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Annual Financial Statements 2017

STRABAG
SOCIETAS EUROPAEA

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STRABAG
SOCIETAS EUROPAEA

Consolidated Finacial Statements 2017

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	Acquisition and production costs Currency translation	Additions	Transfers
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	Acquisition and production costs Currency translation	Additions	Transfers
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	thereof current	thereof non-current	31.12.2016 Total	thereof current	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

	31.12.2017			31.12.2016		
T€	**Total**	**thereof current**	**thereof non-current**	**Total**	**thereof current**	**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)

List of subsidiaries, equity-accounted investments and participation companies as at 31.12.2017

Company	Residence	Direct stake %
Consolidated companies		
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH"	Spittal an der Drau	100.00
"BOYANA VIEW" EOOD	Sofia	100.00
"Crnagoraput" AD, Podgorica	Podgorica	95.32
"DOMIZIL" Bauträger GmbH	Vienna	100.00
"SBS Strabag Bau Holding Service GmbH"	Spittal an der Drau	100.00
"Strabag" d.o.o. Podgorica	Podgorica	100.00
"VITOSHA VIEW" EOOD	Sofia	100.00
"Wiener Heim" Wohnbaugesellschaft m.b.H.	Vienna	100.00
ABR Abfall Behandlung und Recycling GmbH	Schwadorf	100.00
AKA Zrt.	Budapest	100.00
Alpines Hartschotterwerk GmbH	Leinfelden-Echterdingen	100.00[1]
AMFI HOLDING Kft.	Budapest	100.00
ANTREPRIZA DE REPARATII SI LUCRARI A R L CLUJ SA	Cluj-Napoca	98.59
ARGE STRABAG	Cologne	100.00
Artholdgasse Errichtungs GmbH	Vienna	95.00
ASIA Center Kft.	Budapest	100.00
Asphalt & Beton GmbH	Spittal an der Drau	100.00
AUSTRIA ASPHALT GmbH & Co OG	Spittal an der Drau	100.00
Bau Holding Beteiligungs AG	Spittal an der Drau	100.00
Baumann & Burmeister GmbH	Halle/Saale	100.00[1]
BBS Baustoffbetriebe Sachsen GmbH	Hartmannsdorf	100.00[1]
BHG Bitumenhandelsgesellschaft mbH	Hamburg	100.00[1]
BHG CZ s.r.o.	Budweis	100.00
BHG Sp. z o.o.	Pruszkow	100.00
BHK KRAKÓW JOINT VENTURE Sp. z o.o.	Warsaw	100.00
Bitumen Handelsgesellschaft m.b.H. & Co KG	Loosdorf	100.00
BITUNOVA Baustofftechnik Gesellschaft m.b.H.	Spittal an der Drau	100.00
BITUNOVA GmbH	Dusseldorf	100.00[1]
Bitunova Kft.	Budapest	100.00
BITUNOVA Romania SRL	Bucharest	100.00
BITUNOVA Sp. z o.o.	Warsaw	100.00
BITUNOVA spol. s r.o.	Jihlava	100.00
BITUNOVA spol. s r.o.	Zvolen	100.00
Blees-Kölling-Bau GmbH	Cologne	100.00[1]
BLUMENFELD Liegenschaftsverwaltungs GmbH	Vienna	100.00
Blutenburg Projekt GmbH	Cologne	100.00
BMTI Sp. z o.o.	Pruszkow	100.00
BOHEMIA ASFALT, s.r.o.	Sobeslav	100.00
Böhm Stadtbaumeister & Gebäudetechnik GmbH	Vienna	100.00
BONDENO INVESTMENTS LTD	Limassol	100.00
BrennerRast GmbH	Vienna	100.00
Bug-AluTechnic GmbH	Vienna	100.00
Campus Eggenberg Immobilienprojekt GmbH	Graz	60.00
CESTAR d.o.o.	Gornja Vrba	100.00[2]
Chustskij Karier	Zakarpatska	95.96
CML Construction Services GmbH	Cologne	100.00
DC1 Immo GmbH	Vienna	100.00
Deutsche Asphalt GmbH	Cologne	100.00[1]
Diabaswerk Saalfelden Gesellschaft m.b.H.	Saalfelden	100.00
DIW Aircraft Services GmbH	Stuttgart	100.00[1]
DIW Instandhaltung GmbH	Stuttgart	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 Direct stake amounted to 74,90 % as at 31.12.2016

Company	Residence	Direct stake %
DIW Mechanical Engineering GmbH	Stuttgart	100.00[1]
DIW System Dienstleistungen GmbH	Fürstenfeldbruck	100.00[1]
DRP, d.o.o.	Ljubljana	100.00
DYWIDAG International GmbH	Munich	100.00[1]
Dywidag Saudi Arabia Co. Ltd.	Jubail	100.00
DYWIDAG-Holding GmbH	Cologne	100.00[1]
E S B Kirchhoff GmbH	Leinfelden-Echterdingen	100.00[1]
Eckstein Holding GmbH	Spittal an der Drau	100.00
Ed. Züblin AG	Stuttgart	100.00[1]
EFKON GmbH	Raaba	100.00
EFKON INDIA Pvt. Ltd.	Mumbai	100.00
EFKON SOUTH AFRICA (PTY) LTD	Pretoria	100.00
Erdberger Mais GmbH & Co KG	Vienna	100.00
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o.	Bratislava-Ruzinov	100.00
EVOLUTION GAMMA Sp. z o.o.	Warsaw	100.00
EVOLUTION ONE Sp. z o.o.	Warsaw	100.00
EVOLUTION THREE Sp. z o.o.	Warsaw	100.00
EVOLUTION TWO Sp. z o.o.	Warsaw	100.00
EXP HOLDING Kft.	Budapest	100.00[2]
Expert Kerepesi Kft.	Budapest	100.00
F 101 Projekt GmbH & Co. KG	Cologne	100.00
F. Kirchhoff GmbH	Leinfelden-Echterdingen	100.00[1]
F. Lang u. K. Menhofer Baugesellschaft m.b.H. & Co. KG	Wiener Neustadt	100.00
F.K. SYSTEMBAU GmbH	Münsingen	100.00[1]
Fahrleitungsbau GmbH	Essen	100.00[1]
First-Immo Hungary Kft.	Budapest	100.00
FRISCHBETON s.r.o.	Prague	100.00
Frissbeton Kft.	Budapest	100.00
Gaul GmbH	Sprendlingen	100.00
GBS Gesellschaft für Bau und Sanierung mbH	Leuna	100.00
Generál Mély- és Magasépitö Zrt.	Budapest	100.00
Goldeck Bergbahnen GmbH	Spittal an der Drau	100.00
Griproad Spezialbeläge und Baugesellschaft mbH	Cologne	100.00[1]
Gudrunstraße Errichtungs GmbH	Vienna	95.00
Hexagon Projekt GmbH & Co. KG	Cologne	100.00[1]
Hotel AVION Management s.r.o.	Bratislava	100.00
Hotel AVION s.r.o.	Bratislava	100.00
I.C.S. "STRABAG" S.R.L.	Chisinau	100.00
Ilbau GmbH Deutschland	Berlin	100.00
Ilbau Liegenschaftsverwaltung GmbH	Spittal an der Drau	100.00
InfoSys Informationssysteme GmbH	Spittal an der Drau	94.90
Innsbrucker Nordkettenbahnen Betriebs GmbH	Innsbruck	51.00
IQ Generalübernehmer GmbH & Co. KG	Oststeinbek	75.00
IVERUS ENTERPRISES LTD	Limassol	100.00
JUKA Justizzentrum Kurfürstenanlage GmbH	Cologne	100.00[1]
KAB Straßensanierung GmbH & Co KG	Spittal an der Drau	50.60
KAFEX Kft.	Budapest	100.00
KAMENOLOMY CR s.r.o.	Ostrava	100.00
Kanzel Steinbruch Dennig Gesellschaft mit beschränkter Haftung	Gratkorn	75.00
KFX Holding Kft.	Budapest	100.00[2]
KMG - KLIPLEV MOTORWAY GROUP A/S	Copenhagen	100.00
KÖKA Kft.	Budapest	100.00
KSR - Kamenolomy SR, s.r.o.	Zvolen	100.00
LaVie Projektgesellschaft mbH & Co. KG	Dusseldorf	99.90
Leopold Ungar Platz 3 GmbH	Vienna	100.00
Lift-Off GmbH & Co. KG	Cologne	100.00[1]
LIMET Beteiligungs GmbH	Cologne	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 presentation of interest is done using the economic approach, the interest as defined by civil law may deviate from this presentation.

Company	Residence	Direct stake %
LIMET Beteiligungs GmbH & Co. Objekt Köln KG	Cologne	94.00[1]
LW 280 Bauträger GmbH	Vienna	100.00
M5 Beteiligungs GmbH	Vienna	100.00
M5 Holding GmbH	Vienna	100.00
MAV Kelheim GmbH	Kelheim	100.00
MAV Mineralstoff - Aufbereitung und - Verwertung GmbH	Krefeld	50.00[2]
MAV Mineralstoff - Aufbereitung und Verwertung Lünen GmbH	Lünen	100.00
Mineral Abbau GmbH	Spittal an der Drau	100.00
Mineral Baustoff GmbH	Cologne	100.00[1]
MINERAL IGM d.o.o.	Zapuzane	100.00
Mineral Polska Sp. z o.o.	Czarny Bor	100.00
MINERAL ROM SRL	Brasov	100.00
Mischek Bauträger Service GmbH	Vienna	100.00
Mischek Systembau GmbH	Vienna	100.00
Mitterhofer Projekt GmbH & Co. KG	Cologne	100.00[1]
MOBIL Baustoffe GmbH	Munich	100.00[1]
MOBIL Baustoffe GmbH	Spittal an der Drau	100.00
N.V. STRABAG Belgium S.A.	Antwerp	100.00
N.V. STRABAG Benelux S.A.	Antwerp	100.00
Na Belidle s.r.o.	Prague	100.00
NE Sander Immobilien GmbH	Sande	100.00[1]
Nimab Entreprenad AB	Sjöbo	100.00
Nottendorfer Gasse 13 Kom GmbH	Vienna	100.00
OAT - Bohr- und Fugentechnik Gesellschaft m.b.H.	Spittal an der Drau	51.00
OAT Kft.	Budapest	100.00
ÓBUDA-APARTMAN Kft.	Budapest	100.00
OOO "RANITA"	Moscow	100.00
Osttiroler Asphalt Hoch- und Tiefbauunternehmung GmbH	Lavant i. Osttirol	80.00
POLSKI ASFALT Sp. z o.o.	Krakow	100.00
Pomgrad Inzenjering d.o.o.	Split	100.00
PUTEVI CACAK DOO	Cacak	100.00[3]
Pyhrn Concession Holding GmbH	Cologne	100.00[1]
PZC SPLIT d.d.	Split	97.40[4]
Raststation A 3 GmbH	Vienna	100.00
RBS Rohrbau-Schweißtechnik Gesellschaft m.b.H.	Linz	100.00
RE Beteiligungsholding GmbH	Vienna	100.00
RE Klitschgasse Errichtungs GmbH	Vienna	67.00
RE project development Kft.	Budapest	100.00
RE Projekt Errichtungs GmbH	Vienna	100.00
RE Wohnraum GmbH	Vienna	100.00
RE Wohnungseigentumserrichtungs GmbH	Vienna	100.00
REPASS-SANIERUNGSTECHNIK GMBH Korrosionsschutz und Betoninstandsetzung	Munderkingen	100.00[1]
ROBA Transportbeton GmbH	Berlin	100.00[1]
Sakela Beteiligungsverwaltungs GmbH	Vienna	100.00
SAO BRVZ Ltd	Moscow	100.00
SAT s.r.o.	Prague	100.00
SAT Sp. z o.o.	Olawa	100.00
SAT Straßensanierung GmbH	Cologne	100.00[1]
SF Bau vier GmbH	Vienna	100.00
SF-Ausbau GmbH	Freiberg	100.00[1]
Shanghai Changjiang-Züblin Construction&Engineering Co.Ltd.	Shanghai	75.00
SQUARE One GmbH & Co KG	Vienna	100.00
SQUARE Two GmbH & Co KG	Vienna	100.00
SRE Erste Vermögensverwaltung GmbH	Cologne	100.00
SRE Projekt 1 GmbH & Co. KG	Cologne	100.00
STRABAG a.s.	Prague	100.00
STRABAG AB	Stockholm	100.00
STRABAG ABU DHABI LLC	Abu Dhabi	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.
2 The voting rights according to the contract of association amount to 50% plus one vote.
3 Direct stake amounted to 89,89 % as at 31.12.2016
4 Direct stake amounted to 97,20 % as at 31.12.2016

Company	Residence	Direct stake %
STRABAG AG	Spittal an der Drau	100.00
STRABAG AG	Schlieren	100.00
STRABAG AG (vormals: Ilbau Liegenschaftsverwaltung AG)	Cologne	100.00[1]
STRABAG Általános Építö Kft.	Budapest	100.00
STRABAG Anlagentechnik GmbH	Thalgau	100.00
STRABAG B.V.	Vlaardingen	100.00
STRABAG Bau GmbH	Vienna	100.00
STRABAG BMTI GmbH	Erstfeld	100.00
STRABAG BMTI GmbH	Vienna	100.00
STRABAG BMTI GmbH & Co. KG	Cologne	100.00[1]
STRABAG BMTI Kft.	Budapest	100.00
STRABAG BMTI s.r.o.	Brno	100.00
STRABAG BRVZ AB	Kumla	100.00
STRABAG BRVZ AG	Erstfeld	100.00
STRABAG BRVZ d.o.o.	Ljubljana	100.00
STRABAG BRVZ d.o.o.	Zagreb	100.00
STRABAG BRVZ GmbH	Spittal an der Drau	100.00
STRABAG BRVZ GmbH & Co. KG	Cologne	100.00[1]
STRABAG BRVZ Kft.	Budapest	100.00
STRABAG BRVZ S.R.L.	Bucharest	100.00
STRABAG BRVZ s.r.o.	Bratislava	100.00
STRABAG BRVZ s.r.o.	Prague	100.00
STRABAG BRVZ Sp. z o.o.	Pruszkow	100.00
STRABAG d.o.o.	Novi Beograd	100.00
STRABAG d.o.o.	Zagreb	100.00
STRABAG d.o.o. Sarajevo	Sarajevo	100.00
STRABAG EAD	Sofia	100.00
STRABAG Építö Kft.	Budapest	100.00
STRABAG Építöipari Zrt.	Budapest	100.00
STRABAG Facility Management GmbH	Berlin	100.00[1]
STRABAG Facility Services GmbH	Nuremberg	100.00[1]
STRABAG Generálépitö Kft.	Budapest	100.00
STRABAG GmbH	Bad Hersfeld	100.00[1]
STRABAG gradbene storitve d.o.o.	Ljubljana	100.00
STRABAG Großprojekte GmbH	Munich	100.00[1]
STRABAG Holding GmbH	Vienna	100.00
Strabag Inc.	Toronto	100.00
STRABAG Industries (Thailand) Co.,Ltd.	Bangkok	100.00
STRABAG Infrastructure & Safety Solutions GmbH	Cologne	100.00[1]
STRABAG Infrastructure & Safety Solutions GmbH	Vienna	100.00
STRABAG INFRASTRUKTURA POLUDNIE Sp. z o.o.	Wroclaw	100.00
STRABAG Infrastrukturprojekt GmbH	Bad Hersfeld	100.00[1]
STRABAG International GmbH	Cologne	100.00[1]
STRABAG Kieserling Flooring Systems GmbH	Hamburg	100.00[1]
Strabag Liegenschaftsverwaltung GmbH	Linz	100.00
STRABAG OMAN L.L.C.	Maskat	100.00
STRABAG Pozemne a inzinierske stavitel'stvo s. r. o.	Bratislava	100.00
STRABAG Projektentwicklung GmbH	Cologne	100.00[1]
STRABAG Projektutveckling AB	Stockholm	100.00
STRABAG Property and Facility Services a.s.	Prague	100.00
STRABAG Property and Facility Services GmbH	Münster	100.00[1]
STRABAG Property and Facility Services GmbH	Vienna	100.00
STRABAG Property and Facility Services Zrt.	Budapest	51.00
STRABAG Rail a.s.	Usti nad Labem	100.00
STRABAG Rail AB	Kumla	100.00
STRABAG Rail Fahrleitungen GmbH	Berlin	100.00[1]
STRABAG Rail GmbH	Lauda-Königshofen	100.00[1]
STRABAG Rail Kft.	Budapest	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.

Company	Residence	Direct stake %
STRABAG Real Estate GmbH	Cologne	94.90
STRABAG Real Estate GmbH	Vienna	100.00
STRABAG S.A.S.	Bogotá, D.C.	100.00
STRABAG S.p.A.	Bologna	100.00
STRABAG s.r.o.	Bratislava	100.00
STRABAG SE	Villach	100.00
STRABAG SIA	Milzkalne	100.00
STRABAG Sp. z o.o.	Pruszkow	100.00
Strabag SpA	Santiago de Chile	100.00
STRABAG Sportstättenbau GmbH	Dortmund	100.00[1]
STRABAG SRL	Bucharest	100.00
STRABAG Sverige AB	Stockholm	100.00
STRABAG Umwelttechnik GmbH	Dusseldorf	100.00[1]
STRABAG Vasútépítö Kft.	Budapest	100.00
STRABAG Wasserbau GmbH	Hamburg	100.00[1]
STRABAG-MML Kft.	Budapest	100.00
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH	Vienna	100.00
Torkret GmbH	Stuttgart	100.00[1]
TPA CR, s.r.o.	Ceske Budejovice	100.00
TPA Gesellschaft für Qualitätssicherung und Innovation GmbH	Vienna	100.00
TPA GmbH	Cologne	100.00[1]
TPA HU Kft.	Budapest	100.00
TPA odrzavanje kvaliteta i inovacija d.o.o.	Zagreb	100.00
TPA SOCIETATE PENTRU ASIGURAREA CALITATII SI INOVATII SRL	Bucharest	100.00
TPA Sp. z o.o.	Pruszkow	100.00
TPA Spolocnost pre zabezpecenie kvality a inovacie s.r.o.	Bratislava	100.00
TPA za obezbedenje kvaliteta i inovacije d.o.o. Beograd	Novi Beograd	100.00
Trema Engineering 2 sh p.k.	Tirana	51.00
Treuhandbeteiligung H		100.00[2]
Turm am Mailänder Platz GmbH & Co. KG	Stuttgart	100.00[1]
Viedenska brana s.r.o.	Bratislava	100.00
VIOLA PARK Immobilienprojekt GmbH	Vienna	75.00
VOJVODINAPUT-PANCEVO DOO	Pancevo	100.00
Wolfer & Goebel Bau GmbH	Stuttgart	100.00[1]
Z. Brückenbau Immobiliengesellschaft mbH & Co. KG	Cologne	94.90[1]
Z. Holzbau Immobiliengesellschaft mbH & Co. KG	Cologne	94.90[1]
Z. Immobiliengesellschaft mbH & Co. KG	Cologne	94.90[1]
Z. Sander Immobiliengesellschaft mbH & Co. KG	Cologne	94.90[1]
Z. Stahlbau Immobiliengesellschaft mbH & Co. KG	Cologne	94.90[1]
ZAO "Strabag"	Moscow	100.00
Z-Bau GmbH	Magdeburg	100.00[1]
ZDE Sechste Vermögensverwaltung GmbH	Cologne	100.00
Zezelivskij karier TOW	Zezelev	99.36
Züblin A/S	Trige	100.00
ZÜBLIN Bau GmbH	Munich	100.00[1]
Züblin Chimney and Refractory GmbH	Cologne	100.00[1]
Züblin Chuquicamata SpA	Santiago	100.00
Züblin Construction L.L.C.	Abu Dhabi	100.00
Züblin Egypt LLC	Cairo	100.00
Züblin Gebäudetechnik GmbH	Erlangen	100.00
Züblin Ground and Civil Engineering LLC	Dubai	100.00
Züblin Hoch- und Brückenbau GmbH	Bad Hersfeld	100.00[1]
Züblin Holding GesmbH	Vienna	100.00
Züblin Inc.	Saint John/NewBrunswick	100.00
Züblin International GmbH	Stuttgart	100.00[1]
Züblin International GmbH Chile SpA	Santiago de Chile	100.00
Züblin Kft.	Budapest	100.00
Züblin Nederland B.V.	Vlaardingen	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.
2 The presentation of interest is done using the economic approach, the interest as defined by civil law may deviate from this presentation.

Company	Residence	Direct stake %
ZUBLIN PRECAST INDUSTRIES SDN. BHD.	Johor	100.00
Züblin Projektentwicklung GmbH	Stuttgart	94.88[1]
ZUBLIN ROMANIA SRL	Bucharest	100.00
Züblin Scandinavia AB	Stockholm	100.00
Züblin Sp. z o.o.	Pruszków	100.00
Züblin Spezialtiefbau Ges.m.b.H.	Vienna	100.00
Züblin Spezialtiefbau GmbH	Stuttgart	100.00[1]
Züblin Stahlbau GmbH	Hosena	100.00[1]
ZÜBLIN stavebni spol. s r.o.	Prague	100.00
ZÜBLIN Timber Aichach GmbH	Aichach	100.00[1]
ZÜBLIN Timber Gaildorf GmbH	Gaildorf	100.00[1]
Züblin Umwelttechnik GmbH	Stuttgart	100.00[1]
Züblin Wasserbau GmbH	Berlin	100.00[1]

Associates

A-Lanes A15 Holding B.V.	Nieuwegein	24.00
Bayerische Asphaltmischwerke GmbH & Co.KG für Straßenbaustoffe	Hofolding	48.33
Bodensee - Moränekies Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft Tettnang	Tettnang	33.33
DIRECTROUTE (LIMERICK) HOLDINGS LIMITED	Fermoy	20.00
Lafarge Cement CE Holding GmbH	Vienna	30.00
Natursteinwerke im Nordschwarzwald NSN GmbH & Co. KG	Mühlacker	25.00
SeniVita Social Estate AG	Bayreuth	46.00
SOCIETATEA COMPANIILOR HOTELIERE GRAND SRL	Bucharest	35.32
Strabag Qatar W.L.L.	Doha	49.00
Züblin International Qatar LLC	Doha	49.00

Joint ventures

AMB Asphaltmischwerke Bodensee GmbH & Co KG	Singen (Hohentwiel)	50.00
AMH Asphaltmischwerk Hauneck GmbH & Co. KG	Hauneck	50.00
Autocesta Zagreb-Macelj d.o.o.	Zagreb	51.00[2]
Kieswerk Rheinbach GmbH & Co. KG	Rheinbach	50.00
Kieswerke Schray GmbH & Co. KG	Steißlingen	50.00
MAK Mecsek Autopalya Koncesszios Zrt.	Budapest	50.00
Messe City Köln GmbH & Co. KG	Hamburg	50.00
MesseCity Köln Generalübernehmer GmbH & Co. KG	Oststeinbek	50.00
PANSUEVIA GmbH & Co. KG	Jettingen-Scheppach	50.00
PANSUEVIA Service GmbH & Co. KG	Jettingen-Scheppach	50.00
Steinbruch Spittergrund GmbH	Erfurt	50.00
Thüringer Straßenwartungs- und Instandhaltungsgesellschaft mbH & Co. KG	Apfelstädt	50.00

Subsidiaries not consolidated

"BITUNOVA" S.R.L.	Chisinau	100.00
"Granite Mining Industries" Sp. z o.o.	Braslau	100.00
"IWL Pernik" EOOD	Pernik	100.00
"Mineral 2000" EOOD	Sofia	100.00
"RE PROJECT DEVELOPMENT" EOOD	Sofia	100.00
"RE PROJECT DEVELOPMENT" Sp. z o.o.	Warsaw	100.00
"Strabag Azerbaijan" L.L.C.	Baku	100.00
A 94 Autobahn Verwaltungs GmbH	Cologne	100.00
A.S.T. Bauschuttverwertung GmbH	Klagenfurt	66.67
A.S.T. Bauschuttverwertung GmbH & Co KG	Klagenfurt	66.67

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 There are deviating contractual provisions about this joint venture.

Company	Residence	Direct stake %
AB Frischbeton Gesellschaft m.b.H.	Vienna	100.00
ADI Asphaltmischwerke Donau-Iller GmbH & Co. KG i.L.	Inzigkofen	63.21
ADI Asphaltmischwerke Donau-Iller Verwaltungsgesellschaft mit beschränkter Haftung i.L.	Inzigkofen	63.20
Al-Hani General Construction Co.	Tripolis	60.00
AMH Asphaltmischwerk Hellweg GmbH i.L.	Erwitte	50.50
Arriba GmbH	Stuttgart	100.00
Asesorías de Ingenería y Construcciones Ltda.	Santiago	100.00
Asfalt Slaski Wprinz Sp. z o.o.	Warsaw	100.00
Asphaltmischwerk Rieder Vomperbach GmbH	Innsbruck	60.00
Asphaltmischwerk Rieder Vomperbach GmbH & Co KG	Innsbruck	60.00
Asphaltmischwerk Roppen GmbH	Roppen	70.00
Asphaltmischwerk Roppen GmbH & Co KG	Roppen	70.00
Asphaltmischwerk Zeltweg Gesellschaft m.b.H.	Steyr	100.00
ASTRADA DEVELOPMENT SRL	Bucharest	70.00
AUSTRIA ASPHALT GmbH	Spittal an der Drau	100.00
AWB Asphaltmischwerk Büttelborn GmbH & Co. KG	Büttelborn	100.00
AWB Asphaltmischwerk Büttelborn Verwaltungs-Gesellschaft mit beschränkter Haftung	Büttelborn	100.00
B + R Baustoff-Handel und -Recycling Köln GmbH	Cologne	100.00
Baugesellschaft "Negrelli" Ges.m.b.H.	Vienna	100.00
Bauträgergesellschaft Olande mbH	Hamburg	51.00
BAYSTAG GmbH	Wildpoldsried	100.00
Beijing Züblin Equipment Production Co., Ltd.	Beijing	100.00
Betobeja Empreendimentos Imobiliarios, Lda	Beja	100.00
Beton AG Bürglen	Bürglen TG	65.60
BHG Bitumen Adria d.o.o.	Zagreb	100.00
BHG Bitumen d.o.o. Beograd	Belgrad	100.00
BHG Bitumen Kft.	Budapest	100.00
BHG COMERCIALIZARE BITUM SRL	Bucharest	100.00
BHG SK s.r.o.	Bratislava	100.00
BHV GmbH Brennstoffe - Handel - Veredelung	Lünen	100.00
Bitumen Handelsgesellschaft m.b.H.	Vienna	100.00
BITUNOVA UKRAINA TOW	Brovary	60.00
BPM Bau Prozess Management GmbH	Vienna	100.00
BrennerWasser GmbH	Vienna	100.00
BRVZ-Contabilidade, Organizacao,Representacao e Administracao de Empresas,S.U.,Lda	Lisbon	100.00
BSB Betonexpress Verwaltungsges.mbH	Berlin	100.00
BSS Tunnel- & Montanbau GmbH i.L.	Bern	100.00
Büro Campus Deutz Torhaus GmbH	Cologne	100.00
BVHS Betrieb und Verwaltung von Hotel- und Sportanlagen GmbH	Berlin	100.00
Center Systems Deutschland GmbH	Berlin	100.00
CENTRUM BUCHAREST DEVELOPMENT SRL	Bucharest	100.00
CML Construction Services AB	Stockholm	100.00
CML CONSTRUCTION SERVICES d.o.o.	Zagreb	100.00
CML Construction Services d.o.o. Beograd	Belgrad	100.00
CML Construction Services GmbH	Vienna	100.00
CML Construction Services GmbH	Schlieren	100.00
CML CONSTRUCTION SERVICES s. r. o.	Bratislava	100.00
CML CONSTRUCTION SERVICES s.r.o.	Prague	100.00
CML CONSTRUCTION SERVICES Sp. z o.o.	Pruszkow	100.00
CML CONSTRUCTION SERVICES SRL	Bucharest	100.00
CML Construction Services Zrt.	Budapest	100.00
Coldmix B.V.	Roermond	100.00
CONFINARIO LTD	Limassol	100.00
Constrovia Construcao Civil e Obras Publicas Lda.	Lisbon	95.00
Cottbuser Frischbeton GmbH	Cottbus	100.00
Demirtürk Uluslararasi Insaat, Ithalat, Ihracat ve Ticaret Sirketi	Istanbul	100.00
DISTRICT DEVELOPMENT SRL	Bucharest	100.00
DRUMCO SA	Timisoara	70.00

Company	Residence	Direct stake %
DYWIDAG ROMANIA SRL	Bucharest	100.00
DYWIDAG Schlüsselfertig und Ingenieurbau GmbH	Munich	100.00
DYWIDAG-Service-GmbH Gebäude- und Anlagenmanagement	Bad Hersfeld	100.00
E.S.T.M. KFT	Budapest	100.00
EBERHARDT Baugesellschaft mbH Deutschland	Berlin	100.00
ECS European Construction Services GmbH i.L.	Mörfelden-Walldorf	100.00
EDEN Jizni roh s.r.o.	Prague	100.00
Edificio Bauvorbereitungs- und Bauträgergesellschaft mb.H.	Vienna	100.00
EFKON ASIA SDN. BHD.	Kuala Lumpur	100.00
EFKON Belgium BVBA	Antwerp	100.00
EFKON COLOMBIA LTDA	Bogota	100.00
EFKON IRELAND LIMITED	Dublin	100.00
EFKON USA, INC.	Dallas	100.00
Egger PowAir Cleaning GmbH	Eugendorf	75.00
Eichholz Eivel GmbH	Berlin	100.00
Eraproject Immobilien-, Projektentwicklung und Beteiligungsverwaltung GmbH	Berlin	100.00
Erlaaer Straße Liegenschaftsverwertungs-GmbH	Vienna	100.00
ERMATEC Maschinen Technische Anlagen Gesellschaft m.b.H.	Vienna	100.00
Erste Nordsee-Offshore-Holding GmbH	Vienna	51.00
Eslarngasse 16 GmbH	Vienna	100.00
EURO SERVICES Catering & Cleaning GmbH	Mörfelden-Walldorf	100.00
EUROTEC ANGOLA, LDA	Luanda	100.00
F 101 Verwaltungs GmbH	Cologne	100.00
Fachmarktzentrum Kielce Projekt GmbH	Berlin	100.00
Facility Management Holding RF GmbH	Vienna	100.00
FLOGOPIT d.o.o. Beograd	Novi Beograd	100.00
FLOWER CITY SRL	Bucharest	100.00
Forum Mittelrhein Beteiligungsgesellschaft mbH	Hamburg	51.00
Forum Mittelrhein Koblenz Generalübernehmergesellschaft mbH & Co.KG	Oststeinbek	51.00
Forum Mittelrhein Koblenz Kultur GmbH & Co. KG	Hamburg	51.00
Freo Projektentwicklung Berlin GmbH	Berlin	50.10
Fürstenallee 21 GmbH	Vienna	100.00
FUSSENEGGER Hochbau und Holzindustrie GmbH	Dornbirn	100.00
Gartensiedlung Lackenjöchel Liegenschaftsverwertungs GmbH	Vienna	100.00
GTE-Gebäude-Technik-Energie-Betriebs- und Verwaltungsgesellschaft m.b.H.	Vienna	61.00
GTE-Gebäude-Technik-Energie-Betriebs- und Verwaltungsgesellschaft m.b.H. & Co. KG	Vienna	62.00
Heimfeld Terrassen GmbH	Cologne	100.00
Hillerstraße - Jungstraße GmbH	Vienna	100.00
HMC Autópálya Kft.	Budapest	100.00
HPGG Beteiligungs GmbH	Spittal an der Drau	100.00
Hrusecka obalovna, s.r.o.	Hrusky	80.00
IBV - Immobilien Besitz- und Verwaltungsgesellschaft mbH Werder	Cologne	99.00
Industrielles Bauen Betreuungsgesellschaft mbH	Stuttgart	100.00
INDUSTRIJA GRADEVNOG MATERIJALA OSTRA d.o.o.	Zagreb	100.00
Intolligent Toll Road Management Pvt. Ltd.	Mumbai	100.00
I-PAY CLEARING SERVICES Pvt. Ltd.	Mumbai	74.00
IQ Plan Beteiligung GmbH	Oststeinbek	75.00
IQ Plan GmbH & Co. KG	Hamburg	75.00
ITC Engineering GmbH & Co. KG	Stuttgart	100.00
ITC Engineering Verwaltungs GmbH	Stuttgart	100.00
JBA GmbH	Cologne	50.10
JV HEILIT Umwelttechnik-BioPlanta S.R.L.	Orhei	100.00
KAB Straßensanierung GmbH	Spittal an der Drau	50.60
Karlovarske silnice, a.s.	Ceske Budejovice	100.00
KE s.r.o. v likvidácii	Bratislava	100.00
KIAG AG	Kreuzlingen	100.00
Kieswerk Diersheim GmbH	Rheinau/Baden	60.00
Kieswerk Ohr GmbH	Cologne	100.00

Company	Residence	Direct stake %
Kirchner Baugesellschaft m.b.H.	Spittal an der Drau	100.00
Kirchner PPP Service GmbH	Bad Hersfeld	100.00
KIRCHNER ROMANIA SRL	Bucharest	100.00
KRAMARE s.r.o.	Bratislava	100.00
Kuhwald 55 Projekt GmbH & Co. KG	Cologne	100.00
Latasfalts SIA	Milzkalne	100.00
Leonhard Moll Tiefbau GmbH	Munich	100.00
Lieferasphalt Gesellschaft m.b.H. & Co OG, Viecht	Viecht	66.50
Lieferasphalt Gesellschaft m.b.H. & Co. OG	Maria Gail	60.00
Ludwig Voss GmbH	Cuxhaven	100.00
MANIERITA LTD	Limassol	100.00
MAYREN ENTERPRISES LTD	Limassol	100.00
MAYVILLE INVESTMENTS Sp. z o.o. "W LIKWIDACJI"	Warsaw	100.00
Mazowieckie Asfalty Sp. z o.o.	Pruszkow	100.00
MBO UK d.o.o.	Ljubljana	100.00
Mikrobiologische Abfallbehandlungs GmbH	Schwadorf	51.00
Mineral Kop doo Beograd	Belgrad	100.00
Mischek Leasing eins Gesellschaft m.b.H.	Vienna	100.00
Mister Recrutamento Lda.	Lisbon	100.00
Mobil Baustoffe AG	Erstfeld	100.00
Möbius Wasserbau GmbH	Hamburg	100.00
MSO Mischanlagen GmbH Ilz & Co KG	Ilz	52.81
MSO Mischanlagen GmbH Pinkafeld & Co KG	Pinkafeld	52.67
MUST Razvoj projekata d.o.o.	Zagreb	100.00
NEUE REFORMBAU Gesellschaft m.b.H.	Vienna	100.00
Nimab Anläggning AB	Sjöbo	100.00
Nimab Support AB	Sjöbo	100.00
Northern Energy GAIA I. GmbH	Aurich	100.00
Northern Energy GAIA II. GmbH	Aurich	100.00
Northern Energy GAIA III. GmbH	Aurich	100.00
Northern Energy GAIA IV. GmbH	Aurich	100.00
Northern Energy GAIA V. GmbH	Aurich	100.00
Northern Energy SeaStorm I. GmbH	Aurich	100.00
Northern Energy SeaStorm II. GmbH	Aurich	100.00
Northern Energy SeaWind I. GmbH	Aurich	100.00
Northern Energy SeaWind II. GmbH	Aurich	100.00
Northern Energy SeaWind III GmbH	Aurich	100.00
Northern Energy SeaWind IV. GmbH	Aurich	100.00
Nottendorfer Gasse 13 GmbH	Vienna	100.00
NR Bau- u. Immobilienverwertung GmbH	Berlin	100.00
OAT spol. s r.o.	Bratislava	100.00
OAT,s.r.o.	Prague	100.00
OBIT GmbH	Berlin	100.00
OBZ Oberkärntner Baurestmassenzentrum GmbH	Spittal an der Drau	100.00
ODEN Anläggning Fastighets AB	Stockholm	100.00
ODEN Entreprenad Fastighets AB	Stockholm	100.00
Offshore Services Cuxhaven GmbH	Cologne	100.00
Offshore Wind Logistik GmbH	Stuttgart	100.00
OOO "CML"	Moscow	100.00
OOO "Dywidag International"	Moscow	100.00
OOO "RE"	Moscow	100.00
OOO "STROJMONTAZHGRUPP"	Moscow	100.00
OOO "TPA"	Moscow	100.00
Passivhaus Kammelweg Bauträger GmbH	Vienna	100.00
PGA Projekt GmbH	Cologne	100.00
PH Bau Erfurt GmbH	Erfurt	100.00
Poltec Sp. z o.o.	Wroclaw	100.00

Company	Residence	Direct stake %
PPP Conrad-von-Ense-Schule GmbH	Bad Hersfeld	100.00
PPP Management GmbH	Cologne	100.00
PPP Schulen Kreis Düren GmbH	Bad Hersfeld	100.00
PPP Schulen Monheim am Rhein GmbH	Bad Hersfeld	100.00
PPP SchulManagement Witten GmbH & Co. KG	Cologne	100.00
PPP SeeCampus Niederlausitz GmbH	Bad Hersfeld	100.00
PRID-CIECHANOW Sp. z o.o.	Ciechanow	100.00
PRO Liegenschaftsverwaltungs- und Verwertungsgesellschaft m.b.H.	Vienna	100.00
Projektgesellschaft Willinkspark GmbH	Cologne	100.00
Prottelith Produktionsgesellschaft mbH	Liebenfels	52.00
PRZEDSIEBIORSTWO ROBOT DROGOWYCH Sp. z o.o. W LIKWIDACJI	Choszczno	100.00
PZP BEOGRAD doo	Beograd	100.00
Raiffeisen Evolution OZ (RE OZ) B.V.	Amsterdam	100.00
RBZ Holding Kft.	Budapest	100.00
RBZ Kft.	Budapest	100.00
RE project development d.o.o. u likvidaciji	Zagreb	100.00
RE project development s.r.o. v likvidácii	Bratislava	100.00
RE PROJECT DEVELOPMENT SRL	Bucharest	100.00
Reutlinger Asphaltmischwerk Verwaltungs GmbH	Reutlingen	100.00
RGL Rekultivierungsgesellschaft Langentrog mbH	Langenargen	80.00
Rhein-Regio Neuenburg Projektentwicklung GmbH	Neuenburg am Rhein	90.00
ROBA Kieswerk Merseburg GmbH i.L.	Merseburg	100.00
Rößlergasse Bauteil Sechs GmbH	Vienna	100.00
RST Rail Systems and Technologies GmbH	Barleben	82.00
S.U.S. Abflussdienst Gesellschaft m.b.H.	Vienna	100.00
SAN GALLY HOME LTD	Limassol	100.00
SAT REABILITARE RECICLARE SRL	Cluj-Napoca	100.00
SAT SANIRANJE cesta d.o.o.	Zagreb	100.00
SAT SLOVENSKO s.r.o.	Bratislava	100.00
SAT Ukraine	Brovary	100.00
SAT Útjavító Kft.	Budapest	100.00
Schiffmühlenstraße 120 GmbH	Vienna	100.00
Schotter- und Kies-Union GmbH & Co. KG	Leipzig	57.90
Schotter- und Kies-Union Verwaltungsgesellschaft mbH	Leipzig	100.00
SCHOTTERWERK EDLING GESELLSCHAFT M.B.H.	Spittal an der Drau	74.00
SEF Netz-Service GmbH	Munich	100.00
SENSOR Dichtungs-Kontroll-Systeme GmbH	Neustadt in Holstein	100.00
SF-BAU-Grundstücksgesellschaft "ABC-Bogen" mbH	Cologne	100.00
SPK - Errichtungs- und Betriebsges.m.b.H.	Spittal an der Drau	100.00
SRE Lux Projekt BN 20	Luxemburg	100.00
SRE Lux Projekt SQM 27E	Luxemburg	100.00
SRE Zweite Vermögensverwaltung GmbH	Cologne	100.00
Steffes-Mies GmbH	Sprendlingen	100.00
STHOI Co., Ltd.	Bangkok	100.00
STR Mély- és Magasépítö Kft	Budapest	100.00
STRABAG (B) Sdn Bhd	Bandar Seri Begawan	100.00
STRABAG A/S	Trige	100.00
STRABAG Algerie EURL	Algier	100.00
STRABAG Aszfalt Kft.	Budapest	100.00
STRABAG AUSTRALIA PTY LTD	Brisbane	100.00
STRABAG BahnLogistik GmbH	Gerasdorf/Vienna	100.00
STRABAG Baustoffaufbereitung und Recycling GmbH	Dusseldorf	51.00
STRABAG Beton GmbH & Co. KG	Berlin	100.00
STRABAG BMTI BVBA	Antwerp	100.00
STRABAG BMTI d.o.o.	Zagreb	100.00
STRABAG BMTI D.O.O. BEOGRAD	Novi Beograd	100.00
STRABAG BMTI Rail Service GmbH	Berlin	100.00

Company	Residence	Direct stake %
STRABAG BMTI S.R.L.	Bucharest	100.00
STRABAG BMTI s.r.o.	Bratislava	100.00
STRABAG BMTI Verwaltung GmbH	Cologne	100.00
STRABAG BRVZ BVBA	Antwerp	100.00
STRABAG BRVZ d.o.o. BEOGRAD	Novi Beograd	100.00
STRABAG BRVZ EOOD	Sofia	100.00
STRABAG BRVZ SRL	Bologna	100.00
STRABAG BRVZ Verwaltung GmbH	Cologne	100.00
STRABAG Construction Co., Ltd.	Bangkok	100.00
STRABAG Corp.	Delaware	100.00
STRABAG Dredging GmbH	Hamburg	100.00
STRABAG DROGI WOJEWODZKIE Sp. z o.o.	Pruszków	100.00
STRABAG Dubai LLC	Dubai	100.00
STRABAG Energy Technologies GmbH	Vienna	100.00
STRABAG FACILITY MANAGEMENT SRL	Bucharest	100.00
STRABAG HYDROTECH Sp. z o.o.	Pruzkow	100.00
STRABAG India Private Limited	Mumbai	100.00
STRABAG Infrastructure & Safety Solutions GmbH	Erstfeld	100.00
STRABAG Infrastruktur Development	Moscow	100.00
STRABAG Krankenhaus Errichtungs- und BetriebsgmbH	Vienna	99.00
STRABAG Motorway GmbH	Spittal an der Drau	100.00
STRABAG Offshore Wind GmbH	Stuttgart	100.00
STRABAG OW EVS GmbH i. L.	Hamburg	51.00
STRABAG Oy	Helsinki	100.00
STRABAG Property and Facility Services d.o.o.	Zagreb	100.00
STRABAG Property and Facility Services s.r.o.	Bratislava	55.00
Strabag Property and Facility Services Sp. z o.o.	Pruszkow	100.00
STRABAG Ray Ltd. Sti.	Ankara	100.00
STRABAG Residential Property Services GmbH	Berlin	99.51
Strabag RS d.o.o.	Banja Luka	100.00
STRABAG Unterstützungskasse GmbH i.L.	Cologne	100.00
STRABAG Versicherungsvermittlung GmbH	Cologne	100.00
STRABAG-PROJEKT 2 Sp. z o.o.	Pruszkow	100.00
STRABAG-PROJEKT Sp. z o.o.	Pruszkow	100.00
STRABIL STRABAG Bildung im Lauenburgischen GmbH	Cologne	100.00
Südprojekt A-Modell GmbH & Co. KG	Bad Hersfeld	100.00
Südprojekt A-Modell Verwaltung GmbH	Bad Hersfeld	100.00
SZYBKI TRAMWAY Sp. z o.o.	Pruszkow	100.00
TETI TRAFFIC	Centurion	54.00
TOLLINK (PROPRIETARY) LIMITED	Pretoria	100.00
TolLink Pakistan (Private) Limited	Islamabad	60.00
TOO STRABAG Kasachstan	Astana	100.00
TPA EOOD	Sofia	100.00
TPA Gesellschaft für Qualitätssicherung und Innovation GmbH	Erstfeld	100.00
Trema Engineering 2 Sh.p.k.	Pristina	100.00
Treuhandbeteiligung B		100.00
Treuhandbeteiligung Q		100.00
UND-FRISCHBETON s.r.o.	Kosice	75.00
Universitätszentrum Althanstraße Erweiterungsgesellschaft m.b.H.	Vienna	100.00
VAM-Valentiner Asphaltmischwerk Gesellschaft m.b.H.	Linz	75.00
VAM-Valentiner Asphaltmischwerk Gesellschaft m.b.H. & Co.KG	Linz	75.00
VARNA EFKON OOD	Varna	52.00
Vasagatan Op6 Holding AB	Solna	100.00
Verwaltung Forum Mittelrhein Koblenz Generalübernehmergesellschaft mbH	Oststeinbek	51.00
WMB Drogbud Sp. z o.o.	Lubojenka	51.00
Wohnbauträgergesellschaft Objekt "Freising - Westlich der Jagdstraße" mbH	Cologne	100.00
Wohnen am Krautgarten Bauträger GmbH	Vienna	100.00
Wollhaus HN GmbH & Co. KG	Cologne	100.00

Company	Residence	Direct stake %
WSK PULS GmbH	Erfurt	100.00
Z.P.C. Deutschland GmbH	Stuttgart	100.00
Z.P.C. Lda	Amadora	100.00
Z.P.C. Norge AS i. L.	Oslo	100.00
Z-Bau Immobilien Verwaltungs GmbH	Cologne	100.00
ZDE Projekt Oberaltenallee GmbH	Hamburg	100.00
ZDE Siebte Vermögensverwaltung GmbH	Cologne	100.00
Z-Design EOOD	Sofia	100.00
ZS Real Estate AG in Liquidation	Opfikon	100.00
Züblin (Thailand) Co. Ltd.	Bangkok	100.00
Züblin AS	Oslo	100.00
Züblin Australia Pty Ltd	Perth	100.00
Züblin Bulgaria EOOD	Sofia	100.00
Zublin Corporation	Wilmington	100.00
Züblin Engineering Consulting (Shanghai) Co., Ltd.	Shanghai	100.00
Züblin Holding (Thailand) Co. Ltd.	Bangkok	79.35
Züblin Hrvatska d.o.o.	Zagreb	100.00
Züblin International Malaysia Sdn. Bhd.	Kuala Lumpur	100.00
Züblin Ireland Limited	Dublin	100.00
Zublin Saudi Arabia LLC	Riyadh	100.00
Züblin Services GmbH	Stuttgart	100.00
Zucotec - Sociedade de Construções, Unip., Lda.	Amadora	100.00
Zweite Nordsee-Offshore-Holding GmbH	Vienna	51.00

Participation companies not consolidated

"kabelwerk" bauträger gmbh	Vienna	25.00
"Zentrum Puntigam" Errichtungs- und Betriebsgesellschaft m.b .H.	Vienna	50.00
A2 ROUTE Sp. z o.o.	Pruszkow	50.00
ABO Asphalt-Bau Oeynhausen GmbH.	Oeynhausen	22.50
AGS Asphaltgesellschaft Stuttgart GmbH & Co.Kommanditgesellschaft	Stuttgart	40.00
AGS Asphaltgesellschaft Stuttgart Verwaltungs-GmbH	Stuttgart	40.00
AL SRAIYA - STRABAG Road & Infrastructure WLL	Doha	49.00
A-Lanes Management Services B.V.	Utrecht	25.00
AMB Asphalt-Mischanlagen Betriebsgesellschaft m.b.H.	Zistersdorf	40.00
AMB Asphalt-Mischanlagen Betriebsgesellschaft m.b.H. & Co.KG	Zistersdorf	40.00
AMG - Asphaltmischwerk Gunskirchen Gesellschaft m.b.H.	Linz	33.33
AMG-Asphaltmischwerk Gunskirchen Gesellschaft m.b.H. & Co.KG	Linz	33.33
AMH Asphaltmischwerk Hauneck Verwaltungs GmbH	Hauneck	50.00
AML - Asphaltmischwerk Limberg Gesellschaft m.b.H.	Limberg	50.00
AMS-Asphaltmischwerk Süd Gesellschaft m.b.H.	Linz	35.00
AMSS Asphaltmischwerke Sächsische Schweiz GmbH & Co. KG	Dresden	24.00
AMSS Asphaltmischwerke Sächsische Schweiz Verwaltungs GmbH	Dresden	24.00
AMWE-Asphaltmischwerke GmbH i.L.	Consrade	49.00
Anton Beirer Hartsteinwerke GmbH & Co KG	Pinswang	50.00
Arena Development	Hasselt	50.00
ASAMER Baustoff Holding Wien GmbH	Vienna	30.93
ASAMER Baustoff Holding Wien GmbH & Co.KG	Vienna	30.93
ASB Bau GmbH & Co. KG	Inzigkofen	50.00
ASB Transportbeton GmbH & CO.KG	Osterweddingen	50.00
ASF Frästechnik GmbH	Kematen	40.00
ASF Frästechnik GmbH & Co KG	Kematen	40.00
ASG INVEST N.V.	Genk	25.00
Asphalt Straßenbau Verwaltungs-GmbH	Inzigkofen	50.00
Asphaltmischwerk Betriebsgesellschaft m.b.H.	Rauchenwarth	20.00
Asphaltmischwerk Betriebsgesellschaft m.b.H. & Co KG	Rauchenwarth	20.00
Asphaltmischwerk Bodensee Verwaltungs GmbH	Singen (Hohentwiel)	50.00

Company	Residence	Direct stake %
Asphaltmischwerk Greinsfurth GmbH	Amstetten	33.33
Asphaltmischwerk Greinsfurth GmbH & Co OG	Amstetten	33.33
Asphaltmischwerk Kundl GmbH	Kundl	50.00
Asphaltmischwerk Kundl GmbH & Co KG	Kundl	50.00
ASTRA - BAU Gesellschaft m.b.H. Nfg. OG	Bergheim	50.00
AUT Grundstücksverwaltungsgesellschaft mbH	Stuttgart	40.00
A-WAY ITE Zrt.	Újhartyán	50.00
A-WAY LAGAN INFRASTRUCTURE SERVICES LIMITED	Ballyoran, Castlelyons, Co. Cork	50.00
AWM Asphaltwerk Mötschendorf Gesellschaft m.b.H.	Graz	50.00
AWM Asphaltwerk Mötschendorf GmbH & Co.KG	Graz	50.00
BASALT-KÖZÉPKÖ Köbányák Kft	Uzsa	25.14
Bayerische Asphaltmischwerke Gesellschaft mit beschränkter Haftung	Hofolding	48.29
BBO Bauschuttaufbereitung Verwaltungsgesellschaft mbH	Steißlingen	33.33
BBO Bodensee/Hegau Bauschuttaufbereitung GmbH & Co. KG	Steißlingen	22.22
BBO Bodenseekreis Bauschuttaufbereitung GmbH & Co. KG	Steißlingen	25.00
Beton Pisek spol. s.r.o.	Pisek	50.00
Betun Cadi SA	Trun	35.00
Brnenska obalovna, s.r.o.	Brno	50.00
BRW Baustoff-Recycling GmbH & Co KG	Wesseling	25.00
BS-Baugeräte-Service GmbH & Co. KG i.L.	Augsburg	25.00
BS-Baugeräte-Service-Verwaltungsgesellschaft mbH i.L.	Augsburg	25.00
C.S.K.K. 2009. Kft.	Budapest	30.00
Continental Apartements Stockholm Holding AB	Stockholm	50.00
Continental Living Stockholm AB	Stockholm	50.00
CSE Centrum-Stadtentwicklung GmbH i.L.	Cologne	50.00
DAM Deutzer Asphaltmischwerke GmbH & Co. KG	Cologne	40.44
DAM Deutzer Asphaltmischwerke Verwaltungs-GmbH	Cologne	40.44
DC Waterline GmbH	Vienna	50.00
DESARROLLO VIAL AL MAR S.A.S.	Bogota D.C.	37.50
Diabaswerk Nesselgrund GmbH & Co KG	Floh-Seligenthal	20.00
Diabaswerk Nesselgrund Verwaltungs-GmbH	Floh-Seligenthal	20.00
Diófa Apartments Kft.	Budapest	50.00
DIRECTROUTE (FERMOY) CONSTRUCTION LIMITED	Dublin	25.00
DIRECTROUTE (LIMERICK) CONSTRUCTION LIMITED	Fermoy	40.00
DIRECTROUTE (TUAM) CONSTRUCTION LIMITED	Dublin	25.00
Donau City Residential GmbH	Vienna	50.00
DYWIDAG Verwaltungsgesellschaft mbH	Munich	50.00
Eisen Blasy Reutte GmbH	Pflach	50.00
Entwicklung Quartier am Mailänder Platz Beteiligungsgesellschaft mbH	Hamburg	50.00
Entwicklung Quartier am Mailänder Platz Management GmbH	Hamburg	50.00
Entwicklung Quartier am Mailänder Platz Nr. 1 GmbH & Co. KG	Hamburg	48.08
Entwicklung Quartier am Mailänder Platz Nr. 2 GmbH & Co. KG	Hamburg	48.08
Entwicklung Quartier am Mailänder Platz Nr. 3 GmbH & Co. KG	Hamburg	48.08
Exploitatie Maatschappij A-Lanes A15 B.V.	Nieuwegein	33.33
FLARE Development GmbH & Co. KG	Cologne	50.00
FLARE Grundstück Verwaltungs GmbH	Berlin	50.00
FLARE Living GmbH & Co. KG	Cologne	50.00
GFR remex Baustoffaufbereitung GmbH & Co. KG, Krefeld	Krefeld	50.00
GFR remex Baustoffaufbereitung Verwaltungs-GmbH Krefeld	Krefeld	50.00
Grandemar SA	Cluj-Napoca	41.27
GUS Gußasphaltwerk GmbH & Co KG	Stuttgart	50.00
GUS Gußasphaltwerk Verwaltungs GmbH	Stuttgart	50.00
H S Hartsteinwerke GmbH	Pinswang	50.00
Heptan Grundstücksverwaltungsgesellschaft mbH & Co Vermietungs-KG	Mainz	24.00
HK-Rohstoff & Umwelttechnik GmbH & Co. KG	Hildesheim	50.00
HOTEL SCHLOSS SEEFELS BESITZ- UND MANAGEMENT GMBH	Techelsberg am Wörthersee	30.00
Immorent Oktatási Kft.	Budapest	20.00

Company	Residence	Direct stake %
Industrial Engineering and Contracting Co. S.A.R.L. (INDECO) i.L.	Beirut	50.00
IQ Office Beteiligungsgesellschaft mbH	Hamburg	49.00
IQ Office GmbH & Co. KG	Hamburg	49.00
IQ Residential Beteiligungsgesellschaft mbH	Hamburg	49.00
IQ Residential GmbH & Co. KG	Hamburg	49.00
IQ Tower Beteiligungsgesellschaft mbH	Hamburg	49.00
IQ Tower GmbH & Co. KG	Hamburg	49.00
JCO s.r.o.	Plana	50.00
Jumbo Betonpumpen Service GmbH & Co.KG	Limbach-Oberfrohna	50.00
Jumbo Betonpumpen Verwaltungs GmbH	Limbach-Oberfrohna	50.00
KAB Kärntner Abfallbewirtschaftung GmbH	Klagenfurt	36.25
KASERNEN Projektentwicklungs- und Beteiligungs GmbH	Vienna	24.90
Kies- und Betonwerk AG Sedrun	Sedrun	35.00
Kiesabbau Gämmerler-Hütwohl GmbH & Co. Aug Kommanditgesellschaft	Königsdorf	50.00
Kiesabbau Gämmerler-Hütwohl GmbH & Co. Grube Grafing KG	Königsdorf	50.00
Kiesabbau Gämmerler-Hütwohl GmbH&Co. Grube Leitzinger Au KG	Königsdorf	50.00
Kiesabbau Gämmerler-Hütwohl Verwaltungs- GmbH	Königsdorf	50.00
Kiesgesellschaft Karsee Beteiligungs-GmbH	Immenstaad am Bodensee	50.00
Kiesgesellschaft Karsee GmbH & Co. KG	Immenstaad am Bodensee	50.00
Kieswerk Rheinbach Gesellschaft mit beschränkter Haftung	Cologne	50.00
Kieswerke Schray Verwaltungs GmbH	Steißlingen	50.00
Kirchhoff + Schleith Beteiligungs-GmbH	Steißlingen	50.00
Kirchhoff + Schleith Straßenbau GmbH & Co. KG	Steißlingen	50.00
Klinik für Psychosomatik und psychiatrische Rehabilitation GmbH	Spittal an der Drau	30.00
KSH Kalkstein Heiterwang GmbH	Pinswang	30.00
KSH Kalkstein Heiterwang GmbH & Co KG	Pinswang	30.00
Liberecka Obalovna s.r.o.	Liberec	50.00
Lieferasphalt Gesellschaft m.b.H.	Vienna	50.00
Lieferasphalt Gesellschaft m.b.H.& Co.OG, Zirl	Vienna	50.00
Lieferbeton Simmern GmbH & Co. KG i. L.	Simmern/Hunsrück	50.00
Lieferbeton Simmern Verwaltungs-GmbH i.L.	Simmern/Hunsrück	50.00
Linzer Schlackenaufbereitungs- und vertriebsgesellschaft m.b.H.	Linz	33.33
LISAG Linzer Splitt- und Asphaltwerk GmbH.	Linz	50.00
LISAG Linzer Splitt- und Asphaltwerk GmbH. & CO KG	Linz	50.00
Mecsek Autopalya-üzemeltetö Zrt.	Budapest	25.00
Messe City Köln Beteiligungsgesellschaft mbH	Hamburg	50.00
MIGU-Asphalt-Baugesellschaft m.b.H.	Lustenau	50.00
Milet Ditzingen Beteiligungsgesellschaft mbH	Heidelberg	49.00
MLT Maschinen Logistik Technik GmbH & Co. KG	Nesse-Apfelstädt	50.00
MLT Verwaltungs GmbH	Nesse-Apfelstädt	50.00
MOSER & CO. S.R.L.	Brunico	50.00
MSO Mischanlagen GmbH	Ilz	33.33
Natursteinwerke im Nordschwarzwald NSN Verwaltungsgesellschaft mit beschränkter Haftung	Mühlacker	25.00
NIOG Verwaltung GmbH	Hamburg	50.00
NUOVO MERCATO GIANICOLENSE SRL	Bologna	40.00
Oder Havel Mischwerke GmbH & Co. KG i.L.	Berlin	33.33
ODRA-ASFALT Sp. z o.o.	Szeczecin	33.33
Ontwikkelingscombinatie Maasmechelen N.V.	Antwerp	50.00
PAM Pongauer Asphaltmischanlagen GmbH	St. Johann im Pongau	50.00
PAM Pongauer Asphaltmischanlagen GmbH & Co KG	St. Johann im Pongau	50.00
Philman Holdings Co.	Philippinen	20.00
QMP Generalübernehmer GmbH & Co. KG	Oststeinbek	50.00
REMEX Coesfeld Gesellschaft für Baustoffaufbereitung mbH	Dülmen-Buldern	50.00
Rezidencie Machnac, s.r.o.	Bratislava	50.00
RFM Asphaltmischwerk GmbH & Co KG	Traiskirchen	46.00
RFM Asphaltmischwerk GmbH.	Traiskirchen	46.00
Rieder Asphaltgesellschaft m.b.H.	Ried im Zillertal	50.00
Rieder Asphaltgesellschaft m.b.H. & Co. KG.	Ried im Zillertal	50.00

Company	**Residence**	**Direct stake %**
ROBA-Neuland Beton GmbH & Co. KG	Hamburg	50.00
Rohstoff & Umwelttechnik Verwaltungs GmbH	Hildesheim	50.00
RSV Rheinische Schlacke Verwertungs GmbH	Leverkusen	50.00
Salzburger Lieferasphalt GmbH & Co OG	Sulzau	20.00
SAM Sindelfinger Asphalt-Mischwerke GmbH & Co KG i.L.	Sindelfingen	22.22
SAT SPEZIALBAU GMBH	Cologne	50.00
Satellic NV	Groot-Bijgaarden	24.00
SAV Südniedersächsische Aufbereitung und Verwertung Verwaltungs GmbH	Hildesheim	50.00
Schlackenkontor Bremen GmbH	Bremen	25.00
SHKK-Rehabilitations GmbH	Vienna	50.00
SIFFEE TERRA HEAT SRL	Selimbar	25.00
Silenos Energy Geothermie Garching a.d. Alz GmbH & Co. KG	Augsburg	50.00
Sindelfinger Asphalt-Mischwerke GmbH i.L.	Sindelfingen	22.22
SIRIUS Beteiligungsgesellschaft m.b.H.	Vienna	42.50
SMB Construction International GmbH	Sengenthal	50.00
Spolecne obalovny, s r.o.	Prague	50.00
SRK Kliniken Beteiligungs GmbH	Vienna	25.00
STA Asphaltmischwerk Strahlungen GmbH	Strahlungen	24.90
stahl + verbundbau gesellschaft für industrielles bauen m.b.H.	Dreieich	30.00
Steinbruch Mauterndorf Gesellschaft m.b.H.	St. Michael/Lungau	50.00
Stephan Beratungs-GmbH	Linz am Rhein	30.00
STRABAG ARCHIRODON LTD.	Port Louis	50.00
STRABAG Gorzów Wielkopolski Sp. z o.o.	Gorzów Wielkopolski	49.00
Strabag Oktatási PPP Kft.	Budapest	30.00
Strabag Saudi Arabia	Dhahran	50.00
Straktor Bau Aktien Gesellschaft	Kifisia	50.00
STRAVIA Kft.	Budapest	25.00
Syrena Immobilien Holding Aktiengesellschaft	Spittal an der Drau	50.00
TBG Ceske Budejovice spol. s.r.o.	Budweis	50.00
TBG Frissbeton Kft.	Pécs	50.00
TBG-STRABAG d.o.o.	Zagreb	50.00
TDE Mitteldeutsche Bergbau Service GmbH	Espenhain	35.00
Tierra Chuquicamata SpA	Santiago	50.00
Tollink Royal JV	Peshawar	50.00
Triplus Beton GmbH	Zell am See	50.00
Triplus Beton GmbH & Co KG	Zell am See	50.00
TSI VERWALTUNGS GMBH	Apfelstädt	50.00
Unterstützungseinrichtung für die Angestellten der ehemaligen Bau-Aktiengesellschaft "Negrelli" Gesellschaft m.b.H.	Vienna	50.00
VCO - Vychodoceska obalovna, s r.o	Hradec Kralove	33.33
Vereinigte Asphaltmischwerke Gesellschaft m.b.H.	Spittal an der Drau	50.00
Vereinigte Asphaltmischwerke Gesellschaft m.b.H. & Co KG	Spittal an der Drau	50.00
Verwaltung Grundstücksgesellschaft Kaiserplatz Aachen Adalbertstraße GmbH	Hamburg	50.00
Verwaltung MesseCity Köln Generalübernehmer GmbH	Oststeinbek	50.00
Verwaltung QMP Generalübernehmer GmbH	Oststeinbek	50.00
Verwaltungsgesellschaft ROBA-Neuland Beton m.b.H.	Hamburg	50.00
VIANOVA - Bitumenemulsionen GmbH	Fürnitz	24.90
VIANOVA SLOVENIJA d.o.o.	Logatec	50.00
VKG-Valentiner Kieswerk Gesellschaft m.b.H.	Linz	50.00
Walter Group International Philippines, Inc.	Philippinen	26.00
WIBAU Holding GmbH	Linz	21.78
WMW Weinviertler Mischwerk Gesellschaft m.b.H.	Zistersdorf	33.33
WMW Weinviertler Mischwerk Gesellschaft m.b.H. & Co KG	Zistersdorf	33.33
Wohnbau Tafelgelände Beteiligungs-GmbH	Munich	25.00
Wohnbau Tafelgelände GmbH & Co. KG	Munich	25.00
Z.I.P.O.S. d.o.o.	Antunovac	50.00

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 m² section of the industrial park in preparation for the construction of a Jaguar Land Rover automotive plant. STRABAG is already preparing over 745,000 m² 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.

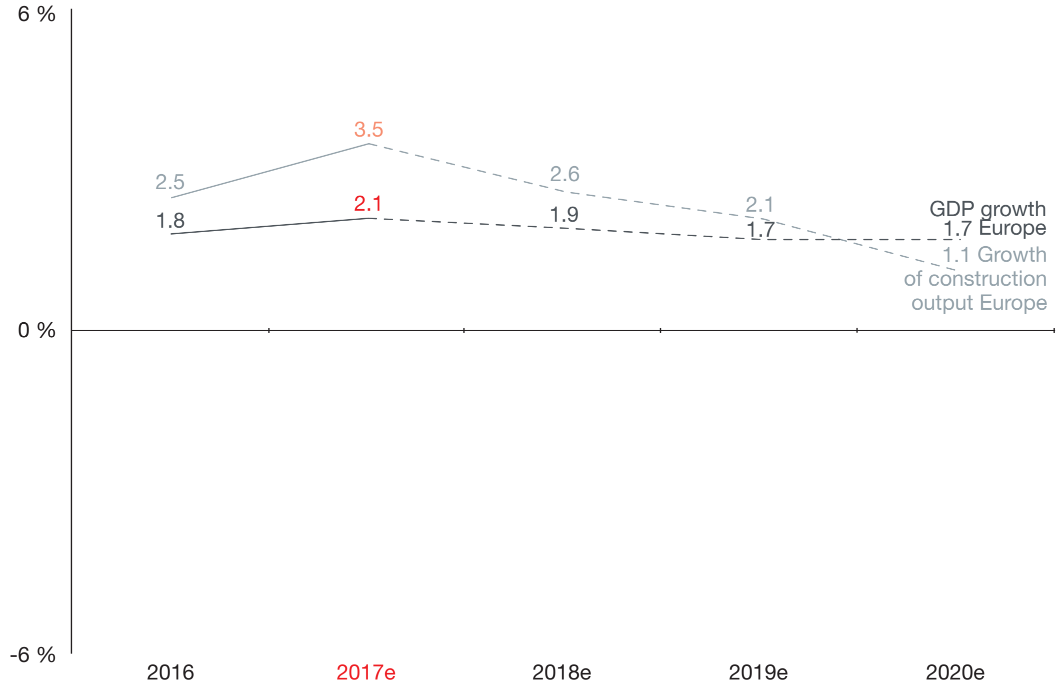
OUTPUT VOLUME BY COUNTRY

€ 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



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.

Central and Eastern Europe outpace Western Europe

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.

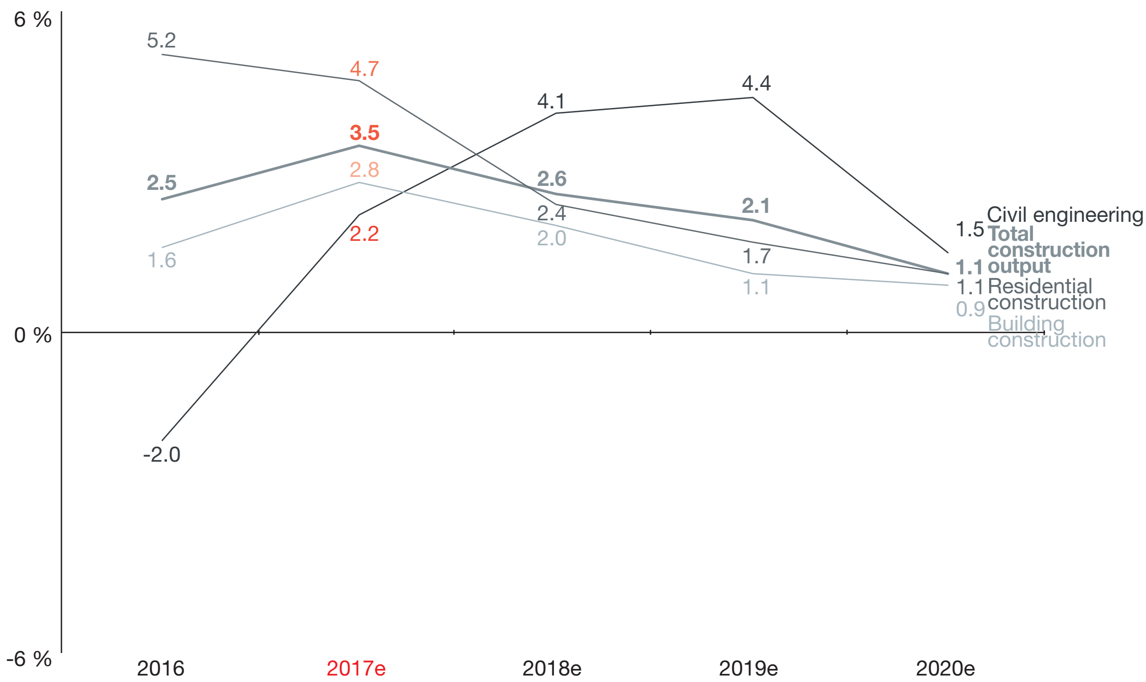
CONSTRUCTION-SECTOR GROWTH OUTDOES ECONOMY AS A WHOLE

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



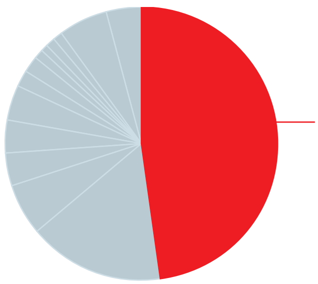
In a sector-by-sector comparison, European residential construction registered the strongest growth last year. This was followed by non-residential building construction, which also grew more strongly than the year before. Civil engineering fully recovered from the declines of 2016 and even managed to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

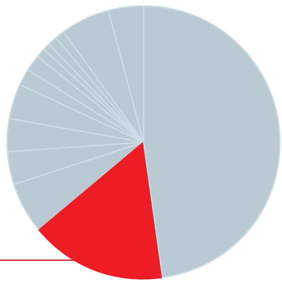
The upturn of the German economy continued as expected in 2017. The forecasted GDP growth of 1.9 %, however, resulted primarily from a strong increase of private domestic consumption and not so much from corporate investments. Driving German consumer spending were secure jobs, rising real wages and low 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.

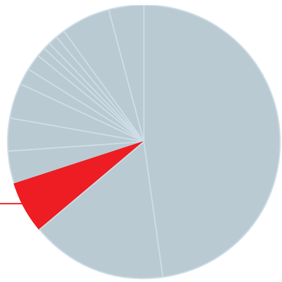
With a plus of 2.9 % in the first half of 2017, residential construction registered its highest growth rate since the start of the financial crisis. Projected for the full year, Euroconstruct forecasts significant growth of more than 2.0 % for this sector. As is the case with the construction economy 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.

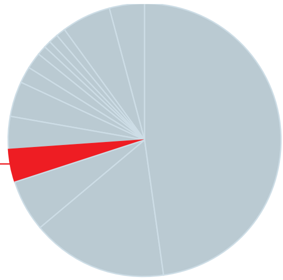
The boom in residential construction, which had blessed this sector with a generous plus of 9.4 % in the year before, continued in 2017 with growth of 7.4 % – supported by the low credit and mortgage rates. The growing demand for residential real estate can be explained, among other factors, by the positive 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.

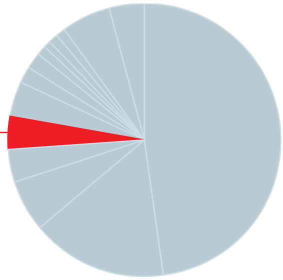
The Czech construction economy, on the other hand, presented itself as rather inconsistent in 2017. While residential construction delivered another sensational performance with a plus of 15.4 %, non-residential building construction, after several years of decline, only just managed the turnaround to 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.

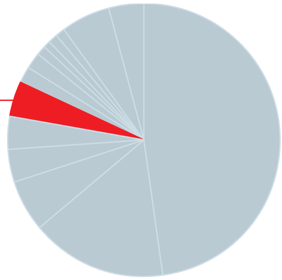
With growth of +35.4 %, residential construction proved to be the most successful sector in 2017. The market for new construction boomed thanks to continuous low interests and a generous fiscal policy of subsidies and special loans with the aim of improving the standard of living especially for young 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.

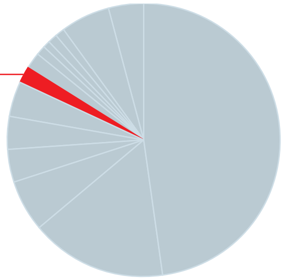
The Slovak construction industry registered solid growth of 3.1 % in 2017 after strong fluctuations in the previous years. Euroconstruct expects this value to diminish in the coming years, however, ultimately leading to a renewed minus of 0.5 % in 2020. Residential construction, which grew by 3.2 % in 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.

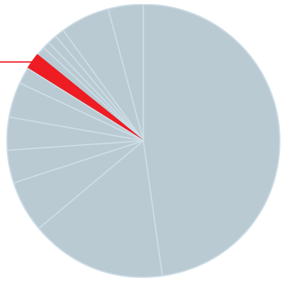
With a plus of 1.2 %, the Swiss residential construction sector stagnated in 2017 at about the same level as the previous years. Rising real estate prices, high vacancy rates and the weak development of salaries and wages leads Euroconstruct to predict only modest growth for this sector in the years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

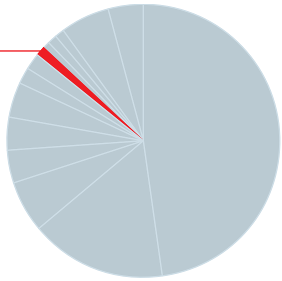
The **Belgian construction economy** achieved a plus of 2.5 % in the period under report, with civil engineering growing at an above-average +6.9 %. The positive development was driven by the start of construction on a large motorway project and the expansion of the regional commuter rail network. Euroconstruct 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

1 % contribution to the group output volume



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 %).

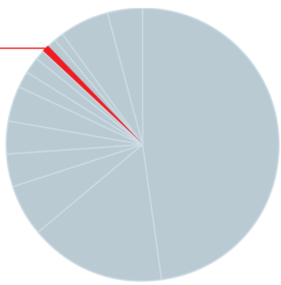
A strong plus of 7.1 % was also registered by non-residential building construction, supported especially by new offices and industrial buildings. Foreign IT companies in particular took advantage of the low wages and high qualifications of the Romanian workforce. Against this background, EECFA forecasts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

1 % contribution to the group output volume



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.

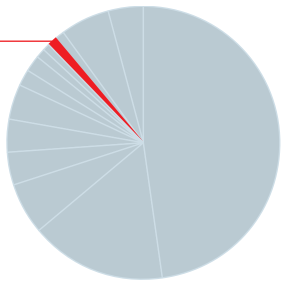
With growth of 9.9 %, the construction industry contributed significantly to Sweden's positive economic performance in 2017. A downright boom was registered by residential construction, which again managed to grow by 12.9 %. The biggest factor driving this growth was, as in the years before, new construction 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.

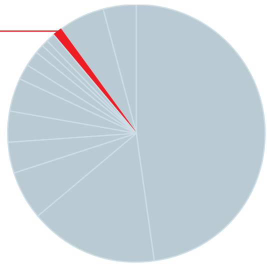
The Danish construction sector grew by 2.0 % in 2017 and should, according to Euroconstruct, develop better than the overall economy in the period 2018–2020 (2018: +2.7 %, 2019: +2.8 %, 2020: +2.5 %). This development is due not least to the need for affordable, at times temporary, accommodation for 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.

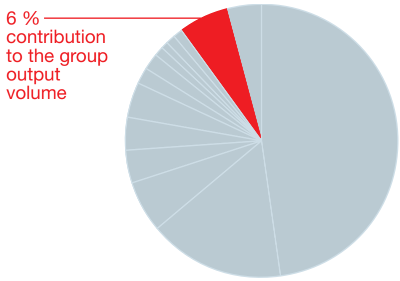
The renewed decline of 8.2 % in residential construction is due above all to the low purchasing power of the private households. This sector is expected to again finish the year with negative growth (-7.2 %) in 2018 before the national residential construction programmes have an effect in 2019 (+4.1 %). 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.

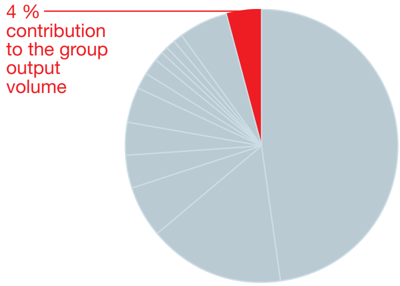
MIDDLE EAST, AMERICAS, AFRICA, ASIA



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

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.

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 %

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.

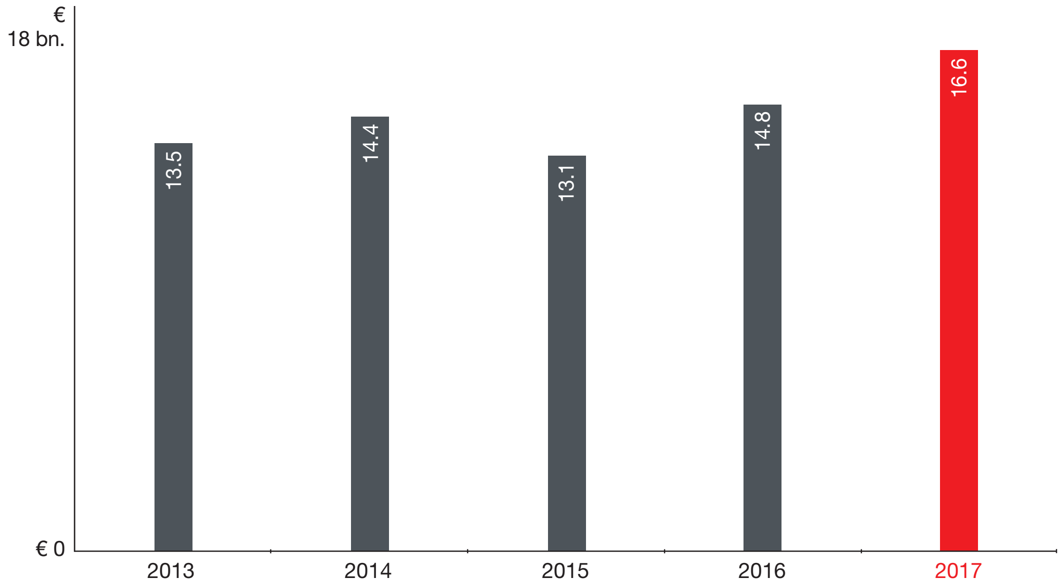
The STRABAG Group generated € 45.17 million on the Bulgarian market in 2017.

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.

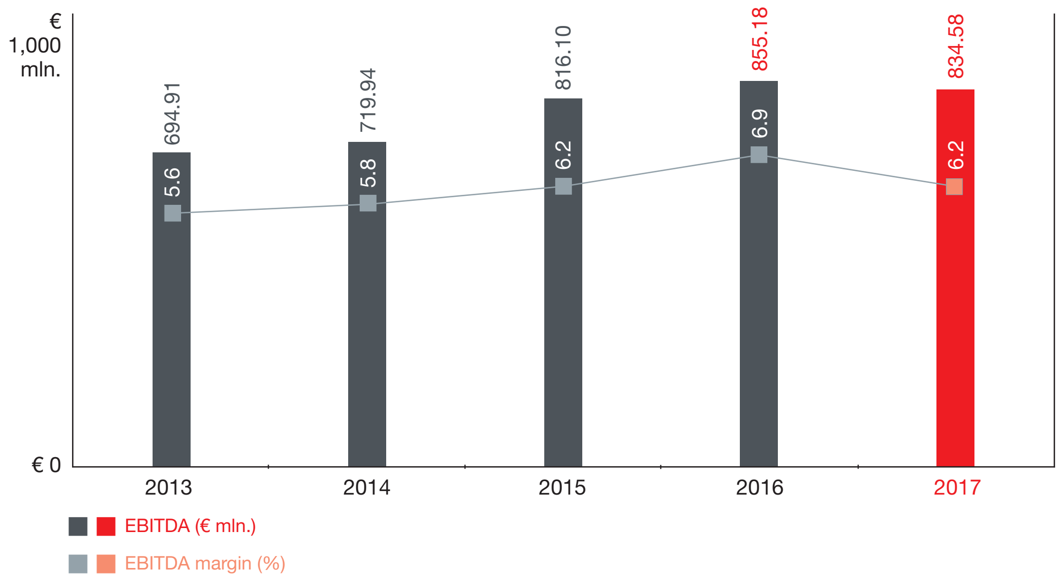
The **changes in inventories** involve mainly the real estate project development business. This business was conducted as actively in 2017 as in the past, although new project developments were overcompensated by the sale of a large project. The construction of new corporate locations increased the **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.

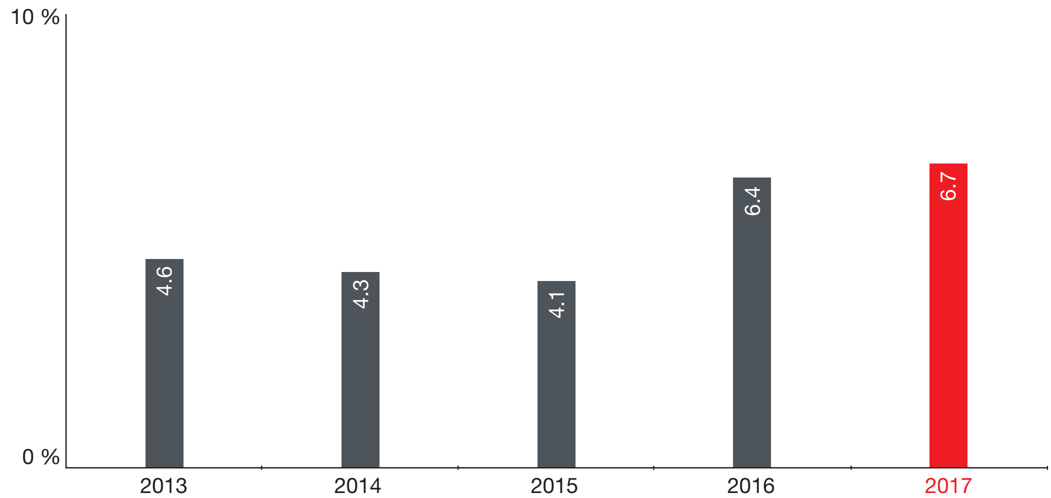
In the end, the **earnings before taxes** remained unchanged at € 421.21 million. The income tax rate stood at 30.6 %, slightly lower than the previous year's level of 33.0 % – a result of the tax grouping in Germany, whose members include the subsidiaries Ed. Züblin AG and STRABAG AG. The 2017 **net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

Earnings per share: € 2.72

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.

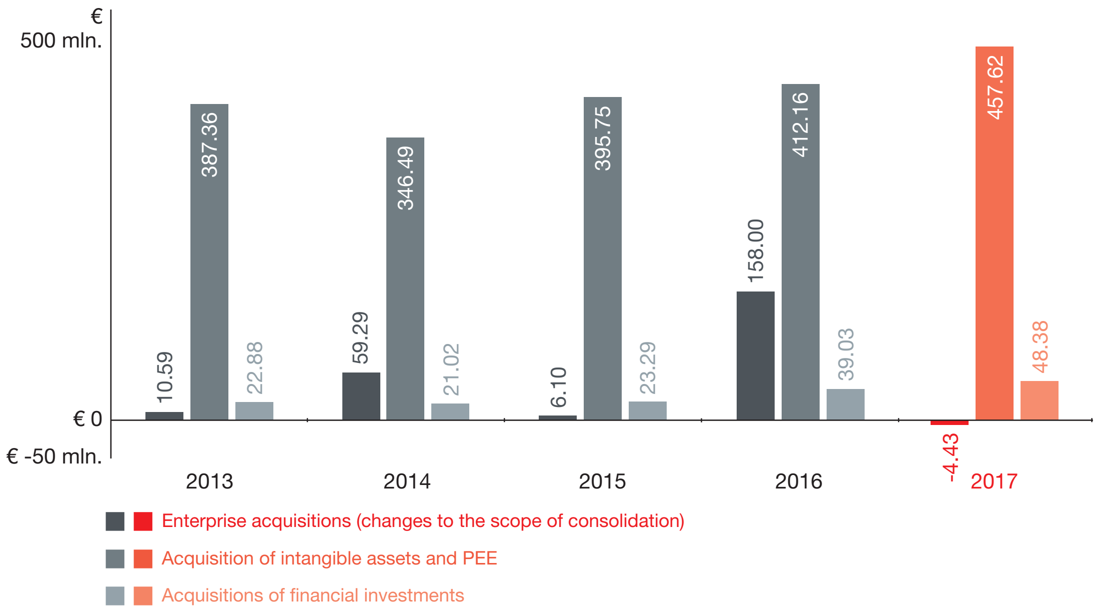
Capital expenditures

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.

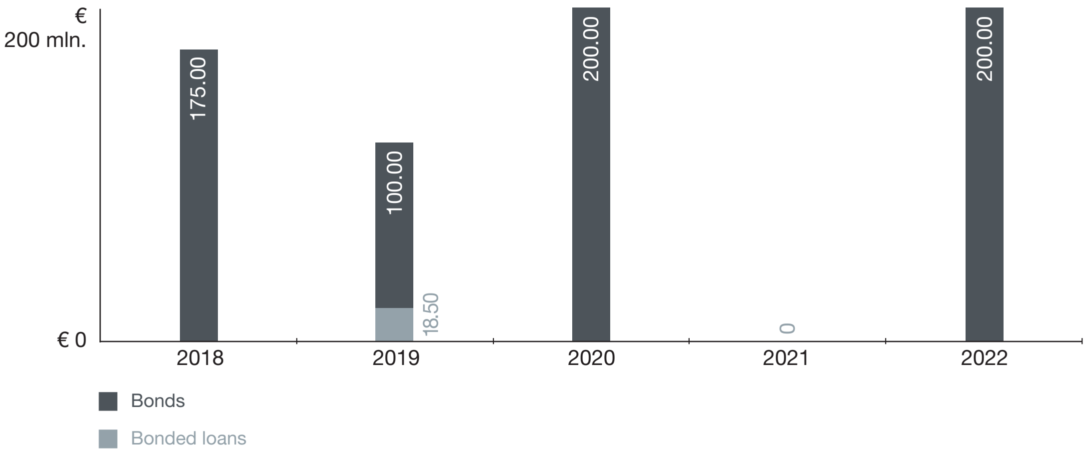
The existing liquidity of € 2.8 billion assures the coverage of the group's liquidity needs. STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.7 billion. The credit lines include a **syndicated surety credit** line in the amount of € 2.0 billion and a revolving **syndicated 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

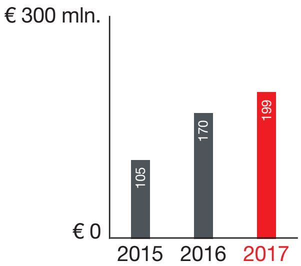
The segment North + West executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ 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

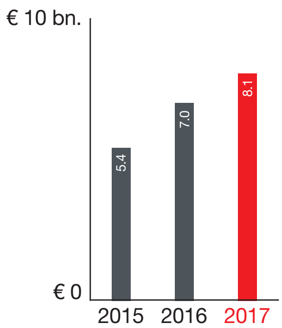


EBIT on upwards trend thanks to Germany

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

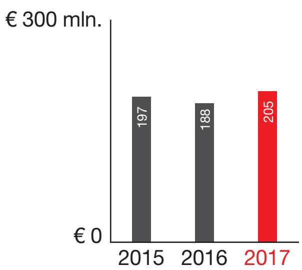
The geographic focus of the segment South + East is on Austria, Switzerland, Hungary, the Czech Republic, Slovakia, Russia and South-East Europe. The environmental engineering activities are also handled within this segment.

€ 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

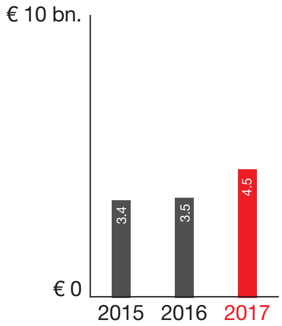


Segment continues to contribute positively to group earnings

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

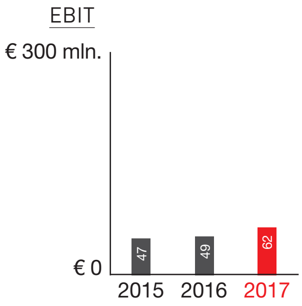
SEGMENT INTERNATIONAL + SPECIAL DIVISIONS: EARNINGS GROWTH AFTER A NUMBER OF CONTRARY EFFECTS

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

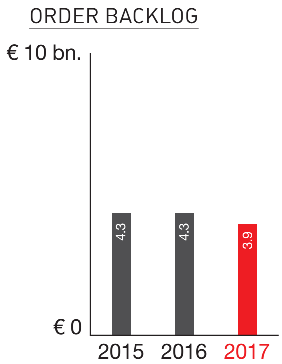
€ mln.	2017	2016	Δ 2016–2017 %	Δ 2016–2017 absolute
Germany	1,459	1,411	3	48
Austria	502	380	32	122
Americas	377	339	11	38
Middle East	291	248	17	43
Hungary	135	111	22	24
Czech Republic	117	103	14	14
Asia	92	124	-26	-32
Rest of Europe	65	41	59	24
Slovakia	60	39	54	21
Russia	60	20	200	40
Italy	58	75	-23	-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.

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

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.

Individual financial statements 2017

STRABAG
SOCIETAS EUROPAEA

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INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

Balance sheet as at 31 December 2017

	31.12.2017	31.12.2016
Assests	**€**	**T€**
A. Non-current assets:		
I. Property, plant and equipment:		
Other facilities, furniture and fixtures and office equipment	**980,717.77**	**992**
II. Financial assets:		
1. Investments in subsidiaries	2,558,389,572.27	2,563,405
2. Loans to subsidiaries	22,965,000.00	36,965
3. Investments in participation companies	22,012,083.87	35,684
4. Loans to participation companies	89,610,152.59	95,085
5. Other loans	20,724.77	20
	2,692,997,533.50	**2,731,159**
	2,693,978,251.27	**2,732,151**
B. Current assets:		
I. Accounts receivable and other assets:		
1. Trade receivables	12,392.42	12
2. Receivables from subsidiaries	937,126,835.27	1,054,765
thereof with a remaining term more than one year	*250,000,000.00*	*250,000*
3. Receivables from participation companies	15,978,280.41	10,935
thereof with a remaining term more than one year	*4,069,636.85*	*3,296*
4. Other receivables and assets	29,308,450.63	60,538
thereof with a remaining term more than one year	*23,056,000.00*	*52,156*
	982,425,958.73	**1,126,250**
II. Cash assets, including bank accounts	**81,419.47**	**187**
	982,507,378.20	**1,126,437**
C. Accrual and deferrals	**1,433,040.00**	**3,128**
D. Deferred tax assets	**4,909,193.00**	**2,554**
Total	**3,682,827,862.47**	**3,864,270**

Equity and liabilities	31.12.2017 €	31.12.2016 T€
A. Equity:		
I. Called up and paid in nominal capital (share capital):		
Subscribed nominal capital (share capital)	110,000,000.00	114,000
less nominal value of own shares	-7,400,000.00	-11,400
	102,600,000.00	**102,600**
II. Capital reserves (committed)	**2,152,047,129.96**	**2,152,047**
III. Retained earnings:		
1. Legally required reserves	72,672.83	73
2. Voluntary reserves	500,432,021.74	618,572
	500,504,694.57	**618,645**
IV. Reserves for own shares	**7,400,000.00**	**7,400**
V. Unappropriated net profit	**143,000,000.00**	**104,500**
thereof profit brought forward	*7,030,000.00*	*7,410*
	2,905,551,824.53	**2,985,192**
B. Provisions:		
1. Provisions for severance payments	393,143.00	378
2. Provisions for taxes	615,000.00	654
3. Other provisions	29,130,700.00	25,972
	30,138,843.00	**27,003**
C. Accounts payable:		
1. Bonds	675,000,000.00	675,000
thereof with a remaining term up to one year	*175,000,000.00*	*0*
thereof with a remaining term more than one year	*500,000,000.00*	*675,000*
2. Bank borrowings	18,500,000.00	140,000
thereof with a remaining term up to one year	*0.00*	*13,000*
thereof with a remaining term more than one year	*18,500,000.00*	*127,000*
3. Trade payables	1,168,442.21	1,160
thereof with a remaining term up to one year	*1,168,442.21*	*1,160*
4. Payables to subsidiaries	35,397,872.73	19,200
thereof with a remaining term up to one year	*35,397,872.73*	*19,200*
5. Payables to participation companies	300,000.00	0
thereof with a remaining term up to one year	*300,000.00*	*0*
6. Other payables	16,770,880.00	16,714
thereof taxes	*1,302,740.26*	*872*
thereof social security liabilities	*18,548.04*	*23*
thereof with a remaining term up to one year	*16,770,880.00*	*16,714*
	747,137,194.94	**852,075**
thereof with a remaining term up to one year	*228,637,194.94*	*50,075*
thereof with a remaining term more than one year	*518,500,000.00*	*802,000*
Total	**3,682,827,862.47**	**3,864,270**

Income statement for the 2017 financial year

	2017	2016
	€	T€
1. Revenue (Sales)	62,741,368.23	61,900
2. Other operating income	1,127,093.33	2,010
3. Cost of materials and services:		
a) Materials	-63,970.90	-33
b) Services	-16,364,730.62	-15,731
	-16,428,701.52	**-15,763**
4. Employee benefits expense:		
a) Salaries	-8,117,699.67	-7,988
b) Social expenditure	-691,504.82	-700
thereof severance payments and contributions to employee benefit plans	*-80,172.26*	*-88*
thereof social security contributions, as well as payroll-related and other mandatory contributions	*-359,616.48*	*-400*
thereof other social expenditure	*-251,716.08*	*-213*
	-8,809,204.49	**-8,688**
5. Depreciation	-17,837.81	-16
6. Other operating expenses:		
a) Taxes other than those included in item 15	-710,732.63	-88
b) Miscellaneous	-16,910,432.49	-25,732
	-17,621,165.12	**-25,820**
7. Subtotal of items 1 through 6 **(operating result)**	**20,991,552.62**	**13,623**
8. Income from investments	25,191,533.98	81,211
thereof from subsidiaries	*22,585,167.79*	*57,929*
9. Other interest and similar income	36,792,137.85	42,606
thereof from subsidiaries	*30,857,285.07*	*37,122*
10. Income from disposal and write-up of financial assets and marketable securities	4,163,239.90	327,130
11. Expenses related to financial assets:	-41,231,076.81	-37,418
thereof depreciation	*-39,728,075.55*	*-28,881*
thereof expenses from subsidiaries	*-39,574,721.44*	*-3,049*
thereof miscellaneous	*-1,500,001.26*	*-6,000*
12. Interest and similar expenses	-26,616,275.41	-26,906
thereof from subsidiaries	*3,539.73*	*0*
13. Subtotal of item 8 through 12 **(financial result)**	**-1,700,440.49**	**386,623**
14. Result before taxes	**19,291,112.13**	**400,246**
15. Taxes on income and gains	-1,461,431.26	11,962
thereof income tax	*-1,088,553.96*	*-1,957*
thereof tax allocation	*-2,728,030.30*	*-1,994*
thereof deferred tax income	*2,355,153.00*	*15,913*
16. Income after taxes = net income for the year	**17,829,680.87**	**412,208**
17. Reversal of retained earnings (voluntary reserves)	118,140,319.13	0
18. Allocation to retained earnings (voluntary reserves)	0.00	-315,118
19. Profit for the period	**135,970,000.00**	**97,090**
20. Profit brought forward	7,030,000.00	7,410
21. Unappropriated net profit	**143,000,000.00**	**104,500**

NOTES TO THE 2017 FINANCIAL STATEMENTS OF STRABAG SE, VILLACH

I. Application of Austrian Business Enterprise Code

The Management Board of the company prepared these financial statements as of 31 December 2017 in accordance with the Austrian Business Enterprise Code (UGB).

In preparing the present financial statements, the previous method of presentation was maintained.

Where an asset or liability relates to more than one item in the balance sheet, the relationship of such asset or liability to the relevant items is disclosed in the notes.

The income statement was prepared in report form using the nature of expense method.

Additional information was provided in the notes as far as was necessary to ensure a true and fair view of the financial position, financial performance and cash flows.

The company is the topmost parent company of the companies within the scope of consolidation of STRABAG SE, Villach. The consolidated financial statements are deposited with the Landes- als Handelsgericht Klagenfurt (District and Commercial Court Klagenfurt).

The company is a large corporation (Kapitalgesellschaft) as defined by Sec 221 of the Austrian Business Enterprise Code (UGB).

II. Accounting policies

GENERAL PRINCIPLES

The financial statements were prepared in accordance with the "principles of orderly accounting" and following the general norm of presenting a true and fair view of the financial position, financial performance and cash flows.

The financial statements were prepared in conformity with the "principle of completeness".

The valuation premise adopted is that of a going concern.

Individual assets and liabilities were measured in accordance with the "principle of individual valuation".

The financial statements were prepared in accordance with the "principle of prudence" by only reporting profit which was realised on the balance sheet date. All recognisable risks and impending losses which occurred in 2017 or an earlier financial year were taken into consideration.

Estimates are based on a conservative assessment. If statistically measurable experiences from similar circumstances are available, these were considered when making the estimates.

The previously applied accounting policies were kept.

NON-CURRENT ASSETS

Property, plant and equipment

Property, plant and equipment are valued at historical cost less accumulated depreciation. In line with the relevant tax legislation, the company takes a full year's depreciation for acquisitions during the first six months of the year and a half year's depreciation for acquisitions during the second six months of the year.

The depreciation is calculated using the straight-line method over the following useful lives:

	Years	
	from	**to**
Other facilities, furniture and fixtures and office equipment	4	15

Low-value assets (individual cost up to € 400.00) are depreciated in full in the year in which they are acquired.

Extraordinary depreciation on a lower fair value measurement at the reporting date is undertaken where the impairment is considered permanent.

Financial assets

Financial assets are valued at cost or a lesser fair value where the impairment is considered permanent.

Loans are measured at historical cost. Lower values are recognised for permanent or significant impairment losses.

Increases in non-current assets

The value of non-current assets is increased where there is no more cause for depreciation. The increase is not higher than the net carrying value calculated under consideration of the regular depreciation that would have been charged in the meantime.

CURRENT ASSETS

Accounts receivable and other assets

Trade and other receivables are reported at nominal value.

The valuation of foreign currency receivables follows the strict "lowest value principle".

Individual value adjustments are made for recognisable risk.

Increases in current assets

Reversals of depreciation for current assets are done where there are no more cause for depreciation.

DEFERRED TAXES

Deferred taxes are recognised in accordance with Sec 198 Para 9 and 10 UGB using the balance sheet concept without discounts using the current corporate income tax rate of 25 %. No deferred tax assets are recognised for tax loss carry-forwards.

The deferred tax assets resulting from the transition effective 1 January 2016 are distributed over five years in accordance with Sec 906 Para 34 UGB.

PROVISIONS

All recognisable risks and impending losses were taken into account in the calculation of provisions in accordance with the legal framework.

Provisions for severance payments

The provisions for severance payments were calculated using recognised financial mathematical principles, an interest rate of 1.6 % (previous year: 1.9 %) and a retirement age of 62 (previous year: 62).

The actuarial interest on provisions for severance payments has been derived from the 10-year average interest rate as published by Deutsche Bundesbank less a planned salary increase of 2 %.

The interest expense on provisions for severance payments as well as the impact from a changed interest rate are recognised in the employee benefits expense.

Other provisions

Under application of the “principle of prudence”, all recognisable risks at the date of balance sheet creation as well as liabilities of uncertain timing or amount were recognised in the item "Other provisions" at the value required according to reasonable entrepreneurial assessment.

LIABILITIES

Liabilities are valued at their settlement value.

Foreign currency liabilities are measured in accordance with the strict “highest value principle”.

III. Notes to the balance sheet

NON-CURRENT ASSETS

The non-current assets are itemised and their changes in the year under report are recorded in the statement of changes in non-current assets (Appendix 1 to the Notes).

Information on investments can be found in the list of participations (Appendix 2 to the Notes).

Of the loans, an amount of € 27,373,000.00 (previous year: T€ 18,133) is due within the next year.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

Receivables from subsidiaries involve cash-clearing, financing, routine clearing, the calculation of intra-group allocations and transfers of profits.

The item "Other receivables and assets" includes income of € 607,852.72 (previous year: T€ 625) which will be cash effective after the balance sheet date.

DEFERRED TAX ASSETS

Deferred tax assets were recognised on the reporting date for temporary differences between the tax base and the carrying amount for the following items:

	31.12.2017	31.12.2016
	€	T€
Property, plant and equipment	-1,515.00	-7
Financial assets	1,733,333.00	2,080
Remaining seventh from depreciation of participation	79,475,072.00	97,967
Provisions	19,393,143.00	17,878
Liabilities	963,143.00	1,533
Total	**101,563,176.00**	**119,451**
Resulting deferred taxes on 31.12. (25 %)	25,390,794.00	29,863

The deferred taxes developed as follows:

	€	T€
Balance on 1.1.	**2,554,040.00**	**34,136**
Distribution according to Sec 906 (34) UGB	6,827,200.00	-27,309
Change in profit or loss	-4,472,047.00	-4,273
Balance on 31.12.	**4,909,193.00**	**2,554**

EQUITY

The fully paid in share capital amounts to € 110,000,000.00 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.

PROVISIONS

Other provisions were made for profit sharing, investment risks and claims.

ACCOUNTS PAYABLE

The total payables with a remaining term of more than five years amounted to € 0.00 (previous year: T€ 200,000) on the balance sheet date.

Payables to subsidiaries involve routine clearing and clearing of tax allocation.

The item "Other payables" includes expenses in the amount of € 15,497,258.38 (previous year: T€ 15,874) which will be cash effective after the balance sheet date.

CONTINGENT LIABILITIES

	31.12.2017	31.12.2016
	€	T€
Sureties	36,228,168.36	19,140
Declarations of patronage	28,172,757.66	53,481
Other commitments and contingencies	0.00	344
Total	**64,400,926.02**	**72,965**
thereof with subsidiaries	32,557,989.53	26,154

The company has made an unlimited warranty statement for the benefit of STRABAG BRVZ GmbH, Spittal an der Drau, whereby is commited to fulfil the obligations from the financial futures contracts concluded by STRABAG BRVZ GmbH, Spittal an der Drau, if necessary.

Performance bonds in the amount of € 494,992,825.03 (previous year: T€ 462,548) exist for construction projects of subsidiaries.

Due to long-term rentals, letting and leasing, the use of property, plant and equipment not shown in the balance sheet results in an obligation of € 7,141,216.80 (previous year: T€ 6,977) for the 2018 financial year. The sum of all obligations for the next five years is € 35,706,084.00 (previous year: T€ 34,885).

IV. Notes to the income statement

REVENUES (SALES)

	2017	2016
	€	T€
Domestic revenue	29,156,012.88	27,706
Foreign revenue	33,585,355.35	34,194
Total	**62,741,368.23**	**61,900**

The revenue, which mostly involves the clearing of intra-group allocations as well as the pass-through of guarantee fees, insurance and rental costs, is generated domestically and abroad.

EMPLOYEE BENEFITS EXPENSE

The company employed on the average 6 employees during the year (previous year: 6 employees).

100 % of the expenses for severance payments were recognised for Management Board members.

The severance payment expenses include contributions to employee benefit plans in the amount of € 64,675.26 (previous year: T€ 83).

The salaries of the Management Board members in the 2017 financial year amounted to T€ 6,773 (previous year: T€ 6,761).

OTHER OPERATING EXPENSES

Supervisory Board member salaries in the period under review amounted to € 135,000.00 (previous year: T€ 135).

The other operating expenses reported mainly include surety fees, legal and advisory costs, travel and advertising costs, insurance costs and other general administrative expenses.

V. Additional disclosures

EVENTS AFTER THE REPORTING PERIOD

The following material events occurred after the reporting period:

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, the STRABAG consortium on 14. March 2018 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 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.

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 believe that the Pedemontana project represents a material earnings risk.

APPROPRIATION OF NET INCOME

The Management Board proposes to pay out a dividend in the amount of € 1.30 per share for the 2017 financial year.

BOARD AND RELATED PARTY DISCLOSURES

The members of the Management and Supervisory Boards are listed separately (Appendix 3 to the Notes).

For the benefit of TPA GmbH, Cologne, there is a voluntary transfer of losses as outlined in Sec 302 of the German Stock Corporation Act (dAktG) for the 2018 financial year.

An agreement was concluded with STRABAG BRVZ GmbH, Spittal an der Drau, covering financial and management accounting, operating and cost accounting, payroll accounting, cash management, insurance management and facility management.

The company is a group parent under Sec 9 Para 8 of the Austrian Corporate Income Tax Act (KStG) of 1988. Tax adjustments (both positive and negative allocations) between the group parent and the company were arranged in the form of tax allocation agreements.

For the benefit of Mineral Abbau GmbH, Spittal an der Drau, there is a commitment to cover the losses, which may be terminated by giving three months' notice to the end of the calendar year.

For the benefit of STRABAG AG, Cologne, there is a voluntary transfer of losses as outlined in Sec 302 of the German Stock Corporation Act (dAktG) for the 2018 financial year.

The expenses for the auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, for the financial year amount to T€ 689 (previous year: T€ 663), of which T€ 60 (previous year: T€ 59) are for the audit of the financial statements, T€ 562 (previous year: T€ 540) for other audit services and T€ 67 (previous year: T€ 63) for miscellaneous services.
In addition, T€ 30 (previous year: T€ 23) were calculated for miscellaneous services to subsidiaries.

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

Appendix 1 to the Notes: Statement of changes in non-current assets
Appendix 2 to the Notes: List of participations
Appendix 3 to the Notes: Management and Supervisory Board

Statement of changes in non-current assets as of 31 December 2017

€		Acquisition and production costs			
	Balance 1.1.2017	**Additions**	**Transfers**	**Disposals**	**Balance 31.12.2017**
I. Tangible assets:					
Other facilities, furniture and fixtures and office equipment	1,209,354.39	6,458.20	0.00	2,756.45	1,213,056.14
	1,209,354.39	**6,458.20**	**0.00**	**2,756.45**	**1,213,056.14**
II. Financial assets:					
1. Investments in subsidiaries	2,667,613,083.45	25,703,830.93	58,956,850.00	11,164,243.27	2,741,109,521.11
2. Loans to subsidiaries	36,965,000.00	0.00	0.00	14,000,000.00	22,965,000.00
3. Investments in participation companies	94,705,269.91	2,044,390.00	-58,956,850.00	3,059,051.77	34,733,758.14
4. Loans to participation companies	95,084,795.59	3,254,818.87	0.00	8,729,461.87	89,610,152.59
5. Other loans	20,207.67	517.10	0.00	0.00	20,724.77
	2,894,388,356.62	**31,003,556.90**	**0.00**	**36,952,756.91**	**2,888,439,156.61**
Total	**2,895,597,711.01**	**31,010,015.10**	**0.00**	**36,955,513.36**	**2,889,652,212.75**

Accumulated depreciation						Carrying values	
Balance 1.1.2017	**Additions**	**Reversal of depreciation**	**Transfers**	**Disposals**	**Balance 31.12.2017**	**Carrying values 31.12.2017**	**Carrying values 31.12.2016**
217,257.01	17,837.81	0.00	0.00	2,756.45	232,338.37	980,717.77	992,097.38
217,257.01	**17,837.81**	**0.00**	**0.00**	**2,756.45**	**232,338.37**	**980,717.77**	**992,097.38**
104,208,279.21	39,571,721.44	1,300,000.00	43,397,049.00	3,157,100.81	182,719,948.84	2,558,389,572.27	2,563,404,804.24
0.00	0.00	0.00	0.00	0.00	0.00	22,965,000.00	36,965,000.00
59,021,417.67	156,354.11	0.00	-43,397,049.00	3,059,048.51	12,721,674.27	22,012,083.87	35,683,852.24
0.00	0.00	0.00	0.00	0.00	0.00	89,610,152.59	95,084,795.59
0.00	0.00	0.00	0.00	0.00	0.00	20,724.77	20,207.67
163,229,696.88	**39,728,075.55**	**1,300,000.00**	**0.00**	**6,216,149.32**	**195,441,623.11**	**2,692,997,533.50**	**2,731,158,659.74**
163,446,953.89	**39,745,913.36**	**1,300,000.00**	**0.00**	**6,218,905.77**	**195,673,961.48**	**2,693,978,251.27**	**2,732,150,757.12**

List of participations (20.00 % interest minimum)

Name and residence of the company T€	Interest %	Equity/ negative Equity[1]	Result of the last financial year[2]
Investments in subsidiaries:			
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH, Spittal an der Drau	100.00	80	-12,083
Asphalt & Beton GmbH, Spittal an der Drau	100.00	5,542	1,377
Bau Holding Beteiligungs AG, Spittal an der Drau	65.00	1,049,274	96,360
BHG Bitumen d.o.o. Beograd, Belgrade	100.00	4	-3
BHG Sp. z o.o., Pruszkow	100.00	2,490	373
CML Construction Services AB, (formerly: CLS Construction Legal Services AB), Stockholm	100.00	5	0
CML Construction Services d.o.o. Beograd, Belgrade	100.00	2	2
CML CONSTRUCTION SERVICES d.o.o., Zagreb	100.00	24	1
CML Construction Services GmbH, Cologne	100.00	303	234
CML Construction Services GmbH, Schlieren	100.00	60	14
CML Construction Services GmbH, Vienna	100.00	105	20
CML CONSTRUCTION SERVICES Sp. z o.o. (formerly: CLS CONSTRUCTION LEGAL SERVICES Sp. z o.o.), Pruszkow	100.00	245	-66
CML CONSTRUCTION SERVICES s.r.o., Bratislava	100.00	58	22
CML CONSTRUCTION SERVICES s.r.o. (formerly: CLS CONSTRUCTION SERVICES s.r.o.), Prague	100.00	27	16
CML CONSTRUCTION SERVICES SRL, Bucharest	100.00	25	11
CML Construction Services Zrt. (formerly: CLS Kft.), Budapest	100.00	192	21
DC1 Immo GmbH, Vienna	100.00	249	-74
DRP, d.o.o., Ljubljana	100.00	-6,632	-843
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o., Bratislava-Ruzinov	100.00	3,047	384
Erste Nordsee-Offshore-Holding GmbH, Vienna	51.00	16,341	6,189
Facility Management Holding RF GmbH, Vienna	100.00	3	-14
FLOGOPIT d.o.o. Beograd, Novi Beograd	100.00	-271	-133
Karlovarske silnice, a. s., Ceske Budejovice	100.00	2,563	3
KMG - KLIPLEV MOTORWAY GROUP A/S, Kopenhagen	100.00	1,966	594
Mazowieckie Asfalty Sp.z o.o., Pruskow	100.00	-24[3]	-4[3]
Mikrobiologische Abfallbehandlungs GmbH, Schwadorf	51.00	479[3]	209[3]
Mineral Abbau GmbH, Spittal an der Drau	100.00	3,226	114
OOO "CML" (formerly: OOO CLS Construction Legal Services), Moscow	100.00	341	79
Prottelith Produktionsgesellschaft mbH, Liebenfels	52.00	-2,364[3]	-44[3]
PRZEDSIEBIORSTWO ROBOT DROGOWYCH Sp.z o.o. W LIKWIDACJI, Choszczno	100.00	[4]	[4]
SAT REABILITARE RECICLARE SRL, Cluj-Napoca	100.00	1,180	274
SAT SANIRANJE cesta d.o.o., Zagreb	100.00	281	193
SAT SLOVENSKO s.r.o., Bratislava	100.00	2,206	476
SAT Ukraine, Brovary	100.00	2,110[3]	728[3]
"SBS Strabag Bau Holding Service GmbH", Spittal an der Drau	100.00	293,860	14,029
SF Bau vier GmbH, Vienna	100.00	-33	-7
STRABAG AG (formerly: Ilbau Liegenschaftsverwaltung AG), Cologne	100.00	1,092,554	-40,071
STRABAG A/S, Trige	100.00	-101[3]	142[3]
STRABAG AG, Schlieren	100.00	24,619	1,233
"Strabag Azerbaijan" L.L.C., Baku	100.00	-3,575	-844
STRABAG Infrastruktur Development, Moscow	100.00	224	95
STRABAG Oy, Helsinki	100.00	376	-123
STRABAG Property and Facility Services a.s., Prague	100.00	3,785	10
STRABAG Real Estate GmbH, Cologne	28.40	169,023	34,518
Strabag RS d.o.o., Banja Luka	100.00	-494[3]	-94[3]
STRABAG Sh.p.k., Tirana	100.00	[4]	[4]
"STRABAG" d.o.o. Podgorica, Podgorica	100.00	5,311	895
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	94.00	3,450	-1,753
TOO STRABAG Kasachstan, Astana	100.00	-2,786[3]	1,082[3]
Zweite Nordsee-Offshore-Holding GmbH, Vienna	51.00	-8,964	-10

1) according to Para 224 Sec 3 UGB
2) net income/loss of the year
3) Financial statements as of 31.12.2016
4) no statement according to Para 242 Sec 2 UGB

Name and residence of the company T€	Interest %	Equity/ negative Equity[1]	Result of the last financial year[2]
Investments in participation companies:			
A-Lanes A15 Holding B.V., Nieuwegein	24.00	[4]	[4]
ASAMER Baustoff Holding Wien GmbH, Vienna	20.93	[4]	[4]
ASAMER Baustoff Holding Wien GmbH & Co.KG, Vienna	20.93	[4]	[4]
DYWIDAG Verwaltungsgesellschaft mbH, Munich	50.00	[4]	[4]
Klinik für Psychosomatik und psychiatrische Rehabilitation GmbH, Spittal an der Drau	30.00	[4]	[4]
MOSER & CO. S.R.L, Brunico	50.00	[4]	[4]
SHKK-Rehabilitations GmbH, Vienna	50.00	[4]	[4]
SIRIUS Beteiligungsgesellschaft m.b.H., Vienna	42.50	[4]	[4]
SOCIETATEA COMPANIILOR HOTELIERE GRAND SRL, Bucharest	35.31	[4]	[4]
SRK Kliniken Beteiligungs GmbH, Vienna	25.00	[4]	[4]
Straktor Bau Aktien Gesellschaft, Kifisia	50.00	[4]	[4]
Syrena Immobilien Holding Aktiengesellschaft, Spittal an der Drau	50.00	[4]	[4]

1) according to Para 224 Sec 3 UGB
2) net income/loss of the year
3) Financial statements as of 31.12.2016
4) no statement according to Para 242 Sec 2 UGB

Management and Supervisory Board

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 9.2.2017)
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 8.2.2017)
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)

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 Holládinterchange. 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.

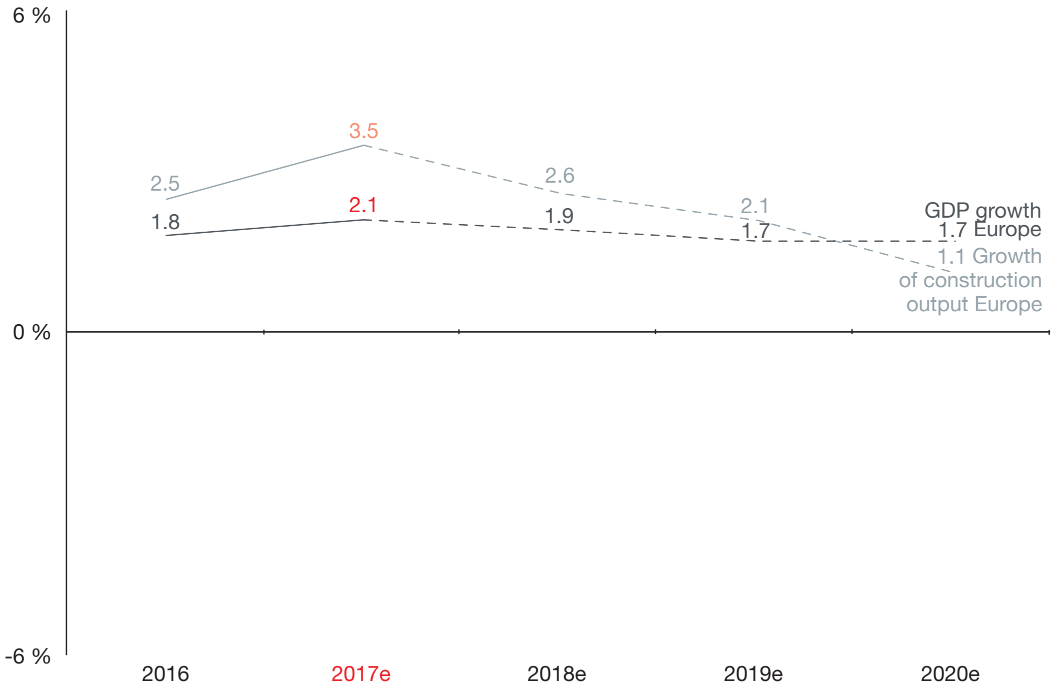
OUTPUT VOLUME BY COUNTRY

€ 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



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.

Central and Eastern Europe outpace Western Europe

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.

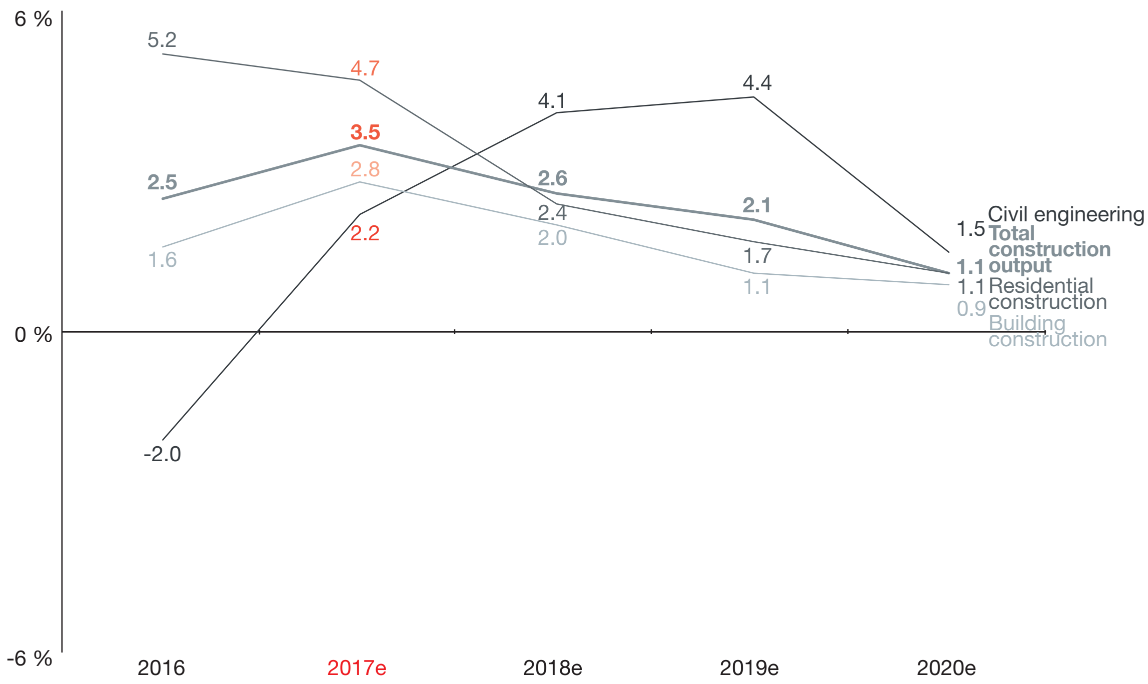
CONSTRUCTION-SECTOR GROWTH OUTDOES ECONOMY AS A WHOLE

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



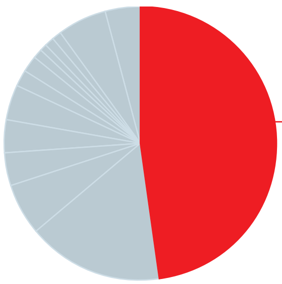
In a sector-by-sector comparison, European residential construction registered the strongest growth last year. This was followed by non-residential building construction, which also grew more strongly than the year before. Civil engineering fully recovered from the declines of 2016 and even managed to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

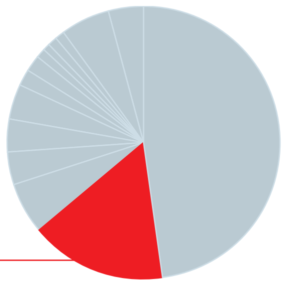
The upturn of the German economy continued as expected in 2017. The forecasted GDP growth of 1.9 %, however, resulted primarily from a strong increase of private domestic consumption and not so much from corporate investments. Driving German consumer spending were secure jobs, rising real wages and low 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.

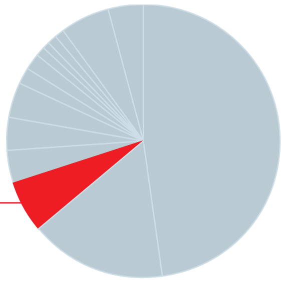
With a plus of 2.9 % in the first half of 2017, residential construction registered its highest growth rate since the start of the financial crisis. Projected for the full year, Euroconstruct forecasts significant growth of more than 2.0 % for this sector. As is the case with the construction economy 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.

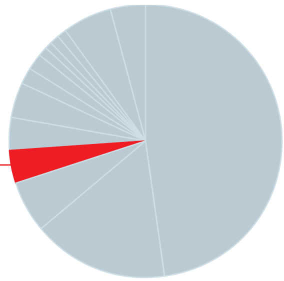
The boom in residential construction, which had blessed this sector with a generous plus of 9.4 % in the year before, continued in 2017 with growth of 7.4 % – supported by the low credit and mortgage rates. The growing demand for residential real estate can be explained, among other factors, by the positive 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.

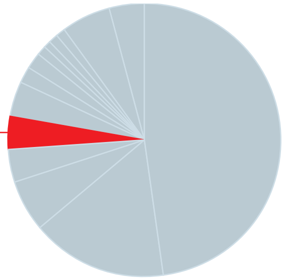
The Czech construction economy, on the other hand, presented itself as rather inconsistent in 2017. While residential construction delivered another sensational performance with a plus of 15.4 %, non-residential building construction, after several years of decline, only just managed the turnaround to 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.

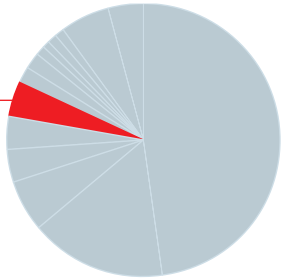
With growth of +35.4 %, residential construction proved to be the most successful sector in 2017. The market for new construction boomed thanks to continuous low interests and a generous fiscal policy of subsidies and special loans with the aim of improving the standard of living especially for young 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.

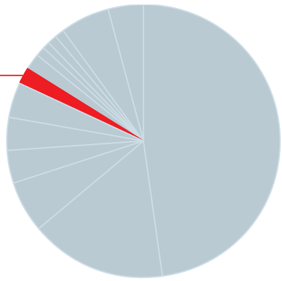
The Slovak construction industry registered solid growth of 3.1 % in 2017 after strong fluctuations in the previous years. Euroconstruct expects this value to diminish in the coming years, however, ultimately leading to a renewed minus of 0.5 % in 2020. Residential construction, which grew by 3.2 % in 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.

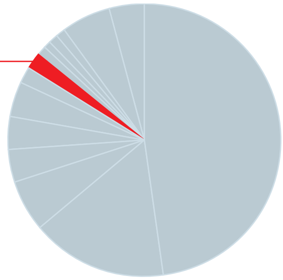
With a plus of 1.2 %, the Swiss residential construction sector stagnated in 2017 at about the same level as the previous years. Rising real estate prices, high vacancy rates and the weak development of salaries and wages leads Euroconstruct to predict only modest growth for this sector in the years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

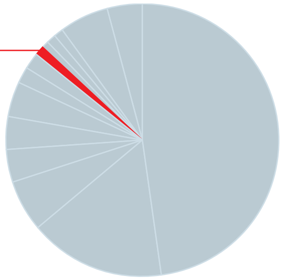
The economy in the Benelux states exhibited moderately dynamic growth in 2017, albeit at different levels. The low yet steady GDP growth of 1.7 % in Belgium and the somewhat stronger plus of 3.3 % in the Netherlands can be traced back to slightly higher household incomes, somewhat lower unemployment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

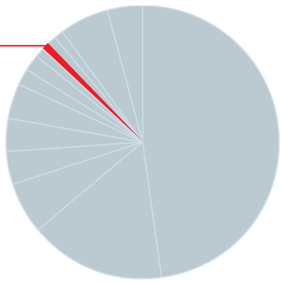
The Romanian construction industry developed in line with the general economic trend with a plus of 3.6 % in 2017. The increases are even expected to reach 6.8 % and 5.0 % in 2018 and 2019. Encouraged by rising wages and lower credit interest rates, residential construction managed to grow by an outstanding +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.

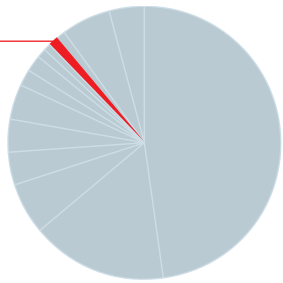
With growth of 9.9 %, the construction industry contributed significantly to Sweden's positive economic performance in 2017. A downright boom was registered by residential construction, which again managed to grow by 12.9 %. The biggest factor driving this growth was, as in the years before, new construction 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.

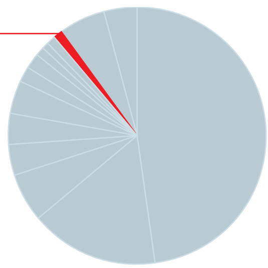
The Danish construction sector grew by 2.0 % in 2017 and should, according to Euroconstruct, develop better than the overall economy in the period 2018–2020 (2018: +2.7 %, 2019: +2.8 %, 2020: +2.5 %). This development is due not least to the need for affordable, at times temporary, accommodation for 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.

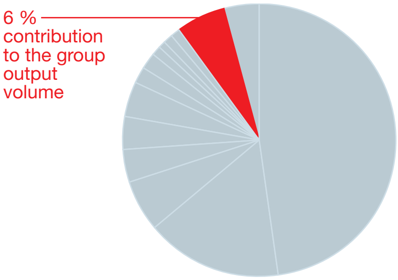
The renewed decline of 8.2 % in residential construction is due above all to the low purchasing power of the private households. This sector is expected to again finish the year with negative growth (-7.2 %) in 2018 before the national residential construction programmes have an effect in 2019 (+4.1 %). 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.

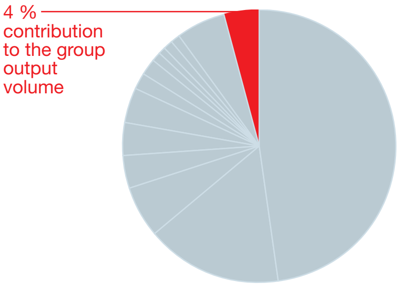
MIDDLE EAST, AMERICAS, AFRICA, ASIA



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.

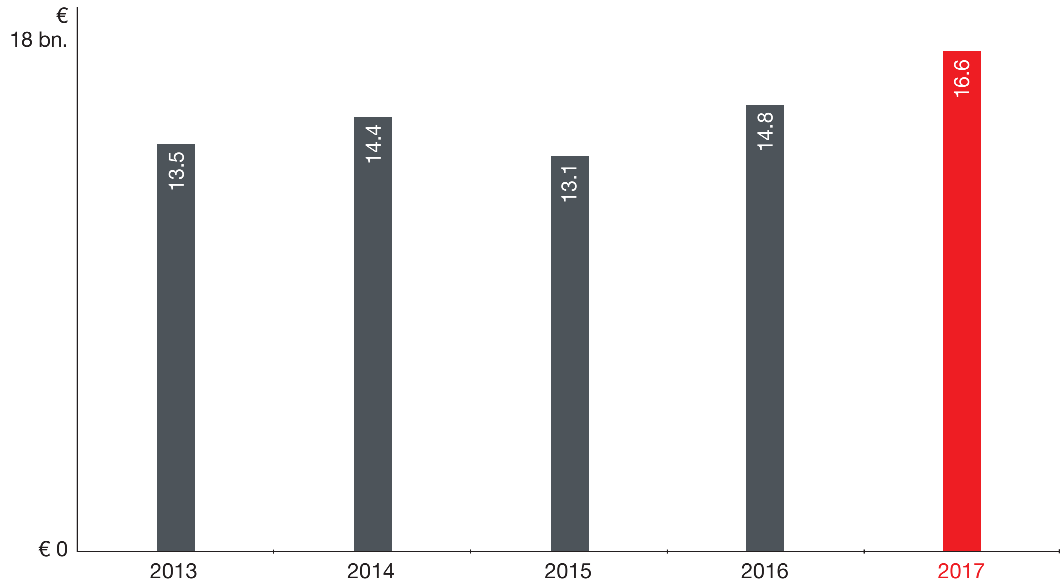
The STRABAG Group generated € 45.17 million on the Bulgarian market in 2017.

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.

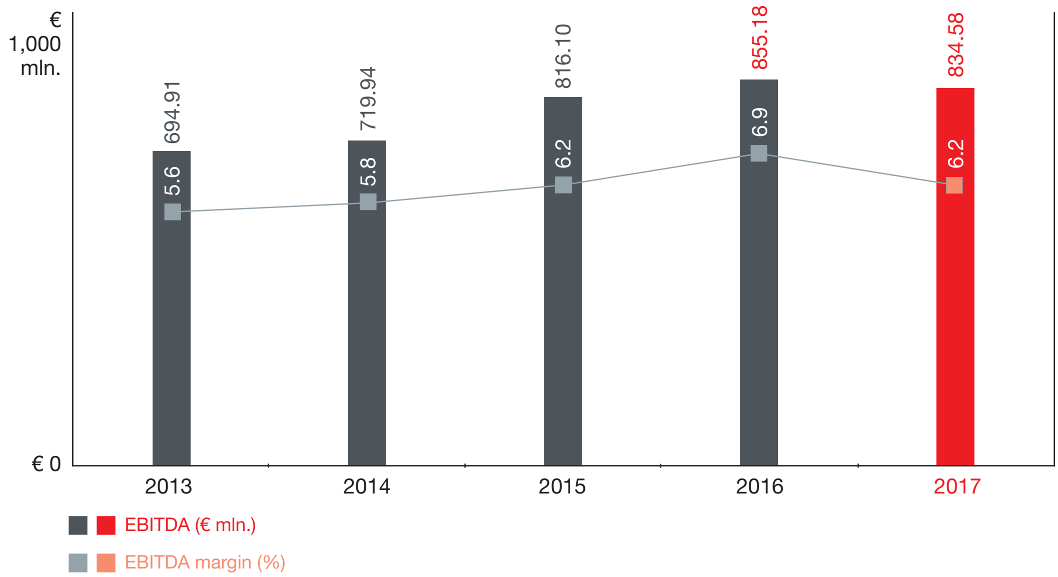
The **changes in inventories** involve mainly the real estate project development business. This business was conducted as actively in 2017 as in the past, although new project developments were overcompensated by the sale of a large project. The construction of new corporate locations increased the **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.

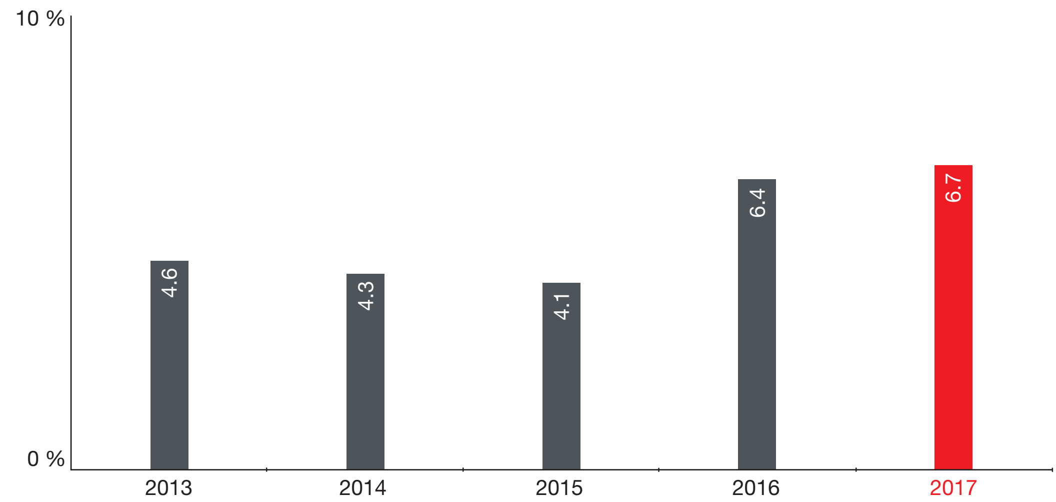
Earnings per share:
€ 2.72

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.

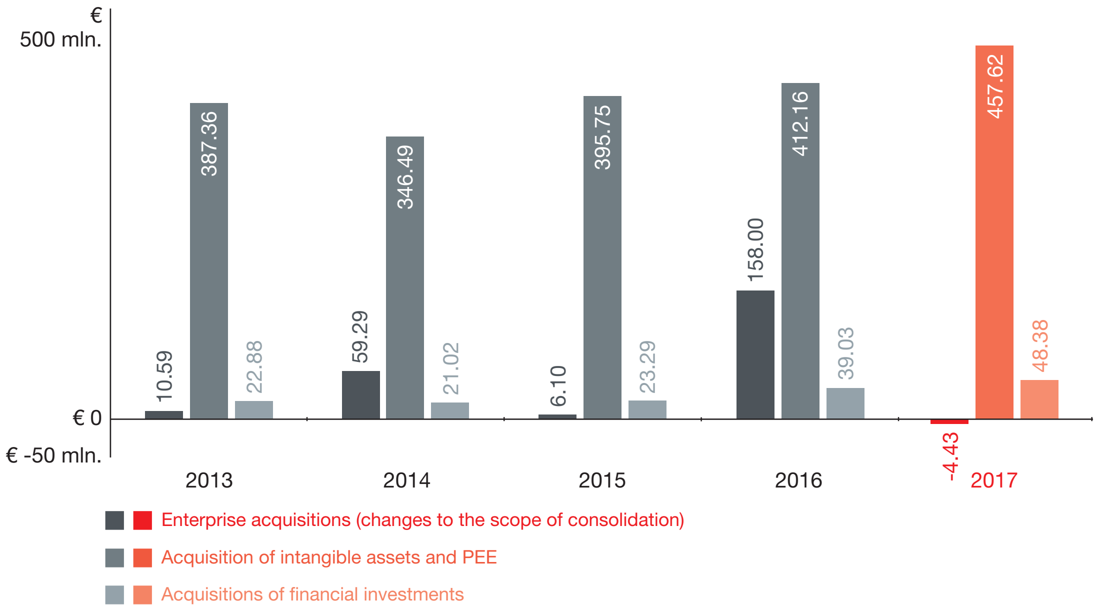
Capital expenditures

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.

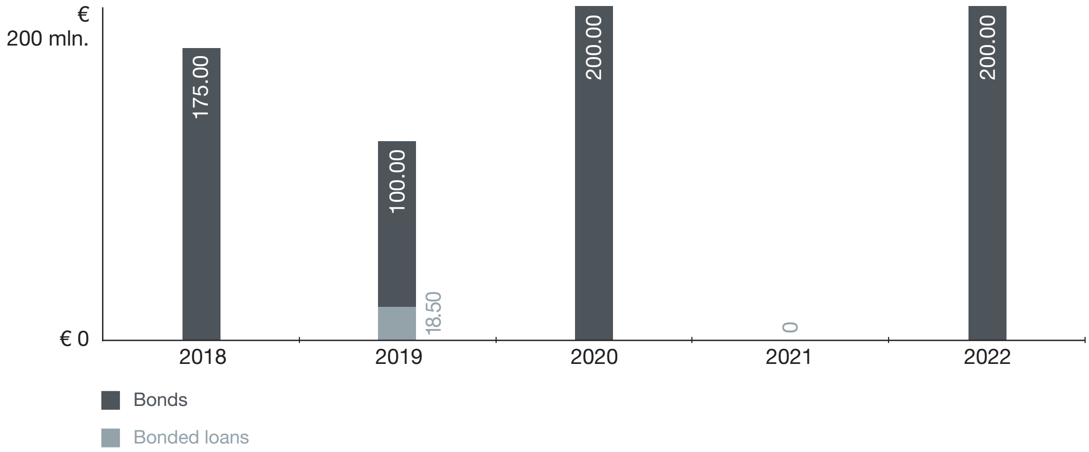
The existing liquidity of € 2.8 billion assures the coverage of the group's liquidity needs. STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.7 billion. The credit lines include a **syndicated surety credit** line in the amount of € 2.0 billion and a revolving **syndicated 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



MANAGEMENT REPORT

Report on the financial performance, financial position and cash flows of STRABAG SE (Individual Financial Statement)

FINANCIAL PERFORMANCE

The revenue of the company increased slightly in comparison with the previous year, growing by € 0.84 million from € 61.9 million to € 62.74 million.

	2017	2016
Revenue (T€) (sales)	62,741	61,900
Earnings before interest and taxes (T€) (EBIT)	9,115	384,546
Return on sales (%) (ROS)[1]	14.5	>100.0
Return on equity (%) (ROE)[2]	0.7	14.2
Return on investment (%) (ROI)[3]	0.2	10.4

The earnings before interest and taxes (EBIT) decreased by € 375.43 million versus the previous year from € 384.55 million to € 9.12 million. The decline involved exclusively the net income from investments and resulted largely from high one-off income from the disposal of financial assets in the previous year.

The operating earnings were not impacted negatively by extraordinary expenses during the 2017 financial year as they were the year before. In 2016, there had been a negative impact on earnings above all from bad debt allowances on receivables from subsidiaries. Moreover, the increase in intra-group allocations had a positive impact on earnings.

The reduction of the financial earnings by € 388.32 million from € 386.62 million to € -1.70 million resulted from the significantly lower income from the disposal of financial assets. Last year's figures had included a noteworthy disposal profit from an intra-group transfer. Additionally, the lower dividends of the subsidiaries and higher expenses from financial assets had a negative impact on earnings in the year under report.

The interest income reached a positive total of € 10.18 million (2016: € 15.7 million). The figure is based on the interest income for financing provided to subsidiaries and from the external financing costs for the interest-bearing borrowings.

Overall, the company generated a net profit of € 17.83 million for the 2017 financial year (2016: € 412.21 million).

The changes in the earnings are also reflected in the profitability figures.

FINANCIAL POSITION AND CASH FLOWS

The balance sheet total of STRABAG SE decreased to € 3.7 billion in 2017 (2016: € 3.9 billion), with substantial changes among only a few balance sheet items.

The decline of receivables from subsidiaries largely concerns the receivables from cash clearing and from transfer of profits. The reduction of the other receivables is due to the repayment of the receivables from Transstroy Holding.

The bank borrowings were reduced through the repayment of the bonded loan. The increase of the other provisions is due to the higher provisions for investment risk.

1 ROS = EBIT/revenue
2 ROE = EBT / ø equity
3 ROI = EBIT/ø total capital

	2017	2016
Net debt (T€)[1]	63,627	101,104
Working capital (T€)[2]	-6,835	46,139
Equity ratio (%)	78.9	77.3
Gearing ratio (%)[3]	2.2	3.4

The net debt amounted to € 63.63 million on 31 December 2017, a considerable decrease over the previous year (€ 101.10 million). This development results from the reduction of the interest-bearing borrowings. As the equity remained largely unchanged versus the previous year, the gearing ratio improved from 3.4 % in 2016 to 2.2 % in the year under report.

The working capital decreased by € 52.98 million in the 2017 financial year from € 46.14 million in 2016 to € -6.84 million. This resulted from the reduction of the receivables from the transfer of profits and the growth of the current non-interest-bearing debt.

The equity ratio of 78.9 % grew from 77.3 % in the previous year as a result of the reduced balance sheet total and remains at a very high level.

T€	2017	2016
Cash flow from operating activities	105,572	82,390
Cash flow from investing activities	29,390	-171,607
Cash flow from financing activities	-218,970	-66,690

The cash flow from operating activities of € 105.57 million is due to the cash flow from earnings and from the reduction of the working capital.

The cash flow from investing activities saw an inflow of cash and cash equivalents totalling € 65.73 million in the year under report, thereof € 33.60 million from disposals of financial assets and € 32.13 million from the repayment of the receivables from Transstroy Holding. This figure is offset by the application of funds for additions to financial assets in the amount of € 31.01 million and payments for financial investments in current assets in the amount of € 5.33 million. In total, the cash flow from investing activities amounted to € 29.39 million.

The payment of the dividends for the 2016 financial year and the reduction of the bank borrowings led to an outflow of € 218.97 million in the cash flow from financing activities in 2017.

1 Net debt = interest-bearing liabilities + non-current provisions – cash and cash equivalents
2 Working capital = current assets – cash and cash equivalents – current non-interest-bearing liabilities
3 Gearing ratio = net debt / equity

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

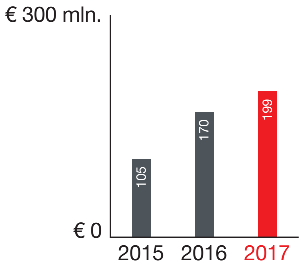
The segment North + West executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ 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

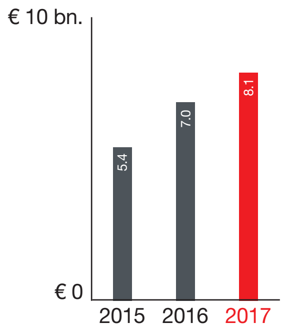


EBIT on upwards trend thanks to Germany

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

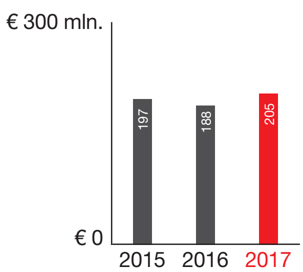
The geographic focus of the segment South + East is on Austria, Switzerland, Hungary, the Czech Republic, Slovakia, Russia and South-East Europe. The environmental engineering activities are also handled within this segment.

€ 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

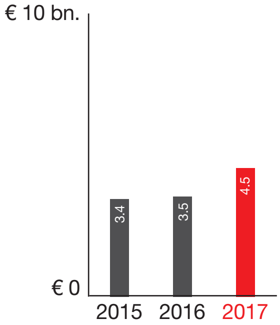


Segment continues to contribute positively to group earnings

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

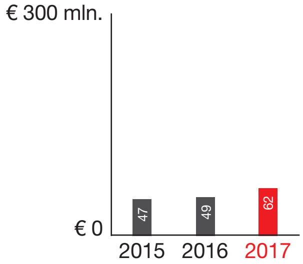
The segment International + Special Divisions includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where 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**

EBIT

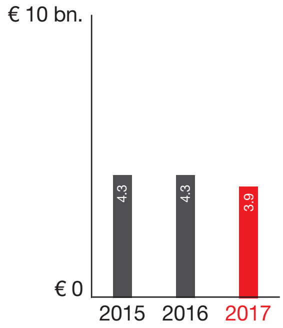


Figures again burdened by project in Chile

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



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 V. of the Notes.

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

AUDITOR’S REPORT

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

We have audited the financial statements of

STRABAG SE,
Villach, Austria,

which comprise the statement of financial position as of 31 December 2017, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance for the year then ended, in accordance with Austrian Generally Accepted Accounting Principles.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Regulation (EU) 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 Company, 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 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

VALUATION OF INVESTMENTS IN AFFILIATED COMPANIES AND RECEIVABLES FROM AFFILIATED COMPANIES

Refer to note Annex I/4

Risk for the Financial Statements

Investments in and receivables from affiliated companies represent a major portion of the assets reported in the annual financial statements of STRABAG SE as of 31.12.2017.

Investments in and receivables from affiliated companies are tested for impairment annually. As a first step, the carrying amount of the investments in affiliated companies is compared with the proportionate share in equity at the reporting date. In case the carrying amount exceeds the proportionate share in equity, a valuation of the investment based on discounted cash flows, which significantly depend on future sales and margin projections, and on discount rates, is performed in a further step. This valuation is subject to significant uncertainty.

Our Response

We reconciled the sales and margins on which the calculations of the valuation of shares in and receivables from affiliated companies are based, with the current planning of the Group, which has been approved by the Supervisory Board. In order to assess the appropriateness of the planning, we gained an understanding of the planning process and compared the assumptions used with current market-specific market expectations, as well as discussing them with the Management Board and representatives of the respective company divisions. In addition, we assessed the appropriateness of the discount rates used as well as the underlying calculation and determined by means of sensitivity analyses whether the tested book values are covered by the respective valuation in the event of possible realistic changes in the assumptions. In conclusion, we examined whether the disclosures and explanations made by the Company regarding investments in and receivables from affiliated companies in the notes are complete and appropriate.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company’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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company’s financial reporting process.

AUDITOR’S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the 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 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 misstatements in the 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, misprepresentations or the 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 entity'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 Company'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 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 Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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

MANAGEMENT REPORT

In accordance with the Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the 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 management reports as applied in Austria.

Opinion

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

Additional Information in accordance with Article 10 EU Regulation

At the Annual General Meeting dated 23 June 2017, we were elected as auditors. We were appointed by the supervisory board on 23 June 2017. We have been the Company's auditors from the year ended 31 March 1999, without interruption.

We declare that our opinion expressed in the "Report on the 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 Company.

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.

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 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)