the industrialised countries as well as in the emerging and developing economies for 2017 and 2018. The economy in the 19 Euroconstruct countries grew by 2.1 % in 2017; for 2018 and 2019, Euroconstruct revised its growth forecasts slightly upwards to 1.9 % and 1.7 %, respectively. The IMF, however, considers the upturn to be temporary and recommends that the national governments take advantage of the good economy to focus on structural reforms. Owing to the unfavourable demographic development in many countries, as well as the high level of public and private debt, the medium-term outlook remains cautious for now.

Currently the economic development in the EU countries – against the background of favourable financing conditions – is being sustained predominantly by domestic consumption. This is supported by the continued expansive monetary policy of the European Central Bank (ECB) and the mild fiscal expansion policy adopted in the eurozone in 2017. Even the political uncertainty ahead of the Brexit will likely be limited mostly to the British economy. In view of the global growth and continued stable inflation below the ECB's target of 2.0 %, the experts expect to see moderate growth of exports in the EU countries. The unemployment rate is likely to continue its downwards trend, though it is still at a relatively high level with 9.0 %. Ireland, Finland, the Netherlands, Austria and Sweden grew well above the European average in 2017, while Germany and France ranked in the middle of the European scale and GDP growth in Switzerland, Italy and the UK was clearly below the average. The countries of Central and Eastern Europe again reached or exceeded the 3 % mark, clearly outpacing Western Europe. While the dynamism in Western Europe will likely slacken slightly in 2018, a slightly stronger plus is expected for Eastern Europe.

1 All growth forecasts as well as the particular national construction volumes are taken from the Euroconstruct and EECFA (Eastern European Construction Forecasting Association) winter 2017 reports. The indicated market share data are based on the data from the year 2016.

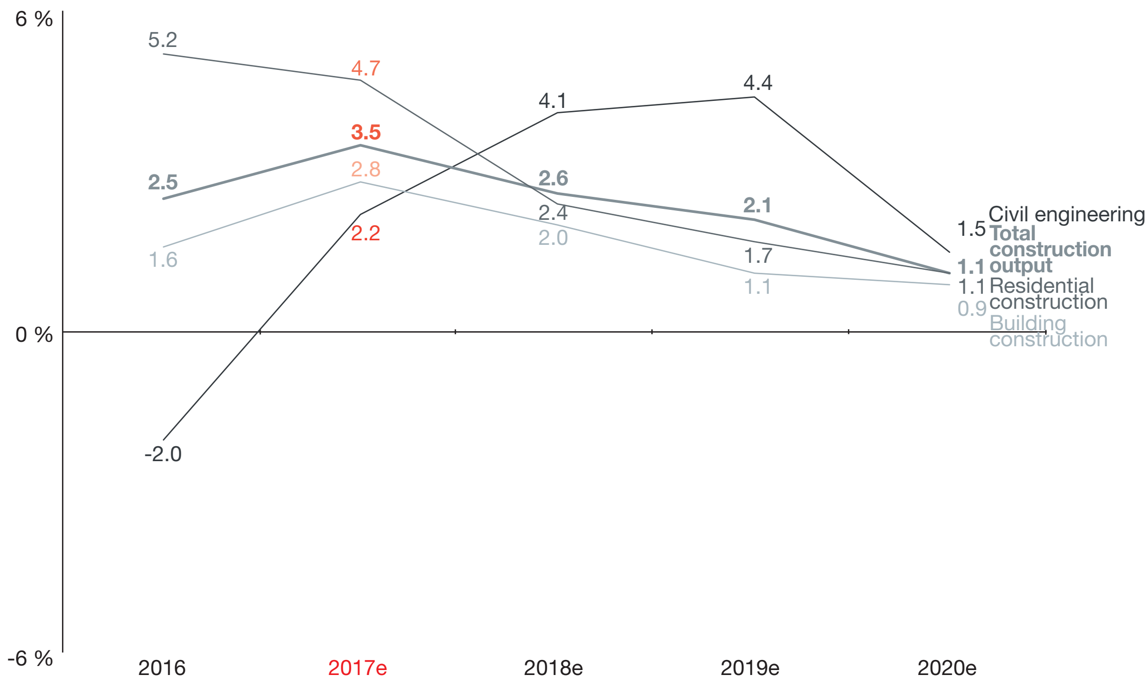
CONSTRUCTION-SECTOR GROWTH OUTDOES ECONOMY AS A WHOLE

With a solid plus of 3.5 %, the **construction sector** in the 19 Euroconstruct countries grew for the fourth year in a row and again outdid the economy as a whole in 2017. For the first time since the early 1990s, **positive growth rates** were recorded **by all 19 member states**. Thanks to the low-interest environment and the resulting appetite for real estate investments, the construction sector and the general economy should continue to develop in parallel. The latest forecasts from Euroconstruct for the period 2018–2020 are between +2.6 % and +1.1 %.

The development was again quite varied on a country-by-country basis. The strongest growth was registered in Ireland and Sweden; Hungary and Poland also showed above-average development, but the growth in these countries primarily balanced out severe slumps in the years before. With rates between 5.4 % and 6.8 %, construction output grew strongly in the Netherlands, Portugal and Norway. Germany and France, which together account for about one third of the overall European construction output, were in the stable mid-range with growth rates of 2.6 % and 3.6 %, respectively. Growth stagnated in Switzerland and Italy and has been slowing in the UK for years. While Euroconstruct predicts a gradual weakening of construction sector growth to 1.0 % for the countries of Western Europe by 2020, significant growth of 9.3 % and 8.7 % is expected for the countries of Eastern Europe for 2018 and 2019, respectively, before the plus stabilises at 3.2 % in 2020.

RESIDENTIAL CONSTRUCTION OUTPERFORMS BUILDING CONSTRUCTION AND CIVIL ENGINEERING

DEVELOPMENT OF CONSTRUCTION SECTOR EUROPE



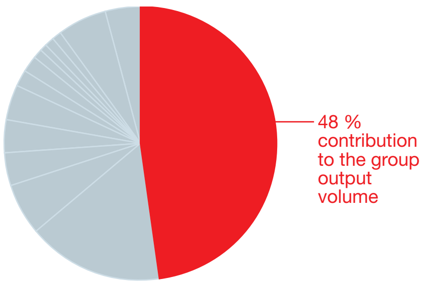
In a sector-by-sector comparison, European residential construction registered the strongest growth last year. This was followed by non-residential building construction, which also grew more strongly than the year before. Civil engineering fully recovered from the declines of 2016 and even managed to grow slightly.

The field of **residential construction**, which accounts for nearly one half of the total European construction volume, assumed a leading role in the recovery of the European construction industry in 2017 with renewed significant growth of 4.7 %. In terms of volume, the growth was again driven by France, Germany and the United Kingdom, followed by Italy, whose low growth rates in residential construction, however, were undercut only by Switzerland in a Europe-wide comparison. The largest growth rates were registered by Hungary, Ireland, the Czech Republic, Sweden, Portugal and the Netherlands. The plus for residential construction should drop down to 2.4 % in Europe overall in 2018, which, however, still represents solid growth. Above-average growth rates are forecast for Ireland, which has ranked at the top for years, as well as for Hungary, the Czech Republic, Portugal, Poland and Spain. In Germany, development will probably be stagnant for the most part.

The forecasts for **non-residential building construction** – the sector accounted for nearly one third of the European construction volume in 2017 – were corrected upwards several times over the course of the year. In 2017, this sector left behind the stagnation of the previous years more clearly than had been expected midway during year. In the end, non-residential building construction in the 19 Euroconstruct countries grew by 2.8 % and so clearly surpassed the value of 2016 (+1.6 %). In a country-by-country comparison, Hungary, Ireland, Sweden and the Netherlands registered the highest growth, while Poland, the biggest Eastern European market, even managed to gain 5.7 %. An improvement was also reported by Portugal, Spain, Norway and Austria. In the years to come, the growth of non-residential building construction is expected to be less dynamic and the sector should largely mirror the general economy; higher growth rates are expected only for agricultural buildings and buildings in the healthcare sector. In the United Kingdom, the construction volume in this sector will likely decline in the next three years as a consequence of the Brexit.

Civil engineering, which accounts for about 20 % of the European construction volume, presented a highly inconsistent picture in 2017, though here too the growth of 2.2 % was clearly higher than had been forecast. While, for example, the secession efforts by Catalonia impacted Spain with a minus of 6.4 %, the sector in the United Kingdom, despite the uncertain Brexit scenario, managed to grow by 4.4 % thanks to massive public-sector investments in the rail infrastructure. The strongest growth was registered in Norway, Austria, Portugal and Sweden, while significant losses had to be reported in Spain, the Czech Republic, Denmark and Finland. Hungary and Poland managed to more or less balance out the enormous market downturns of the previous year. As expected, the move from one EU funding period into the next generally had a clearly positive impact in the countries of Eastern Europe. For the future, Euroconstruct is even more optimistic and expects growth of 4.1 % in the civil engineering sector in 2018. While Eastern Europe, thanks to the new EU funds, should find its way back to higher dynamism, the sector is likely to stagnate in Germany from 2018 onwards and could even shrink by 0.5 % in each of the two following years.

GERMANY



Overall construction volume:	€ 318.2 billion
GDP growth:	2017e: 1.9 % / 2018e: 1.7 %
Construction growth:	2017e: 2.6 % / 2018e: 0.9 %

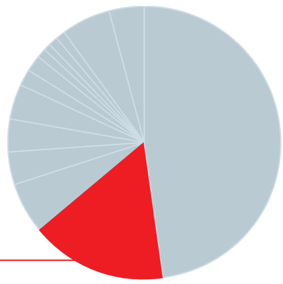
The upturn of the German economy continued as expected in 2017. The forecasted GDP growth of 1.9 %, however, resulted primarily from a strong increase of private domestic consumption and not so much from corporate investments. Driving German consumer spending were secure jobs, rising real wages and low savings interest rates. While the economic and political problems of many of the German states had dampened the investment propensity among the nation's companies over the past decade, the global economic upturn, together with the high domestic employment figures, now presents a good foundation for stable growth in the medium term.

The German construction economy was also able to bring in positive figures in all respects in 2017, registering an overall plus of 2.6 %. The renewed strong growth in residential construction (+2.9 %) resulted above all from additional measures by local governments and municipal housing companies in response to the large refugee numbers in the previous years. According to Euroconstruct the impact should only be seen as temporary, however, and Euroconstruct expects a gradual decline in residential construction to -0.4 % by 2020. Its forecast for the German construction sector as a whole also shows a downward trend with weaker growth of 0.9 % in 2018 and slight contractions in the following years (2019: -0.3 %, 2020: -0.4 %). The expectations of STRABAG are more optimistic, however. The company expects that the growth of the German construction economy, driven by the civil engineering sector, will continue to show strength in 2018. Starting in 2019, the German construction sector will likely move at least sideways at a high level for several years.

Positive development in 2017 was also registered by the sectors non-residential building construction (+1.7 %) and civil engineering (+2.7 %). Industry and retail benefited especially from the strong economic growth. In the medium term, however, the growing importance of foreign production, Germany's move towards a service economy, and the triumph of online retailing, which is slowing demand for new commercial buildings, are cause to expect somewhat weaker results in the non-residential building construction sector in the future. The civil engineering sector was stimulated primarily by federal and state measures, above all by investment programmes for road and rail infrastructure, as well as by the telecommunication sector's broadband expansion. Growth is still predicted for the non-residential building construction (+0.5 %) and civil engineering (+0.7 %) sectors in 2018, although declines remain possible in the medium term. The most significant forces influencing future development are the high energy prices and the still unforeseeable consequences of the Brexit.

The STRABAG Group is market leader in Germany, with a 2.0 % share of the market. The company's share of the German road construction market, at 9.1 %, is significantly higher than that of the market as a whole. With € 6,959.63 million, the group generated about 48 % of its total output volume in Germany in 2017 (2016: 46 %). Most of this is assigned to the segment North + West. Property and facility services in Germany are listed under International + Special Divisions.

AUSTRIA



Overall construction volume:	€ 39.6 billion
GDP growth:	2017e: 2.8 % / 2018e: 2.8 %
Construction growth:	2017e: 2.8 % / 2018e: 1.5 %

With expected GDP growth of 2.8 % in 2017, Austria clearly ranks above the EU average as the country's economy entered an upturn phase that was sustained by nearly all sectors. The main factor driving this development was the growth of private consumption, though there also was a noticeable increase in corporate investments. The favourable trade balance also made a positive contribution to the relatively small and open Austrian economy.

Significant growth rates were also confirmed by Euroconstruct for the Austrian construction sector in 2017. The stimulation of the economy primarily drove growth in building construction; at the same time, however, it also created financial flexibility for investments in infrastructure. As a result, the total Austrian construction output grew by 2.8 % in 2017. The upwards curve is expected to flatten out somewhat in the next two years, however, before it consolidates at growth of 1.4 % in 2020.

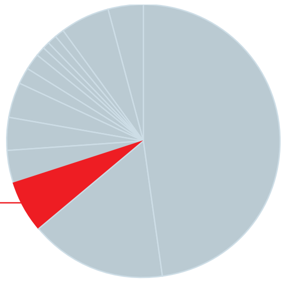
With a plus of 2.9 % in the first half of 2017, residential construction registered its highest growth rate since the start of the financial crisis. Projected for the full year, Euroconstruct forecasts significant growth of more than 2.0 % for this sector. As is the case with the construction economy as a whole, a slight cooling-off is expected here for the coming years so that growth should level off at 1.1 % in 2020.

Non-residential building construction benefited even more from the positive economic development with a plus of 3.4 %. The industrial sector in particular was again more dynamic due to increased foreign and domestic demand following years of hesitant investment activity. The construction of office real estate, especially in the greater Vienna area, also returned to strong growth of 5.8 % in 2017. The outlook for this sector remains positive until 2020, though the growth rates are expected to fall back to about 1.5 % in the coming years.

Even civil engineering achieved a plus of 3.2 % in 2017, resulting primarily from investments in transportation infrastructures subsidised by the public sector. The further expansion of the road and, especially, of the rail network will continue to have a fixed place in the Austrian budget in the years to come. However, the growth rate is expected to return to an average value of 1.5 % in the next three years in this sector as well.

The STRABAG Group generated a total of 16 % of the group output volume in its home market of Austria in 2017 (2016: 16 %). Austria thus continues to be one of the company's top three markets, along with Germany and Poland. The output in 2017 reached a volume of € 2,333.32 million. With a share of 5.4 %, STRABAG is the number one on the Austrian market. The share of the road construction market amounts to 20.3 %.

POLAND



Overall construction volume:	€ 48.8 billion
GDP growth:	2017e: 4.1 % / 2018e: 3.8 %
Construction growth:	2017e: 8.7 % / 2018e: 9.0 %

Following the positive development of the past few years, the Polish economy again managed to post a stable plus of 4.1 % in 2017. Similarly high growth is also being forecast for the years to come. Rising consumer spending, which, in turn, is being driven by the good situation on the labour market, should continue to define the coming years as more money is available to households through the higher child benefits from the "Family 500 plus" programme. The positive development is also sustained by the massive public-sector investments in important infrastructure projects being co-financed by EU funding programmes.

After the strong fluctuations in the past few years, the Polish construction industry achieved record growth of 8.7 % in 2017. For 2018 and 2019, Euroconstruct forecasts even higher growth of 9.0 % and 10.3 %, respectively, before the plus is expected to level off at a solid 4.2 % in 2020. The lack of domestic labour, however, could prove to be a bottleneck – and could lead to a significant increase of wages in the construction sector.

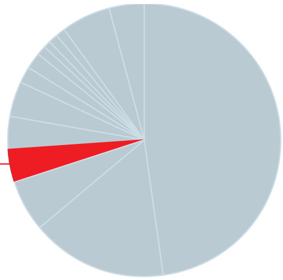
The boom in residential construction, which had blessed this sector with a generous plus of 9.4 % in the year before, continued in 2017 with growth of 7.4 % – supported by the low credit and mortgage rates. The growing demand for residential real estate can be explained, among other factors, by the positive development of private income in relation to the real estate prices. For 2018, the Euroconstruct forecast for the sector foresees a plus of 5.2 % – still above-average growth. In 2019, however, this value is expected to stabilise at 2.8 %.

Non-residential building construction also achieved strong growth of 5.7 % in 2017. Strong momentum came here from a large volume of public-sector orders and not least from investments by foreign companies in new production sites. Moreover, the modernisation of the country's rail network foresees the renovation of 200 train stations. Euroconstruct therefore forecasts growth of 4.6 % and 6.1 %, respectively, for this sector in 2018 and 2019 before the plus drops back down slightly to 3.4 % in 2020.

By far the strongest growth in Poland in 2017 was attained by civil engineering with a plus of 14.6 %. The sector owes this growth to the positive development of the overall economy and above all to the funding programmes of the EU. By 2017, thousands of co-financing agreements with a total investment volume of about € 23.7 billion had been signed under the EU's 2014–2020 Infrastructure and Environment Programme alone; with € 13.2 billion, more than half of the amount came from EU funds. The greatest growth was registered in the field of railway construction, followed by port facilities and waterways, recreational facilities and roads. Against this background, Euroconstruct forecasts rising growth rates of 18.8 % and 22.0 % for 2018 and 2019, respectively. The growth should then consolidate at 5.0 % in 2020.

As the number three in the Polish construction sector, STRABAG generated a construction volume of € 848.26 million in 2017, again accounting for 6 % of the total output volume of the group (2016: 6 %). This makes Poland the third largest market for the STRABAG Group. The company's share of the entire Polish construction market amounted to 1.7 %, in road construction it was 7.6 %.

CZECH REPUBLIC



Overall construction volume:	€ 16.4 billion
GDP growth:	2017e: 3.1 % / 2018e: 2.9 %
Construction growth:	2017e: 1.6 % / 2018e: 5.0 %

After the turnaround in 2014 and the record year of 2015 with GDP growth of 5.3 %, the Czech economy consolidated at a stable plus of 3.1 %. This continuous positive development is being sustained by several factors of temporary effect, such as EU subsidies, the third VAT rate of 10 % introduced in 2015, falling oil prices and rising wages. Positive changes – above all rising industrial production and a favourable situation on the labour market – are expected in the years 2017–2020, however, so that Euroconstruct expects to see continued moderate growth rates of about 2.8 % annually. This forecast is reinforced by the fact that the Czech Republic, because of its stable economic policy, is currently seen as one of the most attractive investment markets in Central and Eastern Europe.

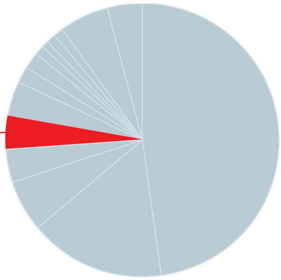
The Czech construction economy, on the other hand, presented itself as rather inconsistent in 2017. While residential construction delivered another sensational performance with a plus of 15.4 %, non-residential building construction, after several years of decline, only just managed the turnaround to positive growth in 2017 with a plus of 0.1 %. Civil engineering, on the other hand, had to endure a strong minus of 7.7 %. The causes for this development are seen above all in project delays related to EU funding programmes, primarily in road and rail construction. For 2018 and 2019, however, Euroconstruct forecasts a return to higher growth rates for the overall Czech construction sector with a plus of 5.0 % and 6.7 %, respectively, before the value levels off at a solid 2.5 %.

The high demand for new homes and single-family houses, stimulated by the low mortgage interest rates, led to a boom in residential construction in 2017 with a plus of 15.4 %. Especially in the large cities, the real estate demand far outpaced the supply. Real estate developers are already reaching their limits when it comes to finding suitable places to build or obtaining the necessary building permissions. For 2018, Euroconstruct forecasts continued high-percentage growth of 9.4 % for the residential construction sector; in the two subsequent years, however, the value should fall back to 5.4 % and 4.1 %, respectively.

Non-residential building construction, after several years of recession, finally managed a return to (weak) growth in 2017 with a plus of 0.1 %. Investments in schools and other educational facilities, as well as the construction of shopping centres, large office buildings, above all in Prague, and industrial and logistics centres, should help to gradually lift this sector to a plus of 3.6 % in 2019. The civil engineering sector, which had shown signs of weakness in the past, is also expected to recover in 2018 and grow by a strong 13.4 % in 2019 if, as part of the EU financial framework for 2014–2020, long overdue rail and road construction projects as well as the expansion of two airports are realised in addition to the investments already made in sewerage systems, waste water treatment and flood control.

In the Czech Republic, STRABAG is the number two on the market. With an output volume of € 628.75 million, about 4 % of the group's total output volume was accounted for by the Czech market in 2017 (2016: 5 %). The group's share of the entire construction market stood at 3.9 %. In road construction, this figure even reached 12.8 %.

HUNGARY



Overall construction volume: € 9.9 billion
GDP growth: 2017e: 3.6 % / 2018e: 3.7 %
Construction growth: 2017e: 25.5 % / 2018e: 21.4 %

The growth dynamic of the Hungarian economy greatly picked up speed in the year under report. At +3.6 %, it was significantly above the EU average. Higher real incomes, lower unemployment figures and, consequently, greater prosperity for the households were strong drivers of domestic consumption. At the same time, growing foreign demand and the export strength of the Hungarian economy resulted in a high trade surplus in 2017. EU subsidies helped to futher power the economic engine and led to an increase of the gross investments in property, plant and equipment by 16.2 %. Against this background, Euroconstruct forecasts continued strong GDP growth of 3.7 % for the 2018 parliamentary election year.

The Hungarian construction economy registered a massive upturn of 25.5 % in 2017. The positive development was driven to a large degree by the above-average high dynamic in the residential construction and civil engineering segments. For 2018 and 2019, Euroconstruct forecasts continued growth of 21.4 % and 7.9 %, respectively, for the industry as a whole. A number of large building construction and civil engineering projects as well as numerous renovation contracts promise full order books for the next couple of years.

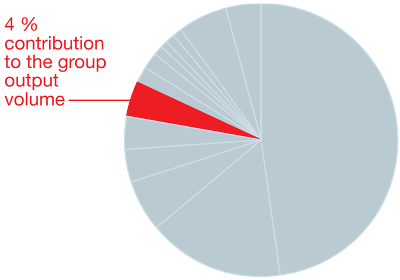
With growth of +35.4 %, residential construction proved to be the most successful sector in 2017. The market for new construction boomed thanks to continuous low interests and a generous fiscal policy of subsidies and special loans with the aim of improving the standard of living especially for young families. At the same time, the stimulation of the tourist industry unleashed an enormous wave of renovations and modernisation works in the hotel sector. Euroconstruct therefore expects further considerable growth (+39.8 %) for 2018 before the sector consolidates at +8.1 % in 2019.

Stimulated by the upcoming elections and the availability of new EU funds, non-residential building construction also achieved a remarkable plus of 17.3 % in the period under report. On the one hand, construction began on many large public-sector projects that had previously been put on ice. On the other hand, investments by small and medium-sized enterprises increased significantly thanks to EU subsidies to boost competitiveness. Euroconstruct forecasts massive growth of 15.0 % for non-residential building construction in 2018 before the growth drops slightly to 6.6 % in each of the two following years.

With a plus of 30.0 %, the civil engineering sector managed to recover from the previous year's crash (2016: -40.5 %) that had resulted from the expiration of EU funding programmes. In 2017, sufficient EU funds were again available for large projects in road and rail construction. Several large projects were also tackled in the infrastructure field, including the renovation of a sports stadium with participation by STRABAG. Euroconstruct therefore expects the growth trend in civil engineering to continue until 2020.

The STRABAG Group generated an output volume of € 551.09 million, or 4 %, in Hungary in 2017 (2016: 3 %). STRABAG is the number one on the Hungarian construction market. The company's share of the entire market stood at 5.7 %, in road construction it was 22.0 %.

SLOVAKIA



Overall construction volume:	€ 4.8 billion
GDP growth:	2017e: 3.3 % / 2018e: 4.2 %
Construction growth:	2017e: 3.1 % / 2018e: 1.8 %

The upswing that has been registered by the Slovak economy since 2010 continued in the period under report. Thanks to high consumer spending by private households as well as high net exports, the GDP achieved growth of 3.3 % in 2017. Despite an expected decline in public-sector investments, Euroconstruct again predicts significant growth of around 4.0 % for the Slovak economy in the next few years. This forecast is based, among other factors, on the good order situation of the automobile manufacturers Jaguar Land Rover and Volkswagen, both of which have a presence in the country.

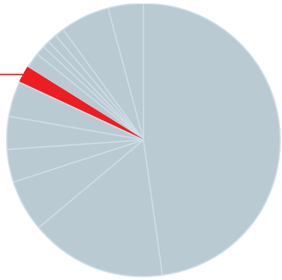
The Slovak construction industry registered solid growth of 3.1 % in 2017 after strong fluctuations in the previous years. Euroconstruct expects this value to diminish in the coming years, however, ultimately leading to a renewed minus of 0.5 % in 2020. Residential construction, which grew by 3.2 % in 2017 after its remarkable plus of 9.6 % in 2016, again benefited from the low credit interest as well as from the higher demand for owner-occupied and investment housing. This effect must be seen as only temporary, however, and Euroconstruct forecasts a decrease of the growth dynamic to below zero in the next few years.

After years of contraction despite the positive data for the overall economy, the non-residential building construction sector grew by 2.2 % in 2017 – a development that should also continue, albeit in a weaker form, in the years to come. This growth was primarily driven by large investments from the automobile industry but also by increased demand from the retail sector for modern and larger logistics centres and warehouses. The construction of several large shopping centres and of a new national football stadium – the latter is being built by STRABAG – should, according to Euroconstruct, ensure the good utilisation of capacities in the years 2018 (+1.3 %) and 2019 (+0.5 %) before the curve in this sector also points back downwards with negative growth of 1.3 % in 2020.

A solid plus of 4.3 % in the year under report was attained by civil engineering, which had experienced extreme fluctuations of +53.4 % and -25.1 % in 2015 and 2016. Contributing especially to this upwards trend were public-sector investments in transportation infrastructures co-financed from EU funds. For the coming three years, Euroconstruct expects that projects like the 58 km bypass for Bratislava – construction began in 2017 – should lead to positive growth rates averaging 1.9 % a year.

With a market share of 10.0 % and an output volume of € 527.85 million in 2017, STRABAG is the market leader in Slovakia. In road construction, STRABAG's market share reached 13.8 %. Slovakia contributed 4 % to the group's total output volume in 2017 (2016: 3 %).

SWITZERLAND



Overall construction volume:	€ 64.7 billion
GDP growth:	2017e: 0.8 % / 2018e: 2.2 %
Construction growth:	2017e: 1.6 % / 2018e: 2.5 %

With GDP growth of 0.8 % in 2017, the Swiss economy appears to have gradually recovered from the "Swiss franc shock" and is slowly finding its way back to moderate growth. As a result of the normalisation of the fiscal policy, Euroconstruct forecasts positive growth for Switzerland in the period 2018–2020 with an annual average plus of 2.1 %.

After a phase of consolidation, the Swiss construction industry is on its way to recovery with growth of 1.6 % in 2017. The slight upwards trend is being sustained above all by public-sector investments in infrastructure as well as by investments on the part of the industry and the retail sectors. Due to plans for extensive infrastructure projects, Euroconstruct forecasts a plus of 2.5 % and 1.9 %, respectively, for 2018 and 2019 before the growth slackens off slightly again to 0.7 % in 2020.

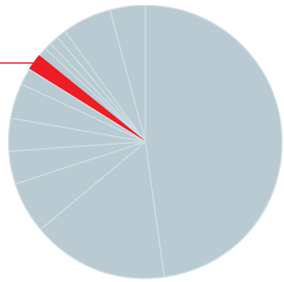
With a plus of 1.2 %, the Swiss residential construction sector stagnated in 2017 at about the same level as the previous years. Rising real estate prices, high vacancy rates and the weak development of salaries and wages leads Euroconstruct to predict only modest growth for this sector in the years to come (2018: +0.5 %, 2019: +0.2 %).

After a slow recovery, the Swiss companies again have some more flexibility for investments in corporate real estate. The modest growth of 2.3 % of the non-residential building construction sector, however, was sustained primarily by large projects and by substantial construction undertakings by biotechnology and pharmaceutical companies. Not least because of planned investments in healthcare and education, Euroconstruct forecasts positive growth rates for the sector in the next two years (2018: +2.5 %, 2019: +2.4 %).

While residential construction remained weak, Euroconstruct believes that the civil engineering sector will develop into a minor engine driving growth in the coming two years. After moderate growth of +1.5 % in 2017, this sector is expected to grow significantly in 2018 and 2019 at rates of +6.5 % and +4.6 %, respectively, before levelling off at +1.5 % in 2020. Contributing greatly to this estimate is, among other factors, a nationwide rail infrastructure programme. Furthermore, investments of CHF 6.5 billion are planned between 2018 and 2030 under the newly implemented national road and agglomeration transport fund (NAF).

Switzerland contributed € 320.32 million or 2 % (2016: 3 %) to the STRABAG Group's total output volume in 2017.

BENELUX



BELGIUM

Overall construction volume:	€ 44.3 billion
GDP growth:	2017e: 1.7 % / 2018e: 1.7 %
Construction growth:	2017e: 2.5 % / 2018e: 3.7 %

NETHERLANDS

Overall construction volume:	€ 75.3 billion
GDP growth:	2017e: 3.3 % / 2018e: 2.5 %
Construction growth:	2017e: 5.4 % / 2018e: 4.9 %

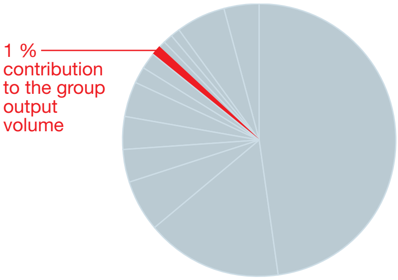
The economy in the Benelux states exhibited moderately dynamic growth in 2017, albeit at different levels. The low yet steady GDP growth of 1.7 % in Belgium and the somewhat stronger plus of 3.3 % in the Netherlands can be traced back to slightly higher household incomes, somewhat lower unemployment and rising corporate investments.

The **Belgian construction economy** achieved a plus of 2.5 % in the period under report, with civil engineering growing at an above-average +6.9 %. The positive development was driven by the start of construction on a large motorway project and the expansion of the regional commuter rail network. Euroconstruct forecasts even more significant growth for this sector with a plus of 10.2 % in 2018, which should consolidate at 4.2 % and 4.9 %, respectively, in 2019 and 2020. Non-residential building construction, which had already been weak in the past, flattened out once more to +0.7 % in 2017 after the expiration of the “Schools for Tomorrow” programme. According to Euroconstruct, the sector can expect a return to annual growth rates of about 2.5 % in the coming three years due to various public-sector measures. Residential construction, which had benefited from temporary measures in recent years, above all from tax incentives and a significant increase in the number of construction permits, grew at a moderate rate of +2.5 % in 2017. Due to the start of energy efficiency funding programmes of the Flemish Region, Euroconstruct forecasts growth between 1.7 % and 3.3 % for the sector in the years to come.

The **Dutch construction economy** performed significantly more strongly in 2017 and with a plus of 5.4 % managed to latch on to the positive result of the year before (+5.8 %). This development was sustained once more by the field of residential construction with a plus of 8.4 %. This sector owes its growth to new constructions, which – not least because of the higher housing need for asylum seekers – gained another 13.0 %. In combination with historically low credit rates and tax incentives for residential renovation, Euroconstruct forecasts further growth of 4.0 % for residential construction in 2018 before the values consolidate in 2019 and 2020 at +2.8 % and +2.4 %, respectively. A significant increase in the number of construction permits led to a plus of 4.9 % in non-residential building construction in 2017, primarily with regard to industrial buildings, warehouses and buildings in the educational sector. In 2018, new constructions for the retail and healthcare sectors, as well as the construction of new office real estate, should contribute to additional strong growth of 5.0 %. For 2019 and 2020, Euroconstruct predicts growth rates of 3.5 % and 3.1 %. In civil engineering, which grew by 2.0 % in 2017, extensive public-sector measures in the fields of mobility and climate protection should drive growth back up to 6.0 % and 5.6 %, respectively, in 2018 and 2019 after years of austerity measures. Overall, Euroconstruct forecasts construction growth of 35.0 % for the Netherlands in the period 2014–2020, which could make up for a large part of the losses during the crisis years.

STRABAG generated an output volume of € 294.48 million in the Benelux countries in 2017. This corresponds to a share of 2 % of the group output volume (2016: 2 %).

ROMANIA



Overall construction volume: € 18.2 billion
GDP growth: 2017e: 6.1 % / 2018e: 5.5 %
Construction growth: 2017e: 3.6 % / 2018e: 6.8 %

With a plus of 6.1 % in 2017, the Romanian economy registered the strongest GDP growth of all EU states. Rising industrial production and retail sales boosted the economy, while increased employment figures, greater real wages and the generally higher standard of living found positive expression in private and public-sector investments. The cumulative effect of these factors should also continue in the next two years and, according to forecasts by EECFA, result in growth rates of 5.5 % and 5.7 %, respectively, in 2018 and 2019.

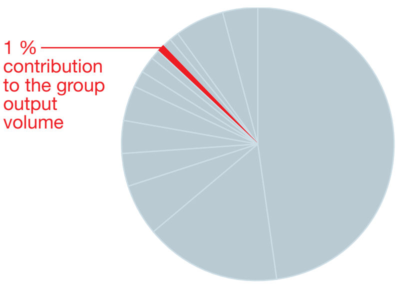
The Romanian construction industry developed in line with the general economic trend with a plus of 3.6 % in 2017. The increases are even expected to reach 6.8 % and 5.0 % in 2018 and 2019. Encouraged by rising wages and lower credit interest rates, residential construction managed to grow by an outstanding +21.0 % in 2017 sustained mostly by new constructions. Due to the relatively low construction costs and rising real estate prices, EECFA predicts above-average growth for this sector in the years to come (2018: +15.5 %, 2019: +6.4 %).

A strong plus of 7.1 % was also registered by non-residential building construction, supported especially by new offices and industrial buildings. Foreign IT companies in particular took advantage of the low wages and high qualifications of the Romanian workforce. Against this background, EECFA forecasts growth of 4.9 % and 2.8 % for the next two years.

The development of the civil engineering sector, with a minus of 12.4 %, was disappointing, although this must be seen in light of the extremely strong performance in 2015 (+26.4 %). An important factor behind this development was the low use of funds from the new EU funding programmes, which led to a significant decline of infrastructure investments in road and rail as well as in bridge construction and tunnelling. According to EECFA, civil engineering will likely stagnate again in 2018 before a new upturn sets in with +5.7 % in 2019.

The STRABAG Group, with an output volume of € 182.81 million in 2017 and a market share of 1.4 %, continues to hold the position of market leader in the Romanian construction market. In road construction, the share of the market amounts to 2.9 %.

SWEDEN



Overall construction volume: € 43.7 billion
GDP growth: 2017e: 2.8 % / 2018e: 2.7 %
Construction growth: 2017e: 9.9 % / 2018e: 3.6 %

The Swedish economy grew by 2.8 % in 2017, significantly more strongly than had been expected. This growth was sustained above all by an expansive financial policy, private investments, falling unemployment, rising real wages and the resulting increase in domestic consumption. Moreover, the many refugees immigrating to Sweden triggered a short-term rise in demand for new residential construction. Euroconstruct's medium-term forecast, however, remains unchanged: The high debt of the private households and the expected decline of public-sector investments are expected to lead to a step-by-step reduction of GDP growth to 1.5 % by 2020.

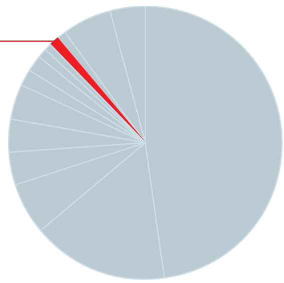
With growth of 9.9 %, the construction industry contributed significantly to Sweden's positive economic performance in 2017. A downright boom was registered by residential construction, which again managed to grow by 12.9 %. The biggest factor driving this growth was, as in the years before, new construction with a plus of 23.8 %. Still, Euroconstruct expects a clear flattening of the construction sector's steep production curve for the next few years. While a plus of 3.6 % could still be achieved in 2018, stagnation is already expected in 2019 with +/-0.0 % and a further forecast of -3.2 % for 2020. After the significantly weaker growth of 2.3 % in residential construction in 2018, negative growth of -4.2 % and -5.1 %, respectively, are being forecast for 2019 and 2020.

Non-residential building construction put on a surprisingly strong performance in 2017 with a plus of 9.4 %, driven primarily by the demographic development: High birth rates and the increased life expectancy required public-sector investments in schools and other educational centres as well as in new healthcare centres. At the same time, construction in industry and retail contributed to the positive development. However, the forecasts are less optimistic here as well. According to Euroconstruct, the growth will slow down again to +4.1 % in 2018, drop further to +2.9 % in 2019 and contract with -4.5 % in 2020.

Civil engineering also grew at a disproportionately strong 5.1 % in 2017. Public-sector investments in rail infrastructure and public transportation, as well as the realisation of several large projects in Stockholm and Gothenburg, are helping to drive growth that should continue beyond the year under report. Euroconstruct therefore expects slight growth rates of 5.2 % and 4.2 % in civil engineering for 2018 and 2019 before the value consolidates at 1.6 % in 2020.

The output volume of the STRABAG Group in Sweden amounted to € 161.97 million in 2017.

DENMARK



Overall construction volume:	€ 30.7 billion
GDP growth:	2017e: 2.3 % / 2018e: 2.1 %
Construction growth:	2017e: 2.0 % / 2018e: 2.7 %

With a plus of 2.3 % in the period under report, the Danish economy registered its strongest growth since 2006. This development was sustained above all by private consumption, new residential construction and increased gross investments in property, plant and equipment. Exports and imports exhibited moderate growth rates and helped the country to a positive trade balance. The considerable wealth of private savers and the fact that the national debt is within the Maastricht limit nourish expectations of modest, yet steady growth for the next few years.

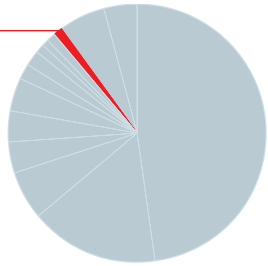
The Danish construction sector grew by 2.0 % in 2017 and should, according to Euroconstruct, develop better than the overall economy in the period 2018–2020 (2018: +2.7 %, 2019: +2.8 %, 2020: +2.5 %). This development is due not least to the need for affordable, at times temporary, accommodation for refugees. Against this background, residential construction grew the strongest with a plus of 4.3 % in 2017, a trend that should continue in the next three years (2018: +3.3 %, 2019: +3.8 %, 2020: +3.1 %). Moreover, a compromise reached in May 2017 with regard to property taxation should also have a favourable effect on the investment climate in the real estate sector.

In non-residential building construction, which generated a plus of 2.3 % in 2017, an extensive programme for new hospitals promises strong momentum in the next few years. Euroconstruct expects growth of 3.0 % for 2018 and even awaits +3.3 % a year for 2019 and 2020.

The performance of the civil engineering sector (-2.5 %) had to be adjusted downwards considerably in 2017. On the one hand, several large projects were completed, such as the new underground line in Copenhagen. On the other hand, the change of government in 2015 brought with it a shift in priorities regarding large infrastructure investments. In view of the associated – in part political – uncertainties, Euroconstruct ventures no more than a cautious growth forecast for this sector of 1.1 % for 2018 and 0.4 % for 2019.

The STRABAG Group generated an output volume of € 159.45 million in Denmark in 2017.

RUSSIA



Overall construction volume: € 113.4 billion
GDP growth: 2017e: 2.1 % / 2018e: 2.1 %
Construction growth: 2017e: 0.3 % / 2018e: 0.1 %

After two years of recession, the Russian economy appears to have managed the turnaround in 2017 with a plus of 2.1 %. This development was sustained almost exclusively by the oil price, which grew by about 20 %, while the continuing Western sanctions as well as the low level of the rouble exchange rate continued to have a strong dampening effect. In expectation of slightly higher private consumption, however, EECFA still forecasts similar growth rates for the coming two years.

As always, the reaction of the construction industry to the economic development was delayed and differed from sector to sector. Overall, however, the Russian construction economy also managed to move into positive territory with a slight plus of 0.3 %. Massive declines in residential and non-residential construction were contrasted by significant growth in civil engineering. EECFA forecasts continued weak growth of 0.1 % for 2018 before things begin to significantly pick up speed with +1.8 % in 2019.

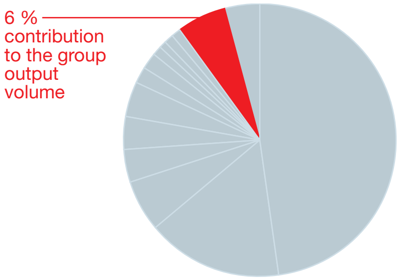
The renewed decline of 8.2 % in residential construction is due above all to the low purchasing power of the private households. This sector is expected to again finish the year with negative growth (-7.2 %) in 2018 before the national residential construction programmes have an effect in 2019 (+4.1 %). Without a substantial improvement of the liquidity of the private households through higher real incomes or more favourable mortgage credits, however, this market is likely to continue to stagnate.

Non-residential building construction also had to endure a minus of 2.2 % in the year under report. Because of the lack of purchasing power among the population and the public-sector savings measures, declines of 2.3 % and 1.4 % are also expected for the next two years. A ray of hope are buildings in the healthcare field.

With a plus of 10.0 %, the Russian civil engineering sector registered strong growth thanks to extensive gas pipeline projects and massive investments in the road network. With the completion of the Crimea Bridge and the sport venues for the FIFA World Cup, strong growth of 7.0 % is also expected for 2018; for 2019, however, EECFA forecasts low growth of just 1.0 % for the sector.

The STRABAG Group generated an output volume of € 143.11 million in Russia in 2017. This region contributed 1 % to the group's overall output volume in the period under report (2016: 1 %). STRABAG is active almost exclusively in building construction and civil engineering in the region.

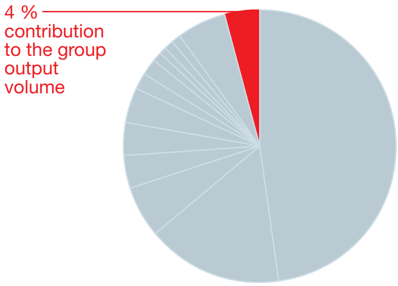
MIDDLE EAST, AMERICAS, AFRICA, ASIA



In the interest of ensuring its independence from the economic development in individual countries as much as possible, STRABAG is active not only in its main European markets but also outside of Europe. For the most part, the company operates as a main contractor in direct export. The group's presence has been concentrated for many years, often decades, on Africa and Asia, Canada and Chile as well as the Middle East. The focus is on demanding fields in which a high level of technological expertise is needed: civil engineering, industrial and infrastructure projects, and tunnelling. Milestones in the year under report include the contract for Africa's highest bridge, located in South Africa, or a dam to secure the water supply in Kenya.

In total, the STRABAG Group generated € 834.98 million, or 6 %, of its overall group output volume outside of Europe in 2017 (2016: 6 %). The activities in non-European countries – with minor exceptions – are assigned to the segment International + Special Divisions.

CROATIA, SERBIA, ITALY, SLOVENIA, BULGARIA AND REST OF EUROPE



CROATIA

Overall construction volume:	€ 3.1 billion
GDP growth:	2017e: 3.0 % / 2018e: 2.9 %
Construction growth:	2017e: 6.3 % / 2018e: 10.9 %

SERBIA

Overall construction volume:	€ 2.2 billion
GDP growth:	2017e: 2.3 % / 2018e: 3.8 %
Construction growth:	2017e: 3.3 % / 2018e: 16.3 %

ITALY

Overall construction volume:	€ 165.1 billion
GDP growth:	2017e: 1.4 % / 2018e: 1.2 %
Construction growth:	2017e: 1.0 % / 2018e: 2.0 %

SLOVENIA

Overall construction volume:	€ 2.3 billion
GDP growth:	2017e: 4.4 % / 2018e: 3.9 %
Construction growth:	2017e: 6.0 % / 2018e: 8.2 %

BULGARIA

Overall construction volume:	€ 6.1 billion
GDP growth:	2017e: 3.7 % / 2018e: 3.9 %
Construction growth:	2017e: 7.0 % / 2018e: 5.6 %

Croatia

The growth dynamic of the Croatian economy picked up speed in 2017 and, with a plus of 3.0 %, was higher than the EU average. This development was sustained by private consumption, higher industrial production, tourism and the dynamic construction sector. At the same time, the new, stable government and the regions proved to be increasingly experienced in calling EU funds. EECFA therefore expects growth rates of about the same level for the years to come.

Following the turnaround in 2015, in which the Croatian construction sector registered its first positive result after six years of downturn, the plus of 6.3 % in 2017 again confirms the upwards trend. The strongest and most encouraging growth was registered by residential construction with 10.6 %. Thanks to rising incomes and a continuous foreign demand for holiday homes, EECFA expects this sector to grow by an above-average +18.5 % in 2018 before it consolidates at +2.5 % in 2019.

The development of non-residential building construction was just as positive in the year under report (+9.6 %), with especially high growth registered by hotels. Warehouses and industrial buildings, as well as properties in the fields of healthcare and education, also grew at high rates, while offices presented a rather mixed picture. Overall, EECFA forecasts continued growth of 7.2 % (2018) and 4.6 % (2019) for this sector in the years to come.

After solid growth rates in the years before, the Croatian civil engineering sector took a break from growth in 2017 with a plus of just 0.8 %. However, EECFA is already predicting another above-average plus of 9.3 % for the sector in 2018 (2019: +4.4 %). The main factors driving this growth are – in addition to the optimised use of EU subsidies – large infrastructure projects for rail and ship transport as well as water collection and treatment facilities.

The STRABAG Group generated € 120.04 million in Croatia in 2017. The company is the second-largest market player in the country.

Serbia

With GDP growth of 2.3 % in 2017, the Serbian economy continued the upswing that began in 2015. The construction industry, following a reform of the state approval procedures and the approval of a whole row of projects, was able to contribute significantly to this development clear across all sectors. Rising public-sector investments also fuelled the upwards trend. Besides higher employment figures and rising wages, investments from the industrial and commercial segments also helped fire the economic engine. GDP forecasts of +3.8 % (2018) and +4.0 % (2019) therefore appear quite realistic.

Serbia's construction industry, which had registered a comfortable plus of 7.7 % in 2016, grew by a somewhat weaker 3.3 % in the period under report. According to the forecasts by EECFA, the rates should increase noticeably in the next two years (2018: +16.3 %, 2019: +7.3 %). The positive trend in 2017 was supported above all by non-residential building construction, although growth was also clearly indicated in residential construction. Here the plus of 6.6 % again surpassed all expectations after the incredibly strong value of the year before (+25.7 %). An increasing confidence in the real estate market, combined with rising real incomes, promise a new growth cycle for the sector and the plus should again reach 11.8 % in 2018.

The reform of the approval procedures had an even stronger impact on the non-residential building construction sector (+12.3 %). Shopping centres, hotels and industrial buildings contributed especially to the construction boom here, while offices were catching up only slowly. Only public-sector investments, especially in the education and health fields, were still lagging behind somewhat.

Civil engineering again contributed the greatest share to Serbia's construction volume in 2017. Due to the postponement of several projects, this sector registered slightly negative growth of -2.1 %, but EECFA predicts record growth of 22.2 % in 2018. Now that the Serbian road network is in a good state, extensive expansionary works on the rail infrastructure are planned. The energy sector, with the construction of two power plants and the expansion of the electricity network, will also contribute greatly to the overall construction volume in the next few years.

The STRABAG Group achieved an output volume of € 112.85 million on the Serbian market in 2017.

Italy

Although the Italian economy has been on a growth path since 2015, significant stimuli have so far not materialised. The modest economic growth of 1.4 % in 2017 reflects the insecurity of the markets. Despite a slight improvement on the labour market and a higher employment rate, the domestic consumption continued to lag significantly behind the expectations.

The Italian construction sector grew at a slightly lower rate than the already unexceptional overall economy in 2017. The plus of 1.0 % at least confirms the timid upswing that began in 2016 after nearly a decade of negative growth. Euroconstruct expects similar annual average growth rates of about 1.8 % for the next three years – on the condition that the public sector makes sufficient funds available to realise the planned investments and that renovation measures can be stimulated further by tax incentives.

Residential and non-residential construction both presented themselves as quite homogenous in 2017 with growth rates of 1.5 % each.

The development in these sectors is expected to remain at about this level in the coming three years. Civil engineering, on the other hand, fell off for the second year in a row with -1.0 %. Euroconstruct forecasts a clear turnaround for this sector in 2018, however, with strong growth rates through 2020 (2018: +4.2 %, 2019: +3.7 %, 2020: +2.6 %). This forecast is supported by the government's plans to invest greatly in infrastructure projects.

The output volume of the STRABAG Group in Italy amounted to € 66.56 million in 2017. STRABAG is mainly active in tunnelling and road construction in the north of the country and the output volume is therefore assigned largely to the segment International + Special Divisions.

Slovenia

With GDP growth of 4.4 %, the Slovenian economy developed significantly more strongly in 2017 than had been expected. Following the restructuring of the banking system, a sense of normality returned to loan granting in 2017. The year also saw higher employment rates and rising real wages. According to EECFA, the budget surplus expected for 2017 will also have a positive impact on the investment climate in the next two years, which should lead to solid GDP growth of 3.9 % in the 2018 election year.

Following declines in the previous two years, the Slovenian construction sector registered a plus of 6.0 % in 2017, a positive and encouraging performance that should continue in the following two years with significant growth of 8.2 % and 7.0 %, respectively. The strongest growth by far was registered by residential construction (+10.1 %), driven mainly by the construction of new single-family homes.

The non-residential building construction sector was also characterised by a clear recovery with a plus of 8.2 %. This growth was fuelled by the good development in tourism, but also by the construction of new shopping and business centres in the capital. Due to the generally favourable economic environment, EECFA forecasts continued high growth for this sector in 2018 (+6.9 %) and 2019 (+7.5 %).

After quite volatile development in the past few years, the civil engineering sector appears to be consolidating somewhat with growth of 0.9 %. The start of construction on new public-sector infrastructure projects should make it possible to achieve growth of 3.7 % and 4.5 %, respectively, in 2018 and 2019.

In 2017, the STRABAG Group generated an output volume of € 53.10 million in Slovenia and so positioned itself as the fourth-largest construction company in the country.

Bulgaria

With a plus of 3.7 % in 2017, the Bulgarian economy registered its strongest growth since 2008. Driving this development were falling unemployment figures, rising real wages and the resulting higher private consumption. On the basis of lower energy prices, a stable fiscal framework and the favourable development of the federal budget, EECFA predicts similar GDP growth of 3.9 % for 2018.

Following the dramatic decline in the previous year (-35.2 %), the Bulgarian construction sector returned to growth with a plus of 7.0 % in 2017. This development was supported above all by residential construction (+17.5 %), where favourable mortgage interest rates and rising real wages boosted the construction of owner-occupied homes, a tradition that has deep roots in Bulgaria. At the same time, tourism stimulated the activities on Bulgaria's Black Sea coast. In view of state programmes to improve energy efficiency, EECFA expects high growth rates of 16.1 % and 15.7 % for the years 2018 and 2019, respectively.

Both non-residential building construction and civil engineering returned to solid growth in 2017 (+4.7 % and +4.8 %, respectively) after several bumpy years. The capital of Sofia registered massive growth in the construction of modern offices in 2017. Several important projects are ongoing at the moment, including numerous large undertakings in road and rail construction, the expansion of Sofia's underground system and the extension of the gas grid to the neighbouring states. Based on these developments, moderate growth between 3.3 % and 3.5 % is expected in non-residential building construction and between 2.7 % and 2.8 % in civil engineering in the next two years.

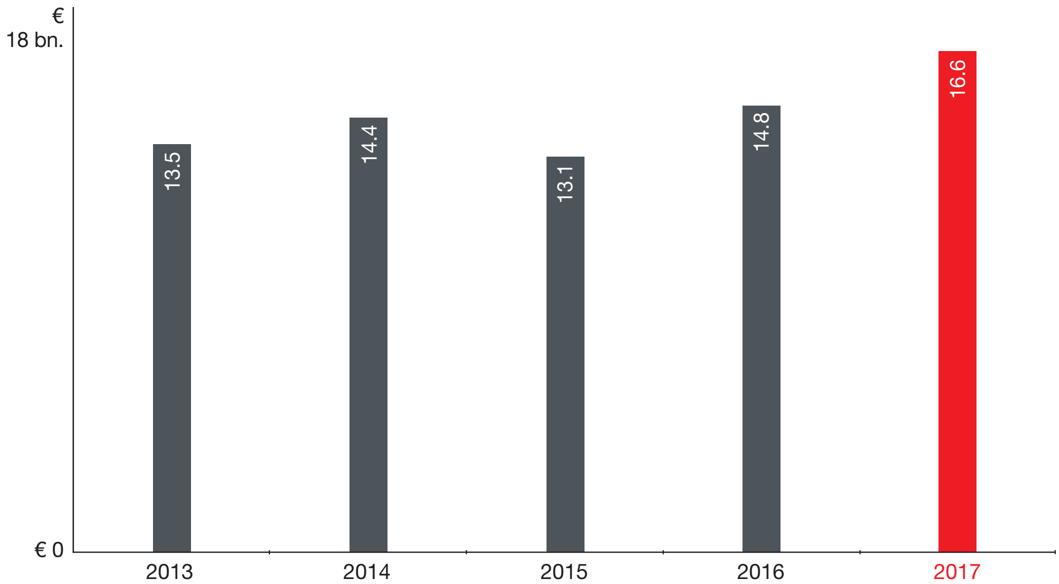
The STRABAG Group generated € 45.17 million on the Bulgarian market in 2017.

Order backlog

ORDER BACKLOG BY SEGMENT AS AT 31 DECEMBER 2017

€ mln.	Total 2017	North + West	South + East	International + Special Divisions	Other	Total 2016	Δ total %	Δ total absolute
Germany	6,929	5,740	140	1,047	2	6,493	7	436
Austria	1,986	15	1,343	627	1	1,856	7	130
Poland	1,416	1,393	0	22	1	873	62	543
Hungary	1,225	0	1,188	37	0	268	357	957
Americas	786	2	0	784	0	689	14	97
Benelux	573	553	13	7	0	412	39	161
Asia	513	0	10	503	0	171	200	342
Slovakia	476	0	455	21	0	515	-8	-39
Sweden	383	325	0	58	0	376	2	7
Czech Republic	376	0	363	12	1	287	31	89
Middle East	327	5	0	322	0	403	-19	-76
Italy	273	0	12	261	0	963	-72	-690
Rest of Europe	218	35	122	61	0	288	-24	-70
Switzerland	197	8	185	4	0	247	-20	-50
Russia	187	0	171	16	0	205	-9	-18
Croatia	153	0	151	2	0	106	44	47
Africa	148	3	0	145	0	55	169	93
Romania	138	3	127	8	0	271	-49	-133
Bulgaria	95	0	95	0	0	44	116	51
Serbia	74	0	74	0	0	83	-11	-9
Denmark	63	56	0	7	0	160	-61	-97
Slovenia	56	0	56	0	0	51	10	5
Total	**16,592**	**8,138**	**4,505**	**3,944**	**5**	**14,816**	**12**	**1,776**

DEVELOPMENT OF ORDER BACKLOG



Numerous large orders acquired above all in the fourth quarter in transportation infrastructures in Hungary and Poland, together with building construction and civil engineering projects in Germany and Asia, helped push the order backlog to a new record high of € 16.6 billion, a plus of 12 % over the record value of the year before. The completion of large projects as well as order reductions led to a decline in Italy, Romania and Denmark.

CONSTRUCTION SITES INCLUDED IN THE ORDER BACKLOG AS AT 31 DECEMBER 2017

Category	Number of construction sites	Number of construction sites as % of total	Order backlog € mln.	Order backlog as % of total
Small orders (€ 0–1 mln.)	10,344	83	1,879	11
Medium-sized orders (€ 1–15 mln.)	1,703	14	3,353	20
Large orders (€ 15–50 mln.)	276	2	3,889	24
Very large orders (>€ 50 mln.)	120	1	7,471	45
Total	**12,443**	**100**	**16,592**	**100**

Part of the risk management

The total order backlog is comprised of 12,443 individual projects. More than 10,000 of these, or 83 %, involve small orders with a volume of up to € 1 million each; the much smaller remaining proportion of 17 % covers medium-sized to very large orders with contract volumes of € 1 million and up. A total of merely 120 projects have a volume above € 50 million. The high number of individual contracts guarantees that the risk involved with one project does not, as far as possible, threaten the group success as a whole. The ten largest projects in the order backlog as at 31 December 2017 added up to 14 % of the order backlog, compared to 19 % at the end of 2016.

THE TEN LARGEST PROJECTS IN THE ORDER BACKLOG AS AT 31 DECEMBER 2017

Country	Project	Order backlog € mln.	as % of total order backlog
Singapore	Deep Tunnel Sewerage System	309	1.9
Chile	Alto Maipo power plant	298	1.8
Chile	Chuquicamata, underground mine	293	1.8
Germany	Stuttgart 21, underground railway station	255	1.5
Germany	Daimler building 56	219	1.3
Germany	Axel Springer new construction, Berlin	185	1.1
Austria	Koralm Tunnel, Section 2	185	1.1
Germany	Daimler Office V	181	1.1
Germany	Messe City 1–4, Cologne	181	1.1
Hungary	Railway line Rakos–Gödöllo	161	1.0
Total		**2,266**	**13.7**

Financial performance

The consolidated **group revenue** for the 2017 financial year amounted to € 13,508.72 million. This corresponds to a plus of 9 % – similar to the output volume. The ratio of revenue to output remained at the previous year's level of 92 %. The segment North + West contributed 47 %, South + East 30 % and International + Special Division 22 % to the revenue.

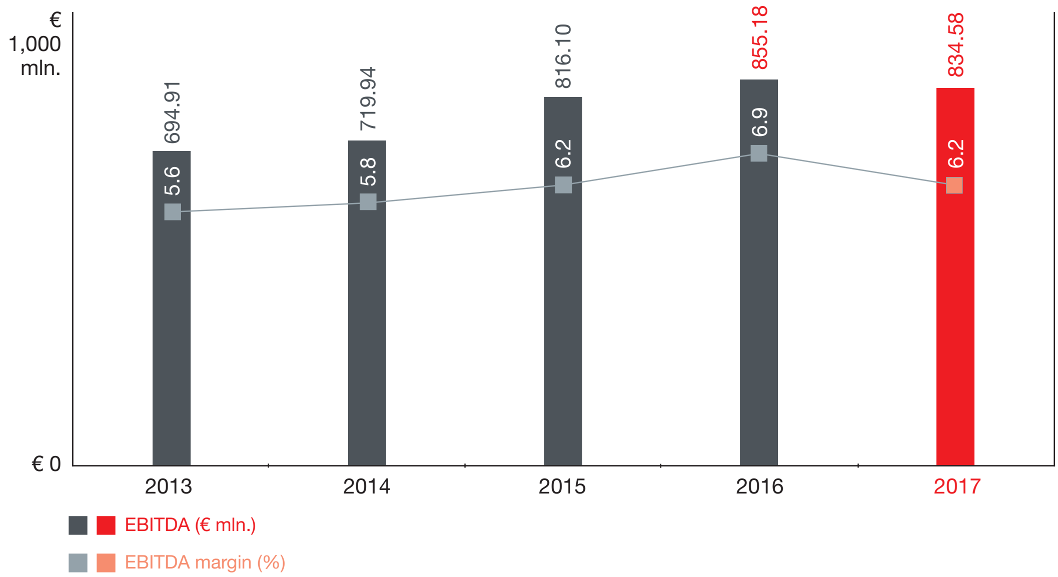
The **changes in inventories** involve mainly the real estate project development business. This business was conducted as actively in 2017 as in the past, although new project developments were overcompensated by the sale of a large project. The construction of new corporate locations increased the **own work capitalised** from a very low basis. The total of **expenses for construction materials, consumables and services used** and the **employee benefits expense**, expressed in relation to the revenue, remained unchanged at 90 % – the same as in the past few years.

EXPENSES

€ mln.	**2017**	**2016**	**Δ %**
Construction materials, consumables and services used	8,839.87	7,980.01	11
Employee benefits expense	3,367.17	3,210.91	5
Other operating expenses	842.79	795.85	6
Depreciation and amortisation	386.22	430.27	-10

The **share of profit or loss of equity-accounted investments**, which also includes earnings from joint ventures, grew significantly. In the previous year, this item had included both non-operating income from the sale of a minority investment related to the acquisition of the minority interest in subsidiary Ed. Züblin AG in the amount of € 27.81 million, as well as losses resulting from a low double-digit million euro impairment in the offshore wind business. The **net income from investments**, composed of the dividends and expenses of many smaller companies or financial investments, sank primarily due to the earnings development in a single project.

DEVELOPMENT OF EBITDA AND EBITDA MARGIN



In total, there was a slight (-2 %) decrease of the **earnings before interest, taxes, depreciation and amortisation (EBITDA)** to € 834.58 million; the EBITDA margin fell from 6.9 % back to the 2015 level of 6.2 %. Adjusting the EBITDA of the previous year by the aforementioned non-operating item from the sale of a minority investment, the EBITDA grew slightly (1 %). It was again possible to reduce the **depreciation and amortisation**, namely by 10 %, as it was not necessary

Effective tax rate: 30.6 %

to make extraordinary depreciation allowances to the same degree as in the previous year.

The **earnings before interest and taxes (EBIT)** increased by 6 % to € 448.36 million, which corresponds to an EBIT margin of 3.3 % after 3.4 % in 2016. Adjusted for the positive one-off effect, the margin would have stood at 3.2 %. All three operating segments contributed to the earnings improvement. This development is due, among other things, to improved earnings in several group countries, including Germany, and the recognition of a receivable from a concession project.

The **net interest income** declined dramatically, however, slipping from € -3.78 million to € -27.15 million. While positive foreign currency effects of € 13.01 million had been registered during the previous year, negative exchange rate differences of € -9.40 million had to be reported for 2017 from Poland and Chile, among other places.

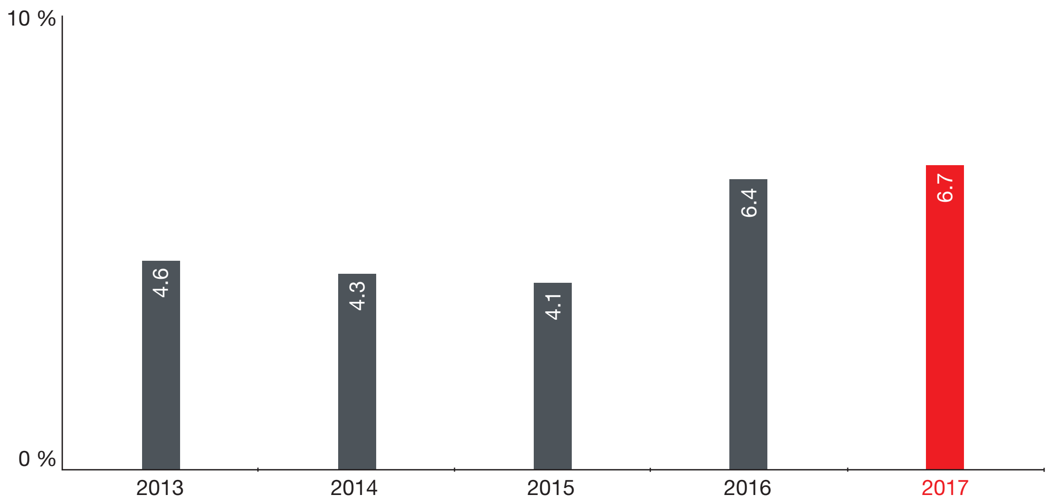
Earnings per share: € 2.72

In the end, the **earnings before taxes** remained unchanged at € 421.21 million. The income tax rate stood at 30.6 %, slightly lower than the previous year's level of 33.0 % – a result of the tax grouping in Germany, whose members include the subsidiaries Ed. Züblin AG and STRABAG AG. The 2017 **net income** amounted to € 292.36 million after € 282.00 million in 2016, which corresponds to a plus of 4 %.

The earnings owed to minority shareholders amounted to € 13.45 million, compared to € 4.35 million in 2016 when the remaining minority shareholders of Ed. Züblin AG had still helped to carry the winter losses from the first quarter of that year. As the squeeze-out of the minority shareholders of STRABAG AG, Germany, was only completed on 29 December 2017, the earnings owed to these minority shareholders were still contained in the figures to the full amount. The **net income after minorities** for 2017 came to € 278.91 million, nearly unchanged versus the previous year. The **earnings per share** amounted to € 2.72 (2016: € 2.71).

The **return on capital employed** (ROCE)[1] increased from 6.4 % to 6.7 %. This is its highest level in ten years.

DEVELOPMENT OF ROCE



1 ROCE = (net income + interest on debt – interest tax shield (25 %))/(average group equity + interest-bearing debt)

Financial position and cash flows

BALANCE SHEET

€ mln.	31.12.2017	% of balance sheet total[1]	31.12.2016	% of balance sheet total
Non-current assets	4,095.74	37	4,129.93	40
Current assets	6,958.38	63	6,248.48	60
Equity	3,397.72	31	3,264.59	31
Non-current liabilities	2,145.36	19	2,489.04	24
Current liabilities	5,511.04	50	4,624.78	45
Total	**11,054.12**	**100**	**10,378.41**	**100**

The **balance sheet total** of STRABAG SE reached € 11.1 billion, surpassing the € 11 billion mark for the first time. This development was due above all to the exceptionally strong increase of the cash and cash equivalents from € 2.0 billion at the end of 2016 to € 2.8 billion on 31 December 2017. The fourth quarter especially was characterised by the receipt of unusually high advance payments, which became noticeable on the liabilities side in the higher trade payables. Nevertheless, the equity ratio remained relatively strong with 30.7 % after 31.5 % in the previous year. The non-current financial liabilities decreased in favour of the current financial liabilities, as a € 175 million bond is due for repayment in May 2018. The non-controlling interests decreased once more following the squeeze-out of the minority shareholders of STRABAG AG, Germany.

KEY BALANCE SHEET FIGURES

	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Equity ratio (%)	30.7	30.6	31.0	31.5	30.7
Net debt (€ mln.)	-73.73	-249.11	-1.094.48	-449.06	-1,335.04
Gearing ratio (%)	-2.3	-7.9	-33.0	-13.8	-39.3
Capital employed (€ mln.)	5,462.11	5,357.82	5,448.01	5,258.17	5,242.91

Net cash position: more than € 1.3 billion

As usual, a **net cash position** was reported on 31 December 2017. Because of the aforementioned customer advance payments, however, which helped drive up the cash and cash equivalents, the net cash position was unusually high at € 1.3 billion. This figure is expected to move back down to a normal level over the course of 2018.

CALCULATION OF NET DEBT[2]

€ mln.	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Financial liabilities	1,722.70	1,609.92	1,579.75	1,426.08	1,293.98
Severance provisions	78.40	97.66	96.13	110.02	111.10
Pension provisions	422.24	505.94	451.50	457.48	440.11
Non-recourse debt	-585.11	-538.61	-489.53	-439.38	-389.78
Cash and cash equivalents	-1,711.97	-1,924.02	-2,732.33	-2,003.26	-2,790.45
Total	**-73.73**	**-249.11**	**-1,094.48**	**-449.06**	**-1,335.04**

The strong working capital reduction led to a more than fivefold increase of the **cash flow from operating activities** from € 264.17 million to € 1,345.19 million. Here, too, a significant reduction of the advance payments is expected in 2018, which should lead to an increase of the working capital to the usual level. The **cash flow from investing activities** sank from € -434.43 million to € -333.30 million because of the lack of significant enterprise acquisitions – in the previous year, the group had acquired the Tech Gate Vienna property near the STRABAG headquarters in Vienna and Raiffeisen evolution Group (now STRABAG Real Estate GmbH, Vienna) – and despite increased investments in intangible assets and property, plant and equipment. The **cash flow from financing activities** amounted to € -234.52 million after € -564.18 million. In 2016, this figure had been influenced especially by the acquisition of the remaining shares of Ed. Züblin AG. A large portion of the bonded loan was paid off in 2017, but no refinancing

1 Rounding differences are possible.
2 The non-recourse liabilities that were considered are related to a single PPP project. Non-recourse liabilities from other PPP projects had, based on their amount, only an immaterial impact and are therefore not subtracted in the calculation of net debt.

was made in the real estate project development business as had been done the year before. The purchase price for the squeeze-out of STRABAG AG, Germany, will not impact the cash flow until the first quarter of 2018.

REPORT ON OWN SHARES

On 31 December 2017, STRABAG SE held 7,400,000 bearer shares equalling 6.7 % of the share capital. The corresponding value of the share capital amounts to € 7,400,000.00. The acquisition took place over a period from July 2011 to May 2013 to any purpose allowed by Sec 65 Para 1 No 8 of the Austrian Stock Corporation Act (AktG), especially for the purpose of using own shares as acquisition currency. The average purchase price per share was € 20.79.

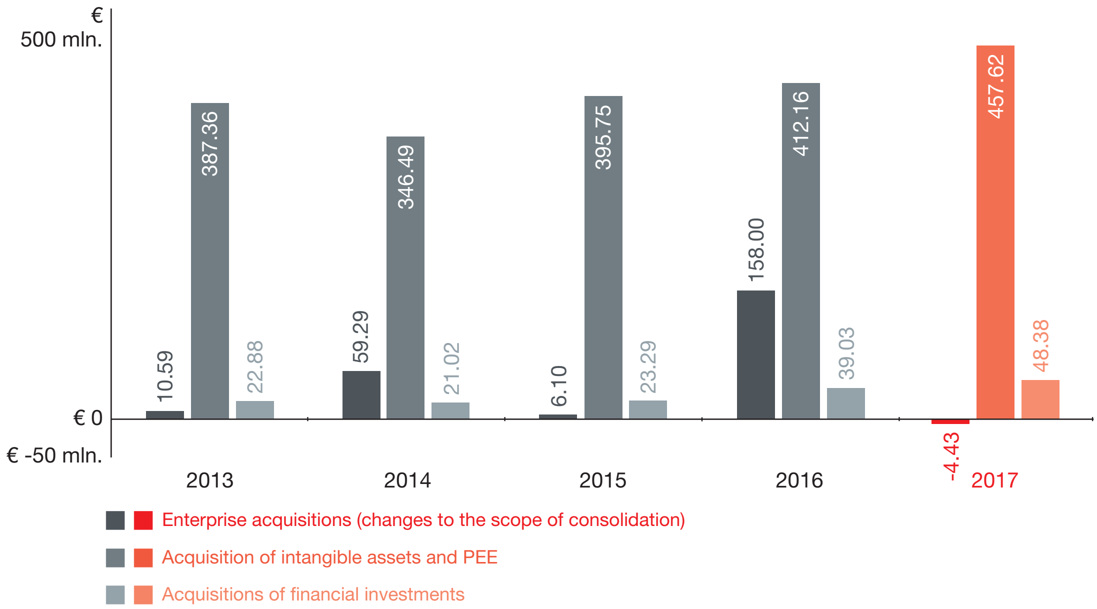
Capital expenditures

STRABAG had forecast net capital expenditures (cash flow from investing activities) in the amount of approximately € 450 million for the 2017 financial year. In the end, they totalled € 333.30 million for a level that was again at that of 2015.

The gross investments (CAPEX) before subtraction of proceeds from asset disposals stood at € 501.57 million. This figure includes **expenditures on intangible assets and on property, plant and equipment** of € 457.62 million, the **purchase of financial assets** in the amount of € 48.38 million and a cash inflow of € 4.43 million from **changes to the scope of consolidation**. About € 250 million is spent annually as maintenance expenditures related to the equipment and vehicle fleet in order to prevent inventory obsolescence. In addition to these necessary maintenance expenditures, of which the largest proportion in 2017 was spent in Germany, Austria and Hungary, STRABAG also invested especially in construction materials, in equipment for use in large projects outside of Europe, and in the core markets of Germany, Poland and the Czech Republic.

Expenditures on intangible assets and on property, plant and equipment during the year under report must be seen against depreciation and amortisation in the amount of € 386.22 million. This figure includes goodwill impairment of € 1.62 million and so continued to fall from the previous year's value of € 4.88 million.

COMPOSITION OF CAPEX



Financing/Treasury

KEY FIGURES TREASURY

	2013	2014	2015	2016	2017
Interest and other income (€ mln.)	66.72	82.17	82.07	73.90	46.90
Interest and other expense (€ mln.)	-98.26	-108.37	-106.49	-77.68	-74.05
EBIT/net interest income (x)	-8.3	-10.8	-14.0	-112.4	-16.51
Net debt/EBITDA (x)	-0.1	-0.3	-1.3	-0.5	-1.6

The number one objective for the treasury management of STRABAG SE is assuring the continued existence of the company through the maintenance of constant solvency. This objective is to be reached through the provision of sufficient short-term, medium-term and long-term liquidity. Liquidity for STRABAG SE means not only solvency in the strict sense but also the availability of guarantees. The activity of building requires the constant availability of bid, contract fulfilment, pre-payment and warranty guarantees and/or sureties. The financial scope of action is thus defined on the one hand by sufficient cash and cash credit lines, on the other hand by sufficient surety credit lines.

The management of **liquidity risks** has become a central element of the corporate management at STRABAG. In practice, liquidity risks come in various forms:

- In the short term, all daily payment obligations must be covered in time and/or in their entirety.
- In the medium term, liquidity levels must be sufficient so that no transactions or projects become impossible due to a lack of sufficient financial means or guarantees or that they cannot be executed at the desired pace.
- In the long term, there should be sufficient financial means available to be able to pursue the strategic development targets.

Total credit line for cash and surety loans in the amount of € 7.7 billion

In the past, STRABAG has always oriented its financing decisions according to the risk aspects outlined above and has organised the maturity structure of the financial liabilities in such a way as to avoid a refinancing risk. In this way, the company has been able to maintain a great scope for action, which is of particular importance in a difficult market environment. The respective liquidity needed is determined by targeted liquidity planning. Based on this, liquidity assurance measures are made and a liquidity reserve is defined for the entire group.

The medium- and long-term liquidity needs have so far also been covered by the issue of **corporate bonds**. STRABAG SE (and its predecessor FIMAG) has regularly issued bonds on the Austrian capital market since 2002. In the 2015 financial year, the company successfully placed a € 200 million tranche with a coupon of 1.625 % and a term to maturity of seven years. With the proceeds from the issue, which were used for general business purposes such as refinancing the € 100 million bond issued in 2010 or making investments in property, plant and equipment, STRABAG SE preserved its optimal financing structure. As per 31 December 2017, STRABAG SE had four bonds with a total volume of € 675 million on the market. One bond with a volume of € 175 million is scheduled to mature in 2018.

In order to diversify the financing structure, STRABAG SE had placed its first **bonded loan** in the amount of € 140.00 million in the 2012 financial year. The variable interest portion of the bonded loan, in the amount of € 108.50 million, was refinanced at better conditions in 2015. This long-term debt financing instrument is in many ways similar to a bond, with an important difference being that bonded loans are issued directly to institutional investors without using an organised capital market, i.e. an exchange. In 2017, € 13.00 million of the fixed interest portion were paid off on schedule; the variable interest portion was paid off in full ahead of time.

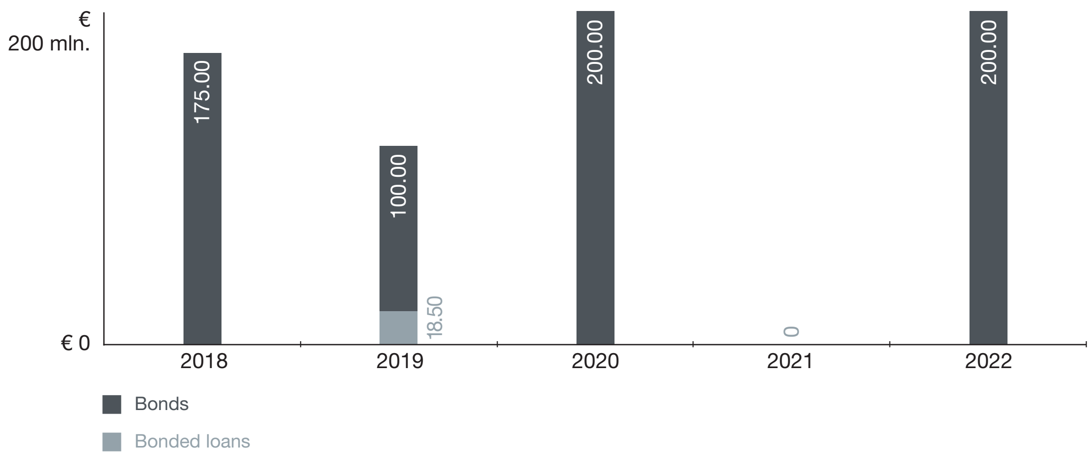
The existing liquidity of € 2.8 billion assures the coverage of the group's liquidity needs. STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.7 billion. The credit lines include a **syndicated surety credit** line in the amount of € 2.0 billion and a revolving **syndicated cash credit line** of € 0.4 billion, each with a term to maturity until 2023. Both facilities were refinanced in January 2016 before the end of their term, i.e. their conditions and terms to maturity were changed. The group also has bilateral credit lines with banks. With a high degree of diversification regarding its surety and cash credit line, STRABAG creates an adequate risk spread in the provision of the credit lines and secures its comfortable liquidity position.

In June 2015, Standard & Poor's (S&P) had raised STRABAG SE's investment grade rating by one level from BBB-, outlook stable, to BBB, outlook stable. This rating was again confirmed in July 2017. S&P sees STRABAG SE's strengths above all in the stable margins in an otherwise quite cyclical market environment, in the effective risk management, in the strategic access to construction materials and in the strong market positions.

PAYMENT OBLIGATIONS

€ mln.	Book value 31 December 2017
Bonds	675.00
Bank borrowings	618.98
Liabilities from finance leases	0
Total	**1,293.98**

PAYMENT PROFILE OF BONDS AND BONDED LOANS



Segment report

OVERVIEW OF THE FOUR SEGMENTS WITHIN THE GROUP

The business of STRABAG SE is divided into four segments, of which there are three operating segments North + West, South + East and International + Special Divisions, and the segment Other, which encompasses the group's central divisions and central staff divisions.

The segments are comprised as follows[1]:

NORTH + WEST
Management Board responsibility:
Peter Krammer
Germany, Poland, Benelux, Scandinavia, Ground Engineering

SOUTH + EAST
M. B. responsibility: Siegfried Wanker
Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe, Environmental Engineering
M. B. responsibility: Thomas Birtel
Russia

INTERNATIONAL + SPECIAL DIVISIONS
M. B. responsibility: Hannes Truntschnig
International, Tunnelling, Services, Real Estate Development, Infrastructure Development, Construction Materials

OTHER
M. B. responsibility:
Thomas Birtel and Christian Harder
Central Divisions, Central Staff Divisions

Construction projects are assigned to one of the segments (see chart below). Of course, projects may also be assigned to more than one segment. This is the case, for example, with PPP projects in which the construction part is assigned to its respective geographic segment, but the concession part is assigned to the concessions unit of International + Special Divisions. In projects which span more than one segment, the commercial and technical responsibility is generally assigned to that segment which has the higher share of the overall project value.

Geographic segments may be desirable, but they are not always possible. Particularly the specialty fields – e.g. tunnelling – are in demand all around the world. As it is therefore not possible to assign these to a certain country, such business fields are listed under the segment International + Special Divisions. At the same time, the two segments North + West and South + East may contain international business fields such as sports facilities or ground engineering. These are usually organised from a country assigned to one of the respective geographic segments.

With only a few exceptions, STRABAG offers its services in all areas of the construction industry in the individual European markets in which it operates and covers the entire construction value chain. These services include:

	North + West	**South + East**	**International + Special Divisions**
Residential Construction	✓	✓	✓
Commercial and Industrial Facilities	✓	✓	✓
Public Buildings	✓	✓	✓
Production of Prefabricated Elements		✓	
Engineering Ground Works	✓	✓	✓
Bridge Construction	✓	✓	✓
Power Plants	✓	✓	✓
Environmental Engineering		✓	
Railway Construction	✓	✓	
Roads, Earthworks	✓	✓	✓
Waterway Construction, Embankments	✓	✓	
Landscape Architecture and Development, Paving, Large-Area Works	✓	✓	
Sports and Recreation Facilities	✓	✓	
Protective Structures	✓	✓	✓
Sewerage Systems	✓	✓	✓
Production of Construction Materials	✓	✓	✓
Ground Engineering	✓		
Tunnelling			✓
Real Estate Development			✓
Infrastructure Development			✓
Operation/Maintenance/Marketing of PPP Projects			✓
Property and Facility Services			✓

1 Services may be performed in more than one segment. The activities and countries below have been assigned to those segments in which the most significant portion of the services was provided. Details are available in the table.

SEGMENT NORTH + WEST PROFITS FROM GERMANY

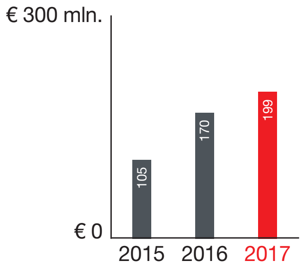
The segment North + West executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ mln.	2017	2016	Δ 2016–2017 %	Δ 2016–2017 absolute
Output volume	6,843.36	6,174.91	11	668.45
Revenue	6,377.91	5,802.44	10	575.47
Order backlog	8,138.06	7,030.41	16	1,107.65
EBIT	199.25	169.89	17	29.36
EBIT margin (% of revenue)	3.1	2.9		
Employees	23,366	22,233	5	1,133

OUTPUT VOLUME NORTH + WEST

€ Mio.	2017	2016	Δ 2016–2017 %	Δ 2016–2017 absolute
Germany	5,315	4,654	14	661
Poland	787	711	11	76
Benelux	273	240	14	33
Sweden	156	160	-3	-4
Denmark	152	224	-32	-72
Rest of Europe	67	47	43	20
Switzerland	32	36	-11	-4
Austria	20	27	-26	-7
Middle East	11	18	-39	-7
Hungary	10	15	-33	-5
Romania	9	6	50	3
Americas	8	8	0	0
Africa	3	26	-88	-23
Asia	0	2	-100	-2
Italy	0	1	-100	-1
Total	**6,843**	**6,175**	**11**	**668**

EBIT

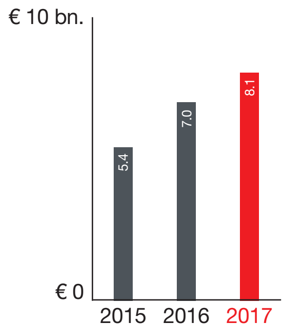


EBIT on upwards trend thanks to Germany

The output volume of the segment North + West reached € 6,843.36 million in the 2017 financial year, a plus of 11 % year-on-year. This development reflects the market-related growth in transportation infrastructures in Germany, the largest market in this segment. The second-largest market, Poland, also experienced considerable output growth.

The revenue gained 10 % to reach € 6,377.91 million. The EBIT grew on stronger project earnings in Germany by 17 % to € 199.25 million. The EBIT margin increased from 2.9 % to 3.1 %.

ORDER BACKLOG



Order backlog driven by Germany and Poland

The order backlog was also influenced by Germany and Poland, growing by 16 % versus 31 December 2016 to € 8,138.06 million. The most important new projects acquired in 2017 include the construction of a production facility for an automobile manufacturer as well as a new factory for a provider of electronic components, both in Germany. In Poland, STRABAG will modernise a 20 km section of railway between Cracow and Rudzice, expand the suburban railway in Cracow, erect Cracow's tallest high-rise tower and build several sections of road. The situation in Northern Europe was mixed. In Denmark, the order backlog fell back due to the completion of a building construction project in Copenhagen that the group had been working on for the past few years. In Benelux, on the other hand, this figure grew thanks to a contract to build two high-rise towers in Amsterdam, Netherlands.

Employee numbers grow with higher output

The average number of employees in the segment increased by 5 % year-on-year to 23,366. This increase of the total employee numbers is mainly due to the growth among both blue-collar workers and white-collar personnel in Germany and of white-collar staff in Poland. In Denmark, the completion of the aforementioned large project brought with it a noticeable reduction of employee numbers.

Outlook: German infrastructure investments already having a noticeable impact

The output volume in the segment North + West in the 2018 financial year is expected to grow in a year-on-year comparison – an assumption that to a large degree is already covered by existing contracts. The **German building construction and civil engineering business** continues to contribute positively to both output volume and earnings in the segment. By binding subcontractors and suppliers at an early stage, attempts are being made to counter the severe capacity bottleneck – a result of the good employment situation – and the upwards price trend (e.g. for building engineering services).

The upwards trend in the **German transportation infrastructures business** is also expected to continue in the medium term. In the spring of 2016, the German government had announced substantially increased investments in transportation infrastructures. Until 2030, investments totalling around € 265 billion are planned for more efficient transport networks. Due to the higher number of tenders in the region-wide business, the number of tender participants is on the decline – with the result that prices overall are moderately on the rise. Because of the scarcer capacities, however, a more considerable price increase for construction materials and subcontractor services can be seen in some regions. Qualified staff also remains a limiting factor for further noteworthy growth. The large projects business is currently not able to benefit from the good tender situation. The competitive pressure here remains very high.

The Federal Transport Infrastructure Plan foresees investments totalling about € 109 billion for the federal rail infrastructure until 2030. But large projects in **Germany's railway construction sector** also remain hotly contested – albeit by a relatively low number of bidders. A growing market is expected in 2018.

The improved demand in transportation infrastructures is leading to a scarcity of **construction materials**, but thanks to the group's own asphalt production activities this has expressed itself in a favourable growth of the production volumes and a corresponding development in the construction materials business. This positive trend is being slowed, however, by the intense competition.

The tender volumes in the **Polish construction sector** grew considerably in 2017. At the same time, the Polish government adjusted the volume of its 2014–2023 transportation infrastructures programme upwards through the addition of new routes. However, considerable price increases must now be expected for construction materials and subcontractor services. A far better situation can be seen in railway construction, where STRABAG has landed several noteworthy new contracts already this year. Activity from public-sector clients in the Polish building construction and civil engineering business remains strong. STRABAG also continues to closely watch the development in the energy sector. Overall, an output plus in the low double-digit percent area can be expected in Poland in 2018.

In **Benelux** and **Scandinavia**, the upwards trend of the markets remains unbroken. In the years to come, the Danish construction industry will be especially interesting for German construction companies. Investments totalling more than € 60 billion are planned in Denmark by the year 2023, including projects such as bridges, roads, railways and the revitalisation of urban industrial areas.

SELECTED PROJECTS NORTH + WEST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Germany	Stuttgart 21, underground railway station	255	1.5
Netherlands	Congreshotel Amsterdam	139	0.8
Poland	Kraków–Rudzica railway line	108	0.7
Germany	Springer Quartier Hamburg	102	0.6
Sweden	Expansion of Södertälje Canal	99	0.6

SEGMENT SOUTH + EAST: STRONG AT A HIGH LEVEL

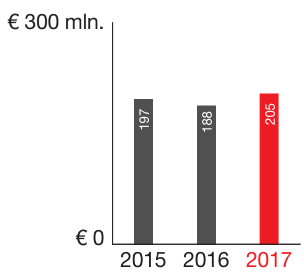
The geographic focus of the segment South + East is on Austria, Switzerland, Hungary, the Czech Republic, Slovakia, Russia and South-East Europe. The environmental engineering activities are also handled within this segment.

€ mln.	2017	2016	Δ 2016–2017 %	Δ 2016–2017 absolute
Output volume	4,241.60	4,000.98	6	240.62
Revenue	4,073.31	3,888.52	5	184.79
Order backlog	4,504.75	3,482.61	29	1,022.14
EBIT	204.61	188.00	9	16.61
EBIT margin (% of revenue)	5.0	4.8		
Employees	17,916	17,758	1	158

OUTPUT VOLUME SOUTH + EAST

€ mln.	2017	2016	Δ 2016–2017 %	Δ 2016–2017 absolute
Austria	1,775	1.657	7	118
Czech Republic	506	521	-3	-15
Slovakia	467	420	11	47
Hungary	404	321	26	83
Switzerland	266	303	-12	-37
Romania	148	221	-33	-73
Rest of Europe	145	97	49	48
Germany	122	127	-4	-5
Serbia	111	85	31	26
Croatia	107	67	60	40
Russia	80	78	3	2
Slovenia	45	50	-10	-5
Bulgaria	41	23	78	18
Italy	9	5	80	4
Asia	7	5	40	2
Benelux	6	2	200	4
Africa	2	4	-50	-2
Middle East	1	1	0	0
Poland	0	8	-100	-8
Sweden	0	4	-100	-4
Denmark	0	1	-100	-1
Americas	0	1	-100	-1
Total	**4,242**	**4,001**	**6**	**241**

EBIT

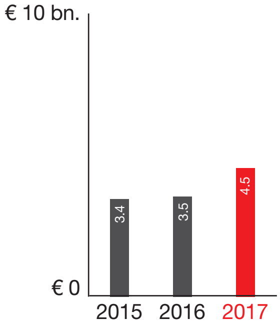


Segment continues to contribute positively to group earnings

The segment South + East generated an output volume of € 4,241.60 million in the 2017 financial year, 6 % more than in the previous year. Driving this growth were markets like Austria, Hungary and Slovakia. In other markets, for example in Romania, the output volume was down in a year-on-year comparison.

The segment also registered a 5 % plus in revenue to € 4,073.31 million. The EBIT, owing to improvements in several countries including Austria, Hungary and Russia, gained 9 % to € 204.61 million.

ORDER BACKLOG



Order backlog significantly higher

The order backlog is also showing very positive development. The figure of € 4,504.75 million represents a plus of 29 % versus 31 December 2016. This growth was driven mainly by large orders in the group's core markets. In Austria, the order books were filled, among other things, by numerous building construction contracts in Vienna. In Hungary, STRABAG is working on new road and rail orders, is building an art storage facility, has been chosen to renovate Budapest's historic Eiffel Hall and is modernising the metro system in the capital. In Slovakia, the group is handling the site development of the Nitra Industrial Park. In Russia, STRABAG landed its first substantial order in a long time: a luxury apartment complex in Moscow with a contract value in the mid-double-digit million euros. In Croatia, STRABAG was awarded the contract to expand the Dubrovnik Airport.

Market-specific adjustments of the employee numbers

At first glance, the number of employees remained more or less unchanged at 17,916. Viewed in detail, however, there were significant movements at the country level. Staff was up in Croatia and Austria but fell in Switzerland and in the Czech Republic.

Outlook: Further output growth expected

In the 2018 financial year, STRABAG expects to be able to grow its output in the segment South + East and to keep the margins at an attractive level. In its home market of **Austria**, the building construction market in the greater Vienna area continues to exhibit dynamic growth. In contrast, the transportation infrastructures and civil engineering business is characterised by fierce competition.

The situation in **Slovakia** had so far been characterised by large, EU-financed infrastructure projects, with a focus on the automobile industry and sports infrastructure. In the **Czech Republic**, projects had mostly involved private clients in building construction and civil engineering. Both countries are showing a disproportionate increase in prices for subcontractor services and a clear scarcity of qualified personnel. As only few large projects of any noteworthy size, especially in transportation infrastructures, are likely to be tendered in the foreseeable future, a decline of the output volume and a worsening of the economic environment are to be expected in Slovakia and the Czech Republic.

In view of the number of public tenders in **Hungary**, STRABAG registered a promising economic framework in this country. However, the prices for subcontractor services are rising here too. The medium-term planning is therefore more conservative.

The market volume in **Switzerland** is stagnating at a high level. Despite several announced tenders in infrastructure construction, the price situation remains tense. Still, business is developing according to plan.

The market in **South-East Europe** remains a hotly contested one. In prolonged tendering procedures, numerous international competitors are vying for few projects with at times unacceptable contractual conditions. The result: strong edge-out competition dominates the situation. This is true in both building construction and civil engineering as well as in transportation infrastructures.

In **Russia**, loans to industry are still only hesitatingly being granted and the interest rates remain high. However, several private residential construction projects are coming onto the market and STRABAG, with its many years of experience in the construction of residential property in the luxury segment in large Russian cities, should be able to benefit from this development.

SELECTED PROJECTS SOUTH + EAST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Hungary	M85 motorway Csorna–Fertőd-Endrédmajor	144	0.9
Hungary	M30 motorway Miskolc–Tornyosnémeti	129	0.8
Slovakia	D3 motorway Čadca–Svrčinovec	86	0.5
Russia	Domodedovo Airport	64	0.4
Croatia	Dubrovnik Airport	62	0.4

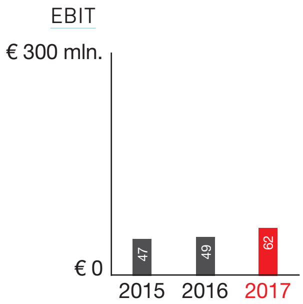
SEGMENT INTERNATIONAL + SPECIAL DIVISIONS: EARNINGS GROWTH AFTER A NUMBER OF CONTRARY EFFECTS

The segment International + Special Divisions includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where the services are rendered, the construction materials business, including the company's dense network of construction materials operations but with the exception of asphalt, also belongs to this segment. The real estate business, which stretches from project development and planning to construction and operation and also includes the property and facility services business, completes the wide range of services in this segment. Additionally, most of the services in non-European markets are also bundled in International + Special Divisions.

€ mln.	**2017**	**2016**	**Δ 2016–2017 %**	**Δ 2016–2017 absolute**
Output volume	3,403.53	3,154.89	8	248.64
Revenue	3,029.34	2,681.02	13	348.32
Order backlog	3,943.73	4,294.97	-8	-351.24
EBIT	62.40	48.87	28	13.53
EBIT margin (% of revenue)	2.1	1.8		
Employees	25,618	26,027	-2	-409

OUTPUT VOLUME INTERNATIONAL + SPECIAL DIVISIONS

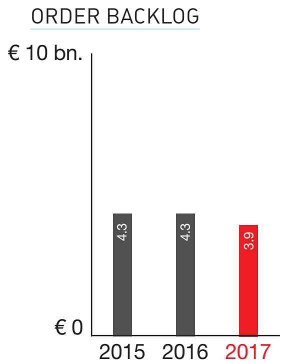
€ mln.	**2017**	**2016**	**Δ 2016–2017 %**	**Δ 2016–2017 absolute**
Germany	1,459	1,411	3	48
Austria	502	380	32	122
Americas	377	339	11	38
Middle East	291	248	17	43
Hungary	135	111	22	24
Czech Republic	117	103	14	14
Asia	92	124	-26	-32
Rest of Europe	65	41	59	24
Slovakia	60	39	54	21
Russia	60	20	200	40
Italy	58	75	-23	-17
Poland	57	49	16	8
Africa	43	47	-9	-4
Romania	24	26	-8	-2
Benelux	15	66	-77	-51
Switzerland	14	23	-39	-9
Croatia	12	10	20	2
Slovenia	8	15	-47	-7
Denmark	7	8	-13	-1
Sweden	4	14	-71	-10
Bulgaria	3	3	0	0
Serbia	1	3	-67	-2
Total	**3,404**	**3,155**	**8**	**249**



Figures again burdened by project in Chile

The output volume in the segment International + Special Divisions increased by 8 % to € 3,403.53 million in 2017. This development was driven especially by large projects in the core markets of Austria, Germany and the Americas.

The revenue (+13 %) grew somewhat more strongly than the output. After a series of contrary effects, the EBIT finally increased by 28 % to € 62.40 million. On the one hand, a receivable was recognised from a concession project in Poland and a settlement agreement was concluded in relation with a former project in the Middle East region. On the other hand, developments involving the Alto Maipo project in Chile again put a burden on earnings.



Order backlog lower despite new projects in Africa and Asia

The order backlog fell back by 8 % in a year-on-year comparison to € 3,943.73 million. In Austria, orders grew from a contract related to the Brenner Base Tunnel and from the tunnelling works for the GKI power plant that are being carried out in a consortium. A negative effect came from the reduction of the order volume at the Italian transportation infrastructures project Pedemontana. In the third quarter, it was announced that STRABAG, as a member of a consortium, was being awarded the contract for the main civil engineering works for lots S1 and S2 of the new HS2 high-speed railway link in the United Kingdom. The construction volume is estimated at about GBP 2 billion. Initially, however, only the volume for the preparatory phase, a double-digit million-euro amount, was registered in the order backlog. Meanwhile, new orders are also coming in from outside of Europe, where projects include the construction of the Thiba Dam in Kenya, Africa's highest bridge (223 m) over the river Mtentu in South Africa, and another approx. 12 km of tunnel for the waste water system in Singapore.

Staff declines in the Middle East, increases in other non-European regions

The number of employees stagnated at about 25,618. Larger changes, however, were seen in the individual markets. The decline by nearly 800 persons in the Middle East was not entirely compensated by increases in the Americas, in Africa and in Asia; staff was also increased in Austria.

Outlook: Slightly higher output volume expected

In the 2018 financial year, it should be possible to generate a slightly higher output volume in the segment International + Special Divisions.

The **real estate development** business continues to show unchanged positive development. The economic framework is expected to remain positive in the medium term. Close observation of interest rates and property prices is necessary, however. While the demand for commercial and residential properties remains undiminished, the property prices in Germany's cities show a considerable upward momentum that will make it increasingly challenging to initiate and sustain new project developments profitably. In addition, overheating in large German cities is possible at least locally. STRABAG has therefore been expanding its activities in real estate development to include other countries and other market segments. Besides Germany, the company is also active in project developments in Austria, Poland and Romania. In Austria, Vienna-based STRABAG Real Estate GmbH and Mischek Bauträger Service GmbH are focused on the development of high-quality sustainable residential real estate in all parts of the country. The portfolio includes subsidised, affordable and privately financed residential construction as well as related uses such as student housing and commercial project developments. Since the third quarter 2017, STRABAG has also offered development services for property owners who entrust the company with the value-optimised development of their real estate assets.

The **property and facility services business** had so far made quite positive contributions to the earnings. However, at the latest by 30 June 2019, STRABAG Property and Facility Services (STRABAG PFS) will end the management of real estate, technical facilities, data centres and cellular towers of Deutsche Telekom AG (DTAG). The corresponding service agreement is expiring after a period of over ten years. In 2019, the company will lose a key client that had contributed annual average revenue of about € 550 million and, as a result, will undergo a fundamental reorganisation. STRABAG now wants to intensify its sales activities in the property and facility services business. Already in the second quarter of 2017, Telefónica Germany entrusted STRABAG PFS with the technical and infrastructure facility management of all its administration buildings and shops in several German states. In the fourth quarter, STRABAG PFS landed another facility management contract, this time with Jungheinrich AG. Moreover, the STRABAG Group is continuously expanding its activities with innovative new services in this business field. One example is the start of a development partnership between STRABAG Property & Facility Services GmbH and Microsoft. Additionally, in the first quarter of 2017 the company acquired 75 % of an industrial cleaning start-up, based in Salzburg, Austria, a specialist in the environmentally friendly cleaning of machinery and industrial facilities with compressed air.

Demand is currently high for the group's **intelligent infrastructure solutions**. STRABAG Infrastructure & Safety Solutions GmbH is playing an important role in the modernisation of Austria's tunnels. As in the construction business, however, there also is a lack of qualified personnel and an intense competition in this field. An increased number of tenders are expected in the future, especially in Northern Europe.

The increasingly scarce human resources, as well as the extremely low price level, are making it more difficult to do business profitably in **tunnelling**, especially in Austria. On the other hand, the tunnelling business is expected to show renewed growth from large infrastructure programmes in the UK and in Canada.

The public-private partnership business, at STRABAG organised within the **infrastructure development** unit, has an interesting project pipeline in Northern Europe but faces stagnating markets especially in South-East Europe. For this reason, the company is focusing on selected markets outside of Europe – even if this involves considerable bid-related costs.

In the **non-European markets**, STRABAG is focused especially on offering those services that require a high degree of technological expertise. This includes not only specialities such as toll technology, test track construction or pipe jacking, but also know-how-based projects in tunnelling, dam construction or transportation infrastructures. Internationally, the company is active especially in the Middle East, in selected markets in Africa, and in South America. The business in the Middle East, which is driven by the price of oil, appears to have passed its low point. As in Africa, however, competition is expected to remain as intense as before. STRABAG therefore continues to focus selectively on those projects in which it can apply its technological know-how.

The development of the **construction materials** business is strongly tied to the construction economy of the individual countries. Thanks to the high tendering activity in transportation infrastructures, the situation with regard to concrete and stone/gravel is especially positive in Eastern Europe. High demand has led to a higher level of production, but competitive pressure has been keeping prices stable.

SELECTED PROJECTS INTERNATIONAL + SPECIAL DIVISIONS

Country	Project	Order backlog in € mln.	as % of total group order backlog
Colombia	Autopista al Mar 1	134	0.8
Israel	5th Line Water Supply Jerusalem	125	0.8
United Arab Emirates	Qasr Al Hosn Cultural Foundation Building Package 5	100	0.6
Italy	Brenner Base Tunnel, Eisack River undercrossing	88	0.5
Austria	Brenner Base Tunnel, Tulfes–Pfons	76	0.5

SEGMENT OTHER (SERVICE COMPANIES AND CENTRAL STAFF DIVISIONS)

This segment encompasses the group's internal central divisions and central staff divisions.

€ mln.	2017	2016	Δ 2016–2017 %	Δ 2016–2017 absolute
Output volume	132.40	160.25	-17	-27.85
Revenue	28.16	28.48	-1	-0.32
Order backlog	5.33	7.80	-32	-2.47
EBIT	0.67	0.47	43	0.20
EBIT margin (% of revenue)	2.4	1.7		
Employees	6,004	5.821	3	183

Risk management

The STRABAG Group is subject to a number of risks in the course of its business activities. These risks are systematically identified and assessed using an active risk management system and dealt with using an appropriate risk management policy. This risk management policy is an integral part of the management system. It describes a set of fixed principles and responsibilities for risk management and how to deal with the material risk categories.

RISK MANAGEMENT AS A CORE TASK OF MANAGEMENT

Risk management is a core task of the management. The identification and assessment of risks is the responsibility of the respective management level. The risk controlling process includes the integrated quality management system with internal group guidelines and complementary business, process and technical instructions for the workflow in the operating units, supportive central divisions and central staff divisions with technical, legal and administrative service and consulting activities, and Internal Audit as a neutral and independent auditing entity.

Responsibility for the implementation of the project-related risk management systems in the divisions was transferred to the commercial division management. The central division Project-Related Risk Management System/Organisational Development/International BRVZ Coordination handles the continuous improvement and development of the risk management system for the procurement and execution of construction projects.

All STRABAG management employees, within the scope of their duties and responsibilities, and according to the Rules of Procedure and relevant company regulations, are obliged to

- work with the employees to set risk identification measures,
- monitor the risks,
- introduce countermeasures, and
- pass on relevant information about risks to other units or levels within the company. This requirement especially applies to all employees of the STRABAG Group.

The STRABAG SE Management Board prohibits engaging in business transactions whose realisation could endanger the company's existence.

RISK MANAGEMENT USING DEFINED RISK GROUPS

The group's internal risk report defines the following central risk groups:

- External risks
- Operating and technical risks
- Financial risks
- Ethical risks
- Human resource risks
- IT risks
- Investment risks
- Legal risks
- Political risks

Additional risks exist with regard to work safety, environmental protection, quality, business continuity and supply chain. These are described in separate policies within the management system. The rules for proper business behaviour are conveyed by the ethics and business compliance system.

Following ISO 31000 and the Committee of Sponsoring Organisations of the Treadway Commission (COSO), our risk management system forms part of our integrated management system. We deal with the risks identified by us as follows:

EXTERNAL RISKS COUNTERED THROUGH DIVERSIFICATION

The entire construction industry is subject to **cyclical fluctuations** and reacts to varying degrees depending on region and sector. Overall economic growth, development of the construction markets, the competitive situation, the conditions on the capital markets and technological changes in construction can all result in risks. These risks are continually observed and monitored by the central departments and operating units. Changes in external risks lead to adjustments in STRABAG's organisation, market presence and range of services as well as the adaptation of strategic and operating planning. STRABAG further responds to market risk with geographic and product-related **diversification** in order to keep the influence on the company's success exerted by an individual market or by the demand for certain services as low as possible. To avoid bearing the risk of rising prices, STRABAG makes efforts at signing **cost escalation clauses** and **"cost-plus-fee" contracts** in which the client pays a previously agreed margin on the costs of the project.

REDUCE OPERATING AND TECHNICAL RISKS WITH BINDING MINIMUM STANDARDS

These risks primarily include the complex risks regarding project selection and execution along with the technical risks that need to be assessed for each project, e.g. site, geology, construction method, technology, materials, equipment, design, work planning, etc. An integral part of the project-related risk management system are minimum standards with group-wide validity for the procurement and execution of construction projects (common project standards). These comprise clearly defined criteria for the evaluation of new projects, a standardised process for preparing and making bids, as well as integrated internal control systems serving as filters to avoid loss-making projects. Business transactions requiring consent are reviewed and approved by business unit and subdivision managers or by division managers according to internal rules of procedure.

Principally, bids must be analysed by **internal commissions** and reviewed for their technical and economic feasibility. The construction and project teams can contact the experts at the central divisions BMTI, TPA and Zentrale Technik for assistance in assessing the technical risks and working out innovative solutions for technical problems. Project execution is managed by the construction or project team on site using documented procedures and controlled by **monthly target/performance comparisons**. At the same time, our central controlling provides constant commercial office support for these projects, ensuring that risks of individual projects do not endanger the continuity of the company.

FINANCIAL RISKS: ACTIVE LIQUIDITY AND RECEIVABLES MANAGEMENT

Under financial risks, STRABAG understands risks in financial matters and in accounting, including instances of manipulation. Special attention is paid to the **liquidity and receivables management**, which is secured through continuous financial planning and daily status reports. Compliance with internal commercial guidelines is guaranteed by the central accounting and controlling departments, which are also responsible for internal reporting and the periodic planning process. Risks from possible instances of manipulation (acceptance of advantages, fraud, deception or other infringements of the law) are monitored by all business areas in general and by the **internal audit** department in particular.

STRABAG is subject to interest, currency, credit and liquidity risks related to its assets, liabilities and planned transactions. The goal of financial risk management is to minimise these risks through ongoing financial activities. The basics of the financial policy are set by the Management Board and monitored by the Supervisory Board. The implementation of the financial policy and responsibility for the risk management are the domain of the group treasury. Detailed information can be found in the Notes under item 26 Financial Instruments.

Business Compliance

COUNTERING ETHICAL RISKS WITH ETHICS AND BUSINESS COMPLIANCE SYSTEM

As corruption is a risk in the construction industry, STRABAG has in place a number of proven instruments to fight corruption within the company. The rules for proper business behaviour are conveyed by the ethics and business compliance system. These have group-wide validity. The STRABAG business compliance model is based on the Code of Conduct, the Business Compliance Guidelines, the Business Compliance Guidelines for Business Partners, and the personnel structure of the STRABAG business compliance model, consisting of the group business compliance coordinator, the regional business compliance representatives, the internal ombudspersons and the external ombudsman. Details on the ethical risks are available in the Consolidated Non-Financial Report pursuant to Sec 267a Austrian Commercial Code (UGB).

People & Workplace

HUMAN RESOURCE RISKS: COUNTERMEASURES WITH CENTRAL HUMAN RESOURCE MANAGEMENT AND NEEDS-ORIENTED HUMAN RESOURCE DEVELOPMENT

Material human resource risks, such as recruiting bottlenecks, skilled labour shortages, fluctuation and labour law risks, are countered with a **central human resource administration** and **long-term, needs-oriented human resource development**. Human resource risks are to be reduced as far as possible through the targeted recruiting of qualified skilled workers and managers, extensive training activities, performance-based pay based on binding compliance with labour law provisions, as well as early succession planning. Additionally, systematic potential management is in place to ensure the development and career planning of company employees. Complementary initiatives to promote employee health, improve employment conditions and raise employee satisfaction further contribute to the company's attractiveness and prestige. Details on the human resource risks are available in the Consolidated Non-Financial Report pursuant to Sec 267a UGB.

IT RISKS: IT USAGE GUIDELINES AND CONTINUOUS REVIEW OF SECURITY CONCEPTS TO COUNTER CYBERCRIME

With the increasing threat of IT risks, different measures are being implemented in the form of multi-step security and anti-virus concepts, user access rights, password-controlled access, appropriate backups and independent power supply. The company is also working together with professional **specialty service providers** to ensure an efficient defence against cybercrime and is constantly reviewing its security concepts. By issuing IT usage guidelines and repeatedly informing on the necessity of risk awareness when working with information and communication technologies, we aim to ensure the security, availability, performance and compliance of the IT systems. Project ideas to improve and develop IT-related processes and control systems are evaluated and prepared by nominated **IT committees** using a structured business process management (BPM) approach and are approved for implementation by the BPM steering committee.

INVESTMENT RISKS: SECTOR-TYPICAL MINORITY HOLDINGS OF MIXING PLANTS

The shares in asphalt and concrete mixing companies usually involve **sector-typical minority holdings**. With these companies, economies of scope are at the fore.

AVOIDING LEGAL RISKS THROUGH EXTENSIVE RISK ANALYSIS

The central division CML Construction Services supports the risk management of the operating divisions with regard to construction industry questions or in the analysis of risks in the construction business in all project phases (contract management) and provides, organises and coordinates legal advice (legal services). Their most important tasks include comprehensive reviews and consultation in project acquisition – e.g. analysis and clarification of tender conditions, performance specifications, pre-contract agreements, tender documents, draft contracts and framework conditions – as well as support in project management.

POLITICAL RISK: INTERRUPTIONS AND DISPOSSESSION POSSIBLE

The group also operates in countries which experience political instability. Interruptions of construction activity, restrictions on ownership interests of foreign investors, and even dispossession or expropriations are among the possible consequence of political changes which could have an impact on the group's financial structure. These risks are analysed during the tendering phase and assessed by internal committees.

MANAGEMENT SYSTEM FOR WORK SAFETY AND HEALTH IN PLACE

In order to control the risks related to employee safety and health, STRABAG is implementing a work safety and health management system based on **OHSAS 18001** and/or **SCC**. Moreover, the company works to maintain this system and ensures a suitable emergency organisation. Persons with designated responsibility make sure that the group-wide work safety standards are followed. The aspects of work safety and health also form part of the evaluation of subcontractors and suppliers. Details on the risks related to employee safety and health are available in the Consolidated Non-Financial Report pursuant to Sec 267a UGB.

CERTIFIED ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM DESIRED

STRABAG works at reducing the negative environmental impact from its activities as far as this is technically possible and economically feasible. The company has made it its goal to implement an environmental and energy management system based on **ISO 14001** and/or **ISO 50001** and/or **EMAS**, maintain this system and – wherever possible – minimise the use of natural resources, avoid waste and promote recycling. Details on the environmental risks are available in the Consolidated Non-Financial Report pursuant to Sec 267a UGB.

QUALITY MANAGEMENT AS COMPONENT OF THE INTEGRATED MANAGEMENT SYSTEM

In concordance with its vision and values, it is the company's aim to realise **construction projects on schedule, of the highest quality and at the best price**. This helps to ensure the quality of the company's processes, services and products at any time. In this process, quality management forms a component of an integrated management system. This system is documented in the Management Manual, in group guidelines and in subordinated provisions.

BUSINESS CONTINUITY: RIGOROUS INCLUSION OF GROUP CENTRAL DIVISIONS

The failure of equipment and production facilities, of subcontractors and suppliers, of human resources, of the IT system, of office buildings and accommodation must not be allowed to threaten the company's existence. For this reason, precautions are being made under a business continuity management system to make sure that incidents or **disasters only temporarily interrupt business activity** – if at all. This includes the rigorous inclusion of the group's own specialised central divisions. These are capable of procuring, for example, equipment, accommodation, IT systems or staff on short notice, they build up long-term strategic partnerships with selected subcontractors and suppliers, and they have emergency scenarios audited in the IT division.

EVALUATION OF PARTNER COMPANIES TO REDUCE RISKS IN THE SUPPLY CHAIN

In the interest of quality and profitability, STRABAG not only taps its own skills and resources to work off its orders, but also relies on the support of proven subcontractors and suppliers. The company focuses on long-term partnerships, a clear, transparent and complete description of the services and products to be procured, and an agreement on acceptance criteria for the products and services. STRABAG also systematically **evaluates** subcontractors, service providers and suppliers as part of its **decision-making foundation for future orders.**

A review of the current risk situation reveals that there were no risks which jeopardised the company's existence, nor were there any visible future risks.

REPORT ON KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

Introduction

The control structure as defined by COSO (Committee of Sponsoring Organisations of the Treadway Commission) provides the basis for the description of the key features of the internal control and risk management systems in relation to the financial reporting process in the management report. The COSO framework consists of five related components: control environment, risk assessment, control activities, information and communication, and monitoring. On this basis, the STRABAG Group set up a company-wide risk management according to generally accepted principles. The aim of the internal control system is to support management in such a way that it is capable of assuring internal controls in relation to financial reporting which are effective, and which are improved on an ongoing basis. The system is geared to the compliance with rules and regulations and to creating conditions which are conducive to performing specific controls in key accounting processes.

Control environment

The corporate culture determines the control environment in which management and employees operate. STRABAG is constantly working to improve its communication and to convey its corporate values as defined in its Code of Conduct and its Business Compliance Guidelines in order to guarantee moral standards, ethics and integrity within the company and in its dealings with others.

The implementation of the internal control system in relation to the financial reporting process is done on the basis of internal rules and guidelines. Responsibilities for internal control were adapted to fit the corporate organisation.

Internal audit report in the Consolidated Non-Financial Report pursuant to Sec 267a UGB

The internal audit department carries out periodic, announced as well as unannounced inspections of all relevant business units as part of its responsibility for monitoring compliance with the law and corporate guidelines in the technical and commercial areas. The internal audit department also monitors the effectiveness of business compliance. During these inspections, the internal audit department analyses the legality and correctness of individual actions. The department also conducts regular, independent reviews of compliance with internal guidelines in the area of accounting. The head of the internal audit department reports directly to the CEO. The effectiveness of the work of the internal audit department is reviewed periodically by the financial auditor. The most recent review was performed in the first quarter of 2015.

Risk assessment

The management identifies and monitors risks relating to the financial reporting process, with a focus on those risks that are typically considered to be material.

The preparation of the financial statements requires regular forecasts, with the inherent risk that the actual future development will deviate from the forecast. This especially affects the following matters/items of the consolidated financial statements: assessment of unfinished construction projects, recognition and measurement of provisions (including social capital), the outcome of legal disputes, the collectability of receivables as well as the recoverability of investments and goodwill. In individual cases, external experts are called in or publicly available sources are considered in order to minimise the risk of a false assessment.

Control activities

All control activities are applied in the current business process to ensure that errors or deviations in financial reporting are prevented or detected and subsequently corrected. The control activities range from a review of the period results to specific monitoring of accounts and cost centres to the analysis of ongoing accounting processes. It is the responsibility of the Management Board to design the levels of hierarchy in such a way that an activity and the control of that activity are not performed by the same person (**four-eyes principle**). This separation of functions encompasses a separation between decision-making, implementation, inspection and reporting. The organisational units of the BRZV central division support the Management Board in this task.

Processes which are relevant to financial reporting are increasingly automated. **IT security** control activities therefore represent a cornerstone of the internal control system. The separation of sensitive activities is supported by a restrictive approach to IT access authorisation. For its accounting and financial reporting, the company mainly uses self-developed software which reflects the unique features of the construction sector. The effectiveness of the financial reporting system is further assured through automated IT controls included in the system.

Information and communication

The management regularly updates the rules and regulations for financial reporting and communicates them to all employees concerned. In addition, regular discussions regarding the financial reporting and the rules and regulations in this context take place in various **committees**. These committees are composed of the corporate management as well as the department head and senior **staff from the accounting department**. The committee's work aims, among other things, at guaranteeing compliance with accounting rules and regulations and at identifying and communicating weak points and potential areas for improvement in the financial reporting process. Accounting employees receive regular **training** regarding new methods of national and international financial reporting in order to identify risks of unintended misreporting at an early stage.

Monitoring

The Management and Supervisory Boards bear responsibility for the ongoing company-wide monitoring. Additionally, the remaining management levels are responsible for the monitoring of their respective areas of responsibility. Controls and plausibility checks are carried out at regular intervals. The internal audit department is also involved in the monitoring process.

The top management receives monthly summarised financial reports on the development of the output volume, the results of the respective segments and countries, and the liquidity. Financial statements to be published are reviewed internally by several instances within management, receiving a final appraisal by the senior accounting staff and the Chief Financial Officer before being passed on to the Supervisory Board's Audit Committee.

Research and development

As a technology group for construction services, the STRABAG Group does business in a rapidly changing and highly interconnected environment. It is in this environment that the company applies its assets, comprised not only of its material and financial means but also of its human resources – the knowledge and know-how of its employees –, its structural and organisational capital, and its relational and market capital. The growing convergence between different sectors – driven by increasing societal demands, the fast pace of technological progress, and client demands – confront the company with ever more rapidly shifting challenges.

To take a more active role in shaping this change, and to use it for its own benefit, the STRABAG Group gave itself a more **technological focus**, represented by the organisationally established, **systematic innovation management** that has been in place since 2014. With relevant methods and tools, the aim is to support the exchange of experience and information among the employees – after all, the diversity of the STRABAG Group is reflected as much in the number of different competencies as in the different demands placed upon it. This facilitates the communication and cooperation among the various divisions and leads to new developments. A special focus in 2017 was on the digitalisation of the construction sites in transportation infrastructures as part of "The Integrated Construction Site" project.

Cooperation with international universities and research institutions, joint development activities with partner companies around the world, and internal research and development projects have also been a routine part of the group's daily activities for years. In overall charge of the planning and execution of these projects within the STRABAG Group are the two central divisions **Zentrale Technik (ZT)** and **TPA Gesellschaft für Qualitätssicherung und Innovation GmbH (TPA)**, both of which report directly to the CEO.

ZT is organised as a central division with nearly **1,000 highly qualified employees at 21 locations**. It provides services in the areas of tunnelling, civil and structural engineering, and turnkey construction along the entire construction process. From the early acquisition stage and bid processing to construction design and site management, ZT offers innovative solutions with regard to construction materials technology, construction management, building physics, and software solutions. Central topics for innovation activities are digitalisation, sustainable construction, renewable energy and additive processes. Among other things, the employees at ZT develop methods and tools to optimise construction activity from the digital design to the impact on the environment. The specialist Development and Innovation staff department oversees the systematic networking of people and relevant topics, promotes new ideas and helps to drive innovation.

TPA is the group's competence centre for asphalt, concrete, earthworks, geotechnics and environmental engineering, quality management and materials-related research and development. Its main tasks include ensuring the quality of the construction materials, structures and services, the safety and improvement of the processes, as well as developing and reviewing standards for the handling and processing of construction materials. The research focus in 2017 included the development of long-lived asphalt layers on the basis of existing and alternative material resources; the quality improvement of asphalt layers by optimising the production and asphalting processes, partially in cooperation with STRABAG BMTI; as well as a series of projects in the field of cement/concrete with regard to raising process safety and building quality. TPA has **880 employees at 130 locations in 18 countries**, making it one of Europe's largest private laboratory companies.

EFKON GmbH – a subsidiary of STRABAG – is active in the research and development of intelligent traffic telematics systems, especially with regard to electronic toll collection and enforcement. The development focus last year was on the improvement and miniaturisation of the EFKON control systems, specifically on their performance enhancement and efficient and reliable monitoring. The technology company headquartered in Raaba near Graz, Austria, is seeing a high amount of international demand and has repeatedly been able to achieve an export ratio of over 90 % in recent years.

The STRABAG Group spent about € 11 million on research, development and innovation activities during the 2017 financial year (2016: about € 12 million).

In addition to specific research projects at the group's units and subsidiaries, a large part of the **research and development activities** takes place **during ongoing construction projects** – especially involving tunnelling, construction engineering and ground engineering. During work in these areas, new challenges or specific questions often arise which require new technological processes or innovative solutions to be developed on-site.

Website Corporate Governance Report

The STRABAG SE Consolidated Corporate Governance Report is available online at www.strabag.com > Investor Relations > Corporate Governance > Corporate Governance Report.

Disclosures under Sec 243a Para 1 UGB

One share – one vote

1. The share capital of STRABAG SE amounts to € 110,000,000 and consists of 110,000,000 fully paid-in, no-par value shares with a pro rata value of € 1 per share of the share capital. 109,999,997 shares are bearer shares and are traded in the Prime Market Segment of the Vienna Stock Exchange. Three shares are registered shares. Each bearer share and each registered share accounts for one vote (one share – one vote). The nomination rights associated with registered shares No. 1 and No. 2 are described in more detail under item 4.

2. The Haselsteiner Group (Haselsteiner Familien-Privatstiftung, Dr. Hans Peter Haselsteiner), the Raiffeisen Group (Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H, BLR-Baubeteiligungs GmbH, "GULBIS" Beteiligungs GmbH), the UNIQA Group (UNIQA Insurance Group AG, UNIQA Beteiligungs- Holding GmbH, UNIQA Österreich Versicherungen AG, UNIQA Erwerb von Beteiligungen Gesellschaft m.b.H., Raiffeisen Versicherung AG) and Rasperia Trading Limited (controlled by Oleg Deripaska), as shareholder groups of STRABAG SE, have signed a syndicate agreement governing (1) nomination rights regarding the Supervisory Board, (2) the coordination of voting during the Annual General Meeting, (3) restriction on the transfer of shares and (4) joint development of the Russian market as a core market. The Haselsteiner Group, the Raiffeisen Group together with the UNIQA Group, and Rasperia Trading Limited each have the right to nominate two members of the Supervisory Board. The syndicate agreement also requires the syndicate partners to exercise their voting rights from syndicated shares unanimously at the Annual General Meeting of STRABAG SE. The syndicate agreement further foresees restrictions on the transfer of shares in the form of mutual preemptive rights as well as a minimum shareholding on the part of the syndicate partners.

   In accordance with Sec 65 Para 5 of the Austrian Stock Corporation Act (AktG), all rights were suspended for 7,400,000 no-par shares (6.7 % of the share capital) effective 31 December 2017 as these shares are held by STRABAG SE as own shares as defined in Sec 65 Para 1 No 8 of the Austrian Stock Corporation Act (AktG).

3. To the knowledge of STRABAG SE, the following shareholders held a direct or indirect interest of at least 10.0 % of the share capital of STRABAG SE on 31 December 2017:

- Haselsteiner Group .... 26.4 %
- Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H. (Raiffeisen Group) .... 13.2 %
- UNIQA Versicherungen AG (UNIQA Group) .... 14.3 %
- Rasperia Trading Limited .... 25.9 %

The company itself held 7,400,000 no-par shares on 31 December 2017, which corresponds to 6.7 % of the share capital. These shares are currently intended, among others, as acquisition currency.

The remaining shares of the share capital of STRABAG SE, amounting to about 13.5 % of the share capital, are in free float.

4. Three shares are – as mentioned under item 1 – registered shares entered in the shareholder register whose full or partial sale and pledging requires the consent of the Supervisory Board. Registered shares No. 1 and No. 3 are held by the Haselsteiner Group and registered share No. 2 is held by Rasperia Trading Limited. Registered shares No. 1 and No. 2 allow their bearers to nominate a member each to the Supervisory Board of STRABAG SE.

5. No employee stock option programmes exist.

6. No further regulations exist beyond items 2 and 4 regarding the nomination and recall of members of the Management and Supervisory Boards or regarding changes to the Articles of Association which do not result directly from relevant law and legislation.

7. The 12th Annual General Meeting held on 10 June 2016 authorised the Management Board of the company to buy back own shares in accordance with Sec 65 Para 1 No 8 of the Austrian Stock Corporation Act (AktG) to the extent of up to 10 % of the share capital of the company during a period of 13 months from the day of the resolution, i.e. until 10 July 2017. The Management Board of STRABAG SE did not make use of this authorisation.

   The Management Board of STRABAG SE, in accordance with Sec 169 of the Austrian Stock Corporation Act (AktG), was authorised by resolution of the 10th Annual General Meeting of 27 June 2014 and with approval by the Supervisory Board to increase the share capital of the company by up to € 57,000,000 by 27 June 2019, in several tranches if necessary, by issuing up to 57,000,000 registered no-par shares for cash or contributions in kind (in this case also to the partial or full exclusion of the shareholders' subscription rights).

   The Management Board, in accordance with Sec 174 Para 2 of the Austrian Stock Corporation Act (AktG), was further authorised by resolution of the 8th Annual General Meeting of 15 June 2012 and with the approval of the Supervisory Board to issue financial instruments within the meaning of Sec 174 of the Austrian Stock Corporation Act (AktG) – in particular convertible bonds, income bonds and profit participation rights – with a total nominal value of up to € 1,000,000,000, which may also confer subscription and/or exchange rights for the acquisition of up to 50,000,000 shares of the company and/or may be designed in such a way that they can be issued as equity, also in several tranches and in different combinations, up to five years inclusive from the day of this resolution, also indirectly by way of a guarantee for the issue of financial instruments through an associate or related entity of the company with conversion rights on shares of the company. This authorisation expired on 15 June 2017.

   The Management Board was also authorised by resolution of this Annual General Meeting, in accordance with Sec 65 Para 1b of the Austrian Stock Corporation Act (AktG), for a period of five years from this resolution, to sell or assign its own shares, with approval by the Supervisory Board, in a manner other than on the stock market or through a public tender, to the exclusion of the shareholders' buyback rights (subscription rights), and to determine the conditions of sale. The authorisation can be exercised in full or in part or in several partial amounts for one or several purposes by the company, a subsidiary (Sec 228 Para 3 UGB) or third parties acting on behalf of the company. This authorisation also expired on 15 June 2017.

8. With the exception of the agreements over a syndicated surety loan and a syndicated cash credit line, there exist no significant agreements to which STRABAG SE is party and which would become effective, change or end due to a change of ownership in STRABAG SE following a takeover offer.

9. No compensation agreements exist between STRABAG SE and its Management and Supervisory Board members or employees in the event of a public takeover offer.

Related parties

Business transactions with related parties are described in item 28 of the Notes.

Outlook

The record order backlog allows another positive development of the output volume to be expected in 2018. The Management Board of STRABAG SE therefore expects the output volume to reach around € 15.0 billion (+3 %). Growth should be seen in all three operating segments: North + West, South + East and International + Special Divisions.

With regard to the earnings, STRABAG had previously issued a target of achieving a sustainable EBIT margin (EBIT/revenue) of 3 % starting in 2016. This goal was attained in 2016 and 2017. Although there are certain risks inherent to the construction business, from today's perspective, there is nothing to be said against issuing this same target for the ongoing 2018 financial year.

Demand is expected to at least remain stable or to grow slightly in nearly all of the group's markets. This is also true for the group's three largest markets, Germany, Austria and Poland, which are already at a high level. Declines of the output volume are expected individually in those markets in which large projects were completed in 2017 and where the group is not active nationwide. The earnings forecast is based on the assumption that the Property & Facility Services entities, the Real Estate Development and the Infrastructure Development continue to contribute positively to the earnings and that large risks, for example in tunnelling and construction engineering, do not manifest at the same time.

Even disregarding the investments related to the acquisition of the minority shares of the now delisted German subsidiary STRABAG AG, Germany, which will be presented in the cash flow from financing activities in the first quarter of 2018 anyway, the net investments (cash flow from activities) should still come to rest above the planned previous year's value of € 450 million in 2018.

Events after the reporting period

The material events after the reporting period are described in item 31 of the Notes.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

Consolidated income statement

T€	Notes	2017	2016
Revenue	(1)	13,508,725	12,400,465
Changes in inventories		-61,656	51,393
Own work capitalised		13,570	4,157
Other operating income	(2)	282,992	235,835
Construction materials, consumables and services used	(3)	-8,839,874	-7,980,009
Employee benefits expenses	(4)	-3,367,173	-3,210,911
Other operating expenses	(5)	-842,790	-795,854
Share of profit or loss of equity-accounted investments	(6)	123,985	106,178
Net income from investments	(7)	16,800	43,928
EBITDA		**834,579**	**855,182**
Depreciation and amortisation expense	(8)	-386,222	-430,272
EBIT		**448,357**	**424,910**
Interest and similar income		46,900	73,899
Interest expense and similar charges		-74,048	-77,680
Net interest income	**(9)**	**-27,148**	**-3,781**
EBT		**421,209**	**421,129**
Income tax expense	(10)	-128,845	-139,133
Net income		**292,364**	**281,996**
attributable to: non-controlling interests		13,451	4,344
attributable to: equity holders of the parent company		278,913	277,652
Earnings per share (€)	**(11)**	**2.72**	**2.71**

Statement of total comprehensive income

T€	Notes	2017	2016
Net income		**292,364**	**281,996**
Differences arising from currency translation		12,275	9,428
Recycling of differences arising from currency translation		78	-5,048
Change of interest rate swaps		2,256	-11,842
Recycling of interest rate swaps		20,117	21,838
Change in fair value of financial instruments under IAS 39		238	460
Deferred taxes on neutral change in equity	(10)	-2,632	-9,726
Other income from equity-accounted investments		1,048	-10
Total of items which are later recognised (“recycled”) in the income statement		*33,380*	*5,100*
Change in actuarial gains or losses		493	-29,601
Deferred taxes on neutral change in equity	(10)	252	8,756
Other income from equity-accounted investments		-25	-17
Total of items which are not later recognised (“recycled”) in the income statement		*720*	*-20,862*
Other income		**34,100**	**-15,762**
Total comprehensive income		**326,464**	**266,234**
attributable to: non-controlling interests		14,137	3,159
attributable to: equity holders of the parent company		312,327	263,075

Consolidated balance sheet

T€	Notes	31.12.2017	31.12.2016
Intangible assets	(12)	498,827	496,402
Property, plant and equipment	(12)	1,936,032	1,927,739
Investment property	(13)	6,244	7,916
Equity-accounted investments	(14)	350,013	347,605
Other investments	(15)	182,698	166,731
Receivables from concession arrangements	(18)	662,311	683,486
Other financial assets	(18)	270,648	254,220
Deferred taxes	(16)	188,968	245,827
Non-current assets		**4,095,741**	**4,129,926**
Inventories	(17)	1,137,805	1,182,805
Receivables from concession arrangements	(18)	33,724	31,180
Trade receivables	(18)	2,532,919	2,444,400
Non-financial assets	(18)	82,839	87,654
Income tax receivables	(18)	63,879	112,804
Other financial assets	(18)	316,769	386,376
Cash and cash equivalents	(19)	2,790,447	2,003,261
Current assets		**6,958,382**	**6,248,480**
Assets		**11,054,123**	**10,378,406**
Share capital		110,000	110,000
Capital reserves		2,315,384	2,315,384
Retained earnings and other reserves		945,089	760,654
Non-controlling interests		27,246	78,551
Group equity	**(20)**	**3,397,719**	**3,264,589**
Provisions[1]	(21)	1,160,536	1,180,374
Financial liabilities[2]	(22)	882,879	1,223,527
Other financial liabilities	(22)	77,716	63,750
Deferred taxes	(16)	24,230	21,390
Non-current liabilities		**2,145,361**	**2,489,041**
Provisions[1]	(21)	747,318	741,715
Financial liabilities[3]	(22)	411,098	202,549
Trade payables	(22)	3,402,367	2,818,000
Non-financial liabilities	(22)	458,572	367,977
Income tax liabilities	(22)	78,424	103,501
Other financial liabilities	(22)	413,264	391,034
Current liabilities		**5,511,043**	**4,624,776**
Equity and liabilities		**11,054,123**	**10,378,406**

1 In order to improve representation recognition-changes were made and an amount of T€ 68,647 was transferred from previous year's current provisions to non-current provisions.
2 Thereof T€ 338,728 concerning non-recourse liabilities from concession arrangements (2016: T€ 389,781)
3 Thereof T€ 51,053 concerning non-recourse liabilities from concession arrangements (2016: T€ 49,596)

Consolidated cash flow statement

T€	Notes	2017	2016
Net income		292,364	281,996
Deferred taxes		58,759	15,620
Non-cash effective results from consolidation		3,718	-3,544
Non-cash effective results from equity-accounted investments		1,394	34,167
Other non-cash effective results		-52,900	0
Depreciations/write-ups		390,954	435,697
Change in long-term provisions		-25,216	-12,900
Gains/losses on disposal of non-current assets		-35,260	-60,666
Cash flow from earnings		*633,813*	*690,370*
Change in inventories		47,752	-99,698
Change in trade receivables, construction contracts and consortia		-48,723	-2,939
Change in receivables from subsidiaries and receivables from participation companies		24,702	4,117
Change in other assets		94,468	-75,199
Change in trade payables, construction contracts and consortia		572,165	-187,840
Change in liabilities from subsidiaries and liabilities from participation companies		-4,548	-3,626
Change in other liabilities		22,716	-94,914
Change in current provisions		2,842	33,896
Cash flow from operating activities		**1,345,187**	**264,167**
Purchase of financial assets		-48,374	-39,034
Purchase of property, plant, equipment and intangible assets		-457,616	-412,455
Inflows from asset disposals		120,745	189,191
Change in other financing receivables		47,508	-14,132
Change in scope of consolidation		4,435	-157,999
Cash flow from investing activities		**-333,302**	**-434,429**
Issue of bank borrowings		78,254	51,773
Repayment of bank borrowings		-83,313	-353,101
Repayment of bonded loans		-121,500	0
Repayment of payables relating to finance leases		-5,304	-5,032
Change in other financing liabilities		739	17,130
Change in non-controlling interests due to acquisition		-2,694	-204,778
Distribution of dividends		-100,702	-70,170
Cash flow from financing activities		**-234,520**	**-564,178**
Net change in cash and cash equivalents		**777,365**	**-734,440**
Cash and cash equivalents at the beginning of the period		1,997,574	2,726,647
Change in cash and cash equivalents due to currency translation		9,822	5,370
Change in restricted cash and cash equivalents		4,926	-3
Cash and cash equivalents at the end of the period	**(25)**	**2,789,687**	**1,997,574**

Statement of changes in equity

T€	Share capital	Capital reserves	Retained earnings	Hedging reserves	Foreign currency reserves	Group equity	Non-controlling interests	Total equity
Balance as at 1.1.2016	**114,000**	**2,311,384**	**777,329**	**-97,465**	**-66,217**	**3,039,031**	**281,604**	**3,320,635**
Net income	0	0	277,652	0	0	277,652	4,344	281,996
Differences arising from currency translation	0	0	0	0	5,170	5,170	-790	4,380
Change in financial instruments IAS 39	0	0	397	0	0	397	63	460
Change in equity-accounted investments	0	0	-17	-379	370	-26	-1	-27
Change of actuarial gains and losses	0	0	-28,926	0	0	-28,926	-675	-29,601
Neutral change of interest rate swaps	0	0	0	9,746	0	9,746	250	9,996
Deferred taxes on neutral change in equity	0	0	8,701	-9,639	0	-938	-32	-970
Total comprehensive income	**0**	**0**	**257,807**	**-272**	**5,540**	**263,075**	**3,159**	**266,234**
Transactions concerning non-controlling interests due to acquisition[1]	0	0	-46,552	0	-1,831	-48,383	-204,280	-252,663
Transactions concerning non-controlling interests due to changes in the scope of consolidation	0	0	0	0	0	0	1,571	1,571
Own shares	-4,000	4,000	0	0	0	0	0	0
Changes in equity-accounted investments	0	0	-995	0	0	-995	-23	-1,018
Distribution of dividends[2]	0	0	-66,690	0	0	-66,690	-3,480	-70,170
Balance as at 31.12.2016 = Balance as at 1.1.2017	**110,000**	**2,315,384**	**920,899**	**-97,737**	**-62,508**	**3,186,038**	**78,551**	**3,264,589**
Net income	0	0	278,913	0	0	278,913	13,451	292,364
Differences arising from currency translation	0	0	715	0	11,203	11,918	435	12,353
Change in financial instruments IAS 39	0	0	255	0	0	255	-17	238
Change in equity-accounted investments	0	0	-26	-467	1,487	994	29	1,023
Change of actuarial gains and losses	0	0	700	0	0	700	-207	493
Neutral change of interest rate swaps	0	0	0	21,948	0	21,948	425	22,373
Deferred taxes on neutral change in equity	0	0	140	-2,541	0	-2,401	21	-2,380
Total comprehensive income	**0**	**0**	**280,697**	**18,940**	**12,690**	**312,327**	**14,137**	**326,464**
Transactions concerning non-controlling interests due to acquisition[3]	0	0	-30,219	0	-203	-30,422	-62,210	-92,632
Distribution of dividends[4]	0	0	-97,470	0	0	-97,470	-3,232	-100,702
Balance as at 31.12.2017	**110,000**	**2,315,384**	**1,073,907**	**-78,797**	**-50,021**	**3,370,473**	**27,246**	**3,397,719**

1 The transactions largely concerned the acquisition of shares of Ed. Züblin AG, Stuttgart.
2 The total dividend payment of T€ 66,690 corresponds to a dividend per share of € 0.65 based on 102,600,000 shares.
3 The transactions largely concerned the acquisition of shares of STRABAG AG, Cologne.
4 The total dividend payment of T€ 97,470 corresponds to a dividend per share of € 0.95 based on 102,600,000 shares.

Consolidated statement of fixed assets as at 31 December 2017

T€	Balance as at 31.12.2016	Additions in scope of consoli-dation	Disposals in scope of consoli-dation	Currency translation	Additions	Transfers
				Acquisition and production costs		
I. Intangible assets						
1. Concessions, software, licences, rights	133,503	323	0	358	3,808	318
2. Goodwill	685,185	0	0	242	0	0
3. Advances paid	390	0	0	0	375	-318
Total	**819,078**	**323**	**0**	**600**	**4,183**	**0**
II. Tangible assets						
1. Properties and buildings	1,494,617	5,063	1	2,648	25,126	18,357
2. Technical equipment and machinery	2,682,580	4,315	1	-9,185	203,924	6,042
3. Other facilities, furniture and fixtures and office equipment	1,063,735	251	0	-531	175,890	6,102
4. Advances paid and facilities under construction	58,151	7	0	-565	48,001	-30,501
Total	**5,299,083**	**9,636**	**2**	**-7,633**	**452,941**	**0**
III. Investment property	**157,444**	**0**	**0**	**81**	**492**	**0**

Consolidated statement of fixed assets as at 31 December 2016

T€	Balance as at 31.12.2015	Additions in scope of consoli-dation	Disposals in scope of consoli-dation	Currency translation	Additions	Transfers
				Acquisition and production costs		
I. Intangible assets						
1. Concessions, software, licences, rights	131,113	2,335	312	198	6,278	0
2. Goodwill	686,674	0	0	-1,489	0	0
3. Development costs	20,843	0	0	0	0	0
4. Advances paid	224	0	0	0	166	0
Total	**838,854**	**2,335**	**312**	**-1,291**	**6,444**	**0**
II. Tangible assets						
1. Properties and buildings	1,400,253	111,080	5,604	2,261	32,523	2,979
2. Technical equipment and machinery	2,532,922	18,567	11,967	3,015	218,108	65,126
3. Other facilities, furniture and fixtures and office equipment	1,016,874	5,908	3,834	1,586	130,054	-981
4. Advances paid and facilities under construction	90,864	1,792	120	7,969	24,830	-67,124
Total	**5,040,913**	**137,347**	**21,525**	**14,831**	**405,515**	**0**
III. Investment property	**164,350**	**0**	**0**	**0**	**496**	**0**

1 Of this amount, impairments of T€ 12,489, reversal of depreciation T€ 0.
2 Of this amount, impairments of T€ 46,090, reversal of depreciation T€ 584.

		Accumulated depreciation									
Disposals	Balance as at 31.12.2017	Balance as at 31.12.2016	Additions in scope of consoli-dation	Disposals in scope of consoli-dation	Currency translation	Additions[1]	Transfers	Disposals	Balance as at 31.12.2017	Values 31.12.2017	Values 31.12.2016
5,902	132,408	86,775	39	0	104	8,126	0	5,704	89,340	43,068	46,728
0	685,427	235,901	0	0	-7,404	1,618	0	0	230,115	455,312	449,284
0	447	0	0	0	0	0	0	0	0	447	390
5,902	**818,282**	**322,676**	**39**	**0**	**-7,300**	**9,744**	**0**	**5,704**	**319,455**	**498,827**	**496,402**
47,702	1,498,108	629,950	3,214	1	448	37,971	1	13,192	658,391	839,717	864,667
128,530	2,759,145	2,018,559	3,809	0	-4,373	216,253	-18	121,701	2,112,529	646,616	664,021
141,039	1,104,408	722,835	163	0	-1,201	120,639	17	114,367	728,086	376,322	340,900
1,716	73,377	0	0	0	0	0	0	0	0	73,377	58,151
318,987	**5,435,038**	**3,371,344**	**7,186**	**1**	**-5,126**	**374,863**	**0**	**249,260**	**3,499,006**	**1,936,032**	**1,927,739**
2,814	**155,203**	**149,528**	**0**	**0**	**0**	**1,615**	**0**	**2,184**	**148,959**	**6,244**	**7,916**

		Accumulated depreciation									
Disposals	Balance as at 31.12.2016	Balance as at 31.12.2015	Additions in scope of consoli-dation	Disposals in scope of consoli-dation	Currency translation	Additions[2]	Transfers	Disposals	Balance as at 31.12.2016	Values 31.12.2016	Values 31.12.2015
6,109	133,503	80,016	2,068	240	324	9,538	0	4,931	86,775	46,728	51,097
0	685,185	231,029	0	0	-12	4,884	0	0	235,901	449,284	455,645
20,843	0	17,008	0	0	0	3,835	0	20,843	0	0	3,835
0	390	0	0	0	0	0	0	0	0	390	224
26,952	**819,078**	**328,053**	**2,068**	**240**	**312**	**18,257**	**0**	**25,774**	**322,676**	**496,402**	**510,801**
48,875	1,494,617	561,931	25,588	1,801	745	57,724	7	14,244	629,950	864,667	838,322
143,191	2,682,580	1,898,952	11,800	6,215	5,353	235,808	3,244	130,383	2,018,559	664,021	633,970
85,872	1,063,735	698,510	4,330	2,808	1,434	115,961	-3,251	91,341	722,835	340,900	318,364
60	58,151	0	0	0	0	0	0	0	0	58,151	90,864
277,998	**5,299,083**	**3,159,393**	**41,718**	**10,824**	**7,532**	**409,493**	**0**	**235,968**	**3,371,344**	**1,927,739**	**1,881,520**
7,402	**157,444**	**150,533**	**0**	**0**	**0**	**2,522**	**0**	**3,527**	**149,528**	**7,916**	**13,817**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basic principles

The STRABAG Group is a leading European technology group for construction services. The company has its headquarters in Triglavstraße 9, 9500 Villach, Austria. From its core markets of Austria and Germany, STRABAG is present via its numerous subsidiaries in all countries of Eastern and South-East Europe including Russia, in selected markets in North and Western Europe and the Arabian Peninsula, as well as in the project business in Africa, Asia and the Americas. STRABAG's activities span the entire construction industry (Building Construction & Civil Engineering, Transportation Infrastructures, Tunnelling, construction-related services) and cover the entire value-added chain in the field of construction.

The consolidated financial statements of STRABAG SE, at the reporting date 31 December 2017, were drawn up under application of Sec 245a Para 2 of the Austrian Commercial Code (UGB) in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Applied were exclusively those standards and interpretations adopted by the European Commission before the reporting deadline and published in the Official Journal of the European Union. Further reporting requirements of Sec 245a Para 1 of the Austrian Commercial Code (UGB) were fulfilled as well.

In addition to a statement of total comprehensive income and the consolidated balance sheet, the financial statements include a cash flow statement in accordance with IAS 7, and a statement of changes in equity (IAS 1). The disclosures in the Notes also contain a segment reporting section in accordance with IFRS 8.

In order to improve the clarity of the representation, various items in the balance sheet and the income statement have been combined. These items have been shown separately and are explained in the Notes. The income statement has been drawn up in accordance with the nature of expense method.

The consolidated financial statements were drawn up in T€. The presentation in T€ may result in rounding differences.

Changes in accounting policies

NEW AND REVISED STANDARDS AND INTERPRETATIONS THAT ARE EFFECTIVE FOR THE 2017 FINANCIAL YEAR

The IASB has made the following amendments to the existing IFRS and passed several new IFRS and IFRIC, which have also been adopted by the European Commission. Application thus became mandatory on 1 January 2017.

	Application for financial years which begin on or after (according to IASB)	**Application for financial years which begin on or after (according to EU endorsement)**
Amendments to IAS 7 Disclosure Initiative	1.1.2017	1.1.2017
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017	1.1.2017

The first-time application of the aforementioned IFRIC interpretations and IFRS standards had only minor impact on the consolidated financial statements as at 31 December 2017, as the changes were applicable only in certain cases. These also did not result in changes to the methods of accounting and valuation.

FUTURE CHANGES OF FINANCIAL REPORTING STANDARDS

The IASB and the IFRIC approved further standards and interpretations. However, these were neither required to be applied in the 2017 financial year nor adopted by the European Commission. The amendments affect the following standards and interpretations:

	Application for financial years which begin on or after (according to IASB)	Application for financial years which begin on or after (according to EU endorsement)	Impact on the consolidated financial statements
IFRS 9 (2009, 2010, 2013) Financial Instruments	1.1.2018	1.1.2018	see below
IFRS 15 Revenue from Contracts with Customers (incl. clarification)	1.1.2018	1.1.2018	see below
IFRS 16 Leasing	1.1.2019	1.1.2019	see below
Amendments to IFRS 2 Share-based Payment Transactions	1.1.2018	1.1.2018	no
Amendments to IFRS 4 Insurance Contracts	1.1.2018	1.1.2018	minor
Annual Improvements to IFRS 2014–2016	1.1.2018	1.1.2018	minor
Amendments to IFRS 9 Financial Instruments	1.1.2019	1.1.2019	is being analysed
Amendments to IAS 40 Transfers of Investment Property	1.1.2018	1.1.2018	no
IFRS 17 Insurance Contracts	1.1.2021	n. a.[1]	no
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1.1.2018	1.1.2018	minor
IFRIC 23 Uncertainty over Income Tax Treatments	1.1.2019	n. a.	is being analysed
Amendments to IAS 28 Long-term Interests in Associates and Joint-Ventures	1.1.2019	n. a.	is being analysed
Annual Improvements to IFRS 2015-2017	1.1.2019	n. a.	is being analysed
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	1.1.2019	n. a.	is being analysed

Consequences for the consolidated financial statements are expected especially from the application of the following standards and interpretations:

IFRS 9 follows a new standard for the classification and measurement of financial assets and considers three categories of measurement (at fair value through profit and loss, at fair value through other comprehensive income and at amortised cost) based on the entity's business model or on the characteristics of the contractual cash flows of the financial asset in question. Impairment is to be measured using the new model of expected credit losses.

It should be noted that a large portion of the trade receivables is attributed to ongoing construction projects and, for the most part, is not yet due. Because of the broad diversification of the client base, and with the public sector as an important customer group, the general credit risk can be classified as low.

When measuring financial assets on a collective basis (simplified approach), therefore, the respective country risk and creditworthiness of the client are taken into account. Higher impairment is taken into account with receivables from private clients.

Non-current financial assets and receivables from concession contracts are regarded on a case-by-case basis under consideration of the country risk and the debtor's creditworthiness.

IFRS 9 requires equity investments of lower than 20 % to be measured at fair value through profit and loss. Investments in subsidiaries, joint ventures or associated companies that are not included in the consolidated financial statements and which do not fall under the scope of IFRS 9 will continue to be measured at amortised cost, because they are not material.

Effective 1 January 2018, STRABAG SE will apply the amended hedging model introduced by IFRS 9 and will not exercise the option to continue applying the provisions as contained in IAS 39. This will not result in any material impact on the consolidated financial statements.

The change of the measurement categories will have no material impact on the consolidated financial statements.

STRABAG SE will adopt IFRS 9 retrospectively from the 2018 financial year. As a result of first-time adoption of the aforementioned changes, the equity as at 1 January 2018, excluding deferred taxes, will diminish by a total of less than € 5 million.

1 n. a. – endorsement process is still in progress

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 supersedes the corresponding standards in IAS 11, IAS 18 and IFRIC 15.

The revenues in the consolidated financial statements of STRABAG SE comprise the following three material revenue types: construction contracts with customers, project development services, and revenue from property and facility management.

Among construction contracts with customers, which account for more than 80 % of the total group revenue, there are no changes in revenue recognition, as during construction the revenue was already recognised corresponding to the performance completed to date. Revenue recognition over time will continue to be applicable.

The recognition of revenue from property and facility management services will also remain unchanged.

STRABAG SE must change the way it presents its project development activities. Although it had previously only been possible to recognise profit after completion and sale of a property, IFRS 15 now requires proportionate profit recognition for real estate projects that have already been sold but not yet completed.

The recognition of pending losses and the claims approach always essentially depends on the underlying project; systematic changes to the previous presentation currently do not result.

Changes will only result in inventories on construction sites with regard to the presentation in the balance sheet. These will be assigned to the relevant contract and recognised as a contract asset.

STRABAG SE will adopt IFRS 15 for the first time using the modified retrospective method. As a result, the equity will increase by about € 32 million at 1 January 2018, excluding deferred taxes, due to the changed presentation of the project development activities.

Additional expedients during the transition to the new standard are not being claimed.

IFRS 16 supersedes the current standard and related interpretations on lease accounting (IAS 17, IFRIC 4, SIC 15 and SIC 27). It specifies how lessees and lessors will recognise, measure, present and disclose leases. IFRS 16 requires a lessee to recognise a right-of-use asset and a lease liability.

The operating lease obligations listed on page D 92 must therefore be presented as a right-of-use and a lease liability, which will lead to a change in the balance sheet total. The rental or supply of equipment to joint ventures, for example, as is usual in construction, is to be classified as current, which means that there will be no changes in the consolidated financial statements here.

Office buildings in Hamburg, Frankfurt, Munich, Vienna and Graz can be mentioned as an example of important real estate rentals within the STRABAG SE Group. The rental expense in 2017 amounted to T€ 16,636. These properties will continue to be used in the medium term.

STRABAG SE will adopt IFRS 16 on 1 January 2019 retrospectively applying the option to recognise the cumulative effects in equity as at 1 January 2019.

Additional expedients during the transition to the new standard are not being claimed.

At this point, no exact quantitative details can be stated as to the current project status (complete survey of the existing rental contracts in the group).

The application of the **other new standards and interpretations** is expected to have only a minor impact in the future on the consolidated financial statements.

Early application of the new standards and interpretations is not planned.

DISCLOSURE PURSUANT TO SEC 5 PARA 2 OF FINANCIAL REPORTING ENFORCEMENT ACT

The consolidated financial statements of STRABAG SE as at 31 December 2016 as well as the half-year account as at 30 June 2017 contain the following errors:

In its consolidated financial statements as at 31 December 2016 and its half-year account as at 30 June 2017, STRABAG SE merely disclosed the expected impact from initial application of the new IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases but failed to provide entity-specific explanations.

This is not in compliance with IAS 8.30, according to which an entity that has not applied a new IFRS that has been issued but is not yet effective must disclose:

b. known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

Details are available on the website of STRABAG SE under the menu point Investor Relations > Reports > Annual Reports > 2016 > Get more information > Downloads.

Consolidation

The financial statements of the domestic and foreign companies included in the scope of consolidation are drawn up in accordance with uniform methods of accounting and valuation. The annual financial statements of the domestic and foreign group companies are adapted accordingly.

SUBSIDIARIES

Entities whose financial and operating policies are controlled by the group constitute subsidiaries.

The consolidated financial statements include the financial statements of the parent company and entities (including structured entities) over which the group has control. An entity is considered to be under control if the following criteria are met:

- The parent company has power over the investee.
- The parent company is exposed to variable returns on the investment.
- The parent company has the ability to affect the returns from the investment through its power over the investee.
- Control over an entity is reassessed if facts and circumstances indicate that there are changes to one or more of the three elements of control discussed above.
- Owning a majority of the voting rights is not always necessary to have power and control over an investee, but can be achieved through other rights or contractual agreements which give the parent company the possibility to affect the returns of the investee.

A subsidiary is included in the consolidated financial statements from the date on which the parent company acquired control. Conversely, the entity is deconsolidated when control ends.

Capital consolidation is performed in accordance with IFRS 3 using the acquisition method. The cost of acquisition of the subsidiary is measured as the sum of the fair values of assets given, equity instruments issued and liabilities assumed. Contingent considerations are also measured at their fair value from the date of the business combination. Later deviations from this value are recognised in profit or loss. Transaction costs are also recognised immediately in profit or loss.

Non-controlling interests are recognised based on their proportional interest in the net assets of the acquired entity (partial goodwill method). The option of recognising non-controlling interests at fair value is not used.

In business combinations achieved in stages (step acquisitions), the existing equity interest of the entity is remeasured at fair value from the date of acquisition. The resulting profit or loss is recognised in the income statement.

The acquisition costs, contingent considerations, existing equity interests and non-controlling interests are to be compared with all identifiable assets and liabilities of the subsidiary, measured at fair value. Any remaining difference on the assets side is classified as goodwill. Differences arising from the capital consolidation on the liabilities side are recognised immediately in profit and loss following another review. Goodwill is subjected to an impairment test in accordance with IAS 36 at least once a year.

In the 2017 financial year, T€ 0 (2016: T€ 0) in goodwill arising from capital consolidation were recognised as assets. Impairments in the amount of T€ 1,618 (2016: T€ 4,884) were made.

Immaterial subsidiaries are not consolidated; these are reported at cost or at the lower fair value in accordance with IAS 39 if this value can be reliably determined and recognised in the item other financial assets.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS THAT DO NOT RESULT IN LOSS OF CONTROL

Differences arising from the acquisition or disposal of investments in affiliated entities without acquisition or loss of control are recognised in full in equity outside profit or loss.

DISPOSAL OF SUBSIDIARIES

When control over a subsidiary is lost, any remaining investment is remeasured at fair value. The difference to the existing carrying amounts is recognised in profit or loss. Associates, joint arrangements or financial assets are initially recognised at this fair value. All previous amounts recognised to date in other income are accounted for as if the assets and liabilities of the affected entities had been sold directly.

STRUCTURED ENTITIES

Structured entities are entities that are not controlled by voting rights, but mainly through contractual arrangements for a specific business purpose. The business purpose is usually restricted to a narrow field of activity. Structured entities typically have little equity capital and rely on owner financing.

ASSOCIATES

Entities in which the group exercises significant influence constitute associates. This is generally the case with a holding of between 20 % and 50 % of the voting rights. Investments in associates are accounted for using the equity method and recognised in the item equity-accounted investments: the acquired investment is initially measured at cost. Any differences that arise are treated according to the principles of consolidation. In subsequent years, the carrying amount of the investment increases or decreases in proportion to the share of profit or loss and/or the investee's other income. Distributions reduce the carrying amount of the investment. As soon as the group's share of losses equals or exceeds the interest in the associate, no further losses are recognised unless the group is liable for the associate's losses.

At the end of every accounting period, the group determines whether there are any indications for an impairment of the investment in the associate. If there are, then the difference between the carrying amount and the recoverable amount is recognised as an impairment expense in the income statement.

In the year under review, the initial equity measurement of newly acquired entities resulted in net goodwill in the amount of T€ 0 (2016: T€ 0), which is recognised as a component of equity-accounted investments.

Associates which are not recognised using the equity method are recognised at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised in the item other investments.

JOINT ARRANGEMENTS

Joint ventures are entities over which the group exercises joint control together with a third entity. Joint control exists when the determination of the financial and operating policies requires the unanimous consent of all parties to the joint control. STRABAG accounts for joint ventures using the equity method and these are recognised in the item equity-accounted investments.

Joint ventures which are not recognised using the equity method are recognised at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised in the item other investments.

Consortia are quite common in the construction industry in Austria and Germany. According to the Institute of Public Auditors in Germany (IDW) and a statement by the Austrian Financial Reporting and Auditing Committee (AFRAC), the typical German and Austrian construction consortium meets the requirements to be classified as a joint venture. Earnings from construction consortia are presented proportionately under share of profit or loss of equity-accounted investments. The receivables from and payables to construction consortia include mainly in- and outflows of cash, charges resulting from services as well as proportional contract results and are recorded under trade receivables and trade payables.

Joint arrangements for the execution of construction work in the remaining countries are accounted for either as joint ventures or as joint operations depending on the substance of the arrangement.

INVESTMENTS

Investments which do not constitute subsidiaries, joint ventures or associates are recognised at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised in the item other investments.

CONSOLIDATION PROCEDURES

As part of the consolidation of intercompany balances, any trade receivables, loans and other receivables existing within the group are set off against the corresponding liabilities and provisions of the subsidiaries included in the consolidated financial statements.

Expenses and revenues from intra-group transactions are eliminated. Results incurred from intra-group transactions that are recognised in the non-current and current assets are eliminated if they are material. Non-controlling interests are taken into consideration during the elimination of intra-group profits or losses.

Unrealised profits from transactions between group entities and associates are eliminated in proportion to the group's share in the associate.

Non-controlling interests in equity and profits of companies controlled by the parent company are shown separately in the consolidated financial statements.

The necessary tax deferrals are made for consolidation procedures.

Scope of consolidation

The consolidated financial statements as at 31 December 2017 include STRABAG SE as well as all major domestic and foreign subsidiaries over which STRABAG SE either directly or indirectly has control. Associates and joint ventures are reported in the balance sheet using the equity method (equity-accounted investments).

Group companies which are of minor importance for the purpose of giving a true and fair view of the financial position, financial performance and cash flows of the group are not consolidated. The decision to include an entity in the scope of consolidation is based on quantitative and qualitative considerations.

Subsidiaries and equity-accounted investments included in the 2017 consolidated financial statements are given in the list of subsidiaries, equity-accounted investments and participation companies.

The financial year for all consolidated and associated companies, with the exception of the following companies that are included in the scope of consolidation on the basis of an interim report effective 31 December 2017, is identical with the calendar year.

Companies	**Reporting date**	**Method of inclusion**
EFKON INDIA Pvt. Ltd., Mumbai	31.3.	consolidation
Thüringer Straßenwartungs- und Instandhaltungsgesellschaft mbH & Co. KG, Apfelstädt	30.9.	equity-accounted investments

The number of consolidated companies changed in the 2016 and 2017 financial years as follows:

	Consolidation	**Equity method**
Situation as at 31.12.2015	**257**	**23**
First-time inclusions in year under report[1]	53	4
First-time inclusions in year under report due to merger/accretion	5	0
Merger/accretion in year under report	-10	0
Exclusions in year under report	-8	-2
Situation as at 31.12.2016	**297**	**25**
First-time inclusions in year under report	9	0
First-time inclusions in year under report due to merger/accretion	2	0
Merger/accretion in year under report	-7	0
Exclusions in year under report	-6	-3
Situation as at 31.12.2017	**295**	**22**

ADDITIONS TO SCOPE OF CONSOLIDATION

The following companies formed part of the scope of consolidation for the first time on the reporting date:

Consolidation	**Direct stake %**	**Date of acquisition or foundation**
"Strabag" d.o.o. Podgorica, Podgorica	100.00	1.1.2017[2]
ARGE STRABAG, Cologne	100.00	9.1.2017
Erdberger Mais GmbH & Co KG, Vienna	100.00	20.5.2017
LW 280 Bauträger GmbH, Vienna	100.00	1.1.2017[2]
Nottendorfer Gasse 13 Kom GmbH, Vienna	100.00	1.1.2017[2]
POLSKI ASFALT Sp. z o.o., Cracow	100.00	1.1.2017[2]
SRE Erste Vermögensverwaltung GmbH, Cologne	100.00	1.1.2017[2]
STRABAG Generálépitö Kft., Budapest	100.00	31.3.2017
STRABAG S.A.S., Bogotá, D.C.	100.00	1.1.2017[2]
Merger/Accretion		
KAMENOLOM MALI CARDAK d.o.o., Zagreb	100.00	1.1.2017[3]
STRABAG Development s.r.o., Bratislava	100.00	1.1.2017[3]

1 Thereof 32 fully consolidated companies respectively one equity consolidated company due to the acquisitions of STRABAG Real ESTATE GmbH Group, Vienna (formerly: Raiffeisen evolution project development GmbH)
2 Due to their increased business volumes, the companies were included in the scope of consolidation of the group for the first time effective 1 January 2017. The foundation/acquisition of the companies occurred before 1 January 2017.
3 The companies listed under Merger/Accretion were merged with/accrued on already consolidated companies and as such are at once represented as additions to and removals from the scope of consolidation.

ACQUISITIONS

The consolidation of companies included for the first time took place at the date of acquisition or a near reporting date, provided that this had no significant difference to an inclusion at the date of acquisition.

From the first-time consolidation of the other companies in the 2017 financial year, negative goodwill in the amount of T€ 1,036 (2016: T€ 2,224) occurred. This amount is reported under other operating income.

Assuming a fictitious first-time consolidation on 1 January 2017 for all acquisitions in the 2017 financial year, there would be no change in consolidated revenue and consolidated net income.

All companies which were consolidated for the first time in 2017 contributed T€ 87,822 to revenue (2016: T€ 29,168) and T€ 12,140 (2016: T€ 5,113) to net income.

DISPOSALS FROM THE SCOPE OF CONSOLIDATION

As at 31 December 2017, the following companies were no longer included in the scope of consolidation:

Disposals from scope of consolidation	
Atlas Tower GmbH & Co. KG, Cologne	Sale
CONFINARIO LTD, Limassol	Fell below significant level
STRABAG (B) Sdn Bhd, Bandar Seri Begawan	Liquidation resolution
STRABAG Unterstützungskasse GmbH i.L., Cologne	Liquidation resolution
TOV "RESURS PROEKTBUD", Kiev	Sale
ZAO "PARK CENTER", St. Petersburg	Sale
Merger/Accretion[1]	
Dalnicni stavby Praha, a.s., Prague	Merger
Eberhard Pöhner Unternehmen für Hoch- und Tiefbau GmbH, Bayreuth	Merger
Josef Riepl Unternehmen für Ingenieur- und Hochbau GmbH, Regensburg	Merger
KAMENOLOM MALI CARDAK d.o.o., Zagreb	Merger
STRABAG AG, Hoppegarten	Merger
STRABAG Development s.r.o., Bratislava	Merger
Xaver Bachner GmbH, Straubing	Merger
at-equity	
Schiffmühlenstraße 120 GmbH, Vienna	Fell below significant level
Erste Nordsee-Offshore-Holding GmbH, Vienna	Winding up business activity
Zweite Nordsee-Offshore-Holding GmbH, Vienna	Winding up business activity

The disposals of assets and debt resulting from deconsolidation are comprised as follows:

T€	**Disposals from scope of consolidation**
Assets and liabilities	
Current assets	3,618
Non-current liabilities	0
Current liabilities	987

Resulting profit in the amount of T€ 2,709 (2016: T€ 5,067) and losses in the amount of T€ -78 (2016: T€ -3,414) are recognised in profit or loss.

There were no significant restrictions on the use of assets or risks related to structured entities at the end of the reporting period.

1 The companies listed under Merger/Accretion were merged with already consolidated companies or, as a result of accretion, formed part of consolidated companies.

ACQUISITION OF NON-CONTROLLING INTERESTS

The Annual General Meeting of STRABAG AG, Cologne, on 24 March 2017 approved the merger of the company as transferring company into Ilbau Liegenschaftsverwaltung AG, which holds a direct 93.63 % interest, in exchange for an appropriate cash settlement payable to the minority shareholders (so-called upstream merger squeeze-out).

The cash settlement was calculated at € 300 per share in the Annual General Meeting. 256,760 shares were still held by minority shareholders. In a voluntary commitment of 9 October 2017, Ilbau Liegenschaftsverwaltung AG recognised the alleged compensation claims asserted by the special representative of STRABAG AG, Cologne, in a so-called “Spruchverfahren” entirely as an extraordinary value. The minority shareholders can legally challenge the amount of the settlement in court (Spruchverfahren), which can lead to a further increase of the settlement amount. The cash settlement including increases due to the voluntary commitment as well as potential increases from the Spruchverfahren are recognised as other financial liabilities. The transaction in the amount of the cash settlement (€ 300 per share) will be cash effective in the first quarter 2018.

The registration of the merger and thus the acquisition of the non-controlling interests took place on 29 December 2017. T€ 6,474 of the net income attributable to non-controlling interests are allotted to the minority interests of STRABAG AG, Cologne.

Changes in non-controlling interest and in consolidated equity are reflected in the statement of changes in equity as transactions concerning non-controlling interests due to acquisitions.

Besides the above-mentioned investments, the ownership interests in other subsidiaries in the financial year changed only insignificantly or had insignificant impact. The changes are represented in the list of subsidiaries which is included in the annual financial statements. The impact is shown in the statement of changes in equity under transactions concerning non-controlling interests.

NON-CONTROLLING INTERESTS

As of 31 December 2017 the amount of the non-controlling interests stood at T€ 27,246 in the STRABAG SE Group and was thus immaterial. The non-controlling interests shown concern mainly the 5.1 % share in STRABAG Real Estate GmbH, Cologne, and its subsidiaries.

In the 2016 financial year, the non-controlling interests in the group covered the minority interest in the subgroup STRABAG AG, Cologne.[1]

T€	**Cologne 2016**
Non-controlling interests (%)	6.37
Registered place of the parent company	Cologne
Headquarters	Germany
Non-current assets	1,141,283
Current assets	673,336
Non-current liabilities	-266,282
Current liabilities	-559,094
Net assets	**989,243**
Net assets attributable to non-controlling interests	65,089
Net assets attributable to STRABAG Group	924,154
Revenue	2,199,491
Net income	109,554
Other income	-4,392
Total comprehensive income	**105,162**
Net income attributable to non-controlling interests	8,011
Net income attributable to STRABAG Group	101,543
Other income attributable to non-controlling interests	-280
Other income attributable to STRABAG Group	-4,112

1 No special protective regulations exist beyond the regulatory protective rights of non-controlling interests.

T€	Cologne 2016
Cash and cash equivalents	249,943
Cash flows from operating activities	69,661
Cash flows from investing activities	-93,439
Cash flows from financing activities	-35,323
Dividends paid to non-controlling interests	-1,981
Net increase (net decrease) in cash and cash equivalents	**-59,101**
Carrying amount of the non-controlling interests	65,089
Intercompany eliminations	-9,704
Carrying amount of the non-controlling interests	55,385

Currency translation

The items contained in the financial statements of each group entity are measured on the basis of the currency corresponding to the currency of the primary economic environment in which the entity operates (functional currency).

The functional currency of STRABAG's subsidiaries is the respective local currency, with the exception of the following companies, whose functional currency is the euro:

- AKA Alföld Koncesszios Autopalya Zrt., Budapest
- AMFI HOLDING Kft., Budapest
- BHK KRAKÓW JOINT VENTURE Sp. z o.o., Warsaw
- BONDENO INVESTMENTS LTD, Limassol
- EVOLUTION TWO Sp. z o.o., Warsaw
- EXP HOLDING Kft., Budapest
- Expert Kerepesi Kft., Budapest
- IVERUS ENTERPRISES LTD, Limassol
- KAFEX Kft., Budapest
- KFX Holding Kft., Budapest
- ÓBUDA-APARTMAN Kft., Budapest
- OOO „RANITA", Moscow

The consolidated financial statements are prepared in euro, STRABAG's reporting currency.

Foreign currency transactions are translated into the functional currency at the foreign exchange rate on the day of the transaction. On the reporting date, monetary items are translated at the closing rate, while non-monetary items are translated at the rate on the day of the transaction. Exchange differences are recognised in profit or loss.

Assets and liabilities of group entities whose functional currency is not the euro are translated from the respective local currency into euro at the average exchange rate on the reporting date. As well as the corresponding profit for the period, the income statements of foreign group entities whose functional currency is not the euro are translated at the average exchange rate for the reporting period. The differences resulting from the use of both rates are reported outside profit or loss.

Monetary items in form of receivables or payables, the settlement of which is neither planned nor likely to occur in the foreseeable future, are, in substance, a part of an entity's net investment in a foreign operation. Exchange differences arising on such monetary items shall be recognised initially in other comprehensive income and reclassified from equity to profit and loss on disposal of the net investment.

The most important currencies, including their average exchange rates, are listed under item 26. Currency translation differences of T€ 12,353 (2016: T€ 4,380) were recognised directly in equity in the financial year. Forward exchange operations (hedging) excluding deferred taxes in the amount of T€ 0 (2016: T€ 0) were recognised directly in equity.

Restatements in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) were not necessary.

Consolidated companies and associates

The following list shows the consolidated companies included in the consolidated financial statements:

Austria		**Nominal capital T€/TATS**	**Direct stake %**
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH", Spittal an der Drau		35	100.00
"DOMIZIL" Bauträger GmbH, Vienna		727	100.00
"SBS Strabag Bau Holding Service GmbH", Spittal an der Drau		35	100.00
"Wiener Heim" Wohnbaugesellschaft m.b.H., Vienna		741	100.00
ABR Abfall Behandlung und Recycling GmbH, Schwadorf		37	100.00
Artholdgasse Errichtungs GmbH, Vienna		35	95.00
Asphalt & Beton GmbH, Spittal an der Drau		36	100.00
AUSTRIA ASPHALT GmbH & Co OG, Spittal an der Drau	TATS	500	100.00
Bau Holding Beteiligungs AG, Spittal an der Drau		48,000	100.00
Bitumen Handelsgesellschaft m.b.H. & Co KG, Loosdorf	TATS	3,000	100.00
BITUNOVA Baustofftechnik Gesellschaft m.b.H., Spittal an der Drau	TATS	2,000	100.00
BLUMENFELD Liegenschaftsverwaltungs GmbH, Vienna	TATS	1,000	100.00
Böhm Stadtbaumeister & Gebäudetechnik GmbH, Vienna		36	100.00
BrennerRast GmbH, Vienna		35	100.00
Bug-AluTechnic GmbH, Vienna		5,000	100.00
Campus Eggenberg Immobilienprojekt GmbH, Graz		36	60.00
DC1 Immo GmbH, Vienna		35	100.00
Diabaswerk Saalfelden Gesellschaft m.b.H., Saalfelden		363	100.00
Eckstein Holding GmbH, Spittal an der Drau		73	100.00
EFKON GmbH, Raaba		28,350	100.00
Erdberger Mais GmbH & Co KG, Vienna		1	100.00
F. Lang u. K. Menhofer Baugesellschaft m.b.H. & Co. KG, Wiener Neustadt		1,192	100.00
Goldeck Bergbahnen GmbH, Spittal an der Drau		363	100.00
Gudrunstraße Errichtungs GmbH, Vienna		35	95.00
Ilbau Liegenschaftsverwaltung GmbH, Spittal an der Drau		4,500	100.00
InfoSys Informationssysteme GmbH, Spittal an der Drau		363	94.90
Innsbrucker Nordkettenbahnen Betriebs GmbH, Innsbruck		35	51.00
KAB Straßensanierung GmbH & Co KG, Spittal an der Drau		133	50.60
Kanzel Steinbruch Dennig Gesellschaft mit beschränkter Haftung, Gratkorn	TATS	500	75.00
Leopold Ungar Platz 3 GmbH, Vienna		35	100.00
LW 280 Bauträger GmbH, Vienna		35	100.00
M5 Beteiligungs GmbH, Vienna		70	100.00
M5 Holding GmbH, Vienna		35	100.00
Mineral Abbau GmbH, Spittal an der Drau		36	100.00
Mischek Bauträger Service GmbH, Vienna		36	100.00
Mischek Systembau GmbH, Vienna		1,000	100.00
Mobil Baustoffe GmbH, Spittal an der Drau		50	100.00
Nottendorfer Gasse 13 Kom GmbH, Vienna		35	100.00
OAT - Bohr- und Fugentechnik Gesellschaft m.b.H., Spittal an der Drau	TATS	1,000	51.00
Osttiroler Asphalt Hoch- und Tiefbauunternehmung GmbH, Lavant i. Osttirol		36	80.00
Raststation A 3 GmbH, Vienna		35	100.00
RBS Rohrbau-Schweißtechnik Gesellschaft m.b.H., Linz		291	100.00
RE Beteiligungsholding GmbH, Vienna		35	100.00
RE Klitschgasse Errichtungs GmbH, Vienna		35	67.00
RE Projekt Errichtungs GmbH, Vienna		35	100.00
RE Wohnraum GmbH, Vienna		35	100.00
RE Wohnungseigentumserrichtungs GmbH, Vienna		35	100.00
Sakela Beteiligungsverwaltungs GmbH, Vienna		35	100.00
SF Bau vier GmbH, Vienna		35	100.00
SQUARE One GmbH & Co KG, Vienna		1	100.00
SQUARE Two GmbH & Co KG, Vienna		10	100.00
STRABAG AG, Spittal an der Drau		12,000	100.00
STRABAG Anlagentechnik GmbH, Thalgau		1,000	100.00
STRABAG Bau GmbH, Vienna		1,800	100.00

STRABAG BMTI GmbH, Vienna		1,454	100.00
STRABAG BRVZ GmbH, Spittal an der Drau		37	100.00
STRABAG Holding GmbH, Vienna		35	100.00
STRABAG Infrastructure & Safety Solutions GmbH, Vienna		727	100.00
Strabag Liegenschaftsverwaltung GmbH, Linz		4,500	100.00
STRABAG Property and Facility Services GmbH, Vienna		1,500	100.00
STRABAG Real Estate GmbH, Vienna		44	100.00
STRABAG SE, Villach		110,000	100.00
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna		440	100.00
TPA Gesellschaft für Qualitätssicherung und Innovation GmbH, Vienna		37	100.00
VIOLA PARK Immobilienprojekt GmbH, Vienna		45	75.00
Züblin Holding GesmbH, Vienna		55	100.00
Züblin Spezialtiefbau Ges.m.b.H., Vienna		1,500	100.00

Germany		**Nominal capital T€/TDEM**	**Direct stake %**
Alpines Hartschotterwerk GmbH, Leinfelden-Echterdingen		25	100.00[1]
ARGE STRABAG, Cologne			100.00
Baumann & Burmeister GmbH, Halle/Saale		51	100.00[1]
BBS Baustoffbetriebe Sachsen GmbH, Hartmannsdorf	TDEM	30,000	100.00[1]
BHG Bitumenhandelsgesellschaft mbH, Hamburg		26	100.00[1]
BITUNOVA GmbH, Dusseldorf		256	100.00[1]
Blees-Kölling-Bau GmbH, Cologne	TDEM	2,500	100.00[1]
Blutenburg Projekt GmbH, Cologne		25	100.00
CML Construction Services GmbH, Cologne		25	100.00
Deutsche Asphalt GmbH, Cologne		28	100.00[1]
DIW Aircraft Services GmbH, Stuttgart		25	100.00[1]
DIW Instandhaltung GmbH, Stuttgart		25	100.00[1]
DIW Mechanical Engineering GmbH, Stuttgart		25	100.00[1]
DIW System Dienstleistungen GmbH, Fürstenfeldbruck		25	100.00[1]
DYWIDAG International GmbH, Munich		5,000	100.00[1]
DYWIDAG-Holding GmbH, Cologne		500	100.00[1]
E S B Kirchhoff GmbH, Leinfelden-Echterdingen		1,500	100.00[1]
Ed. Züblin AG, Stuttgart		20,452	100.00[1]
F 101 Projekt GmbH & Co. KG, Cologne		10	100.00
F. Kirchhoff GmbH, Leinfelden-Echterdingen		23,319	100.00[1]
F.K. SYSTEMBAU GmbH, Münsingen		2,000	100.00[1]
Fahrleitungsbau GmbH, Essen		1,550	100.00[1]
Gaul GmbH, Sprendlingen		25	100.00
GBS Gesellschaft für Bau und Sanierung mbH, Leuna		513	100.00
Griproad Spezialbeläge und Baugesellschaft mbH, Cologne	TDEM	400	100.00[1]
Hexagon Projekt GmbH & Co. KG, Cologne		10	100.00[1]
Ilbau GmbH Deutschland, Berlin		4,700	100.00
IQ Generalübernehmer GmbH & Co. KG, Oststeinbek		25	75.00
JUKA Justizzentrum Kurfürstenanlage GmbH, Cologne		26	100.00[1]
LaVie Projektgesellschaft mbH & Co. KG, Dusseldorf		10	99.90
Lift-Off GmbH & Co. KG, Cologne		10	100.00[1]
LIMET Beteiligungs GmbH & Co. Objekt Cologne KG, Cologne		10	94.00[1]
LIMET Beteiligungs GmbH, Cologne	TDEM	50	100.00[1]
MAV Kelheim GmbH, Kelheim		25	100.00
MAV Mineralstoff - Aufbereitung und - Verwertung GmbH, Krefeld		600	50.00[2]
MAV Mineralstoff - Aufbereitung und Verwertung Lünen GmbH, Lünen		250	100.00
Mineral Baustoff GmbH, Cologne		25	100.00[1]
Mitterhofer Projekt GmbH & Co. KG, Cologne		10	100.00[1]
MOBIL Baustoffe GmbH, Munich		100	100.00[1]
NE Sander Immobilien GmbH, Sande		155	100.00[1]
Pyhrn Concession Holding GmbH, Cologne		38	100.00[1]
REPASS-SANIERUNGSTECHNIK GMBH Korrosionsschutz und Betoninstandsetzung, Munderkingen	TDEM	51	100.00[1]
ROBA Transportbeton GmbH, Berlin		520	100.00[1]
SAT Straßensanierung GmbH, Cologne		30	100.00[1]

1 For these companies, the option allowed by Sec 264 Para 3 or by Sec 264b of the German Commercial Code (HGB) was exercised.
2 The voting rights according to the contract of association amount to 50 % plus one vote.

SF-Ausbau GmbH, Freiberg		600	100.00[1]
SRE Erste Vermögensverwaltung GmbH, Cologne		25	100.00
SRE Projekt 1 GmbH & Co. KG, Cologne		10	100.00
STRABAG AG (formerly: Ilbau Liegenschaftsverwaltung AG), Cologne		7,670	100.00[1]
STRABAG BMTI GmbH & Co. KG, Cologne		307	100.00[1]
STRABAG BRVZ GmbH & Co. KG, Cologne		30	100.00[1]
STRABAG Facility Management GmbH, Berlin		30	100.00[1]
STRABAG Facility Services GmbH, Nuremburg		53	100.00[1]
STRABAG GmbH, Bad Hersfeld		15,000	100.00[1]
STRABAG Großprojekte GmbH, Munich		18,000	100.00[1]
STRABAG Infrastructure & Safety Solutions GmbH, Cologne		9,220	100.00[1]
STRABAG Infrastrukturprojekt GmbH, Bad Hersfeld		1,280	100.00[1]
STRABAG International GmbH, Cologne		2,557	100.00[1]
STRABAG Kieserling Flooring Systems GmbH, Hamburg		1,050	100.00[1]
STRABAG Projektentwicklung GmbH, Cologne	TDEM	20,000	100.00[1]
STRABAG Property and Facility Services GmbH, Münster		5,000	100.00[1]
STRABAG Rail Fahrleitungen GmbH, Berlin		600	100.00[1]
STRABAG Rail GmbH, Lauda-Königshofen		25	100.00[1]
STRABAG Real Estate GmbH, Cologne		30,000	94.90
STRABAG Sportstättenbau GmbH, Dortmund	TDEM	200	100.00[1]
STRABAG Umwelttechnik GmbH, Dusseldorf		2,000	100.00[1]
STRABAG Wasserbau GmbH, Hamburg		6,833	100.00[1]
Torkret GmbH, Stuttgart		1,023	100.00[1]
TPA GmbH, Cologne		511	100.00[1]
Turm am Mailänder Platz GmbH & Co. KG, Stuttgart		10	100.00[1]
Wolfer & Goebel Bau GmbH, Stuttgart		25	100.00[1]
Z. Brückenbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90[1]
Z. Holzbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90[1]
Z. Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90[1]
Z. Sander Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90[1]
Z. Stahlbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90[1]
Z-Bau GmbH, Magdeburg		100	100.00[1]
ZDE Sechste Vermögensverwaltung GmbH, Cologne		25	100.00
ZÜBLIN Bau GmbH, Munich		32	100.00[1]
Züblin Chimney and Refractory GmbH, Cologne		511	100.00[1]
Züblin Gebäudetechnik GmbH, Erlangen		25	100.00
Züblin Hoch- und Brückenbau GmbH, Bad Hersfeld		2,500	100.00[1]
Züblin International GmbH, Stuttgart		2,500	100.00[1]
Züblin Projektentwicklung GmbH, Stuttgart		2,557	94.88[1]
Züblin Spezialtiefbau GmbH, Stuttgart	TDEM	6,000	100.00[1]
Züblin Stahlbau GmbH, Hosena		1,534	100.00[1]
ZÜBLIN Timber Aichach GmbH, Aichach		1,534	100.00[1]
ZÜBLIN Timber Gaildorf GmbH, Gaildorf		25	100.00[1]
Züblin Umwelttechnik GmbH, Stuttgart		2,000	100.00[1]
Züblin Wasserbau GmbH, Berlin	TDEM	500	100.00[1]

Egypt	**Nominal capital TEGP**	**Direct stake %**
Züblin Egypt LLC, Cairo	20,000	100.00

Albania	**Nominal capital TALL**	**Direct stake %**
Trema Engineering 2 sh p.k., Tirana	545,568	51.00

Belgium	**Nominal capital T€**	**Direct stake %**
N.V. STRABAG Benelux S.A., Antwerp	6,863	100.00
N.V. STRABAG Belgium S.A., Antwerp	18,059	100.00

Bosnia and Herzegovina	**Nominal capital TBAM**	**Direct stake %**
STRABAG d.o.o. Sarajevo, Sarajevo	10	100.00

1 For these companies, the option allowed by Sec 264 Para 3 or by Sec 264b of the German Commercial Code (HGB) was exercised.

Bulgaria	Nominal capital TBGN	Direct stake %
"BOYANA VIEW" EOOD, Sofia	5	100.00
"VITOSHA VIEW" EOOD, Sofia	500	100.00
STRABAG EAD, Sofia	13,313	100.00

Chile	Nominal capital TCLP	Direct stake %
Strabag SpA, Santiago de Chile	500,000	100.00
Züblin Chuquicamata SpA, Santiago de Chile	945,862	100.00
Züblin International GmbH Chile SpA, Santiago de Chile	7,909,484	100.00

China	Nominal capital TCNY	Direct stake %
Shanghai Changjiang-Züblin Construction&Engineering Co.Ltd., Shanghai	29,312	75.00

Denmark	Nominal capital TDKK	Direct stake %
Züblin A/S, Trige	1,000	100.00
KMG - KLIPLEV MOTORWAY GROUP A/S, Copenhagen	500	100.00

India	Nominal capital TINR	Direct stake %
EFKON INDIA Pvt. Ltd., Mumbai	50,000	100.00

Italy	Nominal capital T€	Direct stake %
STRABAG S.p.A., Bologna	10,000	100.00

Canada	Nominal capital TCAD	Direct stake %
Strabag Inc., Toronto	7,500	100.00
Züblin Inc., Saint John/NewBrunswick	100	100.00

Colombia	Nominal capital TCOP	Direct stake %
STRABAG S.A.S., Bogotá, D.C.	4,829,402	100.00

Croatia	Nominal capital THRK	Direct stake %
CESTAR d.o.o., Gornja Vrba	1,100	100.00[1]
MINERAL IGM d.o.o., Zapuzane	10,701	100.00
Pomgrad Inzenjering d.o.o., Split	25,534	100.00
PZC SPLIT d.d., Split	18,810	97.34[2]
STRABAG BRVZ d.o.o., Zagreb	20	100.00
STRABAG d.o.o., Zagreb	48,230	100.00
TPA odrzavanje kvaliteta i inovacija d.o.o., Zagreb	20	100.00

Latvia	Nominal capital T€	Direct stake %
STRABAG SIA, Milzkalne	1,423	100.00

Malaysia	Nominal capital TMYR	Direct stake %
ZUBLIN PRECAST INDUSTRIES SDN. BHD., Johor	500	100.00

Moldavia	Nominal capital TMDL	Direct stake %
I.C.S. "STRABAG" S.R.L., Chisinau	279,630	100.00

Montenegro	Nominal capital T€	Direct stake %
"Crnagoraput" AD, Podgorica, Podgorica	9,779	95.32
"Strabag" d.o.o. Podgorica, Podgorica	50	100.00

The Netherlands	Nominal capital T€	Direct stake %
STRABAG B.V., Vlaardingen	450	100.00
Züblin Nederland B.V., Vlaardingen	500	100.00

Oman	Nominal capital TOMR	Direct stake %
STRABAG OMAN L.L.C., Muscat	1,000	100.00

1 Direct stake amounted to 74.90 % as at 31.12.2016.
2 Direct stake amounted to 97.20 % as at 31.12.2016.

Poland	Nominal capital TPLN	Direct stake %
BHG Sp. z o.o., Pruszkow	500	100.00
BHK KRAKÓW JOINT VENTURE Sp. z o.o., Warsaw	58	100.00
BITUNOVA Sp. z o.o., Warsaw	2,700	100.00
BMTI Sp. z o.o., Pruszkow	2,000	100.00
EVOLUTION GAMMA Sp. z o.o., Warsaw	50	100.00
EVOLUTION ONE Sp. z o.o., Warsaw	50	100.00
EVOLUTION THREE Sp. z o.o., Warsaw	50	100.00
EVOLUTION TWO Sp. z o.o., Warsaw	50	100.00
Mineral Polska Sp. z o.o., Czarny Bor	19,056	100.00
POLSKI ASFALT Sp. z o.o., Cracow	1,000	100.00
SAT Sp. z o.o., Olawa	4,171	100.00
STRABAG BRVZ Sp. z o.o., Pruszkow	500	100.00
STRABAG INFRASTRUKTURA POLUDNIE Sp. z o.o., Wroclaw	16,140	100.00
STRABAG Sp. z o.o., Pruszkow	73,328	100.00
TPA Sp. z o.o., Pruszkow	600	100.00
Züblin Sp. z o.o., Pruszkow	7,765	100.00

Romania	Nominal capital TRON	Direct stake %
ANTREPRIZA DE REPARATII SI LUCRARI A R L CLUJ SA, Cluj-Napoca	64,974	98.59
BITUNOVA Romania SRL, Bucharest	16	100.00
MINERAL ROM SRL, Brasov	10,845	100.00
STRABAG BRVZ S.R.L., Bucharest	278	100.00
STRABAG SRL, Bucharest	43,519	100.00
TPA SOCIETATE PENTRU ASIGURAREA CALITATII SI INOVATII SRL, Bucharest	0	100.00
ZUBLIN ROMANIA SRL, Bucharest	4,580	100.00

Russia	Nominal capital TRUB	Direct stake %
OOO "RANITA", Moscow	10	100.00
SAO BRVZ Ltd, Moscow	313	100.00
ZAO "Strabag", Moscow	14,926	100.00

Saudi Arabia	Nominal capital TSAR	Direct stake %
Dywidag Saudi Arabia Co. Ltd., Jubail	10,000	100.00

Sweden	Nominal capital TSEK	Direct stake %
Nimab Entreprenad AB, Sjöbo	501	100.00
STRABAG AB, Stockholm	50	100.00
STRABAG BRVZ AB, Kumla	100	100.00
STRABAG Projektutveckling AB, Stockholm	1,000	100.00
STRABAG Rail AB, Kumla	500	100.00
STRABAG Sverige AB, Stockholm	15,975	100.00
Züblin Scandinavia AB, Stockholm	100	100.00

Switzerland	Nominal capital TCHF	Direct stake %
STRABAG AG, Schlieren	8,000	100.00
STRABAG BMTI GmbH, Erstfeld	20	100.00
STRABAG BRVZ AG, Erstfeld	100	100.00

Serbia	Nominal capital TRSD	Direct stake %
PUTEVI CACAK DOO, Cacak	122,638	100.00[1]
STRABAG d.o.o., Novi Beograd	1,306,748	100.00
TPA za obezbedenje kvaliteta i inovacije d.o.o. Beograd, Novi Beograd	32,550	100.00
VOJVODINAPUT-PANCEVO DOO, Pancevo	108,011	100.00

Slovakia	Nominal capital T€	Direct stake %
BITUNOVA spol. s r.o., Zvolen	1,195	100.00
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o., Bratislava-Ruzinov	7	100.00
Hotel AVION Management s.r.o., Bratislava	5	100.00
Hotel AVION s.r.o., Bratislava	7	100.00

1 Direct stake amounted to 89,89 % as at 31.12.2016.

KSR - Kamenolomy SR, s.r.o., Zvolen	25	100.00
STRABAG BRVZ s.r.o., Bratislava	33	100.00
STRABAG Pozemne a inzinierske stavitel'stvo s. r. o., Bratislava	133	100.00
STRABAG s.r.o., Bratislava	66	100.00
TPA Spolocnost pre zabezpecenie kvality a inovacie s.r.o., Bratislava	7	100.00
Viedenska brana s.r.o., Bratislava	25	100.00

Slovenia	**Nominal capital T€**	**Direct stake %**
DRP, d.o.o., Ljubljana	9	100.00
STRABAG BRVZ d.o.o., Ljubljana	9	100.00
STRABAG gradbene storitve d.o.o., Ljubljana	500	100.00

South Africa	**Nominal capital T€**	**Direct stake %**
EFKON SOUTH AFRICA (PTY) LTD, Pretoria	166	100.00

Thailand	**Nominal capital THB**	**Direct stake %**
STRABAG Industries (Thailand) Co.,Ltd., Bangkok	180,000	100.00

Czech Republic	**Nominal capital TCZK**	**Direct stake %**
BHG CZ s.r.o., Ceske Budejovice	200	100.00
BITUNOVA spol. s r.o., Jihlava	2,000	100.00
BOHEMIA ASFALT, s.r.o., Sobeslav	10,000	100.00
FRISCHBETON s.r.o., Prague	20,600	100.00
KAMENOLOMY CR s.r.o., Ostrava	106,200	100.00
Na Belidle s.r.o., Prague	100	100.00
SAT s.r.o., Prague	1,000	100.00
STRABAG a.s., Prague	1,119,600	100.00
STRABAG BMTI s.r.o., Brno	100	100.00
STRABAG BRVZ s.r.o., Prague	1,000	100.00
STRABAG Property and Facility Services a.s., Prague	46,800	100.00
STRABAG Rail a.s., Usti nad Labem	180,000	100.00
TPA CR, s.r.o., Ceske Budejovice	1,000	100.00
ZÜBLIN stavebni spol. s r.o., Prague	100,000	100.00

Ukraine	**Nominal capital TUAH**	**Direct stake %**
Chustskij Karier, Zakarpatska	3,279	95.96
Zezelivskij karier TOW, Zezelev	13,130	99.36

Hungary		**Nominal capital THUF/T€**	**Direct stake %**
AKA Zrt., Budapest	T€	96,000	100.00
AMFI HOLDING Kft., Budapest	T€	800	100.00
ASIA Center Kft., Budapest		1,830,080	100.00
Bitunova Kft., Budapest		50,000	100.00
EXP HOLDING Kft., Budapest	T€	4,556	100.00[1]
Expert Kerepesi Kft., Budapest	T€	11	100.00
First-Immo Hungary Kft., Budapest		100,000	100.00
Frissbeton Kft., Budapest		100,000	100.00
Generál Mély- és Magasépitö Zrt., Budapest		1,000,000	100.00
KAFEX Kft., Budapest	T€	464	100.00
KFX Holding Kft., Budapest	T€	10,511	100.00[1]
KÖKA Kft., Budapest		761,680	100.00
OAT Kft., Budapest		25,000	100.00
ÓBUDA-APARTMAN Kft., Budapest	T€	279	100.00
RE project development Kft., Budapest		3,000	100.00
STRABAG Általános Építö Kft., Budapest		1,000,000	100.00
STRABAG BMTI Kft., Budapest		2,000,000	100.00
STRABAG BRVZ Kft., Budapest		1,545,000	100.00
STRABAG Épitö Kft., Budapest		352,000	100.00
STRABAG Épitöipari Zrt., Budapest		20,000	100.00
STRABAG Generálépitö Kft., Budapest		3,000	100.00

1 The presentation of interest is done using the economic approach, the interest as defined by civil law may deviate from this presentation.

STRABAG Property and Facility Services Zrt., Budapest	20,000	51.00
STRABAG Rail Kft., Budapest	189,120	100.00
STRABAG Vasútépítö Kft., Budapest	3,000	100.00
STRABAG-MML Kft., Budapest	510,000	100.00
TPA HU Kft., Budapest	113,000	100.00
Treuhandbeteiligung H	10,000	100.00[1]
Züblin Kft., Budapest	3,000	100.00

United Arab Emirates	**Nominal capital TAED**	**Direct stake %**
STRABAG ABU DHABI LLC, Abu Dhabi	150	100.00
Züblin Construction L.L.C., Abu Dhabi	150	100.00
Züblin Ground and Civil Engineering LLC, Dubai	1,000	100.00

Cyprus	**Nominal capital T€**	**Direct stake %**
BONDENO INVESTMENTS LTD, Limassol	55	100.00
IVERUS ENTERPRISES LTD, Limassol	2	100.00

The following list shows the associates included in the consolidated financial statements:

Austria	**Nominal capital T€**	**Direct stake %**
Lafarge Cement CE Holding GmbH, Vienna	50	30.00

Germany		**Nominal capital T€/TDEM**	**Direct stake %**
AMB Asphaltmischwerke Bodensee GmbH & Co KG, Singen (Hohentwiel)		767	50.00
AMH Asphaltmischwerk Hauneck GmbH & Co. KG, Hauneck		500	50.00
Bayerische Asphaltmischwerke GmbH & Co.KG für Straßenbaustoffe, Hofolding		12,300	48.33
Bodensee - Moränekies Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft Tettnang, Tettnang	TDEM	300	33.33
Kieswerk Rheinbach GmbH & Co. KG, Rheinbach		256	50.00
Kieswerke Schray GmbH & Co. KG, Steißlingen		2,045	50.00
Messe City Cologne GmbH & Co. KG, Hamburg		100	50.00
MesseCity Cologne Generalübernehmer GmbH & Co. KG, Oststeinbek		25	50.00
Natursteinwerke im Nordschwarzwald NSN GmbH & Co. KG, Mühlacker		3,100	25.00
PANSUEVIA GmbH & Co. KG, Jettingen-Scheppach		1,000	50.00
PANSUEVIA Service GmbH & Co. KG, Jettingen-Scheppach		50	50.00
SeniVita Social Estate AG, Bayreuth		10,000	46.00
Steinbruch Spittergrund GmbH, Erfurt		80	50.00
Thüringer Straßenwartungs- und Instandhaltungsgesellschaft mbH & Co. KG, Apfelstädt		2,582	50.00

Ireland	**Nominal capital T€**	**Direct stake %**
DIRECTROUTE (LIMERICK) HOLDINGS LIMITED, Fermoy	50	20.00

Croatia	**Nominal capital THRK**	**Direct stake %**
Autocesta Zagreb-Macelj d.o.o., Zagreb	88,440	51.00[2]

The Netherlands	**Nominal capital T€**	**Direct stake %**
A-Lanes A15 Holding B.V., Nieuwegein	18	24.00

Qatar	**Nominal capital TQAR**	**Direct stake %**
Strabag Qatar W.L.L., Doha	200	49.00
Züblin International Qatar LLC, Doha	200	49.00

Romania	**Nominal capital TRON**	**Direct stake %**
SOCIETATEA COMPANIILOR HOTELIERE GRAND SRL, Bucharest	41,779	35.32

Hungary	**Nominal capital T€**	**Direct stake %**
MAK Mecsek Autopalya Koncesszios Zrt., Budapest	64,200	50.00

1 The presentation of interest is done using the economic approach, the interest as defined by civil law may deviate from this presentation.
2 There are deviating contractual provisions concerning this joint venture.

Accounting policies

INTANGIBLE ASSETS

Acquired intangible assets are recognised at their initial costs less depreciation and impairment if applicable.

Development costs for an internally generated intangible asset are capitalised if the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for internal use or sale and if it can demonstrate the intent to complete the intangible asset and use or sell it. The group must also demonstrate that the intangible asset will generate probable future economic benefits, that it has adequate resources to complete the asset and that it is able to reliably measure the expenditure attributable to the asset during its development. The construction costs for these assets comprise all construction costs directly attributable to the construction process as well as production-related overheads. Borrowing costs are capitalised for qualified assets. Research costs which do not fulfil these criteria are recognised as an expense in the period in which they are incurred. Costs that have already been recognised as an expense are not capitalised in a subsequent period.

The subsequent measurement of intangible assets with definite useful lives is performed at cost less accumulated depreciation and impairment losses. Within the group, there are no intangible assets with indefinite useful lives.

The following useful lives were assumed for intangible assets using the straight-line method:

Intangible assets	**Useful life in years**
Property rights/utilisation rights/other rights	3–50
Software	2–5
Patents, licences	3–10

GOODWILL

Goodwill from a business combination is initially measured at cost. This is calculated as the excess of the consideration transferred over the identifiable assets acquired and liabilities assumed. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised, rather, it is subjected to an annual impairment test in accordance with IAS 36. The group conducts its annual test for goodwill impairment at year's end. Testing is also performed if events or circumstances indicate that the figure could be impaired. For the purpose of the impairment test, goodwill is assigned to one or more of the group's cash-generating units that should benefit from the synergy effects of the combination. The recoverability of goodwill is determined by comparing the carrying amount of the respective cash-generating unit (CGU) or units with the recoverable amount. If the goodwill is impaired, an impairment loss is recognised. The possibility of a write-back once the reasons for the impairment no longer apply is not foreseen for goodwill.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially recognised at cost. STRABAG performs subsequent measurements using the cost model – cost less accumulated depreciation and impairment losses. If the reasons for a previously recognised impairment loss no longer apply, these assets are written back through profit or loss. The amount may not exceed the carrying amount that would have resulted if no impairment loss had been recognised in the previous periods.

Subsequent acquisition costs are capitalised if it is probable that future economic benefits will flow to the group and if the costs can be reliably determined. Repair and maintenance costs which do not constitute significant maintenance expenditures are recognised as expenses in the period in which they are incurred.

Depreciable property, plant and equipment is depreciated using the straight-line method over the expected useful life. If there is an indication that an asset may be impaired and if the present values of the future cash inflow surpluses are below the carrying amounts, the amount is revalued to the lower recoverable amount in accordance with IAS 36.

The following useful lives were assumed for property, plant and equipment:

Property, plant and equipment	Useful life in years
Buildings	10–50
Investments in third-party buildings	5–40
Machinery	3–15
Office equipment/furniture and fixtures	3–10
Vehicles	4–8

INVESTMENT PROPERTY

Investment property is property held to earn rentals or for the purpose of capital gains. Investment property is initially measured at cost. STRABAG uses the cost model for subsequent measurements, i.e. the measurement is performed at cost less accumulated depreciation and impairment losses. If the present values of the future cash inflow surpluses are below the carrying amounts, the amount is revalued to the lower recoverable amount in accordance with IAS 36. The recoverable amount of this investment property is disclosed separately. The fair value is determined using recognised methods such as derivation from the current market price of comparable properties or the discounted cash flow method.

The useful life of investment property varies between ten and 35 years. Investment property is depreciated using the straight-line method.

LEASES

Finance leases

Leased assets are capitalised where STRABAG is the lessee and bears all the substantial risks and rewards associated with the asset in accordance with the criteria of IAS 17. The lease is capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments. The asset is depreciated over the shorter of the lease term or the economic life of the asset. The depreciation method used is the same as for comparable acquired or internally generated assets.

Payment obligations resulting from future lease payments are recognised as a liability. In this case, the present value of the minimum lease payment is to be used. In subsequent years, lease payments are apportioned between an interest component and a repayment component so that the lease liability has a constant rate of return. The interest component is recognised in profit or loss.

Operating leases

Both expenses as well as income from operating leases are recognised in the income statement using the straight-line method over the term of the respective lease.

GOVERNMENT GRANTS

Government subsidies and investment grants are offset against the cost of the assets and amortised in proportion to their useful lives. A government grant is recognised when there is reasonable assurance that the grant will be received and the group complies with the necessary conditions for receiving the grant.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are recognised as part of the cost of that asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to depreciation or amortisation, as well as associates, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may no longer be recoverable. Assets that have an indefinite useful life, such as goodwill or intangible assets not yet available for use, are tested for impairment annually as such assets are not subject to depreciation or amortisation.

To identify the need for impairment, the recoverable amount is determined. The recoverable amount is the higher of fair value of the asset less costs to sell and value in use. If it is not possible to determine the recoverable amount for an individual asset, then the recoverable amount is determined for the smallest identifiable group of assets (cash-generating unit) to which the asset in question can be assigned.

Considering that, as a rule, market prices are not available for individual units, the present value of net cash inflows is used to determine the fair value less costs to sell. The forecast of the cash flows is based on STRABAG's latest planning, with a planning horizon of at least four years. The last detailed planning year forms the basis for calculating the perpetuity if applicable legislation and legal requirements do not limit the usability of the cash-generating unit to a shorter period of time.

For the purpose of determining the fair value less costs to sell, the cash-generating unit is measured from the viewpoint of an independent market participant. In calculating the value in use of an asset, on the other hand, the cash flows are considered on the basis of the previous use. For the net cash inflows beyond the detailed planning period, individual growth rates derived from market information are determined on the basis of long-term business expectations in both methods of calculation.

Net cash inflows are discounted at the cost of capital, which is calculated as the weighted average cost of equity and debt. Consideration is given to the different yield and risk profiles of STRABAG's various areas of expertise by determining the individual costs of capital using comparison companies. The cost of equity corresponds to the required rate of return for investors, while the cost of debt is based on the long-term financing conditions available to comparison companies. Both components are derived from capital market information.

The following table shows the parameters growth rate and cost of capital for the impairment tests:

%	2017	2016
Growth rate	0.0–0.5	0.0–0.5
Cost of capital (after taxes)	5.5–7.2	5.6–7.1
Cost of capital (before taxes)	7.8–8.9	7.8–8.6

The Management Board has calculated the budgeted gross margin based on past developments and on expectations for future market development.

If the recoverable amount of an asset is lower than the carrying amount, the impairment is recognised immediately in profit or loss. In the case of impairment losses related to cash-generating units which contain goodwill, existing goodwill is initially reduced. If the impairment exceeds the carrying amount of the goodwill, the difference is generally apportioned proportionally over the remaining non-current assets of the cash-generating unit.

With the exception of goodwill, non-financial assets for which an impairment loss was charged in the past are reviewed at every balance sheet date to determine whether the impairment loss should be reversed.

FINANCIAL ASSETS

Financial assets are recognised in the consolidated balance sheet if STRABAG has a contractual right to receive cash or other financial assets from another party. Regular way purchases and sales of financial assets are recognised using settlement date accounting.

A financial asset is initially recognised at fair value including transaction costs. Transaction costs incurred on the acquisition of financial assets measured at fair value through profit or loss are recognised in the income statement immediately. Receivables bearing no interest or interest below the market rate are initially recognised at the present value of the expected future cash flows.

For purposes of subsequent measurement, financial assets are classified in one of the following categories in accordance with IAS 39, with each category having its own measurement requirements. The classification is determined at initial recognition:

- Financial assets at fair value through profit or loss

  At STRABAG, financial assets measured at fair value through profit or loss comprise financial assets held for trading. A financial asset is classified in this category if it was acquired for the purpose of selling in the short term. Derivatives also belong to this category if they are not designated as hedging instruments. Assets in this category are classified as current assets if recovery is expected within twelve months. All other assets are classified as non-current. Changes in the value of financial assets measured at fair value through profit or loss are recognised in profit or loss.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are considered current assets if they do not mature more than twelve months after the balance sheet date respectively during the normal business cycle. If they do, they are classified as non-current assets. Loans and receivables are measured at amortised cost calculated using the effective interest method.

  Service concession arrangements which provide an absolute contractual right to receive payment are shown separately. All receivables from concession arrangements are accounted for under the special balance sheet item receivables from concession arrangements. The receivables are carried at the present value of the payment to be made. The accumulation amount calculated annually using the effective interest method is recognised in other operating income, where it is balanced with the interest expense from related non-recourse financing.

  The hedging transactions embedded in the concession arrangements are carried at fair value and shown in the item receivables from concession arrangements.

  Trade receivables and other receivables are evaluated at their nominal value less impairment for realisable individual risks. Graduated impairment is formed according to risk groups in order to take general loan risks on customer receivables into consideration. Specific cases of default result in the derecognition of the receivables in question.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivative financial assets which were either classified in this category or which were not classified in any of the other categories presented here. Fair value changes on available-for-sale financial assets are recognised in other income. If assets in this category are sold or if they are subject to impairment, then the cumulative changes in fair value that were previously recognised in equity are recognised in profit or loss in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, and whenever there are indications of impairment, the carrying amounts of financial assets that are not measured at fair value through profit or loss are tested for their recoverability (impairment test). If there is an objective indication of impairment, an impairment loss is recognised in profit or loss in other operating expense or in net income from investments. Impairment losses are reversed if objective facts arise after the balance sheet date which speak for a reversal. The value increase of financial instruments measured at amortised cost may not exceed what the amortised cost would have been if the impairment had not been recognised. For equity instruments measured at cost, an increase in subsequent financial statements is not allowed.

Within the group, impairment losses are recognised if the debtor has considerable financial difficulties; if there is a high probability that insolvency proceedings will be commenced against him; if the issuer's technological, economic, legal and market environment changes substantially; or if the fair value of a financial instrument continually falls below the amortised cost.

DERECOGNITION OF A FINANCIAL ASSET

Financial assets are derecognised when the contractual rights to receive payment from the financial assets no longer exist or if the financial assets are transferred along with all substantial risks and rewards.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivative financial instruments are employed exclusively to mitigate risks arising from movements in currency exchange rates and interest rates. The utilisation of financial derivatives is subject to internal guidelines and controls.

Derivative financial instruments are initially recognised at cost at the date the contract is entered into. In subsequent periods, derivative financial instruments are carried at fair value. Unrealised gains or losses on the measurement are recognised in the income statement if the conditions for hedge accounting directly in equity under IAS 39 are not met. Derivative financial instruments are stated under other financial assets or other financial liabilities.

Derivative financial instruments are measured on the basis of observable market data (interest and exchange rates) and non-observable market data (the competition's credit rating) or stock market prices, if available. If it is not possible to use stock market prices, the fair value is determined using generally accepted methods of mathematical finance.

On application of the hedge accounting requirements, the group designates derivative financial instruments either as:

- hedge of the exposure to changes in the fair value of a recognised asset or liability (fair value hedge), or as

- hedge of the exposure to variability in cash flows (cash flow hedge).

In accounting for fair value hedges, both the derivative hedging instrument and the hedged item attributable to hedged risk are accounted for at fair value through profit or loss.

If, however, a derivative financial instrument is used as a hedging instrument in a cash flow hedge, the unrealised gains or losses from the hedging instrument are initially accounted for under other income. They are reclassified to profit or loss when the hedged item affects profit or loss. Any changes resulting from the ineffectiveness of these financial instruments are recognised immediately in profit or loss in the income statement.

On concluding a transaction, the group documents the hedging relationship between the hedging instrument and the hedged item, the aim of its risk management as well as the underlying strategy for hedging transactions. An assessment is made at the beginning of a hedging relationship, with documentation provided continually thereafter, of whether the derivatives used in the hedge are effective or not in compensating the changes in fair value or cash flow of the hedged item.

The critical term match method is used to determine the prospective hedge effectiveness. The retrospective effectiveness is determined using the dollar offset method.

CURRENT AND DEFERRED INCOME TAXES

The income tax payables and receivables contain mainly rights and obligations with regard to domestic and foreign income taxes. These comprise the current year as well as possible rights and obligations from previous years. The receivables/payables are calculated on the basis of the tax regulations in the respective countries.

Deferred taxes are measured using the balance sheet liability method for all temporary differences between the valuation of the balance sheet items in the IFRS financial statements and the existing tax value at the individual companies. Furthermore, any realisable tax advantage from existing losses carried forward will be included in the calculation. Exceptions to this comprehensive tax deferral are balances from non-tax-deductible goodwill.

Deferred tax assets may only be recognised if the associated tax advantage is likely to be realisable. The calculation of the tax deferral is based on the usual income tax rate in the respective country at the point of the predicted reversal.

Recognition is made of deferred tax liabilities arising from temporary differences in relation to investments in subsidiaries and associates unless the timing of the reversal of the temporary differences in the group can be determined and the temporary differences are unlikely to reverse in response to this influence in the foreseeable future.

INVENTORIES

Inventory costs include cost of purchase and production and are required to be stated at the lower of cost and net realisable value.

Production costs include all direct costs as well as appropriate parts of overhead arising in the production. Distribution costs, as well as costs for general administration, are not included in the production costs. Borrowing costs related to production are recognised for inventories which are to be classified as qualifying assets.

CONSTRUCTION CONTRACTS

The results from construction contracts are realised using the percentage of completion method under IAS 11. Determination of the stage of completion is made on the basis of the actual output volume attained by the balance sheet date.

If the results from a contract can be reliably determined and the contract is likely to be profitable, then the contract revenue is recognised in proportion to the stage of completion over the duration of the contract. If the total contract cost is likely to exceed the total contract revenue, then the expected loss is recognised immediately in full as an expense. Presentation is made as an impairment loss on receivables relating to construction contracts or as a provision if the impending loss that is expected exceeds the receivables from construction contracts from the specific project.

If, due to uncertainties in the construction schedule, the future results cannot be reliably determined, the construction contract is recognised at contract cost.

If the costs incurred plus recognised profits exceed the payments received for it, then this is shown on the assets side under receivables from construction contracts. Vice versa, this is reported on the liabilities side under liabilities from construction contracts.

The results, in the case of construction contracts which are carried out in consortia, are realised according to the percentage of completion method in accordance with the degree of completion as at the balance sheet date. Impending losses arising from further construction work are accounted for by means of appropriate depreciation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all liquid assets which at the date of acquisition or investment have a remaining term of less than three months. Cash and cash equivalents are measured at amortised cost.

PROVISIONS

The following defined benefit plans for which provisions must be recognised exist within the group.

The company's obligation relating to defined benefit plans consists in fulfilling the promised benefits to current and former employees.

Defined contribution plans in the form of financing through third-party support funds exist for employees of Austrian subsidiaries whose employment began after 1 January 2003. The defined benefit obligations are funded by the regular payment of contributions into the employee provident fund.

PROVISIONS FOR SEVERANCE PAYMENTS

The group is legally required to provide a one-off severance payment to employees of Austrian subsidiaries in the case of termination or at the date of retirement if their employment began before 1 January 2003. The level of this payment depends on the number of years at the company and amount due at the date of severance and comes to between two and twelve monthly salaries. A provision is made for this obligation.

Additionally, the severance payment rights in other countries in the case of termination or retirement amount from one to three monthly salaries. Due to the relatively insignificant amounts involved, provisions for severance payments arising from these obligations are determined using financial mathematical methods.

PENSION PROVISIONS

The provisions for pensions are formed for obligations from the right to future pension payments and current payments to present and past employees and their dependents. The group's pension promises in **Germany and Austria** exist on the basis of individual contracts or internal labour-management agreements. The obligations are based on a number of different pension arrangements. The number of different employee benefit plans is the result of the group's enterprise acquisitions over the past few years in Germany. New agreements are not concluded within the group.

As a rule, the pension promises foresee the granting of monthly old age, invalidity and survivors' benefits. With some promises, the pension arrangement foresees benefits to be paid in the form of a capital payment.

The benefit plans exist in various designs. The range of plan structures includes specified benefit systems (e.g. specified amount per year of employment), dynamic systems (e.g. % per year of employment) and benefit promises (e.g. specified promise). Plans also exist with or without survivors' benefits.

In **Switzerland**, the legal regulations governing pension plans require payments to be made into pension foundations. One half of the contributions are made by the employer, the other half by the employee. The employee contributions depend on the years of service and are treated as reduction of the service cost. At retirement, the employees can choose to receive either a one-off severance payment or regular monthly pension payments.

As restructuring contributions are required if the pension foundation has insufficient funds for coverage, the promises are categorised as defined benefit plan in accordance with IAS 19.

Within the STRABAG Group, the obligations of the pension funds are reinsured.

MEASUREMENT OF SEVERANCE AND PENSION PROVISIONS

The group's obligations relating to defined benefit plans are determined separately for each plan using actuarial principles in accordance with the projected unit credit method. The projected unit credit method is used to determine the discounted pension entitlements acquired up to the end of the accounting period. The existing plan assets at their fair value are subtracted from the defined benefit obligations. This yields the defined benefit liability (asset) to be recognised.

Determination of the net defined benefit liability at the end of the reporting year is based on an actuarial report from a certified actuarial analyst.

The rate used to discount severance and pension provisions is determined on the basis of market yields at the end of the respective reporting period on high-quality fixed-interest industrial bonds with a comparable term.

The assumptions relating to discounting, pay rises and fluctuation that are used to calculate the severance and pension provisions vary in proportion to the economic situation of each specific country. Life expectancy is calculated according to the respective country's mortality tables.

Actuarial gains and losses are recognised in equity outside profit or loss. The service cost is stated in employee benefits expense, while the interest component of the allocation to the provision is reported in the net interest income.

If the present value of a defined benefit obligation changes in response to plan amendments, the resulting effects are recognised in profit or loss as past service cost in the year of the amendment. Any income resulting from a settlement is also recognised directly in the income statement.

The company is exposed to various risks in relation to the defined contribution severance and pension plans. Besides the general actuarial risks such as the longevity risk and the interest rate risk, the group is also exposed to currency risk as well as to capital market risk or investment risk.

More information concerning the risks is available in the sensitivity analysis under item 21.

OTHER PROVISIONS

The other provisions take into consideration all realisable risks and uncertain obligations. They are recognised at the respective amount which, according to commercial judgement, is necessary at the balance sheet date to cover future payment obligations of the group. Hereby the respective amount which arises as the most probable on careful examination of the facts is recognised.

Long-term provisions are, as far as they are not immaterial, entered into the accounts at their discounted discharge amount as at the balance sheet date. The discharge amount also includes the cost increases to be considered on the reporting date. Provisions which arise from the obligation to recultivate gravel sites are allocated according to the rate of utilisation.

NON-FINANCIAL LIABILITIES

Non-financial liabilities reported under other liabilities are carried at the repayment amount. The overpaid amounts from construction contracts are qualified as non-financial liabilities.

FINANCIAL LIABILITIES

Financial liabilities comprise original liabilities and the negative fair values of derivative financial instruments.

Original liabilities are recognised in the consolidated balance sheet if STRABAG has a contractual obligation to transfer cash or other financial assets to another party. Original liabilities are initially recognised at fair value. Any premiums, discounts or other differences between the cash inflow and the repayment amount are distributed over the financing term using the effective interest rate method and stated on an accruals basis in interest expense.

Financial liabilities are derecognised if the contractual obligations are discharged, cancelled or have expired. Costs related to the issue of corporate bonds are offset over the term using the effective interest rate method.

CONTINGENT LIABILITIES

Contingent liabilities are present or possible future obligations for which an outflow of resources is not probable. They are – as long as IFRS 3 does not require recognition on acquisition – not reflected in the balance sheet.

REVENUE RECOGNITION

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services in the ordinary course of business.

Revenues from the construction contracts are realised according to the percentage of completion method. The output volume actually attained at the balance sheet date serves as a benchmark for the degree of completion.

Revenues from the sale of proprietary projects, from trade to and services for consortia, from property and facility services, from other services and from the sale of construction materials are realised with the transfer of power to dispose and the related opportunities and risks and/or with the rendering of the services.

Supplementary claims in relation with construction contracts involve services which, based on the existing contractual agreements, cannot be invoiced until their invoicing potential or recognition is agreed with the client. While the costs are recognised in profit or loss immediately when they arise, revenue from supplementary claims is recognised generally after receipt of written recognition from the client or, in the event that payment is received before the written recognition, with the payment itself.

Revenue that is to be seen as purely transitory due to consortial structures, as well as its corresponding expense, is not recognised.

Other income, such as rental income or expenses passed through, is stated on the basis of the amount accrued in accordance with the respective agreements.

Dividends and the share of profits from investments are recognised if a legal right to payment exists.

Interest income is recognised as it accrues using the effective interest rate method.

ESTIMATES

Estimates and assumptions which refer to the amount and recognition of the assets and liabilities accounted, the income and expenditure as well as the statement of contingent liabilities are necessary for the preparation of the consolidated financial statements according to IFRS.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Recoverability of goodwill

The group conducts an annual test to determine whether its goodwill is impaired in accordance with the accounting policies described in the Notes under Impairment of non-financial assets. The recoverable amount of the CGUs was determined using fair value less costs of disposal. These calculations are based on assumptions about the expected business development and the recoverable margin. Estimates about the expected business development are based on the facts and circumstances prevailing at the time of preparation of the consolidated financial statements as well as on realistic assumptions about the future development of the global and industry-specific environment. In response to changes in these underlying conditions which deviate from the assumptions and are beyond the Management Board’s control, actual values may deviate from the estimated values.

All other things remaining equal, an annual 5 % decrease of the free cash flow used to calculate the recoverable amount would result in an impairment loss of T€ -1,607 (2016: T€ -3,136) while an isolated increase of the cost of capital by one percentage point would lead to an impairment of T€ -4,588 (2016: T€ -8,897). These two effects together would trigger an impairment loss of T€ -7,367 (2016: T€ -12,156).

(b) Recognition of revenue from construction contracts

Revenue from construction contracts is recognised using the percentage of completion method. The group estimates the actual output concluded by the balance sheet date as a percentage of the total volume of the order as well as the remaining contract cost to be incurred. If the contract cost exceeds the total contract revenue, then the expected loss is recognised as an expense. Technically complex and demanding projects, in particular, involve the risk that the estimate of the total cost deviates considerably from the actual cost incurred.

Of importance for the 2017 financial year was the project assessment of the tunnelling and civil engineering works for the Alto Maipo hydropower complex in Chile. The contract has a value of € 726.22 million, of which € 436.06 million have already been performed. Due to the difficult technical circumstances, financial provisions had already been made in the 2016 financial year for the remainder of the project development. In 2017, additional provisions had an extensive negative impact on earnings. Negotiations with the client over necessary changes to the framework conditions regarding project continuation led to the signing on 20 February 2018 of a construction contract with a considerably greater scope of work. The new contract remains pending, however, subject to the financial close of the client’s bank financing. At the date of preparation of the balance sheet the financial close had not taken place yet. Therefore potential result-improving effects of this contract have not been considered.

(c) Investments in Lafarge Cement CE Holding GmbH

The group holds a 30 % investment in Lafarge Cement CE Holding GmbH. Lafarge operates cement works in Austria, Hungary, the Czech Republic and Slovenia. The carrying amount of the investment amounted to T€ 237,395 on 31 December 2017 (2016: T€ 241,864). The investment was tested for impairment by means of an impairment test.

All other things remaining equal, an annual 5 % decrease of the free cash flow used to calculate the recoverable amount would result in an impairment loss of T€ 0 (2016: T€ 0), while an isolated increase of the cost of capital by one percentage point would lead to an impairment of T€ 0 (2016: T€ -303). These two effects together would trigger an impairment loss of T€ 0 (2016: T€ -12,254).

(d) Income taxes

STRABAG has to calculate the actual income tax expected for each taxable entity and must assess the temporary differences arising from the different treatment of certain balance sheet items in the IFRS consolidated financial statements and the statutory financial statements required for tax purposes. The existence of temporary differences usually results in the recognition of deferred tax assets and liabilities in the consolidated financial statements.

The management must make assessments in the calculation of current and deferred taxes. Deferred tax assets are recognised to the extent that their use is probable. The use of deferred tax assets depends on the possibility of realising sufficient taxable income under the respective tax type and jurisdiction under consideration of any possible legal restrictions regarding the maximum loss carryforward period. A number of different factors is used to assess the probability of the future usability of deferred tax assets, such as the past financial performance, operational planning, loss carryforward periods and tax planning strategies. If the actual results deviate from these estimates, or if these estimates must be adjusted in future periods, this could have a negative impact on the financial position, financial performance and cash flows. In the event of a changed assessment of the recoverability of deferred tax assets, the deferred tax assets which have been recognised are written down in profit or loss or, depending on their original formation, outside profit or loss; impaired deferred tax assets are similarly recognised either in profit or loss or outside profit or loss.

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using suitable valuation techniques selected from among a number of different methods. The assumptions used are mainly based on market conditions existing at the balance sheet date. The group uses present value techniques to determine the fair value of a number of available-for-sale financial assets that are not traded in an active market.

(f) Severance and pension provisions

The present value of the pension obligations depends on a number of different factors based on actuarial assumptions. One of the assumptions used to determine the net expenses or income for pensions is the discount rate. Any change to these assumptions will influence the carrying amount of the pension obligation.

The group determines the appropriate discount rate at the end of every year. The discount rate is the interest rate used to determine the present value of future cash flows required to settle the obligation. For the purpose of determining the discount rate, the group employs the interest rate of highest-grade industrial bonds in the same currency in which the benefits are paid and which have terms to maturity equivalent to those of the pension obligations.

Additional substantial assumptions relating to pension obligations are based in part on market conditions. Further information and sensitivity analyses can be found in item 21.

(g) Other provisions

Other construction-related provisions, in particular, involve the risk that in individual cases the actual costs for warranty obligations or remaining performance obligations will turn out higher than expected. The balance sheet item Other construction-related provisions is composed of several individual projects together, however, as a result of which the risk is reduced to the individual consideration of the projects. The same applies to provisions in connection with litigations.

Notes on the items of the consolidated income statement

(1) REVENUE

The revenue of T€ 13,508,725 (2016: T€ 12,400,465) is attributed in particular to revenue from construction contracts, revenue from own projects, trade to and services for consortia, as well as other services. Revenue from construction contracts including the realised part of profits according to the level of completion of the respective contract (percentage of completion method) amounts to T€ 11,072,857 (2016: T€ 10,413,176), the revenues from property and facility management services amount to T€ 1,051,039 (2016: T€ 1,057,241).

Revenues according to business fields and regions are represented individually in the segment reporting.

Revenue provides only an incomplete picture of the output volume achieved in the financial year. Output volume is a usual concept in the construction industry and at the STRABAG Group comprises the value of the produced goods and services. The total output volume of the group is therefore represented in addition to the revenue to also include the proportional output of joint ventures and associates:

T€	**2017**	**2016**
Germany	6,959,630	6,269,951
Austria	2,333,322	2,098,624
Poland	848,259	773,742
Czech Republic	628,751	630,558
Hungary	551,086	448,123
Slovakia	527,854	461,165
Americas	385,456	348,345
Switzerland	320,320	378,340
Middle East	302,626	266,651
Benelux	294,483	308,928
Rest of Europe	277,148	150,467
Romania	182,814	253,715
Sweden	161,966	179,069
Denmark	159,450	234,388
Russia	143,109	138,862
Croatia	120,043	78,069
Serbia	112,847	89,279
Asia	99,249	131,086
Italy	66,562	81,614
Slovenia	53,100	65,135
Africa	47,641	78,024
Bulgaria	45,169	26,897
Total output volume	**14,620,885**	**13,491,032**

(2) OTHER OPERATING INCOME

Interest income from concession arrangements which is included in other operating income is represented as follows (see also item 18):

T€	**2017**	**2016**
Interest income	60,932	62,218
Interest expense	-24,602	-26,810
Net interest income	**36,330**	**35,408**

In the 2017 financial year other operating income includes the write-back on a receivable in connection with a concession project in Poland in the amount of T€ 52,900.

In addition, other operating income includes insurance compensation and indemnification in the amount of T€ 37,223 (2016: T€ 39,121), and exchange rate gains from currency fluctuations in the amount of T€ 6,312 (2016: T€ 15,620) as well as gains from the disposal of fixed assets without financial assets in the amount of T€ 50,943 (2016: T€ 59,226).

(3) CONSTRUCTION MATERIALS, CONSUMABLES AND SERVICES USED

T€	2017	2016
Construction materials, consumables	2,699,326	2,684,913
Services used	6,140,548	5,295,096
Construction materials, consumables and services used	**8,839,874**	**7,980,009**

Services used are mainly attributed to services of subcontractors and professional craftsmen as well as planning services, machine rentals and third-party repairs.

(4) EMPLOYEE BENEFITS EXPENSE

T€	2017	2016
Wages	1,134,781	1,078,340
Salaries	1,625,662	1,542,468
Social security and related costs	550,693	531,583
Expenses for severance payments and contributions to employee provident fund	20,226	20,932
Expenses for pensions and similar obligations	8,960	11,119
Other social expenditure	26,851	26,469
Employee benefits expense	**3,367,173**	**3,210,911**

The expenses for severance payments and contributions to the employee provident fund and expenses for pensions and similar obligations include the expenses for service costs and indemnity claims resulting from old age part-time claims in the business year. The proportion of interest included in the expenses for severance payments as well as for pensions and similar obligations are recognised in the item net interest income.

Expenses from defined contribution plans amounted to T€ 10,053 (2016: T€ 9,894).

The **average number of employees** with the proportional inclusion of all participation companies is as follows:

Average number of employees	2017	2016
White-collar workers	30,564	28,458
Blue-collar workers	42,340	43,381
Total	**72,904**	**71,839**

(5) OTHER OPERATING EXPENSES

Other operating expenses of T€ 842,790 (2016: T€ 795,854) mainly include general administrative costs, travel and advertising costs, insurance premiums, impairment of receivables, the balance of allocations to and utilisation of provisions, legal and advisory costs, rental and lease costs and losses on the disposal of assets (excluding financial assets). Other taxes amounting to T€ 45,924 (2016: T€ 41,462) are included.

Other operating expenses include losses from exchange rate differences from currency fluctuations in the amount of T€ 30,392 (2016: T€ 5,427).

Spending on research and development arose in various special technical proposals, in connection with concrete competitive projects and in the introduction of building processes and products into the market, and was therefore recognised in full in the income statement.

(6) SHARE OF PROFIT OR LOSS OF EQUITY-ACCOUNTED INVESTMENTS

T€	2017	2016
Income from equity-accounted investments	23,532	50,875
Expenses arising from equity-accounted investments	-2,987	-29,513
Profit from construction consortia	152,560	154,793
Losses from construction consortia	-49,120	-69,977
Share of profit or loss of equity-accounted investments	**123,985**	**106,178**

In the 2016 financial year, the expenses from equity-accounted investments included mainly the Zweite Nordsee-Offshore Holding GmbH, Vienna. The income from equity-accounted investments included a non-operating profit in the amount of T€ 27,811 due to the sale of PARK SERVICE HÜFNER GmbH + Co. KG, Stuttgart, in the 2016 financial year.

(7) NET INCOME FROM INVESTMENTS

T€	2017	2016
Investment income	55,337	53,409
Expenses arising from investments	-35,020	-10,824
Gains on the disposal of investments	1,380	7,360
Impairment and write-up of investments	-4,732	-5,425
Losses on the disposal of investments	-165	-592
Net income from investments	**16,800**	**43,928**

The expenses arising from investments include a provision in the amount of T€ 20,700 for a Dutch subsidiary that is in charge of the maintenance of a motorway project.

(8) DEPRECIATION AND AMORTISATION EXPENSE

Depreciations and impairments are represented in the consolidated statement of fixed assets. In the year under report impairments on intangible assets and on property, plant and equipment to the amount of T€ 10,871 (2016: T€ 41,206) were made. Impairment on goodwill amounts to T€ 1,618 (2016: T€ 4,884). For goodwill impairments we refer to the details under item 12.

(9) NET INTEREST INCOME

T€	2017	2016
Interests and similar income	46,900	73,899
Interests and similar charges	-74,048	-77,680
Net interest income	**-27,148**	**-3,781**

Included in interests and similar charges are interest components from the allocation of severance payment and pension provisions amounting to T€ 9,427 (2016: T€ 13,501) as well as currency losses of T€ 18,114 (2016: T€ 17,910).

Included in interests and similar income are gains from exchange rates amounting to T€ 8,712 (2016: T€ 30,925) and interest components from the plan assets for pension provisions in the amount of T€ 1,032 (2016: T€ 1,935).

(10) INCOME TAX EXPENSE

Income tax includes taxes paid in the individual companies or owed on income, as well as deferred taxes and the payments of additional tax payments resulting from tax audits:

T€	2017	2016
Current taxes	70,086	123,513
Deferred taxes	58,759	15,620
Income tax expense	**128,845**	**139,133**

The following tax components are recognised directly in equity in the statement of comprehensive income:

T€	2017	2016
Change in hedging reserves	-2,541	-9,866
Actuarial gains/losses	252	8,756
Fair value of financial instruments under IAS 39	-91	140
Total	**-2,380**	**-970**

The reasons for the difference between the Austrian corporate income tax rate of 25 % valid in 2017 and the actual consolidated tax rate are as follows:

T€	2017	2016
EBT	**421,209**	**421,129**
Theoretical tax expenditure 25 %	105,302	105,283
Differences to foreign tax rates	-5,726	4,148
Change in tax rates	0	-27,132
Non-tax deductible expenses	10,897	10,422
Tax-free earnings	-15,168	-3,504
Tax effects of results from equity-accounted investments	778	-2,228
Depreciation of goodwill/capital consolidation	-271	6,214
Additional tax payments/tax refund	-17,072	9,641
Change of valuation adjustment on deferred tax assets	53,325	37,573
Others	-3,220	-1,284
Recognised income tax	**128,845**	**139,133**

(11) EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the consolidated profit or loss by the weighted average number of ordinary shares.

As there are no stock options at the STRABAG Group, the diluted earnings per share equal the basic earnings per share.

	2017	2016
Number of ordinary shares	110,000,000	110,000,000
Number of shares bought back	-7,400,000	-7,400,000
Number of shares outstanding as at 31.12.	102,600,000	102,600,000
Profit or loss attributable to equity holders of the parent (consolidated profit/loss) T€	278,913	277,652
Weighted number of shares outstanding during the year	102,600,000	102,600,000
Earnings per share €	**2.72**	**2.71**

Notes on the items in the consolidated balance sheet

(12) INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

The composition of and changes in intangible assets, goodwill, and property, plant and equipment is shown in the consolidated statement of fixed assets.

No borrowing costs were capitalised for property, plant and equipment, or for intangible assets in the year under report.

Notes to goodwill

The goodwill at the balance sheet date is composed as follows:

T€	31.12.2017	31.12.2016
STRABAG Cologne (N+W)	128,838	128,838
STRABAG Cologne (S+O)	61,105	61,105
Czech Republic (S+O)	71,243	67,325
STRABAG Poland (N+W)	62,916	59,588
DIW Group I+S (incl. SPFS Austria, SPFS Czech Republic)	50,938	50,884
Ed. Züblin AG (N+W)	17,057	17,057
Germany N+W (various CGUs)	42,598	44,216
Construction materials I+S (various CGUs)	11,005	10,621
Other	9,612	9,650
Goodwill	**455,312**	**449,284**

The comparison of the carrying amounts with the recoverable amounts of the cash-generating units determined by the annual impairments test showed a need for goodwill impairment of T€ 1,618 (2016: T€ 4,884). This figure is shown under depreciation and amortisation. The recoverable amount of the impaired cash-generating unit amounts to T€ 3,711 (2016: T€ 0).

The impairments in the financial year concern mainly asphalt mixing plants assigned to the segment North + West. The impairments became necessary due to a reduction in the output and earnings estimate for the future. The recoverable amount of this cash-generating unit (CGU) corresponds to its fair value less costs of disposal. The necessary impairment of the CGU exclusively affected the goodwill; impairment was not necessary for other assets of the unit.

The methods of measurement are explained in the section Accounting Policies (Impairment of non-financial assets). The method applied here is a Level 3 measurement.

Regarding the sensitivity analysis of goodwill, we refer to our Notes under Estimates (a) Recoverability of goodwill on page D 84.

The following table presents the key assumptions used in calculating the recoverable amount for significant goodwill. The method used is a discounted cash-flow model based on recognised valuation techniques, with the forecast of the cash flows calculated by the management on the basis of experience. An annual 5 % decrease of the cash flow and a simultaneous increase of the interest rate by one percentage point would not result in any impairment loss of the goodwill mentioned below.

There were no intangible assets with indefinite useful lives allocated to the CGUs listed below.

T€	Carrying amount 31.12.2017	Methodology 31.12.2017	Detailed planning period 31.12.2017	Growth rate 31.12.2017	Discount rate after tax 31.12.2017
STRABAG Cologne (N+W)		FV less cost of disposal (Level 3)	4	0	6.22
	128,838	[2016: FV less cost of disposal (Level 3)]	(2016: 4)	(2016: 0)	(2016: 6.02)
STRABAG Cologne (S+O)		FV less cost of disposal (Level 3)	4	0	6.68
	61,105	[2016: FV less cost of disposal (Level 3)]	(2016: 4)	(2016: 0)	(2016: 6.53)
Czech Republic (S+O)		FV less cost of disposal (Level 3)	4	0	7.04
	71,243	[2016: FV less cost of disposal (Level 3)]	(2016: 4)	(2016: 0)	(2016: 6.93)
STRABAG Poland (N+W)		FV less cost of disposal (Level 3)	4	0	7.20
	62,916	[2016: FV less cost of disposal (Level 3)]	(2016: 4)	(2016: 0)	(2016: 7.10)
DIW Group I+S		FV less cost of disposal (Level 3)	4	0	6.22
(incl. SPFS Czech Republic, Austria)	50,938	[2016: FV less cost of disposal (Level 3)]	(2016: 4)	(2016: 0)	(2016: 6.02)

Regarding the approach and parameters for goodwill impairment, we refer to our Notes under Impairment of non-financial assets.

Capitalised development costs

At the balance sheet date, development costs in the amount of T€ 0 (2016: T€ 0) were capitalised as intangible assets. In the 2017 financial year, development costs in the amount of T€ 8,220 (2016: T€ 8,156) were incurred, of which T€ 0 (2016: T€ 0) were capitalised.

Leasing

Finance leases

In 2017 all finance leases expired or were cancelled.

The carrying amounts from property leasing in the amount of T€ 0 (2016: T€ 6,417) as at the balance sheet date are included in property, plant and equipment assets.

Offset against these are liabilities arising from the present value of leasing obligations amounting to T€ 0 (2016: T€ 5,304).

In 2016, the following payment obligations arose from financial leases in subsequent financial years:

	Present values		Minimum payments	
T€	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Term up to one year	0	370	0	628
Term between one and five years	0	1,705	0	2,514
Term over five years	0	3,229	0	3,614
Total	**0**	**5,304**	**0**	**6,756**

The reconciliation of minimum lease payments with payables relating to finance leases recognised as at 31 December is as follows:

T€	31.12.2017	31.12.2016
Minimum lease payments 31.12.	**0**	**6,756**
Interest	0	-1,452
Finance leases 31.12.	**0**	**5,304**

Operating leases

In addition to the finance leases, there are also operating leases for the utilisation of property, technical equipment and machinery. The expenses from these contracts are recognised in the income statement. The payments made for the financial year 2017 amount to T€ 94,495 (2016: T€ 94,259).

Payment obligations arising from operating lease agreements in subsequent business years are represented as follows:

T€	31.12.2017	31.12.2016
Term up to one year	69,905	67,852
Term between one and five years	111,367	115,524
Term over five years	26,163	29,489
Total	**207,435**	**212,865**

Restrictions on property, plant and equipment/purchase obligations

As at the balance sheet date there were T€ 133,192 (2016: T€ 83,068) in contractual commitments for acquisition of property, plant and equipment which were not considered in the financial statements.

Restrictions exist for non-current assets in the amount of T€ 1,554 (2016: T€ 2,399).

(13) INVESTMENT PROPERTY

The development of investment property is shown separately in the consolidated statement of fixed assets. The fair value of investment property amounts to T€ 6,565 as at 31 December 2017 (2016: T€ 8,279). The fair value was determined using internal valuation reports or by employing the fair value of development land at market prices.

The rental income from investment property in the 2017 financial year amounted to T€ 6,920 (2016: T€ 6,660) and direct operating expenses totalled T€ 6,186 (2016: T€ 6,579). In the financial year, as in the year before, no direct expenses were incurred from unlet investment property. Additionally, gains from asset disposals in the amount of T€ 2,822 (2016: T€ 2,181) and losses from asset disposals in the amount of T€ 0 (2016: T€ 0) were achieved. A write-back in the amount of T€ 0 was made in the financial year 2017 (2016: T€ 0).

The internal valuation reports are to be classified as Level 3 methods of measurements and build on data that are also based on values that cannot be observed in the market.

(14) EQUITY-ACCOUNTED INVESTMENTS

T€	2017	2016
Carrying amount as at 1.1.	**347,605**	**373,419**
Additions in scope of consolidation	0	7,543
Disposals in scope of consolidation	-8,570	-14,000
Acquisitions/contributions	24,665	16,999
Proportional annual results	20,545	-6,449
Received distributions	-34,741	-26,674
Disposals of carrying values	0	-2,189
Proportional other income	1,023	-1,044
Other	-514	0
Carrying amount as at 31.12.	**350,013**	**347,605**

Notes on associates

Lafarge Cement CE Holding GmbH, Vienna, is a significant associate. The group's share of the capital and voting rights amounts to 30 %. The company is accounted for using the equity method. We also refer to item 28 Notes on related parties.

The following financial information concerns the consolidated financial statements prepared in accordance with IFRS.

T€	2017	2016
Revenue	202,785	181,477
Income from continuing operations	9,051	8,029
Other income	6,016	2,825
Total comprehensive income	**15,067**	**10,854**
attributable to: non-controlling interests	-38	46
attributable to: equity holders of the parent company	15,105	10,808

	31.12.2017	31.12.2016
Non-current assets	591,135	591,028
Current assets	143,973	170,385
Non-current liabilities	-155,706	-71,489
Current liabilities	-74,336	-169,925
Net assets	**505,066**	**519,999**
attributable to: non-controlling interests	4,027	4,065
attributable to: equity holders of the parent company	501,039	515,934

The financial information presented here can be transferred to the equity carrying amount of the Lafarge Cement CE Holding GmbH in the consolidated financial statements as follows:

T€	2017	2016
Group's share in net assets as at 1.1.	**154,780**	**160,538**
Group's share of net income from continuing operations	2,657	2,341
Group's share of other income	1,874	901
Group's share of total comprehensive income	4,531	3,242
Dividends received	-9,000	-9,000
Group's share in net assets as at 31.12.	**150,311**	**154,780**
Fair value adjustment	87,084	87,084
Equity-carrying value as at 31.12.	**237,395**	**241,864**

The following table arranges in aggregate form the carrying amount and the group's share of the profit and other income from associates that would be insignificant by themselves:

T€	2017	2016
Total of equity-carrying values as at 31.12.	86,233	79,497
Group's share of net income from continuing operations	14,262	17,236
Group's share of other income	-851	-928
Group's share of total comprehensive income	13,411	16,308

Notes on joint ventures

The following table arranges in aggregate form the carrying amount and the group's share of the profit and other income from joint ventures that would be insignificant by themselves:

T€	2017	2016
Total of equity-carrying values as at 31.12.	26,385	26,244
Group's share of net income from continuing operations	3,626	1,785
Group's share of other income	0	0
Group's share of total comprehensive income	3,626	1,785

Notes on accumulated losses from equity-accounted investments

Proportionate losses from equity-accounted investments in the amount of T€ -30,949 (2016: T€ -21,486) were not recognised in profit or loss, as the carrying amounts of these investments already are T€ 0.

Notes on construction consortia

The group classifies construction consortia as joint ventures and records their earnings under share of profit or loss of equity-accounted investments. The following table shows the group's ten most important joint ventures in the 2017 financial year.

Construction consortia	Stake in %
ARGE BAU BSH, Germany (BSH)	50.00
ARGE DAIMLER BAU 2 SIFI, Germany (DAIM)	47.50
ARGE Koralmtunnel KAT 2, Austria (KAT)	85.00
ARGE Modellprojekt Möckernkiez, Germany (Möck)	70.00
ARGE Rohtang Pass Highway Tunnel, India (Rohtang)	60.00
ARGE Roh- und Ausbau Messehalle 12, Germany (Messe)	40.00
ARGE Tulfes Pfons, Austria (TULF)	51.00
ARGE Tunnel Rastatt, Germany (RAST)	50.00
JV Metro Nordhavnen, Denmark (Metro)	60.00
JV SKA/STR-Ulrikentunnel, Norway (Ulriken)	50.00

The financial information in the 2017 financial year on construction consortia is presented 100 % before consolidation.

T€	Revenue	Non-current assets	Current assets	thereof cash and cash equivalents	Non-current liabilities	Current liabilities
BSH	33,992	0	9,880	8,276	0	9,880
DAIM	52,239	73	15,766	2,746	0	15,839
KAT	109,014	11,716	53,700	2,550	0	65,416
Möck	39,473	0	9,560	6,423	0	9,560
Rohtang	34,824	11,282	14,529	3,883	0	25,811
Messe	80,040	0	11,636	3,700	0	11,636
TULF	134,269	20,173	34,699	28,312	0	54,872
RAST	116,363	4,991	14,020	11,985	0	19,011
Metro	46,919	723	13,331	6,904	0	14,053
Ulriken	39,738	3,676	7,377	13	0	11,053

In the 2017 financial year, the share of profit or loss of equity-accounted investments recorded for the above-mentioned construction consortia included T€ 30,641 in profits from construction consortia and T€ -6,449 in losses from construction consortia including impending losses.

The financial information in the 2016 financial year on these construction consortia is presented 100 % before consolidation.

T€	Revenue	Non-current assets	Current assets	thereof cash and cash equivalents	Non-current liabilities	Current liabilities
BSH	62,994	0	29,817	22,939	0	29,817
DAIM	0	0	0	0	0	0
KAT	122,911	13,991	47,601	10,443	0	61,592
Möck	13,402	0	4,001	2,200	0	4,001
Rohtang	35,845	13,651	25,913	2,286	0	39,564
Messe	15,711	0	10,045	1,351	0	10,045
TULF	97,072	28,708	19,766	13,064	0	48,474
RAST	121,346	28,599	26,100	11,092	0	54,699
Metro	57,892	8,179	8,415	6,790	0	16,594
Ulriken	30,523	5,545	8,274	2,715	0	13,819

In the 2016 financial year, the share of profit or loss of equity-accounted investments recorded for the above-mentioned construction consortia included T€ 24,668 in profits from construction consortia and T€ -15,401 in losses from construction consortia including impending losses.

The business transactions with the construction consortia in the financial year can be presented as follows:

T€	2017	2016
Work and services performed	746,172	913,658
Work and services received	61,938	32,656
Receivables as at 31.12.	471,414	522,202
Liabilities as at 31.12.	234,694	284,599

(15) OTHER INVESTMENTS

The other investments include investments in subsidiaries, associated companies and joint ventures which, being immaterial, are reported as not consolidated and are not included at equity in the consolidated financial statements. Detailed information on the group's investments (shares of more than 20 %) can be found in the list of subsidiaries, equity-accounted investments and participation companies which is included in the annual financial report.

The development of the other investments in the financial year was as follows:

T€	Balance as at 1.1.2017	Currency translation	Change in scope of consolidation	Additions	Transfers	Disposal	Impairment/ Write-up	Balance as at 31.12.2017
Investments in subsidiaries	77,382	238	-13	10,569	0	-3,135	-2,330	82,711
Participation companies	89,349	-1,521	166	15,993	0	-1,598	-2,402	99,987
Other investments	**166,731**	**-1,283**	**153**	**26,562**	**0**	**-4,733**	**-4,732**	**182,698**

The development of the other investments in the previous year was as follows:

T€	Balance as at 1.1.2016	Currency translation	Change in scope of consolidation	Additions	Transfers	Disposal	Impairment/ Write-up	Balance as at 31.12.2016
Investments in subsidiaries	93,448	0	-12,077	5,317	282	-4,975	-4,613	77,382
Participation companies	79,357	32	-1,386	16,718	-282	-4,278	-812	89,349
Other investments	**172,805**	**32**	**-13,463**	**22,035**	**0**	**-9,253**	**-5,425**	**166,731**

(16) DEFERRED TAXES

Tax accruals and deferrals recognised in the balance sheet on temporary differences between the amounts stated in the IFRS financial statements and the respective tax amounts as well as on losses carried forward developed as follows[1]:

T€	Balance as at 1.1.2017	Currency translation	Change in scope of consolidation	Other changes	Balance as at 31.12.2017
Intangible assets and property, plant and equipment	26,763	-192	0	12,684	39,255
Financial assets	11,444	28	0	-7,100	4,372
Inventories	13,392	149	0	-10,407	3,134
Trade and other receivables	81,306	-913	0	-8,198	72,195
Provisions	222,989	2,031	906	-12,445	213,481
Liabilities	50,891	647	0	-11,340	40,198
Tax loss carryforwards	107,818	-91	0	-20,691	87,036
Deferred tax assets	**514,603**	**1,659**	**906**	**-57,497**	**459,671**
Netting out of deferred tax assets and liabilities of the same tax authorities	-268,776	0	0	-1,927	-270,703
Deferred tax assets netted out	**245,827**	**1,659**	**906**	**-59,424**	**188,968**
Intangible assets and property, plant and equipment	-49,064	-153	-3	-596	-49,816
Financial assets	0	0	0	0	0
Inventories	-26,521	-435	0	11,608	-15,348
Trade and other receivables	-163,871	-110	0	-42,579	-206,560
Provisions	-10,021	-34	0	3,123	-6,932
Liabilities	-40,689	133	0	24,279	-16,277
Deferred tax liabilities	**-290,166**	**-599**	**-3**	**-4,165**	**-294,933**
Netting out of deferred tax assets and liabilities of the same tax authorities	268,776	0	0	1,927	270,703
Deferred tax liabilities netted out	**-21,390**	**-599**	**-3**	**-2,238**	**-24,230**

Deferred taxes on losses carried forward were capitalised as these can probably be offset with future taxable profits. The planning period is limited to five years.

No deferred tax assets were made for tax losses carried forward on the corporate income tax and on the German trade tax (Gewerbesteuer) of T€ 1,334,952 (2016: T€ 1,312,002), as their effectiveness as final tax relief is not sufficiently assured.

Of the non-capitalised losses carried forward T€ 1,211,987 (2016: T€ 1,308,742) have unrestricted use.

For the STRABAG SE tax group, Austria, deferred taxes were capitalised despite tax losses in the previous years as well as in the year under report. The deemed cost of losses carried forward in excess of the earnings arising from the reversal of existing taxable temporary differences amounts to T€ 53,097 (2016: T€ 58,507) for the STRABAG SE tax group. This contains deferred tax assets on open one-seventh impairments in the amount of T€ 50,327 (2016: T€ 39,327). The Austrian Corporate Income Tax Act (Körperschaftsteuergesetz) requires a tax-effective impairment of investments to be claimed over a period of seven years.

The losses of the ongoing year and of the past were strongly influenced by negative special items. To avoid such negative projects, the group expanded and improved its opportunity and risk management and implemented the organisational and strategic improvements out of the analysis results of the STRABAG 2013ff task force. The tax planning for the STRABAG SE tax group for the next five years documents the usability of the tax loss carryforwards.

1 In order to improve representation reference values and notes were adjusted accordingly.

(17) INVENTORIES

T€	31.12.2017	31.12.2016
Construction materials, auxiliary supplies and fuel	309,376	279,768
Finished buildings and goods	248,546	164,186
Unfinished buildings and goods	366,124	560,009
Development land	183,428	100,895
Payments made	30,331	77,947
Inventories	**1,137,805**	**1,182,805**

In the financial year, impairment respectively appreciation in the amount of T€ -173 (2016: T€ -2,193) was recognised on inventories excluding construction materials, auxiliary supplies and fuel. T€ 56,560 (2016: T€ 60,711) of the inventories excluding construction materials, auxiliary supplies and fuel were reported with the net realisable value.

For qualifying assets, interest on borrowings was recognised in the amount of T€ 2,798 (2016: T€ 4,431).

(18) RECEIVABLES AND OTHER ASSETS

Receivables from concession arrangements

STRABAG has a 100 % interest in the Hungarian M5 motorway concession company, AKA Alföld Koncesszios Autopalya Zrt., Budapest (AKA).

In the concession agreement with the Hungarian state, AKA committed to develop, plan, finance and to build and operate the M5 motorway. The motorway itself is the property of the state; all vehicles and equipment necessary for motorway operation are to be transferred to the state free of charge following the end of the concession period.

In exchange, AKA will regularly receive an availability fee, independent of transit volume, from the Hungarian state for making the motorway available to the public. AKA bears the operator’s risk of motorway closure and non-compliance of contractually agreed roadway criteria.

The route totals 156.5 km and was built in three phases. The concession period runs until 2031. A one-time extension for up to 17.5 years is possible.

All services provided under this concession arrangement are accounted for under the separate balance sheet item receivables from concession arrangements. The receivables are carried at the present value of the payment to be made by the state. The annual accumulation amount is recognised in other operating income.

A part of the availability fee consists of interest adjustment payments of the Hungarian state. As a result, the state bears the interest risk from the financing of AKA. These interest adjustment payments represent an embedded hedging transaction which is measured separately in accordance with IAS 39.11. Presentation is made as a cash flow hedge; as a result, changes in the fair value of the interest rate swap are recognised directly in equity.

The market value of the interest rate swap in the amount of T€ -36,424 (2016: T€ -48,973) is also recognised as long-term receivables from concession arrangements.

Recognisable receivables from concession arrangements are offset by non-recourse financing in the amount of T€ 389,781 (2016: T€ 439,377), classified either as a current or non-current liability depending on the term to maturity. The resulting interest expense is recognised in other operating income.

Receivables and other assets are comprised as follows:

T€	31.12.2017 Total	31.12.2017 thereof current	31.12.2017 thereof non-current	31.12.2016 Total	31.12.2016 thereof current	31.12.2016 thereof non-current
Receivables from concession arrangements	**696,035**	**33,724**	**662,311**	**714,666**	**31,180**	**683,486**
Receivables from construction contracts	*4,844,739*	*4,844,739*	*0*	*4,339,418*	*4,339,418*	*0*
Advances received	*-3,927,794*	*-3,927,794*	*0*	*-3,471,735*	*-3,471,735*	*0*
Net receivable from construction contracts	916,945	916,945	0	867,683	867,683	0
Other trade receivables and receivables from consortia	1,533,146	1,533,146	0	1,529,288	1,529,288	0
Advances paid to subcontractors	82,828	82,828	0	47,429	47,429	0
Trade receivables	**2,532,919**	**2,532,919**	**0**	**2,444,400**	**2,444,400**	**0**
Non-financial assets	**82,839**	**82,839**	**0**	**87,654**	**87,654**	**0**
Income tax receivables	**63,879**	**63,879**	**0**	**112,804**	**112,804**	**0**
Investments in subsidiaries	26,888	0	26,888	26,497	0	26,497
Receivables from subsidiaries	116,405	109,175	7,230	133,719	125,781	7,938
Receivables from participation companies	256,716	110,222	146,494	269,883	118,230	151,653
Other financial assets	187,408	97,372	90,036	210,497	142,365	68,132
Other financial assets total	**587,417**	**316,769**	**270,648**	**640,596**	**386,376**	**254,220**

The **receivables from construction contracts** in progress as at the balance sheet date are represented as follows:

T€	31.12.2017	31.12.2016
All contracts in progress at balance sheet date		
Costs incurred to balance sheet date	9,068,226	7,800,418
Profits arising to balance sheet date	536,690	440,519
Accumulated losses	-496,734	-356,784
Less receivables recognised under liabilities	-4,263,443	-3,544,735
Receivables from construction contracts	**4,844,739**	**4,339,418**

We refer to our Notes under Estimates - (b) Recognition of revenue from construction contracts.

Receivables from construction contracts amounting to T€ 4,263,443 (2016: T€ 3,544,735) are recognised in liabilities, as advances received exceed the receivables.

As usual in the industry, the customer has the contractual right to retain part of the total amount of the invoice. As a rule these retentions are, however, redeemed by collateral (bank or group guarantees).

In the reporting period, impairment on other trade receivables developed as follows:

T€	2017	2016
Other trade receivables before impairment as at 31.12.	**1,669,950**	**1,680,667**
Impairment as at 1.1.	**151,379**	**153,671**
Currency translation	1,559	-322
Changes in scope of consolidation	132	-102
Allocation/utilisation	-16,266	-1,868
Impairment as at 31.12.	**136,804**	**151,379**
Carrying amount of other trade receivables as at 31.12.	**1,533,146**	**1,529,288**

(19) CASH AND CASH EQUIVALENTS

T€	31.12.2017	31.12.2016
Securities	3,080	3,085
Cash on hand	1,242	1,440
Bank deposits	2,786,125	1,998,736
Cash and cash equivalents	**2,790,447**	**2,003,261**

(20) EQUITY

The fully paid in share capital amounts to € 110,000,000 and is divided into 109,999,997 no-par bearer shares and three registered shares.

As at 31 December 2017, STRABAG SE had acquired 7,400,000 no-par bearer shares equalling 6.7 % of the share capital. The corresponding value of the share capital amounts to € 7,400,000.00. The acquisition extended between the period July 2011 and May 2013. The average purchase price per share was € 20.79.

The 12th Annual General Meeting on 10 June 2016 voted to approve a simplified reduction of the share capital by € 4,000,000.00 in accordance with Sec 192 Para 3 No 2 and Sec 192 Para 4 of the Austrian Stock Corporation Act (AktG) through withdrawal of 4,000,000 own shares representing a proportionate amount of the share capital of € 4,000,000.00 for the purpose of reducing the number of own shares. Also approved in this regard was a resolution concerning changes to the Articles of Association in Sec 4 Para 1. Implementation occurred with the decision on registration on 22 July 2016.

The Management Board was further authorised to acquire own shares pursuant to Sec 65 Para 1 No 8 as well as Para 1a and 1b AktG on the stock market or over the counter to the extent of up to 10 % of the share capital, also to exclusion of proportionate selling rights that may accompany such an acquisition (reverse exclusion of subscription rights). At the same time, the Management Board was authorised to decide, in accordance with Sec 65 Para 1b AktG, to sell or assign own shares in a manner other than on the stock market or through a public tender.

Details as to the development of the equity of STRABAG SE are represented in the statement of changes in equity.

Long-term economic success, within the context of responsibility to our shareholders, customers, employees, suppliers, subcontractors and the company itself, is the primary entrepreneurial objective of the STRABAG Group. Working to pursue these goals, recognising opportunities and risks before and as they arise, and responsibly taking these into consideration safeguards the continuity of the group and protects the interests of the shareholders.

To guarantee the continuity of the company, the management and responsible employees assure that there is a balanced relationship between opportunities and risks during the selection of projects and assess the individual risks against the background of the overall company risk.

The group equity ratio target was defined at between 20 % and 25 % during the IPO of STRABAG SE in October 2007. The equity capital ratio is calculated from the carrying amount of the equity as at 31 December divided by the balance sheet total as at 31 December. The equity contains all parts of the equity according to the balance sheet: share capital, capital reserves, retained earnings and non-controlling interests.

The group equity ratio as at 31 December 2017 amounted to 30.7 % (2016: 31.5 %). With this equity base, the STRABAG Group will be able to participate increasingly in tenders for Public-Private Partnership (PPP) projects. This means that the necessary funds for a participation in equity capital are available and that the related change in the balance sheet total will be manageable.

If the group is awarded the tender for large-scale projects, or if a strategically suitable acquisition is made, the equity ratio could briefly fall below the set minimum. In this case, the company reserves the right to adjust the dividend payments to the shareholders or to issue new shares.

(21) PROVISIONS

T€	Balance as at 1.1.2017	Currency translation	Changes in scope of consoli-dation	Additions	Disposals	Utilisation	Balance as at 31.12.2017
Provisions for severance payments	110,017	-1,042	46	2,079	0	0	111,100
Provisions for pensions	457,482	-1,317	0	0	0	16,058	440,107
Construction-related provisions	457,746	7,455	0	18,814	0	46,477	437,538
Personnel-related provisions	65,587	0	0	62,164	54,841	4,275	68,635
Other provisions	89,542	727	0	58,320	2,000	43,433	103,156
Non-current provisions	**1,180,374**	**5,823**	**46**	**141,377**	**56,841**	**110,243**	**1,160,536**
Construction-related provisions	352,247	1,274	139	337,302	2,314	320,420	368,228
Personnel-related provisions[1]	150,325	372	22	160,601	0	147,586	163,734
Other provisions	239,143	1,090	-44	248,987	2,248	271,572	215,356
Current provisions	**741,715**	**2,736**	**117**	**746,890**	**4,562**	**739,578**	**747,318**
Total	**1.922.089**	**8.559**	**163**	**888.267**	**61.403**	**849.821**	**1.907.854**

The **actuarial assumptions as at 31 December 2017** (in brackets as at 31 December 2016) used to calculate provisions for severance payments and pensions are represented as follows:

	Severance payments	Pension obligation Austria	Pension obligation Germany	Pension obligation Switzerland
Biometric tables	AVÖ 2008-P	AVÖ 2008-P	Dr. Klaus Heubeck	BVG 2015G
Discounting rate (%)	1.50	1.50	1.50	0.55
	(2016: 1.60)	(2016: 1.60)	(2016: 1.60)	(2016: 0.50)
Salary increase (%)	2.00	0.00	dependent on contractual	2.00
	(2016: 2.00)	(2016: 0.00)	adaption	(2016: 2.00)
Future pension increase (%)	dependent on contractual	dependent on contractual	1.50	0.25
	adaption	adaption	(2016: 1.40)	(2016: 0.25)
Retirement age for men	62	65	63–67	65
	(2016: 62)	(2016: 65)	(2016: 63–67)	(2016: 65)
Retirement age for women	62	60	63–67	64
	(2016: 62)	(2016: 60)	(2016: 63–67)	(2016: 64)

Sensitivity analysis

All other parameters remaining equal, a change in the discount rate by +/- 0.5 percentage points, a change in the salary increase by +/- 0.25 percentage points as well as a change in the pension increase by +/- 0.25 percentage points would have the following impact on the amount of the provisions for severance payments and pension obligations as at 31 December 2017:

T€	Change in discounting rate		Change in salary increase		Change in future pension increase	
Change[2]	-0.5 %-points	+0.5 %-points	-0.25 %-points	+0.25 %-points	-0.25 %-points	+0.25 %-points
Severance payments	-4,202	3,914	1,986	-2,048	n. a.	n. a.
Pension obligations	-38,360	34,534	10,514	-12,567	492	452

1 In the other personnel-related provisions plan assets in the amount of T€ 1,035 (2016: T€ 1,037) are deducted.
2 Sign: - increase of obligation, + decrease of obligation

Provisions for severance payments show the following development:

T€	2017	2016
Present value of the defined benefit obligation as at 1.1.	**110,017**	**96,131**
Changes in scope of consolidation	46	2,119
Current service costs	4,576	4,753
Interest costs	1,429	1,841
Severance payments	-3,123	-3,439
Actuarial gains/losses arising from experience adjustments	-2,641	2,877
Actuarial gains/losses arising from changes in the discount rate	796	5,735
Present value of the defined benefit obligation as at 31.12.	**111,100**	**110,017**

The **development of the provisions for pensions** is shown below:

T€	2017	2016
Present value of the defined benefit obligation as at 1.1.	**663,208**	**664,981**
Changes in scope of consolidation/currency translation	-16,952	1,921
Current services costs	10,604	12,164
Interest costs	7,998	11,660
Pension payments	-47,002	-50,155
Actuarial gains/losses arising from experience adjustments	-1,543	-5,053
Actuarial gains/losses arising from changes in the discount rate	7,496	29,270
Actuarial gains/losses arising from demographic adjustments	648	-1,580
Present value of the defined benefit obligation as at 31.12.	**624,457**	**663,208**

The **plan assets for pension provisions** developed as follows in the year under report:

T€	2017	2016
Fair value of the plan assets as at 1.1.	**205,726**	**213,481**
Changes to the scope of consolidation/currency translation	-15,636	1,754
Income from plan assets	1,032	1,935
Contributions	8,907	10,580
Pension payments	-20,928	-23,672
Acturial gains/losses	5,249	1,648
Fair value of the plan assets as at 31.12.	**184,350**	**205,726**

The **plan assets** consist of the following risk groups:

T€	31.12.2017	31.12.2016
Shares[1]	19,293	23,119
Bonds[1]	72,614	79,021
Cash	18,049	25,938
Investment funds	5,084	5,095
Real estate	9,316	10,034
Liability insurance	53,284	55,363
Other assets	6,710	7,156
Total	**184,350**	**205,726**

1 All shares and bonds are traded in an active market.

The plan assets involve almost exclusively the assets of the pension foundation of STRABAG AG, Switzerland. Any investments in this regard are subject to the applicable laws and regulations governing the supervision of foundations. Capital investments are to be chosen by trained experts in such a way as to guarantee the investment goal of revenue-generating and risk-minimising asset management while taking into consideration security, risk distribution, returns and the liquidity to fulfil the pension purposes. The assets are to be invested to 80 % in nominal investments such as cash and receivables in a fixed monetary amount and to 20 % in real investments such as shares and real estate.

The expected contributions to pension foundations in the following year will amount to T€ 4,185 (2016: T€ 5,095).

Asset-liability matching strategy

Pension payments in Switzerland are provided by pension foundations with funds dedicated to this purpose, while payments in Austria and in Germany are covered by readily available cash and cash equivalents as well as securities.

The actual return on plan assets amounted to T€ 6,155 (2016: T€ 3,281) in the financial year.

The following amounts for pension and severance provisions were recognised in the **income statement**:

T€	2017	2016
Current service cost	15,180	16,917
Interest cost	9,427	13,501
Return on plan assets	1,032	1,935

The **development of the net defined benefit obligation** for pension and severance provisions was as follows:

T€	31.12.2017	31.12.2016
Severance provisions obligation	111,100	110,017
Present value of the defined benefit obligation (pension provision)	624,457	663,208
Fair value of plan assets (pension provision)	-184,350	-205,726
Pension provision obligation	440,107	457,482
Obligation total	**551,207**	**567,499**

The **actuarial adjustments** to pension and severance provisions are represented as follows:

T€	31.12.2017	31.12.2016
Adjustments of severance provisions	-1,845	8,612
Adjustments of pension provisions	1,352	20,989
Adjustments	**-493**	**29,601**

The **maturity profile** of the benefit payments from the net defined benefit liability as at 31 December 2017 was as follows:

T€	< 1 year	1–5 years	6–10 years	11–20 years	> 20 years
Provisions for severance payments	9,088	26,281	29,500	34,478	6,711
Provisions for pensions	36,411	152,111	144,128	208,882	189,817

The **maturity profile** of the benefit payments from the net defined benefit liability as at 31 December 2016 was as follows:

T€	< 1 year	1–5 years	6–10 years	11–20 years	> 20 years
Provisions for severance payments	7,501	25,844	28,599	38,823	9,016
Provisions for pensions	38,716	163,447	160,593	232,891	215,773

The **durations** (weighted average term) are shown in the following table:

Years	31.12.2017	31.12.2016
Severance payments Austria	8.84	9.39
Pension obligations Austria	8.67	8.94
Pension obligations Germany	11.70	11.27
Pension obligations Switzerland	13.20	15.10

Other provisions

The construction-related provisions include warranty obligations, costs of the contract execution and subsequent costs of invoiced contracts, as well as impending losses from projects pending which are not accounted for elsewhere. The personnel-related provisions essentially include bonus obligations and premiums, service anniversary bonuses, contributions to occupational funds as well as costs of the old age part-time scheme and expenses for personnel downsizing measures. Other provisions especially include provisions for damages and litigations.

(22) LIABILITIES

T€	31.12.2017 Total	31.12.2017 thereof current	31.12.2017 thereof non-current	31.12.2016 Total	31.12.2016 thereof current	31.12.2016 thereof non-current
Bonds	675,000	175,000	500,000	675,000	0	675,000
Bank borrowings	618,977	236,098	382,879	745,772	202,179	543,593
Liabilities from finance leases	0	0	0	5,304	370	4,934
Other liabilities	0	0	0	0	0	0
Financial liabilities	**1,293,977**	**411,098**	**882,879**	**1,426,076**	**202,549**	**1,223,527**
Receivables from construction contracts	*-4,263,443*	*-4,263,443*	*0*	*-3,544,735*	*-3,544,735*	*0*
Advances received	*5,374,913*	*5,374,913*	*0*	*4,171,524*	*4,171,524*	*0*
Net liabilities from construction contracts[1]	1,111,470	1,111,470	0	626,789	626,789	0
Other trade payables and payables to consortia	2,290,897	2,290,897	0	2,191,211	2,191,211	0
Trade payables	**3,402,367**	**3,402,367**	**0**	**2,818,000**	**2,818,000**	**0**
Non-financial liabilities	**458,572**	**458,572**	**0**	**367,977**	**367,977**	**0**
Income tax liabilities	**78,424**	**78,424**	**0**	**103,501**	**103,501**	**0**
Payables to subsidiaries	102,137	102,137	0	111,348	111,348	0
Payables to participation companies	35,931	35,931	0	31,742	31,742	0
Other financial liabilities	352,912	275,196	77,716	311,694	247,944	63,750
Other financial liabilities total	**490,980**	**413,264**	**77,716**	**454,784**	**391,034**	**63,750**

Physical securities were established to cover liabilities to banks in the amount of T€ 103,923 (2016: T€ 116,594).

(23) CONTINGENT LIABILITIES

Cologne Stadtbahn North-South Tunnel Construction

At the beginning of March 2009, an accident occurred during underground construction at the South Lot for the North-South urban metro line in Cologne, resulting in the collapse of the Historical Archive of the City of Cologne and significant portions of two neighbouring buildings. Debris collapsed into a hole which opened next to the North-South construction site at the Waidmarkt crossover junction. Two people were trapped under the rubble, and rescuers were only able to recover their bodies. Construction on the underground is being carried out by a consortium of Bilfinger SE (formerly Bilfinger Berger AG), Wayss & Freytag Ingenieurbau AG and the STRABAG Group subsidiary Ed. Züblin AG. The consortium is led by Bilfinger SE on the technical side and by Wayss & Freytag Ingenieurbau AG on the commercial side. Ed. Züblin AG holds a 33.3 % interest in the consortium.

1 The prepayment exceeding the receivables from construction contracts shown here is qualified as non-financial.

In May 2017, the Cologne public prosecutor's office filed charges including negligent homicide against employees of the consortium and of the local transport company Kölner Verkehrs-Betriebe (KVB). The charges are based on an expert report commissioned by the public prosecutor's office which assumes that the collapse was caused by a defect in the diaphragm wall for the shaft at the Waidmarkt crossover junction. The District Court in Cologne has allowed the charges and in January 2018 opened criminal proceedings in the case.

At the same time, upon the insistence of KVB and the City of Cologne, two independent civil proceedings are being conducted at the District Court in Cologne: one to collect evidence as to the cause of the accident and another to establish the damage to the buildings and archives. For purposes of the investigation into the cause of the accident, a viewing structure was built. This is to help clarify whether there were any mistakes or errors associated with the diaphragm wall set up by the consortium. In June 2017, the expert in the civil proceedings into the cause of the accident declared that an end to the evidence-taking is not expected until the middle of 2020. As large portions of the expert report commissioned by the public prosecutor's office are based on the raw investigation data from the civil evidence-taking proceedings into the cause of the accident, the exact impact of the further investigations on the report commissioned by the public prosecutor's office also remains to be seen.

A final report on the results of the investigation of the accident site, as well as the expert opinion, thus remains outstanding. As both the cause of the accident as well as the damage amount remain uncertain, it is not possible at this time to estimate the potential financial impact on the consolidated financial statements.

Investigation on suspicion of illegal price fixing in Austria

On 3 May 2017, searches were conducted at more than 50 Austrian construction companies, among them three offices of the STRABAG Group. This was part of an ongoing investigation into the suspicion of illegal price fixing for small construction projects in Austria between 2006 and 2016.

STRABAG SE immediately established a task force to systematically analyse the allegations and is fully cooperating with the authorities in the investigation.

The consequences possible in theory include monetary fines in case of violations of the anti-competitive law, compensation claims derived therefrom on the client's side and a monetary fine in accordance with the statute on responsibility of legal entities (Verbandsverantwortlichkeitsgesetz).

Due to the long period covered and the numerous construction projects to be analysed, of which only some were conducted by STRABAG, the facts of the case are very complex. The investigations will most probably take several years, so that it is not possible at this time to make any assumptions concerning the questions of liability or any damages derived from this for the company.

Guarantees

The company has issued the following guarantees:

T€	31.12.2017	31.12.2016
Guarantees without financial guarantees	174	174

(24) OFF-BALANCE SHEET TRANSACTIONS

In the construction industry, it is customary and necessary to provide various types of guarantees to secure the contractual obligations. These guarantees are usually issued by banks or credit insurers and most commonly comprise bid, contract performance, prepayment and warranty guarantees. In the event these guarantees are called upon, the relevant banks have a contractual right of recourse against the group. The risk that such guarantees are utilised and that a right of recourse arises materialises only if the primary contractual obligations are not properly performed.

Obligations and possible risks from such guarantees are recognised in the balance sheet as provisions or liabilities.

Not included in the balance sheet or the contingent liability as at 31 December 2017 are performance bonds in the amount of € 2.5 billion (2016: € 2.1 billion) of which an outflow of resources is unlikely.

As is customary in the industry, STRABAG SE shares liability with the other partners of construction consortia in which companies of the STRABAG Group hold a share interest.

Notes on financial instruments

(25) NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The representation of the cash flow statement was made according to the indirect method and separated into the cash flows classified by operating, investing and financing activities. The cash and cash equivalents include exclusively cash on hand, bank deposits and short-term securities. Any effects from changes in the scope of consolidation were eliminated and represented in the cash flow from investing activities.

The **cash and cash equivalents** are composed as follows:

T€	31.12.2017	31.12.2016
Securities	3,080	3,085
Cash on hand	1,242	1,440
Bank deposits	2,786,125	1,998,736
Restricted cash abroad	-105	-5,034
Pledge of cash and cash equivalents	-655	-653
Cash and cash equivalents	**2,789,687**	**1,997,574**

Moreover, in construction projects executed through consortia there are cash and cash equivalents whose use can only be determined jointly with other partner companies.

The **cash flow from operating activities** in the reporting year contains the following items:

T€	2017	2016
Interest paid	45,247	49,466
Interest received	37,812	37,318
Taxes paid[1]	24,500	274,567
Dividends received	97,579	85,476

The lower tax payments are largely due to tax over-prepayments in 2016 that were refunded in 2017. An especially strong impact resulted from the prepayment amounts of Ed. Züblin AG, which were paid back in 2017 due to the company's inclusion in the tax grouping of STRABAG AG, Cologne.

The **cash flow from financing activities** can be derived from the balance sheet items as follows:

T€	Bonds	Bonded loans	Bank borrowings	Other financial liabilities[2]	Finance lease liabilities	Total
Balance as at 1.1.2017	**675,000**	**121,500**	**624,272**	**85,347**	**5,304**	**1,511,423**
Issue	0	0	78,254	0	0	78,254
Repayment	0	-121,500	-83,313	0	-5,304	-210,117
Increase (+) / decrease (-) of financing	0	0	0	739	0	739
Total cash flow from financing activities	**0**	**-121,500**	**-5,059**	**739**	**-5,304**	**-131,124**
Currency translation	0	0	-236	-35	0	-271
Change in scope of consolidation	0	0	0	0	0	0
Other changes	0	0	0	12,838	0	12,838
Total of non cash-effective changes	**0**	**0**	**-236**	**12,803**	**0**	**12,567**
Balance as at 31.12.2017	**675,000**	**0**	**618,977**	**98,889**	**0**	**1,392,866**

1 Without the withholding tax refund from the German financial authorities in the financial year 2016 in the amount of T€ 13,984 to the Austrian-based Ilbau Liegenschaftsverwaltung GmbH for dividends of Eberhardt Baugesellschaft mbH.
2 The recognition in the balance sheet was made under current and non-current other financial liabilities.

The cash flow from financing activities can be derived as follows:

T€	Inflow (+) Outflow (-)
Total cash flows from financing activities	-131,124
Change in non-controlling interests due to acquisition	-2,694
Distribution of dividends	-100,702
Cash flow from financing activities	**-234,520**

(26) FINANCIAL INSTRUMENTS

A financial instrument is a contract that results in a financial asset at one enterprise and a financial liability or equity instrument at another. Financial assets include especially cash and cash equivalents, trade receivables and other receivables and derivatives. Financial liabilities are obligations to pay cash or other financial assets on a regular basis. These include especially financial liabilities such as bank borrowings, bonds, liabilities arising from financial leases and trade payables. Initial recognition is carried out in principle using settlement date accounting.

The financial assets are derecognised when the claims to payment from the investment extinguish or have been transferred and the group has largely transferred all risks and opportunities which are related with the property.

The **financial instruments** as at the balance sheet date were as follows:

T€	Measurement category according to IAS 39	31.12.2017 Carrying value	31.12.2017 Fair value	31.12.2016 Carrying value	31.12.2016 Fair value
Assets					
Investments < 20 %	AfS	31,906		27,729	
Trade receivables	L&R	2,450,091		2,396,971	
Receivables from concession arrangements	L&R	732,459		763,639	
Other financial assets	L&R	519,078		577,027	
Cash and cash equivalents	L&R	2,787,367		2,000,176	
Valuation at historical costs		**6,520,901**		**5,765,542**	
Securities	AfS	26,888	26,888	26,497	26,497
Cash and cash equivalents (securities)	AfS	3,080	3,080	3,085	3,085
Derivatives held for hedging purposes (receivables from concession arrangements)		-36,424	-36,424	-48,973	-48,973
Derivatives held for hedging purposes (other financial assets)		1,342	1,342	665	665
Valuation at fair value		**-5,114**	**-5,114**	**-18,726**	**-18,726**
Liabilities					
Financial liabilities	FLaC	-1,293,977	-1,326,157	-1,426,076	-1,471,785
Trade payables	FLaC	-2,290,897		-2,191,211	
Other financial liabilities	FLaC	-472,210		-423,620	
Valuation at historical costs		**-4,057,084**	**-1,326,157**	**-4,040,907**	**-1,471,785**
Derivatives held for hedging purposes (other financial liabilities)		-748	-748	-3,046	-3,046
Valuation at fair value		**-748**	**-748**	**-3,046**	**-3,046**
Total		**2,457,955**	**-1,332,019**	**1,702,863**	**-1,493,557**
Measurement categories					
Loans and receivables (L&R)		6,488,995		5,737,813	
Available for sale (AfS)		61,874	29,968	57,311	29,582
Financial liabilities measured at amortised costs (FLaC)		-4,057,084	-1,326,157	-4,040,907	-1,471,785
Derivatives held for hedging purposes		-35,830	-35,830	-51,354	-51,354
Total		**2,457,955**	**-1,332,019**	**1,702,863**	**-1,493,557**

No special disclosure of the fair value of financial instruments is represented if the carrying amount is a reasonable approximation of fair value.

Cash and cash equivalents, trade receivables and other receivables have for the most part short remaining terms. Accordingly, their carrying values on the balance sheet date approximate their fair value. The fair value of non-current financial assets corresponds to the present value of the related payments under consideration of the prevailing market parameters as far as market values were not available.

Trade payables and other financial liabilities typically have short terms; their carrying amounts approximate the fair value. The fair value of bonds, bank borrowing and liabilities arising from financial leases are measured at the present value of the payments associated with them and under consideration of the relevant applicable market parameters as far as market values were not available. The fair value of the financial liabilities would qualify as a Level 1 measurement at T€ 705,878 (2016: T€ 719,498) and as a Level 2 measurement at T€ 620,279 (2016: T€ 752,287).

T€ 655 (2016: T€ 653) of cash and cash equivalents, T€ 2,672 (2016: T€ 2,787) of securities and T€ 1,698 (2016: T€ 1,696) of other financial instruments were pledged as collateral for liabilities.

The non-recourse liabilities related to receivables from concession arrangements are hedged using the income from receivables from concession arrangements.

The financial instruments recognised at fair value, classified by method of measurement (Level 1 to Level 3), are as follows.

Level 1: In measurement at market prices, the assets and liabilities are measured at the quoted prices in an active market for identical assets and liabilities.

Level 2: The measurement based on observable market input takes into account not only market prices but also directly or indirectly observable data.

Level 3: Other methods of measurement also consider data that are not observable on the markets.

The **fair values as at 31 December 2017** for financial instruments were measured as follows:

T€	Level 1	Level 2	Total
Assets			
Securities	26,888		26,888
Cash and cash equivalents (securities)	3,080		3,080
Derivatives held for hedging purposes		-35,082	-35,082
Total	**29,968**	**-35,082**	**-5,114**
Liabilities			
Derivatives held for hedging purposes		-748	-748
Total		**-748**	**-748**

The **fair values as at 31 December 2016** for financial instruments were measured as follows:

T€	Level 1	Level 2	Total
Assets			
Securities	26,497		26,497
Cash and cash equivalents (securities)	3,085		3,085
Derivatives held for hedging purposes		-48,308	-48,308
Total	**29,582**	**-48,308**	**-18,726**
Liabilities			
Derivatives held for hedging purposes		-3,046	-3,046
Total		**-3,046**	**-3,046**

During the financial years 2017 and 2016, there were no transfers between the levels.

Financial instruments in Level 1

The fair value is determined on the basis of quoted prices in an active market. An active market exists if the prices are regularly established and readily available to the market participant. The quoted market price for the financial instruments presented in Level 1 corresponds to the bid price on 31 December 2017.

Financial instruments in Level 2

These financial instruments are not traded in an active market. They involve exclusively derivatives concluded for hedging purposes in the group. The fair value is determined using methods of measurement on the basis of observable market data. Specifically, measurement is made using interest yield and currency curves in proportion to the term of the derivative.

At the end of the reporting period, the STRABAG Group had no financial instruments classified in Level 3.

As at **31 December 2017**, the following **derivatives** existed which are not offsettable but which can be set off in case of insolvency:

T€	31.12.2017			31.12.2016		
Bank	**Assets**	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
Bayerische Landesbank	45	-119	**-74**	254	-49	**205**
Commerzbank AG	0	0	**0**	0	-1,704	**-1,704**
Crédit Agricole Corp. & Investment	604	0	**604**	370	-215	**155**
Deutsche Bank AG	233	0	**233**	0	0	**0**
Erste Group Bank AG	0	-112	**-112**	26	0	**26**
ING Bank N.V.	219	0	**219**	0	0	**0**
Landesbank Baden-Württemberg	241	0	**241**	0	0	**0**
Republic of Hungary	-36,424	0	**-36,424**	-48,973	0	**-48,973**
SEB AG	0	-517	**-517**	15	-1,078	**-1,063**
Total	**-35,082**	**-748**	**-35,830**	**-48,308**	**-3,046**	**-51,354**

The **net income effects of the financial instruments** according to valuation categories are as follows:

	2017				2016			
T€	**L&R**	**AfS**	**FLaC**	**Derivatives**	**L&R**	**AfS**	**FLaC**	**Derivatives**
Interest	36,013	0	-46,192	0	38,101	0	-46,148	0
Interest from receivables from concession arrangements	60,932	0	-18,074	-6,528	62,218	0	-19,995	-6,815
Result from securities	0	783	0	0	0	644	0	0
Impairment losses and reversal of impairment losses	-28,141	-128	0	-321	-26,031	259	0	80
Disposal losses/profits	0	3	0	0	0	648	0	0
Gains from derecognition of liabilities and payments of written-off receivables	5	0	9,093	0	1,305	0	6,722	0
Net income recognised in profit or loss	**68,809**	**658**	**-55,173**	**-6,849**	**75,593**	**1,551**	**-59,421**	**-6,735**
Value changes recognised directly in equity	0	238	0	22,373	0	-558	0	9,996
Net income	**68,809**	**896**	**-55,173**	**15,524**	**75,593**	**993**	**-59,421**	**3,261**

Dividends and income from investments shown in net income from investments are part of operating income and therefore not part of net income of financial instruments. Impairment losses, reversal of impairment losses, disposal profits and disposal losses of loans & receivables (L&R) and of financial liabilities measured at amortised cost (FLaC) are carried in other income or other expenses.

Impairment losses, reversal of impairment losses, disposal profits and disposal losses of the financial instruments are carried in net income from investments if they are investments in subsidiaries or participation companies, otherwise in net interest income.

Derivative instruments are used exclusively to hedge existing risks resulting from changes in currency and interest rates. The use of derivative financial instruments in the group is subject to the appropriate approval and control procedures. The connection to a mainstay business is a must, trading is not permissible.

Principles of risk management

The STRABAG Group is subject to credit, market and liquidity risks related to its assets, liabilities and planned transactions. The goal of financial risk management is to minimise these risks through ongoing financially oriented activities.

The basics of the financial policy are set by the Management Board and monitored by the Supervisory Board. The implementation of the financial policy and responsibility for the risk management are the domain of the group treasury. Certain transactions require prior approval by the Management Board, which is regularly informed as to the scope and amount of the current risk exposure.

Interest rate risk

The financial instruments bear variable interest rates on the assets side, on the liabilities side there are both variable and fixed interest obligations. The risk of financial instruments bearing variable interest rates consists of increasing interest charges and sinking interest revenue resulting from an unfavourable change in market interest rates. Fixed interest obligations mainly result from the bonds issued by STRABAG SE amounting to a total of T€ 675,000.

As at 31 December 2017, following **hedging transactions** existed:

	31.12.2017		31.12.2016	
	Nominal value	Market value	Nominal value	Market value
Interest rate swaps (hedge accounting)	399,264	-36,941	559,987	-51,755

The amount of bank deposits and bank borrowings according to currency – giving the average interest rate at balance sheet date – is represented as follows:

Bank deposits

Currency	Carrying value 31.12.2017 T€	Weighted average interest rate 2017 %
EUR	1,945,322	0.03
PLN	238,640	1.27
HUF	187,807	0.08
CZK	158,419	0.06
Others	255,937	0.44
Total	**2,786,125**	**0.18**

Bank borrowings

Currency	Carrying value 31.12.2017 T€	Weighted average interest rate 2017 %
EUR	612,480	1.37
Others	6,497	5.35
Total	**618,977**	**1.41**

Had the interest rate level at 31 December 2017 been higher by 100 basispoints, then the EBT would have been higher by T€ 24,649 (2016: T€ 15,285) and the equity at 31 December 2017 would have been higher by T€ 39,950 (2016: T€ 40,016). Had the interest rate level been lower by 100 basispoints, this would have meant a correspondingly lower equity and EBT. The calculation is made based on the level of interest-bearing financial assets and liabilities as at 31 December. Tax effects from interest rate changes were not considered.

Currency risk

Due to the decentralised structure of the group, characterised by local companies in the respective countries, mainly closed currency positions appear in the balance sheet. Loan financing and investments were predominantly made by the group companies in the respective country's local currency. Receivables and liabilities from business activities mainly offset each other in the same currency.

The remaining currency risk mainly results when the currency of the order deviates from the functional currency of the subsidiary affected.

The internal financing of companies within the group using different functional currencies resulted in an earnings-relevant currency risk.

This applies in particular to orders which are concluded in euro. The planned proceeds are received in the currency of the order while a substantial part of the associated costs is made in the local currency.

In order to limit the remaining currency risk and secure the calculation, derivative financial instruments are transacted. As at **31 December 2017**, the following hedging transactions existed for the **underlying transactions** mentioned below, for which no hedge accounting under IAS 39 was applied. The hedging transactions were all to be treated as fair value hedges, the changes in the market value were recognised in profit or loss in the income statement:

T€ Currency	Expected cash flows 2018	Expected cash flows 2019	Total	Positive market value of the hedging transaction	Negative market value of the hedging transaction
HUF	136,723	0	136,723	802	-231
OMR	21,725	0	21,725	468	0
RON	17,217	0	17,217	72	0
Total	**175,665**	**0**	**175,665**	**1,342**	**-231**

As at **31 December 2016**, the following hedging transactions existed for the **underlying transactions** mentioned below. The hedging transactions were all to be treated as fair value hedges; the changes in the market value were recognised in profit or loss in the income statement:

T€ Currency	Expected cash flows 2017	Expected cash flows 2018	Total	Positive market value of the hedging transaction	Negative market value of the hedging transaction
HUF	84,025	0	84,025	254	-67
OMR	39,502	0	39,502	351	-148
AED	9,100	0	9,100	26	0
Others	16,678	0	16,678	34	-49
Total	**149,305**	**0**	**149,305**	**665**	**-264**

Development of the important **currencies in the group:**

Currency	Exchange rate 31.12.2017: € 1 =	Average rate 2017: € 1 =	Exchange rate 31.12.2016: € 1 =	Average rate 2016: € 1 =
HUF	310.3300	309.3165	309.8300	311.9092
CZK	25.5350	26.2893	27.0210	27.0423
PLN	4.1770	4.2429	4.4103	4.3744
CHF	1.1702	1.1162	1.0739	1.0909

Essentially, the Polish zloty, the Czech crown, the Hungarian forint and the Swiss franc are affected by revaluation (devaluation). The following table shows the hypothetical changes in EBT and equity if the euro in the year **2017** had been revalued or devalued by 10 % in relation to another currency:

T€	Revaluation euro of 10 %		Devaluation euro of 10 %	
Currency	**change in EBT**	**change in equity**	**change in EBT**	**change in equity**
PLN	-4,155	3,345	4,155	-3,345
HUF	-12,347	6,987	12,347	-6,987
CHF	-585	-5,712	585	5,712
CZK	679	10,179	-679	-10,179
Other	3,426	3,426	-3,426	-3,426

The following table shows the hypothetical changes in EBT and equity if the euro in the year **2016** had been revalued or devalued by 10 % in relation to another currency:

T€	Revaluation euro of 10 %		Devaluation euro of 10 %	
Currency	**change in EBT**	**change in equity**	**change in EBT**	**change in equity**
PLN	19,604	19,604	-19,604	-19,604
HUF	7,098	7,098	-7,098	-7,098
CHF	-6,409	-6,409	6,409	6,409
CZK	15,560	15,560	-15,560	-15,560
Other	1,726	1,726	-1,726	-1,726

The calculation is based on original and derivative foreign currency holdings in non-functional currency as at 31 December as well as underlying transactions for the next twelve months. The effect on tax resulting from changes in currency exchange rates was not taken into consideration.

Credit risk

The maximum risk of default of the financial assets, without cash and cash equivalents, on the balance sheet date is T€ 3,728,516 (2016: T€ 3,764,134) and corresponds to the carrying amounts presented in the balance sheet. Thereof T€ 2,450,091 (2016: T€ 2,396,971) involve trade receivables. Receivables from construction contracts and receivables from consortia involve ongoing construction projects and are therefore not yet payable for the most part. Of the remaining trade receivables only insignificant amounts are overdue and not impaired.

The risk for receivables from clients can be rated as low due to the wide dispersion, a constant creditworthiness check and the presence of the public sector as an important client.

The risk of default for other primary financial instruments shown on the assets side can also be regarded as low, as the contract partners are mainly financial institutions with the highest level of creditworthiness and/or the risk of default has been significantly reduced as a result of assumed liabilities of third parties.

Furthermore, there is a derived credit risk arising from the financial guarantee contracts (guarantees issued) of T€ 44,746 (2016: T€ 54,853).

Financial assets are impaired item by item if the carrying amount of the financial assets is higher than the present value of the future cash flows. This can be triggered by financial difficulties, insolvency of the client, breach of contract or significant default of payment. The impairment is composed of many individual items of which none, seen alone, is significant. In addition to the estimation of the creditworthiness risk, the relevant country risk is also taken into consideration. Graduated valuation adjustments are formed according to risk groups to take into consideration general credit risks.

Liquidity risk

Liquidity for the STRABAG SE Group means not only solvency in the strict sense but also the availability of the necessary financial margin for mainstay business through sufficient aval lines.

To guarantee financial flexibility, liquidity reserves are kept in the form of cash and credit lines for cash and aval loans. The STRABAG SE Group keeps bilateral credit lines with banks and syndicated cash and aval credit lines in the amount of € 0.4 billion respectively € 2.0 billion. The overall line for cash and aval loan amounts to € 7.7 billion. The syndicated surety credit line contains covenants which were fulfilled at the balance sheet date.

The medium- and long-term liquidity needs have so far also been covered by the issue of corporate bonds. In the years 2011, 2012 and 2013, STRABAG issued bonds of € 175 million, € 100 million and € 200 million, respectively, with a term to maturity of seven years each. The most recent was a € 200 million bond floated in 2015. As per 31 December 2017, STRABAG SE had four bonds with a total volume of € 675 million on the market.

The following **payment obligations** arise from the financial liabilities (interest payments based on interest rate as at 31 December and redemption) for the subsequent years:

Payment obligations as at 31 December 2017

T€	Carrying value 31.12.2017	Cash flows 2018	Cash flows 2019–2022	Cash flows after 2022
Bonds	675,000	196,813	529,241	0
Bank borrowings	618,977	250,170	271,597	117,116
Liabilities from finance leases	0	0	0	0
Financial liabilities	**1,293,977**	**446,983**	**800,838**	**117,116**

Payment obligations as at 31 December 2016

T€	Carrying value 31.12.2016	Cash flows 2017	Cash flows 2018–2021	Cash flows after 2019
Bonds	675,000	21,813	522,813	203,241
Bank borrowings	745,772	217,718	401,929	190,336
Liabilities from finance leases	5,304	628	2,514	3,614
Financial liabilities	**1,426,076**	**240,159**	**927,256**	**397,191**

The trade payables and the other liabilities (see item 22) essentially lead to cash outflows in line with the maturity at the amount of the carrying values.

Segment report

(27) SEGMENT REPORTING

The rules of IFRS 8 Operating Segments apply to the segment reporting. IFRS 8 prescribes defining the segments and reporting the earnings on the basis of the internal reporting (management approach). Segment assets are not disclosed as these do not form part of the regular internal reporting.

The internal reporting in the STRABAG Group is based on Management Board areas, which also represent the segments. The settlement between the single segments is made at arm’s length prices.

The segment North + West bundles the construction activities in Germany, Poland, Benelux and Scandinavia as well the ground engineering activities.

The segment South + East comprises the construction activities in Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe and Russia and the environmental engineering business.

The segment International + Special Divisions includes the international construction activities, tunnelling, services, real estate development and infrastructure development as well as the construction materials business.

In addition, there are the Central Divisions and Central Staff Divisions, which handle services in the areas of accounting, group financing, technical development, machine management, quality management, logistics, legal affairs, contract management, etc. These services are included in the segment Other.

Segment reporting for the financial year 2017

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output volume	**6,843,355**	**4,241,594**	**3,403,534**	**132,402**		**14,620,885**
Revenue	**6,377,909**	**4,073,308**	**3,029,341**	**28,167**	**0**	**13,508,725**
Inter-segment revenue	73,228	146,159	275,179	800,547		
EBIT	**199,252**	**204,613**	**62,396**	**674**	**-18,578**	**448,357**
thereof share of profit or loss of equity-accounted investments	70,762	26,664	25,905	654	0	123,985
Interest and similar income	0	0	0	46,900	0	46,900
Interest expense and similar charges	0	0	0	-74,048	0	-74,048
EBT	**199,252**	**204,613**	**62,396**	**-26,474**	**-18,578**	**421,209**
Investments in property, plant and equipment, and in intangible assets	0	0	0	457,616	0	457,616
Write-ups, depreciation and amortisation	9,618	0	0	376,604	0	386,222
thereof extraordinary write-ups, depreciation and amortisation	9,618	0	0	2,871	0	12,489

Segment reporting for the financial year 2016

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output volume	**6,174,914**	**4,000,979**	**3,154,887**	**160,252**		**13,491,032**
Revenue	**5,802,444**	**3,888,519**	**2,681,019**	**28,483**	**0**	**12,400,465**
Inter-segment revenue	107,089	24,761	225,704	758,229		
EBIT	**169,893**	**187,998**	**48,865**	**469**	**17,685**	**424,910**
thereof share of profit or loss of equity-accounted investments	61,177	25,279	-8,380	291	27,811	106,178
Interest and similar income	0	0	0	73,899	0	73,899
Interest expense and similar charges	0	0	0	-77,680	0	-77,680
EBT	**169,893**	**187,998**	**48,865**	**-3,312**	**17,685**	**421,129**
Investments in property, plant and equipment, and in intangible assets	0	0	0	412,455	0	412,455
Write-ups, depreciation and amortisation	10,000	0	4,884	415,388	0	430,272
thereof extraordinary write-ups, depreciation and amortisation	10,000	0	4,884	30,622	0	45,506

Reconciliation of the sum of the segment earnings to EBT according to IFRS financial statements

Income and expense in the internal reporting are essentially shown in accordance with IFRS. An exception is income taxes, including those applicable to deferred tax, which are not considered in the internal reporting.

The basis for the internal reporting is formed by all subsidiaries. In the IFRS financial statements, earnings from companies which were not fully consolidated or reported using the equity method are recognised in conformity with dividends, transfer of earnings and/or depreciation and amortisation. For this reason, the internal reporting does not conform with EBIT in regards to EBT in the consolidated financial statements in terms of the investment result.

Other minor differences result from entries in other consolidations.

Reconciliation of the internal reporting to IFRS financial statements is allocated as follows:

T€	2017	2016
Net income from investments	-14,320	-9,720
Non-operating profit	0	27,811
Other consolidations	-4,258	-406
Total	**-18,578**	**17,685**

Breakdown of revenue by geographic region

T€	2017	2016
Germany	6,857,876	6,167,180
Austria	2,206,188	2,058,263
Rest of Europe	3,998,696	3,716,505
Rest of world	445,965	458,517
Revenue	**13,508,725**	**12,400,465**

Presentation of revenue by region is done according to the company's registered place of business.

Other notes

(28) NOTES ON RELATED PARTIES

The core shareholders of STRABAG SE are the Haselsteiner Group, as well as the Raiffeisen-Holding NÖ-Wien Group, the UNIQA Group and Rasperia Trading Limited, owned by Russian businessman Oleg Deripaska. A syndicate agreement remains in effect between the core shareholders.

Arm's-length finance and insurance transactions exist with the Raiffeisen Holding NÖ-Wien Group and the UNIQA Group. The payables on 31 December 2017 to Raiffeisen Group relating to financing and current accounts amounted to T€ 68,396 (2016: T€ 53,248). The interest expense in the 2017 financial year amounted to T€ 3,452 (2016: T€ 1,351).

Haselsteiner Group

The Haselsteiner Group holds 5.1 % of Strabag Real Estate GmbH, Cologne, a 5.1 % share in five real estate companies of the Züblin subgroup and 5.1 % of Züblin Projektentwicklung GmbH. The resulting income attributable to the Haselsteiner Group in the amount of T€ 2,244 is registered under the income attributable to non-controlling interests. No dividends were paid from these companies in 2017.

The business relations between STRABAG SE and the companies of the Haselsteiner Group during the financial year are presented below.

T€	2017	2016
Work and services performed	23,639	11,527
Work and services received	11,185	13,059
Receivables as at 31.12.	11,196	6,713
Liabilities as at 31.12.	673	392

Basic Element

The Basic Element Group, a group with numerous industrial holdings, among other things in the area of construction, construction materials and infrastructure, is owned by Russian businessman Oleg Deripaska.

As at 31 December 2016, open receivables had included construction receivables in the amount of T€ 11,032 related to the Olympic Games in Sochi that had been deferred until 2018 as well as receivables in the amount of T€ 32,128 from the reversal of an advance payment for a 26 % stake in the leading Russian road construction company Transstroy that had also been deferred until 2018. All receivables were repaid ahead of schedule in 2017. Interest income from these receivables in the amount of T€ 124 is recognised in the income statement.

IDAG

IDAG Immobilienbeteiligung u. -Development GmbH is entirely held by private foundations whose beneficiaries are the Haselsteiner Group and the Raiffeisen-Holding NÖ-Wien Group. It is the business purpose of IDAG Immobilienbeteiligung u. -Development GmbH to develop property and to participate in property projects.

STRABAG's headquarters in Vienna and office buildings Graz are held in the real estate portfolio of subsidiaries of IDAG Immobilienbeteiligung u. -Development GmbH. The buildings are let to and in part sublet by STRABAG Group at the usual market conditions. Rental costs arising from both buildings in the 2017 financial year amounted to T€ 8,156 (2016: T€ 8,053). Other services in the amount of T€ 352 (2016: T€ 14) were obtained from the IDAG Group.

Furthermore, revenues of T€ 754 (2016: T€ 635) were made with IDAG Immobilienbeteiligung u. -Development GmbH in the 2017 financial year. At the balance sheet date of 31 December 2017, the STRABAG Group had receivables from rental deposits amounting to T€ 27,039 (2016: T€ 25,869) from IDAG Immobilienbeteiligung u. -Development GmbH.

Equity-accounted investments

STRABAG held a 49.9 % investment in **Erste Nordsee-Offshore-Holding GmbH** and in **Zweite Nordsee-Offshore-Holding GmbH** until the beginning of August 2017. 1.1 % of these companies was held by RBI PE Handels- und Beteiligungs GmbH (a related company via Raiffeisen Holding NÖ-Wien Group) and 49.9 % are held by third parties.

Erste Nordsee-Offshore-Holding GmbH, effective 31 December 2016, sold all of the special purpose companies held by it which had been awarded the permits to build wind turbines in the North Sea. In the 2017 financial year, purchase price adjustments that had previously not been taken into consideration, were recognised.

In the 2016 financial year, all projects held by Zweite Nordsee-Offshore-Holding GmbH had to be fully impaired in response to a legislative change in Germany.

As both companies have ceased their operating business activity, they were deconsolidated effective 31 July 2017. For the residual liquidation of the companies, STRABAG bought back the 1.1 % stake in the holding companies from RBI PE Handels- und Beteiligungs GmbH. In the 2017 financial year, the STRABAG Group neither provided services to nor used services from these companies.

Lafarge Cement CE Holding GmbH bundles the cement activities of Lafarge, a market leader in construction materials manufacturing, and STRABAG in the countries of Central Europe. The joint activities aim at maintaining a commensurate cement supply in the group's core countries. In 2017, STRABAG procured cement services worth T€ 22,268 (2016: T€ 17,880) from Lafarge. At the balance sheet date, there were liabilities to Lafarge Cement CE Holding GmbH Group in the amount of T€ 15 (2016: T€ 427).

The **business transactions with the other equity-accounted investments** can be presented as follows:

T€	**2017**	**2016**
Work and services performed	61,977	60,589
Work and services received	45,313	39,623
Receivables as at 31.12.	13,973	12,581
Liabilities as at 31.12.	15,516	10,726
Financing receivables as at 31.12.	126,878	133,703

For information about construction consortia we refer to item 14 (Notes on construction consortia).

Concerning business transactions with the Management Board members and employees of the first management level (management in key positions) and with their family members and companies which are controlled by the management in key positions or decisively influenced by them in the year under report, there were services in the amount of T€ 1,034 (2016: T€ 153) provided and services worth T€ 137 (2016: T€ 38) procured. At the balance sheet dates, there were receivables in the amount of T€ 85 (2016: T€ 0) and liabilities in the amount of T€ 13 (2016: T€ 0) from these business transactions.

The total remuneration including any severance and pension payments, as well as other long-term payments for employees of the first management level amounted to T€ 18,163 (2016: T€ 16,977) in the year under report. Of this amount, T€ 17,936 (2016: T€ 16,852) is attributable to the current remuneration and T€ 227 (2016: T€ 125) to severance and pension payments.

(29) NOTES ON THE MANAGEMENT AND SUPERVISORY BOARDS

Management Board

Dr. Thomas B i r t e l (CEO)
Mag. Christian H a r d e r
Dipl.-Ing. Dr. Peter K r a m m e r
Mag. Hannes T r u n t s c h n i g
Dipl.-Ing. Siegfried W a n k e r

Supervisory Board

Dr. Alfred G u s e n b a u e r (Chairman)
Mag. Erwin H a m e s e d e r (Vice Chairman)
Mag. Hannes B o g n e r
Thomas B u l l (since 9 February 2017)
Mag. Kerstin G e l b m a n n
William R. S p i e g e l b e r g e r
Dr. Gulzhan M o l d a z h a n o v a (until 8 February 2017)

Dipl.-Ing. Andreas B a t k e (works council)
Miroslav C e r v e n y (works council)
Magdolna P. G y u l a i n é (works council)
Georg H i n t e r s c h u s t e r (works council)
Wolfgang K r e i s (works council)

The total salaries of the Management Board members in the financial year amount to T€ 6,773 (2016: T€ 6,761). The severance payments for Management Board members amount to T€ 80 (2016: T€ 88).

The remunerations for the Supervisory Board members in the amount of T€ 135 (2016: T€ 135) are included in the expenses. Neither the Management Board members nor the Supervisory Board members of STRABAG SE received advances or loans.

(30) EXPENSES FOR THE AUDITOR

The expenses for the auditor, KPMG Austria GmbH, incurred in the financial year amount to T€ 1,282 (2016: T€ 1,235) of which T€ 1,185 (2016: T€ 1,149) were for the audit of the consolidated financial statements (including the audit of separate financial statements of group companies) and T€ 97 (2016: T€ 86) for other services.

(31) EVENTS AFTER THE BALANCE SHEET DATE

In 2012, a consortium led by Austria's STRABAG AG had been awarded the contract to build the North Milan Bypass as well as a connection between the city of Bergamo with Milan's Malpensa Airport as part of the Pedemontana motorway project in northern Italy. Recently the client invoked – unjustly, from the consortium's point of view – a guarantee, which was issued by an insurance company. For this reason on 14 March 2018 the STRABAG-led consortium filed a request with the competent court in Milan to issue an injunction against this recourse.

The pending legal disputes related to the construction delays and the accompanying cost overruns have thus reached a preliminary climax. Though it was not the consortium's responsibility, it had repeatedly made proposals on how the cost overruns could be contained. The client, however, opted to terminate the contract at the beginning of February 2018.

The consortium has faith in the Italian justice system and is confident that its petition will be successful. From today's perspective, the Management Board of STRABAG SE does not expect that the Pedemontana project represents a material earnings risk.

(32) DATE OF AUTHORISATION FOR ISSUE

In Austrian companies organised as corporations limited by shares, the consolidated financial statements prepared by the Management Board are approved by the Supervisory Board. The STRABAG SE Supervisory Board meeting for the approval of the consolidated financial statements for the year ended 31 December 2017 will take place on 24 April 2018.

Villach, 9 April 2018

The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Divisions and Central Staff Divisions (except BRVZ)
as well as Division 3L Russia

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment North + West

Mag. Hannes Truntschnig
Responsibility Segment
International + Special Divisions

Dipl.-Ing. Siegfried Wanker
Responsibility Segment South + East
(except Division 3L Russia)

Statement of all legal representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements[1] give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Villach, 9 April 2018

The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Divisions and Central Staff Divisions (except BRVZ)
as well as Division 3L Russia

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment North + West

Mag. Hannes Truntschnig
Responsibility Segment
International + Special Divisions

Dipl.-Ing. Siegfried Wanker
Responsibility Segment South + East
(except Division 3L Russia)

1 The separate financial statements are included in the annual financial report.

Auditor's Report

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

We have audited the financial statements of

STRABAG SE,
Villach, Austria,

and its subsidiaries (the Group), which comprise the consolidated Balance Sheet as at 31 December 2017, and the Consolidated Income Statement/Statement of Total Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as well as Austrian Generally Accepted Accounting Principles.

BASIS FOR OUR OPINION

We conducted our audit in accordance with the EU Regulation 537/2014 ("EU Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian Generally Accepted Accounting Principles and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

We have identified the following key audit matters:
- Measurement of construction contracts and revenue and earnings from construction contracts
- Impairment testing of goodwill
- Recoverability of deferred tax assets

MEASUREMENT OF CONSTRUCTION CONTRACTS AND REVENUE AND EARNINGS FROM CONSTRUCTION CONTRACTS

Refer to notes section 14 and 18

Risk for the Financial Statements

Revenue recognized in the consolidated financial statements of STRABAG SE as of 31 December 2017 mainly consists of revenue from construction contracts, which is accounted for by reference to their stage of completion ("Percentage of Completion" method). Furthermore, the item share of profit or loss of equity-accounted investments includes significant amounts of profit or loss from projects managed in cooperation with partners in construction consortia, which are also measured based on the "Percentage of Completion" method.

The stage of completion for construction contracts, whether executed alone or in cooperation with partners, is updated on an ongoing basis by means of periodic reporting. Besides the services already performed and the order backlog, in particular taking contract deviations and supplementary claims into account, periodic reporting also includes the costs incurred to date as well as remaining costs to be incurred. The data used in the measurement of construction contracts includes estimates regarding the progress and expected outcome of the projects. Profit or loss is recognized by reference to the stage of completion of a project ("Percentage of Completion" method).

Technically complex and demanding projects, in particular, involve the risk that the estimate of the total cost deviates considerably from the actual cost incurred. Additionally, there is also a risk that receivables from construction contracts and construction consortia are not recoverable.

Our response

Our audit procedures included the assessment of controls in connection with the recognition and measurement of construction contracts as well as detailed tests of individual cases for significant large projects and random samples of other projects.

In the course of testing internal controls in respect of the accounting for projects, we critically analyzed the relevant controls and performed an assessment of their operating effectiveness. These controls include, on the one hand, automated IT-supported controls for the purpose of determining the relevant amounts respective in the financial statements as well as system test routines for identifying abnormalities, and on the other hand manual controls in connection with order acceptance, ongoing project management as well as project monitoring and finalization of projects.

The tests of individual cases primarily included the following audit procedures:

- Systematic and detailed inquiries regarding selected significant construction contracts, in order to verify the correct accounting method, particularly in respect of project risks

- Sample-based examination of contracts in respect of their components significant to the assessment

- Discussions with the Management Board and the operating management regarding individually significant projects in order to assess the planning assumptions.

- A critical analysis of the internal project reporting, in order to evaluate whether all known information was taken into account in the preparation of the financial statements

- Sample-based examination of the recoverability of accounts receivable from construction contracts and construction consortia

- Retrospective assessment of individually significant projects in connection with estimation uncertainties

Furthermore, we analyzed whether the required disclosures in the notes to the consolidated financial statements include all necessary explanations in regards to revenue recognized from construction contracts and construction consortia and whether they appropriately describe the significant estimation uncertainties.

IMPAIRMENT TESTING OF GOODWILL

Refer to notes section 12

Risk for the Financial Statements

Goodwill represents approximately 4 % of total assets in the consolidated financial statements of STRABAG SE as of 31 December 2017.

An impairment test for goodwill is performed on a yearly basis and whenever impairment indicators have been identified. The determination of the recoverable amount, which serves as a benchmark value in the impairment test, is performed on the basis of future discounted net cash flows. The calculation of the recoverable amount depends significantly on future revenue and margin expectations as well as the discount rates applied and is thus afflicted with significant estimation uncertainties.

Our response

We compared the revenues and margins used as the basis for the calculation of the recoverable amount with the planning for the group of which the Supervisory Board has taken notice. In order to assess the appropriateness of the planning, we obtained an understanding of the planning process. Additionally, we also held discussions regarding the assumptions used with the Management Board as well as representatives of the respective business divisions. Beyond that, we assessed the adequacy of the discount rates used as well as the relevant calculations and sensitivity analysis. We examined whether the tested carrying amounts are covered by the recoverable amounts in case of realistic changes in the assumptions. Finally, we analyzed whether the disclosures made in the notes to the consolidated financial statements regarding the impairment testing of goodwill are appropriate and complete.

RECOVERABILITY OF DEFERRED TAX ASSETS

Refer to notes section 16

RISK FOR THE FINANCIAL STATEMENTS

Deferred tax assets represent a significant asset of STRABAG SE.

Before offsetting, deferred tax assets recognized in the consolidated financial statements of STRABAG SE as of 31 December 2017 amount to EUR 459,671 k (thereof EUR 87,036 k from tax loss carryforwards). Furthermore, deferred tax assets were not recognized for tax loss carryforwards amounting to EUR 1,334,952 k, since utilization of the tax losses are not sufficiently assured. The recognition of deferred tax assets is mainly based on the expected realization of future taxable profits as well as tax planning opportunities available to the entity.

Due to the significance of deferred tax assets recognized and those not recognized as well as existing uncertainties in respect of their recoverability, this represents a key audit matter.

Our response

Our audit procedures included the assessment of controls in connection with the recognition and measurement of deferred tax assets and assumptions made by the Management Board and representatives of the operating divisions in respect of future taxable profit as well as tax planning opportunities.

We compared the estimated future profits used as input data with the planning for the group of which the Supervisory Board has taken notice. Furthermore, we compared the assumed earnings trend of the group with its historic data, specifically taking into account its sensitivity with regard to performance and outcome. Tax planning opportunities were analyzed particularly in regard to their feasibility.

Furthermore, we examined whether the notes to the consolidated financial statements include all required disclosures in connection with deferred tax assets and whether all significant estimation uncertainties have been described adequately.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as well as Austrian Generally Accepted Accounting Principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor’s report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.
Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor’s report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

GROUP MANAGEMENT REPORT

In accordance with the Austrian Generally Accepted Accounting Principles, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with the Austrian Generally Accepted Accounting Principles.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

OTHER INFORMATION

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor’s report. We expect the annual report to be provided to us after the date of the auditor’s report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information as soon as it becomes available, to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU REGULATION

At the Annual General Meeting dated 23 June 2017, we were elected as group auditors. We were appointed by the Supervisory Board on 23 June 2017. We have been the Group’s auditors from the year ended 31 March 1999 without interruption.

We declare that our opinion expressed in the “Report on the Consolidated Financial Statements” section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

ENGAGEMENT PARTNER

The engagement partner is Mr. Dr. Helge Löffler.

Linz, 9 April 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Dr. Helge Löffler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid. The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.