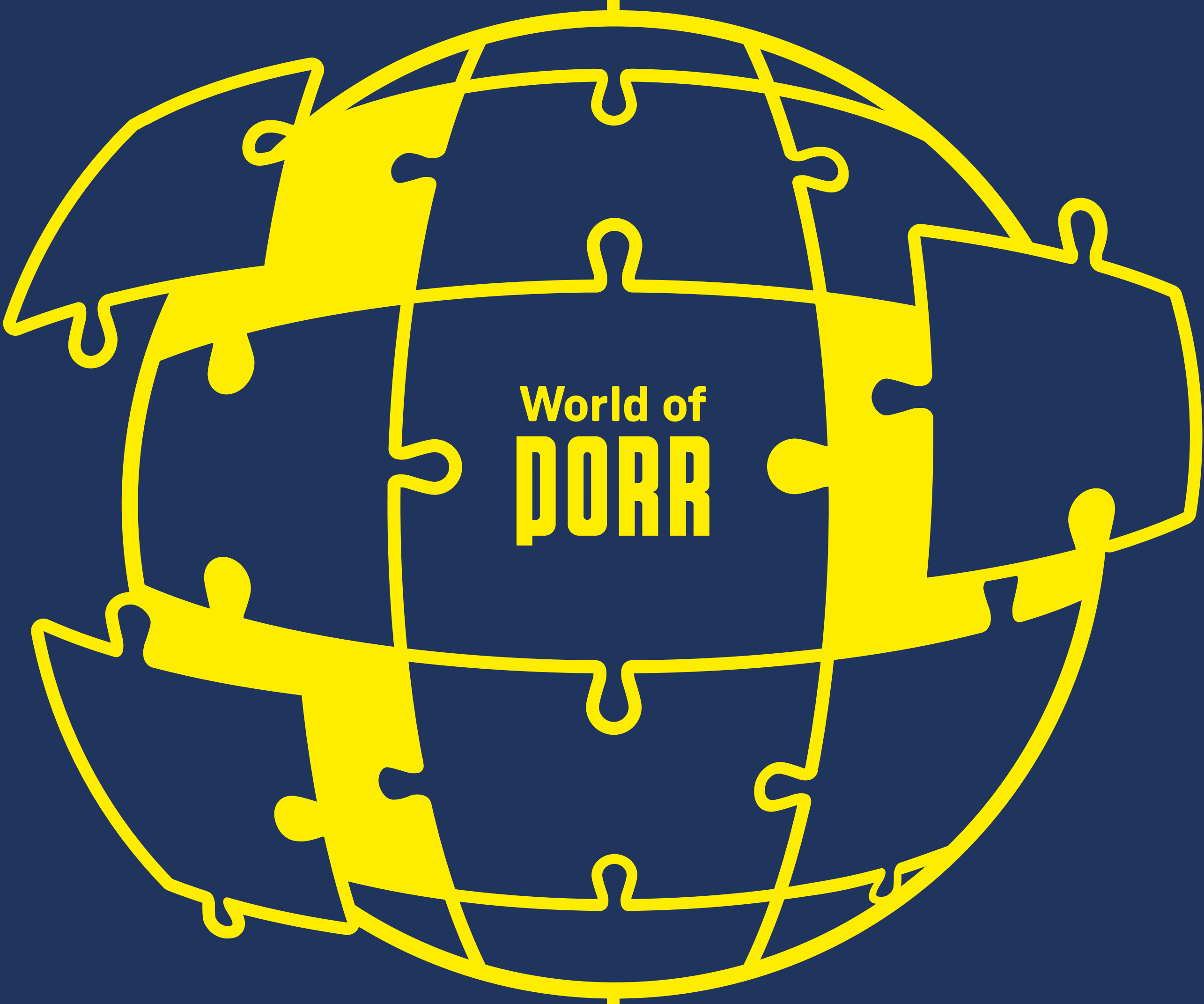
growing . together



Financial Statements of PORR AG
for the Business Year 2017

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Economic Environment

The economy found itself in a stable growth phase worldwide in 2017 – global GDP growth reached 3.9%. Driven by the current rebound in Europe and Asia as well as positive signals from the US economy, global growth is set to match this level again in the current year. The momentum is spread across a broad base – around 75% of the global economy is participating in the upswing.[1] The boom is also ongoing in the USA, even if the high share prices represent a certain risk for the economy. Overall economic growth in the USA stood at 2.3% in 2017. And the outlook for the first half of 2018 is also positive, with the economy set to grow by 2.4%.[2] That said, the turbulence on the stock exchange at the start of 2018 has led to increasing uncertainty about an imminent end to the zero-interest-rate policy in the eurozone.

The eurozone economy has shrugged off the crisis years and is on a robust growth course. According to statistics agency Eurostat, GDP rose by 2.5% in the EU-28 and in the eurozone in 2017.[3] This means that there has been a significant upsurge in the currency union for five quarters in a row, along with comparatively high growth rates. With regard to the regional distribution and demand components, the economic upswing is spread across a broad base. Especially in Germany, France, Italy and Spain – the four largest countries in the currency union – GDP underwent a sharp expansion in the third quarter of 2017. The positive economic performance is likely to continue in the coming months, with favourable developments also expected on the labour market. Unemployment in the eurozone fell to 8.7% in December, thereby reaching its lowest level in eight years.[4]

In 2017 the Austrian economy benefited from the rapid expansion in foreign trade. According to the Austrian Institute of Economic Research (WIFO), growth reached 2.9% in the year under review.[5] The expansion continues to be driven by solid demand in every sector. At the same time, consumer spending displayed strong momentum, with expenditure rising by 0.4%. Public expenditure climbed somewhat more strongly by 0.6%. Investment activity continued its strong rise with Austrian companies increasing their demand for investments in equipment and construction. The situation on the Austrian labour market also improved. That said, the seasonally adjusted unemployment rate of 7.9% – despite the increase in the number of people in employment – is very high in national terms.

Developments in the Construction Industry

In 2017 construction volumes in European countries climbed by 3.5% and thereby achieved their sharpest growth since the pre-crisis year of 2006. Construction demand rose in all of the 19 Euroconstruct countries assessed, underlining the broad regional basis for the upsurge. The strongest growth drivers here came from residential construction.[6]

Forecasts for 2018 also predict significant growth for the European construction industry with a further increase of 6% (cumulative) expected by 2020. The growth rates are anticipated to slow down somewhat in residential construction and other building construction, while civil engineering should establish itself as the growth leader in the medium term (4% growth in both 2018 and 2019).[7]

In line with the growth in Europe, the performance of the Austrian construction industry was also positive. At 2.8%, the industry growth mirrored the growth of the overall economy. Against a backdrop of below-average growth rates in the past years, this is seen as an important sign of recovery. The economic rebound stands on a broad foundation, whereby in 2017 all three key construction segments (residential, non-residential and civil engineering) achieved significant gains. The strongest growth was reported by building construction with 3.4%. In particular business-related construction services in commercial, industrial and office construction benefited noticeably from the economic recovery. On the basis of the current backdrop, further growth is forecast for the construction industry for the coming years, albeit at a somewhat slower pace.[8]

[1] International Monetary Fund, World Economic Outlook, http://www.dw.com/de/iwf-weltwirtschaft-boomt/a-42258785
[2] WIFO Monthly Report, 2018, 91(1), p. 3-14
[3] Eurostat/press release euroindicators, 20/2018 – 30 January 2018
[4] WIFO Monthly Report, 2018, 91(1), p. 3-14
[5] WIFO press release, 21 December 2017
[6] http://www.euroconstruct.org/jart/prj3/wifo/main.jart?rel=euroconstruct_en&content-id=1500874414119&reserve-mode=active
[7] WIFO press release: Europe's construction industry returns to pre-crisis growth levels for the first time, 1 December 2017
[8] Ibid

Financial Performance

Income Statement – Overview

in TEUR	2017	2016	Change
Revenue	124,839	121,658	3,181
Change in portfolio of non-deductible services	3,779	0	3,779
EBIT	12,521	16,008	-3,487
Net investment income	44,833	27,919	16,914
Net interest expenses	-4,907	-4,911	4
Other financial expenses/income	-117	201	-318
EBT	**52,330**	**39,217**	**13,113**
Tax	-1,746	-3,538	1,792
Profit for the year	**50,584**	**35,679**	**14,905**
Net earnings	**32,046**	**32,154**	**-108**

PORR AG not only provided services for the entire PORR Group, but also exercised holding functions. The following values and statements relate exclusively to the annual financial statements of PORR AG.

In the 2017 income statement, PORR AG reported revenue totalling EUR 124.8m (previous year: EUR 121.7m), which was primarily generated by providing services.

The change in the portfolio of non-deductible services amounting to EUR 3.8m related to unfinished buildings measured at manufacturing cost and related to the “new world of work” project.

The other operating income includes income from grants and exchange gains and declined by EUR 0.1m to EUR 0.8m (previous year: EUR 0.9m).

The cost of materials and other related production services increased by EUR 2.6m and stood at EUR 11.1m (previous year: EUR 8.5m). The main reason for this was expenditure related to the “new world of work” project commissioned from a third party. This also resulted in the change of services not yet invoiced.

The average staffing level in 2017 increased by 12.1% against 2016. Staff expense climbed by EUR 1.9m to EUR 37.6m (previous year: EUR 35.7m), a rise of 5.3%.

Depreciation, amortisation and impairment rose by 25.6% or EUR 2.1m to EUR 10.2m (previous year: EUR 8.1m). The increased investment in new software and hardware technologies led to a rise in depreciation and amortisation for software and hardware compared to the previous year.

Other operating expenses rose by EUR 3.7m to EUR 57.9m (previous year: EUR 54.2m). The items included here primarily related to legal and consultancy services, (EUR 5.8m), commissions on bank guarantees (EUR 10.9m), insurance premiums (EUR 0.4m), office running costs (EUR 13.8m), expenses for buildings and land (EUR 8.3m), charges and other taxes (EUR 1.3m), advertising costs (EUR 6.2m) and expenses for the vehicle fleet (EUR 0.3m).

Earnings before interest and tax (EBIT) declined year-on-year by EUR 3.5m to EUR 12.5m (previous year: EUR 16.0m).

Net investment income improved by EUR 16.9m to EUR 44.8m (previous year: EUR 27.9m). Higher contributions to earnings came in particular from PORR Construction Holding GmbH and PORR Bauindustrie GmbH due to the profit and loss transfer to PORR Bau GmbH.

Other financial expenses/income declined to EUR -0.1m (previous year: EUR 0.2m). The negative interest income remained unchanged against the previous year at EUR 4.9m in 2017.

Starting out from EBT of EUR 52.3m (previous year: EUR 39.2m), there was a post-tax profit for the year of EUR 50.6m (previous year: EUR 35.7m).

Financial Position and Cash Flows

Balance Sheet – Overview

in TEUR	31.12.2017	31.12.2016	Change
Non-current assets	747,949	654,572	93,377
Current assets	379,460	224,270	155,190
Accruals and deferrals	5,079	3,387	1,692
Deferred tax assets	-	163	-163
Total assets	**1,132,488**	**882,392**	**250,096**
Equity	381,689	362,897	18,792
Mezzanine capital	150,000	25,000	125,000
Provisions	49,374	49,295	79
Liabilities	551,259	445,023	106,236
Deferred tax assets	166	177	-11
Total equity and liabilities	**1,132,488**	**882,392**	**250,096**

At 31 December 2017 the total assets of PORR AG stood at EUR 1,132.5m and thereby increased by EUR 250.1m against the level of the previous year of EUR 882.4m. With regard to assets, this was primarily caused by the increase in receivables from associates and financial assets. In terms of equity and liabilities, there were increases from the mezzanine capital, the issue of a subordinated bond (hybrid bond) of EUR 125m, and liabilities to banks.

Under assets, non-current assets are the focal point of the total, accounting for 66.0%. At year-end 2017 they totalled EUR 747.9m (previous year: EUR 654.6m). Intangible assets and property, plant and equipment rose by 16.5% to total EUR 51.9m (previous year: EUR 44.5m). The sharpest growth was in shares in associated companies, which rose by EUR 86.1m to EUR 601.0m (previous year: EUR 514.9m) as the result of a subsidy to PORR Deutschland GmbH.

Significant changes in current assets included the increase in receivables to associates of EUR 186.8m to total EUR 324.4m (previous year: EUR 137.6m), while cash and cash equivalents decreased by EUR 39.1m to EUR 21.8m (previous year: EUR 60.9m).

The equity ratio (including mezzanine capital) climbed by 2.9% at the reporting date to 46.9% (previous year: 44.0%).

Provisions rose by EUR 0.1m to EUR 49.4m (previous year: EUR 49.3m). Liabilities rose as of the reporting date by 23.9% or EUR 106.3m to EUR 551.3m (previous year: EUR 445.0m). This was primarily because of the increase in liabilities to banks of EUR 67.7m to total EUR 89.7m (previous year: EUR 22.0m) for the purpose of financing acquisitions in Austria and Germany.

The cash flow statement shows the use and origin of cash and cash equivalents in the company.

The cash flow from operating activities of EUR 42.1m (previous year: EUR 18.4m) mainly resulted from earnings, from the increase in other liabilities and the change in receivables and liabilities for associated companies. The changes in the Group cash pool are recognised in cash flow from financing activities and cash flow from investing activities.

Cash flow from investing activities changed from EUR -56.5m in 2016 to EUR -203.8m. Investments in financial assets and securities in current assets amounted to EUR 86.2m and an amount of EUR 17.5m was recognised for investments in property, plant and equipment and intangible assets. Furthermore, cash flow from investing activities also contains cash-pool investments of EUR 100.2m.

Cash flow from financing activities of EUR 122.6m (previous year: EUR -27.0m) contains, on the one hand, the proceeds from the hybrid bond issued (nominal amount EUR 125m) and on the other hand the inflow of funds from the repayment of cash-pool liabilities of EUR 40.3m. A dividend of EUR 31.8m was paid out to the shareholders of PORR AG for the business year 2016 (previous year: EUR 42.8m including a special dividend of EUR 14.3m).

At year-end 2017 PORR AG had cash and cash equivalents of EUR 21.8m (31 December 2016: EUR 60.9m).

Cash Flow Statement – Overview

in TEUR	2017	2016
Net cash flow from operating activities	42,135	18,444
Net cash flow from investing activities	-203,811	-56,557
Net cash flow from financing activities	122,557	-27,006
Change in cash and cash equivalents	**-39,119**	**-65,119**
Change in cash and cash equivalents at start of year	60,938	126,057
Change in cash and cash equivalents at year-end	**21,819**	**60,938**

Staff

In the course of 2017 PORR AG employed 409 people on average, broken down into three waged workers and 406 salaried employees. In comparison to the previous year this represents an increase of 44 staff members or 12.1%.

Average staffing levels of PORR AG	2017	Change	2016	2015	2014
Waged workers	3	-50.0%	6	3	3
Salaried employees	406	13.1%	359	332	310
Total	**409**	**12.1%**	**365**	**335**	**313**

Corporate Social Responsibility

Sustainability is an integral component of the PORR corporate philosophy. The company is committed to upholding sustainability criteria at every stage of the value chain. This applies to several areas including the social sector – such as staff development, all aspects of accident prevention and preventative healthcare – as well as securing diversity and equal opportunities throughout the entire Group.

Environmental issues are addressed in the action field of preserving value and focus on energy efficiency in particular. Adherence to environmental regulations is also systematically recorded and the requisite improvements implemented.

The PORR Sustainable Value Report is published once every two years and the most recent publication covers the years 2014/2015. Detailed information is available at porr-group.com/csr. The report for the years 2016/2017 will be published in tandem with the Annual Report. From the reporting year 2018 onwards PORR will report on its sustainability activities in the form of yearly publications.

Research and Development

PORR is striving for technological leadership in many areas of construction technology. Developing innovative solutions is an intrinsic part of the design process as well as the actual construction process. In 2017 PORR employed a total of 45 people in the fields of research, development and innovation. Other sub-departments and operating units also support the innovation projects, whereby their organisation is handled by knowledge management. The key importance of the issue is also reflected in the investments in research and development – investment in 2016 was 20% higher than in the previous year; in 2017 R&D expenditure was at a similarly high level. The PORR department of Technology Management and Innovation (PTI) serves as a contact point offering comprehensive consulting and support for every innovation question.

PORR cooperates with competitors and major clients on a variety of research projects. Different university institutes are involved in industry and innovation projects and form the scientific basis in interdisciplinary consortiums. Current examples include a project to optimise the strengthening and reinforcement of bridges and another for reducing the resource consumption of construction machinery. A central issue of the work in innovation is the digitalisation of design and construction processes in the course of the Roadmap 2020. In future all PORR processes will be digitalised as far as possible and will thereby be paperless. 30 employees are currently working on the further development and application of Building Information Modeling (BIM). Step by step, various processes related to design and execution are being integrated into this model – for example Architecture, Statics, Calculation and Monitoring Construction Site Progress.

PORR has launched several ideas contests in order to nurture the potential for innovation in the company. Here there has already been a sequel to the existing model of generating ideas – with a stronger focus on the issue of innovation. The ideas range from new or advanced construction methods and innovative materials through to ways of saving energy, and improvements in internal processes and procedures. The PORR knowledge factory in the PORRtal enables employees to provide additional input for developments and advances, thereby exploiting synergies in the Group.

Occupational Health and Safety

Safety is the top priority at PORR. The focus is on preventing accidents by ensuring safe work practices on construction sites. With "Vision Zero" the company is pursuing a clearly defined prevention strategy to reduce the frequency of accidents. Here the focal points have been condensed into seven success factors ranging from the responsibility of management and staff through to identifying hazards, using safer technology, and training the workforce. In 2017 PORR managed to reduce its accident statistics by around 30%. PORR's medium term goal is to reduce its LTIFR (Lost Time Injury Frequency Rate) to less than 10 accidents per million working hours by 2020.

Forecast Report

PORR remained true to its strategy once again in 2017 and laid extensive crucial foundations for the future. The strategy of intelligent growth has developed into a PORR success factor in recent years and will continue to be implemented consistently. In addition to a commitment to the core competency of construction, PORR understands this to mean focusing on the markets that are classified as home markets. The majority of the production output is generated in Austria, Germany, Switzerland, Poland and the Czech Republic. This is complemented by large-scale, high-margin projects in the project markets, predominantly in the infrastructure sector.

In terms of the operating business, this strategy is reflected in the growth in production output, both organic as well as driven by the recent corporate acquisitions. Activities in Germany have been ideally expanded with the German specialist civil engineering firm Franki Grundbau, the special provider BBGS, and the permanent coverage of Heijmans Oevermann in the Greater Münster region. Through these acquisitions PORR has achieved its goal of developing the Central and North German infrastructure market with its own qualified staff.

In Austria the purchase of the Hinteregger Group represents an ideal complement to PORR. With its knowhow in the permanent civil engineering business and in special areas like tunnelling the Hinteregger Group is the ideal complement to the PORR business in Austria and for complex infrastructure projects. Additional larger-scale acquisitions are not currently in focus; however, potential opportunities to complement the Group's specialised knowhow or to strengthen certain regions will continue to be examined selectively.

In economic terms PORR is on a solid footing with an order backlog that comfortably exceeds a year's production output. EBT generated in 2017 of EUR 85.3m slipped back slightly against the previous year despite the increase in production output. The main factors behind this decrease – as already reported at the half-year mark – are weaker contributions to earnings in Germany and Qatar. Political turbulence in Qatar led to an increase in costs because of more complex logistics and procurement processes, whereby all projects were progressing as planned. In Germany the rapid expansion to achieve complete coverage in building construction and the subsequent measures, as well as higher subcontractor costs, led to an overall cost increase.

In organisational terms, the year 2017 was dedicated to integrating the new Group subsidiaries. In addition to this, PORR focused on optimally positioning itself for the future. PORR established a Digital Unit and implemented a dedicated digitalisation programme in order to master the challenges of digitalisation. The goal is to anchor forward-looking issues within the company. These measures will be a focal point throughout the whole of 2018 and furthermore play a decisive role in shaping the sustainable, profitable growth of the coming years.

The stable economic backdrop and the good order situation at the moment allow the Executive Board to forecast an increase in output for the current business year 2018. On the basis of the record order backlog for the year 2018, the PORR Executive Board's guidance is an increase in production output to around EUR 5 bn, representing growth of around 5.5%. This forecast is, however, subject to a significant fluctuation range typical to the industry in light of the highly dynamic nature of the construction market.

Risk Report

The qualified approach to risks and opportunities has long been one of the PORR Group's most important principles when carrying out any economic activity and secures its competitive ability. Risks should also be targeted as opportunities where possible. The aim of risk management is to identify risks and then minimise them while still maintaining the company's earnings potential. The goal of risk management within the PORR Group lies in developing and implementing the required organisational processes which help to pinpoint risks early on as well as developing or implementing any appropriate measures to counter those risks. The following lists the most significant risks known to the PORR Group, which can have a lasting influence on the financial position, cash flows and financial performance of the Group.

Market risks

Market risks result from changes to economic environments and frameworks in the important PORR markets. Furthermore, disparities between national economies cause a variation in demand across the PORR Group's markets. PORR reacts to fluctuations in national markets and business segments and to the current budget restrictions in the public sector of many countries by concentrating on the home markets where margins are secure, namely Austria, Germany, Switzerland, Poland and the Czech Republic. On the project markets of Qatar, Great Britain, Slovakia, Romania and Norway and in future on the target markets of Sweden and Denmark, PORR only offers export products for selected projects in the fields of tunnelling, rail construction (Slab Track system) and specialised foundation engineering.

Project risks
These apply to all operating units of the PORR Group and can be qualified in terms of calculation and execution risks. From the tender stage to the conclusion of a contract, all projects are assessed for specific technical, commercial and legal risks. This is carried out in close collaboration between the parties responsible for operations and the risk managers with the aid of risk checklists. Ongoing target/performance comparisons are carried out during the project execution stage of all projects. If the project is outside the target parameters, then appropriate control measures are initiated, monitored by the risk managers as part of a regular process, and assessed with regard to results.

Staff risks
Successful management of risks related to human resources is crucial to the development of the PORR Group. Staff risks arise from employee fluctuations and loss of expertise, as well as shortages of skilled labour, management and young talent. This is why PORR's activities are targeted towards steadily developing staff skills through efficient training measures and increasing the PORR Group's appeal as an employer through career opportunities and incentive schemes. PORR deals with the increasingly fierce competition for highly qualified specialists and managers by optimising recruitment measures and through targeted employer branding.

Financial risks
Managing financial risks, in particular liquidity risks, interest rate risks and currency risks is carried out by the Treasury division and governed by standard Group guidelines. To minimise the risks as far as possible, certain derivative and non-derivative hedging instruments are used in line with evaluations. In general only operational risks are hedged, no speculative transactions are conducted. All hedge transactions are performed centrally by the Group treasury. An internal control system (ICS) designed around current requirements has been implemented to monitor and control risks linked to money market and foreign exchange trading. The cornerstone of managing these risks is the complete functional separation of commerce, processing and accounting. The most important risks for the PORR Group in terms of finance – liquidity risks, interest rate risks and currency risks – are described below in more detail.

Liquidity risks
The liquidity risk of PORR AG is defined as the risk that liabilities cannot be paid upon maturity.

At 31 December 2017 net debt, defined as the balance of cash and cash equivalents, bonds and current and non-current financial liabilities, amounted to EUR 372.0m (previous year: EUR 265.8m).

Current monetary assets exceeded current monetary liabilities by EUR 93.8m (previous year: EUR 51.6m). Even after offsetting current provisions totalling EUR 30.2m (previous year: EUR 28.8m), a surplus of EUR 63.6m remained (previous year: EUR 22.8m).

As of the reporting date, external current financial liabilities amounted to EUR 72.0m (previous year: EUR 0.7m). These contrasted with cash and cash equivalents of EUR 21.8m (previous year: EUR 60.9m).

Around 72.2% of external non-current financial liabilities of EUR 326.1m (previous year: EUR 330.3m) consist of bonds.

At 31 December 2017 there was EUR 224.0m available in bank lines for cash loans, which could be drawn on for the immediate refinancing of current financial liabilities.

The Group has access to European credit lines totalling EUR 2,683.5m (previous year: EUR 2,336.9m). Of these credit lines, EUR 976.1m (2016: EUR 961.0m) was concluded with a three-year term. The remainder of EUR 1,707.4m (previous year: EUR 1,375.9m) generally run for a one-year term. Furthermore, there are credit lines in several Arabic countries of EUR 599.5m (previous year: EUR 583.6m). As of 31 December 2017, around 60% (previous year: 49%) of the European credit lines had been drawn on and around 11% (previous year: 33%) of the lines in Arabic countries.

The three-year credit lines of EUR 976.1m (previous year: TEUR 961.0m) include harmonised financial covenants. The majority of these relate to the ratio between net debt and EBITDA or to the equity ratio.

Interest rate risks
The Group's interest rate risk is defined as the risk from rising interest cost or falling interest income in connection with financial items. For PORR this risk results primarily from the scenario of rises in interest rates, especially in the short term. Any future hedge transactions that are required will be concluded by the Group treasury. At the end of the reporting period, the management of this risk was conducted with non-derivative instruments as well as two interest rate swaps totalling TEUR 125,000 and three interest rate swaps with start dates in the future totalling TEUR 155,000. All derivative hedges are designated as cash-flow hedges. All interest rate swaps relate to swapping variable interest flows for fixed interest flows. As of 31 December 2017 the market value of the interest rate swaps had a fair value of TEUR -1,210.

Foreign currency risks
At 31 December 2017 PORR had concluded forward exchange contracts totalling EUR 59.6m (previous year: EUR 37.8m), all of which related to forward purchases and serve to hedge intragroup financing. At 31 December 2017 the market valuation of open forward exchange contracts resulted in a fair value of TEUR -531 (previous year: TEUR -387).

Supplier risks
The strategic decision to position the PORR Group as a full service provider means that PORR offers a comprehensive service portfolio. Capacity restrictions mean that some work must also be carried out by subcontractors. The risks connected with this concern quality, delivery times and expenses

and can lead to supply difficulties in times of increased demand. Partner management in the form of cooperation agreements with the supply industry and trade takes a long-term approach and contributes to minimising supply risks in subcontractor purchasing, whereby steel, cement, formwork and diesel are important commodities for the PORR Group. For these and other materials, there are lead buyers in place as product specialists, who are integrated in the tender process from the very beginning. Using an IT-supported purchasing platform allows the Group to monitor the amounts purchased and facilitates the purchase of larger volumes. The price risk of other key materials purchases can only be hedged through long-term price fixing in the form of frame agreements, owing to the lack of functioning derivative markets for these materials. The increasing challenges for the operational areas in recent years have been the price increases in the energy and commodities sectors. As long as it is not possible to transfer these costs to the customer, they may have a negative effect on the Group's financial performance. Building up stable, long-term relationships with suppliers and subcontractors is therefore seen as an urgent priority and enables the Group to minimise these risks by means of long-term frame agreements.

Credit risks

Specific to the industry, construction contracts require an advance payment by the general contractor which will not be covered by payments until a later date. To reduce the default risk an extensive creditworthiness check is carried out and adequate sureties are agreed as far as possible. The default risk related to other primary financial instruments recorded as assets is also considered marginal, as the contract partners are financial institutes and other debtors with good credit standing. The carrying amount of all financial assets represents the maximum default risk. In as far as default risks on financial assets are possible to determine, these risks are addressed by applying impairment. There are high unsettled receivables for infrastructure projects from government-related companies in Austria and Germany. Apart from these, there are no other risk concentrations related to the operating business arising from high outstanding amounts from individual debtors

Capital risk management

The fundamental aim of the Group's capital management is to substantially increase equity and to keep debt low.

In 2017 there was an increase in Group equity from EUR 440.9m to EUR 597.0m. The equity ratio thereby increased from 18.7% to 20.7%. At 31 December 2017 the net cash position, defined as the balance of cash and cash equivalents, bonds and current and non-current financial liabilities, totalled EUR 147.4m (previous year: EUR 53.3m). The net gearing ratio, defined as net financial debt divided by equity, is applied for the control of capital management. The net gearing, which was negative in 2016 at -0.12, stood at 0.24 at 31 December 2017.

Internal control system

The PORR Group's internal control system (ICS) is oriented towards the EU standards which have been compulsory since 2009 and whose aim is to produce comparable evaluations of the efficacy of the ICS. Furthermore, PORR is dedicated to securing the company's assets, guaranteeing the actual effects and efficiency of operational processes and ensuring the reliability of financial reporting. The responsibility for implementing and adhering to legal stipulations for the accounting-related internal control system lies with the Executive Board, which has in turn charged the Group audit department with internal auditing and the accounting department with external reporting tasks. The internal control system involves assessing operational risks as well as the appropriate implementation of organisational standards and processes across all areas of accounting and reporting within the PORR Group. The internal control system in the PORR Group ensures that the recording, preparation and accounting of business transactions are standardised across the Group and incorporated correctly into Group accounting. Measures such as clear, Group-internal guidelines, predefined process directives and system-supported processes for recording accounting data all support a uniform and orderly accounting practice. The reporting of subsidiaries included in the consolidated accounts as well as their consolidation is carried out using integrated IT systems supported by databases. The relevant requirements for guaranteeing correct accounting practices are laid out in uniform Group methods of accounting and valuation and disseminated regularly. The clear functional separation and various control and monitoring methods such as plausibility checks, regular auditing activities at various reporting levels and the dual-control principle mean that proper and reliable accounting is assured. The systematic controls ensure that accounting in the PORR Group conforms to international accounting standards and internal guidelines and guarantees the proper and uniform execution of all accounting-related processes. Within the internal control system, the audit committee takes on the Supervisory Board's task of monitoring accounting processes and financial reporting. The compliance management system and the internal audit team also carry out an independent assessment of the effectiveness of the ICS with the aim of improving business processes. The PORR Group has a closed Compliance Management System that conforms to the ISO norm 19600 and was certified by Austrian Standards on 15 November 2017.

The internal audit of the PORR Group was most recently externally certified on 26 November 2013 by Taxand Austria according to IIA (Institute of Internal Auditors) standards, thereby conforming to internationally recognised stipulations. The internal auditors have comprehensive audit powers, including both preventative and exploratory controls, at their disposal to enable them to realise their duties. The audit activities of the internal auditors are carried out to a yearly audit plan on direct behalf of the Group Executive Board. In addition, ad-hoc audits can be initiated at any time at the request of the Executive Board should events occur that may yield risks. The aim of the PORR Group is to continue developing the internal control system and to keep it constantly updated to conform to changing frame conditions and new Group guidelines. In addition, PORR had its Compliance Management System audited and certified by Austrian Standards in accordance with ISO 19600 and also holds an Anti-bribery certificate in line with ISO 37001.

Disclosure acc. to Section 243a, Paragraph 1, Austrian Commercial Code

1. The share capital as at 31 December 2017 comprises 29,095,000 shares. All shares are no-par value bearer shares, each of which participates equally in the share capital of EUR 29,095,000. At the end of the reporting period, all 29,095,000 shares were in circulation.

The same legally standardised rights and obligations apply to all ordinary shares. In particular, ordinary shares confer voting rights exercised according to the number of shares and participate equally in profit and, in the event of winding up, in the remaining liquidation proceeds. The share capital of the company is fully paid in. As at 31 December 2017 the company directly and indirectly held a total of 216,495 treasury shares or 0.74% of the share capital. In accordance with Section 95 Paragraph 5 of the Stock Exchange Act, the company does not have any rights, particularly voting rights, from the treasury shares.

In line with Section 5 Paragraph 2 of the company statues, shares from future capital increases can be bearer shares or registered shares. If the resolution authorising the capital increase does not specify whether the shares are to be bearer shares or registered shares, they will be bearer shares. In accordance with Section 5 Paragraph 3 of the company statues and Section 10 Paragraph 2 of the Stock Corporation Act, shares are to be issued in one, or where necessary multiple, global certificate(s) and deposited at a securities clearing or deposit bank in accordance with Section 1 Paragraph 3 of the Austrian Act on Securities Deposits, or at an equivalent facility abroad. The company has met this obligation. All of the share certificates previously in circulation were declared invalid, in line with the respective legal regulations.

2. A syndicate agreement is in place between the Strauss Group and the IGO-Ortner Group. The Chairman of the Executive Board is aware of this syndicate agreement, as the Strauss Group, which is led by the Prospero Privatstiftung, is under his control. The Executive Board as a whole has no knowledge of the content of the syndicate agreement from his function as a Board Member. Resolutions passed by the syndicate oblige the syndicate members to exercise their voting rights. There is a reciprocal acquisition right.

3. The following shareholders have a direct or indirect holding in the capital of at least ten percent in the form of ordinary shares as at 31 December 2017:

	% of share capital	of which syndicated
IGO-Ortner Group	38.77%	38.52%
Strauss Group	16.21%	15.18%

The Strauss Group is made up of SuP Beteiligungs GmbH and AIM Industrieholding und Unternehmensbeteiligungen GmbH, both of which are wholly and directly attributed to the Prospero Privatstiftung, which is under the control of Karl Heinz Strauss, Chairman of the Executive Board. Regarding the shares of the IGO-Ortner Group, the majority are directly and indirectly held by Klaus Ortner.

4. The company has no shares with special rights of control.

5. The company has no employee share ownership plans under which employees do not exercise voting rights directly.

6. In accordance with Section 6 Paragraph 1 of the company statues, the Executive Board consists of between two and six people. In line with Section 6 Paragraph 2 of the company statutes, the Supervisory Board can appoint deputies to the Executive Board. In line with Section 6 Paragraph 3 of the company statutes, the Supervisory Board can name one member as the Chairman and one member as the Deputy Chairman. Any deputy Executive Board members have the same powers of representation as the regular Executive Board members.

In line with Section 9 Paragraph 1 of the company statutes, the Supervisory Board is composed of at least three and not more than twelve Members appointed by the Annual General Meeting (AGM). In line with Section 9 Paragraph 8 of the statutes, a replacement Member can be appointed at the same time as the appointment of a Supervisory Board Member, in which case the replacement Member would take up his seat on the Supervisory Board effective immediately if the Supervisory Board Member steps down before the end of his time in office. If multiple replacement Members are appointed, the order in which they are to replace a Supervisory Board Member who steps down must be determined. A replacement Member can also be appointed as a replacement for multiple Supervisory Board Members, so that he takes a seat on the Supervisory Board if any one of these Members steps down prematurely. The term of office of a replacement Member who joins the Supervisory Board is terminated as soon as a successor to the former Supervisory Board Member has been appointed, or at the latest when the remainder of the former Supervisory Board Member's time in office comes to an end. Should the term of office of a replacement Member who joins the Supervisory Board be terminated because a successor to the former Supervisory Board Member has been appointed, the replacement Member still serves as a replacement for the additional Supervisory Board Members he has been chosen to represent. In line with Section 9 Paragraph 2 of the statutes, the AGM can determine a shorter period in office than legally stipulated for individual Supervisory Board Members or all of the Members it appoints. Should certain Members leave the Board before the end of their term in office, in line with Section 9 Paragraph 6 of the statutes, a vote to replace them is not required until the next AGM. However, a replacement vote is required at an extraordinary general meeting, to be held within six weeks, if the number of Supervisory Board Members falls below three. In line with Section 9 Paragraph 4 of the statutes, the appointment of a Member of the Supervisory Board can be rescinded before the end of his time in office by AGM resolution requiring a simple majority of votes cast. In accordance with Section 19 Paragraph 1 of the company statues, resolutions of the Annual General Meeting are passed by simple majority of the votes present, unless another type of majority is proscribed by law; in cases where a capital majority is required, a simple majority of the share capital representatives is required for resolutions. From the legal viewpoint of the Executive Board, this statutory regulation has reduced the necessary majority of at least three quarters of the share capital represented in voting as required by the Stock Corporation Act, also for changes to the statutes, to a simple capital majority (except in the case of changes to the business purpose).

7. As at 31 December 2017, the Executive Board is authorised until 23 August 2018, in accordance with Section 4 Paragraph 5 of the statutes, to increase the share capital of the company with the approval of the Supervisory Board, in multiple tranches if so wished, to EUR 6,612,500 by issuing up to 6,612,500 no-par value shares for cash or consideration in kind – in either case also in multiple tranches – (authorised capital), whereby the issue price, the conditions of issue, the subscription ratio, and other details are to be determined by the Executive Board with the approval of the Supervisory Board. The pre-emptive rights of shareholders to these new shares issued from the authorised capital are excluded when and if this authorisation (authorised capital) is exercised by issuing new shares in exchange for cash or contribution in kind, up to a total of 10% of share capital, with over-allotment options in the course of issuing new shares in the company. Furthermore, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' pre-emptive rights, when and if this authorisation (authorised capital) is exercised:

i) through issuing shares in exchange for contribution in kind, or
ii) through issuing shares to staff members, leading employees and Members of the Executive Board of the Group or an associate up to a total level of 10% of share capital.

The Supervisory Board is authorised to rule on changes to the statutes which result from the Executive Board exercising this entitlement.

Effective as of 31 December 2017, a resolution was passed at the extraordinary general meeting of 24 May 2016 authorising the Executive Board to acquire treasury shares over a 30-month period from 24 May 2016, in line with Section 65 Paragraph 1 Line 8 and Paragraph 1 a and 1b Stock Corporation Act, up to the legally permitted amount of 10% of share capital including treasury shares already purchased. The equivalent amount to be paid in the buyback may not be less than EUR 1.00 or higher than a maximum of 10% over the average, unweighted share price at closing on the stock exchange on the ten stock exchange days preceding the buyback. The purchase can be conducted on the stock exchange or through a public offering or in another legally permitted way, particularly over-the-counter, especially also from individual shareholders who are willing to sell (negotiated purchase) and also under the exclusion of the pro rata sales rights that can be attached to this type of purchase (reverse exclusion of pre-emptive rights). Furthermore, the Executive Board is authorised to determine the buyback conditions, whereby the Executive Board is obliged to publish the Executive Board resolution and the related buyback plan including its term, in line with legal stipulations. The authorisation can be exercised in full or in stages and also in multiple tranches for one or more purposes, by the Group, by a subsidiary (Section 189a Austrian Commercial Code) or by third parties acting for the company. Trading treasury shares is not permitted as a purpose for the buyback.

The Executive Board is authorised, with the approval of the Supervisory Board, to sell or use treasury shares for a five-year period starting from the resolution of the extraordinary general meeting on 24 May 2016, using a method different from sale on the stock exchange or public offering. The authorisation can be exercised in whole or in part, also in multiple amounts and for one or more purposes. The pro rata purchase right of shareholders upon sale or use of a different kind on the stock exchange or public offering is excluded (exclusion of pre-emptive rights). On the basis of this authorisation, in 2016 the company issued 378,917 treasury shares, respectively around 1.3% of the share capital, as a scrip dividend in the course of the reinvestment by shareholders.

8. In 2013 the company issued a bond (debenture) of EUR 50,000,000 (for the period from 2013-2018). Furthermore, in 2014 the company resolved to implement an offer programme worth EUR 250,000,000 to issue partial debentures: it offered the opportunity to exchange bonds from 2009 and 2010 for a newly issued senior bond and a hybrid bond. The exchange offer was accepted for the senior bond in respect of a nominal amount of EUR 56.3m and for the hybrid bond in respect of a nominal amount of EUR 17.1m. The

hybrid bond 2014 was increased to EUR 25.0m in 2015. Both the 2013 debentures and the 2014 senior bond incorporate the following agreement: if a change of control (as defined in the bond conditions) takes place, every bond creditor shall be entitled to accelerate maturity of their debentures and demand immediate repayment at the nominal value, including interest accrued up to the date of repayment. In 2017 an additional hybrid bond for EUR 125m was issued. The 2014 and 2017 hybrid bonds contain the following regulation that in case of a change in control (as defined in the bond conditions), (i) the interest rate of the hybrid bond shall increase by 5.00% p. a. and (ii) the company is entitled to pay back the hybrid debenture in full.

In 2015 the company issued Schuldscheindarlehen in four tranches with a maturity term of three and five years and totalling EUR 185.5m. These Schuldscheindarlehen were partially paid back and partially extended until 2024 in 2016 and 2017. The Schuldscheindarlehen totalled EUR 200m as of 31 December 2017 following the increase. The Schuldscheindarlehen contracts include the following agreement: where a change of control takes place (as defined in the Schuldscheindarlehen contracts), every creditor shall be entitled to call due an amount corresponding to his/her stake in the Schuldscheindarlehen and demand immediate repayment of this capital contribution at the nominal value, plus interest accrued up to the date of repayment.

The company also has three framework guarantee credit contracts for EUR 295,000,000 (valid until 3 January 2020), EUR 180,000,000 (valid until 29 June 2019) and EUR 180,000,000 (valid until 27 September 2019), which contain the following agreements: should one or more people, who at the time of signing the relevant contract do not hold a share or a controlling share, attain a controlling share, as defined in Section 22 of the Austrian Takeover Act, in the beneficiary or a significant Group company (as defined in the contracts), then the agent and the individual lenders are entitled to immediately rescind the respective shares (with regard to their respective shares in the guarantee credit contract) of the framework tranches.

The company has two loan agreements in the amount of EUR 67,400,000 (with a term to 30 June 2023) and EUR 55,000,000 (with a term to 30 June 2023), which contain the following agreement: should one or more people, who at the time of signing the relevant contract do not hold a share or a controlling share, attain a controlling share, as defined in Section 22 of the Austrian Takeover Act, the individual lenders are entitled to immediately rescind the loan agreements. There were no other significant agreements under the terms of Section 243a Line 8 of the Commercial Code.

9. Indemnification agreements under the terms of Section 243a Paragraph 1 Line 9 of the Commercial Code shall not apply.

Treasury Shares

PORR AG and EPS Absberggasse 47 Projektmanagement GmbH, a wholly owned subsidiary, hold ordinary shares in PORR AG. This results in the following stakes held in treasury shares:

PORR AG	No. of shares	Nominal value per share in EUR	Nominal value in EUR	% of share capital
Interest held on 31.12.2016	**193,947**	**1.00**	**193,947**	**0.667%**
Interest held on 31.12.2017	**193,947**	**1.00**	**193,947**	**0.667%**

EPS Absberggasse 47 Projektmanagement GmbH	No. of shares	Nominal value per share in EUR	Nominal value in EUR	% of share capital
Interest held on 31.12.2016	**22,548**	**1.00**	**22,548**	**0.077%**
Interest held on 31.12.2017	**22,548**	**1.00**	**22,548**	**0.077%**

Financial Statements

Balance Sheet

	31.12.2017 in EUR	31.12.2016 in EUR	31.12.2016 in TEUR
Assets			
A. Non-current assets			
I. Intangible assets			
Concessions, licences and similar rights		7,895,451.07	11,505
II. Property, plant and equipment			
1. Land, similar rights and buildings, including buildings on land owned by others	27,639,670.84		26,153
2. Technical equipment and machinery	422.00		0
3. Other plant, factory and business equipment	9,035,361.00		4,732
4. Assets under construction	7,318,022.32		2,156
		43,993,476.16	33,041
III. Financial assets			
1. Shares in associated companies	601,010,203.10		514,936
2. Investments	213,902.42		214
3. Loans to companies in which an interest is held	8,730,843.72		8,685
4. Securities in current assets	8,690,082.29		8,690
5. Other loans	77,414,399.55		77,501
		696,059,431.08	610,026
		747,948,358.31	**654,572**
B. Current assets			
I. Inventories			
1. Raw materials and supplies	45,611.10		32
2. Uncompleted works	3,778,903.27		0
less prepayment received	-2,907,000.00		0
		917,514.37	32
II. Receivables			
1. Trade receivables	1,109,174.93		1,783
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
2. Receivables from associated companies	324,356,895.56		137,559
of which with rem. term > 1 year: EUR 32,546,354.37; (p.y.: TEUR 26,753)			
3. Receivables from companies in which an interest is held	5,014,691.38		126
of which with rem. term > 1 year: EUR 3,636,413.25; (p.y.: TEUR 0)			
4. Receivables from consortiums	16,536.87		20
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
5. Other receivables	21,970,305.21		19,538
of which with rem. term > 1 year: EUR 1,291,072.06; (p.y.: TEUR 1,203)		352,467,603.95	159,026
III. Securities			
Other securities		4,255,292.20	4,274
IV. Cash and cash equivalents, cash at banks		21,819,865.23	60,939
		379,460,275.75	**224,271**
C. Accruals and deferrals			
Other		**5,079,266.26**	**3,386**
D. Deferred tax assets		**0.00**	**163**
Total assets		**1,132,487,900.32**	**882,392**

	31.12.2017 in EUR	31.12.2017 in EUR	31.12.2016 in TEUR
Equity and Liabilities			
A. Equity			
I. Share capital			
Subscribed capital	29,095,000.00		29,095
Nominal value of treasury shares	-193,947.00		-194
Issued capital		28,901,053.00	28,901
II. Capital reserves			
Committed		192,764,041.98	192,764
III. Retained earnings			
1. Statutory reserve	457,838.86		458
2. Other (free) reserves	127,325,943.00		108,426
3. Reserve for treasury shares	193,947.00		194
		127,977,728.86	109,078
IV. Net earnings			
1. Profit carryforward from previous year	362,644.12		6,074
2. Profit for the year	31,683,787.26		26,080
		32,046,431.38	32,154
		381,689,255.22	**362,897**
B. Mezzanine capital		**150,000,000.00**	**25,000**
C. Provisions			
1. Severance provisions	7,895,387.00		7,951
2. Pension provisions	10,409,171.00		11,678
3. Tax provisions	22,832,374.00		20,975
4. Other provisions	8,236,906.98		8,691
		49,373,838.98	**49,295**
D. Liabilities			
of which with rem. term ≤ 1 year: EUR 221,512,369.33; (p.y.: TEUR 113,238)			
of which with rem. term > 1 year: EUR 329,746,868.04; (p.y.: TEUR 331,785)			
1. Bonds	306,262,000.00		306,262
of which with rem. term ≤ 1 year: EUR 71,000,000.00; (p.y.: TEUR 0)			
of which with rem. term > 1 year: EUR 235,262,000.00; (p.y.: TEUR 306,262)			
2. Deposits from banks	89,707,539.98		22,028
of which with rem. term ≤ 1 year: EUR 360,153.94; (p.y.: TEUR 91)			
of which with rem. term > 1 year: EUR 89,347,386.04; (p.y.: TEUR 21,937)			
3. Trade payables	13,156,127.87		10,348
of which with rem. term ≤ 1 year: EUR 12,843,972.96; (p.y.: TEUR 9,576)			
of which with rem. term > 1 year: EUR 312,154.91; (p.y.: TEUR 772)			
4. Liabilities to associated companies	81,666,657.47		59,652
of which with rem. term ≤ 1 year: EUR 81,666,657.47; (p.y.: TEUR 59,652)			
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
5. Liabilities to companies in which an interest is held	23,804.68		24
of which with rem. term ≤ 1 year: EUR 23,804.68; (p.y.: TEUR 24)			
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
6. Other liabilities	60,443,107.37		46,709
of which taxes EUR 43,264,791.15; (p.y.: TEUR 39,436)		**551,259,237.37**	**445,023**
of which social security EUR 646,023.50; (p.y.: TEUR 575)			
of which with rem. term ≤ 1 year: EUR 55,617,780.28; (p.y.: TEUR 43,895)			
of which with rem. term > 1 year: EUR 4,825,327.09; (p.y.: TEUR 2,814)			
E. Accruals and deferrals			
Other		**165,568.75**	**177**
Total equity and liabilities		**1,132,487,900.32**	**882,392**

Income Statement

	31.12.2017 in EUR	31.12.2017 in EUR	31.12.2016 in TEUR
1. Revenue		124,838,528.89	121,658
2. Change in portfolio of non-deductible services		3,778,903.27	0
3. Other own work capitalised		0.00	2
4. Other operating income			
a) Income from the disposal of non-current assets	48,409.03		1
b) Income from the release of provisions	32,736.00		0
c) Other	705,918.20		890
		787,063.23	891
5. Cost of materials and other related production services			
a) Material expenditure	-709,695.69		-644
b) Expenditure on purchased services	-10,426,693.57		-7,875
		-11,136,389.26	-8,519
6. Staff expense			
a) Wages and salaries			
aa) Wages	-226,370.05		-404
bb) Salaries	-28,911,268.49		-27,404
		-29,137,638.54	-27,808
b) Social welfare expenses			
of which for pension plans EUR -376,103.60; (p.y.: TEUR 569)			
aa) Expenses for severance pay and employee provision funds	-2,213,935.59		-1,134
bb) Expenses for statutory social welfare and payroll related taxes and statutory contributions	-6,434,605.40		-6,042
cc) Expenses for pension plans	376,103.60		-569
dd) Other social welfare expenses	-228,934.44		-189
		-8,501,371.83	-7,934
		-37,639,010.37	-35,742
7. Depreciation, amortisation and impairment		-10,187,470.69	-8,113
8. Other operating expenses			
a) Taxes that are not classified as income taxes	-6,510.48		-13
b) Other	-57,914,197.55		-54,156
		-57,920,708.03	-54,169
9. Interim total line 1 to line 8		**12,520,917.04**	**16,008**

		31.12.2017 in EUR	31.12.2016 in TEUR
9. Interim total line 1 to line 8		**12,520,917.04**	**16,008**
10. Income from investments		46,921,068.44	31,793
of which from associated companies EUR 46,651,639.42; (p.y.: TEUR 31,686)			
11. Income from other securities and loans in financial assets		5,077,882.53	5,108
12. Other interest and similar income		9,543,802.61	6,387
of which from associated companies EUR 8,801,280.56; (p.y.: TEUR 5,234)			
13. Income from the disposal of and additions to financial assets			
Securities in current assets		1,685.46	390
14. Expenses from financial assets and securities in current assets		-2,206,408.32	-4,063
of which			
a) Depreciation and impairment EUR 119,044.80; (p.y.: TEUR 105)			
b) Expenses from associated companies EUR 2,087,363.52; (p.y.: TEUR 3,635)			
15. Interest and similar expenses		-19,528,687.00	-16,406
of which related to associated companies EUR 711,088.47; (p.y.: TEUR 749)			
16. Interim total line 10 to line 15		**39,809,343.72**	**23,209**
17. Earnings before taxes (interim total lines 9 and 16)		**52,330,260.76**	**39,217**
18. Income taxes		-1,746,473.50	-3,538
19. Profit for the period		**50,583,787.26**	**35,679**
20. Allocation to retained earnings		-18,900,000.00	-9,600
21. Profit carryforward from previous year		362,644.12	6,074
23. Net earnings		**32,046,431.38**	**32,153**

Schedule of Fixed Assets

in EUR	Acquisition and manufacturing cost Balance at 1.1.2017	Additions	(of which) Interest	Reclassifica-tions	Disposals	Balance at 31.12.2017
I. Intangible Assets						
Concessions, licences and similar rights	37,097,105.07	701,873.20	0.00	15,547.50	0.00	37,814,525.77
	37,097,105.07	701,873.20	0.00	15,547.50	0.00	37,814,525.77
II. Property, Plant and Equipment						
1. Land, similar rights and buildings, including buildings on land owned by others	34,563,351.49	2,838,153.82	0.00	44,425.30	-0.52	37,445,930.09
2. Technical equipment and machinery	2,055.83	443.45	0.00	0.00	0.00	2,499.28
3. Other plant, factory and business equipment	17,821,149.83	8,095,085.54	0.00	0.00	-998,881.32	24,917,354.05
4. Assets under construction	2,155,790.81	5,222,204.31	0.00	-59,972.80	0.00	7,318,022.32
5. Low-value items	0.00	675,552.88	0.00	0.00	-675,552.88	0.00
	54,542,347.96	16,831,440.00	0.00	-15,547.50	-1,674,434.72	69,683,805.74
	91,639,453.03	17,533,313.20	0.00	0.00	-1,674,434.72	107,498,331.51
III. Financial Assets						
1. Shares in associated companies	527,050,755.62	86,074,200.00	0.00	0.00	-5,412,545.46	607,712,410.16
2. Investments	628,742.49	0.00	0.00	0.00	0.00	628,742.49
3. Loans to companies in which an interest is held	8,684,436.66	46,407.06	46,407.06	0.00	0.00	8,730,843.72
4. Securities in current assets	8,690,082.29	0.00	0.00	0.00	0.00	8,690,082.29
5. Other loans	77,501,441.41	669.08	669.08	0.00	-87,710.94	77,414,399.55
	622,555,458.47	86,121,276.14	47,076.14	0.00	-5,500,256.40	703,176,478.21
	714,194,911.50	**103,654,589.34**	**47,076.14**	**0.00**	**-7,174,691.12**	**810,674,809.72**

Accumulated depreciation, amortisation and impairment						Carrying amounts	
Balance at 1.1.2017	Additions	Reversal of impairment	Reclassifica-tions	Disposals	Balance at 31.12.2016	Carrying amounts 31.12.2017	Carrying amounts 31.12.2016
-25,592,310.00	-4,326,764.70	0.00	0.00	0.00	-29,919,074.70	7,895,451.07	11,504,795.07
-25,592,310.00	-4,326,764.70	0.00	0.00	0.00	-29,919,074.70	7,895,451.07	11,504,795.07
-8,409,931.13	-1,396,328.12	0.00	0.00	0.00	-9,806,259.25	27,639,670.84	26,153,420.36
-2,055.83	-21.45	0.00	0.00	0.00	-2,077.28	422.00	0.00
-13,089,156.83	-3,788,803.54	0.00	0.00	995,967.32	-15,881,993.05	9,035,361.00	4,731,993.00
0.00	0.00	0.00	0.00	0.00	0.00	7,318,022.32	2,155,790.81
0.00	-675,552.88	0.00	0.00	675,552.88	0.00	0.00	0.00
-21,501,143.79	-5,860,705.99	0.00	0.00	1,671,520.20	-25,690,329.58	43,993,476.16	33,041,204.17
-47,093,453.79	-10,187,470.69	0,00	0.00	1,671,520.20	-55,609,404.28	51,888,927.23	44,545,999.24
-12,114,751.52	0.00	0.00	0.00	5,412,544.46	-6,702,207.06	601,010,203.10	514,936,004.10
-414,840.07	0.00	0.00	0.00	0.00	-414,840.07	213,902.42	213,902.42
0.00	0.00	0.00	0.00	0.00	0.00	8,730,843.72	8,684,436.66
0.00	0.00	0.00	0.00	0.00	0.00	8,690,082.29	8,690,082.29
0.00	0.00	0.00	0.00	0.00	0.00	77,414,399.55	77,501,441.41
-12,529,591.59	0.00	0.00	0.00	5,412,544.46	-7,117,047.13	696,059,431.08	610,025,866.88
-59,623,045.38	**-10,187,470.69**	**0.00**	**0.00**	**7,084,064.66**	**-62,726,451.41**	**747,948,358.31**	**654,571,866.12**

Notes

I. General

PORR AG has its domicile in Vienna and is registered with the commercial court of Vienna under reference number FN 34853 f.

The 2017 financial statements have been prepared with due consideration of generally accepted accounting principles and standard practice to provide a true and fair view of the company's assets, liabilities, financial position and profit or loss (General clause Section 236 Austrian Commercial Code (UGB)). The total cost method has been applied in the income statement.

The accounting and measurement methods used were applied under the assumption that company will continue as a going concern.

Pursuant to Section 245a UGB, the company has produced consolidated financial statements in accordance with IFRSs as a listed parent company. These can be viewed at Vienna 10, Absberggasse 47, and at the Commercial Register in Vienna.

The financial statements were prepared with the closing date of 31 December and relate to the fiscal year from 1 January to 31 December. The majority of numerical entries are rounded up or down to the nearest thousand euros (TEUR) and may result in rounding differences.

II. Accounting and Measurement Methods

The provisions of the UGB have been applied to the accounting, measurement and presentation of the individual items in the annual financial statements. The expansion option/provision pursuant to Section 223 Paragraph 4 UGB has been applied.

Historical exchange rates have been used for the measurement of amounts in foreign currencies. However, if the closing rate as of the reporting date was lower for receivables in a foreign currency or higher for liabilities in a foreign currency than the historical exchange rates, the amounts in foreign currency have been recalculated at the closing rate as of the reporting date.

1. Non-current assets

Intangible assets are capitalised at acquisition cost and amortisation is recognised on a straight-line basis over the probable useful life. The following rates of amortisation are thereby applied:

Software	10 to 50%
Licences and patents	2.5%

Property, plant and equipment is valued at acquisition cost, including incidental costs less reductions in the acquisition costs, or at manufacturing cost, and is subject to the previously accumulated and regularly applied straight-line depreciation during the year under review, whereby the following rates of depreciation are applied:

Residential and administrative buildings	2 to 20%
Technical plants and machinery	9.1 to 25%
Other plants, factory and business equipment	1.01 to 50%

Since 2012 the probable useful of life of machinery and plants, as well as factory and business equipment is generally determined as one-and-a-half times the value pursuant to the "Austrian list of construction equipment" issued by the Association of Industrial Construction Enterprises in Austria (VIBÖ).

Financial assets are generally valued at acquisition cost, although if a lower value has been determined, then this value is applied.

Low-value items (Section 204 UGB) are written off in full in the year they are acquired. Impairment is applied when permanent impairment occurs. Should the reasons for applying impairment in the previous years no longer hold true, a reversal of impairment is applied up to the value of the amortised cost. In the 2017 business year non-scheduled impairment of TEUR 467 was applied.

2. Current assets

Inventories

Raw materials and supplies are valued at acquisition cost derived from the purchase price.

Receivables

Receivables are recognised in accordance with the strict lower of cost or market principles. Should there be risks relating to the collectability of the receivables, allowances for impairment are formed.

3. Group taxation and deferred taxes

Deferred taxes also contain deferred tax assets and liabilities resulting from the difference in time between the taxable profit and the profit for the period under Austrian GAAP of the subsidiary with which a profit-and-loss transfer agreement exists.

In accordance with AFRAC 30 RZ 65, for accounting and reporting in financial statements under Austrian GAAP in relation to Group taxation, in particular the Group parent shall recognise a provision in accordance with Section 198 Paragraph 8 UGB in conjunction with Section 211 for the foreign tax losses applicable under tax law in the individual financial statements, as these losses could turn into gains in the following years and the Group parent is fundamentally unable to prevent this.

While it may be true in individual cases that these losses will turn into gains in the following years, with regard to every foreign Group member it is basically in the hands of the Group parent PORR AG to influence the start of the turnaround effect in the coming years and so no provisions for deferred taxes shall be recognised for foreign Group members in accordance with Section 198 Paragraph 8 UGB.

The transfer of the shares in TEERAG-ASDAG Aktiengesellschaft into ABAP Beteiligungs Holding GmbH (now PORR Construction Holding GmbH) in the business year 2007 led to an increase in the fair value recognised in profit or loss in the 2007 financial statements of the investment in ABAP Beteiligungsholding GmbH (now PORR Construction Holding GmbH), while for tax purposes the carrying amount plus the carrying amount of the transferred shares in TEERAG-ASDAG Aktiengesellschaft was recognised.

A deferred tax provision from the difference of TEUR 64,693 was not recognised, as the value gain would only be realisable for tax purposes and thereby liable for tax in the case of the sale of the investment in ABAP Beteiligungs Holding GmbH (now PORR Construction Holding GmbH) and a sale is not planned. The difference thereby represents a quasi-permanent difference, for which no tax provision has to be recognised in accordance with Section 198 Paragraph 10 (3).

4. Provisions

The **provisions for severance pay** were determined by an actuarial assessment in accordance with IAS 19 on the basis of an interest rate for accounting purposes of 1.9% (previous year: 1.65%) p.a. and expected salary increases of 2.1% (previous year: 2.5%) p.a. as well as the earliest possible retirement age pursuant to ASVG (pension reform 2004). Actuarial gains or losses are recognised in full in the year in which they occurred. The life table AVÖ 2008-P (salaried employees) is used for calculating provisions. When determining provisions for severance payments and anniversary bonuses, deductions are made for fluctuations based on statistical data within a range of 0.04% to 10.5% (previous year: 0.04% to 10.5%). Service costs are distributed over the entire period of service.

The **provisions for pensions** were also determined by an actuarial assessment in accordance with IAS 19, whereby the same basic data as for severance provisions was applied. Actuarial gains or losses are recognised in full in the year in which they occurred.

Other provisions are recognised for all recognisable risks and impending losses.

Other provisions are recognised in an amount judged to be commercially sensible. Provisions with a remaining term of more than one year are subject to discounting at the common market interest rate of 1.9%. In the year under review discounting of TEUR 7 (previous year: TEUR 4) was applied.

5. Liabilities

Liabilities are recognised at their nominal value or the amount to be repaid, if higher.

III. Notes to the Balance Sheet

1. Non-current assets

The composition and development of the fixed assets is shown the section Schedule of Fixed Assets to the notes (p. 16–17).

Item II.1 contains:

in TEUR	2017	2016
Basic values	11,189	11,189

The following liabilities relate to long-term rental and lease agreements for the use of property, plant and equipment not recognised in the balance sheet:

in TEUR	2017	2016
For the following year	6,196	6,063
For the next five years	30,880	29,466

A breakdown of the data required by Section 238 Paragraph 1 (4) UGB in relation to the shares held in associated companies and other investments is given in the section Investments to the notes (p. 30–31).

The additions to investments primarily relate to a subsidy to PORR Deutschland GmbH to strengthen equity. This subsidy is recognised under acquisitions costs for the equity interests PORR Construction Holding GmbH and PORR Bauindustrie GmbH, as both of these subsidiaries are at the uppermost level in the hierarchy given the multi-level ownership structure of PORR Deutschland GmbH.

The loans mainly relate to granting a perpetual mezzanine loan of TEUR 100,000 and perpetual hybrid capital of TEUR 25,330 to PIAG Immobilien AG, which were granted in the course of the spin-off of the real estate business. With the merger of PIAG Immobilien AG as the transferring company and UBM Development AG as the absorbing company, these loans were transferred to UBM Development AG by way of legal succession. PORR AG is not entitled to cancel either of these instruments. The borrower of the loan and the hybrid capital is entitled to cancel the mezzanine loan or hybrid capital at any time, whereby it exercised this option on 30 December 2015 in the amount of TEUR 50,000 for the mezzanine loan. Respectively, interest payments depend on whether UBM Development AG resolves to pay out a dividend from the annual surplus. If there is no payout of dividends from the annual surplus in a given year to the shareholders of UBM Development AG, then UBM Development AG is also not obliged to pay any interest in this year, whereby the unpaid interest is not cancelled but remains due.

Additional disclosures on **financial assets:**

in TEUR	2017	2016
Other loans	**77,414**	**77,501**
Of which with a remaining term of up to one year	50,094	87
Securities	**8,690**	**8,690**

2. Current assets

Receivables

Trade receivables of TEUR 17,000 (previous year: TEUR 14,012) are recognised in **receivables from associated companies** as are trade payables of TEUR 2,149 (previous year: TEUR 153).

Receivables from companies in which an interest is held contain trade receivables of TEUR 120 (previous year: TEUR 138) and trade payables of TEUR 0 (previous year: TEUR 17).

Other receivables include proceeds of TEUR 5,023 (previous year: TEUR 4,969) which will only have an impact on cash after the closing date.

Other securities

Other securities primarily consist of the company's own bonds.

3. Accruals and deferrals

Accruals and deferrals under assets mainly relate to upfront payments for guarantee commissions, rental costs and maintenance expenses for software.

4. Equity

Share capital	No.	Value in EUR
Ordinary bearer shares	29,095,000	29,095,000

The shares are no-par bearer shares, each of which participates in the share capital to the same extent. Every bearer share has a pro-rata interest of around EUR 1.00.

Authorised capital

In the extraordinary general meeting on 11 July 2013, the Executive Board was authorised to increase the share capital of the company, within a five-year period starting on 23 August 2013, in multiple tranches if so wished, to EUR 6,612,500 by issuing up to 6,612,500 no-par value shares in exchange for cash or contribution in kind (authorised capital), whereby the issue price, the conditions of issue, the subscription ratio, and other details are to be determined with the approval of the Supervisory Board. The pre-emptive rights of shareholders to these new shares issued from the authorised capital are excluded when and if this authorisation (authorised capital) is exercised by issuing new shares in exchange for contribution in kind, up to a total of 10% of share capital, with overallotment options in the course of issuing new shares in the company.

Furthermore, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' pre-emptive rights, when and if this authorisation (authorised capital) is exercised:

i. through issuing shares in exchange for contribution in kind, or
ii. through issuing shares to staff members, leading employees and members of the Executive Board of the Group or an associate up to a total level of 10% of share capital.

The Supervisory Board is authorised to rule on changes to the statutes which result from the Executive Board exercising this entitlement.

Treasury shares

PORR AG holds 193,947 no-par bearer shares, corresponding to around 0.667% of the share capital. In accordance with Section 229 Paragraph 1a UGB, the nominal amount is reported separately from the share capital and recognised as a special reserve in the same amount.

Furthermore, EPS Absberggasse 47 Projektmanagement GmbH, a wholly owned subsidiary, holds ordinary shares in PORR AG. This results in the following stake held in treasury shares:

PORR AG	No. of shares	Nominal value per share in EUR	Nominal value in EUR	% of share capital
Interest held on 31.12.2016	**193,947**	**1.00**	**193,947**	**0.667%**
Interest held on 31.12.2017	**193,947**	**1.00**	**193,947**	**0.667%**

EPS Absberggasse 47 Projektmanagement GmbH	No. of shares	Nominal value per share in EUR	Nominal value in EUR	% of share capital
Interest held on 31.12.2016	**22,548**	**1.00**	**22,548**	**0.077%**
Interest held on 31.12.2017	**22,548**	**1.00**	**22,548**	**0.077%**

Mezzanine capital

This involves perpetual hybrid bonds with a total nominal value of EUR 25m and EUR 125m.

As payments of interest and capital redemption are only compulsory when the conditions are activated, where their activation can be authorised or prevented by PORR AG, and the Group therefore has the option of avoiding payment on the mezzanine and hybrid capital permanently, this mezzanine and hybrid capital is recognised in the balance sheet as a separate item.

The hybrid bonds constitute direct, non-secured and subordinated liabilities that are primarily part of equity and are ranked at the same level among themselves and as comparable securities and are subordinate to every other existing or future liability, whether subordinated or not, which expressly take precedence over liabilities from the hybrid bond.

The partial debentures of the hybrid bonds were issued with a total nominal value of EUR 25m, a denomination of EUR 500.00 and are fixed at 6.75% p.a. until 27 October 2021 during an unlimited term, after which they are subject to variable interest as of 28 October 2021 (3-month EURIBOR plus a premium of 8.5% p.a.).

On 6 February 2017, PORR AG issued another subordinated bond in the form of a hybrid bond with a total nominal amount of EUR 125m and a denomination of EUR 1,000.00 that may only be transferred in minimum total nominal amounts of EUR 100,000.00 and in multiples of EUR 1,000.00 over this minimum. The new bond has an unlimited term, whereby the issuer has the right to redeem the bond prematurely after five years; it is subject to fixed interest of 5.500% p.a. until 6 February 2022 and subject to variable interest as of 7 February 2022 (5-years IS-DAFIX2 swap rate plus a margin of 5.312% p.a.).

No remuneration was in arrears as at 31 December 2017.

5. Provisions

in TEUR	2017	2016
Severance	7,896	7,951
Pensions	10,409	11,678
Taxes	22,832	20,975
Other		
Buildings	1,753	1,576
Staff	5,928	6,724
Miscellaneous	556	391
Total	**49,374**	**49,295**

Provisions for severance pay were only formed for salaried employees, as waged workers are governed by the Construction Workers' Leave and Severance Pay Act 1987 and thereby have no claim against the company with regard to severance pay.

There is pension plan reinsurance to cover pension provisions with insurance cover in the amount of EUR 5,941,251.53 at 31 December 2017 (previous year: TEUR 6,095). All of the rights and claims from these agreements are pledged in full in favour of those with pension entitlements.

Tax provisions relate exclusively to corporation tax.

The **provisions from construction accounting** relate to provisions for missing purchase invoices and for warranty claims.

Staff provisions exist for untaken holidays, bonuses, anniversary bonuses, redundancy and other obligations in the personnel sector.

Miscellaneous provisions primarily consist of provisions for audits and remuneration for Supervisory Board members.

6. Liabilities

Liabilities to associated companies result from ongoing cash clearing and from the assumption of earnings as well as from trade payables in the amount of TEUR 348 (previous year: TEUR 2), which are offset against trade receivables in the amount of TEUR 5,172 (previous year: TEUR 166).

Liabilities to companies in which an interest is held exclusively involve trade payables of TEUR 23 (previous year: TEUR 23).

Other liabilities include expenses of TEUR 12,423 (previous year: TEUR 4,514), which will only have an impact on cash after the end of the reporting period.

Breakdown of liabilities with a remaining term of more than five years:

in TEUR	2017	2016
Bonds	25,000	15,000
Deposits from banks	8,461	2,797
Other liabilities	2,235	445
Total	**35,696**	**18,242**

The company has liabilities secured by collateral of TEUR 2,087 (previous year: TEUR 2,652), which relate to the civil-law ownership of the lessor for the respective properties.

7. Guarantees

Guarantees are obligations taken on towards a third party and consisted of the following:

in TEUR	2017	2016
Loan guarantees	40,333	40,413
of which for associated companies	40,100	40,181
Other	74,337	83,185
of which for associated companies	74,337	83,185
Total	**114,670**	**123,598**

Other guarantees also include letters of comfort for the lease financing of subsidiaries.

The operational construction business requires various types of guarantees in order to safeguard contractual obligations. This generally relates to guarantees for tenders, contract fulfilment, advance payment and warranty. Apart from this, the Group is jointly and severally liable for all consortiums in which it participates. Claims arising from these liabilities are not likely.

The Group has access to European credit lines totalling TEUR 2,683,520 (previous year: TEUR 2,336,869). Of these credit lines, TEUR 976,080 (previous year: TEUR 961,000) was concluded with a three-year term. The remainder of TEUR 1,707,441 (previous year: TEUR 1,375,869) generally run for a one-year term. Furthermore, there were credit lines in several Arabic countries of TEUR 599,534 (previous year: TEUR 583,647). As at 31 December 2017, around 60% (previous year: 49%) of the European credit lines had been drawn on and around 11% (previous year: 33%) of the lines in Arabic countries.

The three-year credit lines of TEUR 976,080 (previous year: TEUR 961,000) include harmonised financial covenants. The majority of these relate to the ratio between net debt and EBITDA or to the equity ratio.

All triggers had been met as of 31 December 2017. On the basis of the planned development, it is assumed that they will be met again on the next effective date, 31 December 2018.

In accordance with the agreements, credit lines that are drawn on are passed on to the subsidiaries.

IV. Notes on the Income Statement

1. Revenue and other operating income

The revenues generated are subdivided into the following business activities:

in TEUR	2017	2016
Construction services	1,056	15
Administration	85,925	74,961
Letting	10,650	10,536
Managing guarantees	15,190	13,113
Other services for subsidiaries	9,802	20,761
Miscellaneous	2,215	2,272
Total	**124,838**	**121,658**

The construction services included in revenues relate to the proceeds of the Hungarian motorway lot M6, while all other revenues were almost completely generated in Austria.

The miscellaneous operating income primarily consists of income from grants and exchange gains.

2. Staff expense

Expenses for severance pay include the formation of provisions for severance claims by employees as well severance paid out.

Expenditure on severance payments and pensions

in TEUR	2017	2016
Expenditure on severance pay	1,918	878
Contributions to staff provision fund for employees	296	256
Expenses for severance and contributions to staff provision fund	2,214	1,134
Expenditure on pension funds	-376	569
Expenditure on severance payments and pensions	**1,838**	**1,703**
This breaks down as follows:		
Executive Board remuneration and emoluments for former Board members	1,431	798
Management staff	-36	-51
Other employees	443	956
Total	**1,838**	**1,703**

3. Other operating expenses

Other operating expenses mainly comprise office running costs, insurance costs, commission on syndicated guaranteed loans and bank charges, travel expenses, legal, audit and consultancy services, advertising costs and expenses for buildings and land. TEUR 265 (previous year: TEUR 100) was set aside for the costs of the audit.

4. Net financial income/expenses

Income from investments includes income from profit-and-loss transfer agreements in the amount of EUR 46,146,706.44 (previous year: TEUR 31,686).

Expenses from financial assets include assumed losses of subsidiaries as the result of profit-and-loss transfer agreements in the amount of EUR 2,087,363.52 (previous year: TEUR 3,375).

5. Income taxes

Income taxes of TEUR 1,746 consist of Austrian and foreign corporation tax, the tax expense allocable to PORR AG as the Group parent in the course of Group taxation in accordance with Section 9 Austrian Corporation Tax Act (KStG), as well as deferred taxes.

The change in deferred taxes relating to the business year 2017 amounts to EUR -163,446.13. In accordance with Section 198 Paragraph 9 UGB, the option was exercised to apply deferred tax assets from tax loss carryforwards for future tax claims to the extent that sufficient deferred tax liabilities are available, as these can be offset against each other on the basis of positive forecasts. When calculating deferred taxes, the current Austrian Corporation Tax rate of 25% was applied and can be seen in section Deferred Taxes to the notes (p. 32).

The standalone method was applied for **tax allocation:**

If there is a **positive tax result** for a Group member, the tax levy is calculated in line with the corporation tax that the Group member would have had to pay if its tax result had not been allocated to the Group parent. If there is a **negative tax result** for a Group member, this loss is recorded and can be offset against later gains. Should a member **leave** the Group, the tax losses and/or the non-offsettable losses, which at the time of leaving the Group have not been offset against later gains pursuant to Section 2 Paragraph 2 Austrian Income Tax Act (EStG), are to be settled in the form of compensation by the next-highest Group member.

The expense from income taxes breaks down as follows:

in TEUR	2017	2016
Corporation tax	1,859	4,968
Tax allocations	-286	324
Foreign taxes	10	6
Deferred taxes	163	-1,760
Total	**1,746**	**3,538**

V. Disclosures on Financial Instruments

On 12 August 2015 PORR AG placed a Schuldscheindarlehen totalling TEUR 185,500. The issue consists of four tranches with terms of three and five years and with a choice of interest at fixed or variable rates. In August 2016 the Schuldscheindarlehen was increased by TEUR 14,500 to TEUR 200,000 and the tranches at variable interest rates were partially extended. Another change in tenors and interest rates took place in February 2017 on tranches subject to interest at variable rates.

The Schuldscheindarlehen thereby break down as follows:

in EUR	Nominal amount	Tenor	Interest	Interest rate
Tranche 1	21,000,000.00	12 August 2018	fixed	1.764%
Tranche 2	1,000,000.00	12 August 2019	fixed	1.15%
Tranche 3	30,000,000.00	12 August 2019	variable	6-month EURIBOR+1.15%
Tranche 4	11,000,000.00	12 August 2020	fixed	2.249%
Tranche 5	18,000,000.00	12 August 2020	variable	6-month EURIBOR+1.25%
Tranche 6	37,000,000.00	12 August 2021	fixed	1.55%
Tranche 7	27,000,000.00	12 August 2021	variable	6-month EURIBOR+1.55%
Tranche 8	30,000,000.00	14 February 2022	variable	6-month EURIBOR+1.55%
Tranche 9	5,000,000.00	14 August 2023	fixed	1.917%
Tranche 10	10,000,000.00	14 August 2023	variable	6-month EURIBOR+1.90%
Tranche 11	10,000,000.00	13 February 2024	variable	6-month EURIBOR+1.90%

All tranches subject to variable interest have been hedged using interest rate swaps (swapping variable rates for fixed rates), classified as a cash flow hedge.

At 31 December 2017 the fair value of the interest rate swaps was negative at EUR 1,209,965.39. A provision for the negative market value has not been formed in light of the hedge relationship, which is classified as 100% effective.

In the 2017 business year the company concluded exchange rate hedges in the form of forward contracts for the intragroup financing of subsidiaries in Switzerland, Great Britain and Qatar.

The fair value of all forward exchange contracts as of 31 December 2017 was negative at EUR 531,202.35.

Due date	CHF	GBP	QAR	Total
February 2018			24,647,098.36	24,647,098.36
May 2018	26,303,302.70			26,303,302.70
June 2018	4,724,115.91			4,724,115.91
December 2018		725,316.28		725,316.28
Total	**31,027,418.61**	**725,316.28**	**24,647,098.36**	**56,399,833.25**

A provision for the negative market value of a forward contract in QAR totalling EUR 594,924.64 has also not been formed in light of the hedge relationship, which is classified as 100% effective.

VI. Fees Paid to the Auditors

Please see the consolidated financial statements of PORR AG for details on the fees paid to the Group's auditors.

VII. Disclosure on Associated Companies

Profit-and-loss transfer agreements are in place with the following companies:

PORR Financial Services GmbH
PORR Equipment Services GmbH
Schotter- und Betonwerk Karl Schwarzl Betriebsgesellschaft m.b.H.
PORR Beteiligungen und Management GmbH
PORR Bauindustrie GmbH
PORR Construction Holding GmbH
PORRisk Solutions GmbH

VIII. Other Disclosures

All of the company's transactions with related parties correspond to market conditions. There were no significant off-balance-sheet transactions as defined by Section 238 Paragraph 1 (10) UGB.

IX. Dividends

Based on the earnings for the business year 2017, the Executive Board will propose the payout of a dividend of EUR 1.10 per share to ordinary shareholders at the 138th Annual General Meeting to be held on 29 May 2018.

X. Events after the End of the Reporting Period

As of 3 April 2018, UBM Development AG paid back the mezzanine loan of TEUR 50,000 to PORR AG.

The Executive Board of PORR AG approved the consolidated financial statements and handed them over to the Supervisory Board on 18 April 2018.

XI. Disclosure on Staff and Executive Bodies

Average staffing level	2017	2016
Waged workers	3	6
Salaried employees	406	359
Total	**409**	**365**

Members of the Executive Board

Karl-Heinz Strauss
J. Johannes Wenkenbach
Andreas Sauer (from 1 February 2018)
Christian B. Maier (until 31 December 2017)

The table below shows the remuneration paid to members of the Executive Board of PORR AG broken down according to payment categories:

in TEUR	Salary	Variable bonus	Pension fund	2017
Executive Board remuneration				
Karl-Heinz Strauss	750	595	39	1,384
Christian B. Maier	500	675	40	1,215
J. Johannes Wenkenbach	500	425	40	965
Total	**1,750**	**1,695**	**119**	**3,564**
of which current benefits due	1,750	1,695	-	3,445
of which remuneration due after termination of employment	-	-	119	119
Benefits due as the result of termination of employment[1]	1,577	-	-	1,577

[1] Severance due for the termination of the Executive Board mandate of Christian B. Maier

in TEUR	Salary	Variable bonus	Pension fund	2016
Executive Board remuneration				
Karl-Heinz Strauss	750	700	-	1,450
Christian B. Maier	500	500	40	1,040
J. Johannes Wenkenbach	500	500	40	1,040
Total	**1,750**	**1,700**	**80**	**3,530**
of which current benefits due	1,750	1,700	-	3,450
of which remuneration due after termination of employment	-	-	80	80

Members of the Supervisory Board
Karl Pistotnik, Chairman
Klaus Ortner, Deputy Chairman
Michael Diederich
Robert Grüneis
Walter Knirsch
Iris Ortner
Bernhard Vanas
Susanne Weiss
Thomas Winischhofer

Remuneration (including meeting fees) for members of the Supervisory Board of EUR 198,250.00 (previous year: TEUR 200) was recognised in the income statement.

Members delegated by the Works Council
Peter Grandits
Michael Kaincz
Michael Tomitz
Wolfgang Ringhofer (from 26 June 2017)
Gottfried Hatzenbichler (from 26 June 2017)
Walter Jenny (until 26 June 2017)

18 April 2018, Vienna

The Executive Board
Karl-Heinz Strauss
Andreas Sauer
J. Johannes Wenkenbach

Investments

Company		Country code	Domicile	PORR share
Affiliated companies				
Affiliated companies limited by shares				
PORR Bauindustrie GmbH	*	AUT	Vienna	100.00%
Sabelo Beteiligungsverwaltungs GmbH		AUT	Vienna	100.00%
PORR Construction Holding GmbH	*	AUT	Vienna	100.00%
PORR Equipment Services GmbH	*	AUT	Vienna	100.00%
Schotter- und Betonwerk Karl Schwarzl Betriebsgesellschaft m.b.H.	*	AUT	Unterprem-stätten	100.00%
PORR Financial Services GmbH	*	AUT	Vienna	100.00%
EPS Absberggasse 47 Projektmanagement GmbH		AUT	Vienna	100.00%
PORR Beteiligungen und Management GmbH		AUT	Vienna	100.00%
PORRisk Solutions GmbH	*	AUT	Vienna	100.00%
Affiliated partnerships				
Wibeba Hochbau GmbH & Co. Nfg. KG		AUT	Vienna	100.00%
Associated companies				
Associated companies limited by shares				
RBA - Recycling- und Betonanlagen Ges.m.b.H. & Co. Nfg. KG		AUT	Zirl	31.58%
Other companies				
Other companies limited by shares				
Gaspix Beteiligungsverwaltungs GmbH		AUT	Zirl	31.58%
Zero Bypass (Holdings) Limited		GB	London	10.00%
BPV-Metro 4 Építési Közkereseti Társaság		HUN	Budapest	49.95%
BPV-METRO 4 NeKe Építési Közkereseti Társaság		HUN	Budapest	49.95%

* Company with profit-and-loss transfer agreement

Key:
F = Fully consolidated company
E = Company consolidated under the equity method
N = Non-consolidated company

Type of consoli-dation	Currency	Nominal capital	Equity/deficit not covered by equity	Annual profit/loss	Reporting date
F	EUR	36,336.42	214,151,552.48	9,338,235.68	31.12.2017
N	EUR	35,000.00	33,832.16	746.91	31.12.2017
F	EUR	35,000.00	298,734,067.01	10,450,491.78	31.12.2017
F	EUR	35,000.00	538,500.00	24,861,156.74	31.12.2017
F	EUR	3,633,641.71	16,379,481.42	-576,396.58	31.12.2017
F	EUR	500,000.00	505,000.00	1,496,822.24	31.12.2017
F	EUR	36,336.42	323,931.48	26,367.25	31.12.2017
F	EUR	35,000.00	20,071,169.60	-1,509,025.21	31.12.2017
F	EUR	35,000.00	35,000.00	-1,941.73	31.12.2017
F	EUR	35,000.00	1,661,481.12	400,048.83	31.12.2017
E	EUR	581,382.67	1,174,600.94	593,218.27	31.12.2017
N	EUR	35,000.00	26,379.08	1,556.60	31.12.2017
N	EUR	3,000.00	30,000.00	0.00	31.12.2017
N	HUF	10,000,000.00	7,926,000.00	-412,000.00	31.12.2017
N	HUF	10,000,000.00	9,880,000.00	-512,000.00	31.12.2017

Deferred Taxes

	Differences 2017			Differences 2016		
	Group members	PORR AG	Total	Group members	PORR AG	Total
Deferred tax assets						
Intangible assets	3,585,580.00	0.00	3,585,580.00	3,475,740.00	0.00	3,475,740.00
Property, plant and equipment	1,644,076.00	0.00	1,644,076.00	0.00	0.00	0.00
Financial assets	24,512,088.00	6,422,084.00	30,934,172.00	18,351,912.00	9,245,788.00	27,597,700.00
Non-current staff provisions	36,475,860.00	7,797,572.00	44,273,432.00	41,415,356.00	8,198,280.00	49,613,636.00
Non-current other provisions	4,551,452.00	5,908.00	4,557,360.00	8,220,784.00	4,160.00	8,224,944.00
Borrowing costs	4,668.00	909,288.00	913,956.00	0.00	1,422,824.00	1,422,824.00
Deferred tax liabilities						
Property, plant and equipment	0.00	0.00	0.00	-10,144.00	0.00	-10,144.00
Act. administrative and distribution costs	-89,293,376.00	0.00	-89,293,376.00	-83,896,452.00	0.00	-83,896,452.00
Untaxed reserves	0.00	-5,233,556.00	-5,233,556.00	0.00	-5,774,463.48	-5,774,463.48
Tax loss carryforwards		8,618,356.00	8,618,356.00		0.00	0.00
Total differences	**-18,519,652.00**	**18,519,652.00**	**0.00**	**-12,442,804.00**	**13,096,588.52**	**653,784.52**
Resultant deferred taxes 25% tax rate	**-4,629,913.00**	**4,629,913.00**	**0.00**	**-3,110,701.00**	**3,274,147.13**	**163,446.13**

Auditor’s Report

Report on the financial statements

Audit opinion

We have audited the financial statements of PORR AG, Vienna. These financial statements comprise the statement of financial position as of 31 December 2017, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of 31 December 2017 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Valuation of investment

Valuation of investments

Situation and reference to further information

The carrying amount of the “shares in associated companies” as at 31 December 2017 is approx. EUR 601m. Based on the Company's balance sheet total, this corresponds to a share of more than 53%. The value of the shares in affiliated companies therefore has a significant impact on the company's assets and earnings situation.

The assessment of the value of the shares in affiliated companies is performed on the basis of the DCF method and requires significant assumptions and estimates. Therefore, the value of the shares in affiliated companies is subject to uncertainty. For the financial statements the risk of an overvaluation of shares in affiliated companies exists.

Audit response

In order to address the risk, we assessed the appropriateness of the future-oriented estimates and significant assumptions as well as the calculation methods used.

In doing so, we analysed the plausibility of the assumptions and essential value drivers set out in the underlying planning calculations, taking into account the general and sector-specific market expectations.

The appropriateness of the discount rate was tested by comparing the parameters that are decisive for the determination of the discount rate with market- and sector-specific benchmarks.

In addition, the steps in the calculation schedule were retraced and recalculated on a random sampling basis.

Reference to further information:
In addition to the presentation of the accounting and measurement methods in section II., section III.1. non-current assets, contains details and explanations of the shares in associated companies. The shares in associated companies as well as the carrying value of the equity and their net profit for the year are presented in a table in supplement 2 to the disclosure notes. Section IV. 4. contains information on the income and expenses from associated companies.

Responsibilities of management and of the audit committee for the financial statements

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 for the audit of the financial statements

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 opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our 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.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, 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, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Comments on the management report for the company

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

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional information in accordance with article 10 of the EU regulation

We were elected as auditor by the ordinary general meeting at 23 May 2017. We were appointed by the Supervisory Board on 21 June 2017. We are auditors without cease since 2002.

We confirm that the audit opinion in the section "Report on the financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

We provided no services, in addition to the statutory audit, to the audited company and its controlled undertakings, which have not been disclosed in the financial statements or in the management report.

Responsible austrian certified public accountant

The engagement partner on the audit resulting in this independent auditor's report is Klemens Eiter, Certified Public Accountant.

Vienna, 19 April 2018

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Klemens Eiter
Certified Public Accountant

Gerhard Fremgen
Certified Public Accountant

This report is a translation of the original report in German, which is solely valid.

Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 par. 2 UGB (Austrian Company Code) applies to alternated versions.

We draw attention to the fact that the English translation of this long-form audit report according to Section 273 of the Austrian Company Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of the parent company give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report presents the development and performance of the business and the position of the company in such as way that it gives a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and that the management report describes the significant risks and uncertainties which the company faces.

Vienna, April 2018

Karl-Heinz Strauss
Chief Executive Officer

Andreas Sauer
Executive Board Member

J. Johannes Wenkenbach
Executive Board Member

Appropriation of Earnings

The consolidated financial statements as of 31 December 2017 report net retained profits of EUR 32,046,431.38 for the business year 2017.

The Executive Board of PORR AG thereby proposes the following appropriation of retained profits reported in the consolidated financial statements as of 31 December 2017:

The payout of a dividend of EUR 1.10 (one euro and tent cents) per dividend-bearing share with the remaining balance to be carried forward to new account.

April 2018, Vienna

Karl-Heinz Strauss
Chief Executive Officer

Andreas Sauer
Executive Board Member

J. Johannes Wenkenbach
Executive Board Member

Acknowledgements

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The financial statements for 2017, including the notes to the financial statements and the management report (individual financial statements), that have been audited by the company's auditors can be obtained free of charge from the company at 1100 Vienna, Absberggasse 47, and will be available at the AGM. In addition, the annual financial statements for 2017 may be downloaded from the website porr-group.com/reporting.

The contents of the annual report together with the individual financial statements constitute the annual financial report.

Disclaimer

Statements relating to the future in this report are based on estimates and assumptions which are made, to the best of their current knowledge, by managerial staff. Future-related statements may be identified as such by expressions such as "anticipated", "target" or similar constructions. Forecasts concerning the future development of the company take the form of estimates based on information available at the time of going to press. Actual results may differ from forecast values where the assumptions on which these are based should prove incorrect or risks should develop in unforeseeable ways.

Every care has been taken in the compilation of this annual report to ensure the accuracy and completeness of information in all sections. However, roundoff, typesetting and printing errors cannot be completely ruled out. All dates expressed in digits conform to European conventions of dd.mm.yyyy. Results preceded by the abbreviation TEUR are in euro thousand.

This report is a translation into English of the Annual Report 2016 published in the German language and is provided solely for the convenience of English-speaking users. The figures have been rounded off. In the event of a discrepancy or translation error, the German-language version prevails.

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