Individual Financial Statements 2017

STRABAG
SOCIETAS EUROPAEA

Content

INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

Balance sheet as at 31 December 2017

Assests	31.12.2017 €	31.12.2016 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 carryforwards.

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 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.

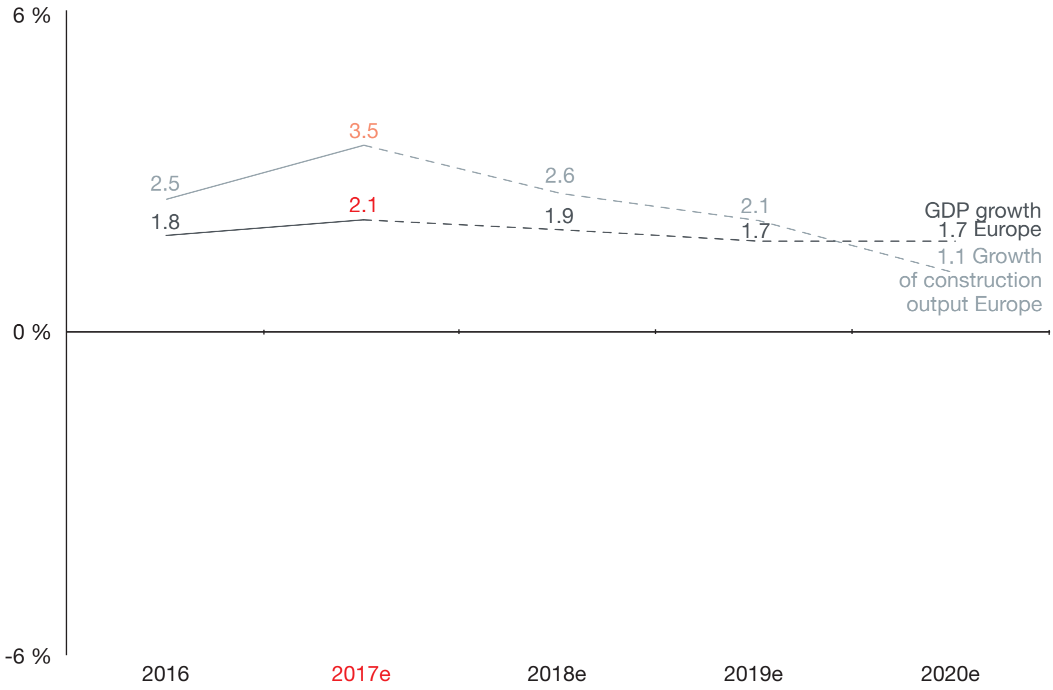
OUTPUT VOLUME BY COUNTRY

€ 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.

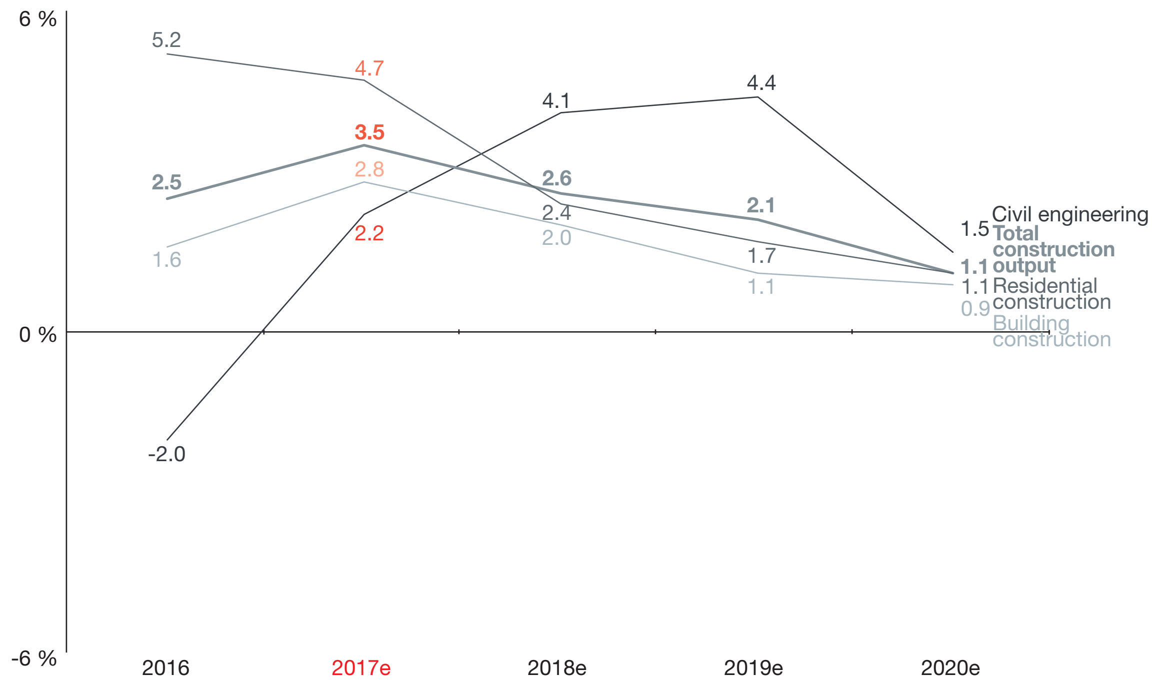
CONSTRUCTION-SECTOR GROWTH OUTDOES ECONOMY AS A WHOLE

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



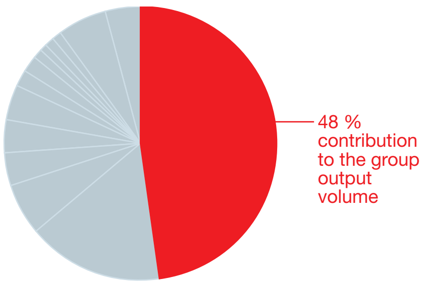
In a sector-by-sector comparison, European residential construction registered the strongest growth last year. This was followed by non-residential building construction, which also grew more strongly than the year before. Civil engineering fully recovered from the declines of 2016 and even managed to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

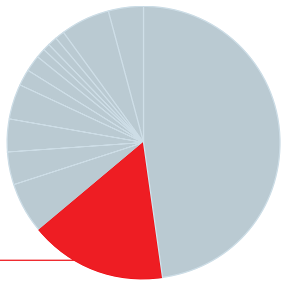
The upturn of the German economy continued as expected in 2017. The forecasted GDP growth of 1.9 %, however, resulted primarily from a strong increase of private domestic consumption and not so much from corporate investments. Driving German consumer spending were secure jobs, rising real wages and low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

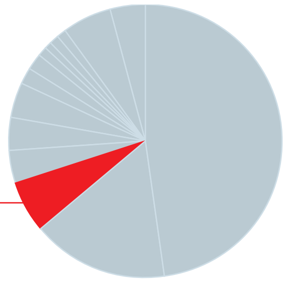
With a plus of 2.9 % in the first half of 2017, residential construction registered its highest growth rate since the start of the financial crisis. Projected for the full year, Euroconstruct forecasts significant growth of more than 2.0 % for this sector. As is the case with the construction economy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

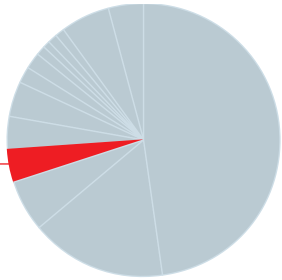
The boom in residential construction, which had blessed this sector with a generous plus of 9.4 % in the year before, continued in 2017 with growth of 7.4 % – supported by the low credit and mortgage rates. The growing demand for residential real estate can be explained, among other factors, by the positive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

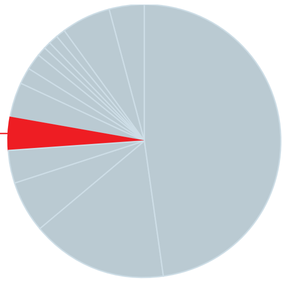
The Czech construction economy, on the other hand, presented itself as rather inconsistent in 2017. While residential construction delivered another sensational performance with a plus of 15.4 %, non-residential building construction, after several years of decline, only just managed the turnaround to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

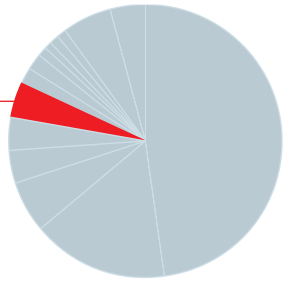
With growth of +35.4 %, residential construction proved to be the most successful sector in 2017. The market for new construction boomed thanks to continuous low interests and a generous fiscal policy of subsidies and special loans with the aim of improving the standard of living especially for young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

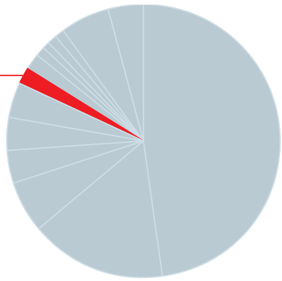
The Slovak construction industry registered solid growth of 3.1 % in 2017 after strong fluctuations in the previous years. Euroconstruct expects this value to diminish in the coming years, however, ultimately leading to a renewed minus of 0.5 % in 2020. Residential construction, which grew by 3.2 % in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

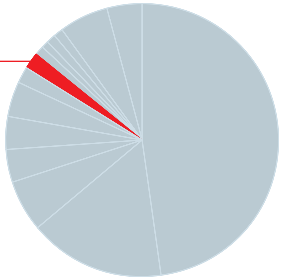
With a plus of 1.2 %, the Swiss residential construction sector stagnated in 2017 at about the same level as the previous years. Rising real estate prices, high vacancy rates and the weak development of salaries and wages leads Euroconstruct to predict only modest growth for this sector in the years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

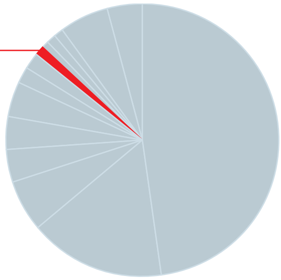
The economy in the Benelux states exhibited moderately dynamic growth in 2017, albeit at different levels. The low yet steady GDP growth of 1.7 % in Belgium and the somewhat stronger plus of 3.3 % in the Netherlands can be traced back to slightly higher household incomes, somewhat lower unemployment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



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.

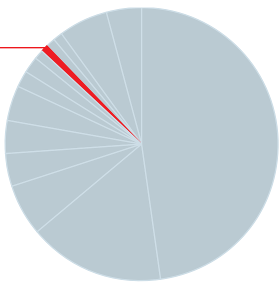
The Romanian construction industry developed in line with the general economic trend with a plus of 3.6 % in 2017. The increases are even expected to reach 6.8 % and 5.0 % in 2018 and 2019. Encouraged by rising wages and lower credit interest rates, residential construction managed to grow by an outstanding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

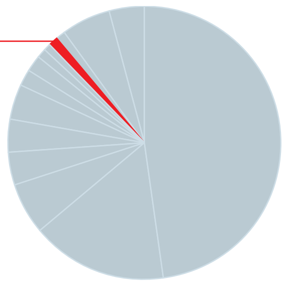
With growth of 9.9 %, the construction industry contributed significantly to Sweden's positive economic performance in 2017. A downright boom was registered by residential construction, which again managed to grow by 12.9 %. The biggest factor driving this growth was, as in the years before, new construction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

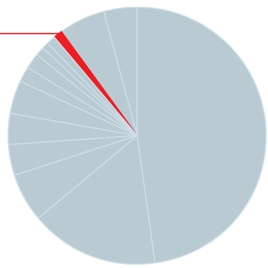
The Danish construction sector grew by 2.0 % in 2017 and should, according to Euroconstruct, develop better than the overall economy in the period 2018–2020 (2018: +2.7 %, 2019: +2.8 %, 2020: +2.5 %). This development is due not least to the need for affordable, at times temporary, accommodation for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

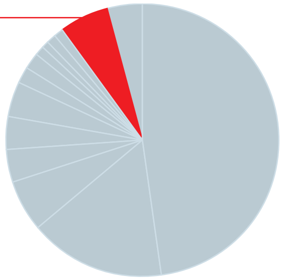
The renewed decline of 8.2 % in residential construction is due above all to the low purchasing power of the private households. This sector is expected to again finish the year with negative growth (-7.2 %) in 2018 before the national residential construction programmes have an effect in 2019 (+4.1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

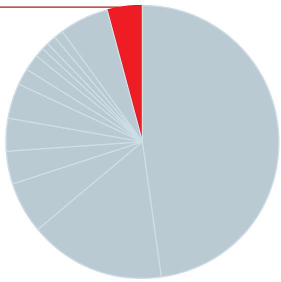
MIDDLE EAST, AMERICAS, AFRICA, ASIA



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.

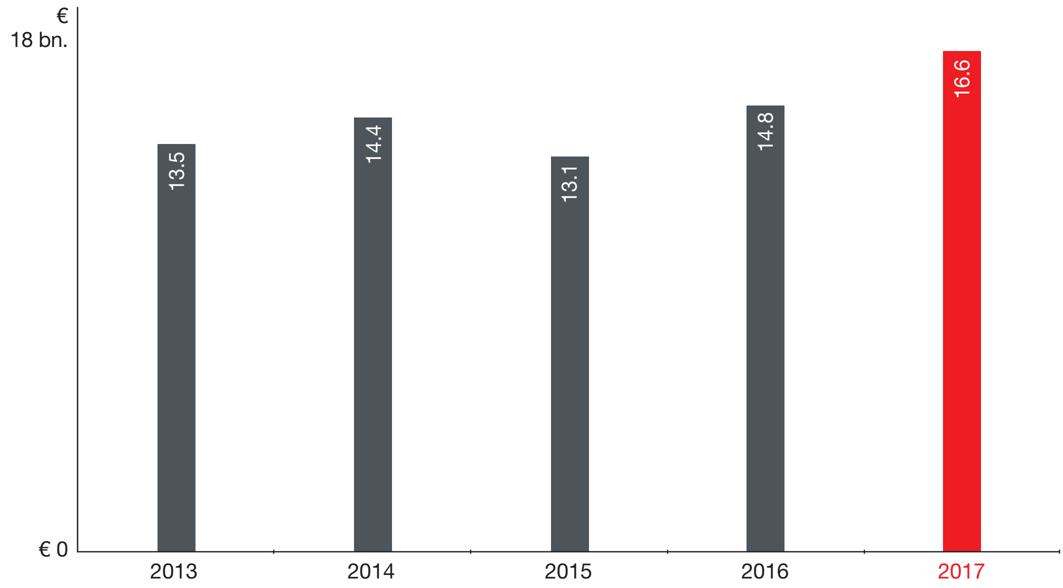
The STRABAG Group generated € 45.17 million on the Bulgarian market in 2017.

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.

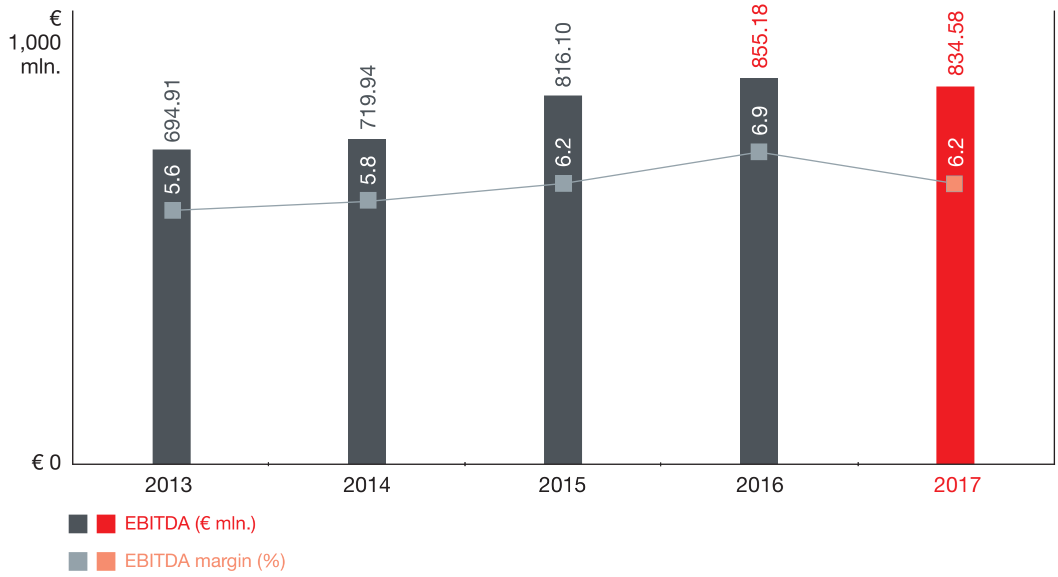
The **changes in inventories** involve mainly the real estate project development business. This business was conducted as actively in 2017 as in the past, although new project developments were overcompensated by the sale of a large project. The construction of new corporate locations increased the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

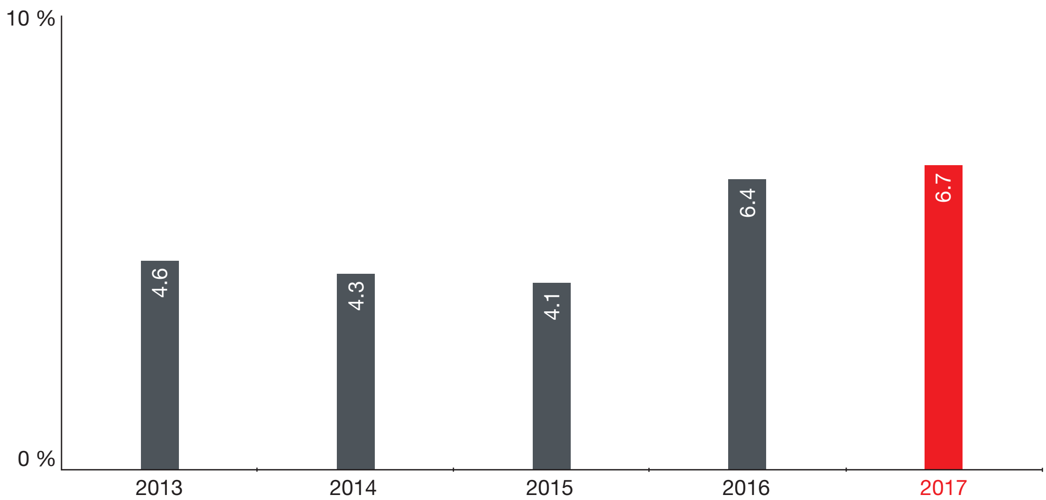
Earnings per share: € 2.72

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.

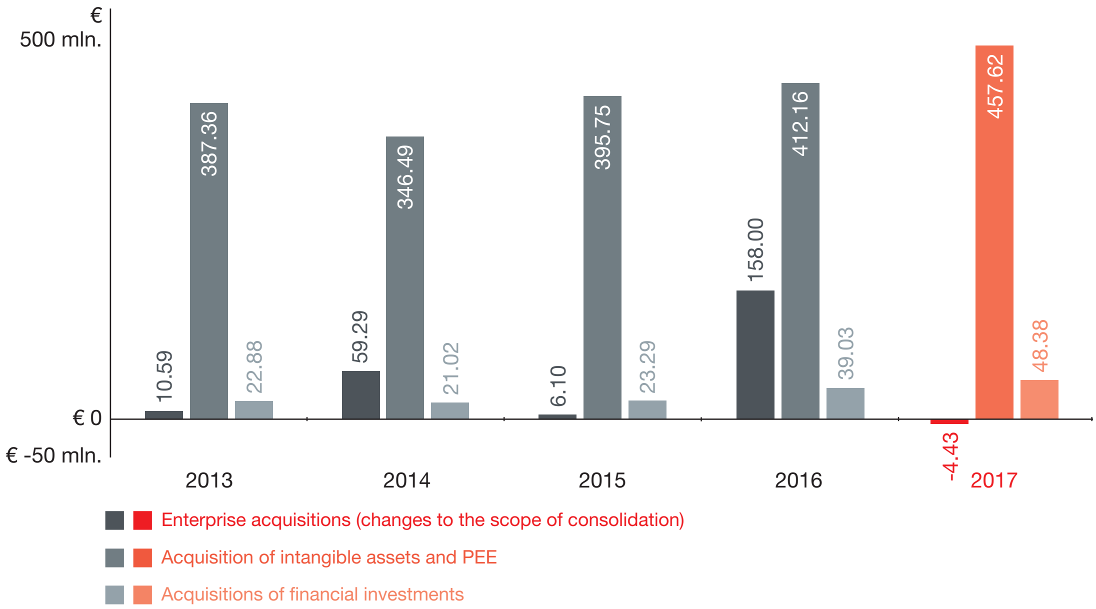
Capital expenditures

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.

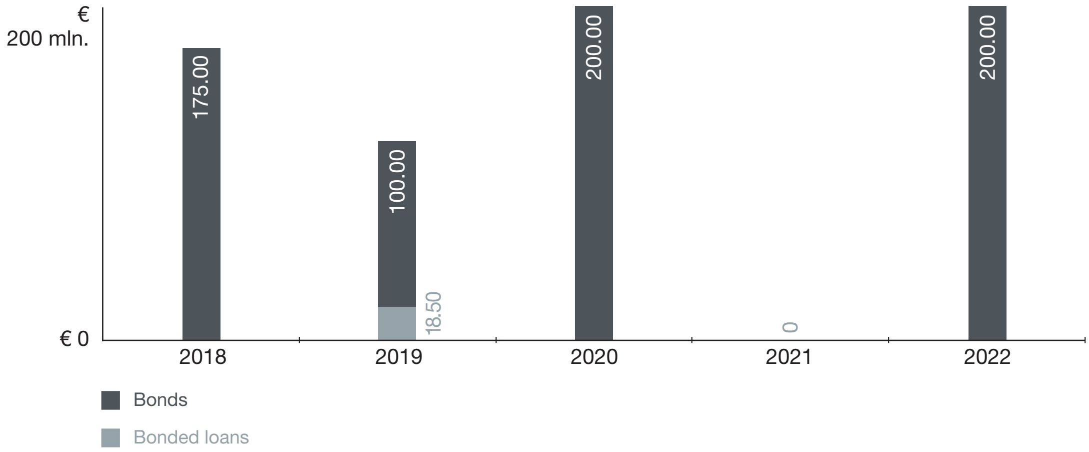
The existing liquidity of € 2.8 billion assures the coverage of the group's liquidity needs. STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.7 billion. The credit lines include a **syndicated surety credit** line in the amount of € 2.0 billion and a revolving **syndicated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

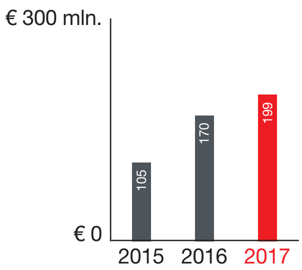
The segment North + West executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ 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

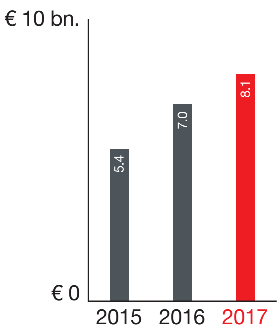


EBIT on upwards trend thanks to Germany

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

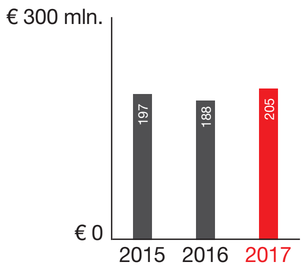
The geographic focus of the segment South + East is on Austria, Switzerland, Hungary, the Czech Republic, Slovakia, Russia and South-East Europe. The environmental engineering activities are also handled within this segment.

€ 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

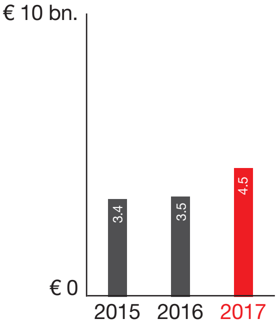


Segment continues to contribute positively to group earnings

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

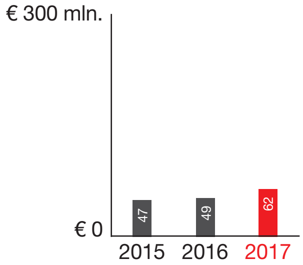
The segment International + Special Divisions includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where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

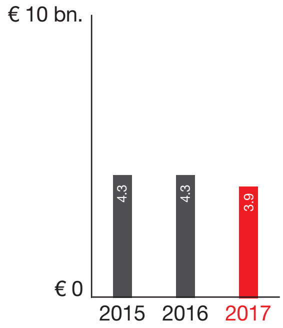


Figures again burdened by project in Chile

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.